

GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS
RAJYA SABHA
UNSTARRED QUESTION NO. 3424
ANSWERED ON TUESDAY, 1st APRIL, 2025

TRANSFORMATION OF CREDIT CULTURE IN INDIA

3424. SMT. REKHA SHARMA:
SHRI RYAGA KRISHNAIAH:

Will the Minister of **CORPORATE AFFAIRS** be pleased to state:

- (a) whether it is a fact that the Insolvency and Bankruptcy Code (IBC) has transformed the credit culture in India;
- (b) the performance of the IBC relative to the erstwhile Board of Industrial and Financial Reconstruction (BIFR) regime and other similar modes;
- (c) whether the IBC has improved corporate governance, resulted in faster resolution processes and helped rescue ailing companies; and
- (d) whether any steps have been taken to improve the resolution process?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF CORPORATE AFFAIRS AND MINISTER OF STATE IN THE MINISTRY OF ROAD TRANSPORT AND HIGHWAYS

[HARSH MALHOTRA]

(a): The legislative intent of the Insolvency and Bankruptcy Code, 2016 (IBC) is to provide a consolidated framework for reorganization, insolvency resolution and liquidation of corporate persons, partnership firms and individuals for maximization of the value of assets. Further, IBC has had a significant impact on the health of the country's banking sector and redefined the debtor creditor relationship.

(b): According to the RBI Report on Trend and Progress of Banking in India (December 2024), the IBC emerged as the dominant recovery route, accounting for 48% of all recoveries made by banks, followed by the SARFAESI Act (32%), Debt Recovery Tribunals (17%), and Lok Adalats (3%) in the Financial Year 2023-24. Additionally, a report by the Indian Institute of Management Ahmedabad (IIM-A) (August 2023; available at www.ibbi.gov.in), analysed the financial performance of firms that underwent resolution under the IBC and found significant improvements in the profitability, liquidity, and overall financial health of resolved firms in the post-resolution period. These findings underscore the positive impact of IBC on business continuity and value preservation.

(c): Till 31st December 2024, 8175 Corporate Insolvency Resolution Processes (CIRPs) have been initiated. Of these, 3485 Corporate Debtors (CDs) have been rescued which includes 1119 through resolution plans; 1236 through appeal or review or settlement and 1130 through withdrawal under section 12A. Further, 2707 CDs have been referred for liquidation. In 1119 cases that have yielded resolution plans, the realisable value for the creditors have been ₹3.58 lakh crore. This amounts to 162.79% of liquidation value, 87.58% of fair value and 31.40% of admitted claims.

(d): To facilitate expeditious resolution process under Insolvency and Bankruptcy Code, 2016 (IBC) and to ensure proper implementation of the provisions of IBC, the Government has made six amendments to the IBC and 122 amendments in regulations since inception of IBC. Further, regular training and capacity-building programs for insolvency professionals, adjudicating authorities and other stakeholders are held to improve the overall efficiency and effectiveness of the IBC ecosystem. Leveraging information technology such as digital platforms for automation and streamlining processes is another initiative to make the system more efficient, accurate, and faster, ultimately leading to better outcomes for all stakeholders.
