



IBC@10: Rescue, recovery, and reform

The Insolvency and Bankruptcy Code's first decade ends with a balance sheet in the black

India's transition to a market economy brought with it the natural rhythm of business cycles: Expansion, stress, and failure. As competition deepened, many firms that flourished during growth phases failed to adapt. They lost competitiveness, became economically unviable, and yet continued to exist in the absence of an effective exit mechanism. These zombie firms consumed resources while contributing little to productivity, dragging down economic growth.

Their continued survival had a second-order effect. As firms failed to service their debts, stress accumulated on bank balance sheets, particularly those of public sector banks. The result was a reinforcing loop of weak firms and weak banks — that impaired both investment and credit creation.

Existing frameworks proved inadequate to resolve this systemic paralysis. It was in this context that the Insolvency and Bankruptcy Code (IBC) emerged as an institutional reset button. The idea was to enable timely exit of non-viable firms, preserve viable businesses, restore credit discipline, and unplug credit channels. Ten years on, it is pertinent to examine the balance sheet of this intervention.

The most visible achievement of the IBC has been the market-led resolution of corporate distress. Till March 2026, 1,419 companies had emerged from insolvency with approved resolution plans, with the proportion of companies achieving such outcomes improving steadily. This reflects the progressive expansion of the rescue window through successive legislative interventions, while judicial and regulatory approaches seek to avoid liquidation as an undesirable outcome.

Creditors have realised ₹4.32 trillion through resolution plans. The oft-cited haircut of around two-thirds, measured against admitted claims, can be misleading because claims are frequently inflated while asset values are deeply eroded by the time firms enter insolvency. A more meaningful benchmark is

liquidation value: Resolution plans have, on average, yielded 167 per cent of the liquidation value.

Importantly, firms resolved under the IBC demonstrated operational revival post-resolution. Within five years, sales and capital expenditure nearly doubled, asset utilisation improved sharply, and the aggregate market capitalisation of resolved firms rose from about ₹2.8 trillion to ₹9 trillion. These outcomes represent factories revived, supply chains restored, jobs preserved, and productive assets returned to economic use.

The liquidation numbers require careful reading. In all, 3,003 companies have entered liquidation under the IBC, but most had little realistic prospect of revival. Their assets averaged barely 5 per cent of admitted claims, and four-fifths were already sick or defunct before entering insolvency. The IBC merely provided an orderly exit for firms that had failed long before the process began. Yet, the incidence of liquidations in India is comparable to that in the United States and significantly lower than in the United Kingdom and Australia.

Even so, the broader picture remains tilted towards rescue rather than closure. Resolution plans rescued 78 per cent of distressed assets, while liquidations accounted for 22 per cent. When all pathways to revival are considered — resolution plans, withdrawals, settlements, appeals, and rescues during liquidation — the number of revived companies substantially exceeds those liquidated.

The banking system's recovery reflects the wider economic impact of the Code. The IBC has consistently accounted for the largest share of recoveries by scheduled commercial banks from distressed assets, outperforming dedicated recovery mechanisms. Gross non-performing assets, which peaked at 14.8 per cent in 2018, declined sharply to about 2.2 per cent by 2025. The Reserve Bank of India now speaks of a "twin balance sheet advantage" rather than a syndrome.

International assessments echoed this transformation. India's ranking in resolving insolvency improved

from 136 to 52 in the World Bank's Ease of Doing Business indicators within three years of the IBC, while global rating agencies acknowledged stronger creditor protection and improved recovery outcomes.

Yet perhaps the most consequential effect of the IBC lies outside formal resolution statistics. Promoters who once ignored creditors increasingly settle dues when insolvency proceedings are threatened or initiated. More than 32,000 applications involving defaults of about ₹15 trillion were withdrawn before admission, reflecting extensive restructuring in the shadow of the law. The credible threat of insolvency has strengthened repayment discipline across the system.

The balance sheet is far from unqualified. The timeline remains the IBC's most visible weakness. A process intended to conclude in months often stretches into years, with admission delays alone frequently exceeding a year. Understaffed tribunals, coupled with extensive litigation by promoters, creditors, and government authorities, have clogged the system at every stage. The Supreme Court recently noted that nearly 400 approved resolution plans remain pending for final approval, some for several years.

Another major deficiency lies in the handling of avoidance transactions: Preferential, undervalued, fraudulent, and extortionate credit transactions. These proceedings are critical because they claw back value improperly diverted from distressed firms and can materially improve the viability of resolution plans. Yet, thousands of such applications involving claims worth over ₹4 trillion remain pending, leaving substantial value locked outside the resolution process.

Concerns have also emerged about the distributive consequences of the Code. Operational creditors are often short-changed while secured financial creditors recover amounts disproportionate to the value of their security interests. At the same time, several resolution processes increasingly resemble debt recovery exercises rather than genuine attempts to restore viable firms as going concerns, diluting the rescue-oriented philosophy of the IBC.

The Code has also struggled in sectors with diffuse stakeholders, particularly real estate. Despite being recognised as financial creditors, homebuyers frequently remain trapped in prolonged insolvency proceedings, facing delayed possession, uncertain recoveries, and limited influence over outcomes dominated by institutional lenders.

Perhaps the IBC's most ambitious promise remains unrealised. Part III of the Code, which extends insolvency resolution to individuals and partnership firms, remains largely unimplemented even after a decade. As a result, failed entrepreneurs continue to carry the burden and stigma of failure indefinitely, making the promise of a genuine economic fresh start more aspirational than real.

Read honestly, the IBC's first decade materially transformed India's approach to economic distress, despite important deficiencies. It has restored credit discipline, enabled exit of failed firms, improved recoveries, revived viable enterprises, strengthened the banking system, and altered debtor behaviour at a systemic level. Measured against the regime it replaced, the balance sheet of the IBC remains firmly in the black.

The writers are, respectively, Emeritus fellow at the Insolvency Law Academy and former chairperson, Insolvency and Bankruptcy Board of India; and director, Post Graduate Insolvency Programme at National Law University, Delhi



M S SAHOO & RAGHAV PANDEY