

Ten years of Insolvency and Bankruptcy Code, 2016

The introduction of the Insolvency and Bankruptcy Code, 2016 constituted a defining moment in the evolution of India's economic governance and financial sector architecture. Celebrated as a watershed reform, the Code was enacted with the objective of consolidating and modernising the fragmented insolvency framework in the country. It promised to move beyond an era marked by significant erosion of enterprise value, where prolonged delays spanning several years resulted in assets being sold piecemeal and little or no value being attributed to the investment made in establishing the going concern, often leaving creditors to recover only a few paise on the rupee. In response, the Code sought to establish a coherent, creditor-driven, and time-bound mechanism for the resolution of financial distress and insolvency, emphasising efficiency, corporate revival, and value maximisation. In doing so, it fundamentally reoriented the relationship between debt, enterprise, and accountability within the Indian economy.

A decade since its enactment, the Code has emerged not merely as a legislative reform, but as an institutional transformation with far-reaching implications for credit markets, corporate behaviour, investor confidence, and economic efficiency. Its implementation has improved recovery mechanisms, encouraged responsible borrowing and lending practices, and reinforced confidence in India's financial and legal systems. Equally, the jurisprudence evolving around the Code has contributed to the development of a robust and dynamic insolvency ecosystem that continues to adapt to emerging economic realities and stakeholder expectations.

This is evident from the fact that, as of March 2026, 1,419 had yielded resolution plans. The resolution process has facilitated realisation of over ₹4 lakh crore for creditors. This realisation to the creditors is 95% and 167% as against their fair and liquidation value, respectively. Further, till March 2026, a total of 8,987 cases has been admitted, with 7,102 had reaching closure. Of these closed cases, while 4,099 companies- around 58% of these closures were successfully rescued, another 3,003 cases culminated in liquidation. Among the rescued entities, 1,388 cases were closed on account of appeal, review, or settlement; 1,292 were withdrawn. Notably, around 42% of the cases that ended with resolution plans had previously been with the Board for Industrial and Financial Reconstruction or were defunct, underscoring the Code's role in facilitating the revival of financially distressed enterprises.

The Code has also played a significant role in fostering credit discipline and strengthening repayment culture among borrowers. The deterrent effect of the Code is evident from the fact that more than 30,000 cases filed before the National Company Law Tribunal were resolved at the pre-admission stage through withdrawals, involving amounts estimated at nearly ₹14 lakh crore. These settlements demonstrate the extent to which the Code has altered debtor-creditor dynamics by encouraging timely resolution of financial stress outside formal insolvency proceedings. Importantly, in the absence of such settlements and withdrawals, the gross Non-Performing Asset ratio of the banking sector would likely have remained substantially higher than the reported level of 2.1% as of September 2025, compared to nearly 11.8% in 2017, as noted in the Reserve Bank of India's *Report on Trend and Progress of Banking in India*.

India's insolvency regime has also witnessed strengthening through improved recovery outcomes, faster resolution timelines, and greater creditor empowerment. *S&P Global Ratings* upgraded India's insolvency framework from 'Group C' to 'Group B', recognising

improvements in the efficiency of the domestic resolution and recovery ecosystem. Average recovery rates have increased from nearly 15–20% in the pre-IBC period to around 30% post-IBC, while resolution timelines have reduced from nearly 6–8 years to about 2 years under the Code.

The continued effectiveness of the Code is also reflected in the Reserve Bank of India *Report on Trends and Progress of Banking in India 2024–25*, which identifies the Code as the most effective mechanism for recovery of stressed assets. Of the total recoveries of ₹1.04 lakh crore made by Scheduled Commercial Banks through various channels, nearly ₹0.54 lakh crore, accounting for about 52.4% was realised through the IBC process. The report further notes that recovery rates under IBC improved to 36.6% in 2024–25 from 28.3% in the previous year, highlighting the growing effectiveness of the insolvency framework in addressing stressed assets and contributing to the reduction in gross non-performing assets.

The IBC has been instrumental in reshaping debtor–creditor behaviour, a point also underscored by the IIM Bangalore study on its behavioural impact. The study has observed a marked improvement in credit behaviour following the implementation of the IBC. In particular, the proportion of loan accounts transitioning from the ‘Overdue’ to the ‘Normal’ category has steadily increased between 2018 and 2024, reflecting improved borrower discipline. This behavioural shift was also reflected in a sharp reduction in the average number of days an account remained overdue, which declined from 248–344 days to just 30–87 days.

A study undertaken by Indian Institute of Management Ahmedabad (2025) on resolved firms under IBC highlights the significant post-resolution revival of businesses. The study observes substantial improvements across key operational and financial indicators during the five-year period following resolution. Average sales of resolved firms increased by nearly 89%, while asset turnover ratios improved by around 131%, indicating enhanced operational efficiency and business recovery. The average capital expenditure rose by approximately 106% in five years after, reflecting renewed investment and economic viability. The study further notes a remarkable increase in the aggregate market valuation of resolved listed entities, which rose from nearly ₹2.8 lakh crore to about ₹9 lakh crore over five years, signalling strengthened investor confidence and improved long-term growth prospects following successful resolution.

The ten-year milestone of the IBC offers an important occasion for reflection, assessment, and renewed imagination. It invites a deeper consideration of the transformative impact of the insolvency framework on India’s financial and institutional landscape, while also encouraging constructive engagement with the challenges that accompany a maturing insolvency regime. As India progresses towards the aspiration of *Viksit Bharat 2047*, the continuing evolution of an efficient and resilient insolvency system will remain indispensable to sustaining entrepreneurship, preserving productive capital, deepening financial stability, and promoting responsible economic growth.

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