

Evaluation of Insolvency and Bankruptcy Code from The Perspective of Stakeholders and Society

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ABSTRACT

Non-Performing Assets (NPAs) became a very critical problem in Indian Banking system. By 2016 the NPAs accumulated to the tune of 11.50% of the total loans. The previous Indian governments created a lot of mechanisms to tackle the Industrial sickness problem, but they ended with no good results. The present government brought a new Act in the place of old mechanism called as Insolvency and Bankruptcy Code (IBC) in December 2016. This paper main emphasis is on: 1) how the IBC is performing in reducing the NPAs in the Indian Banking system through the comparison of present position with the objectives of the IBC and to find out the shortcomings of the new Act, and 2) how to know the companies that are in danger or bankruptcy zone by using Edward I Altman Z-score. The Z-score is negative in the case of the companies under consideration that are facing Corporate Insolvency Resolution Process (CIRP). This paper studied the performance of the IBC for the last three years and the amendments brought to the IBC from its inception to tackle the loopholes. No doubt the IBC proved effective for what objectives it was brought. But still there are some problems that are becoming obstacles to effectively implement the IBC. We hope in the near future it will prove still more effective in achieving its objectives. The paper also compares the financial weakness/soundness of insolvency companies and well performing companies.

Keywords: NPAs, Insolvency, Bankruptcy, Mechanism

