

National Foundation For Corporate Governance

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Plenary Session-II: “IT as a facilitator for Corporate Governance”

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When we talk of IT, I think as far as the Ministry of Corporate Affairs is concerned, we are all so full of MCA-21 that we don't think beyond MCA-21, whereas MCA-21 for external stakeholders is almost becoming a thing of the past. Certainly the use of technology in the coming days, the business reporting language, the SBRL, its usage for business reporting, all the financial reporting, all the financial dealings, which the entire corporate sector go through and I am sure the institute of Chartered Accountants of India is right now busy developing the taxonomy where the usage of SBRL for Indian accounting system to be compatible with international financial reporting systems and that is going to be the next IT revolution as far as the usage and application of IT. Having set the tone for SBRL or MCA-21.

I will just start on a more negative note while IT is a facilitator in a big way, there is no doubt at least for me, it has made me realize, as far as Corporate Governance is concerned, that how inadequate we are going ahead on Corporate Governance course. I had a very long presentation and one has worked for quite a long now on MCA-21, one could so take the whole day on MCA-21 and one has to go through it. I will use three slides to make my presentation on MCA-21. I may say that MCA-21 is going to stay—a site of portal with average hits of 1.7 million a day and a maximum hits on particular day was 6.5 million that was on 29th November 2006. Number of documents filed on a single day was more than 36000 which was the time- the last day of filing return and balance sheet without additional fee. Total number of documents filed till date is 23.77 Lack; companies registered online is more than 63000 plus, directors identification number- a unique identification number for directors issued till date are 5.83 lack.

One of the biggest facilities that IT has brought for all the stakeholders is to view the public documents facilities online. 2.68 Lack persons have availed of this service; just imagine 2.68 Lac persons should have gone and visited the registrar's office physically, queued up, perspired and uncertain about whether they get a document or not have been now viewing from their home or offices. E-filing through VFO is 92% and online payment transaction was 45%. Total number of work items initiated is 9.73 lack and bank reporting to MCA within T+3 days was 97%.

When you seek services using the online systems they say that uplift a particular form, the system prompts you to make payment and it gives you an option to make payment offline or online. If you choose offline payment mode, it gives you a pre-filled challan which you generate print and take it to one of the authorized bank branches. If you choose online payment, then it gives you the option of

making online payment through credit card or Internet banking. In both the scenarios, the work item which has been filed and uploaded by you, the service request keeps lying in the front portal till the realization of the statutory fee payment is confirmed by the banks to them in MCA21 systems. It gets initiated as a work item by the ROC office only after the realization of payment conformation is made. When we started, we had certain banks reporting realization of payment as late as 45 days. That was a kind of concern that means a stake-holder was filing his request and he says it is your problem if in 45 days any payment realization is not getting reported this time also to your account. We would say if the work item has not got initiated, not to our account; it is somewhere between the systems. But I am happy to say that today that 45% of the payment transactions are already online and 97% of the payment transaction realization is being reported within T+3 days. This is really good and we are now looking forward to an opportunity that from 1st January 2008, except payment of a particular level, say 1.00 lack and above, all other statutory fee payments can also be mandated as online payment. That is much cleaner, faster and results are faster delivery services.

The next slide I want to show to you also brings out the inadequacies with us. The efficiency is service delivery from some of the business critical service items, name approvals; citizen charter provided three days prior to MCA-21. It was 7 days earlier; today with some exception here and there, it is done on the same day. Company incorporation used to take about 15 days, today takes from 1-5 days inclusive of T+3 days, that is the time taken by banks reporting realization of payment. So it is 1-5 days. Change of name as against 15 days earlier, it is 3 days now. Change of registration/modifications is to take anywhere between 10-15 days; today it is being done in 2 days time. Certified copy of documents as against 10 days, it is done in 2 days time. Registration of other documents – the documents placed with the registry-annual return, balance sheet-we say that it used to take 60 days but it could be anything between 1-7/8 years because these documents will not be going to be document file of the companies. Today it is on an STP mode and the moment you file the document it goes into the electronic registry. So is the case of balance sheet. Change in director's form 32, takes not more than 3 days; change in registered office address, takes 3 days; increase in authorized capital in 3 days; inspection of documents are online for public view.

Last week a functionality has been released whereby you can ask for a document which is not on the electronic registry; which will be taken out of physical file and uploaded for on demand scanning and it will be available within 24 hours. This time frame also, we are setting a target for ourselves that we should be able to deliver all these services in 48 hours time and ultimately to come to 24 hours time frame.

Now, I will talk about inadequacies and how it brings out inadequacies to our notice. MCA-21 implementations have made us realize how inadequate we were with our data management of the Corporates. It has made us realize that qualitatively how good is the integrity of the data we have. As a result of this, we have taken a massive programme of validation of the data. When it comes to filing in the responsibility on both sides, it tells us how effectively you can manage your complaints and it tells us how non-complaint many corporate citizens are. I tried to work it out in different capitalized banks-the annual report and balance sheet filing which is a statutory requirement. In 2005-06 it was in the lowest bracket and we had only about 13 per cent compliance-a very very poor compliance - which increased to about 21%. Overall we found that there has been an increase of about 46-54% in one year: if you go through various factors. We also look at it that when we gave facility under MCA-21 for filing of annual returns and balance sheet and straight through the mode and it goes into the

electronic registry-and now we are working on it as to how many companies have filed their attachments which is inadequate. Somebody has filed only 2 pages of the balance sheets, somebody has filed only the cover part of the annual report and as one of my colleague said, 'you have to make out whether one is filing in the balance sheet or Madonna's photograph'. So, that is where it tells us about inadequacies on the part on the compliance by corporate sector, it tells us the inadequacies in the delivery of services on our part and that is the basis of the foundation and key to improve on your performance, to improve on the deliveries on both sides.

The next thing we want to mandate, besides the registered office address which is to be maintained by the company and intimated to the Ministry of Corporate Affairs that they have to have an electronic address. The moment we have electronic address, the moment I send a mail and I get the bounces, I know how many of them are maintaining or not maintaining. It could be only with the e-mail address that we sent a communication to about 1.9 lack directors though one e-mail, three days back to started doing it. Similarly, we are looking at 3 lack companies which have filed their DIN forms; we are sending communications to them. It is so easy, technology really can make you interact. At times, I understand that the other partner does not know that this is the situation. As far as the corporate world is concerned, pardon my saying so, the changes bringing about this transformation have been work of the professionals and the professionals. The real initiative, knowledge understanding at the level of CEOs or the captains of the industries has been far from what it is expected to be. They look at it- that my professional is going to take care of this job.

There are very few CEOs and CFOs who himself have tried and looked at the systems to what extend it is helping. Because if they look at it, I am sure that the drive will be much better in order to optimal utilization. We are also looking at it that the most important segment in terms of compliance management is the group which consists of all the listed companies, all the public companies, all the Govt. companies and companies with an authorized capital of more than 1.00 crore. We have analyzed and found that compliances are already exceeding 75% in this group and our target is that this group should have a compliance rate of 90% for filing of annual return and balance sheet, as of end March 2007 and I am sure with your cooperation, we should be able to achieve it.

That is what technology has helped us, work on the systems, compliance and service delivery improves and I am sure things will keep on improving as we go by. As far as MCA-21 is concerned, the job is only half done; there are so many more value features which are increasingly being brought into the programme.

Thank you so much for your time.