

## **Progress of Insolvency and Bankruptcy Code**

### **What is the Insolvency and Bankruptcy Code?**

\n\n

\n

- It was passed in 2016.

\n

- It was formulated to make the process of shutting down and exiting a business easier and less time-consuming.

\n

- India currently ranks 130th overall — out of 189 countries — and 136th on the parameter of 'resolving insolvency', with the World Bank saying it takes four years to resolve a bankruptcy case.

\n

- The code was also expected to improve India's rankings in the World Bank's ease of doing business index.

\n

\n\n

### **How does the Insolvency Code operate?**

\n\n

\n

- When a firm defaults on its debt, its control will shift to a committee of creditors.

\n

- The committee will have 180 days to evaluate proposals from various interested parties on how to either resuscitate the company or enable liquidation.

\n

- The code has provisions for the creation of 'insolvency professionals' who would handle the commercial aspects of the resolution process.

\n

- Insolvency professional agencies will train and regulate these professionals.

\n

- The Debt Recovery Tribunal act as adjudicating authorities for individuals and unlimited partnership firms and National Company Law Tribunal for companies and limited liability entities.

\n

- Insolvency and Bankruptcy Board of India will be the overall regulator.

\n

\n\n

### **What is the progress so far?**

\n\n

\n

- The government has completed the tasks it had to carry out towards the implementation of the code.

\n

- But the private sector is yet to participate.

\n

- The Insolvency and Bankruptcy Board of India has been created, but the progress in creating insolvency professional agencies, and in recruiting insolvency professionals, has been minimal so far.

\n

\n\n

### **What is the reason for the delay?**

\n\n

\n

- The entire matter of insolvency is inextricably tied to the non-performing assets (NPA) issue.

\n

- Many companies may be plagued by the non-payment of dues.

\n

- Only after their assets are rationalised, through the NPA-linked initiatives taken by the RBI, can they be wound up.

\n

- The RBI will look at them on a case-by-case basis, which means that the entire process will take time.

\n

\n\n

\n\n

**Source: The Hindu**

\n



**SHANKAR**  
**IAS PARLIAMENT**  
*Information is Empowering*