

Over 1.68 lakh new companies registered in the 11 months of FY 23-24 marking a 10-year high

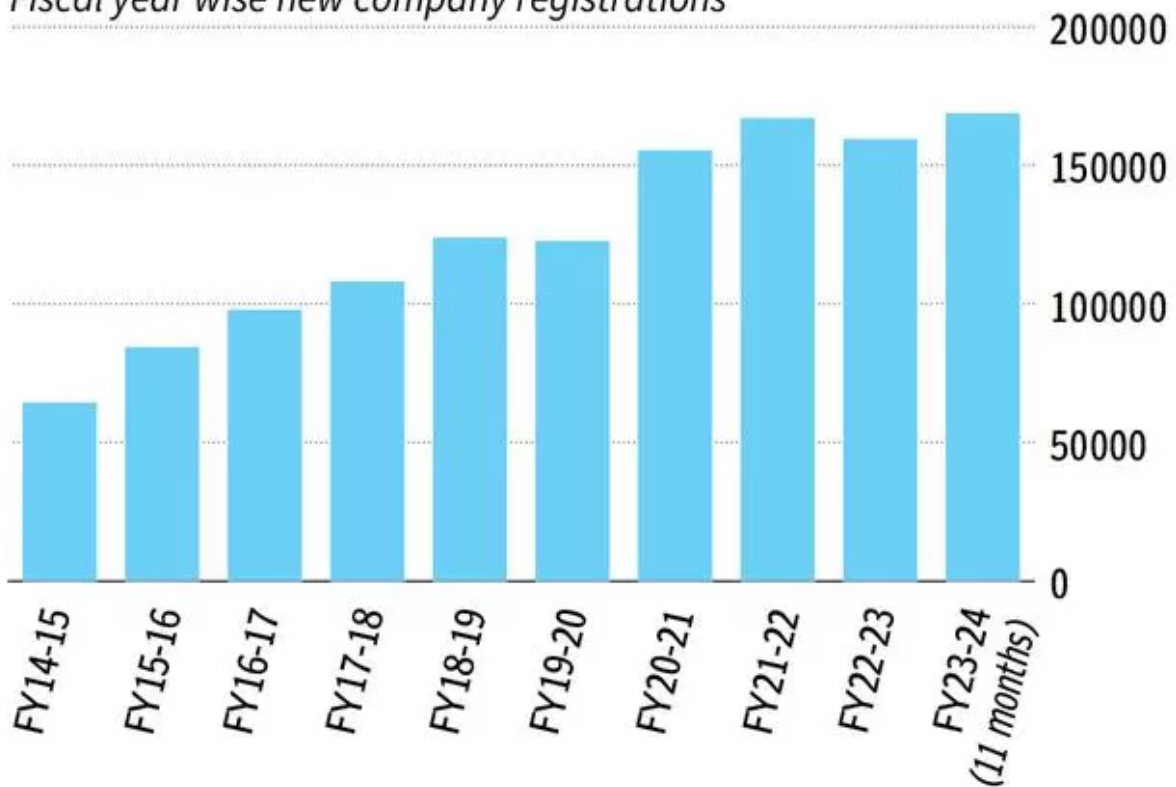
thehindubusinessline.com/data-stories/data-focus/over-168-lakh-new-companies-registered-in-the-11-months-of-fy-23-24-marking-a-10-year-high/article68083891.ece

New company registrations have hit a 10-year high in the 11 months of fiscal year 2023-24 as overall economic growth and the business-friendly image of the government drives company incorporation.

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Economic activity surges New company creations at 10-year high

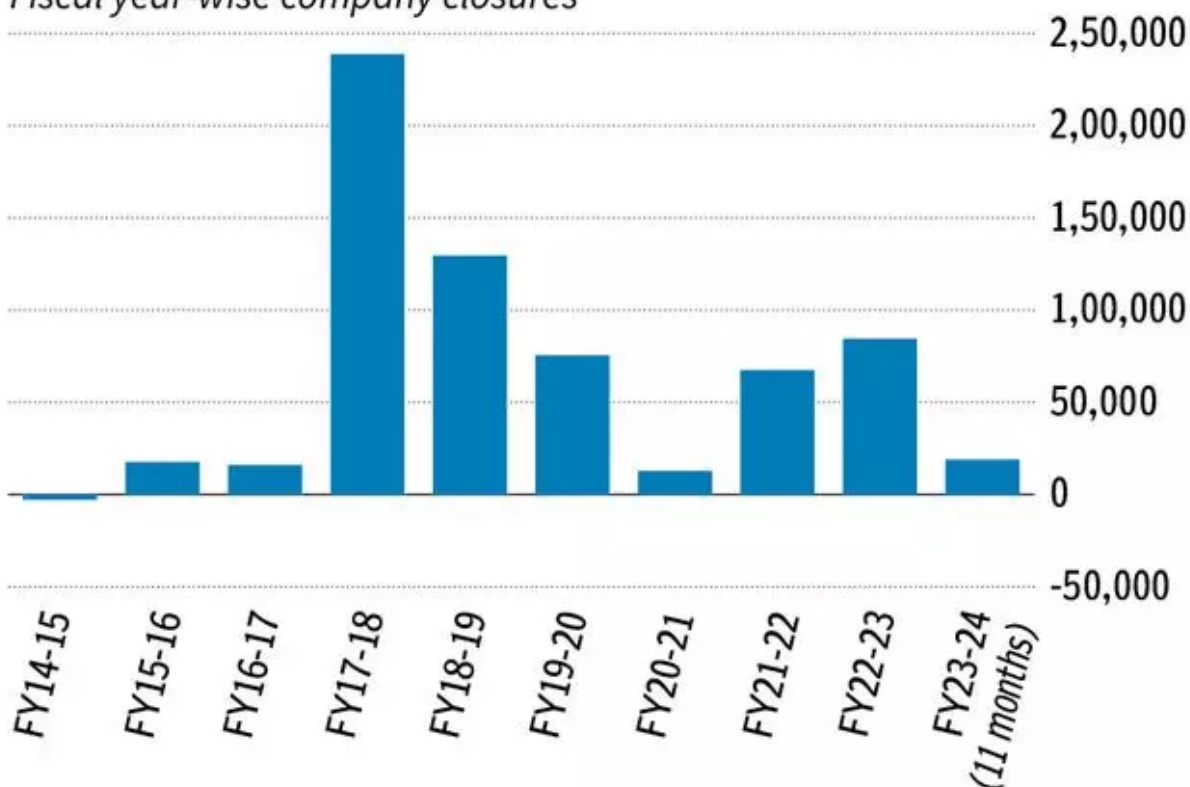
Fiscal year wise new company registrations



During April 2023-February 2024, 1,68,715 new companies were registered – a 5.7 per cent increase from FY23 and 71 per cent increase compared to the new registrations in FY14, per Ministry of Corporate Affairs (MCA) data. This includes companies limited by shares, limited by guarantee, and unlimited companies.

Company closures taper down after Covid turbulence

Fiscal year-wise company closures



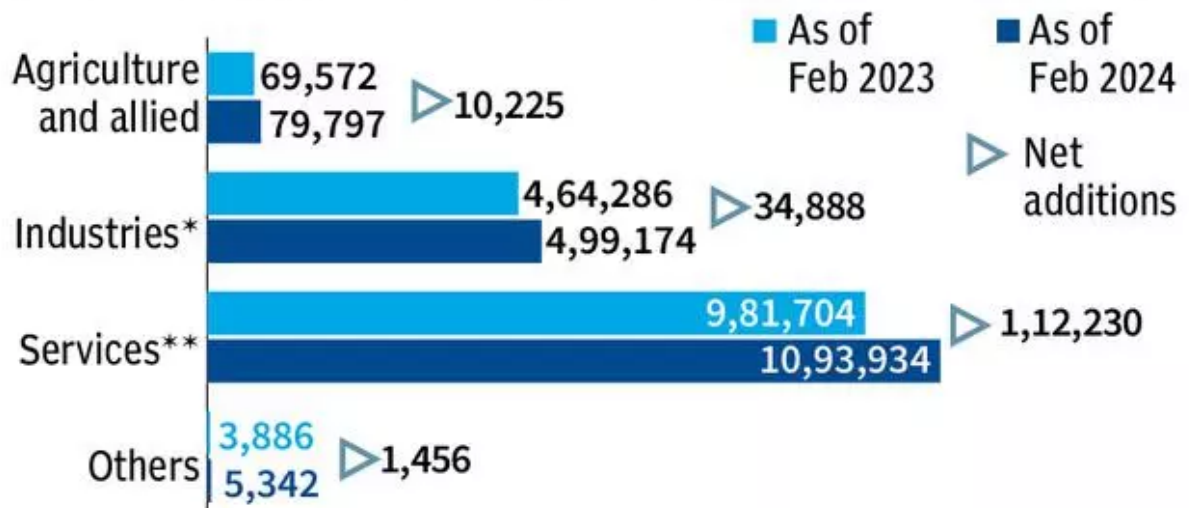
In the 11 months of FY 23-24, February saw the highest registrations with 17,264 new companies added in the month with a collective paid-up capital of ₹984 crore. Maharashtra (18 per cent), Uttar Pradesh (11 per cent), and Delhi (9 per cent) were the top States where these companies got registered.

Services companies dominate new business creation followed by industrial (manufacturing/mining/construction) entities. As of February 29, 2024, the services sector (65 per cent) accounted for the maximum share of new companies followed by Industry (30 per cent) and Agriculture (5 per cent), a trend in line with the sectoral mix in FY 22-23.

Economic optimism

The business climate also appears to be fuelled by younger crop of entrepreneurs. In February 2024, out of the 43,121 new directors registered, 30 per cent of them were in the 18-30 years age bracket compared to 25 per cent share of such age group in February 2023.

Services sector dominates *Cumulative number of companies*



*Industries include manufacturing, mining, construction, electricity, etc

** Services include business services, real estate, trading, finance and others

Source: MCA monthly bulletins

Chanakya Shah, a chartered accountant and MD, Holistique Business Consulting, says the overall economic optimism as reflected by GST collections and GDP growth is also driving new company registrations. “The government’s aggressive push of Startup India, Make in India, and Digital India schemes has made entrepreneurship the current flavour,” he adds.

Nagaraj Krishnan, MD, Aparajitha Corporate Services, says there is an increased ‘formalisation’ of the economy as more businesses get registered to claim GST and come into compliance ambit.

Shell companies

On the other hand, the closure of businesses has been tapering after a spike due to Covid. 18,987 companies closed down between April 2023-February 2024 compared to 80,681 in the corresponding period last year

On the issue of closures, Krishnan says regulators are in a better position to monitor companies after digitisation, and this has helped speed up crackdown of shell companies. Of the 9.3 lakh closed companies as of February 29, 2024, 92 per cent (8.6 lakh) are those ‘defunct or struck down under Section 248 of the Companies Act.’

This section covers situations where the Registrar has power to remove companies from the records for not commencing business within a specified period or a physical verification reveals no operations, etc.

Despite improvements in ease of starting businesses, experts say that pace of approvals needs work. “It recently took me six months to incorporate a private company on the MCA portal given the various procedures and the glitches involved,” Shriram Subramanian, founder, InGovern Research Services, said.

