



# SC upholds bankruptcy code, cites improved financial flows

Posted at: 26/01/2019

## **Clear message that India is no longer “defaulter’s paradise”**

- In a whoop of victory for credits markets and entrepreneurship, the Supreme Court upheld the constitutionality of the Insolvency and Bankruptcy Code (IBC), saying the law sends a clear message that India is no longer “the defaulter’s paradise.”
- The Code consolidates disparate bankruptcy and insolvency laws of the past under one umbrella.

## **Time-bound**

- The IBC, on the other hand, adopts a two-pronged approach providing a time-bound resolution mechanism, aimed at protecting the maximum value of the assets of the corporate debtor.
- It also, while doing so, promotes entrepreneurship and credit markets.
- The court noted that the working of the Code is being monitored by the Centre through expert committees.
- The Code is constantly evolving, bettering itself.
- The judgment, however, partially reads down Section 29A.

## **Relaxation for MSMEs**

- The court upheld certain relaxations given to micro, small and medium enterprises (MSME) under Section 29A of the Code.
- The court said the MSME form the “bedrock of our economy” and stringent restrictions through the IBC would adversely affect them leading to the untimely liquidation of MSMEs instead of resolving crisis.
- The court said the relaxation provided to MSMEs is proof that the legislature is alive to the anomalies within the Code and is taking steps to rectify them.
- The court dismissed arguments that the IBC discriminates between financial creditors and operational creditors.

<https://www.thehindu.com/news/national/sc-upholds-bankruptcy-code-cites-improved-financial-flows/article26093750.ece>



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