Interplay between technology and insolvency - an Indian perspective under IBC, 2016

Debajyoti Ray Chaudhuri *

Journal Article

Journal of Business Law

J.B.L. 2026, 2, 85-106

Subject
Insolvency

Other related subjects
Banking and finance; Information technology

Keywords
Creditors; Data storage; Digital technology; India; Insolvency

Legislation cited
Insolvency and Bankruptcy Code 2016 (India)

J.B.L. 85 Abstract

The Insolvency and Bankruptcy Code (IBC*) which came into effect in 2016, was not just a comprehensive legislation on insolvency resolution in India, but also a landmark reform. It provided for the creation of an innovative new institution called the Information Utility (*IU*) which was entrusted with the responsibility of accepting and storing financial information submitted by various types of creditors in electronic form, presenting to the concerned parties of the debt for authentication and storing it for access by authorised people. Being a key technological pillar of the* IBC *system, the* IU *provides its Record of Default, which helps to establish default and facilitate initiation of insolvency proceedings. It also plays an important role in pre-insolvency proceedings by providing alerts when there are indications of incipient stress in a debtor. These alerts happen under three different scenarios and facilitate creditors and debtors in negotiating and resolving stress, thus obviating the need for formal insolvency proceedings in many cases. The* IU *has substantial financial information submitted by a wide spectrum of creditors. It analyses interesting trends about debtor behaviour and creditor response to default by debtors. There are further enablers being proposed to enhance the effectiveness of the* IU.

1. Introduction

The year 2026 will be the 10th year since the Insolvency and Bankruptcy Code (IBC) came into effect in India. IBC is a comprehensive legislation which marks a paradigm shift in the insolvency resolution of all types of debtors in a time bound manner. Its objectives include, not just maximisation of value of debtors but also promoting entrepreneurship and availability of credit. This was not just another legislation but a landmark reform enabling a creditor driven resolution process conducted by a regulated insolvency professional (IP) [1] appointed by the Adjudicating Authority (AA). [2] This law, for the first time in India, provided for timelines to resolve or liquidate entities through processes in the manner provided under the IBC and the regulations [3] made thereunder. ***J.B.L. 86***

The IBC has continuously evolved and hence it is often known as a "living legislation". In the initial years, the stakeholders experienced myriad difficulties with issues ranging from the treatment of home buyers, promotor participation in the resolution process, ranking of the different classes of creditors in priority for payments, powers of the committee of creditors etc. These issues were gradually addressed through judicial interpretations by the AA, the Appellate Tribunal [4] and even by the apex court of India.

Keeping in view the feedback from stakeholders, multiple amendments to the IBC and the regulations were made. This was apart from the circulars, guidelines and clarifications by the board [5] i.e., the Insolvency and Bankruptcy Board of India (IBBI).

The Information Utility (IU) is an institution provided under Pt IV [6] of the IBC. IBBI, the regulator of the Indian insolvency eco-system has accorded its approval for registration of National E-Governance Services Limited (NeSL) as an IU. The IU provides for the financial and operational creditors or the debtors themselves who are registered users of the IU's online portal to submit financial information [7] to the IU and the IU supports them with alerts for early recognition of financial distress in debtors and facilitates evidence-based negotiations between stakeholders. The IU is a custodian of financial information as provided in the IBC and the IBBI (Insolvency and Bankruptcy Board of India) Regulations 2017 [8] or the IU Regulations.

The Government has now proposed the Insolvency and Bankruptcy Code (Amendment) Bill 2025, wherein new features like the Creditor Initiated Insolvency Resolution Process (CIIRP), reliance on the record of default by the IU to decide on admission applications etc. are being introduced in response to market feedback and to reduce the burden on AA. While the IBC focuses on time-bound resolution through Corporate Insolvency Resolution Process (CIRP), there is growing emphasis on out-of-court settlements through alternative dispute resolution (ADR) mechanisms like mediation, arbitrations and one-time settlements (OTS) before formal insolvency proceedings are initiated.

As the IU is an electronic repository of financial information, the IBBI has issued its Guidelines for Technical Standards for the Performance of core services and other services under the Insolvency and Bankruptcy Board of India (Information Utilities) Regulations 2017 to provide standards and best practices, as recommended by a technical committee, specially constituted for this purpose. The technical standards ensure reliability, confidentiality and security of financial information which is stored with the IU. ***J.B.L. 87***

1.1 Legal frameworks prior to the Insolvency and Bankruptcy Code 2016

Prior to the enactment of the IBC, India's insolvency and bankruptcy framework was fragmented across multiple laws and adjudicating bodies, resulting in a complex and time-consuming system for resolving insolvency matters and recovering debts.

The notable legal frameworks on insolvency in India prior to the IBC were, the Presidency-Towns Insolvency Act 1909, the Provincial Insolvency Act 1920, Sick Industrial Companies (Special Provisions) Act 1985 (SICA) through the Board for Industrial and Financial Reconstruction (BIFR), the Recovery of Debts Due to Banks and Financial Institutions Act 1993 (RDDBI) and the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002 (SARFAESI). Further, in an amendment to the Companies Act 2013, a separate winding-up provision was included to address closure of defunct businesses.

The fragmented regime prior to IBC contributed to massive delays in resolution and poor recovery rates for creditors. The World Bank's Doing Business 2015: Going Beyond Efficiency [9] report ranked India 142 out of 189 economies on the "Ease of doing business" parameter, citing an average resolution time of four years and three months and a recovery rate of just 26.5%.

The reasons for this were stated as multiple and complex mechanisms to address insolvency and overburdened judicial machinery. Recognising the urgent need for reform, the Government of India constituted the Bankruptcy Law Reforms Committee (BLRC). [10] The committee's report laid the foundation for the IBC. The BLRC proposed a consolidated legal framework that would be time-bound and creditor-friendly, besides also aligned with international best practices. The IBC was thus enacted to address these systemic inefficiencies and to transform India's credit culture by introducing a single, unified insolvency law applicable across corporate persons, individuals, and partnerships. It marked a change from the earlier debtor-in-possession model to a creditor-in-control framework, with strict timelines, institutional mechanisms, and a focus on resolution over liquidation.

Incidentally, after four years of implementation of IBC, in the World Bank's Doing Business Report 2020, [11] India had shown a significant improvement by securing 63rd rank out of 190 economies. India was recognised as one of the top 10 improvers for the third consecutive year, particularly for reforms in areas like resolving insolvency.

1.2 The bankruptcy law reforms committee and the information utility

The IU as an institution was envisaged in the BLRC Report is a cornerstone of the IBC's institutional architecture to ensure reliability, transparency, and efficiency in insolvency resolution through the use of technology. The BLRC observed that one of the primary obstacles to effective insolvency proceedings in India was the **J.B.L. 88* information asymmetry which causes difficulty in establishing the existence of default due to incomplete, conflicting, or unverifiable information.

It proposed the creation of regulated entities like the Information Utilities which would electronically record, authenticate, and preserve evidence of financial transactions between parties to the debt, defaults, and related information in a secure manner. The BLRC Report states that such digital infrastructure would reduce the scope for litigation at the admission stage, facilitate creditor coordination, and improve overall trust in the insolvency process. These utilities were to serve as the "single source of truth" for debt-related information, with authentication from the parties to the debt being a key requirement for legal admissibility.

2. Roles and responsibilities of an IU under the IBC

2.1 Collection and authentication of financial information

The IBC provides for the IU to accept the submission of financial information including that of information of debt, default, security interest, guarantees, invoices and repayment history from various classes of creditors, with the facility to update the same every month. The law also provides for this information to be authenticated by the counterparties to the debt (typically the debtor), ensuring that the information maintained is accurate and admissible as evidence before the AA i.e. National Company Law Tribunals (NCLTs).

2.2 Submission of information of default and the Record of Default (RoD)

The IU accepts submission of the information of default after due validation and performs the subsequent Authentication of Default [12] and issues the RoD. This record can be used to establish default under s.7(4) or s.9(5)(d) of the IBC and facilitates time bound admission of insolvency proceedings by the AA.

2.3 Access management and data security

Access to financial information stored with an IU is only by authorised users, such as creditors, debtors, etc. The IU is obligated to maintain high standards of confidentiality and data integrity as per the Guidelines for Technical Standards for the Performance of core services and other services under the IBBI (Information Utilities) Regulations 2017.

2.4 Supporting insolvency professionals and the adjudicating authority

The financial records maintained by the IU can be of help to the IPs in verifying claims, preparing information memorandum (IM), and constituting the committee of creditors (CoC). The AA also relies on RoD of the IU for swift and evidence-based decision-making during the admission process. **J.B.L. 89*

2.5 Standardisation and interoperability

IUs are required to adopt uniform formats for storing of data to enable seamless integration with banks and other institutional stakeholders, ensuring an ecosystem with full interoperability.

In essence, the IU is a repository of electronic financial information which provides the technological support for insolvency resolution in India.

3. A brief about the growth in information recorded with NeSL

Since its registration as an IU in 2017, NeSL has seen remarkable growth in the number of debt records, including both performing assets (accounts in which regular payments are made) and defaulting accounts. The increasing number of debt records is facilitated by use of appropriate technology for safe keeping of financial information. This also reflects a systemic shift towards disciplined information submission by the creditors and updating of the same which enables early resolution in case of default at a later stage.

As of June, 2025,[13] NeSL has over 2.52 million registered users, including financial institutions, operational creditors, and corporate borrowers. These users have contributed to building an extensive repository of over 45.07 million debt records across the country. These records include both regular and defaulted loans, encompassing diverse debt sizes, sectors, and borrower profiles.

The total value of debt information recorded on the IU platform now stands at a staggering 283 trillion rupees. This figure demonstrates the scale at which NeSL has integrated into India's credit ecosystem, functioning as a central repository for creditors to submit financial information related to loans, repayments, defaults, and financial relationships.

Of the total debt records, 1.9 million records are information of defaults, representing nonpayment of dues, as reported by creditors with a provision for authentication through a process as provided in the IU Regulations. These default records account for 23.69 trillion rupees in exposure. The significant value associated with defaulted loans highlights the risks which creditors face and the need for timely and accurate credit reporting.

This growth in data volume has important implications. First, NeSL's system facilitates timely issuance of alerts such as Default Alerts, Application Alerts, and Public Announcement Alerts, all of which allow for quicker responses and coordinated creditor action. Secondly, the IU's authenticated digital records enhance transparency and there is increased reliance on authenticated records of the IU during insolvency proceedings. Thirdly, the RoD issued by NeSL is being used by the AA to establish default, reduce delays at the time of admission and litigation. Fourth, the robustness of the RoD has led to innovative uses for the same, for example for verification of claims during the insolvency resolution process.

The IU receives data of CIRP applications filed through secure APIs from IBBI and disseminates it through creditors of the corporate debtor. Similarly, data of public announcements made by the IP on commencement of CIRP of corporate debtor, are made available through secure APIs by IBBI and this is disseminated ***J.B.L. 90*** to the creditors of the corporate debtor. Such information dissemination happens seamlessly through automated processes. Similarly, there is also a facility whereby the AA can also access the RoD of the IU through secure APIs.

Another important development is the launch of Digital Document Execution (DDE) by NeSL, which for the first time in India makes contract execution paperless and digital. With both data and documents the IU has the potential to become a complete repository of authenticated financial information.

NeSL's rapid growth in user base, debt record coverage, and default tracking underscores the increasing reliance on digital infrastructure for financial transparency. With increasing adoption, the IU is poised to become a cornerstone of India's credit risk architecture.

3.1 An overview of information stored with the IU: (Data as on 30th June 2025)

For all Creditors* (Financial + Operational Creditors)							
Debtor Category	Unique Debtors	Active Debt Records	Total Outstanding amount (Rs. Cr)	Unique Defaulted Debtors	Active Defaulted Debt Records	Total Outstanding Amount of Default (Rs. Cr)	Default Amount (Rs. Cr)
Company	476,693	2,701,694	23,057,231	38,547	100,594	2,110,865	1,812,742
Other Businesses	3,545,991	5,407,351	2,436,365	276,518	372,469	155,942	107,691
Individual	27,407,771	36,967,651	2,810,770	1,248,673	1,429,476	102,758	45,860
Total	30,654,715	45,076,696	28,304,367	1,548,921	1,902,539	2,369,566	1,966,294

For banking industry **							
Debtor Category	Unique Debtors	Active Debt Records	Total Outstanding amount	Unique Defaulted Debtors	Active Defaulted Debt Records	Total Outstanding	Default Amount (Rs. Cr)

			(Rs. Cr)			Amount of Default (Rs. Cr)	
Company	441,353	2,317,683	13,325,570	29,614	70,868	946,287	756,925
Other Businesses	3,116,432	4,611,373	1,958,054	233,280	313,447	114,980	75,879
Individual	21,643,017	29,225,064	2,292,971	1,114,833	1,276,900	77,178	33,946
Total	24,621,151	36,154,120	17,576,595	1,366,900	1,661,215	1,138,445	866,751

*J.B.L. 91

For creditors other than banking industry **							
Debtor Category	Unique Debtors	Active Debt Records	Total Outstanding amount (Rs. Cr)	Unique Defaulted Debtors	Active Defaulted Debt Records	Total Outstanding Amount of Default (Rs. Cr)	Default Amount (Rs. Cr)
Company	35,340	384,011	9,731,661	8,933	29,726	1,164,579	1,055,818
Other Businesses	429,559	795,978	478,311	43,238	59,022	40,962	31,812
Individual	5,764,754	7,742,587	517,800	133,840	152,576	25,580	11,914
Total	6,033,564	8,922,576	10,727,772	182,021	241,324	1,231,121	1,099,544

Table 1: Details on information recorded by creditors and digitally stored by NeSL

Source: Statistical information published on NeSL Website

Note: *Information Submitted by all creditor categories like Banks, NBFCs, NBFCs, debenture trustees, Other Private creditors, etc.

* * Information Submitted by banking industry like Public Sector Banks, Pvt Sector Banks, Foreign Banks, Coop-Banks only.

1 Crore (Cr) = 10 million, Rs. = Indian Rupee

These figures underline the breadth of the IU's coverage. It not only captures debt information but also gives a granular view of defaults across companies, other commercial entities and individuals, separately for banks and for non-banking creditors. Such visibility provides an early-warning system for lenders, facilitates better risk assessment and supports evidence-based enforcement or recovery action. This data also highlights how the IU is equally relevant for both financial and operational creditors. Financial creditors—primarily banks and NBFCs—have reported over 36 million debt records with 17.5 trillion rupees in outstanding credit. Operational creditors have reported 8.9 million debt records with 10.7 trillion rupees outstanding.

The above illustrate the IU's role as a repository of financial information submitted by both financial and operational creditors, with the provision for all the concerned parties to authenticate the debt. The financial information with the IU is across corporate, business, and individual segments. The IU also sends alerts about default, which is useful for creditors, debtors and the other stakeholders in insolvency ecosystem as it facilitates take early action, improved risk assessment, and reduced timelines in the insolvency resolution process.

A unique feature of the IU is that it empowers unregulated entities like operational creditors and other financial creditors to report information including information of default. Regulated entities like banks and NBFCs benefit from this as the IU gives them access to debtor behaviour across a wide spectrum of creditors. This is significant because default to operational creditors like small suppliers is usually symptomatic of incipient stress as default to institutional creditors could lead to drying up of credit lines. The information with the IU is equally significant to the other creditors as it gives them access to credit history of debtors across banks/NBFCs and other creditors. It can therefore enable them take decisions like supplying of

*J.B.L. 92

goods or services under credit. Finally, the IBC has provisions to ensure that the information with the IU is robust and can be relied upon. The information submission to the IU happens only after a process of registration which entails, identification of the entity and the authorised user. Further, information submission is only with the digital signature of the user. This ensures that the information can be of evidentiary value in any legal proceedings.

3.2 Analysis of the information submitted to the IU

NeSL publishes a suite of analytical reports every quarter under a section titled "Statistical Information" on its website. These reports provide a granular view of the debt information ecosystem across creditors and debtors and are widely used by regulators, policymakers, banks and researchers. These reports are:

i. Tenor Analysis Report: Examines the tenure profile of reported debts, showing how exposures are distributed across various age buckets.

ii. Lending Arrangement Analysis Report for Corporates: This report breaks down the type of lending arrangements availed by corporate borrowers.

iii. Sector-wise Analysis of Corporate Debtors: This report highlights the industry sectors where corporate debt is concentrated and default patterns that are emerging.

iv. Geographical Analysis of Corporate Debtors: This report maps the corporate debtor information state-wise and region-wise to show geographic distribution of credit and defaults.

v. Default Analysis Report: This report tracks the number and value of defaults, enabling trend analysis of financial distress.

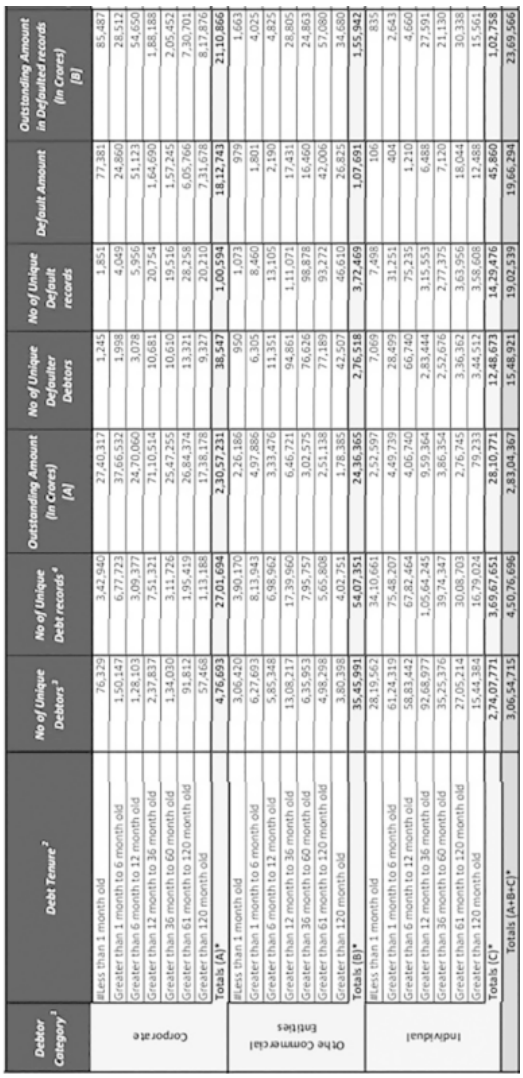
vi. Type of Debt Analysis Report: This report provides insights into the composition of financial and operational debts across debtor categories.

vii. Debt Size Analysis Report: This report analyses the debt exposures across different ticket-sizes to show concentration risks.

viii. Currency Analysis Report: This report presents the statistics on multi-currency lending and exposures, particularly for cross-border or external commercial borrowings.

Of the eight reports being published every quarter at NeSL website, we have analysed two important ones below. Other reports are available at the NeSL website at https://nesl.co.in/statistical-information/. ***J.B.L. 93***

3.2.1 Observations on tenor analysis report



Debtor Category [1]	Debt Tenure [2]	No of Unique Debtors [3]	No of Unique Debt records [4]	Outstanding Amount (In Crores) [A]	No of Unique Defaulter Debtors	No of Unique Default records	Default Amount	Outstanding Amount in Defaulted records (In Crores) [B]
Corporate	#Less than 1 month old	76,329	3,42,940	27,40,317	1,245	1,851	77,381	85,487
	Greater than 1 month to 6 month old	1,50,147	6,77,723	37,66,532	1,998	4,049	24,860	28,512
	Greater than 6 month to 12 month old	1,28,103	3,09,377	24,70,060	3,078	5,956	51,123	54,650
	Greater than 12 month to 36 month old	2,37,837	7,51,321	71,10,514	10,681	20,754	1,64,690	1,84,188
	Greater than 36 month to 60 month old	1,34,030	3,11,726	25,47,255	10,610	19,516	1,57,245	2,05,452
	Greater than 61 month to 120 month old	91,812	1,95,419	26,84,374	13,321	28,258	6,05,766	7,30,701
	Greater than 120 month old	57,468	1,13,188	17,38,178	9,327	20,210	7,31,678	8,17,876
	Totals (A)*	**4,76,693**	**27,01,694**	**2,30,57,231**	**38,547**	**1,00,594**	**18,12,743**	**21,10,866**
Other Commercial Entities	#Less than 1 month old	3,06,420	3,90,170	2,26,186	950	1,073	979	1,663
	Greater than 1 month to 6 month old	6,27,693	8,13,943	4,97,886	6,305	8,460	1,801	4,025
	Greater than 6 month to 12 month old	5,85,348	6,98,962	3,33,476	11,351	13,105	2,190	4,825
	Greater than 12 month to 36 month old	13,08,217	17,39,960	6,46,721	94,861	1,11,071	17,431	28,805
	Greater than 36 month to 60 month old	6,35,953	7,95,757	3,03,575	76,626	98,878	16,460	24,863
	Greater than 61 month to 120 month old	4,98,298	5,65,808	2,51,138	77,189	93,272	42,006	57,080
	Greater than 120 month old	3,80,398	4,02,751	1,78,385	42,507	46,610	26,825	34,680
	Totals (B)*	**35,45,991**	**54,07,351**	**24,36,365**	**2,76,518**	**3,72,469**	**1,07,691**	**1,55,942**
Individual	#Less than 1 month old	28,19,562	34,10,661	2,52,597	7,069	7,498	106	835
	Greater than 1 month to 6 month old	61,24,319	75,48,207	4,49,739	28,499	31,251	404	2,643
	Greater than 6 month to 12 month old	58,83,442	67,82,464	4,06,740	66,740	75,235	1,210	4,660
	Greater than 12 month to 36 month old	92,68,977	1,05,64,245	9,59,864	2,83,444	3,15,553	6,488	27,591
	Greater than 36 month to 60 month old	35,25,376	39,74,347	3,86,354	2,52,676	2,77,375	7,120	21,130
	Greater than 61 month to 120 month old	27,05,214	30,08,703	2,76,745	3,36,362	3,63,956	18,044	30,338
	Greater than 120 month old	15,44,384	16,79,024	79,233	3,44,512	3,58,608	12,488	15,561
	Totals (C)*	**2,74,07,771**	**3,69,67,651**	**28,10,771**	**12,48,673**	**14,29,476**	**45,860**	**1,02,758**
	Totals (A+B+C)*	**3,06,54,715**	**4,50,76,696**	**2,83,04,367**	**15,48,921**	**19,02,539**	**19,66,294**	**23,69,566**

Table 2: Tenor analysis report as on 30th June 2025 ***J.B.L. 94***

Source: NeSL Website—Statistical Information

The Information Utility's tenor analysis report provides a panoramic view of how debt exposure and default behaviour evolve over time. As on 30th June 2025, more than 30 million unique debtors hold about 45 million active debt records amounting to nearly 283 trillion rupees in total outstanding across corporate, commercial and individual categories. Within this universe, roughly 1.55 million unique debtors have slipped into default comprising of 1.9 million debt records, representing about 19.6 trillion rupees of defaulted exposure—or close to 8.4 percent of the total outstanding.

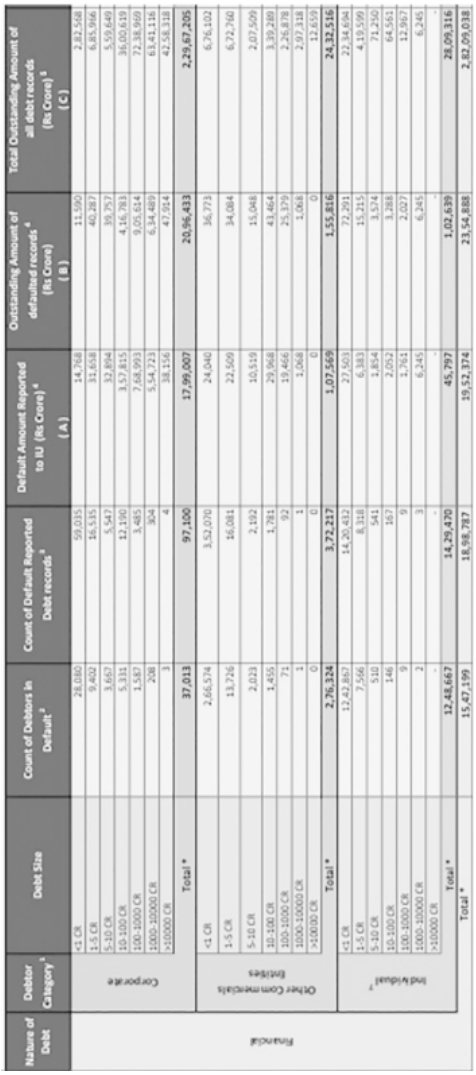
A clear trend emerges across age-buckets. Newer exposures (less than one year old) show relatively low incidence of default, both in absolute value and as a percentage of the total outstandings. As the tenure increases into the 12−36-month range, the volume of defaults rises steadily, reflecting the early phase where repayment discipline is tested. Once exposures cross the 36-month mark, there is a slight reduction in default, but again increases in later buckets, especially beyond 61 or 120 months. This suggests that ageing portfolios carry materially higher credit risk and need closer monitoring.

The analysis also highlights the behavioural trends of different borrower categories. In the corporate segment, the default is the highest in the above 10 years segment, however in the Other Commercial Entities and individuals' segment, the default is highest in the five to 10 years segment. It's important to note that in the corporate segment, the defaults are high in the less than one month segment. In banking parlance these are often termed as "Quick Mortality" where there is default almost immediately

after disbursement. However, in the context of the IU, it could also be because, reporting to the IU was done when there were signs of stress in the borrower's debt account.

In effect, the tenor report is not just a statistical exercise but a risk-management dashboard. It shows how the credit life-cycle progresses, at what point distress peaks, and which segments are most vulnerable. This high-level perspective can help lenders, investors and regulators plan provisioning, restructuring or recovery strategies before the actual insolvency which can help in preserve the value of the debtor. ***J.B.L. 95***

3.2.2 Observations on default analysis report



Nature of Debt	Debtor Category [5]	Debt Size	Count of Debtors in Default [2]	Count of Default Reported Debt records [3]	Default Amount Reported to IU (Rs Crore) [4] (A)	Outstanding Amount of defaulted records [4] (Rs Crore) (B)	Total Outstanding Amount of all debt records (Rs Crore) [5] (C)
Financial	Corporate	<1 CR	28,080	99,035	14,768	11,590	2,82,568
		1-5 CR	9,402	16,535	31,658	40,287	6,85,966
		5-10 CR	3,667	5,547	32,894	39,757	5,50,649
		10-100 CR	5,331	12,190	3,57,815	4,16,781	36,00,633
		100-1000 CR	1,587	3,485	7,68,993	9,05,614	73,38,969
		1000-10000 CR	208	364	5,54,723	6,34,489	61,41,116
		>10000 CR	3	4	38,136	47,344	42,58,338
		Total *	37,013	97,100	17,99,007	20,96,433	2,29,67,205
	Other Commercials Entities	<1 CR	2,66,374	3,52,076	24,046	36,773	6,76,102
		1-5 CR	13,726	16,081	22,500	34,084	6,72,760
		5-10 CR	2,023	2,102	10,519	15,046	2,07,509
		10-100 CR	1,455	1,781	29,968	43,464	3,39,280
		100-1000 CR	71	92	19,466	25,379	2,26,878
		1000-10000 CR	1	1	1,068	1,068	2,97,318
		>10000 CR	0	0	0	0	12,659
		Total *	2,76,324	3,72,217	1,07,569	1,55,816	24,32,516
	Individual [1]	<1 CR	12,42,867	14,20,432	27,503	72,791	22,34,694
		1-5 CR	7,566	8,318	6,383	15,215	4,19,599
		5-10 CR	510	541	1,854	3,374	71,250
		10-100 CR	146	167	2,052	3,288	64,561
		100-1000 CR	9	9	1,761	2,027	12,997
		1000-10000 CR	2	3	6,245	6,245	6,245
		>10000 CR	-	-	-	-	-
		Total *	12,48,667	14,29,470	45,797	1,02,639	28,09,316
	Total *		15,47,199	18,98,787	19,52,374	23,54,888	2,82,09,038

Table 3: Default analysis report as on 30th June 2025 ***J.B.L. 96***

Source: NeSL Website—Statistical Information

The default analysis report reveals how the incidence and quantum of defaults vary by the size of debt exposure. As at the end of June 2025, the IU had over 45 million (from Table 2) live debt records across all categories. Within this, about 1.89 million debt records were reported in default, carrying an exposure of nearly 23.54 trillion rupees.

The trends in default are different across different customer segments. In the corporate segment while the number of defaults is highest in the less than 1 crore segment, the aggregate amount of default is highest in the 100−1000 crore segment. In the "Other Commercial Entities" segment, the number and number of defaults are very high in less than 1 crore segment. The amount of default is however highest in the 10−100 crores segment, though the number of borrowers in this segment is not very high. In the individual segment, both the number of borrowers and the amount of default is highest in the less than 1 crore segment. In the individual segment, this could be because information submission in this segment is not complete across all banks. Moreover, high value loans are very rare in the individual segment.

This analysis is like a risk-map. It shows not just "how much" is in default, but "where"—by exposure size and borrower type —enabling banks, NBFCs and lending institutions to calibrate their provisioning, monitoring and recovery strategies in a more precise manner.

4. Early warning functions of information utility and the evidentiary support through RoD

4.1 Alerts by the information utility

The alerts to the registered users of the IU help them have a proactive role in insolvency resolution. The three key alerts, the Default Alert, Application Alert, and Public Announcement Alert, are designed to keep stakeholders informed of incipient stress.

The Default Alert: Any creditor can submit information of default to the IU. Once such information is submitted, the IU will do the process of authentication as provided in the IBBI (Information Utilities Regulations) 2017. On completion of the process of authentication and verification, it notifies the debtor, all other creditors linked to that debtor. This alert serves as an early warning mechanism and allows creditors to assess their exposure to a potential distress in an entity financed by them.

The Application Alert: This Alert is generated when a financial or operational creditor initiates an application for commencement of insolvency proceedings under the IBC. Upon receipt of such information, the IU is obligated to inform all creditors associated with the debtor, thereby enabling coordinated creditor action.

The Public Announcement Alert: This alert is issued once the AA admits the application for commencement of insolvency proceedings and a public announcement is made by the Interim Resolution Professional (IRP) under reg.6 of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations 2016. This alert, sent by the IU to all creditors registered with the IU, acts as a formal intimation for submitting claims during CIRP. ***J.B.L. 97***

Together, these three alerts enhance the information symmetry among stakeholders, promote early action, and reduce delays caused by lack of awareness, making the IU a critical pillar in the IBC's design for time-bound insolvency resolution.

4.2 The Record of Default (RoD) by the IU

The RoD is a digitally authenticated document that evidence default by a debtor, based on the submission by the creditor and authentication by the debtor.

Once issued, this record serves as prima facie evidence of default for admission of CIRP applications and is increasingly relied upon by the AA. Its significance lies in that it reduces delays, disputes, and addresses issues of debt, default and applicability of limitation through its detailed content.

4.3 RoD and increasing reliance on RoD by AA

The IBC provides that the AA shall ascertain the existence of default from the records of an IU or any other information. The RoD from the IU can be submitted by the creditors along with its application for initiation of insolvency proceedings against the debtor. The RoD has all the essential details required for the AA to decide whether the application can be admitted for initiation of insolvency proceedings.

The amendments to the IU regulations on 13th August 2024 [14] provides that the IU shall verify the proof of debt, default and the acknowledgment of debt before issuance of its record of default. This makes the record of default robust and further enhances its utility to the AA.

5. Debtors in default and subsequent regularisation in IU

An analysis was done of the data on default reporting and its impact on credit behaviour. This was published in the NeSL quarterly Newsletter, the "NeSL Chronicle" on July, 2024. [15] In the corporate segment, an average of about 12,650 instances of information of default were reported each quarter, during the same period, an average of around 4,260 reported regularisation of accounts were reported, showing a consistent pattern of some defaults being resolved or cured over time.

For the individual debtor segment, the data for the same calendar year reflects that on average about 1,75,000 default records were reported every quarter. Importantly, a significant portion of defaults was subsequently regularised, with an average of 83,000 accounts becoming regular each quarter, indicating a steady pattern of repayment or resolution among individual borrowers.

Even in the Other Commercial Entities, a similar trend of default reporting along with subsequent regularisation has been observed. An analysis of recent data, which would be published soon, it is found that the number of accounts being regularised were more than the number being reported as default. This data confirms ***J.B.L. 98*** the impact of early reporting of default to the IU. The early reporting of default to the IU and the subsequent alerts of the IU facilitate information dissemination, can become the anchor for discussions between the creditors and debtors to arrive at debt resolution.

In a similar fashion, our data consistently shows that a significant proportion of debtors of banks who default eventually regularise their accounts within 90 days. This could be the result of the default alert issued by NeSL as a trigger for immediate corrective action by creditors. While the IBC defines default as non-payment of a debt when due, not all defaults lead to long-term distress or insolvency. The period of 90 days is significant as Reserve Bank of India (RBI) directions provide that banks must classify default which persists for more than 90 days as Non-Performing Assets (NPA). [16] Classification of an account as NPA has significant implications for both the bank and the debtor. The bank has to make provisions on the same, impacting its profits, while for the borrower it significantly impacts its ability to borrow. The evidence seems to show that many borrowers regularise their accounts before the 90-day window, which would mark their account as NPA.

The IU and the supporting legal framework play a crucial role in this process by ensuring transparency and early visibility of defaults to all stakeholders. Once a default is recorded and authenticated, NeSL issues real-time alerts allowing for coordinated monitoring and intervention. If the borrower cures the default after the record is authenticated, the event of default remains in the system, preserving a full, time-stamped credit history through the Credit Facility Report (CFR). This is useful for risk assessment and behavioural analysis, as past defaults, even if resolved, can serve as indicators of incipient stress.

These early warnings help lenders differentiate between one-off liquidity issues and systemic credit deterioration. Moreover, the regularisation of default, which is observed to be consistent, reinforces the importance of the IU mechanism not just as a statutory repository, but as a preventive and restorative tool within the IBC ecosystem. By supporting regularisation of debt accounts, it also affirms the value of timely information flow in enhancing creditor confidence, reducing unnecessary litigation, and supporting the larger goal of financial discipline and resolution efficiency.

5.1 Default reported with IU vs CIRP admissions

Table 4

Default reported with IU Vs CIRP Admissions (Data as on 31st May 2025)	
Unique Debtor in Default (Reported)	36,416
Unique Debtor Count (RoD Generated)	25,417
CIRPs Admitted	8,434

Early detection & intervention: Of the 36,416 unique corporate debtors where defaults was reported to IU, only 8,434 proceeded to actual CIRP admission. ***J.B.L. 99*** However, use of the RoD of the IU is not mandatory and in only 2,617 out of the

8,434 CIRP admissions, the RoD of the IU was available. Accordingly, in respect of 22,800 corporate debtors i.e. (25,417 to 2,617), while the RoDs are available, CIRP has not commenced. This means many defaulting cases have not yet commenced formal insolvency proceedings. This need not give alarm bells as this could mean either of two things. While it may indicate the potential number of new cases likely to make it to the NCLT for insolvency proceedings, but it could also mean that these are being resolved outside the formal insolvency proceedings. Analysis of data provided in the early part of this paper has shown that even while defaults get reported regularly to the IU, there are also instances of defaults getting regularised.

Effectiveness of RoD as a deterrent: With 25,417 RoDs generated, it indicates that the IU is effectively moving from default reporting to authenticated evidence creation, giving creditors leverage for resolution, negotiation and settlement.

Value of Pre-admission tools: The gap between defaults and CIRP admissions points to the growing effectiveness of out-of-court settlements and repayments, or structured negotiations, facilitated by the early warnings of default provided by IU.

5.2 CIRP admissions vs RoD used by AA

Table 5

CIRP admissions Vs RoD used by AA (Data as on 31st May 2025)	
Total CIRPs Admitted	8,434
Default Reported to IU	2,659
RoDs Issued	2,617

Trend in use of RoDs in admissions: Out of the 8,434 CIRPs admitted, only 2,659 (31.5%) had defaults reported to the IU, and 2,617 RoDs were issued, showing that while the IU is gaining traction, a significant majority (nearly 70%) of cases still rely on alternate sources of evidence which could be time consuming.

Credibility of IU data: The near parity between defaults reported (2,659) and RoDs issued (2,617) shows a high conversion rate (approximately 98%) indicating the reliability and legal weight of IU data when used.

Scope for further integration: This gap highlights an opportunity for greater adoption of the IU system by creditors. Use of RoDs in CIRP filings could significantly enhance efficiency and reduce litigation at admission stages as recommended in the proposed Insolvency and Bankruptcy Code (Amendment) Bill 2025.

6. Leveraging the information utility technology for settlements and pre-insolvency proceedings

There are different ways in which the IU empowers creditors and facilitates early detection, intervention, and resolution of financial distress in debtors.

Below are five key scenarios that demonstrate how creditors can effectively utilise IU services across various stages of the credit lifecycle. ***J.B.L. 100***

6.1 Recording financial transactions (pre-dispute stage)

On execution of a credit contract, it is advisable for creditors (both financial and operational) to submit financial information of the transaction to the IU. For financial creditors, this includes nature and terms of the credit facility extended, repayment schedule, security interests, guarantor or co-borrower details and other key contract parameters. For operational creditors, invoice details, due dates, and related documentation are relevant. This information, once submitted to the IU, is sent to the debtor and other concerned parties for authentication via an automated process.

Upon authentication, the records in the IU will be part of the credit history, in case of a later default by debtor. In addition, creditors can access the Credit Facility Report (CFR) with the consent of the debtor. CFR is a comprehensive report of the debtor's borrowings across all creditors. This provides early visibility into the borrower's credit exposure including history of default and can help in risk management. Once it's registered on the IU platform, the creditor starts getting alerts regarding default by the debtor to other creditors.

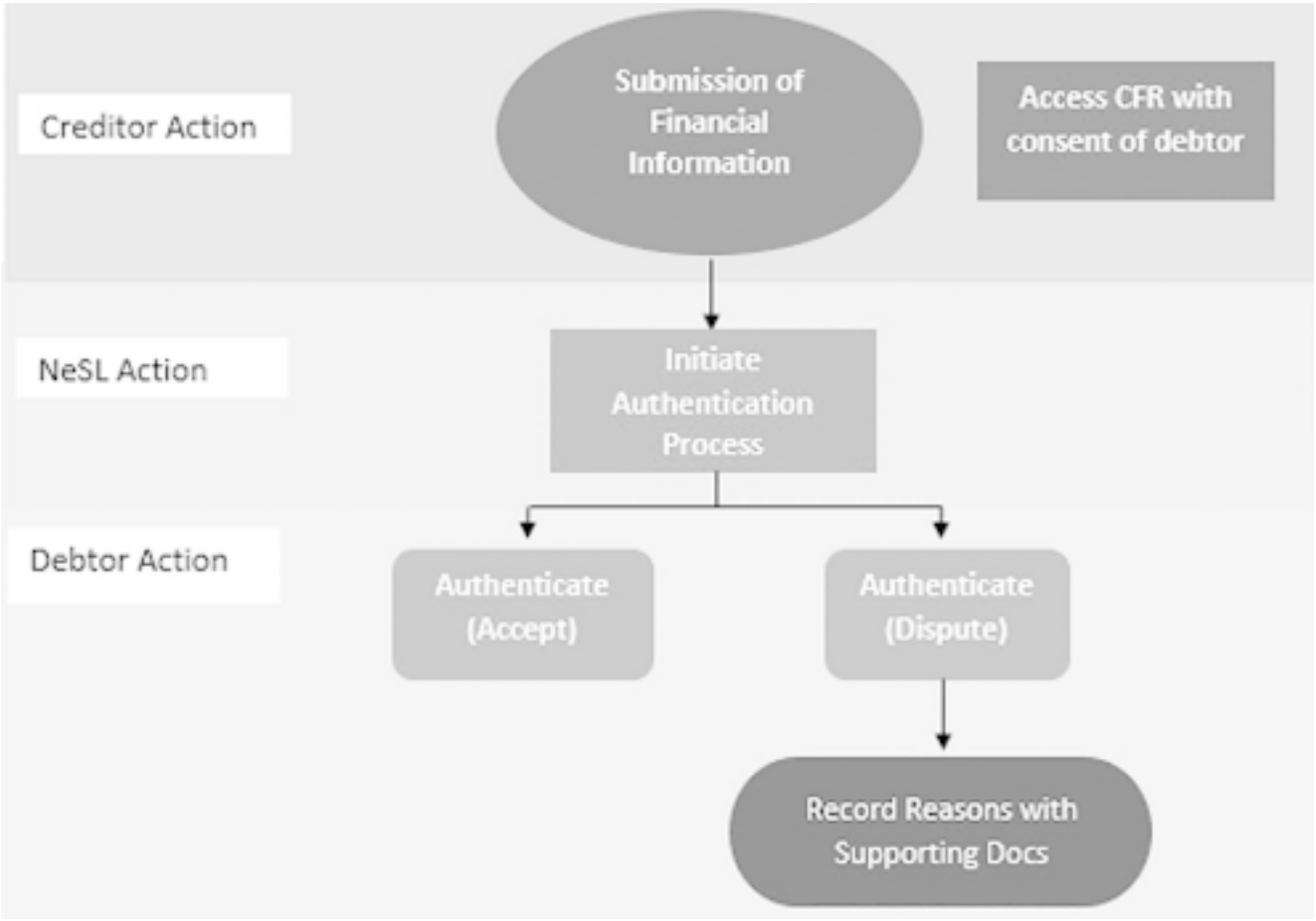


Image 1: Recording standard or non-default information with IU.

6.2 Early settlement before authentication (default stage)

When a default occurs, creditors can submit the information of default to the IU. Upon submission, an authentication process is triggered wherein the debtor receives an intimation email followed by three reminder emails at seven-day intervals. If the debtor clears the outstanding dues before the third reminder (i.e., before the 31-day authentication window), the IU does not broadcast the default alert to other creditors linked with the debtor. Thus, the debtor's credit history remains intact.

This offers an opportunity for borrowers to settle promptly or engage with their creditors for a resolution plan. This will protect their credit history and reputation with other associated creditors. It also incentivises settlements before matters escalate into formal insolvency proceedings. However, to ensure the integrity of the process, it is essential that the creditor updates the IU immediately ***J.B.L. 101*** post-settlement and that the records of the IU reflect the updated credit status of the debtor. This is also insisted upon by the debtor.

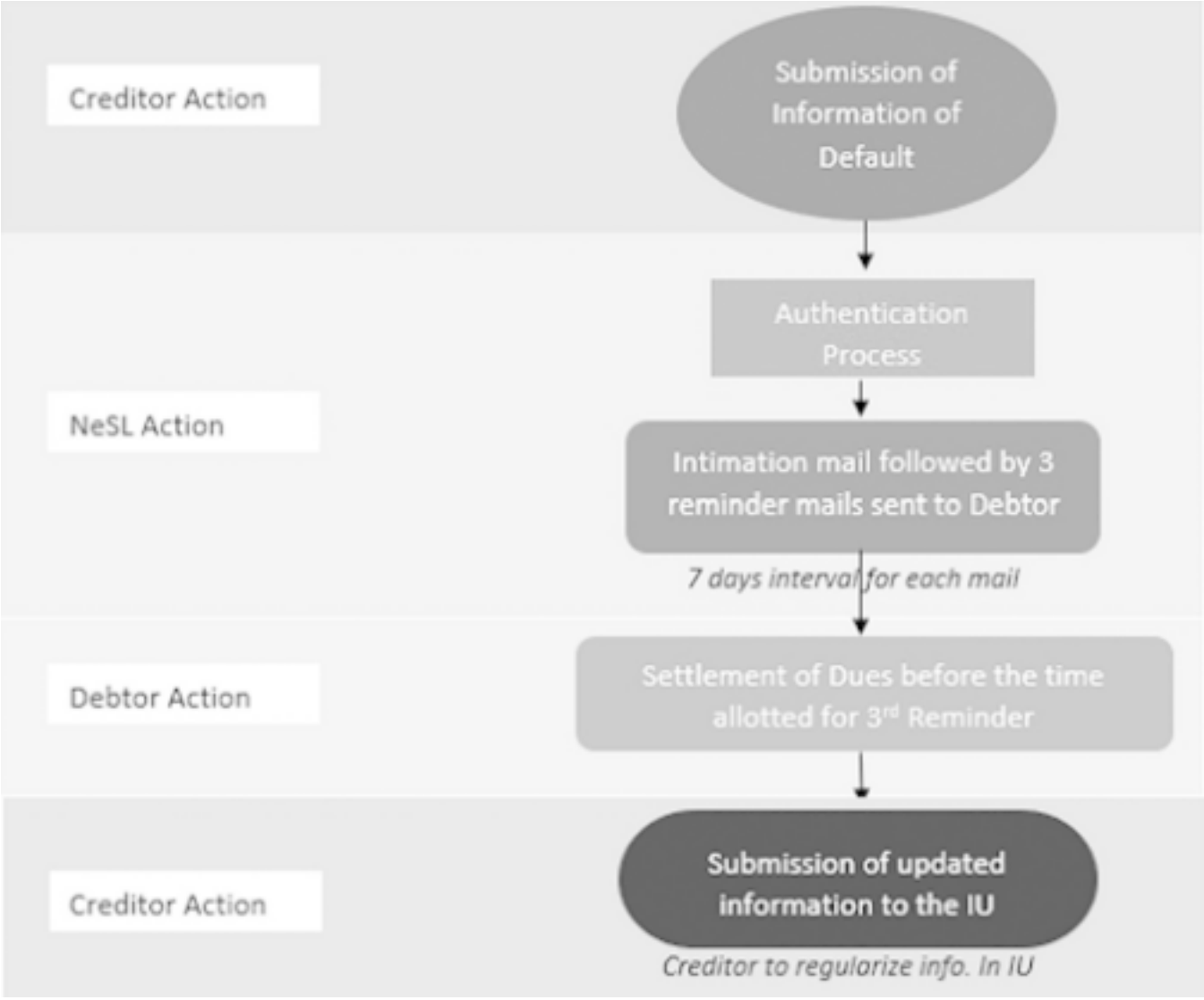


Image 2: Recording default information with IU and settlement prior to authentication

6.3 Settlement after RoD generation; and before CIRP application is filed

If there is no settlement within the authentication window, and the debtor neither confirms nor disputes the information of default submitted against them, the IU generates a Record of Default (RoD). This is a digitally signed document evidencing default and can be used for insolvency proceedings under s.7 or s.9 of the IBC. The IU also broadcasts default alerts to all financial creditors linked to the debtor, notifying them of the event of default.

If the debtor subsequently settles the outstanding dues, it must request the reporting creditor to update the record. The updated status will be reflected in the IU portal, although the event of default remains part of the credit history of the debtor. This process strengthens post-default accountability and ensures accurate monitoring of credit behaviour. ***J.B.L. 102***

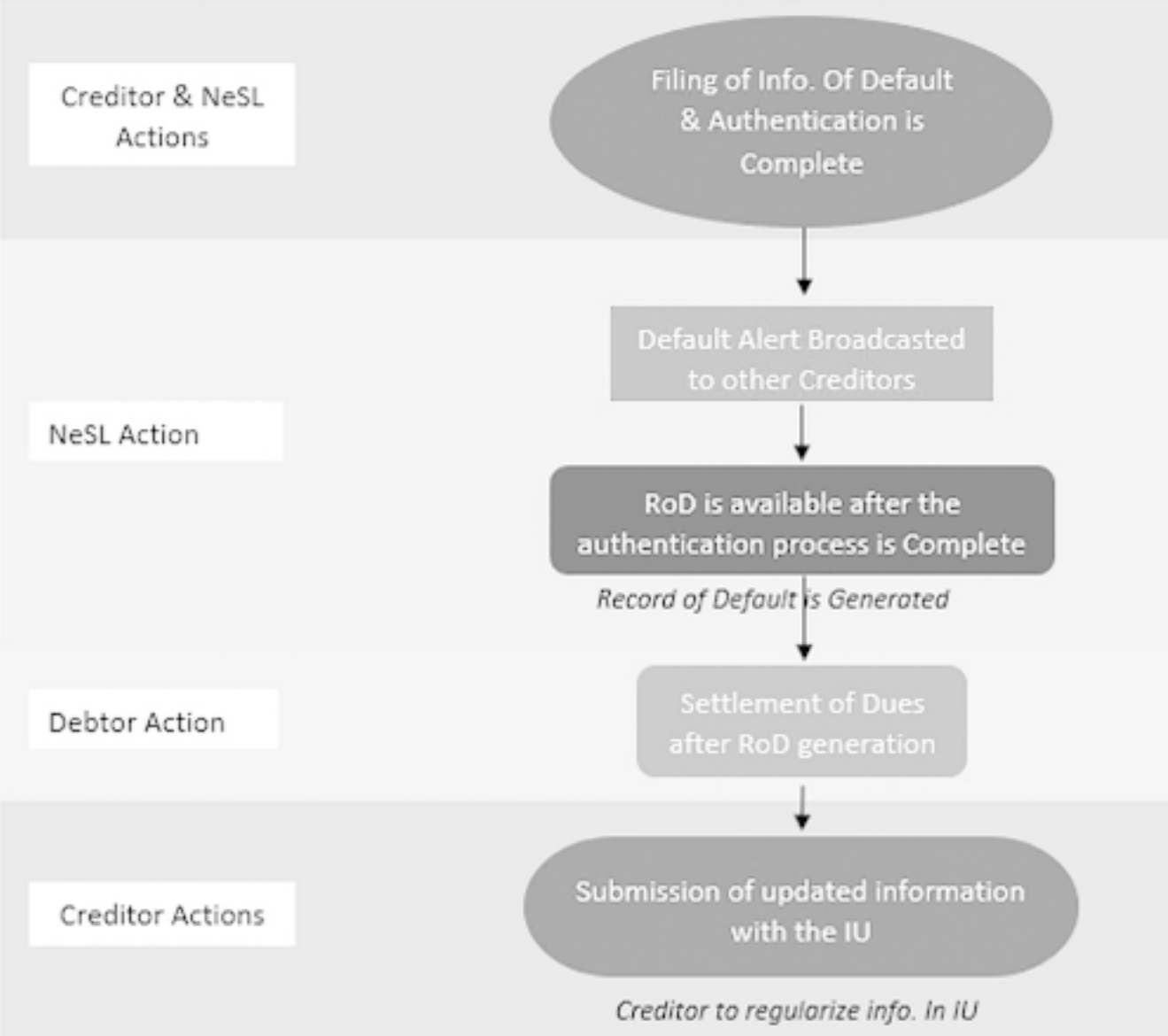


Image 3: Settlement after authentication process is complete

6.4 Settlement after CIRP application; before admission by AA

In cases where the creditor initiates a Corporate Insolvency Resolution Process (CIRP) under s.7 or s.9 of the IBC, and an application is filed with the NCLT, the IU issues an "Application Alert" to all associated creditors, in addition to the earlier default alert. This creates a second touchpoint for other creditors and can help with coordinated decision making.

Even at this stage, settlement is possible before the application is admitted by the AA. Debtors can still settle or negotiate a resolution plan with its creditors. In such cases, the information available with the IU backed by digitally verifiable audit trails, serves as documentary proof for the regularisation of the default, once the initiating creditor updates the revised information in the IU. ***J.B.L. 103***

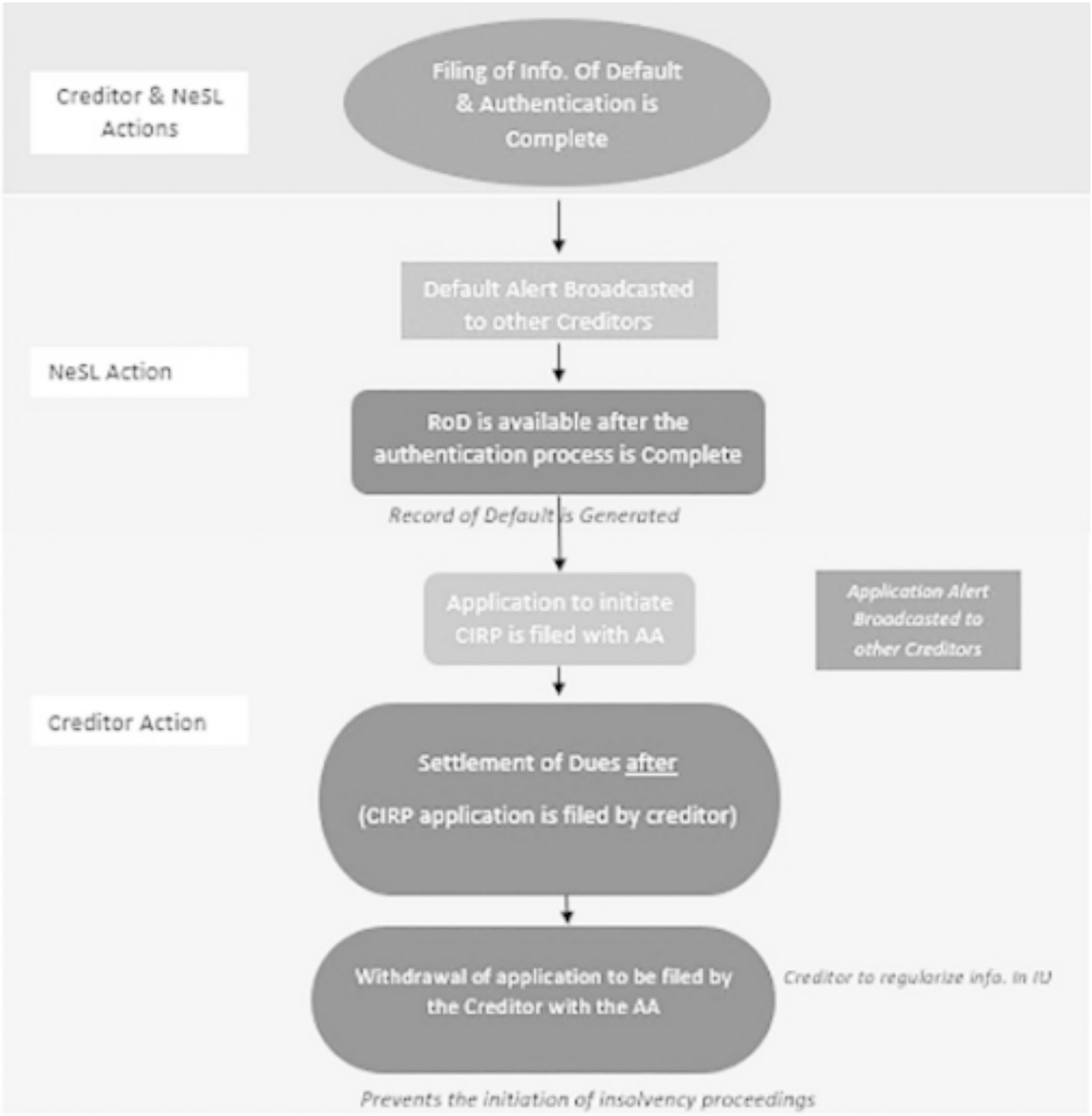


Image 4: Settlement after CIRP application is filed; but yet to be admitted by AA

6.5 Settlement after CIRP admission

Once the CIRP is admitted by the AA, the powers of the Board of Directors get suspended and an Interim Resolution Professional (IRP) takes over the management. At this stage, any proposal for withdrawal of insolvency proceedings must follow the procedural framework as provided under the IBC.

- Before CoC Formation: Withdrawal is allowed under reg.30A of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations 2016. The AA may permit the withdrawal based on a settlement agreement between the creditor and debtor.
- After CoC Formation: Withdrawal can be done only under s.12A of the IBC, which mandates that 90% of the voting share of the Committee of Creditors (CoC) must approve the withdrawal request before AA.

Hence, the IU's records, including the RoD, which have details on the submission timelines, mail logs, and alerts becomes crucial not just to establish default but also for establishing limitation, creditor response, and status of the debt over the period of reporting by the creditor.

Through these use cases, it becomes evident that the IU can be used by creditors to monitor credit risk events and act promptly. The IU data, when used proactively, can foster a culture of transparency between parties to the debt, encourage timely repayments, and reduce the lengthy litigation or insolvency proceedings. By leveraging NeSL's IU platform, stakeholders can derive significant benefits in terms of efficiency, cost, and value maximisation.

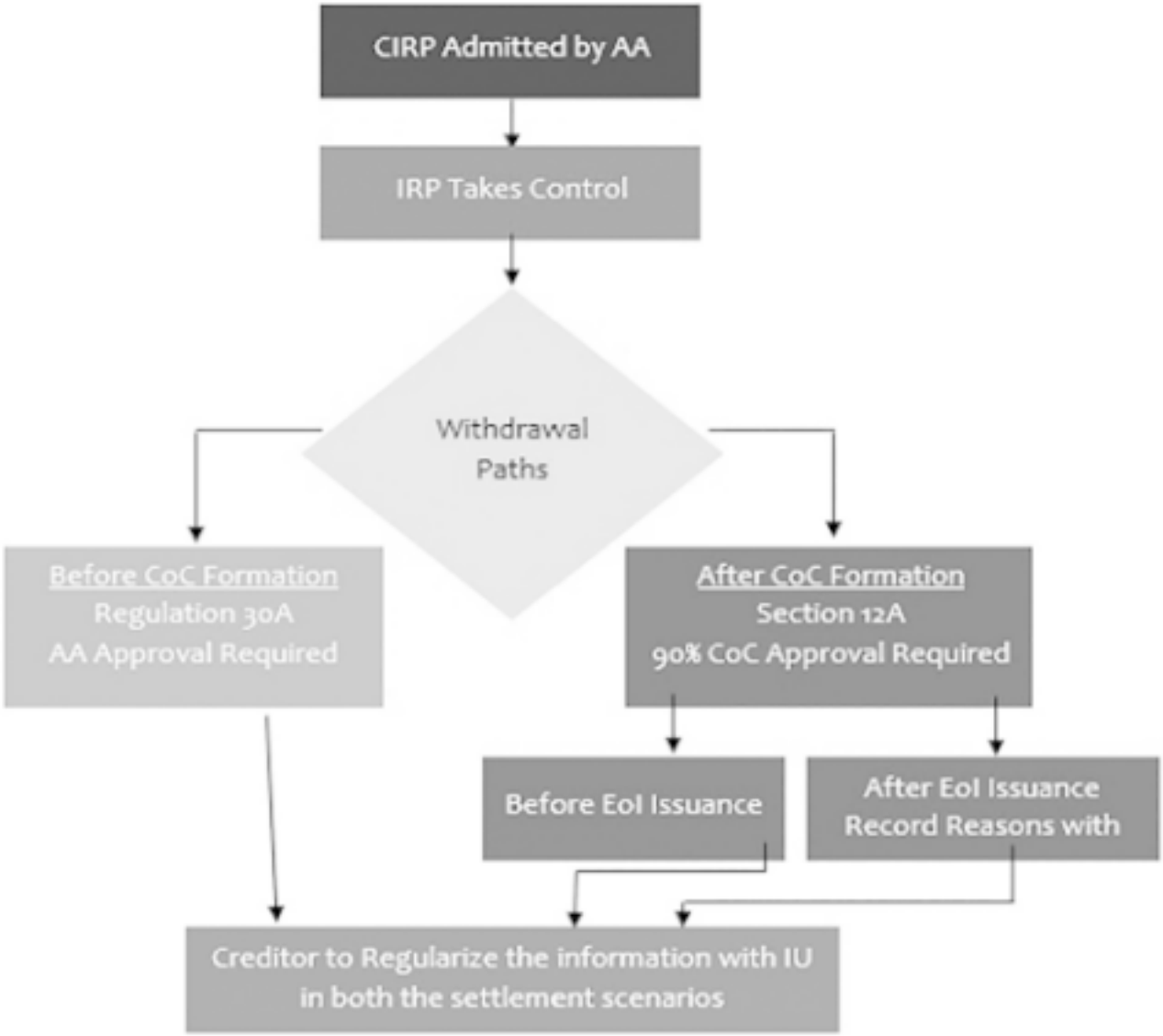


Image 5: Settlement after CIRP application is admitted—before and after CoC formation

7. Conclusions

7.1 Institutional adoption and awareness of the Information Utility

The adoption of IU has largely been driven by regulatory mandates by institutions such as the Reserve Bank of India (RBI) through *circular* [17] and amendments to the IU regulations. These steps by various regulators of the financial sector of India have encouraged creditors to regularly submit information of debt and defaults with the IU.

However, despite this increasing formal adoption, there remains a noticeable gap in awareness and utilisation among a broader set of ecosystem participants—particularly operational creditors. The IU is the only credit repository which allows non-regulated entities like operational creditors and financial creditors to submit information and avail the benefits from the same, including timely repayment of their dues. However, submission of information by operational creditor remains significantly lower than that from financial creditors. This is despite the fact that the IU is a repository which empowers them by giving them a facility to report default. Moreover, they can also use the RoD of the IU to initiate applications for insolvency. ***J.B.L. 105***

Overall, while the IU has achieved commendable traction among large institutions, its true systemic value will be unlocked when participation becomes universal and frictionless across the entire creditor spectrum.

7.2 IBC Amendment Bill 2025

The government of India has proposed comprehensive amendments to the IBC. The Bill has been introduced in Parliament and is likely to be taken up for approval at the next session of parliament. The Bill provides, inter alia that, for applications filed by a certain category of regulated financial institutions, the RoD of the IU would be sufficient to establish default. Secondly the Bill provides that, for an operational creditor, it would be mandatory to submit information to the IU, to initiate insolvency proceedings under the IBC. Finally, the debtors are required to authenticate information submitted by their creditors. If they do not authenticate the information within a period of time, then the information would be treated as "Deemed to be Authenticated".

The IBC Amendment Bill 2025 also provides for the creditor led resolution process or CLDR or CIIRP, wherein, during the insolvency resolution process, the promoters retain control of the company, but the IP works with the management and the board. The IP can, however, overrule any decisions of the Board of the Directors, which it feels is not in the interest of the company. The initiation of the insolvency resolution does not require the approval of the NCLT, which will reduce the burden on the NCLTs. However, the final resolution plan is approved by the NCLT. The issue of when to initiate the CIIRP can be taken care of by the IU, as it issues alerts at various stages indicating creditors of incipient stress in their borrower entities. As the initiation of the CIIRP requires approval of the 51% of the creditors, these alerts to all creditors of the IU help achieve common ground on the need for resolution of the Corporate Debtor.

7.3 The way forward for IU

The IU framework will unlock maximum benefits if there is a seamless integration into the broader insolvency and credit ecosystem, supported by targeted policy and legislative initiatives.

On the regulatory front, the IBBI has progressively amended regulations to streamline information flow to the IU. This not only enhances procedural efficiency but also ensures that all stakeholders are working from a common, authenticated source of truth by minimising duplication and delays.

From a technology standpoint, the IU is integrated with financial sector entities like banks, HFCs and NBFCs. For instance, system-level APIs now allow banks and financial institutions to automate document execution and retrieval from the IU.

The IU, as provided under the IBC, is emerging as an institution which can ensure transparency, facilitate pre- insolvency processes and promote credit discipline. As IBC matures, the interplay between technology and regulation will continue to improve and result in improved outcomes through IBC.

By integrating digital data into legal processes, the IU bridges gaps in information asymmetry, enhances trust, and accelerates admission of insolvency ***J.B.L. 106*** initiation and insolvency resolution. IU's role is expected to grow rapidly as the insolvency ecosystem embraces data-driven decision-making.

Debajyoti Ray Chaudhuri

Footnotes

1 Insolvency and Bankruptcy Code 2016, s.3(19).
2 Insolvency and Bankruptcy Code 2016, s.5(1).
3 Insolvency and Bankruptcy Code 2016, s.3(28).
4 Insolvency and Bankruptcy Code 2016, s.61.
5 Insolvency and Bankruptcy Code 2016, s.3(1).
6 Insolvency and Bankruptcy Code 2016, ss.209−216.
7 Insolvency and Bankruptcy Code 2016, s.3(13).
8 IBBI (Information Utilities) Regulations 2017, https://ibbi.gov.in//uploads/legalframwork/8530db2fb0154a11de6bcad73d51d72c.pdf.
9 *World Bank Group, "Doing Business 2015: Going Beyond Efficiency" (World Bank, 2014), p.198*, https://archive.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB15-Full-Report.pdf.
10 Ministry of Finance, "The Report of the Bankruptcy Law Reforms Committee Volume I: Rationale and Design" (2015), Vol.1, Chs 1–2, pp.12–20, https://ibbi.gov.in/BLRCReportVol1_04112015.pdf.
11 World Bank Group, "Doing Business 2020: Comparing Business Regulation in 190 Economies" (2020), https://documents1.worldbank.org/curated/en/688761571934946384/pdf/Doing-Business-2020-Comparing-Business-Regulation-in-190-Economies.pdf.
12 IBBI (Information Utilities) Regulations 2017, reg. 21.
13 Source: NeSL Website, https://nesl.co.in/.
14 IBBI (Information Utilities) Regulations 2017 (Amended upto 13.08.2024), https://ibbi.gov.in//uploads/legalframwork/8530db2fb0154a11de6bcad73d51d72c.pdf.
15 "The NeSL Chronicle: The Quarterly E-Newsletter of NeSL" (July 2024 Edition), Vol.11, https://nesl.co.in/wp-content/uploads/2024/08/Newsletter-July-2024.pdf.
16 RBI—Master Circular—Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances, https://www.pdicai.org/Docs/RBI-2024-25-12_842024171758397.pdf.
17 RBI/2017−18/110, DBR. No. Leg. BC.98/09.08.019/2017−18, https://rnsbindia.com/RNSB/admin/uploads/NESL/RBI-Circular-for-co-operative-Bank-for-NESL.pdf.

