

Law soon to permit limited liability partnerships: PM

A law will soon be enacted to permit limited liability partnerships for professions like chartered accountancy, Prime Minister Manmohan Singh said Tuesday, even as he emphasised on good corporate governance for India Inc to compete globally.

"A law on limited liability partnership is on the anvil," the prime minister told the diamond jubilee celebrations of the Institute of Chartered Accountants of India (ICAI) here.

"This would help in the consolidation and growth of small firms and promote multi-disciplinary practices in line with the evolving global trends," the prime minister added.

Unlike public and private limited companies, India at present does not permit limited liability clause for partnership firms, as a result of which all its partners are jointly and severally liable in the event of losses.

Even the personal assets of a partner and his immediate family can be used to settle debts and pay off creditors in the event of loss. This apart, chartered accountancy firms cannot float private or public limited companies.

He also said the Chartered Accountants Act of 1949 will be amended and invited suggestions in this regard from the institute, whose membership has grown from 1,700 professionals in 1949 to over 150,000 today.

According to the prime minister, in various public discourses concerning the way Indian companies had been functioning, not much attention was being paid to corporate governance.

"Unless Indian firms come to be recognised worldwide for good corporate governance, they will not be able to compete globally in an increasingly inter-dependent integrated world," he said.

"In the era of protectionism, few bothered about corporate governance and transparency in accounting and in management. Such laxity, however, is no longer possible. Shareholder democracy has come to stay," he added.

In this regard, the prime minister said chartered accountants were the watchdogs of this new corporate world that is full of opportunities, but also not without challenges.

The prime minister also said that while governance was being decentralised with more administrative powers to the village-level bodies, also called Panchayati Raj institutions, there was an equal need to ensure proper utilisation of funds.

"A proper accounting system for funds received and spent by Panchayati Raj institutions will be critical to making this innovative experiment in decentralisation a success," he said.

"With the presence of chartered accountants even in the remotest part of our country, you can also facilitate financial inclusion and access to finance for the rural poor, through micro finance and other innovative measures."

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