ONE PERSON COMPANIES IN INDIA: EVOLUTION, LEGAL FRAMEWORK, AND FUTURE PROSPECTS FOR INCLUSIVE ENTREPRENEURSHIP

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ABSTRACT

The introduction of One Person Company (OPC) under Companies Act, 2013 is a significant paradigm shift of corporate law in India where an individual entrepreneur can avail incorporation benefits similar to that of partnerships. This study characterized the OPC journey, and its evolution and significant consequences for the entrepreneurial and legal contexts in India. The study traced the statutory journeys of OPCs where the Companies (Incorporation) Second Amendment Rules 2021 expanded the category to include eligible non-resident Indians and provided relaxations of conversion thresholds. Apart from the legal status of OPCs, the study found that OPCs served as a great formalization tool for India, increased productivity of the economy due to inclusivity, especially where service provision and the focus is on the digital economy. case studies further demonstrate OPCs as a type of business who offers there are advantages for entrepreneurs, while also indicating potential issues with compliance, tax and funding. The paper concludes that OPCs are a meaningful step toward an “Ease of Doing Business” vision in India along with a strategy for “Atmanirbhar Bharat” (self-reliant India) with identified policy priorities that increased public awareness, compliance and public funding. OPCs are a recognized catalyst for economic democracy and sustainable entrepreneurship practices for a modern, diverse India.

INTRODUCTION

The implementation of the One Person Company (OPC) format in the Companies Act, 2013 marked an inflection point in the corporate regulatory landscape of the country. It was an innovative reform that focused on facilitating the individual entrepreneur by marrying the operational flexibility of a sole proprietorship with the legal safety nets of limited liability company statutes. Before 2013, Indian law required a minimum of two persons to form a private limited company leaving sole proprietors unable to gain any of the benefits of incorporation. The OPC format appears to have fulfilled this gap by creating a formal one member company incorporate entity format.

The idea of single member entities was not unfamiliar to other jurisdictions such as Singapore, the United Kingdom, and the United States, which permit individuals to create incorporated entities with reduced compliance. The J.J. Irani Committee Report (2005)[1] was instrumental in promoting this idea and creates support for micro and small entrepreneurs, who can only operate as sole proprietorships if they wish to obtain incorporated status (i.e., limited liability and perpetual succession).

In India, the origination of One Person Companies has been recognized as an "innovative business vehicle for small and medium-scale entrepreneurs." In the last decade, One Person Companies have emerged as a rising star in terms of encouraging formalization, triggering entrepreneurship and promoting diversification in the business ecosystem in the country. Nevertheless, and in spite of their promise, One Person Companies struggle with scale, funding and regulatory clarity. The purpose of this project is to examine their evolution, growth trajectory, economic impact and consideration for reforms.

EVOLUTION AND LEGAL FRAMEWORK OF OPCs IN INDIA

Section 2(62)[2] of the Companies Act, 2013 defines an OPC as a company, which has only one person as its member. This statutory position altered the manner in which a sole entrepreneur could participate within the economy through a corporate structure. The statutory framework permits an individual to be both the sole shareholder and sole director of their own company,

[1] J.J. Irani Committee Report on Company Law, Ministry of Corporate Affairs, Gov't of India (2005).
[2] The Companies Act, No. 18 of 2013, § 2(62), Acts of Parliament, 2013 (India).

providing an individual with full ownership without losing corporate status.

The legal structure was previously restrictive as OPCs could only be established by resident Indian citizens, OPCs would need to convert to a private company when turnover exceeded ₹2 crore, if paid up capital exceeded ₹50 lakh, and the introduction of the nominee introduced an additional element of compliance into the decision-making process. These limitations restricted the opportunity for the entrepreneurs to achieve flexibility and the opportunity for growth.

The Companies (Incorporation) Second Amendment Rules, 2021, eliminated such restrictions thereby permitting Non-Resident Indians (NRIs) to incorporate OPCs, and removed minimum requirements for conversion. These changes have assuredly opened the audience and market reach for the OPC model, particularly, among aspiring digital entrepreneurs, consultants, and remote working practitioners[3] (Agrawal, 2021). Hence, OPCs are increasingly attractive as a modern business vehicle, fitting seamlessly in with India's knowledge and service economy that is now emerging.

As cited by Dorathy (2015)[4], researchers have characterized the OPC structure as “a blend of the risk-taking freedom of sole proprietorship, and the accountability of corporate governance.” The single founder structure allows for joint decision making and such accountability, all the while maintaining assured legal protections as a corporate entity. The legislative action exhibits India's serious intentions of developing entrepreneurship, through responsive corporate law.

TRENDS IN INCORPORATION AND GROWTH

The growth of one-person companies (OPC) has steadily increased over the last decade or so. Initially, growth was modest because people were not aware of the concept and there were process issues. Also, after 2016, registrations picked up due to online filing platforms and practitioners who could “facilitate” incorporation. By June 2018, there were over 18,000 registrations, with total authorized capital of over ₹460 crore[5].

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[3] Rishabh Agrawal, *Recent Developments in One Person Companies under the Companies Act, 2013*, EBIZFiling Blog (Feb. 2023), https://ebizfiling.com/blog/what-is-the-recent-development-of-the-one-person-company-in-india/.

[4] M. B. C. Dorathy, *One Person Company (OPC) – The New Business Format for Small Retailers in India*, 20 Mgmt. – J. Contemp. Mgmt. Issues 173, 181 (2015).

[5] P. Govindan, *A Study on Growth and Impacts of One Person Companies (OPCs) in India – An Innovative Business Vehicle for Small and Medium Scale Entrepreneurs*, Int’l J. Mgmt. 32 (2018).

Govindan (2018)[6] state that most of the OPCs are located in Maharashtra, Delhi, Tamil Nadu, and Karnataka and these regions have a major service economy and entrepreneurial capacity. Most of the OPCs appear to be in IT services, consultancy, design, and retail, which are primarily services since they do not require large scale capital backing. The average authorized capital of about ₹2,60,000-₹3,00,000 also suggests they were small scale operations.

The COVID-19 pandemic has unexpectedly placed One Person Companies in a prime position of importance. As many companies transitioned to freelancing companies, online consulting, and digital entrepreneurship, it was appropriate and legal to use the OPC form as an alternative. The trend grew more in 2021, when, with the changes in 2020, and submitted registrations and active OP companies increased by approximately 15 percent annually after these changes, based on what the eBizFiling Report (2023)[7] indicates.

Sarkar (2020)[8] defines this phenomenon as "entrepreneurial democratization", which defines the degree by which OPCs offer a pathway for an entrepreneur from diverse socio-economic status to bring their business activity into a formalized register and formal support organizations. Therefore, this trend supports India's broader economic objectives of inclusive innovation and a formalized informal economy.

CASE STUDIES

- **Ankur Sharma (Tour & Travel OPC): Regularising lone entrepreneur activity to attain contracts.**

  Ankur Sharma, who operates a tour and travel business based in Delhi, is highlighted in practitioner journals citing an illustration of the small-service firm stage of development in which incorporated an own-employee-opener to gain corporate legitimacy and contract with a larger organizational client[9]. Sharma leveraged the OPC status to enter into contracts formally, opened a bland account with his OPC name, and bid on institutional work — things associated with being a stand-alone with unregulated

[6] *Ibid*
[7] EBIZFiling, *Recent Developments of the One Person Company in India* (2023), https://ebizfiling.com/blog/whatis-the-recent-development-of-the-one-person-company-in-india/.
[8] D. A. K. Sarkar, *An Enquiry into the Growth and Impacts of One Person Companies in India*, in *Beyond Boundaries* 40 (2020).
[9] iPleaders Blog, *One Person Company: A Success Story* (Mar. 2021), https://blog.ipleaders.in/one-person-companysuccess-story/.

owners/ proprietorships were challenging; formal registered owners create more professionalism for clients, even though it is paperwork as a trade-off. After some time, Sharma noted an intention to convert to a formal, incorporated private company as he gained scale or partners in the venture. It is not uncommon for the OPC pathway to feature: carry-on as a sole for speed and low overhead, move to operable OPC when scale/partners bring credibility, and when formality or a legitimate credential is deemed necessary.

Lesson: Creating an POC is advantageous for occupational professionals to quickly create a corporate identity; however, operational to private corporation is likely the exciting next step if there is an attempt to build institutional clients or if there is an external capital endeavor.

- **Truffle House (OPC, Food/F&B micro-enterprise): micro-scale growth, persistence and attrition signals**

Registered in Delhi in 2017, Truffle House (OPC) Pvt. Ltd. is a one-person company that falls within the micro-enterprise profile[10] common with OPCs: low authorized/payed up capital, owner-operator management, and engagement with food manufacturing/retail. Consistent with many OPCs, the public company registries snapshots registering at the time by Zauba/ET/CompanyCheck indicate that companies entering the company registry tend to remain small - sometimes ongoing as an OPC and sometimes struck off the company registry for non-compliance - indicating the model is accessible but fragile.

Lesson: The accessibility of the available registry process allows company registration as an OPC, and for some micro businesses (F&B, agri, retail) this is a path forward to potential registration.

IMPACT

The establishment of One Person Companies (OPC) marks a fundamental shift in the economy and entrepreneurial activity, in that it permits one person to formalize entrepreneurial activity,

[10] Truffle House (OPC) Pvt. Ltd., ZaubaCorp, https://www.zaubacorp.com/company/TRUFFLE-HOUSE-OPCPRIVATE-LIMITED/U15100DL2017OPC322340 (last visited Oct. 6, 2025).

as well as adds transparency and accountability of engagement into the larger formal economy.

Govindan (2018)[11] states that OPCs encourage economic activity for female entrepreneurs and new entrepreneurs, as one person is able to start an entrepreneurship initiative without needing partners or investors. This is yet one more opportunity for self-employment, especially as entrepreneurs are entering the market or incubating enterprises while urban and semi-urban contexts.

OPCs fit neatly in any national initiatives such as Startup India, Digital India, and Atmanirbhar Bharat and create a more formal structure for professionals and gig workers and entrepreneurs that enhance a structured process for experimenting with business ventures, while achieving protection and autonomy as a type of business.

OPCs improved the opportunity for entrepreneurs to innovate because entrepreneurs could try the process of formalizing their enterprise at a lower cost. As Sarkar (2020) points out, the OPC model or the "one person company" is an incremental opportunity to facilitate a transition from informal to organized enterprise, while improving tax compliance and supply chain links and access to capital.

CHALLENGES AND ISSUES

Despite the measures taken in getting OPCs (One Person Companies) to increase their adoption, they still have legal issues and operational challenges.

1. **Compliance Burden**

   While OPCs may have less cumbersome compliance requirements than PLCs, OPCs still must make periodic filings with the Registrar of Companies (ROC), ensure their statutory records are maintained, and comply with audit requirements. These compliance obligations may be burdensome for micro-entrepreneurship makers, particularly in they do not have expertise or professional help.

2. **Funding and Credibility Issues**

   Banks and investors may continue to be hesitant to lend to OPCs purely because they

[11] Govindan, *Supra* note 5

are single member companies, limiting the transparency and continuity. Financing one member company is going to be riskier for the bank, as they do not have to go through the usual hurdles of directors or shareholders.

3. **Tax Disadvantages**

OPC's are taxed as a private limited and do not have the benefits of pass through taxation available to partnerships or limited liability partnerships (LLP's)[12]. As such, OPC's may appear less competitive to micro-entrepreneurship makers' if their profits are small.

The future for One Person Companies (OPCs) in India appears bright, especially as more and more of the economy shifts to digitalization, selfemployment, and entrepreneurship. The OPC was originally intended to encourage the transition of a small business entity into the formal economy. However, the OPC has now been absorbed into India's larger policy agenda of Ease of Doing Business and Atmanirbhar Bharat.

FUTURE OUTLOOK

1. **Policy and Regulatory Developments**

The Companies (Incorporation) Second Amendment Rules, 2021 expanded the OPC model to permit Non-Resident Indians (NRIs) to incorporate, while removing compulsory conversion thresholds. These changes allow greater participation from the Indian diaspora, and offer operators a more flexible regulatory framework. The MCA portal will be further digitized, which could mean that in the near future much of the compliance monitoring could be done by AI[13]. While this change may not happen in the immediate future, future governance of OPCs is likely to be more transparent, automated, and in favor of entrepreneurs.

2. **Integration with Startups and MSMEs**

One of the significant advantages of OPC is the future integration into the Startup India

[12] ASA & Associates LLP, *OPC – A Re-evaluation of the One Person Company Framework in India* (Apr. 2023), https://www.asa.in/wp-content/uploads/2023/04/OPC-article-updated.pdf.
[13] Manupatra Newsline, *Understanding the Legal and Practical Aspects of One Person Companies in India*, https:// docs.manupatra.in/newsline/articles/Upload/99295495-2070-4FBF-B072-3D74B3A05E98.pdf.

and MSME ecosystems in the next couple of years. If OPC is adopted into these programs for instance, the entrepreneurs would receive tax holidays, credit guarantees and have the opportunity to incubate their businesses midway through their commitment. Connection of the OPC registration to Udyam and Digital India 2.0, will help support the entrepreneurs as individuals and their businesses.

3. Sectoral Growth

The OPC structure is expected to proliferate across digital-first sectors including consulting, ecommerce, fintech, design and content creator industries. With the maturity of the gig economy there is increasing demand for categories of self-employed professionals to also have legal identity and personal liability without partners. Other sectors likely to see an increase for OPC types of entities include formal agriculture and rural based enterprises. Formality will bring timely access for supply chains, subsidies, bank financing, etc.

4. Global Consistency and Legal Maturity

Future adjustments may lead to different levels of compliance requirements and easier one-click responses for filing (akin to the amendments in Singapore and UK). Clarifying the nominee succession process and whether merging versus winding up and resolving tax and benefit alternatives will all enhance the confidence of entrepreneurs and investor ecosystems or societies. Over the next decade court precedents will better define OPC jurisprudence and further define and refine the essence of the corporate personality.

5. Economic and Social Impact

OPCs have the potential to play a critical role to boost the formal economy in India, transitioning informal businesses to registered, allowing access to credit, encourage innovation and expanded tax base. As India strives to be a $5 trillion economy, OPCs will contribute to the micro-foundation to build sustainable entrepreneurs, support human dignity, jobs and increase inclusiveness.

SUGGESTIONS

The emergence of One Person Companies (OPCs) in India is a remarkable advancement in corporate law but is still underutilized in its full potential due to regulatory, financial, and awareness constraints. The following recommendations may improve the uptake, operation and sustainability of OPCs:

1. **Make Compliance and Filing Easier**

   Implement a single-window digital compliance portal, and allow of optional self-certification for low-turnover OPCs. Making annual filings easier, fees for late-filings, and reminders of filling in compliance could entice informal entrepreneurs to move into the formal economy. An AI-app made for one-person companies can monitor existing filings from the Ministry of Corporate Affairs (MCA) and pre-validate filings so entrepreneurs can avoid errors due to procedural purposes.

2. **Provide financial and credit support**

   Provide OPCs with reduced corporate tax rates, waivers on incorporation fees, and credit guarantee schemes through the MSME framework. Financial institutions could develop a new OPC credit scoring model based on the performance of a business as opposed to a multi-member guarantee, increasing trust in the credit system and access to loan funds.

3. **Increase awareness and build capacity**

   Encourage campaigns across the country in collaboration with ICSI, ICAI, and MSME Development Institutes to promote knowledge of the benefits/advantages of One Person Companies. Include modules related OPCs in entrepreneurship courses, as well as included in business school programs.

CONCLUSION

The One Person Company is arguably the most forward-thinking development in India's corporate governance since independence. It has filled the historic vacuum between informal individual businesses (sole proprietorships) and formal businesses (corporate) so that the individual can act autonomously and also legally with that autonomy.

Research by Govindan[14] and Sarkar[15] notes that and indicates that the new-age entrepreneur in knowledge and service industries prefers the OPC, and the changing laws in 2021 reflect an awareness of this new relevance and extent.

There are still challenges, particularly with compliance, funding and awareness, but OPCs are indeed moving ahead under duress, towards vehicles of inclusive economic activity. With further policy developments to encompass them into start-up policies and approaches of awareness and implementation, OPCs possibly rest on the potential to interface with India's intended transformation into an entrepreneurial & economic based country.

They ultimately serve as a symbol of India's, and subsequently the world's shift to modern, evolving and inclusive corporate laws and a means of facilitating individual ambition & entrepreneurship into organized business, all with a shared vision to build a stronger, positive reinvigorated, and future looking economy as a nation.

[14] Govindan, *Supra* note 5
[15] Sarkar, *Supra* note 8

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