Modifications in LLP Legislation in India for Protection of Stakeholders' Interest—A Study of the Perceptions of the Professionals from Kolkata

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Abstract: A Limited Liability Partnership (LLP) is a body corporate, possessing characteristics of partnership and corporate structure and is governed by the LLP Act, 2008 in India. This organisation has been created to meet the needs of professionals who have led to its formation and evolution. But the issue is whether this limited liability of the partners will prove beneficial to the third parties dealing with an LLP. In this article, an attempt has been made to study the perceptions of the professionals on the need for certain modifications in the LLP legislation in India to protect the stakeholders' interest.

Key-words: Personal vicarious liability, liability insurance, clawback requirement, joint and several liability.

1. Introduction

A limited Liability Partnership (hereinafter referred to as LLP) is a hybrid organisational structure that has evolved to meet some of the limitations of the two most common business structures over the world, namely, the partnership form and the corporate form. The partnership form offers the benefit of internal flexibility to its partners to arrange its internal affairs but makes the partners vulnerable to the problems associated with joint and several liability. It is on account of joint and several liability that the partners may face the threat of unlimited liability in due course. On the other hand, the corporate form holds out the advantages associated with separate legal personality, perpetual succession and limited liability to its members but it is burdened by various regulatory formalities in its day to day conduct of its affairs. Hence, the presence of some inherent limitations in both these structures that have led to the evolution of hybrid entities like LLPs.

According to the Limited Liability Partnership Act, 2008 in India, an LLP is a body corporate having separate legal entity from that of its members and enjoying perpetual succession. It can be incorporated in accordance with the requirements of the Act by at least two persons (natural or artificial), intending to carry on a lawful business (http://www.mca.gov.in/LLP/pdf/LLP_Act_2008_15jan2009.pdf). The LLP form was first introduced in Texas after the fall in the real estate and energy prices in the 1980s. This fall lead to the failure of banks and savings and loans associations (S & Ls) but the amount recoverable from them was inadequate to meet the claims of the creditors. Hence, an effort was made to recover the amount from the law firms and the accounting firms who have advised those institutions. Since this move could have rendered many professionals bankrupt, an effort was made to protect the innocent partners of the firms from such bankruptcy. This initiative lead to the emergence of the LLP law in Texas (Hamilton, 1995). LLP was introduced in the Uniform Partnership Act, 1996, in the USA. In the UK, the professional group, especially the accounting professional group, raised concerns about the large amount of liability settlements by the accounting and auditing firms, inadequate coverage and scarcity of liability insurance policies and the demerits associated with joint and several liability. These were the reasons cited for their demand for the LLP legislation. It was observed that Jersey, a part of Channel Islands, was used to convince the UK government to enact the LLP legislation. Eventually, the LLP Act, 2000, was enacted in the UK.

The innovative business structure in the form of LLP was introduced in India by the enactment of the LLP Act, 2008. It is known that this Act received the President's assent on 7th January, 2009, and was, thereafter, notified in the Official Gazette. The Limited Liability Partnership Act was put into force by the Central Government on 31st March, 2009. In the state of West Bengal, the total number of LLPs registered till 30/12/2014 was 1748 (Source: http://www.mca.gov.in/DataPortal/Ministry/DataPortal/West_Bengal_LLP_1.pdf). The total number of LLP registered in India in the years 2009, 2010, 2011, 2012, 2013 and 2014, were 559, 181, 4218, 108205, 6783 and 11,616 respectively (Source: http://www.mca.gov.in).

Thus, from the above statistics, it seems plausible that despite a slow start, the incorporation of LLP in India reached its peak during the year 2012 and finally has become stable by 2014. Apparently, this organisational form is gaining momentum and popularity in India.

2. Review of Literature

In this section, an attempt has been made to briefly review, in a chronological manner, some major available works relating to LLP.

- A publication of the Alberta Law Reform Institute (1998) mentions the basic key legal concepts, highlights the different form of business entities existing in Alberta jurisdictions and in other places. It also draws the evolution of limited liability organisational forms over a period of time and debates over the issue whether the business participants, especially the professionals, should be allowed to practice in limited liability entities or not.
- Cousins, Mitchell and Sikka (2004) have stated that the major accountancy firms are insensitive to the rights of the stakeholders and pay no heed to maintain transparency of their activities and public accountability. They have depicted how major accountancy firms had influenced the drafting of the LLP Legislation in Jersey and had utilised the same to enact the LLP Bill in the United Kingdom (UK). Ultimately, the authors concluded that such limitation of the auditors' liability will lead to the concentration

of power and wealth in the hands of the few people in the society, thus affecting the society in a negative way.

- Gopalakrishnan (2004a) has focused on the need to bring a legal reform in the form of limited partnership to help small-scale industries (SSIs) and small service enterprises access much needed capital. He has stated that the professionals like accountants and lawyers have been pressing for the introduction of LLPs to achieve a level-playing field with their counterparts in the developed countries. They are also demanding legal amendments to enable professionals from different disciplines to form a single outfit to render services from a single window.
- Again, Gopalakrishnan (2004b) has underscored the urgent need for extending the option of LLP to meet the investment need of a small entrepreneur without being substantially out of sync with the business culture and environment that he/she has been accustomed to for decades.

3. Research Gap

After having a brief review of literature, it is observed that this unique organisational form has been designed primarily to meet the needs of the professionals like Chartered Accountants (CAs), Lawyers, etc. The existence of joint and several liability of the partnership firms and the risk of unlimited liability were the two most inhibiting factors that restricted the growth of this service industry.

If limited liability is good for owners of business, the issue is whether it is good for accounting professionals. The possible reasons for the demand of LLP worldwide are due to the magnitude of malpractice claims, inadequacy and expensive nature of liability insurance coverage and structure of the accounting industry. Since the accounting professionals are likely to incur some liabilities towards non-clients, it is required to evaluate whether LLP form would be detrimental to the interest of non-clients. Though civil liability rules and market discipline act as a motivator, the argument is whether LLP form would be affecting their quality of service. LLP form may cast more impact on the compensation issue in large-sized firms than small-sized ones (Alberta Law Reform Institute, 1998).

In this research work, an attempt has been made to study and evaluate the perceptions of the professionals in Kolkata regarding the viability of this organisational form in India. Professionals here would include the members of the Institute of Chartered Accountants of India (ICAI) and the members of the Institute of Company Secretaries of India (ICSI). An attempt has been made to assess their opinion with regard to the modifications required in the LLP legislation in India for protection of the stakeholders' interest.

4. Objectives of the Study

This study is aimed to cover selected professionals with the specific objectives stated below.

1. To assess whether *qualification, occupation, gender and income levels* of the respondents cast a significant impact on each of the variables constituting modifications in LLP legislation in India for protection of stakeholders' interest;
2. To confirm the dimensionality of the data set and to identify the most important and the least important variable under modifications in LLP legislation in India for protection of stakeholders' interest.

5. Research Methodology

The present research is empirical and exploratory in nature. Primary and secondary data have been used in this study. Primary data have been collected by administering a structured questionnaire. The questionnaire has been prepared by studying the existing literature in hand. Pilot study has been done before final preparation of the questionnaire. The questionnaire has been distributed among the professional groups and the respondents were selected through convenience sampling method. Secondary data have been collected from various sources like journals, books, websites, etc.

Sample

The sources of selection are the lists of members in Kolkata of the two institutes. The sample of the study has been taken from the list of members of the ICAI as on 1/4/2011 and the list of members of the ICSI as on 31/03/2012. In spite of best efforts, the list of members of the ICAI as on 1/4/2012 was not available. However, it is expected that this will not distort the representativeness of the sample.

Survey Instrument

The survey instrument is segregated into two parts. The first part deals with the demographical details of the respondents namely the name, contact details, age, qualification, occupation, gender and income level. The second part contains three point likert scale statements on modifications in LLP legislation in India for protection of the stakeholders' interest. To evaluate the reliability of the instrument, the test of Cronbach's á (Alpha) has been performed on all three point Likert-scale statements in the second section of the questionnaire.

Survey Procedure

With an objective to make the study an intensive one, the questionnaire has been distributed physically as well as through e-mails to 1% of the population. In spite of the best efforts, most of the professionals were not keen to respond. This may be due to the novelty of the underlying idea of the questionnaire, difficulty of the matter, lack of time on their part, etc. The study has been finally done on the basis of 86 completely filled in questionnaire finally received. The sample contains around 0.6% of the population of members of The Institute of Chartered Accountants of India (68 Chartered Accountants (CAs) in number) and around 0.7% of the population of members of Institute of Company Secretaries of India (18 Company Secretaries

(CS) in number). Among the CSs included in the sample, 10 are both CA and CS. Among the CSs included in the sample, 1 is CA, CS and CMA. Among the CAs included in the sample, 3 are both CA and CMA. Both practising and non-practising members are included in the sample. Employee-professionals in CA firms are considered as practising members.

Data Analysis

The data have been studied with the help of the statistical package namely SPSS version 20 bearing in mind the objectives of the study. The demographical composition of the respondents is derived in the study. Thereafter, Cronbach's á (Alpha) has been computed on all the statements in the second section of the questionnaire to ascertain the overall consistency of the data collected. Subsequent to this, Chi-square test or Fisher's Exact test has been applied for the variables present in the questionnaire *vis-a-vis* the qualification, occupation, gender and income level of the respondents. Finally, Factor Analysis has been performed on all the variables constituting modifications in the LLP legislation in India for protection of the stakeholders' interest to check whether they belong to one single dimension or not and to identify the most important variable under this dimension.

6. Empirical Analysis

First Part:

Demographic Profile of the Respondents

Table-1: Professional Qualification-wise Distribution of the Respondents

	Frequency	Percent	Cumulative Percent
CA	68	79.1	79.1
CS	18	20.9	100.0
Total	86	100.0	

Table-2: Age-wise Distribution of the Respondents

Age-group	Frequency	Percent
Below 30	46	54
31-40	10	12
41-50	15	17
51-60	14	16
Above 60	1	1
Total	86	100

Majority of the respondents fall in the 'below 30'.

Table-3: Occupation-wise Distribution of the Respondents

	Frequency	Percent	Cumulative Percent
Service	32	37.2	37.2
Professional practice	52	60.5	97.7
Others	2	2.3	100.0
Total	86	100.0	

A greater proportion of the respondents are engaged in professional practice.

Table-4: Gender-wise Distribution of the Respondents

	Frequency	Percent	Cumulative Percent
Male	59	68.6	68.6
Female	27	31.4	100.0
Total	86	100.0	

A greater proportion of the respondents are male.

Table-5: Income-wise Distribution of the Respondents

	Frequency	Percent	Cumulative Percent
Below 250000	11	12.8	12.8
250000-500000	27	31.4	44.2
500001-750000	20	23.3	67.4
750001-1000000	10	11.6	79.1
Above 1000000	18	20.9	100.0
Total	86	100.0	

The majority of the respondents fall in the income group of 250000-500000.

Second Part: ***Reliability Statistics***

Table-6: Reliability Statistics

Cronbach's Alpha	No. of Items
.900	16

Table-6 indicates that the Cronbach's α (*alpha*) of 16 likert scale statements is .900 reflecting high internal consistency and interrelatedness among them.

In order to understand whether the different demographic variables like the qualification, the occupation, the gender of the respondents and the income of the respondents cast a significant impact on all the variables constituting Modifications in LLP Legislation in India for Protection of the Stakeholders' Interest, Pearson Chi-square Test or Fisher's Exact Test has been performed using SPSS version 20. Generally Pearson Chi-square test is used to study the independence of different attributes. But in a situation when the expected count is less than 5 in more than 20% of the cells in a crosstab or in a contingency table, Fisher's Exact test is used conventionally in statistics. Thus depending upon the circumstances, either Pearson Chi-square test or Fisher's Exact test has been referred to.

In the table given below, the Asymp. Sig. (2-sided)/ Exact Sig. (2- sided) or the p value of each variable is shown with respect to the independent demographic variables such as the qualification, the occupation, the gender and the income level of the respondents. The tests of hypothesis are being performed at a significance level of 5%. If the p value is less than .05 in any case, then the Null Hypothesis gets rejected and the Alternative Hypothesis gets accepted. The Null Hypothesis and the Alternative Hypothesis for the different statements or variables are of the following pattern.

Null Hypothesis (H_0)–The concerned demographical variable (qualification / occupation/ gender / income level) has no impact on the opinion expressed by the statements.

Alternative Hypothesis (H_1)–The concerned demographical variable (qualification / occupation/ gender / income level) has an impact on the opinion expressed by the statements.

Table-7: Indicators of the Relevant Aspects

Statements	**Qualification (p value)**	**Occupation (p value)**	**Gender (p value)**	**Income level (p value)**
It is appropriate to retain personal liability of the partners of an LLP who have the responsibility of maintaining quality assurance mechanism in the LLP.	1.000	.567	.857	.329
The proposal to retain personal vicarious liability for the partners assuming supervisory roles in the LLP would act as disincentive for them	.684	.814	.306	.680

In India, it would be appropriate for partners of an LLP to face clawback requirement.	.331	.871	.373	.700
It is appropriate for an innocent partner of an LLP to withdraw asset from LLP between the time a claim is made against the LLP and the time it is determined	1.000	.749	.186	.156
In India, LLPs should be subjected to the maintenance of minimum amount of liability insurance.	.464	.763	.271	.186
The fixation of minimum amount of liability insurance should be left to the governing bodies of the relevant professions.	.507	.354	.386	.142
For the internal governance of the LLP, detailed rules should be prescribed by the statute.	1.000	.698	.390	.277
Partners of an LLP should be allowed to provide secured loans to the LLP	.911	.704	.255	.484
It is appropriate to have a body corporate as a partner in an LLP	.299	.406	.411	.482
The disqualification criteria for company directors in the Companies Act should apply to the partners of an LLP.	.173	.897	.303	.275
The Partner of an LLP may be allowed to transfer his/her economic interest only and not his/her partnership status.	.479	.243	.610	.532
The transfer of a partner's economic interest in an LLP should require consent of the other partners.	.877	.633	.299	.552

A company should announce its conversion to LLP publicly so that the third parties are aware of the change in its status.	1.000	.818	.122	.069
The capital contributed to the LLP should not be less than the capital remaining in the company at the time of such conversion.	.690	.646	.261	.225
A foreign LLP, which is incorporated out of India, may have a name similar to an LLP in India	.488	.860	.029	.482
An unregistered partnership firm should be prevented from converting to an LLP.	.021	.072	.014	.261

Thus, from Table-7, it is observed that only in 3 cases out of 64 cases, there is an existence of impact of the demographic variable on the concerned variables. Hence, the following Alternate Hypotheses get accepted.

i. *As the p value is less than .05 i.e. .029, the Alternate Hypothesis is accepted indicating that Gender has an impact on the opinion that a foreign LLP, which is incorporated out of India, may have a name similar to an LLP in India.*

ii. *As the p value is less than .05 i.e. .021, the Alternate Hypothesis is accepted indicating that Qualification has an impact on the opinion that an unregistered partnership firm should be prevented from converting to an LLP.*

iii. *As the p value is less than .05 i.e. .014, the Alternate Hypothesis is accepted indicating that Gender has an impact on the opinion that an unregistered partnership firm should be prevented from converting to an LLP.*

Third Part: ***Factor Analysis using Principal Component Analysis (PCA)***

Table-8: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.876
Bartlett's Test of Sphericity	Approx. Chi-Square	565.048
	df	120
	Sig.	.000

Table-9: Communalities

	Initial	Extraction
It is appropriate to retain personal liability of the partners of an LLP who have the responsibility of maintaining quality assurance mechanism in the LLP.	1.000	.385
The proposal to retain personal vicarious liability for the partners assuming supervisory roles in the LLP would act as disincentive for them	1.000	.205
In India, it would be appropriate for partners of an LLP to face clawback requirement.	1.000	.464
It is appropriate for an innocent partner of an LLP to withdraw asset from LLP between the time a claim is made against the LLP and the time it is determined	1.000	.235
In India, LLPs should be subjected to the maintenance of minimum amount of liability insurance.	1.000	.598
The fixation of minimum amount of liability insurance should be left to the governing bodies of the relevant professions.	1.000	.361
For the internal governance of the LLP, detailed rules should be prescribed by the statute.	1.000	.522
Partners of an LLP should be allowed to provide secured loans to the LLP	1.000	.359
It is appropriate to have a body corporate as a partner in an LLP	1.000	.399
The disqualification criteria for company directors in the Companies Act should apply to the partners of an LLP.	1.000	.579
The Partner of an LLP may be allowed to transfer his/her economic interest only and not his/her partnership status.	1.000	.404
The transfer of a partner's economic interest in an LLP should require consent of the other partners.	1.000	.535
A company should announce its conversion to LLP publicly so that the third parties are aware of the change in its status.	1.000	.583

The capital contributed to the LLP should not be less than the capital remaining in the company at the time of such conversion.	1.000	.410
A foreign LLP, which is incorporated out of India, may have a name similar to an LLP in India	1.000	.300
An unregistered partnership firm should be prevented from converting to an LLP.	1.000	.312
Extraction Method: Principal Component Analysis.		

Table-10: Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1.	6.652	41.578	41.578	6.652	41.578	41.578
2.	1.243	7.768	49.345			
3.	1.057	6.609	55.954			
4.	1.015	6.345	62.299			
5.	.859	5.369	67.668			
6.	.774	4.839	72.507			
7.	.699	4.370	76.877			
8.	.635	3.967	80.844			
9.	.566	3.536	84.381			
10.	.493	3.078	87.459			
11.	.481	3.003	90.462			
12.	.407	2.541	93.003			
13.	.374	2.338	95.342			
14.	.302	1.886	97.228			
15.	.258	1.611	98.839			
16.	.186	1.161	100.000			
Extraction Method: Principal Component Analysis.						

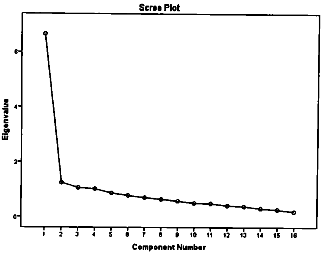

Table-11: Component Matrix

	Component 1
It is appropriate to retain personal liability of the partners of an LLP who have the responsibility of maintaining quality assurance mechanism in the LLP.	.621
The proposal to retain personal vicarious liability for the partners assuming supervisory roles in the LLP would act as disincentive for them	.453
In India, it would be appropriate for partners of an LLP to face clawback requirement.	.681
It is appropriate for an innocent partner of an LLP to withdraw asset from LLP between the time a claim is made against the LLP and the time it is determined	.484
In India, LLPs should be subjected to the maintenance of minimum amount of liability insurance.	.773
The fixation of minimum amount of liability insurance should be left to the governing bodies of the relevant professions.	.601
For the internal governance of the LLP, detailed rules should be prescribed by the statute.	.722
Partners of an LLP should be allowed to provide secured loans to the LLP	.599

It is appropriate to have a body corporate as a partner in an LLP	.632
The disqualification criteria for company directors in the Companies Act should apply to the partners of an LLP.	.761
The Partner of an LLP may be allowed to transfer his/her economic interest only and not his/her partnership status.	.636
The transfer of a partner's economic interest in an LLP should require consent of the other partners.	.732
A company should announce its conversion to LLP publicly so that the third parties are aware of the change in its status.	.764
The capital contributed to the LLP should not be less than the capital remaining in the company at the time of such conversion.	.640
A foreign LLP, which is incorporated out of India, may have a name similar to an LLP in India	.548
An unregistered partnership firm should be prevented from converting to an LLP.	.559
Extraction Method: Principal Component Analysis.	
a. 1 component extracted.	

Table-8 indicates Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's test of sphericity. Here, the KMO statistic is .876, suggesting that the sample is adequate for generation of meaningful factors. Bartlett's test checks the Null Hypothesis i.e., whether the original correlation matrix is an identity matrix or not. Since here, the actual significance value i.e. $p < .001$ (less than .05), the Null Hypothesis is rejected and the Alternate Hypothesis is accepted. Thus, there exists correlation among the 16 observed variables. Table-9 gives the communalities of all the observed variables before and after extraction. PCA works with an assumption that all variance is common and hence the initial communalities of all the variables are 1. After extraction, the communalities of the different variables indicate the portion of variance explained by the retained factors. Thus the retained component will represent .385 unit of variance of the variable representing retention of the personal liability of the partners of an LLP who have the responsibility of maintaining quality assurance mechanism, .205 unit of variance of the variable representing retention of personal vicarious liability for the partners assuming supervisory roles, .464 unit of variance of the variable representing clawback requirement of the partners of an LLP, .235 unit of variance of the variable representing withdrawal of asset from LLP between the time a claim is made against the LLP and the time it is determined, .598 unit of variance of the variable representing maintenance of minimum amount of liability insurance, .361 unit of variance of the variable representing fixation of minimum amount of liability insurance by the governing bodies of the relevant professions,

.522 unit of variance of the variable representing for the internal governance of the LLP, detailed rules prescribed by the statute, .359 unit of variance of the variable representing partners of an LLP allowed to provide secured loans to the LLP, .399 unit of variance of the variable representing appropriateness of a body corporate as a partner in an LLP, .579 unit of variance of the variable representing application of the disqualification criteria of company directors applicable to the partners of an LLP, .404 unit of variance of the variable representing the Partner of an LLP may be allowed to transfer his/her economic interest only and not his/ her partnership status, .535 unit of variance of the variable representing the transfer of a partner's economic interest in an LLP should require consent of the other partners, .583 unit of variance of the variable representing announcement of a company of its conversion to LLP publicly, .410 unit of variance of the variable representing the capital contributed to the LLP should not be less than the capital remaining in the company at the time of such conversion, .300 unit of variance of the variable representing similarity of a name of a foreign LLP with an LLP in India and .312 unit of variance of the variable representing prevention of an unregistered partnership firm from converting to an LLP. Table 10 gives the eigen values of all components before and after extraction. It is found that 4 components should be retained explaining 62.299% of the cumulative variance. But if the table is observed closely, one shall find that Component 1 has the highest eigen value of 6.652 and it explains 41.578% of the variance. On the other hand, the remaining 3 components have nominal eigen values when compared with Component 1 and they explain only 20.721% of the variance. It is for this reason, it has been decided to retain only Component 1 because it explains the significant amount of variance in the dimension. This decision can be also verified with the help of a scree plot as given above with each component on the horizontal axis and the eigen values associated with them on the vertical axis. In the given scree plot, it is observed that the major break is occurring at Component 2 and again it is the Component 1 that is retained. This indicates that all the concerned variables represent one single dimension i.e., Modifications in LLP Legislation in India for Protection of Stakeholders' Interest. There is no scope for rotation of components because one component is extracted and retained. Table 11 signifies the loadings of each variable on the Component 1. The factor loadings indicate the correlation between the variables and the component. The Component Matrix reflects that maintenance of minimum amount of liability insurance is the most important variable in this dimension with a factor loading of .773.

7. Conclusions

It is felt appropriate to retain personal liability of the partners who have the responsibility of maintaining quality assurance mechanism in an LLP. This change may be initiated by the legislators in India in the LLP Act, 2008 so that the overall quality of the LLP's activities is properly maintained by the partners and there is a continuous review of the same. This move is expected to increase the personal incentive of the concerned partner to protect the stakeholders' interest. Another school of thought suggests that this would discourage the partners to assume the responsibility of maintaining quality assurance mechanism in an LLP. The legislators may play an active role in this regard to incorporate some provision where all the partners at some point of time will have to compulsorily assume such responsibility by some way of mandatory rotation. Personal vicarious liability should also be imposed on the partners assuming supervisory roles to increase their alertness. This may again induce the senior partners to shift this responsibility to the junior partners not capable to take this responsibility (Alberta Law Reform Institute, 1998). To prevent this, again some form of mandatory rotation and eligibility criteria for being a supervisor may be provided in the statute. The LLP Act, 2000 and the LLP Regulations, 2001 of the U.K. contain the clawback requirement to meet the claims of the creditors in case of the dissolution of the LLP and also to prevent the members to withdraw fund from the LLP in the event of its misfortune. The provision is that in the event of the dissolution of the LLP, the partners who have withdrawn funds in the form of share of profits, salary, etc., in two years immediately preceding the date of winding up should be required to bring in the required amount. The clawback requirement can only be enforced if the partners know or have reasonable doubt that the LLP will be unable to repay its debts at the time of withdrawal or will become so after the withdrawal of the funds taking together any other withdrawal of the other partners (Freedman and Finch, 2002). This provision may be considered by the legislators in India for incorporation in the LLP Act, 2008 after considering the form of assets withdrawn that will trigger clawback and the manner of determination of the difficulty of the LLP at the time of withdrawal by the partners. It is felt that it is not appropriate for a partner to withdraw funds between the time a claim is made by a third party against an LLP and the time when it is properly determined so that the liquidity position remains unaffected to meet the stakeholders' claims. LLPs in India should compulsorily maintain minimum amount of liability insurance so that a person suffering damage from professional malpractice will have claim against the assets of the partners who are at fault, assets of the firm and the applicable liability insurance coverage (Alberta Law Reform Institute, 1998). It is also felt that, instead of having a broad framework of default rules on internal governance of LLP, it is better to have detailed rules out of which some are compulsory in nature for all types of LLPs so that there is lesser scope of discrimination between a large-sized and a small-sized LLP. Again, it is observed that if a partner provides secured loan to an LLP, then it may cast a negative impact on the claims of third parties against the LLP especially in case of winding up of an LLP. These are some of the modifications that should be incorporated in the Act.

It is found that there is no significant impact of the demographic variables on the observed variables except only in 3 cases. Hence, no such pattern has been identified with regard to the influence of demographic variables on the observed variables. All the variables belong to the same dimension and maintenance of minimum amount of liability insurance requirement by an LLP is the most important modification to protect the stakeholders' interest as found from empirical survey.

8. Limitations of Study

1. The present study is based on the perceptions of professionals, namely, CAs and CSs from Kolkata. Other categories of professionals, namely, CMAs, Advocates, etc., are not included in the sample.
2. The research is based only on the perceptions of professionals from Kolkata and not on a national scale.
3. Owing to time and financial constraints, the method of simple Convenience Sampling has been used for selection of professionals constituting the sample.
4. The study is based on the perceptions of the professionals gathered at a single point of time. Study of any change in the perceptions of the professionals over a period of time has not been done.

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