

**GOVERNMENT OF INDIA  
MINISTRY OF CORPORATE AFFAIRS**

**LOK SABHA  
UNSTARRED QUESTION NO. 1274  
ANSWERED ON MONDAY THE 28<sup>TH</sup> JULY, 2025/ SRAVANA 6, 1947 (SAKA)**

**PROTECTION OF MSME CREDITORS**

**QUESTION**

**1274. MS MAHUA MOITRA:**

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

- (a) whether in the NCLT process currently, the CoC (Committee of Creditors) consists of only term debt or senior debt holders for resolution;**
- (b) whether there is no mandate for representation of operational creditors on the CoC;**
- (c) whether the MSME creditors do not get anything in resolution process and suffer the most; and**
- (d) the steps taken by the Government to protect the interests of MSME creditors who are hit hardest in IBC proceedings?**

**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): Section 21 of the Insolvency and Bankruptcy Code, 2016 (Code/ IBC) provides that the Committee of Creditors (CoC) shall comprise all unrelated Financial Creditors (FCs) of the Corporate Debtor (CD).**

**(b): Section 24(3) of the Code provides that Operational Creditors (OCs) or their representatives may be invited to attend CoC meetings where the aggregate dues owed to them constitute not less than 10% of the total debt. However, such OCs shall not have any right to vote in the meetings of the CoC.**

**(c) & (d): The Code aims to balance the interests of all stakeholders. It provides protection and rights to operational creditors, including MSMEs, ensuring fair treatment throughout the CIRP. The salient provisions in this regard are as follows:**

- (i) Right to Initiate CIRP: Section 9 of the Code provides operational creditors with the statutory right to initiate insolvency proceedings against CDs.**

- (ii) Minimum Entitlement:** The Code provides for minimum entitlement for OCs under the resolution plan such that payment to OCs is not less than what they would receive in liquidation under Section 53.
- (iii) Representation in CoC:** Under Section 21 of the Code, the CoC comprises of all unrelated FCs of the CD. However, where the CD does not have any financial debt, or where all its FCs are related parties, the CoC shall comprise of the eighteen largest OCs by value, provided that if the number of OCs is less than eighteen, the CoC shall include all such OCs.
- (iv) Through the sixth amendment (2021) to the Code, the Pre-Packaged Insolvency Resolution Process (PPIRP) was introduced for corporate MSMEs to fast-track resolution of cases. Provisions of clauses (c) and (h) of Section 29A of the Code, which restricts certain individuals from submitting resolution plans, do not apply to MSMEs.**

\*\*\*\*\*