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A Critique on the Concept of One Person Companies, and its Relevance in Indian Entrepreneurship

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ABSTRACT

In approaching years, it doesn't appear like the one person company was ever originated as part of Indian corporate arrangement but is a global hybrid corporation thought that was initiated after entailment of the company act 2013 in India by the input of 'Dr. JJ Irani committee report of 2005' with a design of endorsing the structured corporation with minimal risk tolerance. Essentially, it serves as the convenience to that segment of the corporate world which often gets discounted. In this exploration expedition, the researcher attempted to critically appraise the fundamental understanding of OPCs together with its historical and jurisprudential view, reflecting its developmental journey throughout multiple lenses in which it cropped up as an asset in a few circumstances, but likewise had a prejudiced perspective on its own. It also undertakes to accommodate the OPCs' specific legal and statutory requirements that have an impact on the substantive implementation of the OPC idea in India. It moreover examines the advancement, necessity and influence of OPCs in India on entrepreneurship on numerous mounts, as well as by examining the two vital years: the initial dimensions in which OPCs were originally proposed in India (2014-2015), and the second, the prevailing era of 2021 as of August 31, 2021. It assimilates the latest modification of 2021 in companies (Incorporation) rules 2014 regarding OPCs in a renewed mindset simultaneously with the jolt of pandemic years. Ultimately, the researcher discusses the government's actions in relation to OPCs, along with alternative suggestions over how OPCs might overcome their shortcomings and attain their objective.

Keywords*: One Person Company, Indian Entrepreneurship, Companies Act 2013, COVID-19, pandemic, Companies (Incorporation) Rules 2014, Companies (Incorporation) Rules (amendment) 2021, One Director Company, OPCs, One man show.*

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I. Understanding OPCs and their evolution through various perceptions

In India, corporate law has strengthened a long way from the initial journey of *Kautilya's Arthasastra* (4th Century BC) to the current period of enforcement of the Companies Act 2013. This progression is not intended, but it is determined through various acts, statutes, legislation that carved out the way for the Companies act 2013. Substantially, it embodied the laws, rules, and regulations that represent the encounter of the people's shared consciousness, which is directly proportional to the changes and development occurring in the economic sectors, the method of earning money, and other significant reasons. One such example of conscious evolution of law is the introduction of the element of "One Person Company (OPC), which has been inscribed under section 2 (62) of the companies act 2013." [2] It is recognized as a concept that is chiefly designed to accommodate the large modern enterprises to create a shift from a complicated and rapidly shifting social and economic environment to a simplified version together with comfortable restrictions concerning capitalization, management, control, securities.[3] One Person Company is a simplified version or a singular version of a joint corporate entity introduced to "Indian Entrepreneurs" to a new era of incorporation of "legitimate businesses", being as "one corporate shareholder entity". It is described as one person as to its member. As a one-person private company,[4] it is considered a revolutionary step in developing corporate law.

(A) Historical evolution and International Aspects related to the concept of OPCs

The world acknowledged the global genesis of the one-person company after the judicial interpretation of "Salomon v. Salomon & Co. ltd. (1896)"[5] by a UK court in which "Salomon and his 7 (Seven) family members invested in a shoe manufacturing firm, which comprised himself, a wife, and five sons." "In which he invested £ 20,000/- (Pounds Twenty Thousand Only) in share capital and £ 10,000/- in debentures (Pounds Ten Thousand Only). It was decided to shut the firm as it began to lose financially. During the winding-up procedure, only £ 6,000/- (Pounds Six Thousand Only) was recovered from assets." The liquidator invalidated Salomon's initial claim since he was the only debenture holder, and the liquidation viewed him as a representative of the firm and responsible for the company's demise. In this instance, there

[2] The Company Law Act, 2013 , No. 18, § 2(62).
[3] Warner Fuller, *The Incorporated Individual: A Study of the One-Man Company,* 51 HARVARD LAW REVIEW 1375-76, (1938)
[4] The Company Law Act, 2013 , No. 18, § 3(1)(c)
[5] Salomon v. Salomon & Co. ltd.(1896) 1 UKHL

were primarily two issues raised:

1. Can the initial seven members of a private limited business be members of the same family?
2. Is it viable for a debenture holder to also be a shareholder?[6]

The House of Lords judged that a corporation is a distinct legal entity from its members who direct its actions. They will be treated differently from the rest of the firm. [7] Further, they mainly interpreted the condition of existence of the companies where the control is in the hand of one person.[8] Later, in 1925, "the concept of One Person Company" was expressed by the statutory provisions. [9] "Specifically, section 7 of the UK Companies Act 2006, which interprets the formation of a company in the United Kingdom, stipulates that a company can be created for a lawful purpose by one or more individuals under this Act by adhering to the processes outlined in this Act."[10] However, the comprehensive transformation of the one-person company does not halt here. As in the case of the United States of America, several states recognize the considered concept with their peculiar regulations and restrictions. In Singapore, section 17 under the Companies Amendment Act of 2004 [11]stipulates that the company can be formed by the person alone or together with other persons. China is another country that reinforced the legal reforms referring to the concept of One Person Company from 2005 through affecting it from 1st January 2006[12] with the cooperation of statutory provisions.[13] The approach of One Person Company was maintained in the European Union through the twelfth company law directive in December 1989. Later, it was consolidated in May 2001 jointly with diverse considering aspects.[14] Other than the above-discussed countries, the UAE, Turkey, Pakistan, and Serbia also streamed towards the discussed concept.[15]

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[6] Ishita Chelawal, *One person company a critical analysis,* 1 AWARDED LAW RESEARCH REPORTS JOURNAL 27, (2016).
[7] G. Van Bergen, *The One-Man Company,* 1 HONG KONG UNIVERSITY LAW JOURNAL 188 (1926).
[8] Dr. Vipan Kumar, *One Person Company: Concept, Issuesand Suggestions*, 132 SOCIAL SCIENCE RESEACH NETWORK JOURNAL 68, (2016).
[9] Neha Yati & Krusch. P A, *One Person Company in India,* 2 INTERNATIONAL JOURNAL OF LAW AND LEGAL JURISPRUDENCE STUDIES 7, (2015)
[10] The UK Companies Act, 2006, § 7.
[11] The Companies (Amendment) Act, 2004, § 17.
[12] The Companies Law of the People's Republic of China, 2005, § 3.
[13] Beihui Miao, *A Comparative Study of Legal Framework for Single Member Company in European Union and China,* 5 JOURNAL OF POLITICS AND LAW 7, (2012)
[14] Twelfth Council Company Law Directive-Single Member private limited liability companies, 1989, Art. 44.
[15] Vinod Kothari & Nivedia Shankar, *One Person Companies: Indian Law in a Global Perspective,* 8 CHARTERED SECRETARY JOURNAL 18 (2014).

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(B) Inception of OPCs in India

"In India, the OPC was first noticed in the Dr. JJ Irani Committee report in 2005",[16] which was empowered to capture a holistic approach to modernize the Companies Act 1956 in light of the present economic atmosphere and to devote the loopholes it had established. Substantially, they introduced the OPC as one of such updated concepts attributed under chapter III entitled "Classification and registration of the companies" to characterize the forms of corporate organizations as per the global standards to meet the economy's growth and streamline the business operation. The fundamental goal of incorporating the OPC is to broaden the outlook of entrepreneurship by allowing individuals to contribute by employing their entrepreneurial capacity and personal deposit to offer them more flexibility and fewer restrictions in running their business. It can be thought of as a type of corporate liberty that has given an outlet of participation to the people in the corporate world based on the idea they can contribute adequately to society. It also signifies diversity in the form of the firm, which is classified, based on size, members, control, liability, and manner of access to capital and provides individuals with a variety of options while respecting everyone's preferences."[17]

- **Jurisprudential view of OPCs**

To assimilate the jurisprudential perspective of the OPC's inception, one must first embrace the interpretation of a corporation, which is defined as "a group of individuals or associations of persons who are joined together to earn profit as a fixed and explicit purpose."[18] As a result of this definition, it can be presupposed that founding and administering a company requires a group of people who trust one another and have a clear purpose of making a profit for the firm as a whole. But what if an individual can't trust anyone to establish a good business with him and wants to go it alone?

So the classification of the company on the basis of the size of 'One Person Company' overcomes this struggle while also providing an option for anyone who wants to start the company with less funding, fewer restrictions. Briefly, the one director company can be included in the body corporate, one person company can be referred to as an advanced extension of the earlier definition of a business with the same fundamental values.

II. Understanding OPCs with the concerning Indian legislation

On 28th April 2014, the very first OPC in India was formed in Delhi. "VIJAY CORPORATE

[16] DR. JAMSHED J. IRANI, "REPORT ON COMPANY LAW" (Minister for Company Affairs, 2005)
[17] T. V. Narayanaswamy, *One Person Company - A Legal Fiction*, 8 CHARTERED SECRETARY JOURNAL 37 (2014).
[18] AVTAR SINGH, INTRODUCTION TO COMPANY LAW 143 (EBC Publishing (P) ltd., Lucknow, 2019).

SOLUTIONS OPC PRIVATE LIMITED" is the company's name, and its "CIN is U93000DL2014OPC267546. Mr. Vijay Kumar Sharma is the sole shareholder and director of his company."[19] This company under Mr. Vijay Kumar has been described as Single person economic entity. This concept was implemented by the "Companies act 2013" in furtherance of the recommendations of Dr. JJ Irani so that the individual entrepreneur does not have to spend a significant amount of time, energy, or personal resources on complex legal compliance.[20] Additionally, the individual can prove the entrepreneurial capacity and can contribute efficiently to society.[21] Further, to understand its development and foundation in every aspect, there is the need to understand this type of company thoroughly through its procedural and legislative elements expressed in statutes, acts, rules and regulations.

(A) Analyzing the underlying elements of OPCs with procedure and regulation settled

"Section 2(62) of the Companies Act, 2013"[22], incorporates "One Person Company," which is mainly acknowledged as the desire for personal independence, which permits a skilled professional individual to pursue their preferred business. Although individuals control it, OPCs are a separate legal entity with the same legal status as any other registered corporation [23] but with special statutory provisions regulating it. As there is a sole shareholder in OPC can be the director at the same time. Under "section 3 of the Companies act 2013"[24], an act describes a "one-person corporation" as a private limited company.

Substantial elements make OPC more defined and competent than any other registered corporate, even though it is controlled by individuals with its own justified and unique variations to the general guidelines for registered corporates. Substantially, these elements act as an advantage for an OPC.

- **Concept of separate Legal entity**: "Section 9 of the companies act 2013[25]" embedded the concept in it where it is observed that the company exists as an independent entity unmerged with the members responsible for operating it, directing it, supporting it, or administering it. The company has its own corporate personality, which aids the company to exist globally, legally, and in society, further in people's eyes.[26] Effects of this doctrine are reflected in section

[19] *Id* at 18.
[20] Ranjan Kumar & Aqa Raza, *'One Person Company' Under the Companies Act, 2013—Journey from 'Minimum Two Person' to 'Only One Person': A Critical Reappraisal*, 6 GLOBAL JOURNAL OF MULTIDISCIPLINARY STUDIES 1, (2018).
[21] *Supra* note 15 at 15.
[22] *Supra* note 2 at 3.
[23] *Supra* note 16 at 15.
[24] *Supra* note 3 at 3.
[25] The Company Law Act, 2013 , No. 18, § 9.
[26] Praga tools Corpn v. CA Imanual, (1969) 1 SCC 585.

9. During the period of the certificate of incorporation, subscribes to the memorandum, which may be regarded as "the member of the company, not the company itself, shall be entailed as a body corporate."[27] Finally, a company becomes capable of administrating in society as an artificial person. The same was earlier observed in "Kondoli Tea Co Ltd, re"[28] even before the Salomon case by Calcutta High court, where they specified that "the company is a separate person" altogether from the body of the shareholder. Correspondingly, in the case of "One Person Company", the Bombay high court observed that "Under the law, an incorporated company is a distinct entity and although one person may practically control all the shares, in law a company is a distinct entity and it is not permissible or relevant to enquire whether the directors belonged to the same family or whether it is compendiously described as a one-person company."[29] As a result, one-director firms might be seen as a source of inspiration for legislators, as they strive to attain a specific aim that was previously encircled by old company law legislation.[30] However, "the great majority of them are as bona fide and genuine as in a business since they are convenient and suitable media for provision and application of capital to the industry."[31][32]

- **The element of Limited Liability**: This Company has the feature of limited liability where the person's liability is limited to the amount of share held by them. They are responsible for their limited share together with other forms of sub-classification of One Person Company. It's like a balance between the contributed investment by an individual and its obligations together with its liabilities towards it. "No member is bound to contribute anything more than the nominal value of the shares held by him."[33]The same applies in the instance of one Person Company where the individual running the company has limited personal risks by employing this doctrine. Subsequently, the exceptions of the other corporate bodies apply the same to OPC. Some of these exceptions include: when the company is an unlimited company under section 3(2), when "a company has been incorporated by providing any false or incorrect information or representation; and when it appears that any business of the company has been carried on with the intent of defrauding the company's creditors or any other person during the winding-up process."[34]

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[27] Ashoka Mktg Ltd v. Punjab National Bank, (1990) 4 SCC 406.
[28] Kondoli Tea Co Ltd, re ILR (1886) 13 Cal 43.
[29] TR pratt(Bombay) ltd v. ED Sasoon & Co ltd, AIR 1936 Born 62.
[30] AVTAR SINGH, COMPANY LAW 195 (EBC Publishing (P) ltd., Lucknow, 2018).
[31] Commr of Inland Revenue v. Sansom, (1921) 2 KB492.
[32] British Thompson & Houston Co ltd. v. Sterling Accessories Ltd, (1924) 2 Ch 33.
[33] Jh Rayner (Minicing Lane) Ltd. v. Deptt of trade and industry, (1990) 2 AC 418.
[34] *Supra* note 3 at 3.

- **The doctrine of Perpetual Succession**: As the company has a separate corporate entity that is different from its members, similarly, its existence differs from that of its members, as the corporate existence of the company does not get affected by the death or insolvency status of its member.[35]Moreover, to justify the previous statement of being the OPC as a body corporate, there is also a need to observe the element of perpetual succession in OPC, which can be summarized as an incorporated company never dies. In the instance of OPC, this process gets satisfied by subscribing the name of the nominee in the memorandum of OPC by the present director with the prior consent of the nominee in the prescribed form, according to the explanation clauses of section 3. "Further, such nominee will become a member of the company in the event of the subscriber's death or his incapacity to contract." The OPC can never die, even if its director or shareholder changes or die because of some reasons. Further, sub-clause (6) of rule 4 of companies (Incorporations) Rules, 2014[36], mentioned the mandatory provision to subscribe to a nominee within 15 days in the circumstance of joining a new member after the sole member of OPC ceases to be a member in the event of death or incapacity to contract. Thus, despite the total change in membership, "the company will be the same entity, with the same privileges and immunities, estate and possession."[37]
- **There are other elements that also act as an advantage of OPC**: for instance, the structure of a company possesses an interest in the "separate property" as being the separate corporate personality that can only be used by a company for its purpose and is managed, controlled, disposed of by it.[38] Adding on to that, no shareholder, member, director of the company will have no right to it.[39] This concept aids in resolving the issue of property title confusion between the body corporate and its members, therefore definitively protecting the body corporate's interests and assisting the company's effective operation. Additionally, as an autonomous corporate organization, "it has the capacity to sue and can be sued in its own name, independent of its members."[40] If we refer to the aspect of compliance burden in the case of one person company that is classified as a private limited company under "section 2(68) of the Companies Act 2013"[41], with its own set of exemptions from regulations and provisions, which results in a lower compliance burden on OPC. Further, in the instance of OPC, banking and financial organizations prefer to lend money to corporations rather than private companies. In

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35 Gopalpur Tea Co ltd v. Peshok Tea Co ltd, (1982) 52 Comp Cas 239.
36 The Companies (Incorporation) Rules, 2014, Rule 4.
37 I. Maurice Wormser, "*Cases on private corporation: a comment on a review",* 2 JOURNAL OF LEGAL EDUCATION 487, (1950).
38 Bacha F Guzdar v. CIT, AIR 1955 SC 74.
39 Macaura v. Northern Assurance Co. ltd, 1925 AC 619, 625 (HL).
40 Union bank of India v. Khaders International Constructions Ltd, (1993) 2 Comp LJ 89 (Ker).
41 The Company Law Act, 2013, No. 18, § 2(68).

most cases, being your business as a one-person corporation is preferable rather than a proprietary organization.

(B) Important statutory provisions and regulations, including the 2021 amendment

The "Rule 3 of Companies (Incorporation) Rules, 2014", establish several guidelines for OPC incorporation. According to rule 3(1) of the regulations[42], as mentioned earlier, "only a natural person who is an Indian major citizen, who has the capacity to contract, may incorporate OPC by subscribing to the memorandum of association." Moreover, this condition applies to new nominees subscribed by the "sole member of the OPC" in its memorandum of association. Further, to be categorized as 'resident in India,' a person needs to stay in 'India for a period not less than one hundred and eighty-two days'. [43]According to sub-clause (2) of the aforesaid rule, "no person shall be eligible to incorporate more than an OPC or become a nominee in over one such company." Furtherance clause (4) of rule 3restricts a minor person to be a "member or nominee or to hold any share of the OPC." [44] Clause (5) of the same rule restricts OPC to be incorporated or converted into a company under section 8, i.e., to be a charitable company[45]. In clause (6), the OPC cannot carry out Non-Banking Financial Investment activities, including investment in securities of any body corporate." The purpose of inserting clauses 5 and 6 in rule 3[46] is to respect the objectivity and nature of the OPCs, which is considered small company. Additionally, it already faces a discharge charge of 30% high-income tax, which acts as a disadvantage to one-person companies and discourages legislators from applying the provisions of section 8 of Companies Act 2013[47] or being observing the OPC act as a non-financial company or registering as a non-profit organization.[48]

- **2021 Amendment regarding OPCs with COVID-19 impact:** This modification is responsible for a number of significant changes to rule (3), including the substitution of "resident of India" in clause (1) for "resident of India and otherwise" in clause (2). This change reflects the parliament's desire to broaden the range of people who can participate in and subscribe to OPC. Furthermore, to give flexibility linked to subscribing to OPC as a member or nominee, the staying duration of the 'residence of India' term was decreased to 120 days from 182 days in explanation I of rule 3. [49] Also,

[42] *Ibid.*
[43] The Companies (Incorporation) Rules, 2014, Rule 3.
[44]*Supra* note 41 at 10.
[45] The Company Law Act, 2013, No. 18, § 8.
[46] *Supra* note 41 at 10.
[47] K. S. Ravichandran, *One Person Company – Need For Granting Exemptions and Removing Limitations*, 12 CHARTERED SECRETARY JOURNAL 37 (2014).
[48] *Supra* note 2 at 3.
[49]The Companies (Incorporation) Rules, 2021, Rule 3.

the only natural person is restricted to participating as a member or nominee in only an OPC, as stated in clause (2) of rule 3. In contrast, NRIs, who are not considered natural persons, are not subject to this restriction. They can be part of OPCs, indicating that the idea of involving more people globally in the concept of OPC to boost the Indian economy is still gaining some traction.

Before applying new company incorporation rules 2021, rule 6 of it provided the mandatory clause for the OPC to get changed to a private or public company, regardless of the objectivity and nature for which the OPC was formed.[50] According to erstwhile section 6, to meet the stand's criteria of being OPC is: Firstly it should not exceeds fifty lakh as “paid-up share capital of OPC”; Secondly, its average annual turnover during the relevant period should not exceed two crore rupees; Thirdly, prohibits any member of the public from subscribing or soliciting deposits through a public invitation known as a prospectus; Fourthly, except as allowed in the MOA, the right to transfer ownership of shares from one person to another is restricted." Suppose these aforesaid conditions (mainly the first two mentioned) are not met. In that case, they “shall alter its memorandum and articles by passing a resolution according to subsection 3 of section 122”[51] to initiate the process of conversion of the company to a “private or public company” even if it is against the wish of members of the company. Mainly due to this rule, the company is forced to alter its objectivity and nature as a small one-person company.

However, due to these pandemic years, there was a considerable degradation of the Indian economy, to balance the circumstances, the government brought a revised clause in the regulation requiring “OPCs to complete six months/two years from the date of incorporation is proposed to be deleted, and conversion of a one-person business into a private or public company can be done at any time beginning on 1st April 2021.”[52] “A one-person business can also be transformed into a private or public company other than the one registered under section 8 of the Act by increasing the minimum number of directors to seven or three and members to two”, [53] as appropriate. Furthermore, the current paid-up capital and turnover limitations for OPCs are eliminated, allowing OPCs to expand without constraints in terms of paid-up capital and turnover. Ultimately, the parliamentary is conserving the objective and nature of the OPC as a small enterprise.

Correspondingly, changes to Rule 7 of the business incorporation law 2014 [54]primarily target

[50] The Companies (Incorporation) Rules, 2021, Rule 6.
[51] The Company Law Act, 2013, No. 18, § 122(3).
[52] *Supra* note 46 at 11.
[53] *Supra* note 44 at 10.
[54]. The Companies (Incorporation) Rules, 2021, Rule 7.

the rigid policies regarding the one-person company. As modifications in Rule 7 of the company incorporation regulation 2014 mainly by removing e-form INC-5 and modifying e-form INC-6, the e-forms relevant to OPCs have been standardized (Application for conversion from OPC to private or public company or application from Private or Public Company to OPC).

Lastly, the government expressed its taken intensive through union budget 2021 where it is trying to incentivize the formation of One Person Companies (OPCs) by allowing "OPCs to grow without restrictions on paid-up capital and turnover, allowing them to convert into any other type of company at any time, reducing the residency limit for an Indian citizen to set up an OPC from 182 days to 120 days, and lowering the residency limit for an Indian citizen to set up an OPC from 182 days to 120 days."[55]

(C) The procedure-related to Incorporation One person Company

This procedure of incorporation of OPC can be divided into five parts, Firstly the application of reservation of name under "section 4(4) & 4(5) with rule 9 of companies (incorporation) rules 2014". [56] "Secondly, registration of the company under section 7(1) read with rule No. 12 of the Companies (Incorporation) Rules, 2014" [57]; thirdly, Issuance of certificate of incorporation defined under Section 7(2)[58]; fourthly, "verification of registered office under section 12(1) & (2)."[59]

- **Stage 1 of reservation of name:** The application for a name reservation must "be filed with the registrar in E-Form INC-1" and accompanied by the fee set forth in "the Companies (Registration offices and fees) Rules, 2014". Various documents, such as proof of significance in terms of rules, proposing the name based on the trademark Act 1999, then approval of central government approval on proposed names, as well as other significant approvals, permissions, certificates, affidavits, and so on, must be attached to the E- Form INC–I. This procedure is necessary to safeguard the trademark rights of other registered businesses. The proposed company's "memorandum and articles of association" should be prepared and printed after confirming the name's availability with the registrar of companies. While drafting the memorandum and

[55] Ministry of Finance, "Union Budget 2021-2022" 17 (Feb., 2021).
[56] The Company Law Act, 2013, No. 18, § 4.
[57] *Supra* note 53 at 12.
[58] *Ibid*.
[59] The Company Law Act, 2013, No. 18, § 12.

articles, "Sections 4[60] and 5 of the Companies Act 2013"[61] and the rules made thereunder must be observed.

- **Stage 2 of registration of the Company:** An application for the company's registration must be filed in the registered office that encompasses the jurisdiction of the company where "it is proposed to be located in Form no. INC-2, along with the fee required by procedural laws, as well as important documents such as the Memorandum and Articles of Association of the company signed by the subscriber to the memorandum in a sealed envelope". [62] To maintain the principle of perpetual succession, the nominee's name must be stated in the company's memorandum with prior permission in the form INC. 3. It should also include the professional statement required by "section 7 (1) (b) read with rule 15 of the Companies Rule 2014, as well as an affidavit from the subscriber and first director in form INC-9 required by section 7(1)(c) read with rule 15 of the Companies, Rule 2014"[63]. Now, in accordance with "section 7(1)(f) and 7(1)(g) read with rule 18 of the companies rule 2014", the filling of "E form DIR-12" is required to validate the authority to appoint a director, and the form contains information about the first director, including "the Director identification number", address, nationality, residential address, and interests, among other things. [64]
- **Stage 3 of Issuance of a certificate** in "form No. INC-11" containing 'the corporate Identity Number', which determines the company's identity, under "section 7(2) and section 7(1) (g) [65]read with rule 17 of the Companies Rules 2014."[66]
- **Stage 4 "verification of registered office":** "Section 12(1) and (2) of the Companies Act require that a company's registered office be capable of receiving and recognizing any communications and notices specified by law within 15 days of its incorporation."[67] "Within 30 days after incorporation, the process of verification of the company's registered office must be filed with the registrar in E form INC-22, together with the fee as specified in the Companies (Incorporation) rule 2014, and the attachment as specified in rule 25 of the Companies (Incorporation) Rules 2014."[68]

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[60] *Supra* note 55 at 12.
[61] The Company Law Act, 2013, No. 18, § 5.
[62] *Supra* note 53 at 12.
[63] The Companies (Incorporation) Rules, 2014, Rule 15.
[64] The Companies (Incorporation) Rules, 2014, Rule 18.
[65] Ruchita Dang & Nishant Sharma, *One Person Company: Concept, Opportunities & Challenges in India*, 4 INTERNATIONAL JOURNAL FOR RESEARCH IN MANAGEMENT AND PHARMACY 2, (2015).
[66] The Companies (Incorporation) Rules, 2014, Rule 17.
[67] The Company Law Act, 2013 , No. 18, § 12.
[68] The Companies (Incorporation) Rules, 2014, Rule 25.

(D) "Exemptions available to OPC under the companies Act 2013"

OPC's raison d'être is to make business easier for 'small businesses' by giving a corporate shroud while also relieving them of 'regulatory obligations'. As a result, the Act must include all available privileges and exemptions. There are various exemptions that are provided to OPC while minding its objectivity, for instance,

In Management and administration, if the OPC has one director, such a company will be exempted from the compulsion to have one board of directors meeting every six months. The difference between the two should not be anytime less than ninety days according to Sec. 173 (5)[69] of the Act." Even the above statement corresponds to section 174[70], which depends on the method that the "quorum for board meetings" is excused for one director company. However, the OPC is not required to have only one director, as it can have up to fifteen directors under section 149 (1)(a)[71] of the Companies Act. Furthermore, if more directors are required, the number of directors can be increased by adopting a 'special resolution'. In Audit of Account of OPC, the requirement of mandatory rotation of audits is not applicable to OPC, according to section 139(2) of the Companies Act 2013[72], since it only applied to companies entailing under it by central government notice. In addition, "financial reports are not included in cash flow statements."[73]

These are just a few of the highlighted sections that exempt the OPC from procedural formalities; other sections that are similar in nature to the one-person company include section 96[74], which addresses the requirement of holding an annual general meeting; section 98,[75]which describes the tribunal's powers to call meetings; section 100[76], which addresses extraordinary general meetings; and sections 101,102,103,104,105,106,107,108,109,110,111 etc., of companies, act 2013 collectively exempts the OPCs and these sections basically covers the different aspects of meeting like "a quorum for the meeting, chairman of meeting proxies, restrictions on voting rights, voting through an electronic medium, Demand for Poll, Postal Ballot, circulation of members' resolution".[77]

(E) Aspects of limitations of OPCs

[69] The Company Law Act, 2013, No. 18, § 173(5).
[70] The Company Law Act, 2013, No. 18, § 174.
[71] The Company Law Act, 2013, No. 18, § 149(1) (a).
[72] The Company Law Act, 2013, No. 18, § 139(2).
[73] The Company Law Act, 2013, No. 18, § 2(40).
[74] The Company Law Act, 2013, No. 18, § 96.
[75] The Company Law Act, 2013, No. 18, § 98.
[76] The Company Law Act, 2013, No. 18, § 100.
[77] The Company Law Act, 2013, No. 18, § 101-111.

A single concept has multiple perspectives to observe, which makes it more advanced, strategic, and flexible. OPC being the one-man army on one side can be advantageous but may even be proven disadvantageous in some aspects. Getting diverse ideas and points of opinion that can be analyzed through the group can make the company more reliable, conclusive, constructive, flexible, and problem-solving. Significantly coinciding with the researcher's previous opinion, one of the main features of a corporation is the democratic decision-making process used to set policy or decide on any new strategy for the firm or similar. In other words, more than one person must agree for a decision to be made. In the case of an OPC, however, this is not the case. By virtue of Sections 96(1)[78] and 122 [79]of the Companies Act, 2013, it has lost this fundamental quality.

An idea of how the OPC perceives its perpetual succession to maintain its separate legal entity is unique. The nominee succeeds in place of a previous sole director under conditions in accordance with sections 3 and 4(1) (f) can also be considered disadvantageous for OPC. As what if the nominated person on the trust of whom the previous sole director left to flourish, however, he winded up the company, loses interest, or takes advantage of the company after the director's death or failed it as the previous director wants? The downfall of the Mughal Empire, or any empire that existed in India, can be compared to the downfall of the doctrine of perpetual succession in OPC, which is directly proportional to the company's existence. The first few emperors (Humayun, Akbar) established its foundational level and led it to greater heights, but later, because of the successors' disinterest or alternative interests, the empire fell apart. The same scenario can also be observed in the case of OPC.

In the event of limited responsibility in the case of OPC, there are two primary issues to be concerned about: For instance, it may be risky for investors and other stakeholders because the member's responsibility is restricted, potentially allowing for fraudulent conduct. Second, suppose the concept of limited liability fails. In that case, the court will try to apply the principle of corporate veil lifting, which would be extremely difficult in a One Person Company, where alone he or she is responsible for all the company's activities. His/her actions could make or break the company's fate.

Also, the OPC has imposed a heavy tax of 30 per cent with no tax slab advantage as the company, which acts as the biggest disadvantage for OPC. Further, it also has a higher compliance cost. These factors also affect the objectivity, nature, and existence of the OPC.

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[78] *Supra* note 73 at 15.
[79] The Company Law Act, 2013, No. 18, § 122.

Despite all the limitations, the OPC still provides security and is advantages in its own way. We can overcome these disadvantages by strengthening the practical aspects of OPC, which can be done through the correct implementation of laws and with the effort of the individual who is initiating the step of OPC. Further, if the individual believes that he can overcome the group capabilities, she/he has the power to change the representation of the OPC he is initiating.

III. Relevance of OPC on Indian entrepreneurship

The concept of OPC intrigues Indian entrepreneurs since it serves as an arena for them to demonstrate their competencies. Moreover, offer them and their ideas a worldwide identity. Small merchants, businesses with limited risk tolerance, craftsmen, and other service providers benefit from the impartiality and nature of OPC. Furthermore, OPCs aim to expose or support that segment of the corporate world that has been overlooked, exploited and has been a victor of failed attempts to destroy them not just by large corporations but also by the evasions of foreign colonies and ideologies. Correspondingly, OPC serves as a source of hope for them, and it may also be leveraged to maintain and promote their distinctive ethnic uniqueness across the world. Substantially, the government should also encourage these industries to preserve and promote their unique talent by allocating subsidies. Besides this changing the heavy taxation charge imposed on these OPCs will enable individuals to trail toward OPC. Additionally, it is also necessary to raise awareness in order to promote the OPC idea.

However, there is remarkable growth and impact in the existence of OPCs in India despite all the challenges, disadvantages. The growth can be observed by comparing the years when the OPC as a concept was initiated in the Indian corporate world that is 2014-2015 versus now in the current year of 2021 up to 31st August.

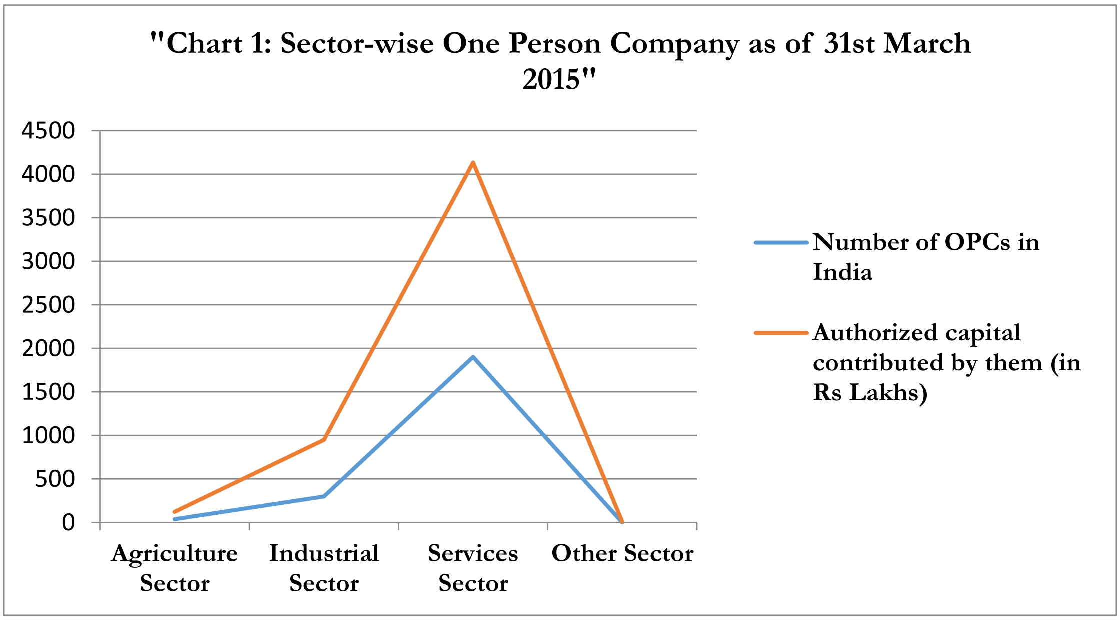
(A) Sector-wise Comparison of growth of registered One Person Company (OPC)

- **Financial Year 2014-2015:** There were 2,238 One Person Companies (OPC) registered as of 31st March 2015, with a total authorized capital of Rupees. 52.16 crore.[80] Table 1 below provides a thorough overview, while graphic 1 depicts sector-specific one-person companies as of 31st March 2015.[81]

[80] Ministry of Corporate Affairs, "Monthly Information Bulletin on Corporate Sector" 3 (Mar., 2015).

[81] P. Govindan, *A Study on Growth and Impacts of One Person Companies (OPCs) In India- A Innovative Business Vehicle for Small and Medium Scale Entrepreneurs*, 6 International Journal of Humanities & Social Science 160, (2018).

“Table 1 Sector-wise One Person Company as up to 31st March 2015”					
Sl. No.	Sector-wise	Number	%	“Obligation of contribution (in Rs Lakh)”	%
1	Agriculture Sector	36	1.6%	123	2.35%
2	Industry Sector	299	13.3%	948	18.17%
3	Services Sector	1902	84.9%	4134.75	79.27%
4	Others Sector	1	0.04%	10	0.19%
Total		2238	100	5,215.75	100

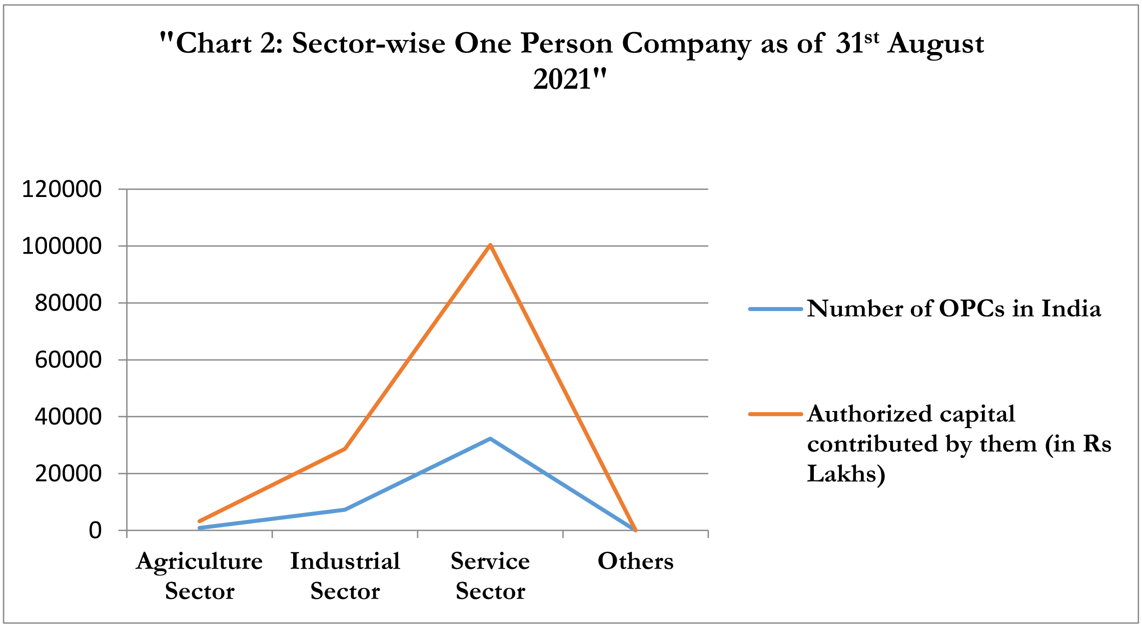


It's shown that the service sector has the highest number of OPCs, accounting for 84.9 per cent of all OPCs, with a total authorized capital of Rs. 4134.75 (in Rs Lakh) accounting for 79.27 per cent. Followed by the number of One Person Companies (OPCs) in the Industry Sector is 299, representing 13.3 per cent, with a total authorized capital of Rs.948 (in Rupees Lakh), or 18.17 per cent. Finally, the Agriculture Sector has 36 One Person Companies OPCs, accounting for 1.6 per cent of the total, with a combined authorized capital of Rs.123 (in Rupees Lakh), accounting for 2.35 per cent, and balances in other sectors.

- **As of 31st August 2021:** "Up to 31st August 2021, a total number of 40347 One-Person Companies (OPCs) were registered with a collective authorized capital of Rs. 1,322.43 crore." [82] Table 2 below provides a comprehensive perspective, while chart 2 illustrates the Sector-wise One Person Company as of August 31, 2021:

"Table 2: Sector-wise One Person Company as up to 31st August 2021"

Sl. No	Sector-wise	Number	%	"Obligation of contribution (in Rs Lakh)"	%
I	Agriculture Sector	807	2.0%	3,198.66	2.41%
II	Industry Sector	7277	18.03%	28,618.45	21.64%
III	Services Sector	32260	79.9%	1,00,390.48	75.9%
IV	Others Sector	3	0.007%	35	0.0002%
Total		40347	100	1,32,242.59	100



It was discovered that the service sector has the highest number of OPCs, with 32260

[82] Ministry of Corporate Affairs, "Monthly Information Bulletin on Corporate Sector" 3 (Aug., 2021).

accounting for 79.9% of all OPCs, with a collective authorized capital of Rupees 1,00,390.48 (in Rupees Lakh) accounting for 75.9%. Followed by the number of OPCs in the Industry Sector is 7277, representing 18.03 per cent, with a total authorized capital of Rupees 28,618.45 (in Rupees Lakh), or 21.64 per cent. Finally, the Agriculture Sector has 807 One Person Companies OPCs, accounting for 2.0 per cent of the total, with a collective authorized capital of Rupees 3,198.66 (in Rupees Lakh), accounting for 2.41 per cent, and balances in other sectors.

(B) "Economic Activity wise comparison of growth of One Person Company (OPC)"

- **Financial Year 2014-2015:** The below table 2 "Economic activity-wise classification of OPC up to 31st March 2015 reveals that the highest number of OPC is in Business Services (1,218) followed by Community, personal & Social Services (361), real estate, and renting (188), manufacturing (174), Construction (96), Trading (61) Transport, Storage & Communications (55), Agriculture (36) Finance (19), Mining and Quarrying (17), Electricity, Gas, and Water companies (12) and others (1)."[83]

"Table 3: Economic Activity-wise One Person Company as on 2014-2015"

Sl. No.	"Economic Activity"	Number OPC	%
1.	Business Services	1218	54.42
2.	Community, personal & Social Services	361	16.13
3.	real estate and renting	188	8.4
4.	manufacturing	174	7.77
5.	Construction	96	4.28
6.	Trading	61	2.7
7.	Transport, Storage & Communications	55	2.45

[83] *Supra* note 79 at 17.

8.	Agriculture	36	1.60
9.	Finance	19	0.84
10.	Mining and Quarrying	17	0.75
11.	Electricity, Gas and Water companies	12	0.53
12.	Others	1	0.04
Total		2238	100

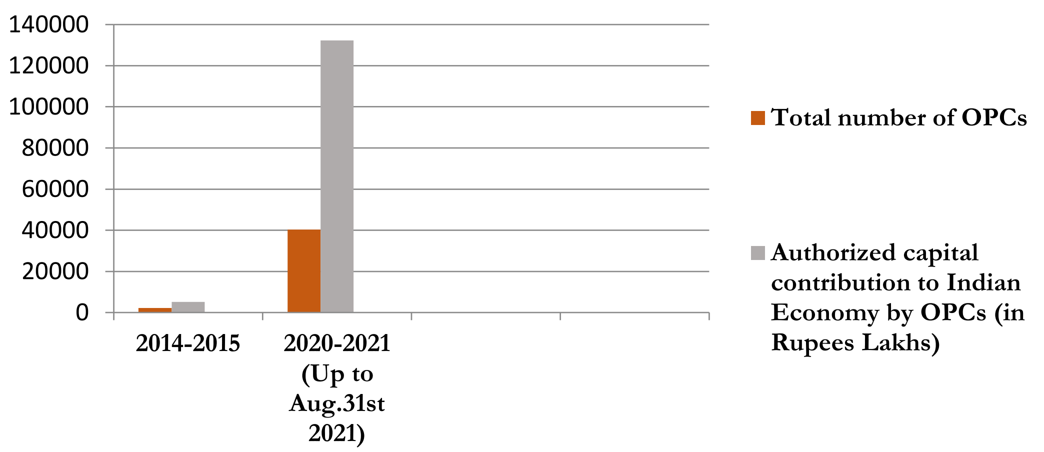
- **As of 31st August 2021:** "Economic activity-wise classification of OPCs up to 31st August reveals that the highest number of OPCs were in Business Services (20159) followed by Manufacturing (5169), Community, Personal & Social Services (5061)", Trading (4817), Construction (1838), transport, storage & communication (1324), real estate and renting (830), Agriculture (807), Electricity, Gas &Water companies (192), Mining & Quarrying (78), finance (67), insurance (2) and others (3).[84]

"Table 4 Economic Activity-wise One Person Company as on 31st August 2021"			
Sl. No.	**'Economic Activity'**	**'Number OPC'**	%
1.	Business Services	20159	49.96
2.	manufacturing	5169	12.81
3.	Community, personal & Social Services	5061	12.54
4.	Trading	4817	11.93
5.	Construction	1838	4.55

[84] *Supra* note 81 at 19.

6.	Transport, Storage & Communications	1324	3.28
7.	real estate and renting	830	2.05
8.	Agriculture	807	2.00
9.	Electricity, Gas, and Water companies	192	0.47
10.	Mining and Quarrying	78	0.19
11.	Finance	67	0.16
12.	Insurances	2	0.004
13.	Others	3	0.007
Total		40347	100

Chart 3: Comparison of two aspects of OPCs: Initial Year (2014-2015) versus Current Year (2020-2021)



After comparing authorized capital created by OPCs from the concept's inception in India, i.e., the financial year 2014-2015, to the current year 2021 up to 31st August 2021, there is a significant increase from 5,215.75 (in lakhs) to 1,32,242.59 (in lakhs). In addition, when comparing the number of OPCs registered from the fiscal year 2014-2015 to the fiscal year 2021 (up to 31st August), there is a significant rise from 2238 in 2014-2015 to 40347 in 2021.

Further, we can see from the above tables and charts that OPCs have been involved in almost every sector in India from the beginning and that their performance in each sector has steadily improved over time. In particular, the service sector OPCs has tremendously maintained their position by contributing the most, even from the beginning.

After analyzing the OPCs using the above parameters and researching new amendments, we can confidently assert that it has progressed from being little known to being a significant contributor to the Indian economy. It has come a long way since and is now an integral part of the Indian corporate world. Despite the 2021 modifications to the companies (Incorporation) regulation 2014, we can say that the government now recognizes the true underlying potential of OPCs, which the government underestimated. As a result, in the aforementioned modification addressing OPCs, the goal is to broaden the scope of persons who can start OPCs under Rule three of the company (Incorporation) rules of 2014. Aside from that, OPCs now have the option of converting their company into a public or private entity under Rule 6 and the other regulations. These reforms demonstrate the government's eagerness to promote the notion of OPCs and achieve economic growth. Furthermore, these modifications might be seen as a logical consequence of the COVID-19 pandemic, which weakened the Indian economy, and the government's desire to strengthen it by accepting and promoting new concepts such as OPCs.

IV. CONCLUSION AND SUGGESTION

Conclusively, after examining the One Director Company as a concept, it promises to be genuinely captivating, appears to reflect several advantageous characteristics as a corporation, and explores a section of the Indian corporate world that is frequently overlooked due to its minimal risk intensive, which OPCs perceives as a foundational cornerstone. Despite all of its flaws, we have seen a remarkable rise of OPCs in India from 2014-15 to 2021, and they have contributed a significant chunk to the Indian economy, which cannot be neglected. If we briefly trace its developmental journey, the new amendments rule of 2021 regarding the Companies (Incorporation) rule 2014 plays a vital role in it; some changes were made with the underlying intention of masking the impact of COVID-19 on the Indian economy by expanding the range of people who can incorporate OPCs proceedings and this is the first time the government is attempting to be perceptive concerning OPC policies, but since its inception in 2014-2015, it has been subjected to restrictions and exemptions, as well as a high taxing rate, when compared to proprietary corporations, which are similar in nature but lack limited liability, registration, and formality. In essence, OPCs have the objectivity and nature that confines a person's corporate willingness, regardless of his notion of expanding his one-director firm then, he cannot because he is unable to pursuant to the objectivity of the OPC, its legislative provisions prohibiting it, and the circumstance that it is already categorized as a small firm with a high taxation policy and no investment incentives.

The government plays a significant role in the practical implementation of OPCs in India, and it should not only follow the lead of other nations but also improvise according to Indian circumstances and operational feasibility because it can only engage people if it has the capacity to develop. The modification in 2021, which authorizes OPC to convert into a public or private company on a voluntary basis, might be seen as a new hope for change in the practical elements of these conceptions in India. They can subdivide the types of OPCs and, as a consequence, divide the income tax according to the size of the business. As previously stated, various artisans and small-scale businesses may see OPCs as their last hope for preserving their small businesses, and it is the government's responsibility to not only structure the investment source for them but also to frame favourable bank policies that provide minimal assistance to them. Finally, while the above study findings and data acquired OPCs have had great progress since their inception; however, it can also be examined that they have not yet reached their full potential and require numerous frameworks.

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