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Revitalizing the Indian Economy - Assessing the Impacts of the Bankruptcy and Insolvency

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This research paper provides an in-depth analysis of the effects of the Insolvency and Bankruptcy Code (IBC) on the Indian economy. It begins by tracing the historical evolution of various legislations preceding the enactment of the IBC in 2016. Through a thorough literature review, the paper examines current insolvency and bankruptcy laws in India, analyzing their efficacy by highlighting key issues, challenges, and features of the code. Within this framework, the paper specifically explores the paradigm shift from debtor-centric to creditor-centric approaches. To inform this analysis, the paper draws upon a comparative examination of insolvency laws in developed and developing nations, presenting effective strategies that can enhance the Indian insolvency framework and contribute to the growth of the Indian economy in the global context. The paper also examines the implications of the repeal of the Sick Industrial Companies Act in 2003, which led to the establishment of the IBC. The subsequent development of the Insolvency and Bankruptcy Code is then explored, which aims to provide a comprehensive framework for addressing insolvency and bankruptcy matters for entities such as individuals, partnerships, limited liability partnerships, and companies. Highlighting the distinction between insolvency and bankruptcy, the paper clarifies their respective scopes within the IBC. Additionally, it notes that the code applies to voluntary winding up and liquidation of companies while excluding certain entities like societies and trusts. The research underscores the need for the Insolvency and Bankruptcy Code by addressing the gaps in previous laws that failed to yield the desired results for the Indian economy. By presenting a comprehensive analysis of the historical context, current challenges, and potential impact on the Indian economy, this research paper calls upon the legislature and judiciary

to consider revising and improving the insolvency and bankruptcy framework to effectively boost the Indian economy on a global scale.

Keywords: *bankruptcy, insolvency, company law, Indian economy.*

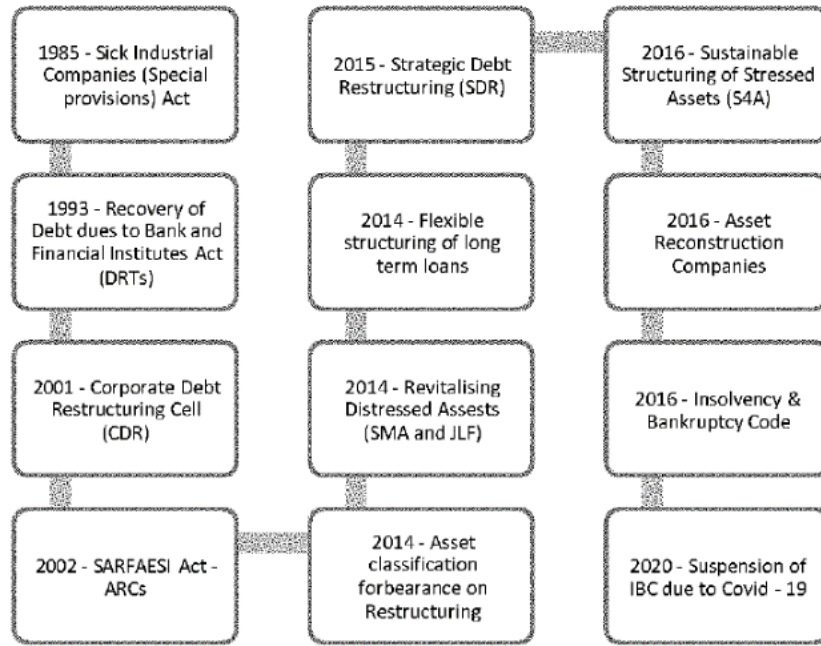
INTRODUCTION

The Sick Industrial Companies Act came into effect with the objective of 'securing the timely detection of sick and potentially sick companies and speedy determination by a Board of Experts.'¹ The Sick Industrial Companies Act was repealed in 2003 by the Sick Industrial Companies Repeal Act in 2003 leading to the dissolution of BIFR (Board for Industrial and Financial Reconstruction). BIFR's role was to identify industrial companies that were not doing well and to suggest the necessary measures for the revival of such companies. This led to the development of the Insolvency and Bankruptcy Code which was assented by the President on 01 December 2016.

The Insolvency and Bankruptcy Code 2016² aims to provide an articulated framework for matters relating to insolvency and bankruptcy. Insolvency and Bankruptcy Code (hereinafter, IBC) deals with entities such as individuals, partnership firms, limited liability partnerships (LLP) and Companies whereas the IBC does not apply to entities such as societies, trusts, and boards amongst many others. Herein, insolvency and bankruptcy are different concepts even though they seem similar in nature. Insolvency looks after matters wherein the liabilities of the entities are more than its assets and cannot meet the debt it has. Whereas Bankruptcy is one wherein the court with competent jurisdiction passes a decree stating the entity insolvent in nature on application of such entity. This code is applicable in the case of voluntary winding up of operations or liquidation of a company.

¹ Sick Industrial Companies (Special Provisions) Act 1985

² Insolvency and Bankruptcy Code 2016



The above figure³ shows various laws prevailing prior inception of the Insolvency and Bankruptcy Code. One of the aims of developing the code was to get rid of the lacunae present in the prevailing laws which did not have the intended results on the Indian Economy.

LITERATURE REVIEW

The Insolvency and Bankruptcy Act 2016 governs the entities by amending laws about insolvency and restructuring by way of establishing regulations and regulatory authorities to deal with the above-said matters under the code. A debtor cannot pay debts as they fall due, and an entity is said to be insolvent when his liabilities exceed his assets and against whom the court makes an order of adjudication. Efficaciously functioning companies are governed by the Companies Act⁴ whereas the ones ineffective in terms of finances are governed by the Insolvency and Bankruptcy Code. The constitutional validity of the code has been highly contested in the court of law. The Supreme Court in the case of Innoventive Industries Limited

³ Nimit Gupta et al., ‘Impact of Insolvency and Bankruptcy Code on India's Macro Economy Focusing on Indian Commercial Banks’ (2020) 22 *Supremo Amicus* <<https://supremoamicus.org/wp-content/uploads/2020/11/Nimit-Gupta-1.pdf>> accessed 01 August 2023

⁴ Companies Act 2013

v ICICI Bank Ltd. wherein the court held that it is a central law, that would prevail over all the other existing laws related to the matters of insolvency and bankruptcy.⁵ Section 7 of the code speaks about the initiation of corporate insolvency at the request of financial creditors against a debtor in case of a default.⁶

IBC is an integral part of a growing economy like India i.e., they help to restructure the locked capital in a business which is failed. The objective of the IBC is to 'consolidate and amend the laws relating to reorganization and insolvency resolution of corporate persons, partnerships firms, and individuals, in a time bound manner for maximization of value of assets of such persons, to promote entrepreneurship, availability of credit, and balance the interests of all the stakeholders including alteration in the priority of payment of government dues.'⁷ The said code shifted the paradigm to Creditors from debtors i.e. the code focuses on the protection of the interests. In simpler words, there is the threat of losing ownership of business amongst the promoters and the management, thus, a sense of responsibility has arisen towards borrowing practices. Creditors have initiated stringent evaluation methods to vet the debtors before approving loans or any other borrowing a matter of fact. Even the RBI has strengthened mechanisms to curtail such easement of borrowings by the companies. Willful defaulters have been barred by the SEBI to abstain from raising more capital leading to distress.

The bill has three salient features. Firstly, it addresses the issue of time limits. Secondly, it explicitly states the minimum payout to be given to the creditors in a resolution plan given by the Committee of Creditors put forth by the National Company Law Tribunal (NCLT). Thirdly, it specifically puts out the guidelines for the voting of a group of financial creditors.⁸

If we look at the Banking Sector of the Indian Economy, before the inception of the code, there were several unsavory instances of non-performing assets (NPAs). Thus, to curtail such losses IBC was introduced. The introduction of the code has put India as a safe country for investments

⁵ *Innoventive Industries Limited v ICICI Bank Ltd* C App No 8338/2017

⁶ Insolvency and Bankruptcy Code 2016, s 7

⁷ Abhiman Das et al., 'Insolvency and Bankruptcy: The Way Forward' (2020) 45(2) *Vikalpa: The Journal for Decision Makers* <<https://doi.org/10.1177/0256090920953988>> accessed 01 August 2023

⁸ Insolvency and Bankruptcy Code 2016

on the global charts. A surge in Foreign Direct Investments, reduction, and recovery of NPAs, improved index of ease of doing business, support to the credit market, and paving the way for Mergers and acquisitions are some of the positive economic effects of the IBC in the Indian market.

Security Exchange Board of India (SEBI) and the Companies Act, 2013 have laid down certain guidelines for the board of directors to act in the best interests of the company. The establishment of IBC has significantly affected the functioning of the higher management of the companies i.e., corporate governance. Stringent provisions have been laid down for the directors and promoters to not indulge in any malpractices or fraudulent means. For instance, Section 66(2) of the IBC⁹ states that the 'NCLT may make a director of the corporate debtor liable to contribute to the assets of the corporate debtor if

[B]efore the insolvency commencement date, such director or partner knew or ought to have known that there was no reasonable prospect of avoiding the commencement of a corporate insolvency resolution process in respect of such corporate debtor: and such director did not exercise due diligence in minimizing the potential loss to the creditors of the corporate debtor.'

Moreover, Section 45(1)¹⁰ vests power to the liquidator to apply with the NCLT to take cognizance of any such actions in which the liquidator is of the view that a certain transaction is to defraud the creditor or is undervalued in nature. Promoters willfully sell off their assets or shares to pay off their dues in fear of losing their company under Section 29A of IBC which states that, 'a person shall not be eligible to submit a plan, if such person, or any other person acting jointly or in concert with such a person:

a) is an undischarged insolvent,

b) is a willful defaulter per the guidelines of the Reserve Bank of India issued under the Banking Regulation Act 1949.'¹¹

⁹ Insolvency and Bankruptcy Code 2016, s 66 (2)

¹⁰ Insolvency and Bankruptcy Code 2016, s 45 (1)

¹¹ Insolvency and Bankruptcy Code 2016, s 29(a)

ANALYSIS

Laws related to insolvency and bankruptcy are put under one roof for adjudication and regulation. Thus, all the delays in the process of insolvencies, causing distress to the creditors, stakeholders amongst many others i.e., the overall economy 'in terms of resources, production, employment and development of the industry concerned'¹² affecting the overall growth and development of the economy are being processed in a time bound manner by way of the code. For instance, in the case of *Synergies Dooray Automated Ltd. v Edelweiss Asset Reconstruction Company Limited and Ors*,¹³ the former filed to the tribunal as per Section 10¹⁴ of the code seeking resolution. In this case, the creditors had to accept the haircut to recover some of the amount defaulted rather than losing everything. The lack of intermediaries has setback the Indian Economy i.e., poor lending market as there is fear of loss of investment in the minds of the creditors. Thereby, deterring the necessary corporate growth of the Indian Economy.

For instance, **Section 7** of the IBC¹⁵ empowers the Financial Creditors for Corporate Insolvency Resolution. It bestowed financial creditors with the authority to initiate insolvency proceedings, fostering a culture of cautious lending and prudent borrowing. This provision assures the protection of creditors' interests by swiftly addressing financial defaults. But at the same time, a challenge has arisen from the lack of precise delineation of what constitutes a legitimate default, resulting in disputes over the eligibility criteria. This ambiguity might lead to the unnecessary clogging of the judicial system with insolvency cases that lack merit.

Another such provision is the Section 12A of the IBC¹⁶ which is Facilitating Resolution through Application Withdrawal. The inclusion of this provision within the IBC has signified a constructive step towards encouraging settlements and resolutions. This provision permits the

¹² Ankeeta Gupta, 'Insolvency and Bankruptcy Code 2016: A Paradigm Shift within Insolvency Laws in India' (2018) 36(2) The Copenhagen Journal of Asian Studies <<https://doi.org/10.22439/cjas.v36i2.5650>> accessed 03 August 2023

¹³ *Synergies Dooray Automated Ltd. v Edelweiss Asset Reconstruction Company Limited and Ors* C App (AT) No 170/2017

¹⁴ Insolvency and Bankruptcy Code 2016, s 10

¹⁵ Insolvency and Bankruptcy Code 2016, s 7

¹⁶ Insolvency and Bankruptcy Code 2016, s 12A

withdrawal of insolvency applications in cases where parties reach a consensus on restructuring terms, promoting more amicable and efficient solutions. On the flip side, this provision opens a potential avenue for promoters to manipulate the system to regain control over the company. Such a scenario could disadvantage creditors who have legitimate claims, potentially undermining the IBC's core purpose of equitable resolution.

Section 29A of the IBC¹⁷ speaks about ensuring credibility in the resolution of applicants. This provision is aimed at ensuring the credibility of resolution applicants and bolstering corporate governance. By disqualifying entities with a history of default or insolvency, this provision enhances the likelihood of successful and responsible resolution. However, the rigorous criteria outlined in Section 29A might inadvertently shrink the pool of potential investors and bidders. This limitation could have a detrimental impact on the competitiveness of the resolution process, potentially compromising the outcomes.

Moreover, **Section 66** of the IBC talks about combating fraudulent and wrongful trading.¹⁸ It acts as a deterrent against fraudulent activities within the insolvency process. By holding wrongdoers accountable and upholding transparency, these sections maintain the integrity of proceedings and safeguard the interests of stakeholders. However, achieving a delicate balance between preventing fraudulent activities and ensuring that genuine business failures are not unjustly penalized remains a significant challenge. The line between wrongful trading and business downturns can be thin, necessitating careful consideration in application.

Furthermore, **Section 79** of the IBC¹⁹ is about expanding IBC's scope to LLPs. The inclusion of LLPs under this section extends the code's ambit to encompass a broader range of business entities. This step ensures a more comprehensive framework for resolution, addressing the unique characteristics of LLPs. Conversely, given the distinct features of partnerships and LLPs compared to traditional companies, there's a need for tailored provisions that prevent undue

¹⁷ Insolvency and Bankruptcy Code 2016, s 29A

¹⁸ Insolvency and Bankruptcy Code 2016, s 66

¹⁹ Insolvency and Bankruptcy Code 2016, s 79

hardship. The application of generic provisions to diverse entities might unintentionally lead to complications.

In addition to this, **Section 240A** of the IBC is about navigating Cross-Border Insolvency.²⁰ The introduction of this provision into the IBC demonstrates a commitment to aligning India with global standards by addressing cross-border insolvency cases. This provision enhances the code's effectiveness in instances involving foreign creditors and assets. Nevertheless, implementing cross-border insolvency provisions necessitates international cooperation and recognition. Practical challenges might arise in harmonizing differing legal frameworks and ensuring smooth coordination.

Lastly, **Section 244** of the IBC extends the moratorium to guarantors.²¹ It extends the moratorium to personal guarantors and fortifies the protection of debtor assets during the resolution process. This step aligns to provide a comprehensive shield. While this extension is advantageous for insolvency resolution, it could potentially impact the financial status of personal guarantors, leading to unintended personal consequences.

Hishikar argued that the makers of the code legislated the code without actually affirming the ground reality leading to the passing of ordinances.²² For instance, the one in 2017, talked about the barring of promoters and willful defaulters from bidding in the insolvency process. The second one in 2018 spoke about the issue of homebuyers and developers blurring the differences among the financial and operational creditors. If we compare the figures of the United Kingdom, wherein, around thirty fillings are seen throughout the year whereas in the case of India, there are more than six thousand petitions filed. The United Kingdom has evolved the insolvency law and holds the directors liable by vesting the government with powers to take the necessary actions. And such evolution of the law has resulted in the deterrence of company failures. Whereas the Italians too have developed a very fair system to address matters about insolvency and bankruptcy. They hold the director liable for not identifying the signs of distress but also

²⁰ Insolvency and Bankruptcy Code 2016, s 240A

²¹ Insolvency and Bankruptcy Code 2016, s 244

²² Das et al. (n 7)

for the steps they took to save the entity from distress which drove the business insolvent. The Italian Insolvency Code has explicitly defined the word ‘distress’ and has laid down guidelines to address issues of distress.

TABLE 4. Number of CIRPs by sector

Sector	Closed	Running	Total
Manufacturing	172	350	522
Food, beverages and tobacco products	14	47	61
Chemicals and chemical products	14	40	54
Electrical machinery and apparatus	15	40	55
Fabricated metal products except machinery	12	25	37
Machinery and equipment	32	38	70
Textiles, leather and apparel products	30	52	82
Wood, rubber, plastic and paper products	13	26	39
Basic metal	33	66	99
Other metal	9	16	25
Real estate, renting and business activities	68	141	209
Construction	27	97	124
Wholesale and retail trade	52	71	123
Hotels and restaurants	12	21	33
Electricity and others	10	19	29
Transport, storage and communications	10	19	29
Others	31	98	129
Total	382	816	1198

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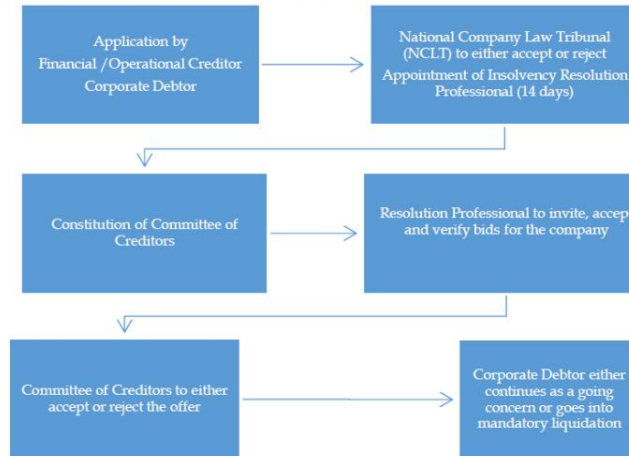
The code has been promoting corporate growth and provides some relaxation to the creditors by releasing locked resources of the failed businesses back into the market. Thus, minimizing the risk of loss of investment of the creditors by the debtors. Currently, there is an availability of credit in the market in a cash-strapped economy. For instance, a total of 83,000 Crores were recovered from 2100 corporate debtors since the inception of the code.²⁴ If we were to determine the success rate of the code since its enactment, it can be observed in the above figure that around four hundred cases have been liquidated and many more are under various stages of CIRP with

²³ Gupta (n 12)

²⁴ *Ibid*

the relevant authorities. Given the code is still in its nascent phase i.e., it had its difficulties by way of ambiguities and challenges the figures are remarkable.

FIGURE 2. CIRP followed under the Code



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It can be seen from the ‘resolving insolvency index’ given by the World Bank’s Doing Business Report of 2020, that India slipped from 136th to 52nd position since the enactment of the IBC i.e. recovery time reduced to 1.6 years in 2019 whereas the recovery rate increased to 71.6%.²⁶

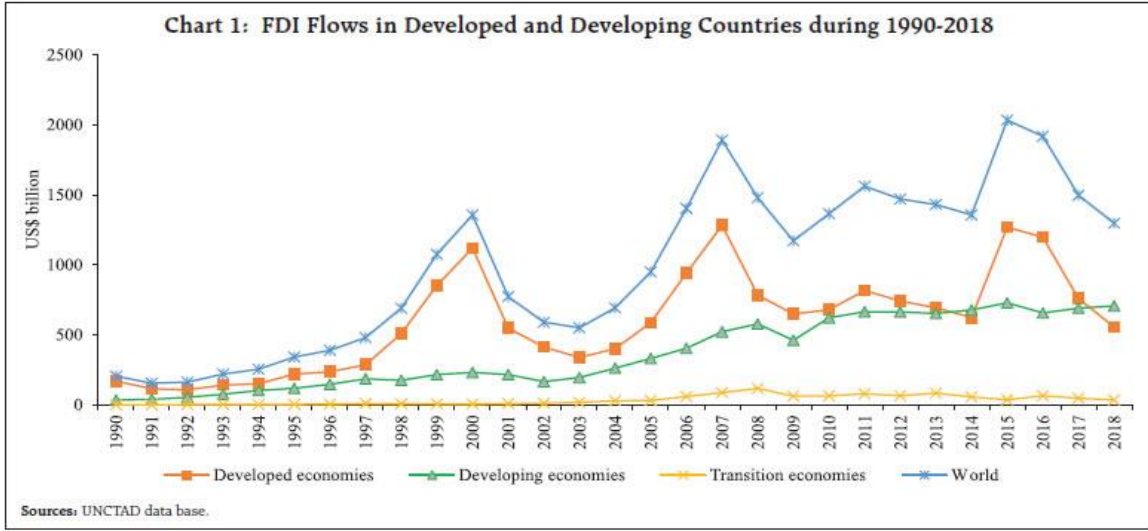


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²⁵ Ibid

²⁶ Das (n 7)

²⁷ Dr. Richa Srivastava, ‘Impact of “Make in India” in Indian Economy’ (2019) 3(4) International Journal of Trend in Scientific Research and Development <<http://dx.doi.org/10.31142/ijtsrd23728>> accessed 04 August 2023



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It can be inferred from the above image that there is an over 70% surge in the FDIs. The enactment of IBC has provided the creditors with a strong legal framework concerning insolvency and bankruptcy. In addition to this, deals worth \$14.3 billion have been closed in a period of 2 years.²⁹ With the introduction of IBC, there is a significant reduction in Crony Capitalism in India. As stated by CEO Amitabh Kant, CEO of Niti Aayog, 'IBC will ensure that the world of crony capitalism comes to an end. Earlier, you could borrow and not repay. Now if you don't pay, you lose your business.'³⁰

Table-2: Biggest Bankruptcies in India in Last Years

Sl. No.	Company Name	Amount	Year
	Dewan Housing Finance Ltd.	US\$ 13.93 billion	2019
	Bhushan Power and Steel	US\$ 6.9 billion	2019
	Essar Steel	US\$ 6.9 billion	2017
	Lanco Infra	US\$ 6.3 billion	2017
	Bhushan Steel	US\$ 6.2 billion	2019
	Reliance Communications	US\$ 4.6 billion	2017
	Alok Industries	US\$ 4.1 billion	2017
	Jet Airways	US\$ 2 billion	2019

²⁸ 'Changing Dynamics of Foreign Direct Investment in India' (*RBI Bulletin*, 17 January 2022)

<https://m.rbi.org.in/scripts/BS_ViewBulletin.aspx?Id=20752> accessed 07 August 2023

²⁹ Swaraj Singh Dhanjal, 'IBC impact: M&A deals worth \$14.3 billion signed in 2 years' (*Mint*, 29 October 2018)

<<https://www.livemint.com/Companies/c17rNOIV4h5i1zTnUfEVN/IBC-impact-MA-deals-worth-143-billion-signed-in-2-years.html>> accessed 07 August 2023

³⁰ Gupta (n 3)

The case of **Swiss Ribbons v Union of India** held that the code aims to ensure the revival of corporate debtors. Thus, taking a bolder step towards the greater good of society. In addition to this, in the case of *Navanit Kamani v RR Kamani*, the court held that 'to promote a speedy and efficient machinery so that a sick industry could be revived with the utmost expedition, production could be started, locked up funds could be utilized for furthering socio-economic development.'³¹ It can be inferred from the above judgment that the laws prevailing at the inception of the IBC were 'pro debtor' in nature.

In the case of **Hegde and Golay Ltd.**, the Karnataka High Court relied upon the Companies Act³² whereas, in the case of *Megabyte Consultancy Services*³³, the Bombay High Court observed that the cash flow test and the balance sheet test as mentioned in the Companies Act were complementary or independent in nature. In the case of **Ballarpur Industries**, the Bombay High Court stated that 'omission to pay except on account of bona fide dispute is sufficient in law'.³⁴ But in the case of *Milestone Real Estate Fund*, the Karnataka High Court upheld its decision given in the case of *Hegde and Golay Ltd.* without referring to the judgment given by the Bombay High Court in the case of *Megabyte Consultancy* i.e. 'creditors must rely upon only one of the available tests under Section 454(1) to prove the inability of the debtor to pay debts.'³⁵ This shows the conflicting judgments given by various courts even though the law is the same across the country. This is related to the high courts. However, there are inconsistencies concerning the judgments given by the Supreme Court as well. For instance, in the case of **Mobilox Innovations**, the apex court held that IBC only referred to the default-based cash flow test.³⁶ Whereas in the case of **Jignesh Shah**, the apex court observed that, 'an obiter over the exact triggering point of insolvency under the cash flow test as 'the date on which is a fixed date that can be proved on the facts of each case.'³⁷ It can be inferred that the apex court too has

³¹ *Navanit Kamani v RR Kamani* AIR 1989 SC 9

³² *Hegde and Golay Limited v State Bank of India* ILR 1987 KAR 2673

³³ *Gujarat State Financial Services Limited v Megabyte Consultancy Services Pvt. Ltd* 1999 (2) Comp LJ 4 (Bom)

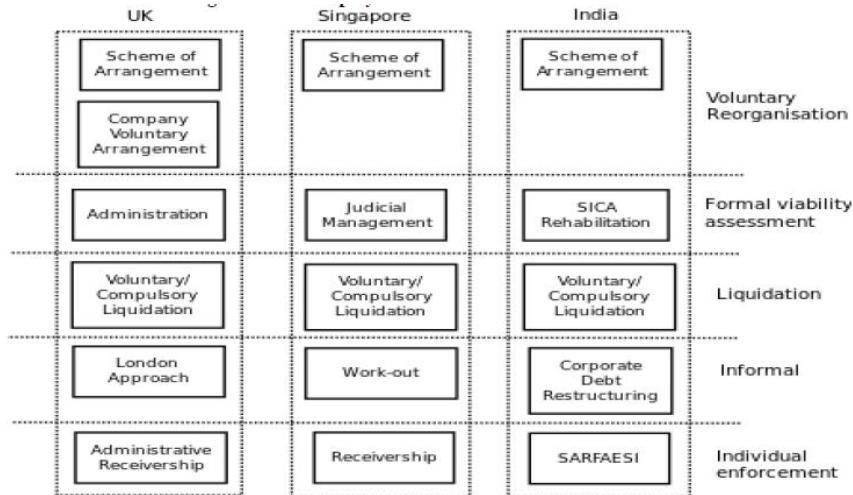
³⁴ *Karpara Project Engineering Surat v Ballarpur Industries Ltd.* CP No 8/2006

³⁵ Das (n 7)

³⁶ *Mobilox Innovations Private Ltd. v Kirusa Software Private Ltd.* C App No 9405/2017

³⁷ *Jignesh Shah v Union of India* (2019) 10 SCC 750

contradicted its judgments even though Section 5³⁸ of the IBC explicitly laid down the guidelines.



Source: <https://blog.theleapjournal.org/2015/12/firm-insolvency-process-lessons-from.html>

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In the above image, we can observe how the insolvency and bankruptcy laws in the United Kingdom, Singapore and India have evolved even though all of them are common-law countries. The Formal Processes in the United Kingdom and Singapore are developed in a single statute as compared to the Indian Legislature which is divided across several legislations. The Indian model of insolvency and bankruptcy has not been a success if we compare it to the Chinese model of Administrative Insolvency law and the model implemented by the German Legislature.⁴⁰

As per the RBI Bulletins, it can be seen that the number of applications for insolvency and bankruptcy has declined not significantly but to a certain extent. The several laws prevailing before the inception of the IBC were complex and fragmented in nature making it a hassle for the entities to restructure. However, the IBC has shortened the time for issues dealing with the release of locked assets. The inception of IBC has made a significant impact on the Indian

³⁸ Insolvency and Bankruptcy Code 2016, s 5

³⁹ Dr. Sushama Yadav, 'Legal Practices of Insolvency and Bankruptcy in India' (2022) 8(1) International Journal of Multidisciplinary Research <<http://www.eprajournals.net/index.php/IJMR/article/view/14>> accessed 07 August 2023

⁴⁰ Ronald Winston Harmer, 'Insolvency Law and Reform in the People's Republic of China' (1996) 64(6) Fordham Law Review <<https://ir.lawnet.fordham.edu/flr/vol64/iss6/5/>> accessed 07 August 2023

economy by renewing the capital and allowing the account holders to revive their businesses leading to enhancement in the Indian economy in the global markets.

According to the Insolvency and Bankruptcy Board of India, until January 2019, 4452 cases were disposed of resulting in a recovery of 2.02 Lakh Crores at the pre-admission stage before the NCLT.⁴¹ In addition to this, the inception of IBC has led to the reduction of the process of winding up a company from four years to less than a year. The code has been supporting the Indian Economy in terms of building a concrete credit market, GDP, FDI, and overall corporate growth leading to improved world rankings in the global context.

The aftermath of COVID-19 brings a challenge to the Indian Economy. In addition to this, the recent amendment to the code increased the threshold from 1 Lakh to 1 Crore for filing of insolvency.⁴² This may lead to lesser applications of liquidation. Thereby, pending cases for a longer period affect the actual intended objective of the code i.e., reduction in recovery of debts causing an enhancement in the non-performing assets (NPAs). Thus, the credit-debt ratio is going to surge. For instance, the United States of America implemented the Pandemic Risk Insurance Act 2020 to curtail the losses due to the pandemic. Singaporean as well as the Danish government have implemented certain laws that address issues that COVID-19 poses. The RBI has come to the rescue by issuing a moratorium. The debtors will have to clear their dues once the suspension of IBC is lifted by the government of India. This is temporary leeway for the debtors. But modern problems require modern solutions. Certainly, the policymakers did not anticipate the destruction brought by the pandemic. There is a lot to be done by the concerned authorities to curtail the post-pandemic effects on the Indian Economy. The aftermath of the 2008 financial crisis was not determinable. It affected the small-scale as well as large-scale businesses. It is imperative to draw lessons from the Great Recession and stronger insolvency and bankruptcy laws should be enacted to recover the losses caused by the pandemic. The Establishment of prepackages, speedier bankruptcy procedures, and experts as administrators

⁴¹ Das (n 7)

⁴² Insolvency and Bankruptcy Amendment Ordinance 2020

will help to recover the damages posed by the pandemic on the Indian economy by way of the Insolvency and Bankruptcy Code.

CONCLUSION AND DISCUSSION

The Insolvency and Bankruptcy Code has paved the way for creditors and given impetus to the corporate culture in India. Even though the IBC has been able to develop a behavior instilling credit discipline to some extent, the policymakers still need to review the current code to make justice with the loopholes such as cross-border insolvency, lack of regulations for group insolvency, conflicting judgments of the NCLT amongst many others. And such reviews, amendments that would help change are bound to be painful given the societal and economic context of India.

The conflicting judgments of the Indian Judiciary are not new to us. The introduction of the tribunals was to bypass such contradictions. The debate of quantity over quality still prevails. In addition to this, the intermediaries covering the loopholes of information utility i.e. the methods to assess the exact debt and liquidation values are a hassle. The above arguments make it imperative for the policymakers to draft personal insolvency laws addressing the above issues i.e. stringent regulations, upgradation of institutional infrastructures such as tribunals, information utilities, expert professionals for insolvency, quality advisors for creditors amongst many others are crucial for the IBC to be effective.

I believe that the Insolvency and Bankruptcy Code is a relatively newer law as compared to the other laws prevailing since the enactment of the Constitution, there is a lot of scope for the code to evolve. For the easement and efficacy of the code, regular sensitization of the NCLT benches, government bodies regulating matters about insolvency and bankruptcy and discouraging the overburdening of applications by ensuring timelines and lesser adjournments can be implemented. The concerned statutory authorities should promulgate the code to the debtors and creditors by demystifying the code.

The Insolvency and Bankruptcy Code is an economic legislation aiming towards reduction in economic distress and helping in maximizing the availability of credit in the economy. The

current system will not only support the companies which are financially in distress for an instant and long-enduring revival but also it has strengthened the creditors to lend money even under stressed circumstances.