

## **Significance of Amendments in IBC**

### **Why in news?**

\n\n

Union Cabinet approved an Ordinance to amend Insolvency and Bankruptcy Code (IBC).

\n\n

### **What was the significance of amendments made in the IBC?**

\n\n

\n

- The Ordinance was passed to ameliorate the effect of IBC proceedings on the real estate sector and small and medium enterprises (SMEs).

\n

- As both these sectors are major sources of growth in the Indian economy.

\n

- This amendment will increase the stability and transparency in the real estate sector and it's a step towards government's aim of 'housing for all' by 2022.

\n

- Another major amendment was done in the Real Estate (Regulation and Development) Act of 2016 to grow and modernise the real estate sector which will increase thesecurity for home-buyers.

\n

- The concerns of the SMEs' have been addressed by allowing promoters of companies with turnover up to Rs 2.5 billion to bid during the IBC process.

\n

- Also restrictions on promoters' bids have been put in place in order to ensure that they do not game the system to their advantage.

\n

\n\n

### **What are the other challenges?**

\n\n

\n

- After the amendment, Home buyers will be treated as financial creditors

whose representatives must approve the resolution plans for the company that has been taken to the NCLT.

\n

- This will affect the autonomy of the Banks as the home-buyers might seize control of the process, given their shares in investment.

\n

- It is also unclear how the representative of home-buyers will be chosen, and what it means for the effectiveness and smooth functioning of the committee of creditors.

\n

- But these restrictions might also affect the SMEs and force many companies to go into liquidation with a consequent loss in value.

\n

\n\n

\n\n

**Source: Business Standard**

\n

