

GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS

RAJYA SABHA
UNSTARRED QUESTION NO. 377
ANSWERED ON TUESDAY, FEBRUARY 3, 2026/ 14 MAGHA, 1947 (SAKA)

MISUSE OF IBC

377 Dr. Laxmikant Bajpayee:

Will the Minister of Corporate Affairs be pleased to state:

- (a) whether it is a fact that Insolvency and Bankruptcy Code (IBC) has become means of siphoning off public money in an organised way through misuse and manipulation of law; and
- (b) if so, whether Government proposes to thoroughly review and suitably amend this law in view of high number of companies entering liquidation rather than being revived, massive "haircuts," where lenders recover only a fraction of their admitted debt, massive erosion in the recovery values of large Non-Performing Assets by defaulting borrowers, huge loss to banks and other financial creditors of their credits/loans, which is apparent from data?

ANSWER

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

[SHRI HARSH MALHOTRA]

(a) & (b): No Sir. The Code and Regulations thereunder provide for a transparent resolution process. The Regulations mandate open invitations for expressions of interest, application of an evaluation matrix, and rigorous screening of plans by the Committee of Creditors (CoC) for legal compliance, feasibility, and viability. The final plans are approved by the Adjudicating Authority. Transparency in liquidation is also strengthened through a centralised auction platform called the BAANKNET, which provides detailed asset information to maximise bidder participation in liquidation.

The process under the IBC is market driven and the outcome varies from case to case and sector to sector. Recoveries by creditors reflect the underlying asset quality and the commercial viability of the distressed enterprise. It also depends on firm specific factors like nature of business, business cycles, market sentiments, etc, sector specific factors and larger economic conditions.

Being an economic law, the Code is subject to changes to keep up with the changing demands of the market. With this objective and to reduce delays and improve realisation, the Insolvency and Bankruptcy Code (Amendment) Bill, 2025 was introduced in the Lok Sabha on 12.08.2025 and referred to the Select Committee of Lok Sabha for further examination. The report of the Select Committee is under examination.
