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# INSOLVENCY OF INDIVIDUAL CORPORATE GUARANTOR: A DISTANT DREAM TO REACH

## Abstract

*In order to execute the insolvency of individual corporate guarantors, the Ministry of Corporate Affairs notified and brought into force the laws of insolvency of personal guarantors of corporate debtors via notification dated November 15, 2019. This move has had huge repercussions on the status of individual corporate guarantors. On the one hand, it has brought a wave of joy to creditors and on the other hand, it has opened up an ocean of insecurity for promoters, directors and individuals etc., who fall into this category. The author's objective in this study is to examine the procedural flaws in the Insolvency Code handling of procedures against individual corporate guarantors. In addition, he has come out with tentative recommendations in such a case.*



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## INTRODUCTION

A country's economy is supported by its banks and financial institutions. The performance of the bank is determined by the performance of the borrowers. If borrowers work harder, they will be in a better position to repay the bank on time and the bank's performance will automatically improve. However, when over 90 borrowers cease paying their loans and interest, the assets become non-performing assets (NPA) for the bank. Between 2008 and 2013, Public sector

banks' gross NPA in the year 2008 was 396 billion rupees which increased to 1,558.9 billion rupees till the end of year 2013. The same trend can be seen with private sector banks. Total NPAs rupees of all banks was rupees 556.95 billion which increased to 1,838.5 billion till the end of the year 2013 which was more than three times the gross NPAs of the year 2008. This was an alarming stage for the Government to pay immediate attention on the volume of NPA that was increasing at an alarming rate (Table 1).

TABLE 1:  
BANK GROUP-WISE CLASSIFICATION OF LOAN ASSETS OF SCBS-2008 TO 2013

Bank Name	Year	Standard Advances	%age Share	Sub-Standard Advances	%age Share	As on March 31 Doubtful Advances	Percent Share	Loss Advances	Percent Share	Gross NPAs	Percent Share	Total Gross Advances (Rs in Billion)
Public Sector Banks	2008	16,564.51	97.67	168.46	0.99	190.83	1.13	36.72	0.22	396.00	2.33	16,960.51
	2013	38,999.85	96.16	765.89	1.89	734.85	1.81	58.15	0.14	1,558.90	3.84	40,558.74