REVIEW OF R.B.I.'S RECENT EFFORTS IN THE I.B.C. ERA TO MINIMIZE N.P.A.

Divya Gautam[*]

ABSTRACT

The Indian economy is facing a major challenge with a rise in the number of non-performing assets (NPAs) and defaulters. The accumulation of NPAs with creditors has a deleterious effect on the economy, thereby discouraging the positive flow of credit in the economy. The government and the Reserve Bank of India (RBI), time and again, keep formulating different policy-measures and regulations to curb this prevalent problem. Keeping in line with the same, in 2016, the NDA government came up with the Insolvency and Bankruptcy Code (IBC). The IBC has several peculiar features that make it stand apart from other legislations aimed at solving the menace of NPAs and defaulters before it. The objective of IBC is to boost the overall economic health of the country. The RBI was given power through the Banking Regulations (Amendment) Ordinance, 2017 to direct the banks for initiating insolvency resolution. From there on, the RBI, through its regulations and policies, began to meticulously implement the IBC. Within a month, RBI recognized twelve accounts for insolvency resolution and instructed public sector banks to frame a plan for the potential defaulters. Thereafter, in a crucial step, the RBI discarded other resolution- mechanisms to rely solely

[*] B.A. LL.B. (Hons.) Candidate, III Year, National Law Institute University, Bhopal.

and completely on the IBC for the same. This was heralded as a much-needed step in the direction of creditor-protection. Likewise, the judiciary has also supported the IBC through its various pronouncements and decisions, giving the widest possible interpretation to the Code for its effective implementation. As a result of this, India took a massive leap by moving from 130th to 100th rank in the "Ease of Doing Business" index of the World Bank in 2017. Specifically under the head of 'insolvency resolution', the country took a leap of 33 points. Thus, the commendable step taken by the government and RBI on this front is showing a positive effect and will certainly show a positive result on the balance sheet of the country as well.

1. INTRODUCTION

India's banking industry is in the midst of a crisis due to the rising problem of non- performing assets (hereinafter "NPAs"). The insolvency laws in India may be categorized under two heads: 1. personal insolvency laws dealing with individuals and partnership firms; and 2. corporate insolvency laws dealing with companies and business houses. There were, in fact, several laws which dealt with insolvency for companies, such as the Sick Industrial Companies (Special Provisions) Act,1985 (hereinafter "SICA"), the Recovery of Debt Due to Banks and Financial Institutions Act,1993, and Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (hereinafter "SARFAESI"), etc. Till 1985, the Companies Act, 1956 was the sole legislation to deal with corporate insolvency and bankruptcy. However, due to non-inclusion

of insolvency cost in any of the provisions of said legislation, it proved to be insufficient. There were a couple of laws dating back to the time of the British era, dealing with individual debtors, such as, the Presidency Towns Insolvency Act, 1909 and the Provisional Insolvency Act, 1920. The former was related to individuals residing in the erstwhile presidency towns of Calcutta, Bombay and Madras; whereas, the latter covers all other individuals. However, these multiple laws failed to recover the money for the banks.

By 1985, the Indian industries were in major crisis and the economy was in shambles. So, SICA was passed. This was the first legislation for addressing the problem of insolvency and bankruptcy in the country. This legislation primarily focused on the revival of sick industries. However, there were several lacunae in the provisions of the said act. For instance, under Section 22, any corporate debtor could avoid recovery proceedings or liquidation indefinitely by referring the sick industry to the Board for Industrial and Financial Reconstruction. Therefore, owing to its inefficiency, the said act was repealed in the year 2016.

The Insolvency and Bankruptcy Code, 2016 (hereinafter "the Code") is a pioneering framework, which replaced India's archaic bankruptcy laws. It aims to provide a far speedier resolution of insolvency proceedings and debt restructuring for the benefit of operational creditors[1] and financial creditors[2]. The Bankruptcy Law Reforms Committee (hereinafter "BLRC") headed by Dr. T.K. Viswanathan, on November 4,

[1] Insolvency & Bankruptcy Code, 2016, § 5(20).
[2] *Id.*

2015, submitted its report to the Union Ministry of Finance. This paved the way for a comprehensive draft of Insolvency and Bankruptcy Bill covering all entities. The BLRC proposed shift of the Indian insolvency law from a "debtor-in-possession" model to a "creditor-in-control" model. The Code seeks to consolidate the scattered and unstructured jurisprudence on insolvency and bankruptcy law present in various legislations like SICA, 1985 and SARFEASI, 2002, among others.

According to its statement of objects and reasons, the Code seeks to provide an effective legal framework for timely insolvency-resolution, in order to the support development of credit markets and encourage entrepreneurship. It would also improve the ease of doing business, and facilitate more investments leading to higher economic growth and development.[3]

To quote Finance Minister, Mr. Arun Jaitley, "[a] systemic vacuum exists with regard to bankruptcy situations in financial firms. This code will provide a specialized resolution mechanism to deal with bankruptcy situations in banks, insurance firms and financial sector entities."[4]

2. IBC – THE CODE TO DECODE INSOLVENCY REGIME

The Code embodies peculiar rules and regulations which transformed the course of action to deal with insolvency and bankruptcy in

[3] MINISTRY OF CORPORATE AFFAIRS, REPORT OF THE INSOLVENCY LAW COMMITTEE, *available at* http://www.mca.gov.in/Ministry/pdf/ILRReport2603_03042018.pdf (last visited Nov. 26, 2018).

[4] *Economics for Everyone: The Insolvency and Bankruptcy Code in India and the National Company Law Tribunal*, IIFL, https://goo.gl/wevjB9 (last visited May 29, 2018).

the economy. The Insolvency Act of 1986 of the United Kingdom has served as a model for the Code.[5] Broadly speaking, the Code has four pillars which make the process work effectively:

i) The regulator: The Insolvency and Bankruptcy Board of India[6] (hereinafter "IBBI") is the key pillar of the ecosystem responsible for implementation of the Code. It consolidates and amends the laws relating to reorganization and insolvency resolution of corporate persons, partnership firms, and individuals in a time bound manner. This maximizes the value of assets of such persons, promotes entrepreneurship, and ensures availability of credit and balance in the interests of all the stakeholders.[7]

ii) The adjudicator: The National Company Law Tribunal (hereinafter "NCLT") is the adjudicator for insolvency resolution and liquidation for corporate persons including corporate debtors and personal guarantors.[8] Appeals from here lie to the National Company Law Appellate Tribunal (hereinafter "NCLAT").[9] The Debt Recovery Tribunal is the adjudicator for individuals and partnership firms.[10] The Supreme Court is the final court of appeal to be approached within a period of 45 days from the date of the order.[11]

[5] Innoventive Indus. v. ICICI Bank, (2018) 1 S.C.C. 407.
[6] *supra* note 1.
[7] *About IBBI*, INSOLVENCY & BANKRUPTCY BOARD OF INDIA, http://www.ibbi.gov.in/about-ibbi.html (last visited May 29, 2018).
[8] *Id.*
[9] *Id.*
[10] *Id.*
[11] *Id.*

iii) Information Utilities (hereinafter "IUs"):[12] It is a depositary of financial information. It receives, authenticates, maintains, and delivers financial information pertaining to a debtor, with a view of facilitating the insolvency resolution process in a time bound manner.

iv) The Insolvency Professionals (hereinafter "IPs"):[13] They are monitored by Insolvency Professionals Agencies (hereinafter "IPAs").[14] These IPAs are further regulated by the regulations laid down by the Board.

The Code enshrines strict time bound insolvency resolution. 180-day period is the specified for corporate insolvency resolution process (hereinafter "CIRP") of a company after case has been filed in the NCLT.[15] This deadline may be extended for a period of 90 days. The assets of the company will be liquidated after 270 days.[16] The CIRP of sick companies in a time bound manner makes the legislation distinct from its predecessors.

The priority of payment mechanism[17] prescribed in the Code does equity to all the parties involved. Moreover, the cross-border insolvency[18] process mentioned in the Code does not discriminate between the national and foreign creditors. Both are allowed to commence and initiate proceedings under the Code. However, it does not specify the same for the

[12] *Id.*
[13] *Id.*
[14] *Id.*
[15] *Id.*
[16] *Id.*
[17] *Id.*
[18] *Id.*

debtors. These are some other intriguing aspects of the Code which makes it stand apart.

Additionally, the Code has a provision of non-obstante clause.[19] Subsequent jurisprudence on the same, developed by the Supreme Court, says that the Code has an over-riding effect over all other laws on the subject matter.[20] In the same case,[21] the Supreme Court affirmed that non-obstante clause of the Parliamentary enactment i.e. the Code will prevail over the limited non-obstante clause mentioned in the State Act.

3. BEGINNING OF A NEW ERA

The Code has created a new wave of significant changes in the entire mechanism of the CIRP. Over 1812 Insolvency Professionals are registered under three IPAs, namely, the Indian Institute of Insolvency Professionals of ICAI, ICSI Institute of Insolvency Professionals, and Insolvency Professional Agency of Institute of Cost Accountants of India. As per the Economic Survey 2017-18, at the end of March, 2018 a total of 525 cases of CIRP has been admitted under the Code in NCLT. The corporate person is entitled to initiate voluntary liquidation under Section 59 of the Code, and till now at least three corporate persons have initiated the same.[22] On May 19, 2018, Tata Steel acquired debt laden Bhushan Steel, thereby wrapping up the first case of resolution under the Code.

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[19] *Id.*
[20] *supra* note 5.
[21] *Id.*
[22] *The Quarterly Newsletter of the Insolvency and Bankruptcy Board of India*, INSOLVENCY & BANKRUPTCY BOARD OF INDIA,

An important factor behind the effectiveness of the Code has been the adjudication by the judiciary. The Code prescribes strict time limit for various procedures under it. In spite of the large inflow of cases to NCLT benches across India, these benches have been able to admit or reject applications for CIRP admissions with very little delays. In addition, appellate courts, including the NCLAT, High Courts and the Supreme Court have also disposed-off appeals quickly and decisively. In this process, a rich body of case-laws has developed, thereby reducing future legal uncertainty.[23] This is a paradigm shift in insolvency resolution mechanism in the country, as the adjudicators understand their responsibility and acknowledge the same in judgments delivered by them on this subject matter. A landmark judgment on the Code, *Innoventive Industries Limited v. ICICI Bank Limited*,[24] boosted confidence of the creditors in the Code as the judgment explained various provisions of the Code by giving way to the widest possible interpretation of the legislation. The judgment clarified position of the financial creditor and the operational creditor in initiation of the insolvency proceedings, emphasized on the deadlines prescribed, and overriding effect of the Code. Similarly, in the case of *Surendra Trading Company*,[25] the Supreme Court settled the dispute whether time period prescribed in the legislation is

http://www.ibbi.gov.in/IBBI_News_letter_2018_06_11_18_12_27.pdf. (last visited May, 29, 2018).

[23] *Monetary Management and Financial Intermediation*, INSOLVENCY & BANKRUPTCY BOARD OF INDIA, http://www.ibbi.gov.in/044_055_Chapter_03_Economic_Survey_2017_18.pdf. (last visited May 29, 2018).

[24] (2018) 1 S.C.C. 407.

[25] Surendra Trading Co. v. Juggilal Kamlapat Jute Mills, (2017) 16 S.C.C. 143.

directory or mandatory in nature, the Supreme Court held that the time prescribed to operational creditor under Section 9(5) is mandatory, whereas the time limit prescribed to appellate authority under same provision is directory in nature. The Supreme Court through its pronouncements gave the widest possible interpretation to the various provisions under the legislation, for instance, the Court said that under Section 8(2) the term 'dispute' is not confined to pending suits and arbitration.[26] There are several other cases along the same lines where the Supreme Court, High Courts, NCLT, and NCLAT have pronounced judgments backing the Code affirmatively, thus widening scope of application of the legislation. In a historic judgment on the Code, Hon'ble Supreme Court quoted:

> *The Banking sector is one of the largest and most crucial sectors in India. It involves heavy financial and economic stakes of not only the banks themselves but also industry and commerce in India as a whole apart from the public. Any interference with this process formulated by RBI will prejudice the very significant economic reform formulated by Parliament and the Government of India which was to bring value back in the system.*[27]

4. RBI – PAVING WAY FOR IBC

This is the first time that the Government and the Reserve Bank of India (hereinafter "RBI") are on the same front for effective resolution of the problem of bad debt. The stressed assets and increasing NPAs with the

[26] Mobilox Innovations (P) Ltd. v. Kirusa Software (P) Ltd., (2018) 1 S.C.C. 353.
[27] Essar Steel India Ltd. v. Reserve Bank of India, 2017 S.C.C. OnLine Guj. 995.

major banks had been a concern for the RBI for many decades. Several measures were taken by the RBI to tackle the same.

4.1. GOVERNMENT COUNTS ON THE RBI

The Banking Regulation (Amendment) Ordinance, 2017 issued in May 2017 empowered the RBI to issue directions to any banking company or banking companies to initiate insolvency resolution process in respect of a default under of the Code. The RBI may specify authorities or committees to advise banks on resolution of stressed assets. The members on such committees would be appointed or approved by the RBI. The RBI can, from time to time, issue directions to banks for resolution of stressed assets.

4.2. THE OPENING MOVE

Thereafter, through a Press Release on May 22, 2017, the Apex Bank outlined its action-plan to implement the legislation. It issued the following directives to the Banks to deal with the stressed assets which include gross bad loans, advances whose terms have been restructured, and written-off accounts:

i) A corrective action plan for the stressed assets could include flexible restructuring, SDR and S4A.
ii) It slashed the minimum votes required in a Joint Lenders' Forum (hereinafter "JLF") to reach a decision. Now, decisions agreed to by 60% of creditors by value and 50% by number is the basis for corrective action plans as compared with assent of 75% creditors by

value and 60% by number to achieve resolution earlier. Conscious steps were taken by the Apex Bank to curb the prevalent difficulties in insolvency initiation and rules regulating it.

iii) Banks which are in the minority on proposal approved by the JLF are required to either exit by complying with the substitution rules within the stipulated time or adhere to the decision of the JLF.[28]

The RBI further mentioned that it is working on a framework to facilitate the objective and consistent decision-making process with regard to cases that may be determined on reference for resolution under the Code.[29]

4.3. APEX BANK IDENTIFIED MAJOR NPA ACCOUNTS: A METTLESOME MOVE

In June 2017, RBI came up with a master stroke by identifying the twelve accounts totalling about 25 per cent of the current gross NPAs of the banking system. However, the names of these bankrupt accounts were not disclosed in the report. An Internal Advisory Committee (hereinafter "IAC") was constituted to focus primarily on the large stressed assets. It classified the accounts as partly or wholly NPAs from amongst the top 500 exposures in the banking system. These twelve accounts fulfilled the criteria set up by the IAC of fund and non-fund based outstanding amount

[28] *Reserve Bank of India Outlines the action plan to implement the Banking Regulation (Amendment) Ordinance, 2017*, RESERVE BANK OF INDIA, https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=40518. (last visited May 29, 2018).
[29] *Id.*

greater than ₹5000 crore, with 60% or more being classified as non-performing by banks as on March 31, 2016. These accounts were referred for the insolvency proceedings under the Code forthwith. Moreover, the IAC recommended that the banks should finalize a resolution plan within six months for those NPAs which do not satisfy the above criteria. In cases where a viable resolution plan is not agreed upon within six months, the banks were required to file insolvency proceedings under the Code. In its first meeting, the panel discussed the top 500 stressed accounts in the banking system that should be referred for resolution under the Code.[30]

Big names came in the scenario. Among the twelve bankrupt accounts, Bhushan Steels Ltd., Essar Steels Ltd., Monnets Ispat and Energy Limited, etc. were the major names referred by the RBI.[31]

4.4. CAUSE *CÉLÈBRE*

During this pursuit of the RBI, a controversy popped up, Essar Steels challenged this particular directive issued by the RBI in the Gujarat High Court. It contended that the twelve entities mentioned in the RBI directive had been chosen arbitrarily. Moreover, it was in discussions with its lenders for restructuring of its debts, but the discussions had come to a standstill as a result of the RBI directive. The RBI counter argued that the

[30] *RBI identifies Accounts for Reference by Banks under the Insolvency and Bankruptcy Code (IBC)*, RESERVE BANK OF INDIA, https://www.rbi.org.in/scripts/bs_pressreleasedisplay.aspx?prid=40743# (last visited May 29, 2018).

[31] *Monetary Management and Financial Intermediation, Table 4: First Twelve Defaulters as Notified by RBI*, INSOLVENCY & BANKRUPTCY CODE OF INDIA, http://www.ibbi.gov.in/044_055_Chapter_03_Economic_Survey_2017_18.pdf (last visited May 29, 2018).

list was not prepared arbitrarily as these twelve accounts are the largest and longest standing NPAs. The Gujarat High Court refused to interfere with the RBI directive and held that the said RBI directive was not arbitrary.[32] This eventually paved the way for initiation of insolvency resolutions against other large companies.

4.5. 40 MORE ACCOUNTS DISCERNED – NEED OF THE HOUR

Thereafter, in August, RBI identified 40 large loan defaulter accounts for clean-up to banks,[33] as the next lot of firms for early resolution. This was followed by another 26 defaulters to banks being asked to first resolve through any of its schemes before 13 December, failing which they shall be referred to NCLT under the Code before 31 December. However, this report was submitted in anonymity.[34] These acute measures taken by the RBI clearly show that it was adamant on eliminating up to the maximum the NPAs from the banking sector by taking advantage of the Code and power conferred on it by the new banking legislation amendments.

[32] Essar Steel India Ltd. v. Reserve Bank of India, 2017 S.C.C. OnLine Guj. 995.

[33] *RBI identifies 40 larger loan defaulter accounts for clean-up*, LIVEMINT, http://www.livemint.com/Industry/TECdaxHBGkvi0FRnQuorFL/RBI-identifies-40-more-large-loan-defaulter-accounts-for-cle.html. (last visited May 29, 2018).

[34] *RBI sends second list of 26 defaulters to banks*, LIVEMINT, http://www.livemint.com/Industry/OXbCxiTnEIX1QV6hEGIykK/RBI-sends-second-list-of-26-defaulters-to-banks.html. (last visited May 30, 2018).

4.6. IUs – Technology Making It Easy

The IBBI registered National E-Governance Services Limited (hereinafter "NeSL")[35] as the first IU under the IBBI (IUs) Regulations, 2017.[36] IUs store financial information to help establish defaults and verify claims expeditiously in order to complete transactions under the Code in a time-bound manner. On 19th December, 2017, the Apex Bank took a step further to make IUs a success and issued direction to all banking and the non-banking companies to share financial information and information relating to the assets in relation to which any security interest has been created with information utilities in the manner specified in the regulations. This step was taken to ensure the adherence to the provisions of the Code. The letter was addressed to all scheduled commercial, small finance, local area and cooperative banks as well as non-banking financial institutions and all-India financial institutions.[37]

4.7. The Growing NPAs: An increasing concern

Meanwhile, RBI's Financial Stability Report released on 21st December 2017 cautioned that in the upcoming time, Gross Non-Performing Assets (GNPA) of the banking sector may rise from 10.2 per cent of gross advances in September 2017 to 10.8 per cent in March 2018,

[35] *Information Utilities (IUs)*, INSOLVENCY & BANKRUPTCY BOARD OF INDIA, http://www.ibbi.gov.in/information-utilities.html. (last visited May 30, 2018, 5:03 PM).
[36] Insolvency & Bankruptcy Board of India (Information Utilities) Regulations, 2017, *available at* http://ibbi.gov.in/IU%20Regulations%2031032017%20Final.pdf. (last visited May 30, 2018).
[37] *Submission of Financial Information to Information Utilities*, RESERVE BANK OF INDIA, https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11189&Mode=0 (last visited June 1, 2018).

and to 11.1 per cent by September 2018.[38] The RBI in its publication named 'Perspectives on the Indian Banking Sector' [39] clarified that banks can take advantage of the Code to clean up their balance sheets and improve performance on a sustained basis to remain competitive. Instead of waiting for regulatory directions, banks can file insolvency proceedings on their own to realise promptly the best value of their assets. The banks need to strengthen their due diligence, credit appraisal, and post-sanction loan monitoring to minimise the risks of such occurrence in future[40].

The Apex Bank considered the IBC due to two factors. They are the rising GNPA of banks and slower resolution of NPAs through various other channels.

4.8. PONDERING UPON THE FRAMEWORK: LEFT NO STONE UNTURNED

Taking a big leap ahead the RBI took a major decision by revising its stressed asset framework to ensure speedy resolution of bad loans in the future. The RBI relied completely on the Code to resolve stressed assets and scrapped all debt restructuring schemes prior to it.

4.9. A RENEWED STRESSED ASSET FRAMEWORK

On 12th February, 2018, RBI released the revised framework of resolution of stressed assets. According to the revised framework, lenders

[38] *RBI releases December 2017 Financial Stability Report*, RESERVE BANK OF INDIA, https://rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=42642 (last visited June 1, 2018).

[39] *Perspectives on the Indian Banking Sector*, RESERVE BANK OF INDIA, https://rbi.org.in/scripts/PublicationsView.aspx?Id=18057 (last visited June 1, 2018).

[40] *Id.*

were required to identify the stressed loan account in the initial stage and classify those accounts as Special Mention Account (hereinafter "SMA") as per the categories provided by the framework and entitle it as 'defaulter' forthwith. The SMA contained three sub-categories, and the basis for the classification is principal or interest payment or any other amount wholly or partly overdue between (i) 1- 30 days; (ii) 31-60 days; (iii) 61-90 days. After such classification, lender must report credit information, including classification of an account as SMA to Central Repository of Information on Large Credits (hereinafter "CRILC") on all borrower entities having aggregate exposure of ₹50 million and above with them. Additionally, CRILC report must be submitted on monthly basis. Further to facilitate the resolution plan, the RBI directed the banks to have their Board approved policies for the resolution of stressed assets.

The Code seeks strict time-bound initiation of corrective action at the stage of first default either to the bank or to the business counter parties. The same framework prescribed strict timeline within which insolvency proceedings must be initiated. The accounts which have aggregate exposure of the lenders at ₹20 billion and above including accounts where resolution may have been initiated under any of the existing schemes, as well as the accounts classified as restructured standard assets (large accounts), the resolution plan must be implemented as per two time liners i.e., if in default as on the reference date, then 180 days from the reference date and if in default after the reference date, then 180 days from the date of first such default. The reference date for the same purpose mentioned was on or after March 1, 2018. However, if the

resolution plan was not implemented within the given timeline then the lender shall file insolvency proceeding under the Code within the 15 days of expiry of such timeline. This can be concluded that the RBI was resolute to eliminate the issue of stressed assets from the economy by largely stressing on the large accounts and potential defaulters.

4.10. THE RBI MANEUVERING WITH THE CODE

Moreover, the RBI substituted the existing guidelines with the harmonised and simplified generic framework of the Code for the resolution of stressed assets. Therefore, Framework for Revitalising Distressed Assets, Corporate Debt Restructuring Scheme, Flexible Structuring of Existing Long Term Project Loans, Strategic Debt Restructuring Scheme (SDR), Change in Ownership Outside SDR, and Scheme for Sustainable Structuring of Stressed Assets (S4A) were withdrawn with immediate effect. Accordingly, the Joint Lenders' Forum (JLF) as an institutional mechanism for resolution of stressed accounts was also discontinued.[41] This path-breaking step signifies the complete reliance on the Code as a resolution mechanism, subsequently this boosted confidence of the stakeholders and showed positive outcome.

4.11. IBBI AND RBI – THE ALLIANCE AGENDA

Moreover, for the effective implementation of the Code, the IBBI and the RBI signed a Memorandum of Understanding (MoU) to assist and

[41] *Resolution of Stressed Assets – Revised Framework*, RESERVE BANK OF INDIA, https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11218&Mode=0 (last visited June 2, 2018).

co-operate with each other for the effective implementation of the Code, subject to limitations imposed by the applicable laws. The objectives were sharing of information and resources available to each other to the extent legally permissible, and making joint efforts to enhance the level of awareness among creditors, among others.[42] This can be concluded that both the statutory bodies are determined to make the Code a success and are interested in the effective implementation of the Code and its allied rules and regulations through a quick and efficient resolution process.

5. CONCLUSION

Since, the last five year NPAs are rising steadily in the country deteriorating the health of the economy, there was an urgent need for a defined and comprehensive legal framework to deal with this stressful state of affairs. The performance of the banking sector, PSBs in particular, continued to be subdued in the current financial year. The GNPA ratio of Scheduled Commercial Banks has increased from 9.6 per cent to 10.2 per cent between March 2017 and September 2017.[43] The hopeful and buoyant legislation, the Insolvency and Bankruptcy Code, gave hope to the RBI, the controller of credit in the country and the government to relieve this rising stressful situation by addressing the problem of the

[42] *Insolvency and Bankruptcy Board of India signs a Memorandum of Understanding with the Reserve Bank of India*, INSOLVENCY & BANKRUPTCY BOARD OF INDIA, http://ibbi.gov.in/webadmin/pdf/press/2018/Mar/RBI-IBBI%20MoU%20Press%20Release.pdf (last visited June 2, 2018).

[43] *Monetary Management and Financial Intermediation, Banking Sector*, INSOLVENCY & BANKRUPTCY BOARD OF INDIA, http://www.ibbi.gov.in/044_055_Chapter_03_Economic_Survey_2017_18.pdf (last visited June 2, 2018).

NPAs. The RBI was optimistic and took complete advantage of the Code by formulating policies and regulations for the PSBs under the Code. The success of the Code rests on the alacrity with which the government, courts, tribunals and IBBI respond to early-stage issues arising in their domain. The World Bank recognised the sustained efforts and commitment of the government when the country became one of the top ten 'improvers' in the ranking. India is ranked in top 100 for the first time in World Bank's "Ease of doing business". India's ranking jumped from 130th to 100th position in 2018; and taking note of the head of insolvency resolution, the country stands at 103th rank.[44] There is no doubt that this sharp improvement owed to the implementation of a well-defined legal framework and sincere steps taken by the RBI to keep up with the pace of development of the Code, and this eventuated in efficient channelization of debt recovery in our developing economy. The World Bank and International Monetary Fund have acknowledged and praised the efforts for the same purpose. This will prove to be a game changer in the interest and long-term growth of the economy, and would subsequently improve financial discipline in the country.

[44] *Economy Rankings*, THE WORLD BANK, http://www.doingbusiness.org/rankings (last visited June 3, 2018).