



**SRI VENKATESWARA INTERNSHIP PROGRAM
FOR RESEARCH IN ACADEMICS
(SRI-VIPRA)**



SRI-VIPRA



Project Report of 2024: SVP-2459

***“IMPACT OF BANKRUPTCY AND INSOLVENCY
CODE ON ECONOMICAL PERFORMANCE OF BANKS
IN INDIA: AN EMPIRICAL STUDY”***




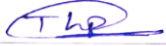






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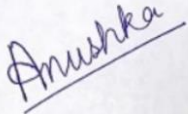

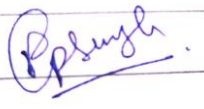




SRIVIPRA PROJECT 2024

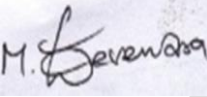

Title : Impact of Insolvency and Bankruptcy Code on Economical Performance of Banks In India: An Empirical Study

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This is to certify that the aforementioned students from Sri Venkateswara College have participated in the summer project **SVP-2459** titled “**Impact of Insolvency and Bankruptcy Code on Economic Performance of Banks in India: An Empirical Study**”. The participants have carried out the research project work under my guidance and supervision from 1st July, 2024 to 30th September 2024. The work carried out is original and carried out in an online/offline/hybrid mode.



Signature of Mentor

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I am always thankful to god for his grace giving me confidence to complete this mammoth task in time.

It is indeed my greatest fortune to undertake this Internship work With right coordination of Principal, IQAC Coordinator and SRIVIPRA Team Sri Venkateswara College, University of Delhi, Dhaula Kuan, New Delhi-110021.to complete in time. Let me express my deepest sense of gratitude to all supporting members and students for their kind co-operation.

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CHAPTER -1

ORIGIN AND OVERVIEW OF INSOLVENCY ANDBANKRUPTCY OF CODE

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1.1 Introduction

Legal environment of any country always play a vital role in its economic development. If the legal environment of that country is well-built and implemented then definitely the global background of the country will be strong. After the introduction of Goods and Services Tax, IBC is the second most crucial reform in the legal setting of India. It is because IBC is not only making India emphatically powerful in the field of the legal environment but also provides a new identification and recognition at the global platform economically. On both economic and non-economic front, this code leaves a positive impact. Since the code is passed, the global economic image of India is drastically enhanced, through Enhancement of the FDI, Increased M&A deals, Improving India's Ease of doing business ranking, etc.

The Insolvency and Bankruptcy Code (IBC) came into existence in 2016 as a crucial legal framework designed to address financial challenges faced by companies, organisations, and individuals. The IBC comprises four integral pillars, which collectively oversee the Corporate Insolvency Resolution Process (CIRP). These pillars include Insolvency Professionals (IP), Information Utilities (IU), Adjudicating Authority (AA), and the Insolvency and Bankruptcy Board of India (IBBI).

The Insolvency and Bankruptcy Code, 2016 is considered to be one of the biggest economic reforms introduced in India and is assumed to play a significant role in limiting the risks of credit. IBC, 2016 consolidates and amends the law relating to insolvency resolution process in India. The effects of the advent of the Code seems to be far reaching to lenders, financial institutions, corporate and also for professionals, giving them scope to act as resolution professionals. Bankruptcy law aims at providing a rescue mechanism for distressed entities, facilitating faster windup of insolvent entities and providing an easier exit route to investors. Indian banks, burdened with a substantial amount of non-performing assets (NPAs) prior to the IBC, were expected to be major beneficiaries of this reform. The code aimed to provide a clear and efficient mechanism for recovering dues from defaulters, thereby strengthening the banking sector's balance sheet and improving its lending capacity.

1. Meaning

Insolvency and Bankruptcy Code is a legislation enacted in 2016 based on the 'T.K Vishwanathan Committee Report'. It consolidates various laws pertaining to the resolution of insolvency of businesses and firms. It establishes streamlined and expedited insolvency procedures to assist creditors, such as banks, in recovering dues and mitigating bad loans, which are a significant burden on the economy. It is also known as the exit law of India. **Insolvency** refers to a situation where individuals or companies cannot repay back their outstanding debt obligations. **Bankruptcy** refers to a legal status declared by a court of competent jurisdiction for a person or entity that is insolvent i.e. unable to pay off debts.

1.2 Evolution of the Code

The Insolvency and Bankruptcy Code ("Code") came into effect in 2016 to merge and update laws about recognizing and resolving insolvency of companies, partnerships, and individuals. It aims to maximize the value of assets of companies facing bankruptcy ("Corporate Debtor"). One main goal of the Code was to make doing business in India easier. Before the Code, the legal system for winding up companies was, to be blunt, as unhealthy as the companies themselves.

The old system favoured debtors and led to conflict. This view stems from the fact that debtors kept control of their company's management during insolvency proceedings. The Code tries to fix this by giving management to a resolution professional. Also, the previous insolvency process was split up due to many laws. The mix of laws created confusion about the rights of creditors and debtors during insolvency.

The Code combined and clarified various laws dealing with insolvency such as the Sick Industrial Companies Act 1985 ("SICA"); the Recovery of Debt Due to Banks and Financial Institutions 1993 ("RDDBFI"); the Companies Act, 2013; and the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("SARFAESI"). By bringing all these laws together, the Code tried to solve the problem of having too many laws on the subject.

At its core, the Code moves from the debtor-in-possession model to one where creditors and debtors work in a system that's fair to everyone involved aiming to keep the Company's value intact. In the Swiss Ribbons Case, the Supreme Court of India wrapped up its view of the Code by saying:

The Insolvency Code is a law that deals with money matters and, on a bigger scale, affects the country's whole economy. We've seen earlier attempts at making laws fail. These mistakes kept happening, which led to the creation of the Code. When you look at the Code's general rules, not the so-called rough spots and unfair parts that the people who filed the case pointed out, you can see that it meets the standards set by the Constitution. So, in Justice Norman's words, we can see that the 'debtor's paradise' no longer exists, thanks to the Code. Now, all decisions about a company in insolvency proceedings fall to the Insolvency Resolution Professionals ("IRP") and the Committee of Creditors ("CoC"). Even though it inherited some very unhealthy 'zombie' firms from the old system, the IBC has delivered great results in a short time since its implementation.

1.4 Overview

IBC is time bound. It was designed to solve the insolvency cases on due time. Before the Creation of IBC there was no structured or set deadline to resolve the insolvency cases, which often led to companies lying in the debt trap for several years. The introduction of IBC Changed things upside down as it brought strict timelines with itself, 180 days with an option to extend by 90 more days. The aim was to preserve the value of the assets and resolve the cases as soon as possible. The code tries to maximise the value of the assets by focusing on quick resolutions and by preventing the erosion of assets. As the matters could be quickly resolved now, this gave the entrepreneurs a second chance to make a fresh start rather than lying on the debt trap for endless years. So, indirectly also promotes Entrepreneurship.

1.5 Structure

The IBC code has a well-structured framework for resolving the insolvency cases in a very efficient manner. Its prime focus is to fix the corporate insolvency resolution, though it also extends to individuals and partnerships. This process consists of two main phases namely, Insolvency resolution and Liquidation. A resolution professional is hired to take care of the operations of the company without disruption during the period of the resolution process.

His duties mainly revolve around managing the debtor's assets, facilitating creditor meetings, and overseeing the submission of resolution plans. The prime motive is to first find a suitable resolution process but when no resolution plan is entered during the allotted time period then the company has to enter the process of liquidation. In the process of liquidation, all the assets of the company are sold in order to pay off the debt. The creditors are paid in a predefined order of priority. The secured creditors are given the top priority followed by the others.

Stages of CIRP and Statutory Timeline

1. Commencement of CIRP

The CIRP begins with the filing of an application by a financial creditor, operational creditor, or the corporate debtor to the National Company Law Tribunal (NCLT). The NCLT has 14 days to ascertain default and either accept or reject the application.

2. Appointment of Interim Resolution Professional (IRP)

Upon admission, an Interim Resolution Professional (IRP) was appointed within 14 days. The IRP takes control of the debtor's assets and management, and initiates the process of collecting claims from creditors.

3. Public Announcement and Claim Submission

The IRP makes a public announcement within three days of the appointment, calling for claims from creditors. Creditors have 14 days since the announcement date to submit their claims.

4. Formation of the Committee of Creditors (CoC)

The IRP verifies claims and constitutes the Committee of Creditors (CoC) within 30 days of its commencement. The CoC comprises of all financial creditors and plays a crucial role in the CIRP.

5. Appointment of Resolution Professional (RP)

The CoC decides whether to continue with the IRP as a Resolution Professional (RP) or appoint a new RP. This decision must be made within 30 days of the CoC's constitution.

6. Preparation and Approval of the Resolution Plan

The RP prepares an information memorandum and invites resolution plans from potential applicants. Resolution plans must be submitted within the time-frame determined by the CoC. The CoC then evaluates and approves the best resolution plan, which must be completed within 180 d from the initiation of the CIRP. The process can be extended by a maximum of 90 days, resulting in a total permissible period of 270 days.

7. Approval by NCLT

The approved resolution plan was submitted to the NCLT for final approval. The NCLT has 30 days to approve or reject a plan. Upon approval, the resolution plan binds the debtor and its stakeholders.

Practical Challenges and Delays

Despite statutory timeline, various practical challenges often lead to delays in CIRP.

1. Judicial Delays

The NCLT and the appellate tribunal, the NCLAT, often face a heavy caseload, leading to delays in the admission of applications and approval of resolution plans.

2. Complexities in Verification of Claims

The verification of claims, especially those involving complex financial transactions, can be time-consuming, causing delays in the formation of CoCs.

3. Disputes Among Creditors

Disagreements among creditors regarding the resolution plan or distribution of proceeds can lead to prolonged discussions and delays.

4. Limited Availability of Resolution Professionals

The availability of qualified and experienced resolution professionals is limited, which affects the process efficiency.

5. Challenges in Asset Valuation

Accurate valuation of the debtor's assets is crucial for a fair resolution but can be challenging due to market fluctuations and lack of reliable data.

Objectives of Insolvency and Bankruptcy Code

Major objectives of the Insolvency and Bankruptcy Code are as follows:

- To consolidate and amend all insolvency laws that is existing in India.
- To simplify and expedite the process of resolution of Insolvency and Bankruptcy in India.
- To protect the interest of creditors, including stakeholders in a company.
- To revive the company in a time-bound manner.
- To promote entrepreneurship.
- To get the necessary relief to the creditors and consequently increase the credit supply in the economy.
- To work out a new and timely recovery procedure to be adopted by the banks, financial institutions or individuals.
- To set up an Insolvency and Bankruptcy Board of India.
- Maximisation of the value of assets of corporate persons.

1.6 Need for Insolvency and Bankruptcy Code (IBC)

The **need for a new Insolvency and Bankruptcy Code** can be seen as follows

- Previously, India had several overlapping laws and adjudicating forums aimed to address financial failure and insolvency of companies and individuals. This led to undue delays in the recovery of the **NPAs** by the Banks.
- The Insolvency and Bankruptcy Code (IBC Code) was needed to consolidate all the laws related to Insolvency and Bankruptcy resolution and to simplify the process of insolvency resolution

1.9 Functions

The Indian IBC that was passed in 2016 has a purpose to play. With the aim of improving the insolvency resolution process for individuals, partnerships and legal entities, the basic functions of the IBC are as follows: The main activity of the IBC is the enactment of consolidation: The IBC is enacted to consolidate a number of insolvency laws into one box. The intention is to make the legal aspects related to bankruptcy and its process in India to be easier to understand. Time-limited resolution: Another thing that the code requires is that there has to be a time limit in dealing with bankruptcy cases. They are usually published within 180 days and may be published within an additional 90 days in some circumstances. Its objective is to enhance the process of redevelopment and recovery of developers, bearing in mind that the process of recovery takes a considerable amount of time. Creditor Control:

IBC adopts what can be called a “creditor control” regime from a “debtor em posse” regime – creditors are given considerable control over the process. This makes them in a position to develop critical decisions on the debtor’s ownership as well as restructuring plan.

Protecting the interests of stakeholders: It is therefore evident that the Visa Code responsibly serves all the stakeholders’ interests. By extending their rights within the bankruptcy process they protect their rights regardless if they are the creditors, debtors, employees, and shareholders.

Promotes Entrepreneurship: Due to the disclosure of a well understood and efficient way of handling business failure through the IBC, there is a boost in entrepreneurial activity.

Minimise risk when starting a new business New business often face the problem of having spin off structures with companies that fail most of the time. Establishment of a Regulatory Body: For the professionalism of the profession of insolvency, the IBC has created the Insolvency Bankruptcy Council of India (IBBI) that supervises the fulfilment of ethical standards. This will facilitate reducing the opacity and opacity of the operation of the Bankruptcy Court.

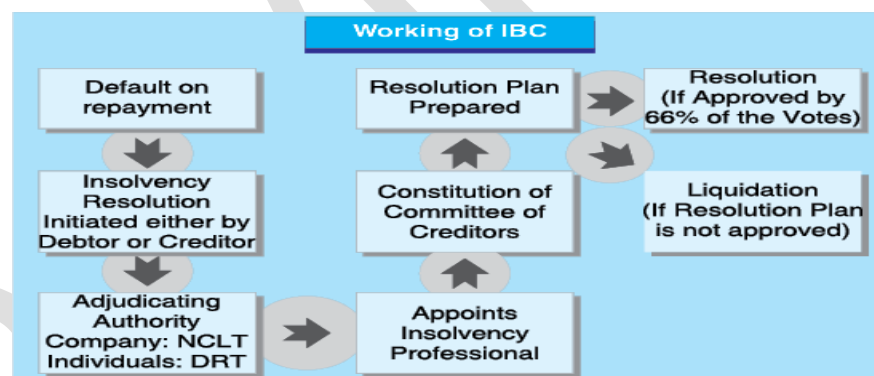
Maximising Asset Value: The purpose of an IBC is commonly to get optimum return for his or her assets in the event of a business failure. This can be achieved through a proper resolution process which has the objective of reclaiming financially troubled enterprises. Instead of going out of business when possible Facilitate the exchange of information: This code contains valuable data that is gathered and verified by the concerned financial institution concerning the debtor or that provides information to the creditors that would enable them to make decisions during the process of its resolution. Cross-Border Insolvency Box: It also has provisions in cross border insolvency cases.

This in turn enhances the capacity of India in handling insolvency cases under the international market. Incentives for timely recovery procedures: As for IBC, it seeks to develop an effective recovery operation system which can be applied by the banks and financial institutions on time. That will assist in enhancing the supply of funds so as to augment the flow of credit within the economy. To sum it up, the IBC is a landmark change in the nature of India’s insolvency and insolvent management. The purpose is to make conditions of dealing with financial problems more effective, clear and beneficial for all interested parties.

1.8 Insolvency Resolution Process under IBC

The **chronological order of resolution process under the Insolvency and Bankruptcy Code (IBC Code)** is as follows:

- When a default occurs, either the debtor or creditor may initiate the resolution process before the adjudicating authority.
- The NCLT appoints an Insolvency Professional (IP) to administer the Insolvency Resolution Process (IRP).
- The Insolvency Professional (IP) identifies the financial creditors and then constitutes a Committee of Creditors (CoC).
- The CoC prepares the plan of resolution for the restructuring the loans of the defaulted borrower which may be in the form of extending the maturity period of the loan, reducing the rate of interest on loans etc.
- Such a resolution plan must be approved by at least 66% of the total votes in the Committee of Creditors (CoC).



Phases

The Insolvency and Bankruptcy Code (IBC) 2016 is one of the most far-reaching initiatives taken by the Indian government with regards to insolvency and bankruptcy that is aimed to provide a unified code for the resolution of insolvency and bankruptcy in both the corporate as well as personal law domain. This process under the IBC is majorly focused on the Corporate Insolvency Resolution Process (CIRP) which is intended to ensure that the insolvency cases are resolved in a structured and time bound manner.

Initiation of the Process:

Under the CIRP, there are different types of creditors who can initiate the process such as the financial creditors, operational creditors and even the corporate debtor. A financial creditor is

a party commonly a bank or a financial institution who has granted credit while an operational creditor is the party who has supplied goods and/or services. Minimum sum required to be paid as a maiden default for filing of insolvency is as fixed at ₹ 1 crore. First of all, an application must be lodged to the National Company Law Tribunal (NCLT), which is the authority for the control of corporate insolvency. The NCLT makes a determination to admit the application within one-fourteen days of the filing of the application. As mentioned earlier if the application is accepted it is the starting of CIRP all explained in details below.

Appointment of Interim Resolution Professional:

After the NCLT admits the application then the NCLT passes an order for appointment of Interim Resolution Professional (IRP). The IRP incurs a lot of responsibilities of handling the debtor's matters throughout the insolvency process. They are the one who takes over the control of debtor assets and operations, compliance with the necessary legal provision and coordinating with the stakeholders. The IRP also has the power to hold meetings with creditors as well as supervise such aspects as the confirmation of claims.

Moratorium Period:

On the launch of CIRP, a period of lock-in is put in place; this is a protective cloak for the corporate debtor. During this moratorium all legal processes against the debtor, including the ability of the creditor to institute recovery measures or to pass on the assets are put on hold. It is normally given for a period of 180 days but after that it remains open for an extra 90 days in special cases. The moratorium gives some of the stakeholders sufficient time to seek ways of solving the existing issues without the on-going legal battles.

Claims Verification:

The IRP is entitled with a responsibility of calling upon claims from all creditors and also to authenticate the received claims within one month from the date of its invocation. This means that, any person who seeks to make any claim against the bankrupt will have to do so along with the necessary papers that will prove that he is entitled to do so. The IRP scrutinizes these submissions and identifies the list of admitted claims important in arriving at the proportion at which the creditors will be paid during the resolution.

Formation of Committee of Creditors:

After the claims verification, the IRP constitutes the Committee of Creditors (CoC) in which the members are largely the financial creditors. In general, CoC is involved in decision making most of the time during the CIRP. It convenes once in a while to address several factors about the resolution process such as the consideration of the resolution plans provided by possible resolution applicants. Like most other credit organisations, the CoC follows the

voting structure under which all important issues are resolved through simple voting while financial creditors have considerable voting power.

Submission and Evaluation of Resolution Plans:

Potential resolution applicants that would want to participate in the IRP can then present their resolution plans to the IRP. These plans detail how they wish to reorganize and restart the organization, which is possibly financially fragile and how it will meet creditors demands. The IRP therefore reviews these plans on IBC compliance, and in terms of financial acceptability and operational realism.

Approval Process:

Any resolution plan requires the nod of at least sixty-six per cent voting share cast by the financial creditors in the CoC. In the course of the voting of this majority, the plan is presented to the NCLT for the final affirmation. Once they have formulated this plan, the NCLT examines it with an aim of establishing its compliance to the set laws and other factors affecting the stakeholders before passing its nod.

Implementation or Liquidation:

Prospective resolution plan is binding on all concerned parties like creditors, employees, shareholders and even the management only from the point when it has been approved by NCLT which in turn ensures smooth execution of plan. As it was mentioned, the proper implementation of the resolution plan's goals tends to bring a corporate debtor back to its operational viability and achieve the highest possible value for creditors' assets. However, if no credible resolution plan is adopted within a period of 90 days or such plan is not conforming to IBC then the NCLT shall pass an order for the liquidation of the debtor's assets. In such cases, an official liquidation is made for the purpose of winding up the companies and distribution of the assets among the creditors in accordance with priority mentioned under the IBC.

1.9 Digitalisation

The Indian Budget 2024 has laid down considerable importance to the technological advancement of the IBC framework. This clearly means that this particular plan seeks to bring all the participants of the insolvency process onto a single online platform.

Key Objectives of Digitalization

Enhancing Efficiency: When the executive proposes to gather institutions that are involved in the IBC process including the Ministry of Corporate Affairs, the National Company Law Tribunal, the Insolvency and Bankruptcy Board of India, and Information Utilities on one digital portal, the government's objective is to enhance the efficiency of the processes and

eliminate inefficiencies associated with IBC processes. **Improving Transparency:** It will lead to a centralised system for case management that will result in improved record keeping and records storage, sharing of critical documents and information to all the stakeholders in real-time. The increased transparency is expected to enhance creditor engagement and thus encourage creditors to participate in the process of resolving the issues of the debtor company. **Facilitating Seamless Communication:** The digitalization of services will facilitate communications between IPs and creditors in order to make decisions in insolvency cases easier. This enhanced communication is very important particularly because it ensures effective and efficient litigation.

The characteristics of the proposed digital platform as made up of the following;

Automated Filing: The digital platform shall contain workflow for filing insolvency applications that will help offload the adjudicating authorities and at the same time will reduce the chances of making errors causing omission in the entire process.

Centralised Repository: It will provide a central repository for financial data such that the authentication and access of data from the creditors will be improved on. The above findings will help stakeholders make better decisions when taken through the resolution process.

Online Monitoring: This will provide deeper insight of the business and the different manner in which insolvency cases are executed resulting in improvement of creditors' and other interested parties' engagement and confidence in the system through an online interface.

Advantages for Startups and MSME

It can be safely stated that the digitalization of the IBC saves significant time and costs and is most advantageous for startup and other Micro, Small, and Medium Enterprises (MSMEs), for which the path through insolvency may be particularly arduous. It will offer solutions to those entities that will help in coming up with faster solutions thereby encouraging innovation and entrepreneurship within the MSMEs.

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CHAPTER-2

REVIEWS OF LITERATURE AND RESEARCH METHODOLOGY

REVIEW OF LITERATURE

Datta 2018 discusses that India experienced a major structural change with the enactment of the Insolvency and Bankruptcy Code, 2016. India was awarded the Global Restructuring Review (GRR) Award for the Most Improved Jurisdiction in restructuring and insolvency regime.

According to RBI, **Reserve Bank of India, 2019** the Implementation of a new framework for Resolution and Recovery of stressed assets improved during 2017-18 through the IBC, 2016 and Securitisation and Reconstruction of Financial assets and Enforcement of Security Interests (SARFAESI) Act, 2002.

Many recent studies like **Tensingh & Suresha, 2019** have highlighted that an increase in the nonperforming assets (NPA) was a major reason for worry for the government of India. High percentage of NPA led to issues between Banks. The introduction of IBC by the government of India in 2016 was aimed to bring down NPA. The long-term effects of IBC are expected to show the much-awaited results of the reduction of NPA levels in both public and private sector banks and increase in the profitability of the Banks. Hence IBC has had a positive impact and will continue to have it on the banking sector of Indian and in turn the Indian Economy.

Kattadiyil & Islamov, 2021 pointed that when a comparison is made on the state of NPAs in the Indian economy prior to and post the enactment of the IBC the return on investments (RoI) earned by the banks fell drastically with the increase in the rate of NPAs and so the banks witnessed the downward trend in their profitability in the past few years before IBC. The amount of recoveries (of stressed assets) made by the Lok Adalats, DRTs and SARFAESI was hardly 10% in 2016-17 (out of Rs. 2,85,976 crore, only Rs. 27,954 crore was recovered). After the implementation of the IBC within 3 years of its implementation till March 2020, 3774 CIRPs were commenced out of which 221 ended in approval of resolution plans and 914 ended in liquidation. The World Bank's EoDB index ranked India on 130th position out of 190 economies of the world in 2016 respectively. In 2018 India was ranked 63rd on the EoDB index and 52nd on the ease of resolving insolvency index. This phenomenal jump is credited to IBC.

A study done on the pre and post event analysis concluded that the introduction of IBC initially led to a shock in the banking industry and caused an opposite impact than what it was aimed for. But the last financial year has seen a change in trend due to the introduction of IBC. Also due to this, the long-term effects are expected to show the much-awaited results of

the reduction of NPA levels in both public and private sector banks and increase in the profitability of the banks. Hence IBC has had a positive impact and will continue to have it on the banking sector of Indian and in turn the Indian Economy **Deepanshuu, n.d.**

Rajpal, 2021 observed that the borrower would have little incentive to repay if IBC did not exist. In the financial year 2018-19, banks collected 42.5 percent of the amount submitted under the IBC, compared to 14.5 percent through the Sarfaesi resolution process, 3.5 percent through Debt Recovery Tribunals, and 5.3 percent through Lok Adalats. The recovery under the IBC was Rs 70,819 crore against claims of Rs 1.66 lakh crore. The ultimate message is that India's credit culture is evolving in a positive direction.

Abhirami & Thekkedath, 2023 examines that the Code is an improvement over its predecessors in terms of recovery rates, resolution of non-performing assets, and resolution costs. They also give some recommendations like (1) Currently, the power of the RBI to initiate insolvency proceedings is dependent on the authorisation of the government. Being the apex monetary regulator, the RBI should be granted full power to issue directions to the banks to initiate insolvency proceedings as and when required (2) Inspired by the COVID-19 lifestyle, online modes of resolution should be adopted right from the formation of the Committee of Creditors. The Code doesn't necessarily require the physical mode of meeting, and this clause could be made advantageous. This mode will be less time-consuming and will add the benefit of easier access to resolution.

Sharma, 2023 pointed out that IBC has played a crucial role in reducing the burden of Non-Performing Assets (NPAs) on banks and financial institutions. By providing a more efficient resolution process, financial institutions can recover dues faster, leading to improved financial health and lending capacity. By resolving insolvency cases more efficiently, the IBC has contributed to strengthening the Indian banking sector. Its implementation has also faced challenges, including capacity constraints in the National Company Law Tribunal (NCLT) and certain complexities in specific cases.

DESIGN OF THE STUDY

Depicting trend of interim finance rose during resolution process for the CDs which have been successfully resolved during CIRP or ordered for liquidation.

OBJECTIVE

1. To study the origin and growth of the bankruptcy and insolvency code
2. To study and examine the time structure of CIRPs in India
3. To analyze the impact of bankruptcy and insolvency on bank's economic performance

4. To study the facing issues and challenges of the bankruptcy and insolvency code
5. To examine and postulate the broad view on effective practices of resolution process, particularly for the cases wherein resolution plans have been received and for non-defunct companies who has potential to revive, liquidate and restructuring.

SAMPLE SIZE

For this research we have chosen all public sector, private sector, and foreign banks and Regional rural banks as sample and also considered the information of the total number of cases admitted, closed, resolved, appealed and reviewed and ongoing CIRPS. The published annual reports of IBBI from 2017-18 to 2022-23 have been taken as base for analysis.

METHODOLOGY

Convenience sampling method has applied for this research.

LIMITATION

- ❖ This study covers the published data of IBBI from 2017-18 to 2022-23.
- ❖ This study excluded the information of professional entities of CIRPs
- ❖ Due to lack of time it has covered available data in published reports.

DATA COLLECTION

This study confines to the secondary data and this data have collected from journals of IBBI, Newsletters, Newspaper, annual reports and RBI Bulletins etc.

TOOLS FOR ANALYSIS

The collected data have analyzed with suitable statistics tools which comprises mean, median and covariance, and suitable graphs

SRINIVAS PRA

CHAPTER-3

ISSUES AND CHALLENGES OF BANKRUPTCY AND INSOLVENCY

The Corporate Insolvency Resolution Procedure (CIRP) is an important concept in the Insolvency and Bankruptcy Code, 2016 legislation, designed to resolve and resolve business issues in a timely manner and in a timely manner. It has become an important tool for preserving corporate continuity while managing crime and financial distress. The CIRP, in essence, operates at several different levels, each designed to facilitate creditor collaboration, appointment of resolution experts and development of plans for problem resolution work. The Code seeks to ensure that disputes are resolved fairly and effectively by creating a framework within which financial and business owners, as well as business applicants, can begin to set standards.

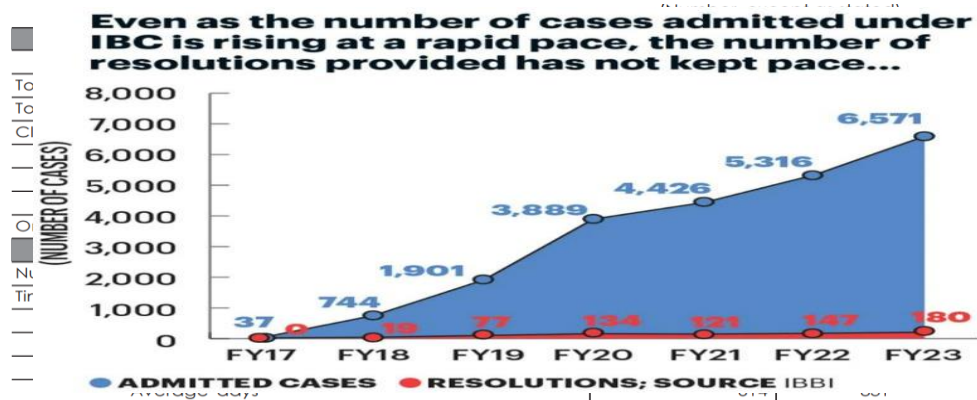
Timelines of CIRP:

- **Initial Timeline:** The CIRP must be completed within 180 days from the date of admission of the application, as per Section 12(1) of the Code. A one-time extension of 90 days may be granted by the Adjudicating Authority, extending the maximum limit to 330 days.
- **Exceptional Cases:** In extraordinary circumstances, the timeline can be extended beyond 330 days, as determined by the Adjudicating Authority. The Supreme Court, in the Essar Steel case, highlighted the possibility of such extensions in cases where delays are beyond the control of litigants and in the interest of stakeholders.

Issues and Challenges of Insolvency and Bankruptcy of Code

The Insolvency and Bankruptcy Code (IBC) 2016 in India has encountered several issues and challenges:

1. **Delay in resolution process:** As mentioned in the Code that the resolution process should be completed in 180 days. But if we see the numbers till March 31, 2023, it is alarming.



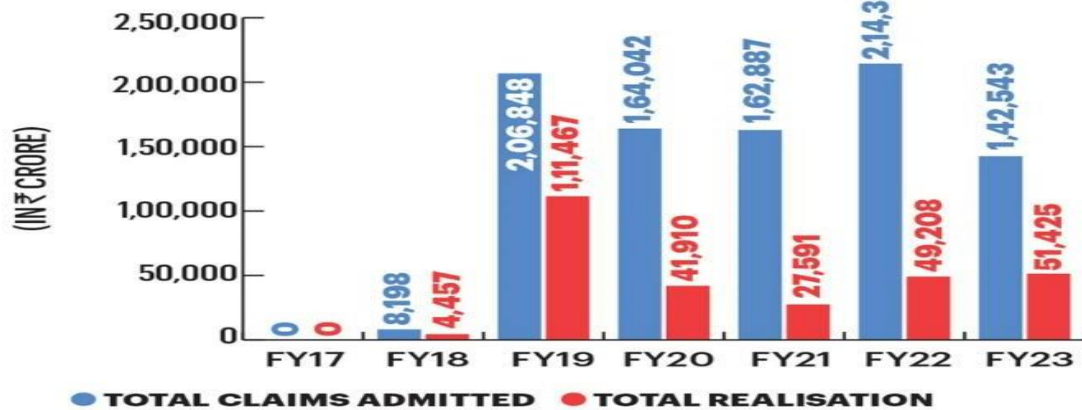
The total number of CIRP cases filed March 31 2023 is 6571 out of which 4515 cases has been closed and 2056 cases are ongoing. And the average days taken to resolve a case is 614 days which is far more than 180 days. According to The Economic Times, “The average time taken for a Corporate Insolvency Resolution Process (CIRP) yielding through resolution or liquidation is at a three-year high for all stakeholders. Resolution timelines continued to increase for OCs and FCs, with the highest being 635 and 643 days for OCs and FCs, respectively.”

2. Increasing workload and lack of infrastructure: The number of cases is increasing at rapid pace under Insolvency and Bankruptcy Code. If we see the below data which gives insight about year wise cases admitted under IBC and year wise cases resolved. It is observed that till today, there is a lack of infrastructure to deal with high value and a large number of insolvency cases.

3. Limited Judicial Bench Strength: The IBC resolution process is hindered by a shortage of judges, resulting in a deceleration of case processing. This, in turn contributes to prolonged resolution times.

4. Low realisable value: The resolution process is not that much effective in liquidation of companies. We have data year wise total claims admitted and total realization. The graph clearly indicates the claims are increasing year on year but the realization is not even 50%. According to Business Standard, “Creditors have realized Rs 3.16 trillion out of the admitted claims of Rs 9.92 trillion as of September 2023, which works out to a recovery rate of 32 per cent”

...And the share of realisation as a percentage of the total amount of claims admitted has remained low



5. **Complex laws:** In order to make IBC work, IBBI as its regulator has been thoughtfully regulating it to provide for insolvency resolution of distressed entities in a time bound manner. In the process, IBBI brought about 84 amendments to its 18 regulations out of which around 22 amendments have been made in the past one year alone.

6. **Low recovery rates:** After the liquidation, borrowers and insolvency practitioners (IPs) remain wealthy, while lenders suffer and banks are relieved of their liabilities, as only the company, not the owners, is declared bankrupt and depositors lose. This has led to low recovery rates for financial lenders, with some cases only realizing 5% of outstanding loans.

7. **Low approval rate of resolution plans:** As per the Insolvency and Bankruptcy Board of India's data, only 60% of the cases have been closed, and the majority of the cases have been closed through liquidation, only a few cases have been closed due to resolution.

High number of liquidations is a cause for major worry as it violates IBC's principal objective of resolving bankruptcy.

8. **Frequent Amendments and Policy Uncertainty:** The IBC has undergone several amendments since its inception, indicating a dynamic and evolving regulatory environment. While these changes aim to improve the process, they also create uncertainty. Frequent changes in the regulatory framework can create confusion and require banks to constantly adapt to new norms, which may affect their strategic planning and risk management practices.

9. **Sector-Specific Challenges:** Certain sectors like power, infrastructure, and real

estate face inherent issues that complicate the resolution process under the IBC. Asset-heavy industries often have more complex capital structures, making it difficult to find suitable buyers or resolve insolvency efficiently. Sector-specific challenges result in lower recovery rates for banks, especially in industries that require significant capital investment and long-term planning. This leads to sustained NPAs in these sectors, affecting the overall health of the banking sector.

10. Behavioral Issues and Lack of Cooperation: Another challenge in insolvency and debt resolution in India is the behavior of various stakeholders. Some debtors may use delaying tactics, while creditors may not always act in good faith. Lack of cooperation between parties may hinder the resolution process. To overcome these challenges, it is essential to promote transparency, accountability and a spirit of cooperation among all stakeholders.

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CHAPTER-4

IMPACT ON ECONOMICAL PERFORMANCE OF BANKS IN INDIA

Gross NPA to Gross Advances Ratio (%)

The **Gross NPA to Gross Advances Ratio** is a financial metric used to assess the quality of a bank's loan portfolio. **Gross NPA (Non-Performing Assets)** refers to the total amount of loans that are in default or not generating income for the bank because the borrower has failed to make principal or interest payments for a specified period (usually 90 days or more). **Gross Advances** are the total loans or advances given by a bank to borrowers, including both performing and non-performing loans.

The **Gross NPA to Gross Advances Ratio** is calculated as:

$$\text{Gross NPA to Gross Advances Ratio} = \frac{\text{Gross NPAs}}{\text{Gross Advances}} \times 100$$

This ratio indicates the proportion of a bank's total loans that have turned non-performing, providing insights into the bank's asset quality and risk level. A higher ratio suggests a higher risk of loan defaults, while a lower ratio indicates better asset quality.

Why the Gross NPA to Gross Advances Ratio Matters

This ratio holds significant importance for several reasons:

1. **Asset Quality Evaluation:** The Gross NPA to Gross Advances Ratio helps to assess the quality of the assets held by a bank. A lower ratio reflects healthier asset quality, meaning the bank is receiving timely payments on the majority of its loans. Conversely, a higher ratio signals that a significant portion of the loans has become non-performing, indicating higher credit risk and potential losses.
2. **Investor Confidence:** This ratio is closely monitored by investors, as it reveals the risk exposure of a bank's loan book. A rising NPA ratio typically causes concern among investors, which may lead to a decline in stock prices or reduced investor interest.
3. **Regulatory Scrutiny:** Regulatory bodies such as the Reserve Bank of India (RBI) use this ratio as a benchmark to ensure banks are following prudent lending practices. Banks with high NPAs may be required to increase their provisions or take corrective measures to strengthen their balance sheets.
4. **Impact on Profitability:** A higher NPA ratio can severely impact a bank's profitability. Non-performing assets do not generate any income for the bank, leading to a reduction in interest income and higher provisioning for bad loans. This, in turn, reduces the overall profitability and financial strength of the bank.

Initial Rise in Gross NPA to Gross Advances Ratio:

1. Recognition of Stressed Assets:

The implementation of the IBC brought a stricter framework for the identification and resolution of NPAs. Banks were encouraged to recognize stressed assets more transparently and promptly. This led to a one-time increase in the reported NPAs as banks cleaned up their balance sheets.

2. Asset Quality Review (AQR):

The Reserve Bank of India (RBI) conducted an Asset Quality Review around the same time, which further pressured banks to identify and report stressed assets. This AQR revealed hidden NPAs, contributing to the rise in the Gross NPA ratio.

3. Stricter Norms and Deadlines:

The IBC imposed stricter norms and deadlines for the resolution of bad loans. Banks had to quickly classify loans as NPAs if they were not performing, resulting in a short-term spike in reported NPAs.

Subsequent Decline in Gross NPA to Gross Advances Ratio:

1. Resolution of Stressed Assets:

The IBC provided a clear and time-bound mechanism for the resolution of stressed assets. Over time, several large NPAs were resolved through insolvency proceedings, leading to recovery or write-offs. This reduced the stock of NPAs.

2. Strengthened Credit Practices:

With the introduction of the IBC and other regulatory measures, banks improved their credit appraisal and monitoring practices. This led to a lower incidence of fresh NPAs.

3. Economic Recovery:

Economic recovery and growth improved the repayment capacity of borrowers, reducing the incidence of defaults and contributing to a decline in the Gross NPA ratio.

4. Capital Infusion:

The Indian government provided capital support to public sector banks to strengthen their balance sheets, enabling them to absorb losses from NPAs and clean up their books.

5. Write-offs and Provisions:

Banks made significant provisions for bad loans and wrote off several NPAs, which reduced

the Gross NPA ratio.

While this did not improve the recovery rate directly, it helped in cleaning up the banks' balance sheets.

6. Recovery Efforts:

Improved recovery efforts, including asset reconstruction and settlements, also contributed to the decline in the Gross NPA ratio.

ANALYSIS

Table-1
NPAs of SCBs Recovered through various channels during 2016-17
(Amount In Rs.billion)

Recovery channel	No of cases referred	Amount involved	Amount recovered	Col.(4) as % of Col.(3)
1	2	3	4	5
Lok adalats	3,55,678	361	23	6.3
DRTs	32,418	1,008	103	10.2
SARFAESI	199,352	1,414	259	18.3
IBC	37@	0	0	0
TOTAL	3,787,785	2783	385	13.8

Sources: RBI's Report on Trends and Progress of Banking in India, 2016-17

Note: 1.P: Provisional

2.*Refers to amount of recovered during the given year, which could be with reference to cases referred during the given year as well as during earlier years

3. @: Cases admitted by NCLTs

4. #: Claims admitted of FCs on 21 companies for which resolution plans were approved .

5.^: Realisation by FCs from 21 companies for which resolution plans were approved.

The details of NPAs of SCBs recovered through various channel during 2016-17 is displayed in the Table-1. The channel Lok adalats was registered 3, 55,678 cases in 2016-17 and total amount involved in that cases is Rs.361 billion out of which this channel have recovered the amount Rs.23 billion during the 216-17. The ratio of amount involved to amount recovered of the Lok adalats was 6.3 per cent. The DRTs (Debt Recover Tribunal) have listed total 32,418 cases in 2016-17 and this cases total value is Rs.1, 008 billion. Further, this DRTs channel have recovered amount Rs.103 billion in the year 2016-17. The ratio of The DRT's amount involved to amount recovered was 10.2 per cent. The SARFAESI (Securitization of Financial Assets and Enforcement of Security Interest Act) has registered total 199,352 cases in the year 2016-17 and

the total value of those was Rs.1,414 billion and this channel has collected amount Rs.259 billion during the 2016-17 under the study period. The descriptive statistics of the Table-1 displayed in below table.

Table-2
Descriptive Statistics of Col.(4) as % of Col.(3)

<i>Column1</i>	
Mean	8.7
Standard Error	3.828184949
Median	8.25
Mode	#N/A
Standard Deviation	7.656369897
Sample Variance	58.62
Kurtosis	0.333351318
Skewness	0.320523044
Range	18.3
Minimum	0
Maximum	18.3
Sum	34.8
Count	4
Confidence Level(95.0%)	12.18299305

The ratio of SARFAESI's amount involved to amount recovered was 18.3 per cent; The IBC again has registered total 37 new cases at the end 2016-17. The ratio of amount involved to amount recovered of SARFAESI was high (18.3 per cent) when compared to the rest of recovery channels during the study period. Further, it may observed and proved that the Lok adalats had listed and handled more cases when compared to the rest of the recovery channels in the year 2016-17. Further, the recover channel SARFAESI was collected high amount Rs.259 billion as compared to former channel and latter channel in the year 2016-17. It may concluded that SARFAESI recovery channel have been fostering recovery process as compared to remaining recovery channel under the study period.

Table-3
NPAs of SCBs Recovered through various channels during 2017-18 (P)
(Amount in Rs.billion)

Recovery channel	No of cases referred	Amount involved	Amount recovered	Col.(4) as % of Col.(3)
1	2	3	4	5
Lok adalats	3,317,897	457	18*	4.0
DRTs	29,551	1,333	72*	5.4
SARFAESI	91,330	1,067	265*	24.8
IBC	701@	99#	49^	49.6
TOTAL	3,439,479	2,956	404	13.7

Sources: RBI's Report on Trends and Progress of Banking in India,2017-18

Note: 1.P: Provisional

2.*Refers to amount of recovered during the given year, which could be with reference to cases referred during the given year as well as during earlier years

3.@: Cases admitted byNCLTs

4.#: Claims admitted of FCs on 21 companies for which resolution plans were approved .

5.^: Realisation by FCs from 21 companies for which resolution plans were approved.

Table-3 portrays the details of NPAs of SCBs recovered through various channel. The channel Lok adalats was listed 3,317,897 cases in 2016-17 and total value of that cases is Rs.457 billion out of which Lok adalats channel have recouped the amount Rs.18 billion during the 216-17. The ratio of amount involved to amount recovered of the Lok adalats was 4.0 per cent. The DRTs (Debt Recover Tribunal) was registered total 29,551 cases in 2016-17 and the total amount of those listed cases is Rs.1, 333 billion. Further, this DRTs recover channel have recovered amount of Rs.72 billion in the year 2016-17. The ratio of The DRT's amount involved to amount recovered was 5.4 per cent. The SARFAESI (Securitization of Financial Assets and Enforcement of Security Interest Act) was recorded total 199,352 cases in the year 2016-17 and the total value of those was Rs.1, 067 billion and this channel has collected amount Rs.265 billion during the 2016-17 under the study period. The descriptive statistics of the Table-1 displayed in below table.

Table-4
Descriptive Statistics of Col.(4) as % of Col.(3)

<i>Column1</i>	
Mean	20.95
Standard Error	10.66439
Median	15.1
Mode	#N/A
Standard Deviation	21.32878
Sample Variance	454.9167
Kurtosis	-0.3731
Skewness	1.026769
Range	45.6
Minimum	4
Maximum	49.6
Sum	83.8
Count	4
Confidence Level(95.0%)	33.93884

The ratio of SARFAESI's amount involved to amount recovered was 24.85 per cent; The IBC again has registered total 37 new cases at the end 2016-17. The ratio of amount involved to amount recovered of SARFAESI channel and IBC channel were high (i.e., 24.8 per cent and 49.6 per cent) when compared to the rest of recovery channels during the study period. The IBC was recorded total 701 cases and the total value of listed cases is Rs.99 billion. The IBC was collected amount of Rs.49 billion. Further, it may observed and proved that the Lok adalats had listed and handled more cases when compared to the rest of the recovery channels in the year 2016-17. Further, the recover channel SARFAESI was collected high amount Rs.265 billion as compared to former channel and latter channel in the year 2018-19. It may concluded that the Lok Adalats and DRTs's recovery process of was very slow and steady as compared to SARFAESI recovery channel and IBC. The efficiency of the SARFAESI channel and IBC was also satisfactory under the study period. The particulars of NPAs of SCBs recovered through various channel of 2018-19 are presented in Table-5. The channel Lok adalats was noted total 40,87,555 cases in 2018-19 and total value of that cases is Rs.53,484 billion out of which Lok adalats channel have recouped the amount Rs.2,750 billion during the 2018-19.

Table-5
NPAs of SCBs Recovered through various channels during 2018-19
(Amount In Rs.billion)

Recovery channel	No of cases referred	Amount involved	Amount recovered	Col.(4) as % of Col.(3)
1	2	3	4	5
Lok adalats	40,87,555	53,484	2750	5.10
DRTs	51,679	2,68,413	10,552	15.90
SARFAESI	2,35,437,	2,58,642	38,905,	15.00
IBC	1,152@	1,45,457	66,440	45.70
TOTAL	43,75,823	7,25,996	1,18,647	16.30

Sources: RBI's Report on Trends and Progress of Banking in India, 2018-19

Note: 1.P: Provisional

2.*Refers to amount of recovered during the given year, which could be with reference to cases referred during the given year as well as during earlier years

3.@: Cases admitted byNCLTs

4.#: Claims admitted of FCs on 21 companies for which resolution plans were approved .

5.^: Realisation by FCs from 21 companies for which resolution plans were approved.

The ratio of amount involved to amount recovered of the Lok adalats was 5.10 per cent. The DRTs (Debt Recover Tribunal) was registered total 51,679 cases in 2016-17 and the total amount of those listed cases is Rs.2,68,413 billion. The descriptive statistics of the Table-1 displayed in below table.

Table-6
Descriptive Statistics of Col.(4) as % of Col.(3)

<i>Column1</i>	
Mean	20.425
Standard Error	8.773005
Median	15.45
Mode	#N/A
Standard Deviation	17.54601
Sample Variance	307.8625
Kurtosis	2.837627
Skewness	1.517387
Range	40.6
Minimum	5.1
Maximum	45.7
Sum	81.7
Count	4
Confidence Level(95.0%)	27.91962

Further, this DRTs recover channel have recovered amount of Rs.10,552 billion in the year 2018-19. The ratio of The DRT's amount involved to amount recovered was 15.90 per cent. The SARFAESI (Securitization of Financial Assets and Enforcement of Security Interest Act) was recorded total 2,35,437 cases in the year 2018-19 and the total value of those was Rs.2,58,642 billion and this channel has collected amount Rs.38,905 billion during the 2018-19 under the study period. It may observed and proved that IBC have collected high amount Rs. 66,440 billion in the year 2018-19 as compared to the rest of the recovery channel which comprises the Lok Adalats,(**Rs.2750 billion**) DRTs(Rs.10,552 billion) and SARFAESI (**Rs.38,905 billion**). Further, it denotes the IBC have been working very rapidly to registered, assessed and recovered the amount from registered NPAs cases during the study period.

The details of NPAs of SCBs recovered through various channel of 2019-20 denotes in the Table-7. The channel Lok adalats was listed 59,86,790 cases in 2019-20 and total value of that cases is Rs.67,801 billion out of which Lok adalats channel have recouped the amount Rs.4,211 billion during the 2019-20. The ratio of amount involved to amount recovered of the Lok adalats was 6.20 per cent. The DRTs (Debt Recover Tribunal) was registered total 40,818 cases in 2019-20 and the total amount of those listed cases is Rs.2,45,570 billion. Further, this DRTs recover channel have recovered amount of Rs.10,018billion in the year 2019-20. The ratio of The DRT's amount involved to amount recovered was 4.10 per cent.

Table-7
NPAs of SCBs Recovered through various channels during 2019-20 (P)
(Amount In Rs.billion)

Recovery channel	No of cases referred	Amount involved	Amount recovered	Col.(40) as % of Col.(3)
1	2	3	4	5
Lok adalats	59,86,790	67,801	4,211	6.20
DRTs	40,818	2,45,570	10,018	4.10
SARFAESI	1,05,523	1,96,582	52,563	26.70
IBC	1.953@	2,32,478	1,05,773	45.50
TOTAL	61,35,084	7,42,431	1,72,565	23.20

Sources: RBI's Report on Trends and Progress of Banking in India,2019-20

Note: 1.P: Provisional

2.*Refers to amount of recovered during the given year, which could be with reference to cases referred during the given year as well as during earlier years

3.@: Cases admitted by NCLTs

4.#: Claims admitted of FCs on 21 companies for which resolution plans were approved .

5.^: Realisation by FCs from 21 companies for which resolution plans were approved.

6.DRTs: Debt Recovery Tribunals

The SARFAESI (Securitization of Financial Assets and Enforcement of Security Interest Act) was recorded total 1, 05, 523 cases and the monetary value of those cases is Rs.1,96,582 billion. Out of which this channel collected Rs.52,563 billion in the year 2019-20. The ratio of amount involved and amount recovered of SARFAESI was 26.70 per cent under the study period. The descriptive statistics of the Table-8 displayed in below table.

Table-8
Descriptive Statistics of Col.(4) as % of Col.(3)

<i>Column1</i>	
Mean	20.625
Standard Error	9.733223
Median	16.45
Mode	#N/A
Standard Deviation	19.46645
Sample Variance	378.9425
Kurtosis	-1.84471
Skewness	0.732206
Range	41.4
Minimum	4.1
Maximum	45.5
Sum	82.5
Count	4
Confidence Level(95.0%)	30.97546

The IBC was recorded total 1,953 cases and the total value of listed cases is Rs.2,32,478 billion. The IBC was collected amount of Rs.1,05,773 billion. The ratio of amount involved and amount recovered of IBC was 45.50 per cent under the study period. Further, it may observed and proved that the Lok adalats had listed and handled more cases when compared to the rest of the recovery channels in the year 2019-20. Furthermore, the recover channel IBC was collected high amount Rs.261,05,773 billion as compared to former channel during 2019-20. It may concluded that the Lok Adalats and DRTs's recovery process of was very slow and steady as compared to SARFAESI recovery channel and IBC. The details of NPAs of SCBs recovered through various channel of 2019-20denotes in the Table-9. The channel Lok adalats was listed 19,49,249 cases in 2020-21and total value of that cases is Rs.28,084 billion out of which Lok adalats channel have recouped the amount Rs.1,119 billion during the 2019-20.

Table-9
NPAs of SCBs Recovered through various channels during 2020-21
(Amount in Rs.billion)

Recovery channel	No of cases referred	Amount involved	Amount recovered	Col.(4) as % of Col.(3)
1	2	3	4	5
Lok adalats	19,49,249	28,084	1,119	4.0
DRTs	28,182	2,25,361	8,113	3.6
SARFAESI	57,331	67,510	27,686	41.0
IBC	537	1,35,139	27,311	20.2
TOTAL	20,35,299	4,56,094	64,228	14.1

Sources: RBI's Report on Trends and Progress of Banking in India,2020-21

Note: 1.P: Provisional

- 2.*Refers to amount of recovered during the given year, which could be with reference to cases referred during the given year as well as during earlier years
- 3.@: Cases admitted by NCLTs
- 4.#: Claims admitted of FCs on 21 companies for which resolution plans were approved .
- 5.^: Realisation by FCs from 21 companies for which resolution plans were approved.

The ratio of amount involved to amount recovered of the Lok adalats was 4.0 per cent. The DRTs (Debt Recover Tribunal) was registered total 28,182 cases in 2020-21 and the total amount of those listed cases is Rs.2,25,361billion. Further, this DRTs recover channel have recovered amount of Rs.8,113 billion in the year 2020-21. The ratio of The DRT's amount involved to amount recovered was 3.6 per cent.

Table-10
Descriptive Statistics of Col.(4) as % of Col.(3)

<i>Column1</i>	
Mean	17.2
Standard Error	8.825342
Median	12.1
Mode	#N/A
Standard Deviation	17.65068
Sample Variance	311.5467
Kurtosis	-0.26077
Skewness	1.053868
Range	37.4
Minimum	3.6
Maximum	41
Sum	68.8
Count	4
Confidence Level(95.0%)	28.08618

The SARFAESI (Securitization of Financial Assets and Enforcement of Security Interest Act) was recorded total 57,331 cases and the monetary value of those cases is Rs.67,510 billion. Out of which this channel collected Rs.27,686 billion in the year 2020-21. The ratio of amount involved and amount recovered of SARFAESI was 41.0 per cent under the study period. The descriptive statistics of the Table-10 displays the calculated descriptive statistics

The IBC was recorded total 537 cases and the total value of listed cases is Rs.1,35,139 billion. The IBC was collected amount of Rs.27,311 billion. The ratio of amount involved and amount recovered of IBC was 20.2 per cent under the study period. Further, it may observed and stated that the Lok adalats had handled more cases of NPAs during the study period than that of the rest of the recovery channels. Furthermore, the recover channel SARFAESO was collected high amount Rs.27,686 billion as compared to former channel during 2020-21. It may concluded that recovery process of all recovery channels was very slow and steady except he SARFAESI under the selected sample period.

Table-11
NPAs of SCBs Recovered through various channels during 2021-22
(Amount in Rs.billion)

Recovery channel	No of cases referred	Amount involved	Amount recovered	Col.(40) as % of Col.(3)
1	2	3	4	5
Lok adalats	85,06,741	1,19,006	2,778	2.3
DRTs	30,651	68,956	12,035	17.5
SARFAESI	2,49,645	1,21,718	27,349	22.5
IBC	891	1,97,959	47,409	23.9
TOTAL	87,87,928	5,07,639	89,571	17.6

Sources: RBI's Report on Trends and Progress of Banking in India, 2020-22

Note: 1.P: Provisional

2.*Refers to amount of recovered during the given year, which could be with reference to cases referred during the given year as well as during earlier years

3.@: Cases admitted by NCLTs

4.#: Claims admitted of FCs on 21 companies for which resolution plans were approved .

5.^: Realisation by FCs from 21 companies for which resolution plans were approved.

Table-11 portrays the details of NPAs of SCBs recovered through various channel of 2020-22.

The channel Lok adalats was listed 85,06,741 cases in 2020-22total value of that cases is Rs.1,19,006 billion out of which Lok adalats channel have recouped the amount Rs.2,778 billion during the 2020-22. The ratio of amount involved to amount recovered of the Lok adalats was 2.3 per cent. The DRTs (Debt Recover Tribunal) was registered total30,651 cases in 2020-22and the total amount of those listed cases is Rs.68,956 billion. Further, this DRTs recover channel

have recovered amount of Rs.12,035 billion in the year 2020-21. The ratio of The DRT's amount involved to amount recovered was 17.5 per cent.

The SARFAESI (Securitization of Financial Assets and Enforcement of Security Interest Act) was recorded total 2,49,645 cases and the monetary value of those cases is Rs.1,21,718 billion. Out of which this channel collected Rs.27,349 billion in the year 2020-22. The ratio of amount involved and amount recovered of SARFAESI was 22.5 per cent under the study period. The descriptive statistics of the Table-12 displays the calculated descriptive statistics

Table-12
Descriptive Statistics of Col.(4) as % of Col.(3)

<i>Column1</i>	
Mean	16.55
Standard Error	4.94461
Median	20
Mode	#N/A
Standard Deviation	9.88922
Sample Variance	97.79667
Kurtosis	2.325341
Skewness	-1.57515
Range	21.6
Minimum	2.3
Maximum	23.9
Sum	66.2
Count	4
Confidence Level(95.0%)	15.73596

The IBC was recorded total 891 cases and the total value of listed cases is Rs.1,97,959 billion. The IBC was collected amount of Rs.47,409 billion. The ratio of amount involved and amount recovered of IBC was 23.9 per cent under the study period. Further, it may observed and stated that the Lok adalats had handled more cases of NPAs during the study period as compared to the rest of the recovery channels. Furthermore, the recover channel IBC was collected high amount Rs.47.409 billion as compared to former channel during 2020-22. It may concluded that recovery process of IBC recovery channels have been resolving and recovering amount rapidly and remaining channels are very slow and steady under the selected sample period.

Table-13
NPAs of SCBs Recovered through various channels during 2022-23(P)
(Amount in Rs.billion)

Recovery channel	No of cases referred	Amount involved	Amount recovered	Col.(4) as % of Col.(3)
1	2	3	4	5
Lok adalats	1,42,49,462	1,88,527	3,831	2.0
DRTs	58,073	4,02,636	36,924	9.2
SARFAESI	1,85,397	1,11,805	30,864	27.6
IBC	1,261	1,33,930	53,968	40.3
TOTAL	1,44,94,193	8,36,898	1,25,587	15.0

Sources: RBI's Report on Trends and Progress of Banking in India, 2022-23

Note: 1.P: Provisional

- 2.*Refers to amount of recovered during the given year, which could be with reference to cases referred during the given year as well as during earlier years
3. @: Cases admitted by NCLTs
4. #: Claims admitted of FCs on 21 companies for which resolution plans were approved

Table-13 displays the details of NPAs of SCBs recovered through various channel of 2022-23. The channel Lok adalats was listed 1,42,49,4612 cases in 2022-23 and total value of that cases is Rs.28,084 billion out of which Lok adalats channel have recouped the amount Rs.1,119 billion during the 2022-23.

Table -14
Descriptive Statistics of Col.(4) as % of Col.(3)

<i>Column1</i>	
Mean	19.775
Standard Error	8.709609
Median	18.4
Mode	#N/A
Standard Deviation	17.41922
Sample Variance	303.4292
Kurtosis	-2.87201
Skewness	0.29353
Range	38.3
Minimum	2
Maximum	40.3
Sum	79.1
Count	4
Confidence Level(95.0%)	27.71786

The ratio of amount involved to amount recovered of the Lok adalats was 2.0 per cent. The DRTs (Debt Recover Tribunal) was registered total 58,073 cases in 2022-23 and the total amount of those listed cases is Rs.4,02,636 billion. Further, this DRTs recovery channel have recovered amount of Rs.36,924 billion in the year 2022-23. The ratio of The DRT's amount involved to amount recovered was 9.2 per cent.

The SARFAESI (Securitization of Financial Assets and Enforcement of Security Interest Act) was recorded total 1,85,397 cases and the monetary value of those cases is Rs.1,11,805 billion. Out of which this channel collected Rs.30,864 billion in the year 2022-23. The ratio of amount involved and amount recovered of SARFAESI was 27.6 per cent under the study period. The descriptive statistics of the Table-10 displays the calculated descriptive statistics. The IBC was recorded total 1,261 cases and the total value of listed cases is Rs.1,33,930 billion. The IBC was collected amount of Rs.53,968 billion. The ratio of amount involved and amount recovered of IBC was 40.3 per cent under the study period. Further, it may noticed and proved that the Lok adalats had assessed and resolved high number of cases of during the selected sample period than that of the rest of the recovery channels. Furthermore, the recover channel IBC was collected high amount Rs.2753,968 billion as compared to former channel during 2022-23. It may conclude that recovery process of all recovery channels was very slow and steady except The IBC under the selected sample period.

CHAPTER-5

FINDINGS, CONCLUSIONS AND SUGGESTIONS

Based on the data analysis the present study findings are described below.

Time structure of IBC:

- ❖ The concerned authorities have been identifying the cases of insolvency and bankruptcy of all business enterprises with the intention of resolve and support to sustain and strengthen size of the entities to enhance the employment in the nation.
- ❖ The statutory authorities have been identifying the cases of insolvency and bankruptcy of all business enterprises with the intention of resolve and assist to deserve their existence and enhance the employment in the nation.

- ❖ The appointed statutory authorities have been updating resolving practices of insolvency and bankruptcy of all business enterprises in order to prevent consequences of existing concerns.
- ❖ Out of the admitted cases few cases have been liquidating at increasing rate due to having fewer probabilities to resolve and restructuring in order to exist and survive long term period.
- ❖ The ongoing CIRPs have been considering rapidly at satisfied rate and assists to restructuring in order to exist and survive for perpetually.
- ❖ The process of resolving CIRPs cases they have formulated and implemented different time structure to speed up the resolving process to bring economic development of nation under the selected sample period.

IMPACT OF IBC ON ECONOMIC PERFORMANCE OF BANKS IN INDIA

- ❖ The Lok adalats had listed and handled more cases when compared to the rest of the recovery channels in the year 2016-17. Further, the recover channel SARFAESI was collected high amount Rs.259 billion as compared to former channel and latter channel in under the selected sample period. The SARFAESI recovery channel have been fostering recovery process as compared to remaining recovery channel under the study period.
- ❖ The Lok adalats had been handling large number cases when compared to the rest of the recovery channels in the year 2018-19. Further, the recover channel SARFAESI was collected high amount Rs.265 billion as compared to former channel and latter channel in the year 2018-19. It may concluded that the Lok Adalats and DRTs's recovery process of was very slow and steady as compared to SARFAESI recovery channel and IBC. The efficiency of the SARFAESI channel and IBC was also satisfactory under the study period.
- ❖ The Lok adalats had listed and handled more cases when compared to the rest of the recovery channels in the year 2019-20. Furthermore, the recover channel IBC was collected high amount Rs.261,05,773 billion as compared to former channel during 2019-20. It may concluded that the Lok Adalats and DRTs's recovery process of was very slow and steady as compared to SARFAESI recovery channel and IBC. The Lok adalats had

handled more cases of NPAs during the study period than that of the rest of the recovery channels. Furthermore, the recover channel SARFAESO was collected high amount Rs.27,686 billion as compared to former channel during 2020-21. It may conclude that recovery process of all recovery channels was very slow and steady except he SARFAESI under the selected sample period.

- ❖ The Lok adalats had handled more cases of NPAs during the study period as compared to the rest of the recovery channels. Furthermore, the recover channel IBC was collected high amount Rs.47.409 billion as compared to former channel during 2020-22. It may concluded that recovery process of IBC recovery channels have been resolving and recovering amount rapidly and remaining channels are very slow and steady under the selected sample period.
- ❖ The Lok adalats had assessed and resolved high number of cases of during the selected sample period than that of the rest of the recovery channels. Furthermore, the recover channel IBC was collected high amount Rs.2753,968 billion as compared to former channel during 2022-23. It may conclude that recovery process of all recovery channels was very slow and steady except The IBC under the selected sample period.

SUGGESTIONS

Based on the above analysis of the present study it may offer following suggestions

SUGGESTIONS

Time structure of IBC

- ❖ The insolvency and bankruptcy of business organizations are certain and uncertain consequences and these will occur individual business wise and association wise in unanticipated manner across the nation. So, it is better analyzing causes of the grave consequences of to resolve the CIRPs cases in prompt manner. Further, the formulated and implemented age profile of the CIRPs cases could not resolve the admitted cases of

CIRPs in the satisfied manner. Hence, the concerned statutory authorities have to find the effective ways and means to resolve CIRPs in significant and prompt manner.

Impact of IBC ON Economical Performance

- ❖ The government assigned the recovery process to Lok Adalats, DRTs and SARFAESI. The lok adalats have been undertaken more cases but assessed very less cases to resolve than that of rest of recovery channels. It denotes that it is consuming more time to resolve and recover the amount from the registered cases. Hence, it is better to initiate steps which are more conservative to the recovery channels and train the concerned professionals in order to resolve the cases and recover more amount to strengthen the economic transactions in the nation.
- ❖ In the year 2019 the recovery channel SARFAESI have taken more ways and means to resolved the cases and recoup the amount when compared to the former channels and IBC. Hence, it is better to formulate and implement the more effective strategies by government and banks' authorities to speed up the resolved procedures and recovery methods of Lok adalats, Debt Recovery Tribunals, and IBC.
- ❖ The resolving procedures and recoupment ways and means of recovery channels of Lok adalats, Debt Recovery Tribunals, and IBC were not in satisfaction manner to accomplished the defined target of case resolve and recover the amount during the year 2021. So, the government has to pay more attention to monitor and supervise the recovery channels operating procedures to strengthen the recovery courses.
- ❖ Under the selected sample period(i.e., 2021-22), The recovery channel IBC have practiced very speedy recover ways and means to resolve the registered cases and recoup the amount as compared to the rest of the recovery channels which consists Lok adalats, Debt Recovery Tribunals, SARFAESI. Hence, the government has to initiate more conservative tools to monitor and provide proper guidelines to the recovery channels to

work all recovery channels in consistency manner to strengthen the sustainability of the banks.

- ❖ The appointed recovery channels of Lok adalats, Debt Recovery Tribunals and SARFAESI's been resolved very less number of registered cases and recouped unsatisfied amount during the year 2022-23 when compared to recovery channel of IBC. Hence, RBI has to provide proper guidelines to recovery channels of Lok adalats, Debt Recovery Tribunals and SARFAESI to pay more attention on resolve and recoup the unproductive financial resources.

CONCLUSION

It may conclude that Sound organizational development is major source to prevent problem of unemployment and poverty in the country. After independence, there was less probabilities to increase the size of enterprises. So, the government has analyzed the drawback of less institutional development and implemented the "New industrial policy-1991 with Liberalization, Privatization and Globalization to enhance the size of organization. Since, inception of New industrial policy-1991 several drastically development of the business firms has enhanced in the country and those organization uncertainly have been affecting by insolvency and bankruptcy.

Prior to 2016 there was less legal system. In 2016 the government has initiated the effective guidelines to resolve consequences of corporate insolvency. However, recovery has been somewhat slow given that decisions taken around distressed firms are often bitterly contested by some of the stakeholders. Although, formulated and implemented the prescribed guidelines by the government and it could not accomplish the predicted outcomes. Finally it is better that the statutory authorities have been encouraging debt resolution professionals to be proactive in moving the tribunals to be reverse questionable transactions by the erstwhile management of the sick entities as any recovery would boost the assets and funds available for restructuring the business organizations.

The economic development of the nation has been disturbing by factors of bankruptcy and insolvency and the government could not accomplish defined the economic goals. Further, the factors of bankruptcy and insolvency have been influencing the investments, employment organizational development and banking developments in the nation. The government have initiated steps to overcome and control the effect of bankruptcy and insolvency in the country with the establishment of Insolvency and Bankruptcy Code in the year 2016 and it came in to existence in 2016 in the country.

Insolvency and Bankruptcy Code have started their operation from the year 2016 in the nation. Since 2016 the government have been framing and implementing diversified procedures to prevent the effect of NPAs on banks economic performance. Before, 2016 the government have practiced different recovery channel with various ways and means to curb the impact of bad assets of the banks but could not accomplish targeted outcomes during that tenure. The government have monitor and supervises the procedures to prevent the effect of of NPAs to strengthen the liquidity, solvency and profitability of the banks. If the government update the proper guidelines from time to time and instruct to the concerned recovery channels which are Lok adalats, Debt Recovery Tribunals and SARFAESI and IBC then these recovery channel will work effectively in order accomplish accountability and banks are the future unexhausted sources to bring economic development in the nation.