The Indian Company’s Act 2013 – a boon or bane to Sustainable Development

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Abstract: Corporate or Corporation is derived from Latin word “corpus” which means a “body”. Governance means administering the processes and systems placed for satisfying stakeholder expectation with the help of various Corporate Laws formed for the Governance of the corporate sectors. When combined together Corporate Governance means a set of systems procedures, policies, practices, standards put in place by a corporate to ensure that the relationship with various stakeholders is maintained in transparent and honest manner. In this paper I intend to bring about how effectively the recently enacted Indian Companies Act, 2013 (‘the Act’) which is a landmark legislation with far-reaching consequences on all companies incorporated in India helps in fulfilling the so called “Corporate Governance” and sustainable development by comparing the Old Law (Companies Act 1956) and the New Law (Companies Act 2013). Sustainable development, a notion of obligation to future generation which was first used in Brandlaid Commission in 1987, states that Sustainable Development is the development which is taking place to meet the demands of present generation without compromising or affecting the needs of future generations. The paper will also try to analyze whether the New Indian Companies changed provisions can be a blessing for the country as a whole or it will only add to the existing problems of the old Companies Act 1956. I will also point out how the Companies Act 2013 helps in achieving Corporate Governance by focusing on the key elements transparency and accountability.

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I. Introduction

The history of Indian Company Law began with the Companies Act 1850, which was modeled on the British Companies Act 1844. Between 1850 and 1882, the Companies Act was amended many times and the Act of 1882 replaced all the previous laws and remained in force till 1912 though amended many times. The Indian Companies Act 1913 was based on British Companies Act 1908. Subsequent amendments were made in 1914, 1915, 1920, 1926, 1930, 1932, and 1936. The amendment in 1936 was based on the lines of the British Companies Act of 1929 and became operative from 15th Jan, 1937. After Independence it was found that companies Law should again be amended and hence on the recommendations of the Bhabha Committee report, chaired by Mr. C.H. Bhabha, the President of India gave his assent on 18th Jan 1955 and it came into effect from 1st April 1956. The Companies Act, 1956 has undergone changes by amendments in 1960, 1962, 1963, 1964, 1965, 1966, 1967, 1969, 1971, 1977, 1985, 1988, 1996, 1999, 2000, 2002 (Amendment), 2002 (Second Amendment), and 2006. The Companies Act, 1956 was also amended by enactment of Depositories Act, 1996. Based on the recommendations of Shastri Committee, the Companies (Amendment) Act, 1960 introduced several new provisions relating to various aspects of company management which were overlooked in the 1956 Act. Liberalised Foreign Direct Investment policies after 1991 are tempting foreign investors who are looking towards India as an attractive investment destination. Moreover, the financial development of any nation depends on strong investor protection and good governance. The debates at the National And International level compelled the government to think whether the existing Indian Companies 1956 is sufficient enough to protect and preserve the interest of the home as well as the foreign investors. This thinking process made the government think about a change in the existing companies 1956. The recently enacted Companies Act, 2013 is landmark legislation with far-reaching consequences on all companies incorporated in India. The New Companies Act, 2013 is replacing old Companies Act, 1956. The New Companies Act, 2013 makes comprehensive provisions to govern all listed and unlisted companies in the country. The New Companies Act, 2013 corresponded with Companies Act, 1956, consist of 29 Chapters, 470 Sections and 7 Schedules. The Act in a comprehensive form purports to deal with relevant themes such as investor protection, inclusive agenda, fraud mitigation, internal control, director responsibility and efficient restructuring. The Act is also quite outward looking and in several areas attempts to harmonize with international requirements. Indian companies will have to closely examine these developments to develop a clear strategy at ensuring compliance per the new
requirements. The present paper traces the corporate governance reforms brought in by the new Companies Act, 2013 and their implications. Failures at The National And International Level, Globalised and Liberalised business were some of the major causes that led to the change in the existing Companies Act 1956, but the Satyam Scandal proved to be the last nail in the coffin, as far as the change is concerned.

The Country's Biggest Corporate Governance Failure: The Satyam Scandal
1. This case is also the Indian Enron Debacle. On January 7, 2009, the Paradigm of corporate governance changed forever in the country and left behind waves of shock amongst the shareholders, government, regulators and analysts.
2. The confession by the chairman of the fourth largest IT exporter of the country, Satyam Software services Ltd. about colossal fraud of over 7000 crores left the whole Nation thinking as to whether their hard earned money is actually safe.
3. It was the biggest case of corporate governance failure which highlighted daunted gaps in the accounting and auditing practices in the company and inefficacy of a system which places reliance on a board comprising of independent Directors to provide oversight in the functioning of the company.
4. Satyam boasted of 6 independent directors on its Board with excellent credentials yet none of them ever questioned the practices of the chairman least of all to detect the massively concealed fraud in the books of accounts until the chairman himself spilled the beans. investigations were undertaken by CBI, SFIO (Serious Fraud Investigation Office), Securities Exchange Commission of US (SEC), senior audit partners of international audit firm, Price Waterhouse Coppers were jailed because of their hand in glove working with the promoter. The board of Satyam was replaced by Government appointed nominees who managed to absolve the situation by handing over the operations of the tainted company to Tech Mahindra in a global bidding process.
5. The Satyam episode brought to the fore a multiple of corporate governance flaws such as: Unethical conduct, Insider Trading, Fraudulent accounting, dubious role of auditors and Audit Committee, ineffective board handpicked by the promoter, failure of independent directors, non disclosure of promoter pledging of shares, unreliable credit rating system and so on.

Post Satyam episode – Post this episode there was a reassessment of Corporate Governance:
A number of measures were taken by the industry and regulators to address the corporate governance situation in the country post the Satyam episode. Some of the major decisions taken by the government are:

**In 2009,** CII formed a task force headed by former cabinet secretary Naresh Chandra which came out with its report enumerating a set of voluntary recommendations with an objective to establish higher standards of corporate governance in the country. The National Association of Software and Services Companies (NASSCOM), also formed a Corporate Governance and Ethics Committee chaired by Mr. N. R. Narayana Murthy, a leading figure in Indian corporate governance reforms. The Committee issued its recommendations in mid-2010, focusing on stakeholders, audit committee, whistleblower policy and shareholders’ rights.

**In November 2009,** SEBI announced that they would amend the Listing Agreement to address disclosure and accounting concerns. SEBI instituted these amendments in early 2010.

**In March 2012,** Ministry of Corporate Affairs constituted a committee under the Chairmanship of Mr. Adi Godrej, Chairman, Godrej Industries Limited, to formulate policy document on Corporate Governance. In September, 2012 the Committee submitted its document, specifying seventeen guiding principles on corporate governance.
This paper tries to analyse whether the changes made in the New Indian Companies Act 2013 is actually going to serve the purpose and is actually going to serve the purpose for which it is enacted or is going to be a bane for the company, the Economy as well as the investors.

**Objective Of The Study:**
1. The first objective of this paper is to find out reasons/causes that led to a change in companies Act 2013.
2. The second objective is to find out the main changes in the New Indian Companies Act 2013.
3. The paper also tries to find out whether the changes in the Indian Companies Act 2013 is actually going to be beneficial or is going to be disastrous to the company.
4. The present study is an endeavour to discuss the corporate governance reforms brought in by the new Companies Act, 2013 and their implications.

**Importance of the Study:**
1. The paper helps in understanding the reasons that led to a change in the Indian Companies Act 2013.
2. The paper will be helpful in understanding the new Changes in the Indian Companies Act 2013.
3. The paper will be helpful to the future researcher who plan to carry a research in this field.
4. It will prove to be a guiding factor to those who want to understand the good and bad effects of the Indian Companies Act 2013.

**II. Limitations Of The Study**
1. The first Limitation Of the present research work is that The result is derived on the basis of responses of only 20 respondents.
2. The New Indian Companies Act 2013 has gone through various amendments after 2013. The Latest amendments have not be undertaken.
3. The New Companies Act 2013 has got 29 Chapters, 470 Sections and 7 Schedules and it is not possible to give authentic conclusion without going through all the chapters, sections and schedules.
4. The conclusion has been derived based on the study of only few major changes in the Companies ACT 2013.

**HYPOTHESIS OF THE STUDY:**
H_0: The new Indian Companies Act 2013 shall NOT prove to be a Boon for Sustainable Development.
H_1: The New Indian Companies Act 2013 shall prove to be a Boon for Sustainable Development.

**III. Research Methodology**
The research study will be explorative in nature and will be based on in-depth analysis of data and statistics, collected both from the primary and the secondary sources.

**Primary sources:** - Primary sources will includes Questionnaire, Interviews, Observations Schedules etc.

**Secondary sources:** - Secondary sources will include information collected from Journal/Article published, Reference Books related to corporate law, Publications by the government and Various websites.

It is proposed that in the analysis of data some statistical tools and techniques such as sampling method, surveys, chi-square test etc. will also be used for empirical results and analysis based on which further research prospects, recommendations and conclusions can be derived.

**Nature of the Research:** This research is exploratory in nature. It will give a direction to the future researcher for conducting the further research related to the same issue.

**Population of the Research:** Company Secretaries Chartered Accountants And Private Companies in the Patna district are the population of this study.

**Sampling Technique:** For collecting the data for this research the researcher has used Random sampling technique.

**Sample Size:** The sample size for this Project work is 25 respondents (out of 150 sample size for the whole Research Work)

Company Secretaries = 10
Chartered Accountant = 10
Private Companies = 5
Total Sample Size = 25

**Type of Data Used for this Study:** Only Primary data used by the researcher for this study.

**Instrument for Data Collection:** The researcher has used well structured Questionnaire for getting the information from the respondents. Questionnaire was distributed to the target respondents and data was collected. The researcher approached the practicing secretaries as well as practicing company secretaries for the feedback and the employed Company Secretaries of the respective Private Companies of Patna.
Statistical Tools used for Analyzing the Data: Before analyzing the data, variables were coded for easily entering the data in statistical software. t-test and other required statistical tools were used by the researcher for analyzing the data.

Statistical Software used for analyzing the Data: 22 version of IBM’s SPSS software used in this project work for analyzing the data.

IV. Review Of Literature:
Tina Edwin (2014) said in her article that in three years, India’s biggest corporate houses - Reliance Industries, Tata Sons, Aditya Birla Group and Infosys - will have to bring in a new set of chartered accountants firms to audit their books.

Viswanath Ajikumar (2015) the new Companies Act has far more and detailed penalizing measures, and the penalties and fines have all been made tougher than before in most cases. The law also goes into greater detail in regard to areas that were previously left up to interpretation, and in many cases, the Act fixes the penal measures rather than leaving it up to any Tribunal or Board, as the case may be in the previous Act. And the new Act gives greater authority to SEBI, goes to greater lengths to protect investors, and gives wrong doers the scope of spending far more time enjoying the wonderful correctional facilities in our country than ever before. A far greater number of possible offenses have been identified, and fines and jail time have been described uniquely for most of these. The new Act also gives greater freedom of operation and encourages the company format of business undertakings in an obvious manner. I guess everyone has heard of the OPC (One Person Company). The new Act is obviously aimed at bringing about a revolution of sorts in the way business is conducted in India, and is truly up-to-date, as far as it can be.

The New Companies Act 2013 is a blessing in disguise , says experts as per a report in The Hindu.(8th Jan 2015). “The Act addresses good governance seriously”“It is very important for students to understand and learn about the changes that have been made in the Companies Act, 2013,” said R. Sridharan, (president of the Institute of Company Secretaries of India (ICSI), New Delhi.) Speaking about the Act, Sutanu Sinha, CEO and Officiating Secretary of the ICSI, said the new Act was a blessing which would help companies finding it tough to operate within the old law which was not in sync with the global business practices.

By Vishal Shah and Smit Sheth ( 2013) the government aims to simplify its provisions, keep pace with global trends and make it easier to do business in the country. But the proposed law’s implementation would depend on its integration with existing statutes and laws such as the Foreign Exchange Management Act (FEMA) and the Income Tax Act. More clarity is needed on certain issues.

“Indian companies paid little or no regard to relatedparty transactions and there was little scrutiny of suchtransactions that were detrimental to the interests of minority shareholders,” says Shriram Subramanian,(former director and managing director, InGovern Research Services). Legal experts say the previous version of Securities andExchange Board of India (Sebi)’s listing agreement under Clause 49 did not have elaborate provisions for related party transactions. The new Companies Act and the revised listing agreement brought related party transaction on to focus with minority shareholders needing to approve related party transactions. Following are the Five Major Changes made In the Indian Companies Act 2013 based on which I will be deciding the impact of the new Indian Companies Act 2013 and will be testing my hypothesis based on these five major changes.

1. ONE PERSON COMPANY
2. LOAN TO DIRECTORS – SECTION 185
3. CORPORATE SOCIAL RESPONSIBILITY
4. INDEPENDENT DIRECTORS
5. PROHIBITION OF INSIDER TRADING
6. WOMAN DIRECTOR

1. ONE PERSON COMPANY[Section – 2(62) and 3(1)(c)]
Promoter shall be a natural person, Indian citizen and resident in India (182 days during previous year). He has to appoint a nominee with his consent who shall be natural person, Indian citizen and resident in India and in any event of death etc of the member, nominee becomes member. As per the new Act, no person shall incorporate more than one OPC. In case there is a Vacancy, the nominee as to fill in that vacancy within 15 days. An OPC can be a Section 8 Company (section 25 of CA 1956) that runs for charitable purpose.

2. LOAN TO DIRECTORS – SECTION 185
Public Companies cannot give any loan or provide any security or guarantee in connection with a loan to a Director or any other person in whom the Director is interested, except to Managing directors & Whole time directors under prescribed circumstances.EXCEPTION: ORDINARY COURSE OF BUSINESS
DEPOSIT - 73 to 76 (Deposit Section 2 (31)
Includes any receipt of money by way of deposit or loan or in any other form by a company, but does not include such categories of amount as may be prescribed in consultation with the RBI.

3. Committees

- COMPOSITION OF CSR COMMITTEE:
  - As per Section 135(1), three or more Directors including at least one Independent Director shall form CSR Committee.
  - However, for the companies which are not required to have Independent Director shall constitute CSR Committee without Independent Director and the private companies having only two Directors shall constitute CSR Committee only with two such Directors as provided in Rule 5(1) of the Companies (CSR Policy) Rules, 2014.

- ROLE OF CSR COMMITTEE:
  - As per Section 135(3), following are the roles and responsibilities of CSR Committee includes , Formulate a CSR Policy indicating the activities as per Schedule VII to the Act; Recommend the policy to Board of the Company; Recommend the amount of expenditure on the activities; and Monitor CSR Policy by way of instituting a transparent monitoring mechanism for implementation of CSR projects or programmes or activities undertaken by the company as provided in Rule 5(2).

- CSR EXPENDITURE:
  - As per Section 135(5), at least 2% of the average net profits of the company during three immediately preceding financial years must be spent against CSR as provided in CSR Policy.” .The list of programmes or projects which finds its place in the purview of Schedule VII; (Annexure)

4. Independent Directors

Under 1956 Act, there was no requirement to have IDs. However, under the Listing Agreement, the Board of listed entities having non-executive chairman and executive chairman should comprise of at least one-third and one-half of the Board as ID respectively.

Number of Independent Directors

The 2013 Act proposes that the Board of listed entities should comprise at least one-third of the Board as ID as opposed to Clause 49, which requires at least 50% IDs in case the chairperson is in an executive capacity or a promoter or related to a promoter, and hence this represents a dilution from the existing position.

5. Prohibition of Insider Trading

Companies Act, 1956 did not contain any clause with reference to insider trading. SEBI has prescribed Insider trading Rules in India. New clause has been introduced with respect to prohibition of insider trading of securities under the 2013 Act. The definition of price sensitive information has also been included. No person including any director or KMP of a company shall enter into insider trading except any communication required in the ordinary course of business or profession or employment or under any law. This is a step towards harmonization between the 2013 Act and the SEBI Act; more specifically for listed companies; Any person who violates the clause will be punished with a cash fine or imprisonment or both.

6. Woman Director

- RELEVANT RULES : RULES 3, 4 & 5 OF THE COMPANIES (APPOINTMENT AND QUALIFICATION OF DIRECTORS) RULES, 2014 Woman director on the Board Rule 3 : The following class of companies shall appoint at least one woman director—
  - (i) every listed company;
  - (ii) every other public company having—
    - (a) paid-up share capital of one hundred crore rupees or more; or
    - (b) turnover of three hundred crore rupees or more :

Provided that a company, which has been incorporated under the Act and is covered under provisions of second proviso to sub-section (1) of section 149 shall comply with such provisions within a period of six months from the date of its incorporation : Provided further that any intermittent vacancy of a woman director shall be filled-up by the Board at the earliest but not later than immediate next Board meeting or three months from the date of such vacancy whichever is later. Explanation.—For the purposes of this rule, it is hereby clarified that the paid up share capital or turnover, as the case may be, as on the last date of latest audited financial statements shall be taken into account.
Analysis and Interpretations:

- According to Mr. Rafeeqe Ahmed, Chairman, Federation of Indian Chambers of Commerce and Industry (FICCI) Tamil Nadu State Council The Companies Act 2013 has given statutory recognition to the Serious Frauds Investigation Office in the Ministry of Corporate Affairs. Speaking at a conference on ‘Companies Act 2013’ Mr. Ahmed said the government set up the office in order to prevent scams such as Satyam. The new Act had strengthened the provisions relating inspections and investigations. It had also provided for severe punishment for violations and non-compliance. However, speedy disposal of cases relating to corporate offences needs to be dealt with.

Talking about the Corporate Social Responsibility (CSR), he said the new Act for the first time mandated that Corporate should spend certain prescribed percentage of their profits on specified social upliftment activities. However, the coverage of CSR activities appeared to be rather narrow.

- The Companies Act, 2013 (“Act”), sets to overhaul the provisions relating to independent directors entirely.

- It confers greater power and responsibility in the governance of a company. There are no explicit provisions for independent directors under Companies Act 1956 (“1956 Act”) and only clause 49 of the Listing Agreement1 prescribed for the induction of independent directors and made it mandatory for listed companies. Thereafter, the Ministry of Corporate Affairs carried out corresponding changes to the provisions of 1956 Act, in an attempt to include the requirement of having an independent director on the board of listed companies to oversee corporate governance. However, such attempts proved to be futile as the changes failed to explain the roles, duties or liabilities of independent directors lucidly. Board’s independence from external influences is critical and directly proportional for effective corporate governance. Thus, the need for comprehensive and strong legislation relating to independent directors became vital and eventually led to the enactment of the Act. The present e-newsline discusses the specific changes relating to independent directors proposed by the Act and analyzes their pros and cons.

- **Pros:**
  It enjoys the status of Separate legal entity. It enables the small time businessman to enter the ‘corporate sector’ by incorporating OPC. Liability of the sole member would be restricted to the amount unpaid on the shares held by him. Micro and small enterprises (in manufacturing/in service sector) comes under the priority sector lending and the OPC may take leverage benefits of it. Mandatory rotation of the auditor after expiry of maximum term is not applicable. A lot of exemptions have been provided to the OPC which the public limited companies are not enjoying. OPC will aid individuals who are in the less organized and unorganized sectors (small and medium sized traders, weavers, artisans, mechanics, carpenters, designers and other skill dependent professions and vocations. OPC may be converted to other type of legal form by making amendment in the MOA.

- **Cons:**
  - The act prohibits any foreign participation. From taxation perspective, the concept of OPC may not appeal to smaller proprietors (to convert themselves in OPCs) since the base rate of tax of a company is quite high (30% approx) and may result in a higher incidence of taxation for them. OPC may also be used by unscrupulous individual entrepreneurs to siphon off funds and evade tax liability. From the lender’s perspective, financial institutions and banks- would they treat them as normal company.
  - The Act has not granted any relief to OPC from the provisions of accounts and audit. If an OPC declares dividend it will have to pay dividend distribution tax @16.995% (15% +10% surcharge+3% cess) apart from income tax @30.9%. OPC have to file Financial Statements, Balance Sheet and P&L account duly adopted by the its member within 180 days from the close of the FY as per proviso 137(1).

There is a cap on the capital / turnover. Where the paid up share capital of an OPC exceeds Rs. 50 lacs or average turnover during the relevant period exceeds Rs 2 crores, it shall cease to be entitled to continue as OPC. Section 26 of the Company Secretaries Act, 1980 stipulates that ‘companies not to engage in Company Secretaryship and no company. Having gone through the above discussions, the newly introduced concept of OPC is better option for those businessmen who do not want to involve other persons in their business and yet want to expand the horizons, but with a separate legal entity. By forming and doing the business under the umbrella of OPC and titled with label of Pvt. Ltd. may enhance the value enrichment in their business, whether incorporated in India or elsewhere, shall practice a Company Secretaries’.
Woman Director

Reaction by women

To an utter surprise, the women folks in the business community gave a mixed reaction to the issue of reservation. It was welcomed stating that presence of women directors would make the board aware and sensitive towards issues like sexual harassment, maternity benefits, conditions of work and working hours. But it was also stated that such reservation would prove counter-productive. However, it was argued that reservation would also stop relegation of women workers into less important responsibilities.

- Reaction by Federation of Indian Chambers of Commerce and Industry (Ficci)

The Federation of Indian Chamber of Commerce and Industry (Ficci) outwardly opposed the idea of the reservation of women directors on company boards. It opined that gender of an individual must not be the basis for procuring an important position such as the board of directors. Elaborating further, the Chamber stated that a position such as the director requires “expertise, knowledge and qualification” as a criteria, the fact that the MCA proposed such a gender – based reservation was taken as demeaning to the dignity of women. It opined, that, “women do not need the crutches of the statute”. It stressed that the Companies Act per se is meant for the purpose of efficient management of the company rather than removing social disorders and mal – practices. The Corporate Affairs Minister Shri Veerappa Moily, however, in a press conference gave the statement, that, the companies would not find it difficult to comply with the new provisions of the Companies Bill 2011 since there is enough talent among women. He further stated, that, “The clause is very much workable. It was our proposal and the committee has approved it. There are enough talents among women and that has to be promoted.” On the flip side, reservation of women ipso facto is a matter of disadvantage. The basic reason for introducing reservation for women was primarily the better representation of the fair sex in the corporate sector along with their social upliftment. However, the question arises, whether such a change in the corporate governance structure will guarantee or at least assure such a socio-economic upliftment? In the light of governance aspect, reference can be drawn from the Panchayati Raj system, where the reservation of women was introduced by the Constitution Amendment, 2009. However, the Elected Women Representative slowly became mere proxy for the male relatives in the Panchayati Raj Institutions. The 33% reservation, no doubt, brought women on the political and social stream of the country but in the majority of the case they turned out to be mere puppets in the hands of their male relatives. Hence, reservation does not assure stoppage on the cultural and social stigmas. If mandatory reservation is brought in the Board of a company then won’t it lead to a similar fiasco? Moreover, reservation per se might lead to pareto efficiency, the fact that the corporate will be concentrating on the representation of the fair sex might amount to the reduction of the corporate productivity. If the reservation is made mandatory and it becomes compulsory to fill the seats reserved for the women in the Board of Directors then a situation similar to Norway might crop up in India. Norway was the first country to impose strict laws pertaining to the reservation of women. Norwegian boards comprised of 9% women directors in 2003, they were directed to increase the number of women directors by way of 40% reservations in the Board of Directors and this was to be done within the span of five years. Many corporate reached this margin through window – dressing. The Norwegian companies, in order to comply with the norms of reservation promoted many women with much lesser experience than the directors before them to the position of the directors. This led to deterioration of business of such corporate. The question, hence, is whether the companies and the fluctuating market in India afford such a situation in India?
Testing Of The Hypothesis: 
Ho = Indian Companies Act 2013 does not act as a boon for Sustainable Development. 
H1 = Indian Companies Act 2013 acts as a boon for Sustainable Development. 

After analyzing the above questions the researcher has got the above responses and based on the above responses the researcher has used One Sample ‘t’ Test

The result of the test is as follows.

Sample Size: The sample size for this Project work is 25 respondents (out of 150 sample size for the whole Research Work)
- Company Secretaries = 10
- Chartered Accountant = 10
- Private Companies = 5
- Total Sample Size = 25

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<td>-1.821</td>
</tr>
<tr>
<td>-2.090</td>
<td>24</td>
<td>.047</td>
<td>-4.6000</td>
<td>-7.899</td>
<td>-1.821</td>
</tr>
</tbody>
</table>
From the above table we can see that the result is statistically significant @ 5% level of significance. If the significance value is greater than 0.05, null hypothesis is accepted and if the significance value is less than 0.05 null hypothesis is rejected. Significance Value is less than 0.05 in the above table hence the null hypothesis is rejected. This proves that the alternate hypothesis is accepted and hence it proves that Indian Companies Act 2013 acts as a boon for sustainable development.

V. Findings, Conclusions And Suggestions

The 2013 Act has ushered in a new era of corporate democracy making a titanic shift from "government control" to "self-governance". The 2013 Act has a number of measures for protection of minority holders like tighter norms on companies from raising public deposits, filing class action suit etc. The introduction of concepts of KMP, independent director and woman director are aimed at ushering quality professionals at management/board level. The provisions relating to transactions with related parties have been simplified; at the same time scope of it being misused to the detriment of minority shareholders have been prevented. The 2013 Act contains several welcome measures to boost M&A activities by allowing merger of Indian companies with foreign companies, putting in place a fast track mechanism for merger between wholly owned subsidiaries and holding company/merger between small companies and exit to minority shareholders at price determined by the valuer.

References

[2] Companies Act, 2013 available at mca.gov.in
[4] Understanding Companies Bill 2013: Analysis of Accounting, Auditing and Corporate Governance changes- Ernst & Young