

Transcript of Speech delivered by Rao Inderjit Singh, Hon'ble Minister of State (I/C) of Ministry of Statistics and Programme Implementation; Minister of State (I/C) of Ministry of Planning; and Minister of State in the Ministry of Corporate Affairs, at International Research Conference on Insolvency & Bankruptcy held at IIM Ahmedabad on April 30, 2022.

Shri Rajesh Verma, Secretary, Corporate Affairs; Shri Ravi Mital, Chairperson, IBBI; Prof. Errol D'Souza, Director, IIM Ahmedabad; Mr. Rajeshwar Rao, Deputy Governor, RBI; Mr. Sudhaker Shukla, Whole-Time Member; Other members of the Governing Board of the IBBI; Stakeholders who have joined online; Ladies and Gentlemen!

Please bear with me. I am not as hands-on as some of the speakers before me. So I too would like to read out my speech, I shall attempt to be brief.

To begin with, I would like to thank both IBBI and IIM Ahmedabad for having me here and it is a great honour to be part of this prestigious conference. I am certain that this conference will bring new perspectives to the ever-evolving law of Insolvency and Bankruptcy and highlight the unparalleled progress that has been made so far.

The Code has seen many challenges and has adapted to the realities of the Indian economy. Supporting the growing Indian economy in the early 2000s, the credit market also expanded at that time. An unintended consequence of credit expansion is the possibility of default. Against the backdrop of looming NPA crisis and the 'Twin Balance Sheet' problem, in 2016, the Government enacted the Insolvency and Bankruptcy Code. The journey of this landmark legislation has been marked by important policy and institutional developments, including six amendments to the Code, validation and learnings, achieving institutional milestones, awareness building and capacity building for all stakeholders. The Code has established well-functioning institutions and regulations.

Through efficient insolvency resolution procedures, the Code has enabled banks to resolve their NPAs. After having peaked at around 11.6% in March, 2018 due to the increased pace at which NPAs were recognised, the Gross Non-Performing Asset ratio across all Scheduled Commercial Banks has come down to 6.9% in September, 2021. As reported by the RBI, the IBC has continued to be one of the major modes of resolution of NPAs by banks since its enactment, vis-à-vis Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interests, Debt Recovery Tribunals, Lok Adalats etc. One of the most remarkable achievements of the Code has been the significant behavioural change that has come about amongst the debtors and creditors alike.

It has also been conducive to the budding entrepreneurs, stirring animal spirits, and opening up credit channels for investment. The Start-up ecosystem got a major boost from the IBC as the Code has improved the business climate in the country by making it easier for enterprises to exit in case

of difficulties. The IBC has provided the required market price discovery process, which gives greater confidence to the lenders.

The Code also assumed greater significance post COVID- 19 pandemic. Adapting to the ‘new normal’, swift actions by the Government in response to the pandemic prevented many viable firms from being prematurely pushed into insolvency. This saved both lives and livelihoods. The IBC has, till now, evolved and attuned to every emerging market requirement.

With the enactment of the Code, India has witnessed the birth of two professions, namely, insolvency profession and valuation profession. The Code has opened unlimited possibilities of resolution, including merger, amalgamation and restructuring of any kind, which often requires professional help. This has expanded the market of services of advocates, accountants and other professionals.

While the Code has had a remarkable journey so far, going forward, evolving with changing scenarios will be crucial. Cross-border insolvency is the buzzword in the insolvency and bankruptcy sphere in India since the Government released a draft chapter on cross-border insolvency. The proposed cross-border framework will govern all applications seeking recognition of foreign insolvency proceedings as well as applications from foreign jurisdictions seeking cooperation in Indian jurisdiction. This landmark step is expected to redefine India’s relations with the rest of the world. Furthering the use of the recently introduced pre-packaged insolvency resolution process for corporate MSMEs will allow us to analyse the process and address emerging challenges, if any, in this sphere, as India experiments with a first of its kind pre-pack framework that is unique and tailor-made as per the defining needs of our country.

Like everything else, this reform too should keep evolving. This means only one thing i.e., embracing the future such as group enterprise insolvency, individual insolvency etc. Resolution of Financial Service Providers under the Code is a welcome development for the IBC. It needs careful evaluation going forward, given the subsequent impact it will have on the entire ecosystem, touching the economic, social as well as the legal fabric of the country and going beyond just a few specified stakeholders. Streamlining the CIRP and liquidation process will further remain a key priority going forward to consolidate the progress already made and secure future gains to the economy. To ensure timely admission and key responsibilities of the committee of creditors, it is an appropriate time to adopt a code of conduct for them to further strengthen the institution.

As IBC evolves further, it could become the most potent instrument in driving good credit behavior and ethical business practices amongst borrowers, and proactive, responsible behavior among lenders, proving to be a boon for the economy and to the nation. We must learn from the outcomes and strengthen the Code so that the law is robust over time. With a view to charter a credible way forward with effective participation of academicians, policy makers, researchers, and other stakeholders alike, the Government has been making concerted efforts to build discourse around critical aspects and best practices webbed around the insolvency space in the country.

The IIM Ahmedabad is one of the most prestigious institutions of India and rightly so, they and IBBI have joined hands to hold this research conference. I would like to congratulate all the participants for being selected to be a part of this prestigious conference. The knowledge shared over the next two days, will go on to stir many minds that will be fundamental in shaping the future trajectory of the IBC.

My good wishes to all the participants!
