LAW RELATING TO LIMITED LIABILITY PARTNERSHIP
AND ITS IMPACT ON BUSINESS ENVIRONMENT

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Sometimes the difference between the clear, standard case or paradigm for the use of an expression and the questionable case is only a matter of degree. A man with a shining smooth pate is clearly bald; another with a luxuriant mop clearly is not; but the question whether a third man, with a fringe of hair here and there, is bald might be indefinitely disputed, if were thought worthwhile or any practical issue turned on it... Sometimes the deviation from the standard case is not a mere matter of degree but arise when the standard case is in fact a complex of normally concomitant but distinct elements, some or one of which may be lacking in the cases open to challenge. Is the flying boat a ‘vessel’? Is it still ‘chess’ if the game is played without a queen? Such questions may be instructive as they force us to reflect on, and make explicit, our conception of the composition of the standard case…

– Professor H.L.A. Hart

The legal quandary articulated above also applies to the virgin concept of Limited Liability Partnerships. The new corporate vehicle of Limited Liability Partnership is promulgated to address the existing vacuum between the partnership law and the company law. The Limited Liability Partnership law is basically a nuptial knot between the philosophical ideology of company law and partnership law in order to address the deficiency in the domain of small scale business sector, professional sector & venture capital sector\(^2\) and to accelerate the speed of India’s economic growth by developing entrepreneurial skills for the promotion of micro, small & medium enterprises\(^3\) besides professional and venture capital sector etc.

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2. ‘Venture Capital’ is an important source of finance for those small and medium-sized firms, which have very few avenues for raising funds. Although such a business firm may possess a huge potential for earning large profits in the future and establish itself into a larger enterprise. But the common investors are generally unwilling to invest their funds in them due to risk involved in these types of investments. In order to provide financial support to such entrepreneurial talent and business skills, the concept of venture capital emerged.
3. The President of India under notification dated May 9, 2007 has amended the Government of India (Allocation of Business) Rules, 1961. Pursuant to this amendment, the Ministry of Agro and Rural Industries (Krishi Evam Gramin Udyog Mantralaya) and the Ministry of Small Scale Industries (Laghu Udyog Mantralaya) were merged into a single Ministry, namely, “Ministry of Micro, Small and Medium Enterprises” (Sukshma Laghu Aur Madhyam Udyam Mantralaya).
Limited liability is a fundamental principle of corporate law and it characterizes the modern corporation. The present research work titled “LAW RELATING TO LIMITED LIABILITY PARTNERSHIP AND ITS IMPACT ON BUSINESS ENVIRONMENT” is a virgin and indispensable notion in the field of commercial laws as well as in business world. The corporate vehicle of Limited Liability Partnership is a hybrid of Partnership and Company.

The unacknowledged and unanswered concerns of company and partnership firm are comprehensively taken up by the law relating to Limited Liability Partnership. Of late, the need was felt to have a corporate-like structure which is less onerous, less expensive, with ease of operations, easily adaptable and acceptable to different stakeholders. The Limited Liability Partnership Act, 2008 was enacted in India keeping in view the requirements of contemporary business environment. The efficient corporate vehicle in the mode of limited liability partnership clubs the trio of entrepreneurship, knowledge and risk capital. The combination of entrepreneurial initiative and expertise will provide impetus to India’s economic growth.

The world is moving at a breakneck speed towards the new economic order. Before the limited liability partnership bandwagon got legal mandate in India it has been accepted in various economies across the globe. Whatever is the business environment and the nature of the economy a realm may have the notion of the limited liability partnership is omnipresent today across the globe and accordingly, the Limited Liability law has been introduced in the most of the countries of the world owning to its multifaceted advantages. The law relating to Limited Liability Partnership is seen as India’s preparedness for future and needless to mention, to make the Indian limited liability partnerships globally competitive. This research work is an impressive and judicious blending of the provisions of the Limited Liability Partnership Act, 2008; the Limited Liability Partnership Rules, 2009 and the Limited Liability Partnership (Winding up and Dissolution) Rules, 2012. The position of Limited Liability Partnership at the global stance is also analysed at length. The research work is interspersed with interpretations, explanations along with

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comparative charts, tables and graphs. Further, a number of judicial decisions on the area have added new dimensions to the interpretations of the provisions.

Barring the requisite fine-tuning, the Limited Liability Partnership Act is a fantastic beginning in the business environment, but, as always, the proof of the pudding is in the eating. Hence, there is an urgent need to propagate and publicize this infant corporate vehicle besides effectively implementing the spirit of the legislature behind this piece of enactment. To wrap up the famously said lines of George Bernard Shaw, “We are made wise not by the recollection of our past, but by the responsibility for our future”. The future of Indian business environment is definitely bright with the euphoria of the blossoming Limited Liability Partnership at its peak and the response which the Limited Liability Partnership corporate vehicle has got in the business environment.

The entrepreneurial laboratory of the Limited Liability Partnership vehicle will be advantageous and will promise a glowing and blushing future for the Indian business environment. On the basis of the research study, in nutshell it can be said that:

Sole Proprietor was a start, Partnership was a spark, Company was a flame but Limited Liability Partnership is a fire.

Effective to cope up with the requirements and appropriate to combat the challenges of the present day cross border economic activities, the trio of entrepreneurship, knowledge and risk capital is bound to usher a new era of economic growth in the business environment. In order to be successful entity in the business environment, Limited Liability Partnership still needs to cover a lot of distance and the position of the Limited Liability Partnership law is truly reflected in the following lines.6

The woods are lovely, dark and deep, but we have promises to keep, and miles to go before we sleep, and miles to go before we sleep.

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