

## WIND-UP VIGOUR

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector  
incl. MSMEs and PSUs

Companies with assets of up to 1 crore will now be able to opt for a fast-track procedure to shut shop, bypassing the judicial route that they have had to take so far

The Centre has taken it upon itself to expedite the winding up of businesses by small firms. Companies with assets of up to 1 crore will now be able to opt for a fast-track procedure to shut shop, bypassing the judicial route that they have had to take so far. This should relieve tribunals of the heavy burden of cases they've had to bear ever since the Insolvency and Bankruptcy Code came into force. While a parallel mechanism will add to institutional capacity, bottlenecks in the liquidation process, such as a shortage of liquidators, may still not ease.

Smooth business exits are crucial for assets and resources to get re-allocated in a way that adds greater value to the economy. Tough exit processes harm this dynamism. The bankruptcy code has helped address India's bad debt problem. The bankruptcy courts, however, need to focus on big cases, and it would be best if small firms opted for the alternative path being offered. Yet, options need to be available to an even wider cast of economic agents—financial service firms, for example, and companies with assets abroad. Individuals, too, need a way to deal with bankruptcy. Work on these fronts, thankfully, is on.

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