

GS-II Indian Economy and Issues Relating to Planning, Mobilization of Resources, Growth, Development and Employment.

1. Insolvency and Bankruptcy Code should be the preferred option for resolution of bad loans, not the Last Resort. Explain

Why this Question?

- The Supreme Court judgment in the Essar Steel case has restored the primacy of the committee of creditors (CoC), settling the contentious issue of the distribution of funds between creditors.

Key Demands of Question:

- Explain in brief about the Insolvency and Bankruptcy Code.
- Explain the factors that promoted the resolving to the cases out the IBC process.
- Mention the required change should be made in the IBC for more compliance.

Directive word:

Explain:

- Here the student should clearly express why something happens, or why something is the way it is. He needs to look at a subject in depth taking note of the detail and if appropriate, consider the implications, and should explain them in good simple language.

Structure of Answer:

Introduction:

- Give brief intro about Insolvency and Bankruptcy Code and its significance.

Body:

- Explain the current factors that promoted the resolving of the cases outside the IBC process. For example delay in the resolution process, complexity of the IBC, etc.
- Mention the challenges in the IBC process.
- Bring out the required changes should be made in the IBC process to ensure IBC is the preferred choice of resolving the crisis.
- Illustrate with relevant examples.
- Mention any government recent initiative in this regard.

Conclusion:

- Conclude with the importance of the IBC in the increasing NPA crisis in the country and also mention the way forward measures to ensure smooth functioning of the IBC process.