

Government introduces bill for bankruptcy law in Parliament

The government has moved the Insolvency and Bankruptcy Code, 2015 in the Lok Sabha, which will provide a framework for time bound resolution of corporate bankruptcy, ensuring that stakeholder interest are protected and the assets are put to use quickly.

The bill seeks to consolidate and amend the laws relating to reorganization and insolvency resolution and will also apply to partnership firms and individuals.

The bill is a money bill, implying that Rajya Sabha will have a limited role in it, brightening its chances of passage.

Bankruptcy bill provides for creation of an Insolvency and Bankruptcy Fund, an Insolvency and Bankruptcy Board of India to regulate insolvency professional, agencies and information utilities.

The code allows a corporate debtor itself to initiate insolvency resolution process once it has defaulted on a debt.

The code provides for time limit of 180, days extendable by further 90 days, for completion of insolvency resolution process

Financial creditors can also initiate corporate insolvency resolution process.

The cumbersome insolvency resolution is one of key reasons for India's low ranking of 130 on the World Bank's Ease of doing business ranking. India is currently ranked at 136 on this measure in the 189-country ranking. Resolving a bankruptcy case can take on an average over four years in India. The government is keen to address this through a specific law to resolve insolvency.

(Economic Times)