

**Speech by Smt. Nirmala Sitharaman, Hon'ble Union Minister of Finance and  
Corporate Affairs on**

**Third Annual Day of the Insolvency and Bankruptcy Board of India**

**at New Delhi on 1<sup>st</sup> October, 2019**

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Good evening, distinguished ladies and gentlemen on the dais, and the august audience present before me. It is indeed a pleasure for me to be a part of three years of completion of intense activities undertaken by the Insolvency and Bankruptcy Board of India. The IBBI is a regulator of a unique nature, who has indeed stood the test of the time, particularly in the present time, where all our activities are benchmarked against global standards and practices.

On this occasion of the Third Annual Day of the IBBI, as I speak about the Insolvency and Bankruptcy Code, 2016, I would like to pay my respect to my very respected senior, Late Shri. Arun Jaitley Ji. Although, I was not a part of the Ministry of Corporate Affairs at the time when the Code was being passed and or when the subsequent amendments were being made to it, I had the good fortune of discussing with Late Shri Arun Jaitley Ji, the various aspects and issues surrounding the Code. He had, in his own style, brought everyone together to pass this Code and subsequently, very quickly, also facilitate necessary changes and amendments to it.

This tradition fell on me too in the Budget Session when we had to rush in for yet another amendment in light of emerging issues. At that time, when we were questioned as to why is it that the Code, within three years of its enactment, had to be amended multiple number of times, it did not take much of an effort to explain that, because by then there was complete recognition in the country that a futuristic, clean, professionally driven and resolution based law had been enacted for dealing with a situation, which in India carried a big taboo. The path to deal with the said situation or commercial circumstance, which may have arisen on account of pure bad luck or managerial inefficiency or any other reason, was not an easy one. The path to deal with companies which were so stressed that insolvency resolution was the only feasible option, was not very glorious. The path was not glorious, the path was not ideal, and the path was not clear. As a result, numerous attempts were made to deal with such situations with none, however, yielding an ideal resolution mechanism.

However, today we have a legislation with us, which if periodically amended in response to the demands of the time, will be robust enough to give an honourable exit for anyone who has started a business. The IBC is an exemplary Code, which has come into force with the cooperation of the Parliament. The goodwill with which Late Shri Arun Jaitley Ji had passed this Code continued to exist even much after, such that when the amendments to the Code were brought in, with a great sense of urgency during the Budget Session, all the Members of Parliament engaged with us positively, enabling the amendments to be passed. This gave me a very clear indication of how robust, comprehensive and well-intended this legislation is. Every time the amendments to the Code were brought before the Parliament, there were no divisions in the House as all Members were convinced in passing a good and robust law, keeping up with its time.

India has taken a concrete reformist step by passing the IBC. What I admire about this law is that it looks at professionalising the insolvency resolution process. It enables transparency in the way the entire process is handled and allows complete and comprehensive institutionalisation of the process. The regulator undertakes regular and systematic training of the professionals to maintain quality of professional services provided by them. Thus, the Code, equipped with such paraphernalia, which not only gives it life but also enable it to be relevant, absolutely addresses the issues and concerns of the people. I think the IBC is not only paving a graceful path for anyone who seeks to get out of business but is also laying ground for what an ideal law should be like. An ideal law has to think comprehensively and not just stand out in becoming a silo of legislation. It has to conceptualise a framework that is supported by an institutional mechanism and stakeholders who keep it up and going, thereby addressing the emerging concerns of the people.

Features such as time bound process, transparency and professional dealing are all wonderfully laid and embedded into the Code, making it one of the most popular legislations in recent times. Shri Injeti Srinivas, Secretary, Ministry of Corporate Affairs, mentioned in his speech that the Code has brought about behavioural changes whereby people now fear the triggering of insolvency resolution process under the Code as that would mean losing control over their company. I, however, look at it in a different way. People now view the processes under the Code as transparent processes that facilitate resolution of the corporate debtor. People feel that the Code allows a graceful exit to entrepreneurs with honest business failures. Thus today, the eagerness and readiness with which people are coming forward to invoke the provisions under the Code is more a result of the positivity with which it functions and less from the point of view of fear.

I think the Code is an illustrious example of how legislations will have to be contemplated in the future and how Departments in the Government will have to be ready to tweak them every now and then. As a matter of fact, the latest tweak in the Code was carried out within a week. Government Departments need to develop an understanding that policy tweaks have to be “market driven”, carried out after ample rounds of stakeholder consultations. I think periodic consultations and inputs taken by various Departments and the IBBI are the cause and the reasons behind the success of the IBC.

Today, when we mark the three years since the enactment of the Code, I think we can say that we have reached a stage where we are matching international standards of ease of doing business. An economy that facilitates ease of doing business, is the one which creates an environment that encourages people to do business rather than instil a fear of doing business. Such a facilitating environment prevents entrepreneurs from getting trapped in the “*padmavyuha*” [ meaning “*chakravyuha*” in Hindi] and allows them to exit with ease. It instils confidence in entrepreneurs and reassures them that it is alright if they started a business, and could not run it very successfully, or even after running it successfully they wish to exit the business. The Code has created a cadre of professionals to help them, advise them and also to show them the route by which they can gracefully exit.

As has been mentioned already today, a large number of cases are being settled much before they are admitted for insolvency resolution. This is an example of the readiness with which

people are wanting to resolve and get out of business situations which are otherwise not very welcome.

In conclusion, I would like to congratulate the IBBI, its Chairman and Whole Time Members on the three years of successful working of the IBBI. I wish many more years of success and resolute planning to this Institution. I also appreciate the Department's commitment towards ensuring that there are no capacity shortages, no facility shortages or real estate shortages that could decapacitate the effective and efficient working of the NCLAT or NCLTs. Lastly, I would like to thank all of you for extending support to the entire mechanism under the Code.

Wish you all the very best. Thank you.