# IBC at 10: From Framework to Culture

*Address by Dr. M. S. Sahoo, Former Chairperson of the Insolvency and Bankruptcy Board of India (IBBI), in the ICAI Seminar on Insolvency and Valuation, Chennai, 17 June 2026.*

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*On 17 June 2026, Dr. M. S. Sahoo addressed the ICAI Seminar on Insolvency and Valuation in Chennai, where he reflected on the decade-long journey of the Insolvency and Bankruptcy Code, 2016 (IBC), highlighting its key achievements, underlining the challenges ahead, and suggesting possible solutions to address emerging issues.* ***Read on to explore his insights…***

Ten years is a useful moment for reflection. It is long enough for the excitement surrounding a new reform to fade, long enough for criticism to emerge, and long enough for evidence to accumulate. Most importantly, it is long enough to separate expectations from outcomes, rhetoric from reality, and myths from facts.

My central proposition is that the Insolvency and Bankruptcy Code, 2016 (IBC) must be understood as a structural reform that completed India's transition to a market economy by providing a credible framework for exit. Its objective was never debt recovery nor the rescue of every distressed enterprise. Its objective was the resolution of economic stress through reallocation of resources from failing arrangements to their most productive uses, whether through rescue or liquidation. Judged against that objective, the Code has been remarkably successful.

Yet its second decade must confront four institutional challenges: restoring time discipline, internalising the legitimacy of economic exit, preserving fidelity to the resolution objective, and strengthening stakeholder legitimacy. Beyond these lies a larger frontier: building corporate resolvability before distress occurs. Ultimately, however, the success of the IBC will depend not merely on the efficiency of its institutions, but on the emergence of an insolvency culture that recognises economic reality early, responds decisively, and accepts that preserving value sometimes requires letting go.

## Why India Needed the IBC

The IBC was never intended to be a debt recovery law, nor a mechanism to rescue every stressed enterprise. It was conceived as a foundational structural reform in India's transition to a modern market economy. Unless that larger purpose is appreciated, we risk misunderstanding both its achievements and its shortcomings.

Economic liberalisation in 1991 dismantled many barriers to business, encouraged competition, expanded markets, and unleashed entrepreneurial energy. But it delivered India only half of a market economy: the freedom to enter. The other half was missing. Market economies require not only the freedom to enter but also the freedom to exit.

The reforms of the 1990s allowed the birth of new firms. The reforms of the 2000s allowed firms to compete and grow. Competition inevitably produced winners and losers. Technologies became obsolete. Business models lost relevance. Consumer preferences shifted. Some firms adapted; others did not. That is not a flaw of a market economy. It is how a market economy renews itself.

The difficulty in India was that firms could enter markets with ease but could not exit them with equal ease. As a result, many economically unviable firms persisted long after their usefulness had ended. They survived not because they were productive, but because the institutional mechanisms for exit were weak, fragmented, and delayed. These became what economists describe as zombie firms, absorbing capital, labour, and credit without generating commensurate value.

The consequences extended well beyond individual firms. As distressed companies failed to service their debt obligations, stress accumulated on bank balance sheets, particularly those of public sector banks. Weak companies weakened banks. Weak banks constrained lending. Constrained lending weakened investment. This reinforcing cycle came to be known as the twin balance sheet syndrome. By the mid-2010s, the problem had become systemic, where incremental fixes were no longer adequate.

Earlier frameworks, most notably the Board for Industrial and Financial Reconstruction (BIFR) under the Sick Industrial Companies Act, 1985 (SICA) reflected a different economic philosophy. Its underlying assumption was that industrial sickness was primarily a social and developmental concern. The language itself is revealing. Distressed companies were described as 'sick companies.' The law sought their 'rehabilitation.' The State assumed responsibility not merely for identifying sickness but also for facilitating revival through concessions, restructuring, and institutional support.

In practice, the framework often prolonged distress rather than resolution. The BIFR often resembled a prolonged care ward where promoters checked in distressed companies for years. Throughout this extended hospitalisation, they remained in control while creditors waited outside the room, with little influence over either diagnosis or treatment.

The SICA effectively placed debtors behind an iron curtain, shielding them indefinitely from creditor action. This was rooted not in economic logic, but in a regime where the displacement of promoters appeared punitive. The system insulated distressed companies from market discipline, while offering little prospect of timely resolution.

## Intellectual Break with the Past

The IBC represents a decisive break from that earlier philosophy. Its intellectual shift was subtle but profound. It reconceptualised business failure through the lens of default. Instead of treating failure as a moral failing requiring rehabilitation, it treated default as a neutral economic event demanding swift and rational resolution.

A company in default is neither a sinner nor a patient. It is simply a collection of assets trapped in an arrangement that no longer works. Once distress is seen through this lens, the question changes. It is no longer who deserves protection, but who can deploy these assets most productively.

This shift transformed the insolvency architecture. Authority moved from the State to the market. Control moved from promoters to creditors. The objective changed from preserving ownership to preserving value. The focus changed from rehabilitation to resolution.

Beneath this shift lay a simple contractual premise. A company is fundamentally a relationship among providers of capital. As long as debt obligations are honoured, equity owners retain control and creditors remain passive participants. Upon default, the residual value of the enterprise effectively belongs to creditors. The Code recognises this reality. Upon commencement of the insolvency process, control shifts away from promoters to creditors, who must determine the future of the enterprise. The role of courts is limited. The role of the State is limited. Commercial decisions belong primarily to those whose money is at risk.

Section 29A reinforced this principle by ensuring that defaulting promoters do not regain control at distressed valuations through the insolvency process. The message was clear: while business failure is inevitable, strategic default is not acceptable.

This separation between enterprise and promoter may well be one of the most important contributions of the IBC. For decades, Indian business culture has often conflated the two. The IBC separated the two. It recognised that a company may possess economic value even when its existing management has failed. If another entrepreneur, investor, or strategic buyer can use the assets more productively, the law facilitates that transition. If not, the law provides for the liquidation and redeployment of resources elsewhere. Both outcomes serve the same economic purpose: resolution of stress through reallocation of resources. They remove resources from inefficient uses and enable their deployment elsewhere.

This point deserves emphasis because it is frequently misunderstood. A persistent narrative has emerged over the years that the IBC is somehow failing because many companies are liquidated. Such criticisms often arise from a misunderstanding of the objective of the law. The objective of the Code is not the revival of every distressed company. Liquidation is not a failure of the Code. It is one of the mechanisms through which the Code achieves its purpose.

## IBC as a Structural Reform

A policy intervention typically solves an immediate problem. A structural reform does something much deeper. It changes incentives. It changes behaviour. It changes expectations. And when it succeeds, it changes culture. IBC is a structural reform that altered the consequences of default, strengthened contract credibility, and reshaped the relationship between borrowers and lenders.

Modern market economies rest on a simple proposition: contracts must have consequences. Credit markets cannot function where repayment is optional. Capital cannot be allocated where resources remain trapped in unviable enterprises. Investment cannot flourish if exit mechanisms are weak.

The IBC restored this discipline. It strengthened the foundations of credit by making default meaningful. In doing so, it completed a reform arc that began in 1991: liberalisation created entry; the IBC created exit. Together, they define the architecture of a mature market economy.

## Ten Years On: What Has Changed

Measured against its objective, the IBC's achievements are substantial. More than 1,400 companies have been resolved through approved resolution plans, while about 3,000 have proceeded into liquidation, with 1,700 already completed, releasing resources for redeployment. As a by-product of this process, creditors have realised about ₹5 lakh crore through resolution plans and liquidations, much of it from assets that had long been considered unrecoverable.

More importantly, assets once locked in prolonged distress have returned to productive use. Many resolved companies have witnessed remarkable operational revival, improved capacity utilisation, renewed investment, and restored supply chains. Employment has been preserved, and business ecosystems stabilised.

The broader banking system reflects this transformation. When the Code was introduced, gross NPAs had reached alarming levels. Today, they are a fraction of those levels. The decline cannot be attributed exclusively to the IBC, but it would be impossible to explain the recovery of India's banking system without acknowledging the role played by the insolvency framework.

Yet the most significant achievement is less visible. The greatest success of the IBC lies not in the cases it resolved, but in the behaviour it changed. Thousands of defaults are now settled before formal insolvency. Many restructurings occur before admission. The mere possibility of losing control has shaped incentives across the credit system. This behavioural transformation is difficult to quantify but impossible to ignore.

Many of the most important achievements of the IBC will never appear in official statistics. We can count admitted cases and approved resolution plans. We can measure recoveries and calculate timelines. But we cannot easily measure the defaults that never occurred because the Code existed. We cannot measure the lending decisions influenced by the confidence that a credible insolvency framework provides. We cannot measure the boardroom discussions in which promoters chose settlement over confrontation, recognising the consequences of losing control. We cannot record the firms that restructured early because the delay no longer offered comfort. That invisible influence may well be among its most important achievements.

Economists sometimes describe this as the shadow of an institution. Institutions shape behaviour not only through what they do, but through they are expected to do. A traffic signal is effective not because it punishes every violation, but because drivers anticipate consequences. The true measure of a legal framework is not merely the disputes it resolves, but the disputes it prevents. Judged by that standard, the impact of the IBC has been far greater than what the formal statistics alone suggest.

## The Institutional Challenges

No mature institution can be judged solely by its successes. The true test of a reform lies in its ability to confront its weaknesses honestly. The second decade must confront four institutional challenges: time discipline, acceptance of economic exit, fidelity to the resolution objective, and broader stakeholder legitimacy.

**(a)Time Discipline:** The Code was designed around speed. Its architecture reflects a simple economic insight: value deteriorates rapidly in distress. The longer a company remains trapped in uncertainty, the more value disappears. Customers leave. Employees depart. Suppliers lose confidence. Contracts weaken. Assets deteriorate. Potential investors lose interest. Time is perhaps the most perishable asset in insolvency.

Yet, actual timelines have drifted significantly beyond statutory timelines. Processes intended to conclude within months frequently take years. Admission itself may take substantial time. Resolution plans often remain pending for approval long after commercial decisions have been made. The Supreme Court recently noted that 363 resolution plans are pending before the AA for approval, some of them for as long as four years. The consequences are severe. Every day of delay reduces the value available to all stakeholders.

Institutional capacity remains inadequate relative to the volume and complexity of cases. Tribunals remain understaffed. Support systems remain stretched. Stakeholders have become increasingly sophisticated in using litigation strategically. The contrast with the early days of the Code is striking. The very first resolution plan under the IBC was approved in about 180 days of insolvency commencement, when we were still learning the new framework. It seems we have now learnt more than necessary; we have discovered how to convert a process designed to conclude in months into one that often stretches into years!

The challenge, therefore, is not merely one of capacity. It is also one of culture. Too many participants, including the Adjudicating Authority, continue to treat insolvency as ordinary litigation rather than as an economic process aimed at preserving and maximising value. Consequently, what was intended to be a summary process often acquires the characteristics of conventional adversarial litigation. Additional benches and greater resources are undoubtedly necessary, but they will not be sufficient. The ecosystem must renew its commitment to the discipline of timelines. Time discipline must apply equally to creditors, debtors, professionals, government authorities, and courts.

The second decade of the IBC will ultimately be judged not by the elegance of its statutory provisions, or the erudite report of the Bankruptcy Law reforms Committee, but by its ability to deliver timely outcomes. Because in insolvency, time is not merely money. Time is value itself. In the words of Benjamin Franklin, 'Time is the stuff life is made of'.

Over the last decade, an interesting paradox has emerged. The proportion of companies rescued through resolution plans has increased. More companies are finding buyers. More businesses are surviving as going concerns. At one level, this appears to be an encouraging trend. After all, preserving a viable business is generally preferable to dismantling it.

At the same time, the quality of outcomes appears to be deteriorating - recoveries are weakening, resolution timelines are lengthening, and fears of value erosion are intensifying. The interquartile mean (IQM) of recoveries relative to liquidation value, which captures the middle band of outcomes while filtering out outliers, declined from 158 in 2017-18 to 130 in 2025-26. In the meantime, the average time taken for insolvency proceedings ending in resolution plans reached 886 days in the January-March 2026 quarter. In simple terms, we appear to be rescuing more companies while recovering less value from many of those rescues.

This development should prompt us to ask a deeper question. What exactly does success mean under the IBC? Is success measured by the number of cases admitted? Is it measured by the number of companies rescued? Or is it measured by the amount of economic value preserved? The answer matters because the answer determines how we evaluate the performance of the system.

**(b) Acceptance of Economic Exit:** Before 2016, India's insolvency framework was heavily tilted towards preservation. Distressed firms were often kept alive through prolonged rehabilitation efforts, even when there was little realistic prospect of revival. The consequences were predictable. Capital remained locked in unproductive enterprises, bad loans accumulated on bank balance sheets, and scarce economic resources could not migrate to more productive uses.

The IBC marked a fundamental shift in philosophy. It entrusted the market - creditors, investors, and prospective resolution applicants - with the task of determining whether a distressed business deserved revival or exit. The objective was never to save every company. The objective was to maximise value and ensure that resources were allocated to their most productive use.

Yet, ten years later, we still seem uncomfortable with liquidation. We continue to view it as a failure of the process rather than as a legitimate outcome of it. We often treat liquidation as something to be avoided at almost any cost. In my view, our continuing failure to internalise the legitimacy of liquidation is another important institutional challenge confronting the insolvency ecosystem.

Rescue creates value only when a business retains genuine going-concern value, when the enterprise as a whole is worth more than the sum of its individual assets. In such cases, preserving the business preserves value. But where that surplus has disappeared, prolonged attempts at revival do not create value; they destroy it. They increase costs, delay recoveries, weaken credit discipline, and postpone the inevitable reallocation of resources.

It is also important to recognise that India's liquidation experience is far from unusual. Mature insolvency jurisdictions such as the United States, the United Kingdom, and Australia report comparable, and in some instances higher, proportions of liquidations within formal insolvency systems. This should not surprise us. Most distressed firms everywhere resolve their difficulties outside formal insolvency through refinancing, restructuring, asset sales, or negotiated settlements. By the time a company enters a formal insolvency process, its prospects of survival are often already severely diminished.

The same reality is visible in India. A substantial proportion of companies entering the IBC are already defunct. Many have ceased operations years before admission. Their assets are worth only a small fraction of the claims against them. Expecting such firms to be revived is neither commercially realistic nor economically desirable.

This raises a larger question. Why should every company entering insolvency be required to undergo a full resolution process before liquidation becomes possible? For many firms, the answer is evident from the outset. Subjecting them to an extended search for resolution merely consumes time, erodes residual value, increases costs, and burdens already stretched institutions.

As the insolvency ecosystem matures, India may now be ready for differentiated pathways. It should seriously consider permitting direct liquidation for companies that are manifestly beyond rescue. Several advanced jurisdictions already provide such options. A direct liquidation pathway would preserve value, reduce costs, accelerate resource reallocation, and enable the insolvency framework to focus its energies on businesses where rescue is genuinely feasible.

**(c) Fidelity to Resolution Objective:** Another risk is the institutional drift. Every successful institution faces this danger. Over time, stakeholders begin to use an institution for purposes different from those originally intended. Gradually, almost imperceptibly, the institution starts being judged by metrics that were never meant to define its success.

I sometimes worry that this may be happening to the IBC. The Code was conceived as a collective resolution framework. Yet increasingly, public discussion evaluates it primarily as a recovery mechanism. This development is understandable. Creditors welcome stronger recoveries. Banks appreciate enhanced bargaining power. Markets value discipline. All of these are legitimate objectives.

But there is a subtle danger. If recovery becomes the dominant lens through which we evaluate the Code, we may gradually lose sight of the broader objective of value maximisation.

Recovery focuses on distributing existing value. Resolution focuses on preserving and creating value. The distinction is crucial. The IBC aims to maximise the value of distressed assets, which is not the same as maximising value for creditors, though the two objectives may overlap to a certain extent. A system obsessed with recovery can become punitive. A system focused on resolution remains economically rational.

One asks: How much can we collect? The other asks: How much value can we preserve? The second question is ultimately far more important. The IBC was designed not merely to transfer money from debtors to creditors. It was designed to ensure that economically valuable assets remain productive and that economically unviable arrangements are replaced by better ones.

That is why timelines matter. That is why rescue and liquidation are both legitimate outcomes. And that is why we must remain vigilant against any tendency to reduce a sophisticated resolution framework into a mere recovery mechanism. The challenge for the second decade is not simply to improve recoveries. It is to ensure that the Code remains faithful to its original purpose as a resolution framework.

The Code recognised this principle from the beginning. It sought to preserve viable firms, liquidate unviable ones, and accomplish both objectives within strict timelines. Delay was never intended to be part of the design.

Yet public discourse increasingly evaluates the IBC through the lens of recovery. Authorities often celebrate the Code for delivering the highest recoveries, both in absolute and relative terms, compared to dedicated recovery mechanisms. In effect, they compare a by-product of the IBC with the principal product of those mechanisms. Almost every discussion about the Code eventually converges on the same questions: What was the recovery rate? How much haircut did creditors take? How much money was recovered? These are undoubtedly relevant questions. But they are not the questions the IBC was primarily designed to answer.

A law designed to resolve distress is gradually being evaluated as though it were a debt recovery statute. This shift in perception may appear harmless, but it carries significant consequences.

One of the great achievements of the IBC was that it moved India away from the fragmented world of individual recovery actions. Earlier regimes often encouraged creditors to pursue separate enforcement mechanisms, leading to value destruction and collective action problems. The Code replaced that model with a collective process in which all stakeholders participated in determining the future of the enterprise.

The emphasis was on resolution, not recovery. Yet increasingly, the insolvency process is being used as a recovery tool. Many applications are filed not necessarily because creditors expect a full insolvency process to unfold, but because the threat of insolvency has become an extraordinarily effective mechanism for inducing payment.

Promoters understand the consequences of admission. They understand the possibility of losing control. They understand the reputational implications. They understand the impact on business relationships. Consequently, many disputes are settled long before admission.

At one level, this reflects the success of the Code. The threat is credible, and therefore, behaviour changes. But at another level, it creates an interesting tension. The stronger the recovery function becomes, the greater the risk that resolution becomes secondary. This is not merely a theoretical concern. A legal framework can gradually evolve into something quite different from what its architects originally intended.

**(d) Broader Stakeholder Legitimacy:** That concern becomes even more important when we examine the distributional consequences of the insolvency process. One of the defining features of the IBC is the central role accorded to financial creditors. This was a conscious design choice. Financial creditors are sophisticated actors. They have expertise in assessing risk. They have incentives to maximise value. They often have the largest economic exposure to the distressed enterprise. The decision to place them at the centre of the process was, therefore, understandable.

However, after ten years, it is legitimate to ask whether the balance remains entirely satisfactory. Operational creditors continue to occupy a relatively marginal position in the framework. This group includes suppliers, vendors, transporters, service providers, workers, employees, and thousands of MSMEs that form the backbone of India's economy. Many of these stakeholders are deeply invested in the survival of the enterprise. Their fortunes are often tied directly to its success or failure.

Yet they exercise limited influence over key decisions. Since 2020, the default threshold to initiate CIRP has been ₹1 crore. Most financial creditors easily clear this bar, while many MSME suppliers do not. Even where they do, they must first issue a demand notice and can be easily thwarted by a claim of 'pre-existing dispute', however tenuous. They are also excluded from initiating the pre-packaged and creditor-initiated insolvency processes. In many cases, they receive only a small fraction of their claims, a fraction of what financial creditors receive, and often absolutely nothing. The issue is not merely economic; it is also institutional. Any framework that persistently excludes significant stakeholders from meaningful participation invites questions of legitimacy. A mature insolvency system must continually evaluate whether the balance between efficiency and fairness remains appropriate. The challenge for the second decade is to ensure that other stakeholders do not feel permanently excluded from outcomes that profoundly affect them.

This broader question of inclusion extends beyond operational creditors. Homebuyers, for example, have transformed the landscape of insolvency law in ways that were barely imaginable a decade ago. Their inclusion as financial creditors reflected an important recognition that insolvency is not merely about banks and corporations. It is also about citizens whose life savings may be tied to a distressed project. The resulting jurisprudence has enriched the insolvency framework but has also increased its complexity.

Balancing the interests of financial institutions, homebuyers, operational creditors, employees, governments, and other stakeholders will remain one of the defining challenges of the years ahead.

## The Next Frontier: Corporate Resolvability

The challenges I spoke about relate largely to improving the existing framework. But every mature institution must eventually move from reacting to failure towards anticipating it. The future of insolvency may lie not in resolving failure more efficiently, but making firms resolvable before stress appears. This is what I believe is the next frontier of insolvency reform: corporate resolvability. The first decade of the IBC focused primarily on resolution. The second decade should focus increasingly on resolvability. The distinction is subtle but important. Resolution concerns what happens after distress emerges. Resolvability concerns how prepared a firm is for distress before it emerges.

The financial sector already recognises this principle. Systemically important financial institutions prepare and keep ready recovery and resolution plans. They identify critical functions. They map assets and liabilities. They establish mechanisms that enable orderly resolution if difficulties arise. No comparable domestic or international framework exists for real-sector companies. The time has come to develop one, at least for large non-financial corporations.

Two elements are central. First, structural resolvability. A company is easier to rescue when value exists, it is visible, it is unencumbered, and it can be realised. Such firms are more likely to attract serious and competitive resolution applicants. For example, if a factory is located on property personally owned by the promoter rather than by the company, potential acquirers may hesitate because the core asset cannot be cleanly transferred. A company is more resolvable when: its legal structure is simple and transparent; assets and liabilities are clearly identified; books and records are reliable and current; material contracts are assignable; management information systems are robust; related-party transactions are limited and well documented; etc. These factors could be captured through a resolvability index. Firms with higher resolvability should command a premium in the market: better credit terms, lower borrowing costs, and greater investor confidence.

Second is a standing rescue plan, updated periodically, that can guide stakeholders if distress emerges. Such a plan could include: an updated corporate structure showing related-party relationships and transactions; reliable and current financial records with complete information on assets and liabilities; a ready-to-use information memorandum that a resolution professional can immediately share with stakeholders; a statement of material contracts, assets, liabilities, encumbrances, disputes, and litigation; and other operational and governance information necessary for a rapid and informed resolution process.

The objective is not to presume failure, but to ensure that, if distress occurs, the company can be stabilised or resolved quickly and efficiently. Such a mechanism would not merely improve insolvency outcomes. It would improve corporate governance, strengthen risk management, enhance credit assessment, and deepen investor confidence. Most importantly, it would reduce the value destruction that so often accompanies financial distress.

This idea becomes particularly relevant in an age shaped by technological disruption. The business environment confronting firms today is very different from the environment that existed when the Code was enacted. Artificial intelligence is transforming industries at a remarkable speed. Business models are becoming obsolete faster than ever before. Competitive advantages are becoming more fragile. Innovation cycles are shortening. Entire industries can be disrupted within a few years. In such an environment, distress may emerge more suddenly than in the past. Value destruction may occur more rapidly. The window available for corrective action may become significantly smaller. The insolvency framework of the future must, therefore, be designed not merely for resolution but for anticipation. It must identify distress earlier. It must intervene faster. It must preserve value before value disappears. The future of insolvency law will belong increasingly to early warning systems, predictive analytics, real-time monitoring, and institutional preparedness. The insolvency policy may shift attention from insolvency itself to the period preceding insolvency. The earlier the distress is recognised, the greater the range of available options.

## Learning to Let Go

Ultimately, insolvency law is not only about economics. It is also about culture: recognising when economic realities have changed and adapting accordingly. The IBC represented a profound cultural shift because it required India to become more comfortable with the idea of economic exit.

That remains an unfinished journey. Many of our debates continue to reveal a deep discomfort with failure. We often assume that every distressed company must somehow be rescued. We often view liquidation as evidence of institutional failure. We often evaluate outcomes through the lens of sentiment rather than economics. But mature market economies operate differently. They recognise that not every firm can or should survive. They recognise that resources are finite. They recognise that preserving value sometimes requires accepting loss.

This is perhaps the most difficult lesson of all. The lesson of letting go. Knowing when to let go is often the most difficult discipline in economic life. Spencer Johnson's *Who Moved My Cheese?* captured a timeless economic truth: the resources, advantages, and business models that create value today rarely remain unchanged indefinitely. Those who recognise change early adapt. Those who resist it incur increasing costs.

IBC is an attempt to institutionalise the discipline of letting go. Yet, nearly every stakeholder has, at one stage or another, resisted that discipline, often litigating endlessly to recover value that no longer exists. The extraordinary appetite for appeals under the Code reflects a broader unwillingness to accept economic finality. The cost of that resistance is substantial. In insolvency, delay destroys value, and uncertainty magnifies the loss.

Promoters must sometimes let go of control. Creditors must sometimes let go of unrealistic expectations. Governments must sometimes let go of their rights over seized property and sovereign claims. Courts must sometimes let go of the instinct of ordinary civil litigation. Professionals sometimes must let go of misconceived rights of their clients. And society must sometimes let go of enterprises whose economic life has come to an end. This is not indifference. Nor is it cruelty. It is recognition of an economic reality.

A company is a legal construct. It does not suffer in a human sense; it has no dignity interest. Confusing corporate failure with human suffering is an analytical distortion that weakens insolvency discipline. Its continued existence must ultimately be justified by its ability to create value. If that ability has disappeared, preserving the shell may simply destroy more value.

The refusal to accept this reality creates zombie firms, weakens financial systems, misallocates resources, and ultimately slows economic growth. Until that discipline is internalized, insolvency will continue to function less as a system of resolution and more as a collective refusal to recognize that the cheese has already moved. The real test of an insolvency regime is, therefore, not how many firms it saves. Nor is it how much debt it recovers. The real test is whether it enables society to determine quickly, fairly, and efficiently which firms should be saved and which should be allowed to exit.

## Conclusion: From Framework to Culture

Measured against the structural problem it was designed to solve, the IBC has been a major institutional success. It relieved corporate distress, helped transform the twin balance sheet syndrome into a twin balance-sheet advantage, strengthened market discipline, restored confidence in India's credit markets and contributed significantly to the recovery of India's banking sector. It normalised the idea that exit is as important to a market economy as entry.

In many ways, the journey of the IBC mirrors the journey of India's economic reforms. Liberalisation in 1991 expanded economic freedom by enabling entry. The IBC completed that architecture by providing a credible framework for exit. Together, they supplied the institutional foundations of a modern market economy.

Perhaps the most ambitious promise of the Code remains unrealised. Part III, which extends insolvency resolution to individuals and partnership firms, remains largely unimplemented. As a result, failed entrepreneurs continue to carry the burden and stigma of failure indefinitely. A society that expects entrepreneurs to take risks must also provide a mechanism for them to recover from failure.

The deeper challenge of the second decade is cultural. The first decade established the architecture of exit. The second must embed the discipline of exit. The first decade-built institutions. The second must build habits. The first decade taught India how to resolve distress. The second must teach India how to recognise distress early, respond decisively, and, when necessary, let go.

Insolvency law is a framework for accepting economic reality. Market economies prosper not because they prevent failure, but because they allow resources to move quickly from failed arrangements to more productive ones. That requires the discipline to recognise when value can still be preserved and the wisdom to let go when it cannot.

If India internalises the discipline of recognising reality early and letting go when value can no longer be preserved, the IBC will be remembered not merely as an insolvency law, but as one of the reforms that completed India's transition to a mature market economy.