# What is a Zombie Company?

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## About Zombie Company:

- A zombie company is a **corporate entity** with very **limited cash flows,** only **sufficient to pay the interest on the debt** borrowed but **not the principal amount** of the loan.
- The **revenue generated** by the business operations **only covers the fixed routine and operating costs** (wages, rent, interest payments on debt, for example).
- These companies, often referred to as the **"living dead" or "zombie stocks**," have **no excess capital to invest** in growth, innovation, or significant improvements.
- They are **highly dependent on banks for financing.**
- They are typically **subject to higher borrowing costs** and may be **one just event**—market disruption or a poor quarter performance—**away from insolvency or a bailout**.
- They are "**uncompetitive survivors**" and contribute to **lower productivity** in the global economy.
- These companies can pose a **risk to the broader economy** by **tying up resources** that could be more effectively used by healthier, more innovative firms.

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### Q1: What is insolvency?

Insolvency refers to situations where a debtor cannot pay the debts they owe. For instance, a troubled company may become insolvent when it is unable to repay its creditors money owed on time, often leading to a bankruptcy filing.

**Source:** Zombies: Ranks of world's most debt-hobbled companies are soaring, and not all will survive

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