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**EDITORIAL ANALYSIS**

# Corporate Laws Amendment Bill – Is Decriminalisation a Reform or a Retreat?

 **INDIAN EXPRESS**

24 March 2026

**SUBJECTS COVERED****ECONOMY****POLITY****GS PAPERS****GS2****GS3****CURATED & WRITTEN BY****Bharat Choudhary**

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GS2

GS3



The Indian Express

MAINS RELEVANCE:

GS Paper 2

GS Paper 3



## INTERVIEW ANGLE

"Decriminalising corporate offences may ease doing business, but does it also weaken deterrence against corporate fraud?"

## Corporate Laws Amendment Bill — Is Decriminalisation a Reform or a Retreat?

*Indian Express editorial analyses the Corporate Laws (Amendment) Bill 2026, which proposes decriminalising minor corporate offences and raising the CSR threshold from Rs 5 crore to Rs 10 crore net profit. The Bill's referral to a 31-member Joint Parliamentary Committee reflects both its significance and the concerns it has raised.*

### THE DECRIMINALISATION DEBATE

India has one of the most criminalised corporate regulatory frameworks in the world. The Companies Act, 2013 originally contained **81 compoundable offences** and several non-compoundable ones. Many involved routine compliance matters:

- Late filing of annual returns
- Delayed holding of board meetings
- Minor errors in financial disclosures
- Technical violations in share transfer procedures

#### **The Case For Decriminalisation**

- Entrepreneurs face **criminal liability for procedural lapses** — this deters business formation
- Court dockets clogged with petty corporate cases
- India's Ease of Doing Business ranking needs improvement
- International investors cite "regulatory risk" as a deterrent

- Most advanced economies use civil penalties, not criminal prosecution, for non-fraudulent violations

### The Case Against

- **Deterrence erosion:** Criminal penalties are the only thing that scares promoters into compliance
- **History of corporate fraud:** Satyam, DHFL, ABG Shipyard, NSEL — all involved systematic violations that started as “minor” lapses
- **Monetary penalties are a cost of doing business** for large corporations — not a deterrent
- **Regulatory capture:** Weakening penalties when the regulator (MCA) is already understaffed risks creating a “wild west”

## CSR THRESHOLD — WHO LOSES?

The proposal to raise the CSR threshold from Rs 5 crore to Rs 10 crore net profit would exempt thousands of companies:

### Impact Assessment

CATEGORY	CURRENT (RS 5 CRORE)	PROPOSED (RS 10 CRORE)
Companies liable for CSR	~25,000	~15,000-18,000
Companies exempted	—	~7,000-10,000
CSR spending at risk	—	~Rs 2,000-3,000 crore/year

These are primarily **mid-sized companies** — many in Tier 2/3 cities where CSR spending is the only source of structured social investment.

### The Government’s Argument

- Small companies find CSR compliance burdensome
- Administrative costs of CSR reporting disproportionate for smaller firms
- The 2% spending requirement remains unchanged for qualifying companies
- Focus resources on larger companies with greater CSR capacity

### The Counter-Argument

- India’s CSR law was landmark precisely because it captured the mid-tier
- Mid-sized companies’ CSR often targets local communities directly (education, healthcare, sanitation)
- Reducing the compliance base undermines the “India model” that other countries are studying

## JPC — THE PARLIAMENTARY CHECK

The 31-member Joint Parliamentary Committee will scrutinise the Bill clause-by-clause. Historical JPCs have been effective oversight mechanisms:

JPC	YEAR	SUBJECT	OUTCOME
Bofors	1987	Arms deal corruption	Exposed irregularities
Stock Market Scam	2001	Ketan Parekh, market manipulation	Led to SEBI reforms
2G Scam	2011-13	Telecom spectrum allocation	Recommended policy changes
Pesticide Residues	2004	Soft drink contamination	Led to safety standards

The editorial notes that JPCs derive authority from Parliament’s committee system (Rules of Procedure) rather than the Constitution itself. Their recommendations are advisory, not binding.

## VIRTUAL AGMS — A POST-COVID LEGACY

The Bill’s provision allowing virtual AGMs institutionalises COVID-era practices:

### Benefits

- **Geographic inclusion:** Shareholders in remote areas can participate
- **Cost reduction:** Companies save on venue hire, logistics
- **Higher participation:** Some companies reported 2-3x higher virtual attendance
- **Environmental:** Reduces paper and travel

### Risks

- **Digital divide:** Rural shareholders and senior citizens may be excluded
- **Manipulation:** Easier to manage dissent in virtual settings
- **Proxy advisory concerns:** Less scope for floor protests or pointed questions
- The safeguard (one physical AGM every 3 years) may be insufficient

**UPSC RELEVANCE**

Section 135 (CSR), JPC mechanism, NFRA, Companies Act 2013, LLP Act 2008, SEBI

**MAINS GS-II:**

Parliamentary committees, legislative process, JPC as oversight tool

**MAINS GS-III:**

Corporate governance, CSR, ease of doing business, MSME sector

**GS-IV:**

Ethics in corporate conduct, decriminalisation vs deterrence

## ★ FACTS CORNER — KNOWLEDGEPEDIA

### CORPORATE LAWS AMENDMENT BILL 2026:

- Amends: LLP Act 2008 + Companies Act 2013
- Key change: Decriminalisation of minor offences
- CSR threshold: Rs 5 crore → Rs 10 crore net profit
- Virtual AGMs: Allowed (min 1 physical per 3 years)
- JPC: 31 members (21 LS + 10 RS)

### CSR IN INDIA:

- Section 135, Companies Act 2013
- Effective: April 1, 2014
- India: First country to mandate CSR by law
- Spending: 2% of average net profit (3 years)
- Total CSR (2023-24): Rs 26,210 crore
- Schedule VII: Lists eligible activities

### NOTABLE JPCS:

- Bofors (1987), Stock Market Scam (2001), 2G Scam (2011)
- Composition varies; typically 15-31 members
- Report is advisory, not binding

### OTHER RELEVANT FACTS:

- MCA: Ministry of Corporate Affairs
- NCLT: National Company Law Tribunal
- NFRA: Section 132, Companies Act 2013
- India's Ease of Doing Business: 63rd (WB 2020, last ranking)
- IBBI: Insolvency and Bankruptcy Board of India

Sources: [Indian Express](#), [PRS Legislative Research](#)

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