

IBC at a Decade: Achievements, Shortcomings and Reform Agenda

Ten years after its introduction, the Insolvency and Bankruptcy Code (IBC) has become one of India's most important economic reforms. It has changed the way lenders and borrowers deal with financial stress, brought discipline into credit markets, and created a structured process for resolution for distressed companies. Yet, the journey has not been smooth. While some large cases have delivered impressive recoveries, delays, high haircuts, and frequent liquidations continue to raise concerns. This article takes a grounded look at IBC's achievements and future direction as India moves into its next phase of growth.



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INTRODUCTION

Before 2016, resolving financial distress in India was a long and frustrating process. Multiple laws govern insolvency, creating complexity. Cases dragged on for years, lenders recovered only a fraction of their dues, and promoters often retained control even after defaulting. By the time a resolution was reached, the value of the business had usually eroded significantly.

The Insolvency and Bankruptcy Code, 2016 changed this landscape. It brought all insolvency-related provisions under one law and introduced a clear, time-bound process. More importantly, it shifted control from defaulting promoters to creditors. Once a company entered insolvency, lenders took charge and decided its future—whether revival or liquidation.

This change was not just legal; it was cultural. For the first time, default carried real consequences. Borrowers knew that failure to repay could mean losing control of their company. That, in itself, changed behaviour across the system.

IBC ACHIEVEMENTS

1. Better Recovery than Before

One of the clearest improvements under the IBC has been in recovery rates. Before the Code, lenders were

often recovering barely 20–25% of their dues. With the IBC, average recoveries have moved closer to 30–35%. While this is still not ideal, it represents a meaningful improvement.

More importantly, in some large cases, recoveries have been much higher. This shows that when the process works well—when there are serious bidders and the business still has value—the IBC can deliver strong outcomes.

2. A Shift in Credit Discipline

Perhaps the biggest success of the IBC is not what happens inside the courtroom, but outside it. The fear of losing control has made many promoters more willing to settle dues early. Banks have also become more proactive in identifying stress and initiating action.

A large number of cases are resolved even before they formally enter insolvency proceedings. This “deterrence effect” is difficult to quantify but widely acknowledged as one of the Code's most important contributions.

3. Creation of an Insolvency Ecosystem

The IBC has also led to the creation of an entirely new ecosystem. Insolvency professionals, resolution applicants, and distressed asset investors have become active participants in the market. Institutions such as the National Company Law Tribunal (NCLT) and the Insolvency and Bankruptcy Board of India (IBBI) have played central roles in building this framework.

Over time, a market for distressed assets has begun to take shape, attracting both domestic and global investors.

4. Decreasing trend of Cases going into Liquidation post IBC

In the early years of the IBC, liquidation was often the default outcome. Many of the cases admitted into the process were legacy stress accounts—companies that had already deteriorated beyond revival by the time they reached the tribunal. For such firms, liquidation was less a choice and more an inevitability.

However, as the system has matured, a gradual but noticeable shift has emerged.

In the initial phase (2017–2019), a large proportion of admitted cases ended in liquidation. This was partly due to the backlog of deeply distressed assets and partly because the ecosystem—resolution professionals, bidders, and lenders—was still finding its footing. There was limited investor appetite, valuation processes were evolving, and uncertainty around legal interpretations often delayed outcomes.

Over time, this trend has begun to change. With increased familiarity, better information flows, and growing participation from strategic and financial investors, more companies are now being resolved rather than liquidated. Lenders have also become more proactive in initiating insolvency proceedings at an earlier stage, when the underlying business still retains value. This has improved the chances of successful resolution.

By facilitating ownership change and operational restructuring, the IBC is enabling distressed assets to be redeployed productively within the economy.

PERFORMANCE TRENDS: INDIA VS. GLOBAL BENCHMARKS

To understand where India stands, it is useful to compare its performance with other countries. According to the World Bank's *Doing Business 2020* data, countries like the United States and the United Kingdom

achieve recovery rates of over 80% and resolve cases within a year. In contrast, India's recovery rate before the IBC was just 26.4%, and cases took more than four years on average.

The IBC has improved this situation. Recovery rates are now around 30–35%, and timelines have reduced.

Countries such as Singapore and Japan perform even better, with high recovery rates and faster resolutions. The difference lies not just in the law, but in how efficiently the system functions—how quickly cases move, how early companies enter the process, and how strong the supporting institutions are.

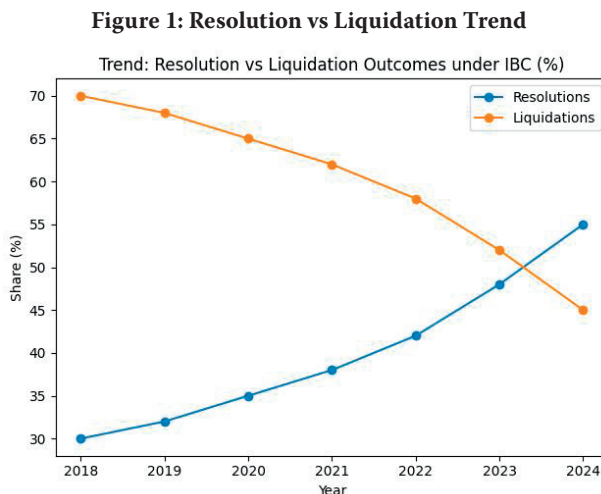
REVIVAL STORIES

The real test of any insolvency framework is whether it can revive businesses, not just close them down. On this front, the IBC has had some notable successes.

The resolution of Bhushan Steel, acquired by Tata Steel, is often cited as an early success. The company was heavily indebted, but under new management, it was turned around, and lenders recovered a significant portion of their dues.

The Essar Steel case is perhaps the most prominent example. Acquired by ArcelorMittal after a long legal battle, it resulted in recovery levels close to 90%. It also helped settle important legal questions, especially around how proceeds should be distributed among creditors.

Other cases, such as Electrosteel Steels, Monnet Ispat, and Alok Industries, show that even deeply stressed companies can be revived (with high haircuts) if there is investor interest and the process is handled well. Below chart shows the haircuts in major cases.

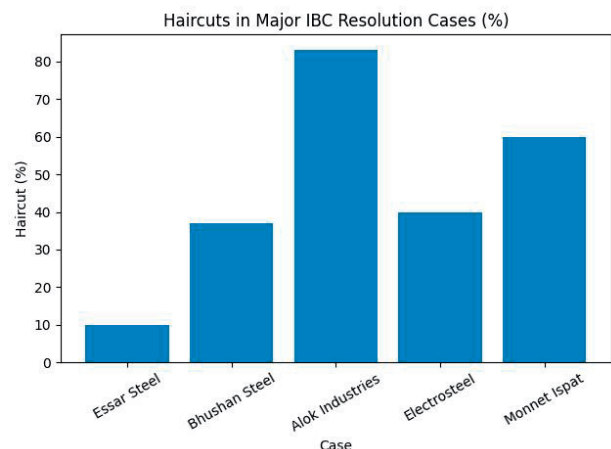


The data reflects this transformation. Over successive years, the share of resolved cases has increased, while liquidation has gradually reduced as a proportion of total outcomes. This indicates that the IBC is increasingly being used not just as a recovery mechanism, but as a tool for business revival and value maximisation.

Importantly, this trend also signals improved alignment with the fundamental objective of modern insolvency frameworks to keep economically viable firms as going concerns. By facilitating ownership change and operational restructuring, the IBC is enabling distressed assets to be redeployed productively within the economy.

In essence, the declining trend in liquidation underscores the growing effectiveness of the IBC ecosystem. It reflects a system that is learning, adapting, and moving closer to its intended purpose—ensuring that financial distress leads not necessarily to closure, but to renewal and continuity.

Figure 2: Haircuts in Major IBC Cases





Note: - Haircut refers to the reduction or waiver in the total amount of debt that creditors agree to accept to resolve a company's insolvency. The size of the haircut is decided by the **Committee of Creditors (CoC)**, which has the "commercial wisdom" to approve or reject resolution plans.

These cases highlight what IBC can achieve at its best.

LEARNING FROM GLOBAL PRACTICES

Countries with effective insolvency systems share some common features.

1. First, they encourage early intervention. Companies enter restructuring before their situation becomes critical. This increases the chances of revival.
2. Second, they have efficient judicial systems that can handle cases quickly. Delays are minimized, and decisions are predictable.
3. Third, they allow a degree of flexibility. For example, in the United States, companies can continue operating under management while restructuring, which helps preserve value.

THE WAY FORWARD: REFORM AGENDA

Reducing Delays

- A time-bound process lies at the heart of the IBC, but delays continue to dilute its effectiveness. The next phase of reform must focus on restoring strict adherence to timelines. This requires both

institutional strengthening and procedural discipline. Increasing the capacity of adjudicating authorities through additional benches and timely appointments is essential. At the same time, better case management systems and greater use of technology can help track progress and avoid unnecessary adjournments. A system that moves predictably and within defined timelines will preserve value and reinforce confidence among stakeholders.

- **Promoting Early Identification of Stress**

One of the recurring challenges under the IBC is that many companies enter the process at a stage when revival becomes difficult. Addressing financial stress earlier can significantly improve outcomes. Strengthening pre-insolvency frameworks is therefore critical. Mechanisms that encourage lenders and borrowers to engage in restructuring discussions before formal proceedings begin can prevent value erosion. Early warning systems, better credit monitoring, and proactive lender action can ensure that distress is identified and addressed in time. The broader objective should be to shift from reactive resolution to preventive intervention.

- **Enhancing Resolution over Liquidation**

While liquidation remains an important exit route, the emphasis of the insolvency framework should increasingly be on resolution and business continuity. A stronger focus on attracting resolution applicants and exploring restructuring options can help preserve viable enterprises. Improving the design

and transparency of the bidding process is key in this regard. Timely dissemination of information, realistic valuation practices, and wider investor participation can lead to more competitive bids and better outcomes. A system that prioritises revival not only maximises value for creditors but also protects employment and productive capacity in the economy.

- **Improving Value Realisation and Reducing Haircuts**

High haircuts in certain cases have raised concerns about value erosion during the insolvency process. While losses are inevitable in distressed situations, improving value realisation should remain a key objective. This can be achieved through better asset preservation, more robust valuation practices, and increased competition among bidders. Ensuring that businesses continue to operate efficiently during the resolution process can also prevent further deterioration in value. Greater coordination among creditors and more informed decision-making can further contribute to balanced and commercially sound outcomes.

- **Building Institutional and Professional Capacity**

The effectiveness of the IBC depends heavily on the strength of its ecosystem. Over the past decade, insolvency professionals, valuers, and legal experts have played a crucial role in shaping outcomes. However, as the system evolves, there is a need for continuous capacity building. Regular training, standard-setting, and performance monitoring can enhance the quality of professional services. Strengthening oversight mechanisms and ensuring accountability will also help maintain high standards. A robust and credible ecosystem is essential for sustaining confidence in the insolvency framework.

- **Introducing a Comprehensive Cross-Border Framework**

In an increasingly globalised economy, financial distress often involves assets and creditors spread across jurisdictions. The absence of a comprehensive cross-border insolvency framework can create uncertainty and delays in such cases. Adopting internationally aligned principles can facilitate better coordination between jurisdictions and improve the efficiency of resolution processes. A clear and predictable framework for cross-border insolvency will not only address current gaps but also enhance India's position as a reliable investment destination.

- **Leveraging Technology and Data Systems**

Technology can play a significant role in improving the efficiency and transparency of the insolvency process. Digitisation of case records, online submission of

documents, and real-time tracking of case progress can reduce procedural delays. The use of data analytics can also help in early identification of stress and better decision-making by creditors. A more technology-driven approach can address information asymmetry and bring greater clarity to all stakeholders involved in the process.

- **Moving from Framework to Efficiency**

The first decade of the IBC was about building a comprehensive legal framework. The next decade must focus on making that framework work efficiently in practice. This involves improving execution, reducing delays, and ensuring consistent outcomes across cases. The emphasis should now be on operational excellence rather than structural overhaul. If these reforms are implemented effectively, the IBC can evolve into a system that not only resolves distress but does so in a timely, predictable, and value-maximising manner.

CONCLUSION

Ten years on, the Insolvency and Bankruptcy Code has clearly made a difference. It has improved recoveries, changed borrower behaviour, and created a structured process for dealing with financial distress. In many ways, it has succeeded in doing what it set out to do. At the same time, challenges remain. The next phase of reform must focus on making the system faster, more efficient, and more consistent.

The IBC has laid a strong foundation. The task now is to build on it—so that resolving stress in India becomes not just possible, but reliable and timely.

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