



**KAMARAJ IAS ACADEMY**  
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# Lok Sabha passes Insolvency and Bankruptcy Code (Amendment) Bill, 2025

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The Lok Sabha passed the Insolvency and Bankruptcy Code (Amendment) Bill, 2025 to address persistent challenges such as procedural delays and interpretational ambiguities in India's insolvency resolution framework. The Bill amends the existing Insolvency and Bankruptcy Code, 2016, which is a key legislation governing corporate insolvency in India.

## Key Provisions of the Amendment

The amendment introduces a set of reforms aimed at improving efficiency and transparency in the insolvency process. It includes 12 amendments, most of which were recommended by a parliamentary Select Committee. Key provisions include the introduction of a creditor-initiated insolvency process and a structured out-of-court resolution mechanism with defined timelines. The Bill also proposes a group insolvency framework and a cross-border insolvency mechanism, aligning India with global practices. Additionally, the Committee of Creditors (CoC) is now required to record reasons for selecting resolution applicants, thereby enhancing accountability. Penalties ranging from ₹1 lakh to ₹2 crore have been introduced to deter frivolous or malicious applications.

## Government's Perspective

While presenting the Bill, Finance Minister Nirmala Sitharaman emphasized that the IBC is not merely a debt recovery mechanism but a tool to revive stressed businesses and preserve economic value. The government highlighted the need to reduce litigation-induced delays and ensure faster resolution of insolvency cases.

## Background of IBC

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The Insolvency and Bankruptcy Code, 2016 was enacted to consolidate various insolvency laws and provide a time-bound resolution process, ideally within 180 days (extendable up to 330 days including litigation). It follows a creditor-in-control model and is implemented through institutions such as the Insolvency and Bankruptcy Board of India and adjudicated by the National Company Law Tribunal.

### **Significance**

The amendment is expected to strengthen India's financial ecosystem by ensuring quicker resolution of stressed assets and improving recovery rates for creditors. It will enhance investor confidence and contribute to India's ranking in Ease of Doing Business. By introducing modern frameworks like cross-border insolvency, the reform aligns India's insolvency regime with international best practices.

### **Additional Key Facts**

IBC has helped recover over 50% of bad loans in some cases

Total recoveries under IBC since 2016:

Over ₹4 lakh crore

### **Regulatory bodies involved:**

Insolvency and Bankruptcy Board of India (IBBI)

National Company Law Tribunal (NCLT)

Time limit for resolution:

Maximum 330 days (including litigation)