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PAPER CLIPPINGS

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ಇಲಾಖೆ / ವಿಷಯ : DEPARTMENT / SUBJECT: Parliament Session

ಪತ್ರಿಕೆಯ ಹೆಸರು : NAME OF THE NEWS PAPER: The Hindu

ದಿನಾಂಕ : DATE : 22/9/2020

## Parliament passes Insolvency and Bankruptcy Code Bill

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The Lok Sabha on Monday passed the Insolvency and Bankruptcy Code (Second Amendment) Bill, which provides that insolvency proceedings against defaulting companies will not be initiated for at least six months starting from March 25.

It was earlier passed by the Rajya Sabha.

Responding to the issues raised by the members during the discussion, Finance Minister Nirmala Sitharaman said the Code was not a recovery law. The creditors, including MSMEs (micro, small and medium enterprises), had several other options to recover their claims. The proposed amendments, brought in the form of an Ordinance on June 5, suspended the application of three provisions to prevent any company, stressed due to the COVID-19 situation, from being pushed into insolvency proceedings. A proviso for further extension of six months has also been given. The initial six-month period would end on September 24, she said.

Comparing the performance, Ms. Sitharaman said the recovery rate under the Code was 42.5%, while under Lok Adalat (2018-19), the figure was 32%. DRT proceeding had led to 3.5% recovery and under the said Act, 14.5% of the claims were recovered.

During the debate, Congress leader and member of the committee on the bill said amendments to make it tougher on existing loopholes for large debtors. The worst casualty would be the MSME sector, which employed 1.2 million people and catered to large corporates.