

## ADDRESS BY THE HON'BLE MINISTER SHRI BHUPENDER YADAV

*Chief Guest at the International Conference (Online) organized by IIIPI jointly with IBBI on March 26, 2022*



**Shri Bhupender Yadav**

Hon'ble Union Minister  
Ministry of Labour and Employment,  
and Ministry of Environment,  
Forest & Climate Change

Shri Bhupender Yadav is the Union Cabinet Minister for Ministry of Labour and Employment, Environment, Forest & Climate Change since July 07, 2021. He is a Member of Rajya Sabha (Upper House) from Rajasthan.

He has contributed immensely to legislation as Chairperson and Member of several committees of the Parliament. Some important committees headed by him include – Chairman of the Joint Committee on the Insolvency and Bankruptcy Code, 2015 (January- April 2016); Chairman, Joint Committee on the Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Bill, 2016; and Chairman, Joint Committee on the Financial Resolution and Deposit Insurance Bill, 2017 etc.

He has co-authored the book - Supreme Court on Forest Conservation (2005); and regularly writes on various issues in leading newspapers and magazines.

Speaking as the Chief Guest in the International Conference – “IBC in India & International Perspective” organized by IIIPI jointly with IBBI on March 26, 2022; Shri Yadav shared his views on insolvency regime in India and its future prospects. *Read on to know more....*

I take this opportunity to congratulate the Indian Institute of Insolvency Professionals of The Institute of Chartered Accountants of India (IIPI) for organizing this international conference with the focus on evolving current Indian insolvency ecosystem and bring it at par with best international practices.

The recent pandemic has reinforced the need to future-proof our businesses, reorganize and resolve our businesses to limit the negative impact of destruction such as the pandemic through the development of effective legislative framework. The IIIPI's international conference, I think, provides an excellent platform for experts to share varied experiences as well as offer unique perspectives towards the evolution and development of insolvency law and take the IBC regime to greater heights. Since the inception of the Insolvency and Bankruptcy Code, 2016 (IBC), offering protection to business professional firms, ensuring profitability and promoting Ease of Doing Business (EODB) have been key focus areas of the government under the leadership of Hon'ble Prime Minister, Shri Narendra Modi Ji. Guided by the above objectives, IBC, which was launched by our government in December 2016, is regarded as one of the most successful and revolutionary reforms in the recent years in India.

The IBC has evolved and emerged to be a successful economic legislation to reorganize and revive corporate entities which would otherwise have faced liquidation. At the same time, it has helped maximize the value of assets and availability of credit and clean up the banks' books. Further, IBC has successfully altered the behaviour of lenders and borrowers. Moreover, in view of the rapidly changing business environment, both domestically and internationally, introduction of the IBC ensured good corporate governance within organization by balancing interests between stakeholders and company. Although, IBC had its share of challenges and bottlenecks, those were dealt with through several legislative amendments.

Very briefly, I would like to touch upon some of the benefits derived post-implementation of the IBC including

the various amendments introduced over the years which has collectively helped businesses to stay competitive, remain profitable, and facilitate Ease of Doing Business despite the disruption caused by the Covid pandemic. On the Ease of Doing Business parameter, as per the recent World Bank's Ease of Doing Businesses Report 2020, India has improved its ranking by 79 positions in five years from 2014 to 2019 and jumped to 63<sup>rd</sup> position among 190 nations. Similarly, as per the latest report of Resolving Insolvency Index, India jumped 56 places to be at 52<sup>nd</sup> position in 2019 from the previous 108<sup>th</sup> rank in 2018. The recovery rate increased to 71.6% in 2019 for 26.5% in 2018. The improvement in ranking of 56 places in a single year is a typical indicator of ease of exit from business, which makes us believe that we are finally on the path of breaking the proverbial *chakravyuh* of exit from business. We also improved in the recovery time from 4.3 years in 2018 to 1.6 years in 2019 compared to the world average of 2.47 years. Evidently, the IBC turned out to be the most potent instrument to address the sick business environment and ballooning debt of corporate India thereby acting as a job creator for the economy.

**Insolvency resolution alone facilitated job creation and allowed an increased registration of resolution professionals (RPs).**

The new corporate insolvency regime has expedited the move from promoter-driven to professionally run businesses. Insolvency resolution alone facilitated job creation and allowed an increased registration of resolution professionals (RPs). In this context, I would like to highlight the increased participation of insolvency professionals (IPs) and associated firms in recent years to help businesses develop the much-needed resilience. Following the enactment of IBC 2016, the Code has evolved and is still evolving. In wake of current pandemic, the IBC regime in India is gearing up for the next phase comprising Cross Border, Pre-Pack Individual and Group Insolvency frameworks. The most pressing need right now is to bring into force pre-pack insolvency concept which allows players to decide a plan and zeroing on a buyer ahead of the company going through insolvency. Although, as of now, this approach can be used in India for MSMEs, the need of the hour is to allow players to use it for all corporate debtors. This will allow for better resolution or recovery value which remains a major concern.



In my opinion, the high degree of globalization in recent times coupled with successful implementation of proposed development of the existing IBC, it is imperative to align the Indian insolvency ecosystem with the best international practices for managing Cross Border Insolvency. In this context, I would like to briefly discuss the major steps undertaken by India. The first major step in this direction has been the invitation extended by the Ministry of Corporate Affairs to publicly expose the changes to Corporate Insolvency Resolution Process (CIRP) and Liquidation Framework under the IBC. The Insolvency Law Committee (ILC) has continued to evaluate the stakeholders' comments and assess the implementation of the provision of the Code. During the evaluation, the ILC analyzed and provided its recommendations on existing and emerging issues highlighted by the stakeholders such as financial creditors, industry chambers, associations, professionals, and various thought leaders. It is important to support policy makers to build and improve the insolvency and bankruptcy system and support MSMEs because they are quite important for our economy.

The World Bank with the assistance of international financial institutions, leading insolvency organizations and international insolvency experts, has developed principles for sound insolvency and creditors' rights around the world. These principles instill international best practices in the design of insolvency and creditor rights, mechanism, and are used as benchmark to understand weaknesses in existing systems. They allow flexibility in the domestic policy choices and take comparative domestic laws and institutions into account.

**It is critical to further develop the existing framework of IBC in line with the best international practices for managing insolvencies across borders.**

I must say that the pandemic induced disruptions, have affected the proper functioning and effectiveness of IBC in resolving insolvency cases on time. In view of such adversities associated with the proper functioning of the IBC 2016, we may conclude that it is critical to further develop the existing framework of IBC in line with the best international practices for managing insolvencies across borders. Further, although a niche segment, opportunities in the insolvency profession are immense,

and there is a growing need to prepare insolvency professionals for future. Despite all odds and associated challenges, it is beyond doubt that the IBC has emerged to be one of the most successful laws introduced by the Government under the leadership of our Hon'ble Prime Minister, Shri Narendra Modi Ji.

The scheme has greatly helped to improve the Ease of Doing Business in the country particularly in COVID-19 environment. I solely believe that over the next five years, the IBC framework will continue to evolve in sync with emerging market realities and reach more pivotal milestones by its 10<sup>th</sup> anniversary.

Thankyou.

Jai Hind!

