

Growth of Limited Liability Partnerships (LLPs) in India with special reference to Innovative Vehicle for Entrepreneurial Development

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Abstract - The purpose of this research is to examine how the Company Act of 2013 and the Goods and Services Tax Act of 2017 have affected the development of LLPs in India. The data in this research is analysed and interpreted using both descriptive and inferential statistics. The study indicated that there were twice as many LLPs in the service industry than there were in manufacturing or agriculture, respectively. This study has reached its conclusion and offers suggestions to the Indian federal, state, and regional governments to encourage the formation of new limited liability partnerships (LLPs). Local and foreign company owners, both established and hopeful, may take advantage of them via subsidised loans, tax rebates, and other types of financial help. By increasing India's business friendliness and giving investors more security, this bill helps the country attract investment.

Keywords - Limited Liability Partnerships (LLPs), Innovative Vehicle, Entrepreneurial Development

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INTRODUCTION

Limited Liability Partnerships (LLPs) have grown in favour in India due to their combination of the benefits of partnerships and limited liability companies. Since the passage of the Limited Liability Partnership Act in 2008, LLPs have seen rapid growth and development into new areas. The focus of this literature review is on the growth of LLPs in India and the ways in which they have paved the way for other types of enterprises to flourish in the country. LLPs are attractive business structures because they provide limited liability protection for participants while yet allowing for the operational flexibility of a partnership. The hybrid model is gaining traction among new and developing businesses because it allows for the sharing of costs, risks, and expertise amongst partners. The growth of LLPs may be attributed, in large part, to the protection from personal responsibility that they provide their partners. Because of this, business owners may risk losing everything in pursuit of their ideas without feeling completely helpless. Limited liability shields partners from financial loss and boosts a company's credibility and ability to draw new investors.[1-3]

LLPs also provide managerial and decision-making leeway. Unlike general partnerships, limited liability partnerships (LLPs) allow members to choose one or

more "designated partners" to handle administrative and legal matters. Partners are free to concentrate on their particular areas of competence, and the company is well-managed as a result. LLPs are a flexible and adaptable company model since they do not need frequent board meetings, shareholder motions, or complicated governance frameworks. LLPs also have the benefit of being simple to incorporate and dissolve.[4-5]

When compared to more conventional business structures, the registration procedure is less cumbersome and more affordable. Because of its ease of use, the LLP structure is increasingly preferred by new company owners, especially those who are short on time and cash but nevertheless want to get their venture off the ground quickly. Because of their unique hybrid structure, LLPs are excellent incubators for new business ideas. Business owners may benefit from one other's skills and experience by working together in a partnership. Working together like this improves creativity, sharpens problem-solving skills, and raises the odds of business success. Partners may better align their interests and motivate entrepreneurial activities when revenues are distributed according to the partnership agreement.[6]

Additionally, LLPs provide a stage for the development of budding entrepreneurs and the promotion of economic expansion. They allow people of various backgrounds and skill levels to put their ideas for businesses into action with few restrictions. Because of their adaptability, LLPs provide their members the freedom to try out novel business ideas, respond quickly to changing market conditions, and expand their operations efficiently. This risk-taking spirit aids in economic growth by producing new businesses and spawning useful innovations.[7]

LITERATURE REVIEW

Kaiser, H.F. (2020) In recent years, India's LLP (Limited Liability Partnership) industry has expanded dramatically. A limited liability partnership (LLP) is a business structure that combines the tax benefits of a corporation with the operational leeway of a partnership. This article reviews the research on limited liability partnerships (LLPs) in India, focusing on how they have sparked the development of novel forms of business structure. This paper reviews the related literature to provide insight on the factors driving the rise of LLPs and their effects on Indian businesses' bottom lines. The rapid expansion of LLPs in India may be directly attributed to the legal protections afforded by the country's 2008 Limited Liability Partnership Act. LLPs have gained popularity as a business structure due to the liability protection they provide its members with, as well as the operational freedom typical of partnerships. Partners are more likely to attempt new things and take reasonable risks since their own assets are shielded from their business's liabilities.[8]

Repudaman, T. (2017) LLPs have flourished in India because of the relative ease with which they may be managed and decisions made. Unlike corporations, LLPs encourage cooperation between its members and value each partner's individual contributions to the firm. Because of this adaptability, business partners may swiftly respond to shifts in the market, adopt novel approaches, and capture new possibilities. One of the biggest benefits of LLPs in India is how simple they are to create and dissolve. The registration procedure for LLPs is less cumbersome and expensive than that of a conventional company since fewer formalities and compliance criteria need to be met. Those with little resources and a need for rapid company establishment will find this simplified procedure especially appealing, and as a result, more people will choose for the LLP structure.[9]

Atiyah, P. S. (2017) In India, limited liability partnerships (LLPs) are a new and exciting way for businesses to grow and innovate. Key components of business success—including teamwork, information sharing, and resource pooling—are fostered under the partnership model. Due to its hybrid structure, LLPs may better capitalize on the combined talents, resources, and connections of its members. This shared space helps to build an entrepreneurial spirit

and create a thriving community for new firms. The favorable effects of LLPs on employment, economic growth, and new product development have been the subject of several studies in India. LLPs let would-be company owners to put their plans into action, boosting the economy and creating jobs. Individuals in India now have more opportunities to pursue careers in business because of the expansion of limited liability partnerships (LLPs).[10]

Sen, N. and Mathen, N. (2019) The LLP vehicle will be useful, and it will usher in a glorious new era for India's economy. We studied the legislative process, the key provisions of the Indian LLP Act, and the potential roadblocks that might limit the LLP model's expansion in India. The findings of this study are topical and significant because of the dearth of previous research on LLPs in India. After reviewing the literature, Gandhi and Thakur came to the conclusion that LLP is the best option for SMEs looking for a business structure with limited liability and less cumbersome setting up and taxation procedures, and they recommended that lawmakers address these issues to ensure the structure runs smoothly. advocated for GST on the basis that it would reduce tax burdens for families.[11]

Booth, R. A. (2017) This article examines the growth of LLPs and provides an overview of this trend. In this report, we examine the economic performance and contributing responsibilities of Indian LLPs as of June 30, 2018. This study provides a summary of the relevant literature and highlights the areas in which it differs from previous research. where LLPs may be located and how they are divided up in the UK, how successful company development and growth have been since the introduction of the LLP structure, etc. described the rise of LLPs and the variables that may be utilised to determine whether or not to adopt that structure; identifying different types of LLPs within the M&E sector and investigating the tax benefits of forming an LLP.[12]

OBJECTIVE

- The goal of this study is to provide an estimate of the number of LLPs operating in India as of June 30, 2018.
- The purpose of this study is to assess the composition, permissible capital, and economic activity of India's LLPs as of June 30, 2018.
- To evaluate the financial contribution responsibilities of current LLPs as of June 30, 2018
- This study analyses the timeline of LLPs registrations from June 30, 2018, before the enactment of the Companies Act of 2013 and the Goods and Services Tax Act of 2017, and after their respective enactment.

METHODOLOGY

Given the exploratory nature of the research, it will be built upon a thorough analysis of information and understanding gained from secondary sources. Data for this study was culled from a wide range of sources, including those of the federal and state governments, the Reserve Bank of India, the Ministry of Finance, the National Institution for Transforming India (NITI) Aayog, as well as numerous reports from various professional institutes, academic journals, scholarly books, and Indian Bahasa publications. Descriptive statistics are utilised to analyse and understand the data in this study. These statistics include frequency distributions, frequency distribution tables, and bar charts. This study analysed the status of LLPs in India as of the 30th of June, 2018..

OUTCOME

Analysis of Correlations

The degree and direction of an association between two variables may be analysed using the bivariate statistic known as correlation. The correlation coefficient takes on a range of values between +1 and -1, representing differing degrees of relationship. If the value is -1, then the correlation between the two variables is infinitely positive. We compared the number of LLP registrations before and after the passage of the Companies Act 2013 and the passage of the Goods and Services Tax Act 2017 using paired sample t-tests.

Hypothesis testing-1- The First Pearson Correlation Test

Table 1: Number of LLPs Required to Contribute and Their Registration Status

Years	Total Number of LLPs Registrations	Total Obligation of Contribution (Rs. in. Crore)
2009-10	1,055	596.54
2010-11	3,261	2758.36
2011-12	4,319	3049.72
2012-13	5,167	1854.3
2013-14	7,982	2029.57
2014-15	14,682	2650.04
2015-16	22,505	8872.32
2016-17	29,407	8,420.64
2017-18	32,934	5,545.14
2018-19 *(Upto 30.06.2018)	5,421	2,670.33
Total	1,26,733	38,447.21

Hypothesis testing-1

H0: $\rho = 0$ "There is no association; the population correlation coefficient is 0"

H1: $\rho > 0$ "A positive correlation may exist because the population correlation coefficient is greater than 0"

OR

H1: $\rho < 0$ "A negative correlation may exist because the population correlation coefficient is less than 0"

In which the correlation coefficient between the population is utilised.

Table 2: Pearson's Correlation

		Total Number of LLPs Registrations	Total Obligation of Contribution
Total Number of LLPs Registrations	Pearson Correlation	1	0.830**
	Sig. (2-tailed)	10	0.003
	N	10	10
Contribution Obligation in Its Entirety	Pearson Correlation	0.830**	1
	Sig. (2-tailed)	0.003	10
	N	10	10

The Correlational Outcomes

A significant positive correlation ($r = 0.830$) is seen in the paired samples correlation Table between the number of LLP registrations and the total requirement of contribution (in Rs. in. crore).

Hypothesis testing-2

Table 3: Company Act of 2013 Registrations of LLPs Before and After Its Enactment

Before the Companies Act of 2013 Is Enforced, LLPs Must Register		LLP Enrollment Forms Once the Companies Act of 2013 is fully implemented,	
Years	LLPs Registrations	Years	LLPs Registrations
2010-11	3,261	2014-15	14,682
2011-12	4,319	2015-16	22,505
2012-13	5,167	2016-17	29,407
2013-14	7,982	2017-18	32,934

Hypothesis testing-2

H0: $\mu_1 = \mu_2$: Following the introduction of the 2013 Companies Act, there are no differences in LLP registrations.

H1: $\mu_1 \neq \mu_2$: Following the introduction of the 2013 Companies Act, there is a variation in the LLP Registrations.

Table 4: Data Analysis Using Paired Samples Comparison of Limited Liability Partnership Registrations Before and After the Company Act of 2013

		Mean	N Std.	Deviation	Std. Error Mean
Before & After	Prior to the Companies Act of 2013, LLPs Could Register	5182.25	4	2022.81	1011.40310
	Post-Companies Act 2013 Registration of LLPs	24882.00	4	8062.27	4031.13361

Table 5: The Number of Limited Liability Partnerships Formed Before and After the

Introduction of the Companies Act, 2013 Using a Paired Sample

		Mean	N	Correlation	Sig
Before & After	Prior to the Companies Act of 2013, LLPs Could Register	5182.25			
	Post-Companies Act 2013 Registration of LLPs	24882.00	4	0.902	0.098

Correlation Tests Conducted With Two-Sample Sets

According to the paired samples correlation table, there is a positive relationship ($r = 0.902$) between the number of LLP registrations before and after the Companies Act 2013 went into effect.

Table 6: Comparison of LLP Registrations Before and After the Company Act of 2013 Implementation Using a Paired Sample

Paired Differences							
		Mean	Std Deviation	Standard 95% Calculating the Confidence Interval for a Distinction		t df	Sig (2-tailed)
				Mean	Lower		
Before & After	Prior to the Companies Act of 2013, LLPs Could Register	-19699.75	6298.92	3149.46	-29722.74-	3	0.008
	Post-Companies Act 2013 Registration of LLPs			9676.76	-6.255		

Paired t-test statistics

Statistically significant differences between groups were found using a paired t test at the 5% level ($t_3 = -6.255$, $p 0.008$), as indicated in the table. Considering that $p > 0.05$, you should not be concerned. What this means is that the alternative hypothesis is correct. After the Companies Act of 2013 was passed, limited liability partnerships (LLPs) became a new kind of entity that needed to be registered. Since the Companies Act of 2013 went into effect, more limited liability partnerships (LLPs) have been formed.

Hypothesis testing-3

$H_0: \mu_1 = \mu_2$: Following the passage of the GST Act of 2017, there are no differences in the registrations of LLPs.

$H_1: \mu_1 \neq \mu_2$: Following the adoption of the GST Act 2017, there are differences in the LLP registrations.

Table 7: Changes in LLP Registrations Due to the GST Act of 2017

Months	LLPs Registrations Before Implementation of GST Act 2017 01-07.2016 to 30.06.2017	GST Act 2017 and the Registration of LLPs July1 2017 to June 30 2018
July	2335	3332
August	2328	2870
September	2367	2675
October	2009	2692
November	1971	2724
December	2308	2870
January	2736	3269
February	2712	2464
March	3518	2019
April	2576	1805
May	2723	2387
June	2720	1229

Hypothesis testing-3

Table 8: Data Analysis Using Paired Samples

		Mean	N	Std. Deviation	Std. Error Mean
Before	LLPs' GST Registrations	2525.24	12	411.81441	118.88057
and After	GST and the Registration of LLPs	2528.00	12	603.74092	174.28498

Table 9: Correlations between Pairs of Samples

		N	Correlation	Sig.
Before and After	Registration of LLPs Prior to and Following the Implementation of GST	12	-0.434	0.156

Correlation Tests Conducted on Matched Samples

Registrations for LLPs both before and after the Companies Act of 2013 went into effect are substantially negatively associated ($r = -0.435$) in the Paired Samples Correlation Table.

Table 10: Pairwise Comparison Test

Paired Differences							
		Mean	Std Deviation	Standard 95% Calculating the Confidence Interval for a Distinction		t df	Sig (2-tailed)
				Mean	Lower		
Before & After	LLPs Registrations before GST	-2.75	866.28	250.07	-553.16	11	0.991
	GST and the Registration of LLPs			547.66	-0.011		

Paired t-test statistics

Table result: ($t_{11} = -0.011$, $p 0.0.991$), using a 5% significance level for the Paired t test. This has a significance level of 0.05 or above in statistics. We thus conclude that the null hypothesis is correct. No changes were made to LLP registrations before or after the 2017 GST Act was passed. The number of LLP registrations was found to remain stable between the pre- and post-GST Act 2017 eras.

Hypothesis Testing-4

Table 11: Before and After GST Act 2017 Implementation, Limited Liability Partnership Registrations, Economic Activity

Sl. No	In terms of economic output,	LLPs Pre-GST Registrations from 1 April 2009 to 31 March 2014	After GST, LLP Registrations Are Open From April 1, 2014, Through June 30, 2018.
1	Services for Businesses	13022	8634
2	Trading	3621	2709
3	Manufacturing	3527	2752
4	Actual Property	2262	1881
5	Construction	2154	1321
6	Community	2711	1756
7	Agriculture	490	443
8	Transport	663	376
9	Finance	399	296
10	Quarrying & Mining	160	121
11	Gas and Electricity	178	65
12	Insurance	105	65

Hypothesis Testing-4

Hypothesis Testing-6 H0: $\mu_1 = \mu_2$: The economic activities of LLP registrants have not changed since the GST Act of 2017 went into effect.

H1: $\mu_1 \neq \mu_2$: Business registrations for LLPs have shifted after the passage of the GST Act of 2017.

Table 12: Comparison of Means in Pairs

	The Economic Impact of LLP Registrations	Mean	N	Std. Deviation	Std. Error Mean
Before	Prior to the introduction of the GST Act in 2017,	2441.0000	12	3588.30350	1035.85400
and After	Once the GST Act of 2017 goes into effect	1701.5833	12	2403.19070	693.74140

Table 13: Correlations between Pairs of Samples

	The Economic Impact of LLP Registrations	N	Correlation	Sig.
Before and After	Prior to the introduction of the GST Act in 2017, Once the GST Act of 2017 goes into effect	12	0.997	0.000

Correlation Tests Conducted on Matched Samples

The number of LLPs that were economically active before and after the adoption of the GST Act of 2017 is positively correlated with this figure ($r = 0.997$).

Table 14: Pairwise Comparison Test

Paired Differences							
	Economic Registrations of Limited Liability Partnerships	Mean	Std Deviation	Standard 95% Calculating the Confidence Interval for a Distinction		t df	Sig (2-tailed)
				Mean	Lower Upper		
Before & After	Prior to the introduction of the GST Act in 2017, Once the GST Act of 2017 goes into effect	739.42	1205.60	348.03-26.59	1505.42 2.125	11	0.057

The t-Scores of Matched Pairs

Paired t test table value at the 5% level = ($t_{11} = 2.125$, $p = 0.057$). This is true even after adjusting for many variables. This lends credence to the idea that the null hypothesis is correct. Despite the passage of the GST Act in 2017, no changes have been made to the types of business that may be registered as an LLP. No new LLP registrations were discovered to have occurred after the passage of the GST Act of 2017.

The most important findings from the research are summarised below. There were 1,26,733 LLPs operating in India as of June 30, 2018, with a total contribution obligation of Rs. 38,447.21. Among all LLPs, the service industry accounts for 76%, followed by the manufacturing sector (22%), and agriculture and related activities (2%). The largest part (71%) is held by the service industry, followed by the manufacturing sector (28%), and then the agricultural and ancillary sectors (1%). The business services industry accounts for the largest share of limited liability partnerships (47,285, or 41%), followed by the retail industry (14,320, or 12%), the manufacturing industry (13,496 or 11%), and the real estate and rental industry (11,571, or 10%). In 2015, 74 percent of LLPs were actively doing business. Business services have the highest Contribution (in Rs. lakh) need (24%), followed by retail (17%), manufacturing (15%), and finally real estate and rental (14%). Minimum LLP contributions are 70% of the minimum.

Among the 67,351 LLPs now in operation, 58.72% have a contribution requirement of 1-5 lakh, with 23.37 percent owing less than 1 lakh. In India, 82.09 percent of the 94,155 LLPs that are now operational have a duty of contribution of less than Rs. 5 lakh.

Using a paired samples t-test, we find that the number of LLP registrations has a positive connection ($r = 0.830$) with the sum of contribution obligations (in Rs. in crore).

After the implementation of the Companies Act of 2013, there was a rise in the number of LLP registrations ($t = -6.25$, $p = 0.01$).

Moreover, since the Companies Act of 2013 took effect, there has been a rise in the number of LLPs being registered as businesses. A t-test confirmed these outcomes ($t = -2.46$, $p = 0.03$).

In addition, we found no statistically significant difference in the total number of LLP registrations between the years before to and after the implementation of the GST Act of 2017.

There has been no rise in the number of Limited Liability Partnership registrations since the passage of the GST Act in 2017.

CONCLUSION

It determined that there was no change in the number of LLP registrations between the pre- and post-GST Act 2017 periods. It is proposed that the GST need a number of tax modifications in order to encourage LLP registration. When compared to other business structures like partnerships, public companies, and private corporations, LLPs emerge as the most advantageous innovation vehicle for start-ups and growing businesses. Businesses, both domestic and foreign, now have an easier time setting up business in India thanks to the new goods and services tax that went into effect on July 1, 2017. India has risen in the eyes of both local and global investors as a promising market because to its recent economic reforms, rising domestic demand, and promising return on investment. India has invested much in its infrastructure to help its business owners compete with the rest of the world.

RECOMMENDATIONS

In India, limited liability partnerships (LLPs) have emerged as a promising new business structure. Awareness and education, streamlined registration processes, a supportive regulatory environment, improved access to finance, skill development and mentorship programs, collaboration and networking initiatives, and so on are all recommended to further promote and enhance the growth of LLPs. These reforms have the potential to foster an environment where LLPs may flourish, making them a driving force behind entrepreneurship and development in India's economy.

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