

Concept Note | Roadmap for Insolvency of Individuals & Partnership Firms

1. Present Statutory Framework

Part III of the Insolvency and Bankruptcy Code, 2016 ('IBC') provides for insolvency resolution and bankruptcy for individuals and partnership firms. Section 78 of IBC allows commencement of insolvency proceedings against any individual or partners of a partnership firm for defaults above INR 1000. This threshold amount of INR 1000 may be increased maximum to INR 1,00,000 by Central Government by notification.

Two modes of insolvency are prescribed for individuals and partnership firms based on thresholds: (a) Fresh Start; and (b) Insolvency Resolution failure of which leads to Bankruptcy Proceedings.

The fresh start process is applicable to debtors satisfying the following criterion and making an application:

- Gross annual income not exceeding INR 60,000;
- Aggregate assets not exceeding INR 20,000;
- Aggregate debts not exceeding INR 35,000;
- Not undischarged bankrupt;
- Does not own dwelling unit, unencumbered or otherwise;
- No subsisting fresh start, insolvency resolution or bankruptcy process; and
- No previous fresh start order in the preceding 12 months of date of application for fresh start.

Under Chapter II (Fresh Start), an interim moratorium commences upon filing of the application within which a resolution professional assesses the application and recommends its admission or rejection to the Adjudication Authority. The moratorium period, if the application is allowed, is of 180 days. Post moratorium period, all subsisting qualifying debts of the debtor are discharged.

Insolvency resolution application may be filed by the debtor or his creditor. The application is examined by a resolution professional appointed by the Adjudicating Authority who recommends the admission or rejection of the same. It provides for preparation of a repayment plan for the creditors by the debtor in consultation with the resolution professional and lays down the rights and powers of the creditors with respect to the repayment plan. This chapter also provides for a moratorium period of 180 days similar to Chapter II (Fresh Start). The repayment plan requires approval of creditors representing at least three fourths of the value of claims of the debtor. If the repayment plan is rejected, the creditors can move for commencement of bankruptcy proceedings against the debtor.

If an application for bankruptcy proceedings is moved by either the insolvent debtor or creditors, a resolution professional is appointed as a bankruptcy trustee for administration and distribution of the estate of the bankrupt. The bankruptcy trustee shall administer the estate of the bankrupt in consultation with the committee of creditors. A discharge order shall be passed against the bankrupt. The IBC prescribes a statutory purgatory for bankrupt declared individuals and partnership firms prescribing various prohibitions and limitations on their business and credit activities.

2. Who | Impact Analysis for Policy Considerations

2.1. Persons

2.1.1. Income/Expense Stratification

There is an almost complete agreement among economists that in the measurement of living standards, particularly in developing country household surveys, estimated household expenditure is a better estimator of living standards than estimated income. There are both theoretical and empirical rationales for supporting this assumption. Theoretically, expenditure is a better measure of permanent income in the presence of properly functioning capital markets (Narayan and Pritchett, 1996). Empirically, it is difficult to assign, besides being subject to large seasonal swings (Ainsworth and van der Gaag, 1988; Hentschel and Lanjouw, 1996, Deaton, 1997). Consumption expenditures are often easier to estimate since households probably purchase and consumes a narrow range of goods and services (Henschel and Lanjouw, 1996) and are likely to understate their incomes than overstate their expenditures (Johnson, McKay and Round, 1996, Deaton, 1997)

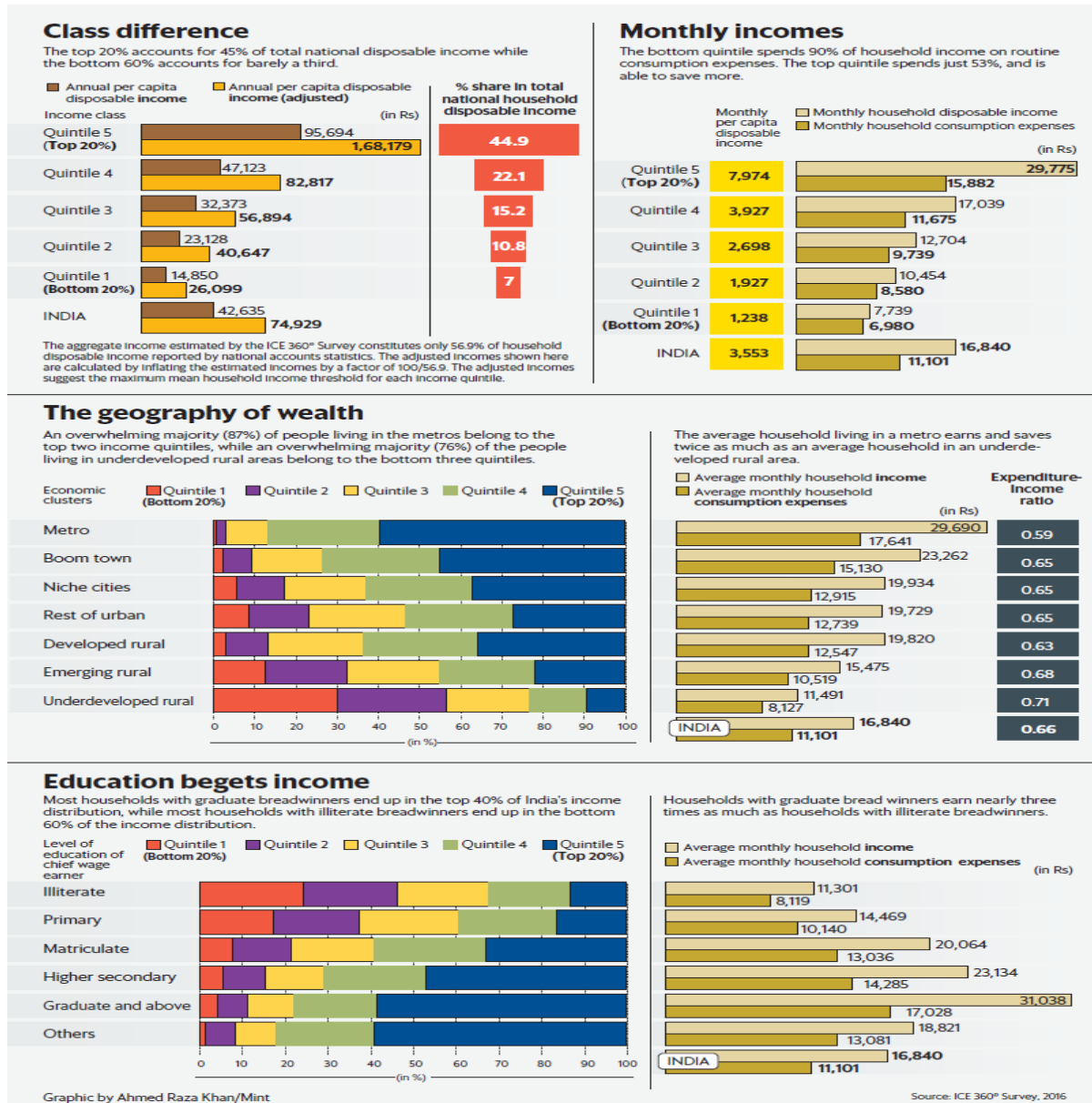
Based on the above, the population of India can be bifurcated into the following classification:

Classification	Monthly Per Capita Expenditure (MPCE)
Rural Extremely Poor	MPCE < = 939
Rural Poor	MPCE > 939 < = 1252
Rural Marginal	MPCE > 1252 < = 1565
Rural Vulnerable	MPCE > 1565 < = 2504
Rural Middle Class	MPCE > 2504 < = 5008
Rural Higher Income	MPCE > 5008
Urban Extremely Poor	MPCE < = 1329
Urban Poor	MPCE > 1329 < = 1772
Urban Marginal	MPCE > 1772 < = 2215
Urban Vulnerable	MPCE > 2215 < = 3544
Urban Middle Class	MPCE > 3544 < = 7088
Urban Higher Income	MPCE > 7088

Unfortunately, there is no reliable study classifying Indian population based on the above stratification. One of the key issues in studying income-expense patterns of population is the under-statement of economic data (income, expenditure and savings) by the

respondents. Owing to this and the high number of people working in unorganized sectors, it also becomes difficult to estimate the total income earning population of India and their consequent stratification based on source of income, location and gender.

However, the most recent data on income-expense classification of Indian population from Household Survey on India's Citizen Environment & Consumer Economy (ICE 360° survey), covering 61,000 households published in December 2016 is provided below.¹



The survey results show that households in the top quintile earn nearly four times as much as households in the bottom quintile. But given that poorer households also tend to be bigger, the difference in per capita incomes is greater. The per capita income of the top quintile, at Rs 7,974 per month, is nearly 6.5 times that of the bottom quintile. Given the

¹ The largest consumer economy survey in the country since the National Sample Survey Office (NSSO) conducted the consumer expenditure survey in 2011-12.

lower income and the bigger household size, poorer households end up spending most of what they earn. The poorest quintile is able to save just 10% of household earnings. In contrast, the top quintile is able to save 47% of household earnings, the survey shows.

The survey also shows that an overwhelming majority of people living in metros belong to the top two income quintiles. In stark contrast, an overwhelming majority of those living in underdeveloped rural areas belong to the bottom three income quintiles.

Population Quintile based on Per Capita Income	Income/HH (Rs. 000)			Share of India's Income %		
	2004-05	2013-14	2020-21	2004-05	2013-14	2020-21
India-Q1 (Bottom 20%)	64.1	136.7	224.6	5.2	6.6	7.6
India-Q2 (21%-40%)	99.2	208.6	344.6	8.7	11.0	12.6
India-Q3 (41%-60%)	139.1	247.9	384.5	12.8	15.0	16.2
India-Q4 (61%-80%)	220.1	315.8	437.1	20.6	21.1	20.6
India-Q5 (Top 20%)	519.2	669.3	860.1	52.7	46.1	42.6
All India	219.5	335.6	475.4	100.0	100.0	100.0

Source: ICE 360° Survey (October 2014) from People Research on India's Consumer Economy

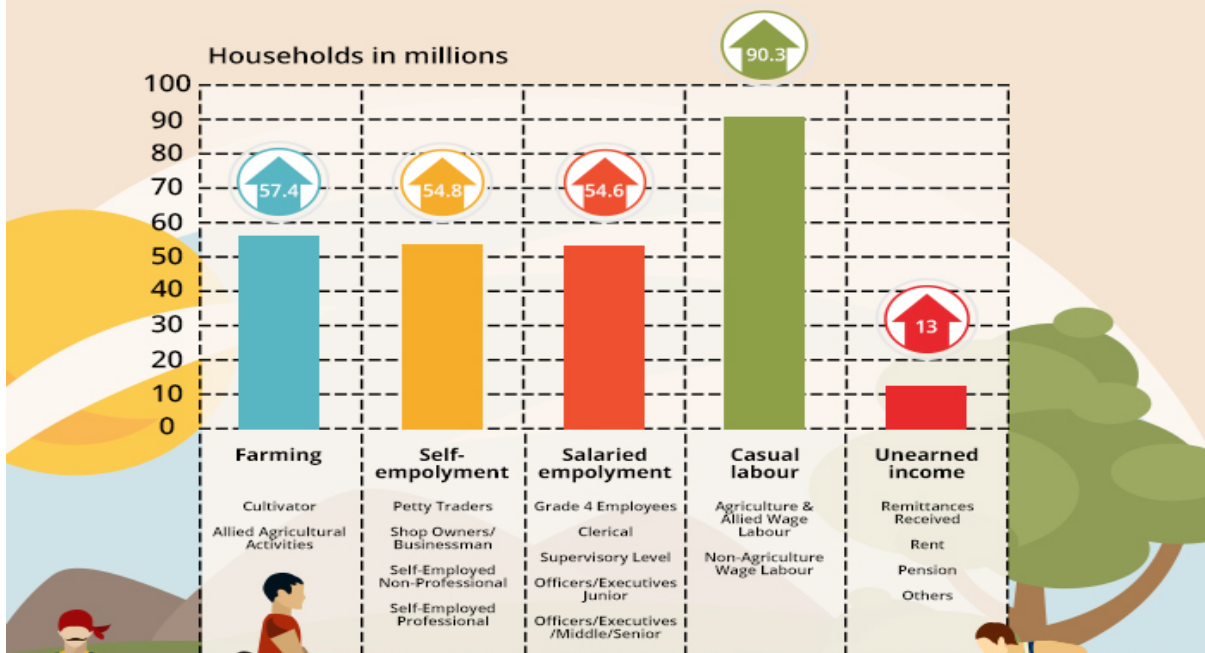
2.1.2. Source of Income

Self employed own account workers other than petty traders, and salaried employees of all kinds are the only occupational groups that have an above national average incomes and surplus incomes

Occupation Categories	Household major occupation	Income Index (All India=100)	Surplus income index (All India=100)
Farming	Cultivator	88	71
	Allied Agricultural Activities	92	45
Self-employed	Petty Traders	81	52
	Shop Owners/Businessman	135	150
	Self-Employed Non-Professional	107	73
	Self-Employed Professional	247	416
Salaried	Grade 4 Employees	113	106
	Clerical	170	255
	Supervisory Level	220	371
	Officers/Executives Junior	227	388
	Officers/Executives/Middle/Senior	268	440
Labour	Agriculture & Allied Wage Labour	50	25
	Non-Agriculture Wage Labour	66	41
Others	Remittances Received	61	63
	Rent	99	62
	Pension	109	164
	Others	67	51
All India		100	100

Note: Estimated annual average household income and Surplus income at all India for the year 2013-14 were Rs. 1,97,686 and Rs. 35,101 respectively.

Even though primary sector engagement is the primary income source for only 57 million of India's households, salaried employment is nearly equal to self-employment which points to a certain lack of entrepreneurial spirit



2.1.3. Gender & Age

The child dependency ratio in India is **54.1%** and aged (above 65 years) dependency ratio is **8.4%**.² Hence, an approximate 45.9% of the population of India is engaged in economic activity and shall come within the ambit of the policy. The following table shows a rough estimate of the ambit and coverage of this policy initiative.

Age Group	Sex Ratio	% of Population	Total No. of Persons	Number of Livelihood Earners Affected by Policy	Number of Dependents Affected by Policy
(In crore)					
0-14	883:1000	27.34	36.61	Not applicable	36.61
15-24	883:1000	17.9	23.97	11	12.96
25-54	937:1000	41.08	55.01	25.25	29.76
55-64	996:1000	7.45	9.97	4.57	5.39
65 and above	1112:1000	6.24	8.35	7.65	0.70
Total		72.67 (approx)	97.31	48.48	85.44

(Source: Census 2011)

2.1.4. Credit Penetration

Approximately **58.5 million households** in India have outstanding debt from informal sources of which 50 million households have availed informal credit even after having access to banking facilities and having a bank account.³

Income Segment	Annual income range	Households (M)	Access to formal credit (%)	Households with formal credit (M)	Outstanding formal credit (\$B)
Elite	>\$30.8k >₹20.6L	7	80%	5	120
Affluent	Between \$15.4k – \$30.8k ₹10.0L – ₹20.6L	17	60%	10	82
Aspirers	Between \$7.7k – \$15.4k ₹4.5L – ₹10.0L	40	50%	20	60
Next Billion	Between \$2.3k – \$7.7k ₹1.4L – ₹4.5L	121	25%	31	24
Strugglers	<\$2.3k <₹1.4L	82	10%	8	1
Total		267	30%	74	287

1\$ = ₹65

² https://countrymeters.info/en/India#dependency_ratio

³ Household Survey on India's Citizen Environment & Consumer Economy (ICE 360° survey)

The highlighted class of borrowers shall be the most impacted persons of the policy. The struggler category include that category of people who presently do not have easy access to formal credit. The struggler and next billion category shall be the most possible category to opt for fresh start under IBC. They also have the least access to formal credit and very limited scope of debt restructuring increasing the likelihood of bankruptcy.

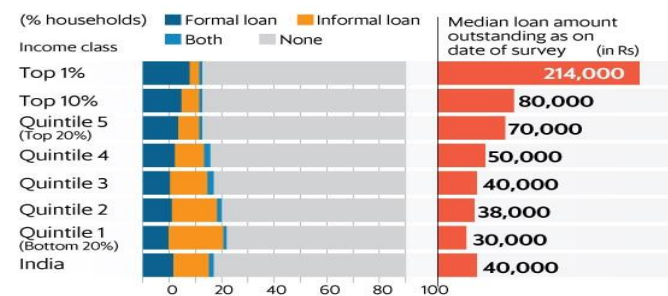
There is a high likelihood that a perception bias shall develop in the struggler and next billion category that accessing formal credit leads to higher possibility of insolvency. Since Insolvency leads to statutory purgatory and consequent difficulty in improving financial standard, insolvency shall act as a deterrent to promotion of financial inclusion through formal credit institutions if more options of insolvency resolution are not promoted.

2.1.5. Rural-Urban Distribution

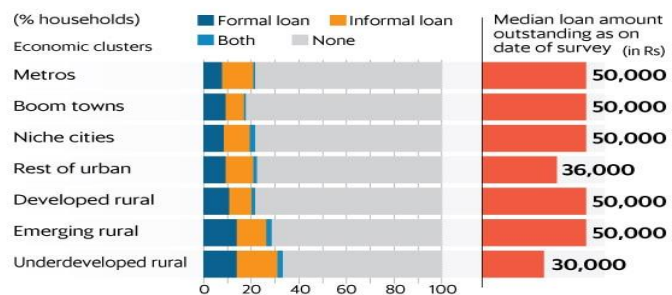
‘Household Survey on India’s Citizen Environment & Consumer Economy’ (ICE 360° survey) shows that **27% Indian households** have at least one outstanding loan. Fourteen percent households have informal loans, **12% have formal loans, and 2% have both formal and informal loans.** The survey shows that **30% households in rural India are indebted while the comparative figure for urban India is 21%.** These figures are similar to the figures reported by a 2013 household debt survey conducted by the National Sample Survey Office (NSSO), which showed that 31.4% of households in rural India and 22.4% of households in urban India are indebted.

INDEBTED HOUSEHOLDS

The proportion of households with loans is invariant across income classes but the super-rich have greater access to formal loans



The proportion of indebted households is significantly higher in under-developed rural areas than in metros



2.2. Partnership Firms

The registration of partnership firms is not compulsory under Indian Partnership Act, 1932. Hence, no reliable data on the number of partnership firms in India is available. However, available data based on NSS Surveys and Income Tax Department information provides certain estimates based on which a bird eyeview of their financial health and status is possible.

Total Estimate
Number PAN
India: 11,25,693

No. of firms filing
income tax
return: 4,87,057

No. of firms with
female
ownership: 2.8%

Sources: NSS Survey and National Institute of Public Finance and Policy

Income based classification of Partnership Firms in India

Net Income	No. of Assesses FY 2009-10	No. of Partnership Firms as per NSS Survey	% Share
Less than 5 lakh	397,497	1,047,846	93.08
5 lakh to 10 lakh	34,848	49,314	4.38
10 lakh to 15 lakh	14,567	10,022	0.89
15 lakh to 20 lakh	8,418	3,428	0.30
20 lakh to 25 lakh	5,409	3,033	0.27
25 lakh to 30 lakh	3,830	1,901	0.17
30 lakh to 35 lakh	2,935	2,307	0.20
35 lakh to 40 lakh	2,149	1,749	0.16
40 lakh to 50 lakh	3,287	1,355	0.12
50 lakh to 60 lakh	2,277	587	0.05
60 lakh to 70 lakh	1,742	2,801	0.25
70 lakh to 80 lakh	1,256	180	0.02
80 lakh to 90 lakh	1,051	117	0.01
90 lakh to 1 crore	929	179	0.02
1 crore to 5 crore	5,723	778	0.07
5 crore to 10 crore	635	96	0.01
TOTAL	4,86,553	11,25,693	100

Sources: NSS Survey and Income Tax Department FY 2009-10

2.3. Insolvency Forums provided under Legislation

The Adjudication Authority for Individuals and Partnership Firms under IBC is the Debt Recovery Tribunal (**DRT**) which has territorial jurisdiction where the individual resides or carries on business or employment. The appellate authority is the Debt Recovery Appellate Tribunal (**DRAT**) and an appeal from an order of the Appellate Tribunal can be filed before the Supreme Court.

DRTs were established to facilitate the debt recovery involving banks and other financial institutions with their customers. DRTs were set up after the passing of Recovery of Debts due to Banks and Financial Institutions Act (RDBBFI), 1993.⁴

The DRTs presently handle matters under the following:

⁴ <https://www.indianeconomy.net/splclassroom/what-are-debt-recovery-tribunals-drts/>

- Recovery of Debts due to Banks and Financial Institutions Act, 1993
- Under the SARFAESI Act

As of June 2018, around 38,376 cases of debt of Rs 10-20 lakh are pending with DRTs, accounting for 38% of the total cases but for merely 4% in value terms. This number is rising as the recent data indicates that cases of less than Rs 20 lakh have touched 41% in terms of total cases. As many as 10,000 cases with outstanding loans of Rs 40,000 crore are pending before district administrations

2.4. Other Judicial Forums & Spill over

Sl. No.	Name of Agency	Cases filed since inception	Cases disposed of since inception	Cases Pending
1	National Consumer Disputes Redressal Commission (NCDRC)	124418	105070	19348
2	State Consumer Disputes Redressal Commission	812044	696466	115578
3	District Consumer Disputes Redressal Forum	3949415	3645951	303464
	TOTAL	4885877	4447487	438390

As of April 2018, there are over three crore cases pending across the Supreme Court, the High Courts, and the subordinate courts (including district courts).

Of these, the subordinate courts account for over 86% pendency of cases, followed by 13.8% pendency before the 24 High Courts. The remaining 0.2% of cases are pending with the Supreme Court.

Between 2006 and 2018 (up to April), there has been an 8.6% rise in the pendency of cases across all courts. Pendency before Supreme Court increased by 36%, High Courts by 17%, and subordinate courts by 7%.

In 2016, compared to 2006, number of cases disposed of increased approximately from 57,000 to 76,000 in Supreme Court; from 14.4 lakh cases to 16 lakh cases in High Courts and from 1.6 crore cases to 1.9 crore cases in subordinate courts. Despite an increase in disposal of cases in most years, the pendency of cases has increased due to the number of new cases outpacing the number of cases disposed of.

The disposal rate has stayed between 55% to 59% in the Supreme Court, at 28% in the High Courts, and at 40% in the subordinate courts.

16,00,000 cases of cheque bounce are pending in subordinate courts, 34000 out of these have gone to high courts following appeal.⁵

Since insolvency is a time bound statute and acts as a deterrent for quick debt recovery, there is a high likelihood that the statute shall be misused for debt recovery instead of the intended aim of insolvency resolution and bankruptcy. We have already experienced this in relation to corporate insolvency where many cases are withdrawn through mutual settlement despite statute disallowing the same.

In order to ensure that only genuine cases of insolvency reach the judicial forum, there is a need to create various effective exit options for debtors and creditors which will help resolve debt recovery cases before initiation of insolvency processes.

3. What | Policy Suggestions

3.1. Need for Pre-Court Discharge Mechanisms

An insolvency regime for individuals and partnership firms shall have a high impact on general public at large.

Since the threshold for triggering insolvency resolution is as low as INR 1000, the number of proceedings initiated shall be high and shall burden an already overburdened judiciary. Internationally, individual insolvency regimes are designed keeping sole proprietorships in mind.

However, it has been seen that consumer insolvencies become the biggest users of the regime. For example, in the United Kingdom, while the number of sole proprietorship insolvencies remained at a stable number, the number of consumer insolvencies have risen to exponential levels.⁶ (See *figure on next page*)

Similarly, in India, there is likelihood of cases which presently go to consumer forums such as default in payment of utility bills shall end up before the Debt Recovery Tribunal under IBC.

Civil litigants spent an average of ₹ 497 per day to attend court

Civil litigants incurred a loss of ₹ 844 per day on account of wages and work time lost while appearing in court

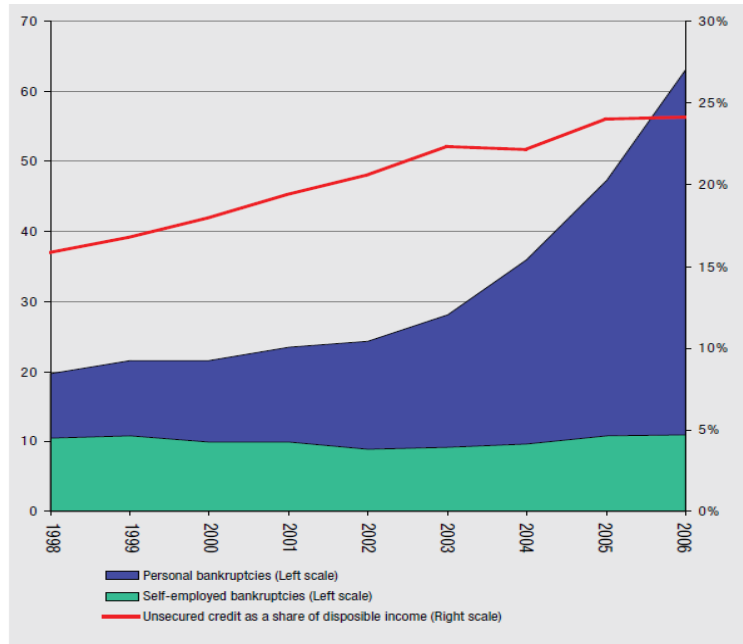
It costs on an average 31% of the overall claim value to dispose a commercial case

All top 20 cheque bounce petitioners are Banks and NBFCs

⁵ <http://www.prsindia.org/content/rate-disposal-cases>

⁶ The Value of the Insolvency Industry, CEBR, July 2008 available at https://www.r3.org.uk/media/documents/publications/professional/The_value_of_the_insolvency_industry_-_A_study_into_the_economic_significance_of_the_insolvency_recovery_and_turnaround_profession.pdf

Further, the IBC provides for Debt Recovery Tribunals (DRT) as the judicial forum for insolvency of individuals and partnership firms. There are only 33 DRTs in India. There is only one DRT for vast regions such as North East India comprising of seven states and states such as Rajasthan and Madhya Pradesh. Majority of the persons who enter the insolvency resolution process shall have to travel from their place of residence to the place of DRT every time the matter is listed. This may not just cause economic hardship but may be economically unfeasible for most individuals facing impending insolvency proceedings.



Source: Insolvency Service and parliament publications, 2007

As a consequence of burdening the court systems, the number of adjournments granted shall increase exponentially. However, the individuals shall be required to be present at the judicial forum for every date on which their matter is listed. Every such day shall lead to expenses to go to court, loss of wages and salaries and loss of economic input which the individual would have made by working that day. These burdens on an individual already facing the threat of being declared insolvent shall act counterproductive to the intention of the legislation to allow insolvency resolution and recovery.

Insolvency policy for sole proprietorships and partnership firms will also be a make-or-break policy measure for micro, small and medium enterprises which are still trying to deal with the changes in business model brought by introduction of Goods and Service Tax.

Also, the present dispute resolution mechanism for dishonour of cheques in India is also not adequate. Only initiation of criminal proceedings is available under Section 138 of Negotiable Instruments Act, 1881. Many of these cheque bounce cases arise out of debt recovery proceedings of individuals. This is evident from the fact that all top 20 cheque bounce petitioners are banks and non-banking finance companies.

“Neither a borrower nor a lender be, For loan oft loses both itself and friend, And borrowing dulls the edge of husbandry...”

- William Shakespeare, Hamlet

One may argue that if insolvency for individuals and partnership firms shall be so detrimental, the regime should not be rolled out at all. However, in game theory, a debtor’s best move is not to repay the debt.

Creditors know this and their best move is not to lend. So, without adequate legal protections, economic growth can come to an end.⁷ Empirical studies have shown that both the sophistication degree of the Bankruptcy Law and the efficiency of the insolvency proceedings are positively associated with the investment share of gross domestic product. Based on cross country studies it has been revealed that a sophisticated legislation does not yield results if the quality of enforcement is low. Hence, reforms aimed at improving application of law shall be more desirable than reforms that increase legal formalities which frequently lead to deceleration of judicial systems.⁸

In light of the above, there is a need to introduce easy to access, out-of-court, pre-insolvency mechanisms.

3.2. Introduction to Suggested Mechanisms

3.2.1. Mediation

In mediation, a third, im-partial and neutral party manages the interaction between the disputing parties. This neutral party is known as a mediator. The facilitation of negotiation between disputing parties by the mediator ensures constructive negotiation between the disputing parties and helps them agree on a resolution that is fair, durable, and workable.

It is the disputants and not the mediator who create and finally agree on how the dispute needs to be resolved. In a way, it is nothing but the use of negotiation to resolve a dispute outside the traditional dispute resolution framework.⁹

During the process, the mediator communicates with both parties and tries to unearth their actual underlying interests in the dispute. The mediator does not take evidence or hear pleadings because he is not the decision maker. He helps the parties streamline their key disputed issues and encourages them to devise commercially feasible solutions which will meet not just immediate interests of the parties but also provide long lasting solutions.

The outcome of mediation is a settlement agreement which the disputing parties execute. Some schools of thought also propagate converting the settlement into an arbitration or conciliation award. In such a case, the possibility of appeal is very low since the parties have voluntarily agreed to the terms of the award. However, this dilutes the confidentiality of the terms of settlement.

In addition to dispute resolution, mediation allows building stronger relationships between the parties and focuses on people more than the actual problem. The mediator has to use psycho-logical and communication skills in order to understand the parties and influence them to agree on a single solution.

The process may be initiated by the disputing parties by appointing one or more individual private mediators chosen mutually by the disputants or by referring the matter to a

⁷ William Gamble, Significance of Bankruptcy and Economic Growth, Seeking Alpha, available at <https://seekingalpha.com/article/191890-significance-of-bankruptcy-and-economic-growth>

⁸ Marianna Succurro, Bankruptcy Systems and Economic Performance Across Countries: Some Empirical Evidence, Department of Economics and Statistics, University of Calabria, Italy, Working Paper n. 01 – 2008, available at <https://core.ac.uk/download/pdf/7174484.pdf>

⁹ Anuroop Omkar and Kritika Krishnamurthy, The Art of Negotiation and Mediation- Wishbone, Funny Bone and a Backbone, LexisNexis Publications (2015)

mediation service provider. While direct appointment is generally referred to as private mediation, referring the dispute to a service provider is known as institutional mediation.¹⁰

The parties may refer the dispute to mediation at any stage of the dispute:

- Before arbitration
- After arbitration
- Before initiating court proceedings
- During the court proceedings
- At appeal stage of court proceedings right upto the Supreme Court of India

The process of mediation may be initiated by the disputing parties by appointing one or more individual private mediators chosen mutually by the disputants or referring the matter to a mediation service provider. While direct appointment of mediation is generally referred to as private mediation, referring the dispute to a service provider is known as institutional mediation.

There is neither law nor prohibition on pre-litigation mediation in India. However, the numbers of pre-litigation mediation are very low and no statistical data is available to analyse its impact. Based on an international experience, pre-litigation mediation is the most likely to result in a settlement. Post litigation mediation is governed by Section 89 of Code of Civil Procedure, 1908. The parties may obtain stay of court proceedings during the term of the mediation proceedings. Sometimes, the court *suo moto* refers civil disputes to mediation. In such cases, the disputes are usually referred to the court annexed, government run mediation centres. In the event of settlement of dispute in post litigation mediation, the court fees paid by parties is refunded.

In the context of insolvency, mediation is used by many jurisdictions to segregate debt recovery matters from actual insolvency matters before the matter reaches court. Some countries which have successfully used mediation in insolvency proceedings are United Kingdom, Singapore, France and Austria. Many jurisdictions in fact also prescribe for mediation once the matter reaches the insolvency forum for re-negotiation of repayment plans and for building consensus in deciding the insolvency resolution plan. Some such jurisdictions are Singapore, Austria, Germany, Columbia and Spain.

3.2.2. Early Neutral Evaluation

Early neutral evaluation is a case management tool which is used to reduce the pre-litigation cost and enhance the effectiveness of pre-litigation mechanisms. The case is referred to an expert, who is asked to provide a balanced and unbiased evaluation of the matter to be referred to court. The parties either submit written comments or meet in person with the expert. The expert identifies each side's strengths and weaknesses and

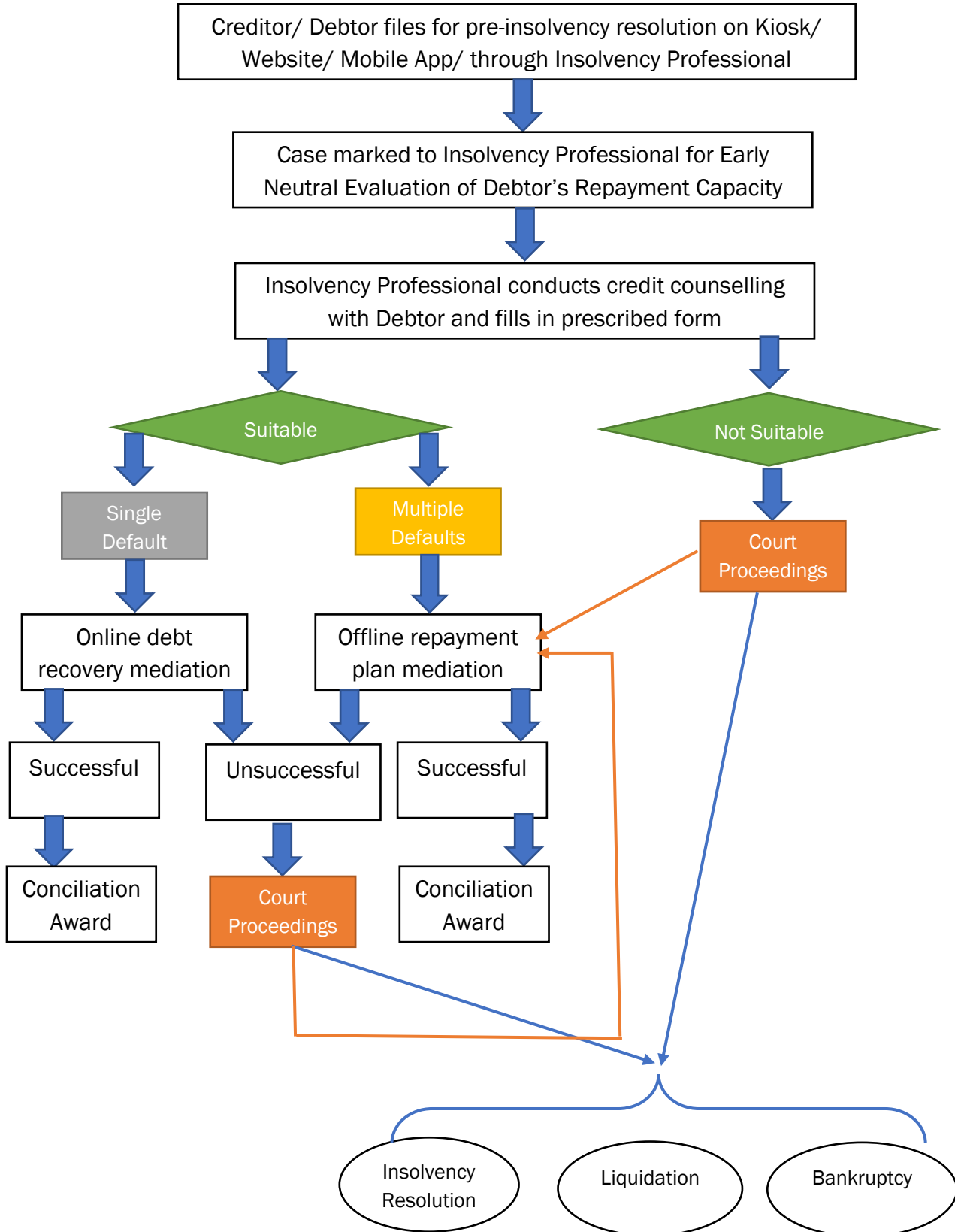
¹⁰ Anuroop Omkar and Kritika Krishnamurthy, Mediation Myth Busters 101, BarAndBench, available at <https://barandbench.com/mediation-myth-buster/>

provides an evaluation of the likely outcome of a court proceeding. This evaluation may then be used as the basis for settlement mediation.¹¹

In the context of insolvency, early neutral evaluation or assessment is a common process undertaken in various jurisdictions to study the debtor's payment capacity and possibility of revival and debt repayment negotiation. Some jurisdictions where this technique is used are France and Netherlands.

¹¹ American Bar Association, available at https://www.americanbar.org/groups/dispute_resolution/resources/DisputeResolutionProcesses/early_neutral_evaluation/

3.3. Suggested Framework



3.4. Explanation of Process

3.4.1. Filing for Pre-Insolvency Resolution

Before commencing of insolvency resolution under Part III of IBC, the debtor or creditor shall be required to first include all details of the unserviced debt claim on the pre-insolvency resolution website/mobile app or kiosk.

In case of creditors, this information shall be filed after the creditor has issued a notice of demand under Section 95(4)(b) of IBC and the debtor has failed to repay the debts.

The parties shall access this facility as follows:

- Directly on website or mobile apps;
- At kiosk setup at various locations such as Postal Banks or offices of Insolvency Professional Agencies; or
- Through Insolvency Professional in their area

The information provided shall be the same as required under 'Application to initiate insolvency resolution process' under Sections 94 (Initiation by Debtor) and/or Section 95 of IBC (Initiation by Creditor).

The person initiating the application shall pay the fees for pre-insolvency resolution.

3.4.2. Early Neutral Evaluation of Repayment Capacity

At the time of filing the application, the applicant may request for a specific insolvency professional or an insolvency professional in the geographical area shall be marked the matter.

A notice shall also be sent to the debtor informing them of the resolution professional appointed in the matter.

The debtor shall be required to meet the insolvency professional and provide details of their financial capacity to the insolvency professional. The insolvency professional shall be empowered to collect information of the debtor required to fill in the prescribed form.

Standard guidelines for evaluation of income and expenses and repayment capacity shall be formulated by IBBI along with prescribed forms for calculation of repayment capacity.

3.4.3. Credit Counselling and Filing of Prescribed Form

Based on the information, the insolvency professional shall undertake credit counselling of the debtor and inform if of his various options and consequences of opting for court proceedings for insolvency.

All prescribed forms for computation of repayment capacity of debtor shall be filled in and submitted by the insolvency professional. This shall be considered a valid report under Section 99 of IBC (Submission of Report by Resolution Professional).

3.4.4. Cases Not Suitable for Mediation

In cases where the debtor has:

- (a) Multiple defaults (both reported under IBC and unreported including utility bills);
and
- (b) Limited or no repayment capacity;

The matter shall be marked for insolvency resolution/liquidation/bankruptcy/discharge to court under Section 100 of IBC (Admission or Rejection of Application). These matters shall follow the process as prescribed under IBC. In the event, the debtor and the creditors wish to voluntarily submit to mediation or the court is of the opinion that a deadlock in relation to resolution plan exists between the parties, the matter may be referred to mediation for:

- Negotiation of repayment plan
- Negotiation of order of liquidation of assets
- Negotiation of period of repayment
- Any other matter as may be necessary for approval of repayment plan.

3.4.5. Single Default Cases

In the cases where the debtor has only one default (both reported under IBC and unreported including utility bills), the debtor shall be allowed to conduct online mediation with the single creditor for settlement of dues.

3.4.6. Multiple Default Cases

In cases where the debtor has multiple defaults (both reported under IBC and unreported including utility bills), the debtor shall be required to undertake in-person multiparty mediation with all its creditors. The outcome of the mediation shall be a debt repayment plan under Section 111 of IBC (Approval of Repayment Plan by Creditors).

3.4.7. Mediation post initiation of Court-led Insolvency Process

In the event, the matter is not deemed suitable for mediation or if mediation in pre-insolvency phase fails, the parties shall have the option to opt for mediation during the court proceedings to the limited extent of agreeing to a repayment plan.

If the court is of the opinion that there is a need for consensus building between the debtor and his creditors on any matter related to insolvency resolution, liquidation or management of the estate of the insolvent by insolvency trustee, the court shall have *suo moto* power to refer such matter to mediation by an insolvency professional.

3.5. Powers of IBBI for Implementation

IBBI is empowered to undertake implementation of this policy under Section 196 of IBC read with Section 240(2)(zn) to (zs) as follows:

“(1) The Board shall, subject to the general direction of the Central Government, perform all or any of the following functions namely:—

(n) maintain websites and such other universally accessible repositories of electronic information as may be necessary;

(t) make regulations and guidelines on matters relating to insolvency and bankruptcy as may be required under this Code, including mechanism for time bound disposal of the assets of the corporate debtor or debtor;”

3.6. Stakeholder Consultation with Lenders

Based on statistical analysis of existing debt recovery proceedings it is evident that the top 20 petitioners in debt recovery proceedings are financial institutions which include banks, non-banking finance companies (NBFC), co-operative banks and regional rural banks. Many of these entities such as non-banking finance companies (NBFC), co-operative banks and regional rural banks are important institutions for financial inclusion with high market outreach. Many of these institutions also have a low capital base or limited capacity to withstand shock from non-performing assets. Debt recovery deeply affects their business continuity. This was made evident by the recent IL&FS crisis which is one of the biggest NBFCs in India.

Hence, for the policy initiative to succeed, it is necessary to understand the terms and conditions on which financial institutions agree to re-negotiate loan repayments, general problems faced by financial institutions in loan recovery from individuals and partnership firms and other wishlist requirements.

Hence, once basic policy framework is prepared, stakeholder consultation with financial institution having large target base of individuals and partnership firms is suggested.

3.7. Important Considerations

While rolling out the policy, certain important features and considerations shall play a key role in the success of the policy. Certain policy considerations based on international experience and Indian experience in debt recovery mediation of the author are captured below.

3.7.1. Availability of Trained Mediators

It is an internationally accepted best practice that sector specialists should be trained in the techniques and processes of mediation before practice. This view is endorsed by various jurisdictions which prescribe 40 to 120 hours of mandatory mediation training for practitioners. Training for bankruptcy mediators is mandatory in many jurisdictions such as Spain and Columbia. The World Bank has also emphasized that providing trained counsellors to assist debtors in presenting their claims and assisting negotiation of proposals is absolutely vital.¹²

¹² Report on the Treatment of the Insolvency of Natural Persons, Insolvency and Creditor/Debtor Regimes Task Force, World Bank (2013)

3.7.2. Debtor Participation

As discussed above, the best game theory option for debtors is to not pay the debt. The author has similar experience in relation to mediation of debt recovery claims of individuals such as credit card and personal loan defaults. Hence, policy measures are required to promote participation of debtor in pre-insolvency mediation.

It is suggested that successful mediation of debt recovery should be reported for enhancement of credit rating of individual/ partnership firm. Any entry into the court proceedings for insolvency resolution is itself a red flag on the credit eligibility of an individual or partnership firm and this should reflect through downgrading of credit rating upon commencement of court proceedings. No credit is available to the individual/ partnership firm upon declaration of moratorium period. But the time required for declaration of moratorium depends highly on backlog of cases in the court hearing the matter. Hence, downgrading of credit rating with specific comment providing information on pending insolvency proceedings is suggested.

The Reserve Bank of India (RBI) is also in the process of overhauling the credit rating mechanism through Public Credit Registry (PCR). The pre-insolvency proceedings and their outcome should also be linked to information provided under PCR to reflect the credit rating of individuals and partnership firms.

3.7.3. Guarantor Participation

For a mediation to be successful, it is suggested that the guarantor to the loan, if any, should also participate in the mediations. Enforcement of guarantee should be allowed as part of mediation settlement.

3.7.4. Database on Lender Participation

Conservative lender approach to insolvency resolution plans is a feature the insolvency regime has been encountering in the corporate insolvency cases. Many times, lenders come with strict instructions for liquidation of assets even if debt restructuring is possible owing to internal policy measures.

Hence, to promote lender participation in mediation, it is suggested that an online database of lender participation in mediation be maintained. When a matter is referred to court on failure of mediation, a report based on pan India lender participation be submitted before the court. In the event, a lender continuously fails to settle debt repayment in more than 50% matters by numbers or value or both referred to mediation, exemplary costs should be levied on the debtor. This fund may be used for promoting credit and financial literacy by IBBI.

3.7.5. BATNA through liquidation and discharge norms

One of the key techniques of mediation is 'BATNA' or 'Best Alternative to Negotiated Agreement'. According to BATNA, parties agree to a settlement only if their BATNA or their alternative to a mediation settlement is not better than what they are getting in mediation.

To filter debt recovery claims from insolvency claims, it is necessary to formulate strict norms for liquidation and discharge so that parties are motivated to settle their debts without stressing the insolvency mechanism.

3.7.6. Credit Counselling and Literacy

To promote sustainable mechanisms and promote credit literacy, it is suggested that every individual or partnership firm which is unable to settle its insolvency claim without recourse to court proceedings shall have to take compulsory credit counselling, study material on credit literacy provided by IBBI and pass an examination on credit literacy.

The credit counselling shall be done by the insolvency professional allocated the matter. The examinations shall be conducted in multiple choice question format by designated examination centres of IBBI such as NSEit.

3.7.7. Fraud, Money Laundering and Insolvency

Although mediation should be allowed in matters involving fraud and money laundering. However, special norms for recovery of embezzled money during insolvency proceedings is suggested.

3.7.8. Default in Repayment post successful mediation

In the event of default in repayment by debtor as per repayment plan agreed in mediation settlement agreement, the creditor should be allowed to proceed directly for liquidation of assets or bankruptcy of the debtor or management of insolvent's assets by insolvency trustee before relevant court.

3.7.9. Limitation

The pre-litigation procedures for insolvency resolution should be deemed to be proceedings before Adjudicating Authority, the National Company Law Appellate Tribunal, the Debt Recovery Tribunal or the Debt Recovery Appellate Tribunal for the purposes of exclusions of timelines from limitation period under Section 238A of IBC.

4. Where | International Perspective on Mediation in Insolvency

Mediation is used in personal insolvency proceedings globally. When the Council of Europe issued its recommendations on legal solutions to debt problems, it also echoed the preference for mediated, out-of-court arrangements, noting that this approach was best suited “to find easier, faster, and cheaper solutions and to avoid an increased case load for the courts.”¹³

¹³ Council of Europe, Recommendation CM/Rec(2007)8 of the Committee of Ministers to member states on legal solutions to debt problems, Explanatory Memorandum Para 34

Mediation is ideally suited to insolvency cases where, for example claims made need to be settled quickly and where creditors, having already lost money, want to find ways of reaching resolutions cost effectively.

The arrival of a third party professional administrator into the insolvent entity does bring to the problem a new set of eyes and an independence which is not necessarily there pre insolvency. Most insolvency practitioners and office holders (eg, liquidators or administrators) are very experienced negotiators and well as able to see and separate the trees in the wood, but, they are not all trained as mediators and can find the use of an independent mediator of value .However much they may be independent of the insolvent company they represent, they can still be seen to be fighting its cause and inevitably perhaps drawn to one side only of the dispute.

There does not seem to be any type of dispute found within the insolvency field which is not suitable to be resolved through mediation - even fraud claims are successfully mediated - although sometimes you have to allow some time to elapse after the fraud for feelings to settle.

The only type of dispute that would not be suitable for possible resolution through mediation would be one where the office holder needs a ruling from the court so that a precedent is set which will enable other similar or identical case to be resolved.

Illustrations on use of mediation in personal insolvency are summarised below.

Country	Mediation Mechanism
United Kingdom	<p>The Chancery Court Guide 2009 states that it will refer appropriate cases to mediation first and that lawyers should consider the use of ADR in all cases regardless.</p> <p>The courts can also adjourn the proceedings to encourage and enable the use of ADR for resolution.</p>
Canada	<p>The mediation proceedings are conducted in two scenarios: one, where the Licensed Insolvency Trustee and the bankrupt disagree over the amount to be paid to the creditors and two, where the discharge of the bankrupt is opposed by a creditor in cases of non-compliance with surplus income payments or if there was a viable alternative to bankruptcy and that was not opted for.</p> <p>A mediation settlement agreement is signed by the parties upon its successful conclusion.</p>
Singapore	<p>The Insolvency Bill in Singapore aims at encouraging mediation for insolvency disputes by empowering judges to encourage parties to consider mediation as an alternative.</p> <p>Local mediation centers such as the SMC also have an “Insolvency Panel” of expert mediators which include prominent insolvency practitioners to strengthen its presence as a debt restructuring forum.</p>

Country	Mediation Mechanism
France	<p>The French model has around 117 commissions on individual indebtedness set up in each metropolitan division and are comprised of representatives of the local and fiscal authorities but are largely controlled by the Bank of France.</p> <p>Based on the appraisal of the case manager of the household finances, viable cases are referred for amicable mediation with the goal of negotiating a modification plan of up to seven years.</p>
Germany	<p>Germany relies on private lawyers and cost-free public debt counselling centers to mediate personal insolvency matters. They are struggle from insufficient funding that leads to long delays in seeing a counsellor and engaging in debt mediation takes a long time.</p> <p>In the event of its failure, the court attempts to strike a compromise arrangement but it only embarked upon if the court believes in the likelihood of its success and is therefore a rare occurrence.</p>
Austria	<p>Austria adopts a combination of extra-judicial and in-court mediation. Mandatory out of court mediation in counselling centers is a prerequisite for debtors who lack immediate funds to cover the costs of formal insolvency proceedings.</p> <p>They also have a second stage, where there is an in court payment plan mediation stage where the debtor must propose a payment plan to the creditors and only upon failure of this second mediation will the formal coercive relief process be enforced.</p>
Spain	<p>In the Spanish model, debtors who have little or no present value to offer creditors and cannot cover the cost of formal proceedings are required to go through a mandatory negotiation stage with creditors.</p> <p>This is done by seeking an appointment of a bankruptcy mediator who must have special mediation training but in most low value cases, the untrained notary facilitates the mediation.</p>
Columbia	<p>The Code of Civil Procedure in Chile requires debtors to enter the personal insolvency relief system via a mediation attempt supported by one of the largely free conciliation centers as well as notaries who are empowered to assist the debtors with the same.</p> <p>This out of court mediation process does not require creditor unanimity and can succeed with the vote of at least two creditors with more than 50% of the claims.</p>
Chile	<p>Chile has established the Superintendent of Insolvency and Entrepreneurship which facilitates mediated debt solutions for individuals.</p> <p>But in this model, mediation is not a prerequisite to liquidation but favours mediation through their approach to creditor voting. Wherein so long as the repayment plan is accepted by two of the majority creditors, it is deemed to be effective.</p>

Country	Mediation Mechanism
United States of America	Consumers attempt negotiation of discounted repayment arrangements with creditors, with the assistance of intermediaries such as debt negotiators.

5. How | Enforcement & Awareness Mechanisms

5.1. IT Infrastructure

For the purpose of implementation of the policy, the IBBI shall have to develop information technology infrastructure, a broad outline of which is as follows:

- Website and mobile app for registration of pre-insolvency resolution applications and checking status;
- Back-end case management software with following features:
 - Allocation of insolvency professional
 - Uploading of documents by debtors and creditors
 - Filing of forms by insolvency professional/mediator to IBBI
 - Tracking of status of application
- Front end software for online pre-insolvency mediation through video conferencing facility

5.2. Training

For effective implementation of the policy, it shall be necessary to train insolvency resolution professionals and if demand requires, registered valuers in use of mediation skills and techniques. Special training shall also be required for online mediation.

5.3. Awareness & Counselling

Creating awareness of available mechanisms shall be an important requirement for implementation of the policy. For this purpose, trainers may be hired on assignment basis similar to arrangements being implemented by SEBI and Ministry of Corporate Affairs for widespread awareness and education.

Specialised professionals capable of providing financial advisory, financial planning and credit management advice shall be the need of the hour.

6. Where | Geographical Outreach Plan

Implementation of this policy shall require high target outreach. The following internal and external ecosystems are available to IBBI on plug-and-play basis for implementation of this policy with excessive financial outlay.

6.1. Internal IBBI Ecosystem

Offices	Number of Offices	Number of cities/towns/villages covered ¹⁴	Comments
IBBI Offices	1	1	Only in New Delhi
Insolvency Professionals	3211	120	There are only 2 professional registered in North East of India
Insolvency Professional Firms	43	13	Very limited numbers
Insolvency Professional Agencies	3	1	Coverage can be increased by collaborating with regional offices of ICAI, ICSI and ICWAI
Registered Valuer Organizations	11	7	Very limited numbers
Registered Valuers	697	115	

Based on the above, only use of internal IBBI ecosystem shall not be enough for implementation of this policy in the long run.

6.2. External Suggested Ecosystem

Offices	Number of Offices	Number of cities/towns/villages covered ¹⁵	Comments
Postal Banks	650	378	High coverage in rural areas
Aadhaar Kendra	530	53	Run by private bodies and not regulated by government instrumentalities

¹⁴ Complete list of locations available in Annexure

¹⁵ Complete list of locations available in Annexure

Offices	Number of Offices	Number of cities/towns/villages covered ¹⁵	Comments
PAN Kendra	207	135	Run by private bodies and not regulated by government instrumentalities

It is suggested that tie-up with postal banks should be established for making the scheme of pre-insolvency resolution available in rural areas where outreach of IBBI internal ecosystem is limited. This external ecosystem can also be used for other awareness and outreach programs of IBBI.

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7. Annexures

7.1. Locations of Insolvency Professionals

24 Paraganas

Agra

Ahmedabad

Allahabad

aluva

amalapuram

ambavadi

Amritsar

Aurangabad

Bangalore

Bareilly

Bellandur

Bhavnagar

bhillai

Bhilwara

Bhopal

Bhubaneshwar

Bikaner

Calicut

Chandigarh

Chennai

Chittorgarh

Coimbatore

Cuttack

Darjeeling

Dhanbad

Meerut

Ernakulam

erode

Faridabad

Gandhi Dham, kutch

Ghaziabad

Gobichettipalaym

Guntur

Gurgaon

Guwahati

Hamirpur

Haora

Hospete bellary

Howrah

Hyderabad



Ichalkaranji

Indore

Itanagar

Jadavpur

jainpur

jaipur

Jalandhar

Jammu

Jamnagar

Jhansi

jharsuguda

jodhpur

Kannur

Kanpur

khamgaon

kochi

Kolhapur

Kolkata

Kozhikode

kudapura

Lucknow

Ludhiana

Madurai

mansa

Mathura

Meerut

Mohali

Mumbai

Nadiad

Nagpur

Nainital

Nashik

Nellore

New Delhi

Noida

Panchkula

Panipat

panvel

paonta sahib

Pathankot

Patiala

Patna

phaltan

Puducherry

Pune

Raipur
Rajkot
Ranchi
Rayagada
Rourkela
Saharanpur
Salem
Sambalpur
Sangrur
satara
Secunderabad
Shimla
Solapur
south goa
Srinagar
Surat
Tiruvallur
Thiruvananthapuram
Thrissur
Tiruchirappalli
Tirupati
Tirupur
Trivandrum
Udaipur
Ujjain
Vadodara
vapi
varanasi
Vijayawada
Vishakhapatnam

7.2. Locations of Insolvency Professional Firms

Ahmedabad	Panchkula
Chandigarh	Jaipur
Coimbatore	Ghaziabad
Delhi	Gurgaon
Hyderabad	
Kolkata	
Mumbai	
Pune	
Nagpur	

7.3. Locations of Registered Valuers

ADILABAD		KONDAPUR
	Ernakulam	
Agra	Erode	Kondapur
Ahmadabad	Faridabad	Kottayam
Ahmednagar	GACHIBOWLI	Kozhikode
Ajmer	Ghaziabad	Krishna
Alwar	Godavari	Krishnagiri
Amravati,	Secunderaba	KUMBAKONAM
Amreli	Serilingampal	Kurnool
Amritsar	Sivakasi	Lawspet
Anand	Solapur	Lucknow
ANANTAPUR	Surat	Ludhiana
Baghlingam Pally	Tapi	Macasana Salcete
Bairagipatteda	Thane	Madurai,
Bangalore	Thanjavur	MALAKPET
Banjara Hills	Thernilayam	Malkajgiri
Bareilly	Thrissur	Mathura
Bhavnagar	Gulbarga	MOHALI
Bidar	Guntur	Moradabad
Bikaner	Gurgaon	MORBI
BOMMAKAL	Gwalior	Mumbai
Raipur	HARIDWAR	Vellore
Rajkot	Hugli	Villianur
Ramanathapuram	Hyderabad	Viluppuram
Ratnagiri	Indore	Virudhunagar,
Reddiyarpalayam	Jaipur	Visakhapatnam
Rohtak	Jalna	Vizianagaram
Saharanpur	Jammu	Warangal,
Salem	Jodhpur	Yamunanagar,
Salem,	Junagadh	Valsad
Sattur	Kachchh	Vapi
BOWENPALLY	Kancheepuram	Muzaffarpur
Chandigarh,	Kanniyakumari	Mysore
Chennai	Karaikal	Nagapattinam
Chhindwara	Karur	Nalgonda
CHINTAMANI	Khordha	Namakkal,
Chittoor,	Kolkata	Nanded
Coimbatore	Tiruchirappalli	Narsimhapur
Cuddalore,	Tirunelveli	Nashik
CUTCHERY	TIRUPATI	Neemuch

Cuttack	Tiruppur	Nellore
Delhi	Tiruvannamalai	NIZAMPET
Dharmapuri	Tumkur	Noida
Dindigu	Udaipur	Palakkad
DOMBIVLI	Vadodara	Palghar
Pollachi	Pudukkottai,	
Prakasam	Raichur,	
Puducherry	Rainbow Nagar	

7.4. Locations of Registered Valuer Organizations

Kolkata	Mumbai
Ahmedabad	Jalandar
Pune	Delhi

7.5. Locations of Postal Banks

A & N	Balaghat	Bhojpur
Adilabad	Balangir	Bhopal
Agartala Division	Balasore	Bhubaneswar
Agra	Ballia	Bidar
Ahmedabad GPO	Banda	Bijapur
Ahmednagar	Bankura	Bijnor
Ajmer	Barabanki	Bikaner
Akola Dn	Baramulla	Bilaspur
Alappuzha	Barasat	Birbhum
Aligarh	Bardoli	Buckinghampet
Allahabad	Bareilly	Budaun
Almora	Barmer	Bulandshahr
Alwar	Bastar	Buldana Dn
Ambala	Basti	Burdwan
Amravati Dn	Bathinda	Cachar
Amreli	Beed D	Calicut
Amritsar	Begusarai	Chamba
Anand	Belgaum	Chamoli
Ananthapur	Bellary	Chandigarh
Anna Road HO	Berhampur	Chandrapur Dn
Arunachal Pradesh	BG East	Channapatna
Asansol	Bhadrak	Chhatarpur
Aska	Bhagalpur	Chhindwara
Aurangabad	Bharatpur	Chikmagalur
Azamgarh	Bharuch	Chikodi
Bagalkot	Bhavnagar	Chitradurga
Bahraich	Bhilwara	Chittoor
Bahraich	Bhimavaram	Chittorgarh
	Bhiwani	Churu

Coimbatore

Contai

Coochbehar

Cuddalore

Cuddapah

Cuttack City

Darbhanga

Darjeeling

Darrang

Dehra Gopipur

Dehradun

Delhi

Deoria

Dhanbad Division

Dharamsala

Dharmanagar

Dharmapuri

Dharwad

Dhenkanal

Dholpur

Dhule

Dibrugarh

Dinajpur

Dungarpur

Durg

East Champaran

Eluru

Ernakulam

Erode

Etah

Etawah

Faizabad

Faridabad

Faridkot

Fatehgarh

Ferozepur

Gadag

Gandhinagar

Gaya

Ghaziabad

Ghazipur

Giridih Division

Goa

Goalpara

Gonda

Gorakhpur

Gudivada

Gudur

Gulbarga

Guna

Gurdaspur

Gurgaon

Guwahati

Gwalior

Hamirpur

Hanamkonda

HarDOI

Hassan

Haveri

Hazaribagh

Division

Hindupur

Hisar

Hoshangabad

Hoshiarpur

Howrah

Hyd. City

Idukki

Indore City

Jabalpur

Jaipur City

Jalandhar

Jalgaon Dn

Jalpaiguri

Jammu

Jamnagar

Jaunpur

Jhansi

Jhunjhunu

Jodhpur

Junagadh

Kakinada

Kalahandi

Kanchipuram

Kannur

Kanpur (M) dn

Kanyakumari

Kapurthala

Karimnagar

Karnal

Karur

Karwar

Kasaragod

Kathua

Katihar

Keonjhar

Khammam

Khandwa

Kheda

Kheri

Kodagu

Kolar

Kolhapur

Kolkata G.P. O

Kollam

Koppal

Koraput

Kota

Kottayam

Kovilpatti

Krishnagiri

Kumbakonam

Kurnool

KuruKshetra

Kutch

Lakshadweep

Leh

Lucknow

Ludhiana

Madhubani

Madurai

Mahabubnagar

Mahesana

Mainpuri

Malda

Malegaon

Mandi

Mandsaur

Mandya

Mangalore

Manipur

Manjeri

Mathura

Mayiladuthurai

Mayurbhanj

Medak

Meerut

Meghalaya

Division

Midnapore

Mirzapur

Mizoram Division

Moradabad

Morena

Mumbai

Munger

Murshidabad

Muzaffarnagar

Muzaffarpur

Mysore

Nadia North

Nagaland

Nagaon

Nagapattinam

Nagaur

Nainital

Nalanda

Nalbari-Barpeta

Nalgonda

Namakkal

Nanded Dn

Nandyal

Nanjangudu

Narasaraopet

Nashik Dn

Navsari

Nawadha

Nellore

Nilgiris

Nizamabad

North Hooghly

Ongole

Osmanabad Dn.

Palakkad

Palamau Division

Palanpur

Pali

Panchmahal

Parbhani

Parvathipuram

Patan

Pathanamthitta

Patiala

Patna

Pauri

Peddapalli

Phulbani

Pithoragarh

Pondicherry

Porbandar

Pratapgarh

Proddatur

Pudukkottai

Pune City MFL

Puri

Purnia

Puruliya

Raebareli

Raichur

Raigad Dn

Raigarh

Raipur

Rajahmundry

Rajkot

Rajouri

Ramanathapuram

Rampur Bushahr

Ranchi Division

Ratlam

Ratnagiri

Rewa

Rohtak

Rohtas

Sabarkantha

Sagar

Saharanpur

Sahrsa

Salem East

Samastipur

Sambalpur

Sangareddy

Sangli

Sangrur

Santhal Parganas

Division

Saran

Satara

Sawaimadhopur

Secunderabad

Sehore

Shahdol

Shahjahanpur

Shimla

Shimoga

Shrirampur

Sikar

Sikkim

Sindhudurg

Singhbhum

Division

Sirohi

Sitamarhi

Sitapur

Sivaganga

Sivasagar

Siwan

Solan

Solapur

Sonipat

South Presidency

Sriganganagar

Srikakulam

Srinagar

Srirangam

Sultanpur

Sundergarh

Surat

Surendranagar

Suryapet

Tamluk

Tehri

Tenali

Thalassery

Thane

Thanjavur

Theni

Thrissur

Tinsukia

Tiruchirappalli

Tirunelveli

Tirupati

Tirupattur

Tirupur

Tiruvannamalai

Tonk

Trivandrum North

Tumkur

Tuticorin

Udaipur

Udhampur

Udupi

Ujjain

Una

Vadodara East

Vaishali

Valsad

Varanasi East

Vidisha

Virudhunagar

Visakhapatnam

Vizianagaram

Wanaparthy

Warangal

Wardha Dn

West Champaran

Yavatmal Dn

7.6. Location of PAN Centres

Agra	Coimbatore	Mumbai
Ahmedabad	Silvassa	Mysore
Aligarh Chharra	Damoh	Nabarangpur
Alwar Kherli	Delhi	Nagercoil
Araria	Deoria, Nanded	
Asansol	Ernakulam	Nandurbar
Aurangabad	Erode	Narnaul
Bangalore	Aliganj	Nashik
Bareilly	Faridkot	Nemdarganj
Basta	Fatehabad	Nizamabad
Bathinda	Gaya	Noida
Belgaum	Ghatal	Orai
Bellary	Giddarbaha	Osmanabad
Bhavnagar	Gulbarga	Palwal
Bishnupur	Gumla	Parbhani
Champa	Guntur	Pathanamthitta
Chennai	Gurgaon	Pondicherry
Chikkaballapur	Guwahati	Pune
Chirawa	Haldia	Quthbullapur
Chitradurga	Harda	Indore
Kota	Rourkela	Loha
Kovilpatti	Rudarpur	Raipur
Kozhikode	Salem	Rajnandgaon
Krishnagiri	Sambalpur	Ratlam
Krishnanagar	Saroornagar	Rohtak
Kurnool Adoni	Satara	Tirupur
Kushinagar	Secunderabad	Tiruvannamalai
Latur	Trivandrum	Tumkur
Lucknow	Sonamura	Vijayapur
Madathukulam	Sonepat	
Madhopur	Sonepur	Virudhunagar
Malappuram	Sonipat	Vishakhapatnam
Mandla	Srikakulam	Warangal
Mathura	Thane	Washim
Medak	Yavatmal	Hassan
Meerut	Harda	Hooghly
Moradabad	Tirunelveli	Hyderabad
Islampur	Hathwa	Imphal
Jabalpur	Jaffrabad	