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A Critical Study on the Evolving Landscape of Corporate Insolvency Resolution and Regulatory Efficiency under the Insolvency and Bankruptcy Code in India

Ross Ann Babu
LLM Student,
Amity Law School, Amity University, Bengaluru

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ABSTRACT

The enactment of the Insolvency and Bankruptcy Code, 2016 (IBC) marked a transformative shift in India's insolvency regime by introducing a unified, creditor-centric, and time-bound framework for the resolution of corporate distress. Prior to the implementation of the Code, India's insolvency landscape was characterized by fragmented legislation, prolonged litigation, overlapping jurisdictions, and poor recovery rates, which collectively hindered economic growth and investor confidence. The IBC sought to address these deficiencies by establishing a comprehensive mechanism aimed at maximizing the value of assets, ensuring timely resolution of insolvency proceedings, promoting entrepreneurship, and balancing the interests of all stakeholders. Over the past decade, the Code has significantly influenced corporate restructuring and debt recovery processes while contributing to the reduction of non-performing assets within the banking sector. The establishment of institutional mechanisms such as the Insolvency and Bankruptcy Board of India (IBBI), National Company Law Tribunal (NCLT), National Company Law Appellate Tribunal (NCLAT), Insolvency Professionals, and Information Utilities has strengthened the insolvency ecosystem and facilitated the development of a robust jurisprudential framework. However, despite notable achievements, the implementation of the IBC continues to face several challenges, including delays in resolution proceedings, judicial backlog, capacity constraints of adjudicatory authorities, inconsistent treatment of stakeholders, increasing instances of liquidation, and concerns regarding the effectiveness of the Committee of Creditors. This study critically examines the evolving landscape of corporate insolvency resolution under the IBC with particular emphasis on regulatory efficiency and institutional effectiveness. It analyzes the legislative framework, regulatory reforms, judicial developments, and practical challenges that have emerged since the enactment of the Code. The research further evaluates whether the objectives of timely resolution, value maximization, creditor protection, and corporate revival have been successfully achieved. By assessing the strengths and shortcomings of the existing insolvency framework, the study seeks to contribute to the ongoing discourse on insolvency law reforms and offers recommendations for enhancing *the efficiency, transparency, and sustainability of India's corporate insolvency resolution process in an increasingly complex economic environment.*

KEYWORDS

Insolvency and Bankruptcy Code, Corporate Insolvency Resolution Process, Regulatory Efficiency, Corporate Restructuring, Insolvency Governance

INTRODUCTION

The stability and growth of any economy depend significantly on the effectiveness of its legal and institutional framework for resolving financial distress and insolvency. A robust insolvency regime promotes credit availability, encourages entrepreneurship, protects stakeholder interests, and facilitates the efficient allocation of economic resources. Prior to 2016, India's insolvency framework was fragmented across multiple legislations, including the Sick Industrial Companies Act, 1985 (SICA), the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 (RDDBFI Act), the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act), and various provisions of the Companies Act. The coexistence of these laws resulted in procedural delays, overlapping jurisdictions, inconsistent outcomes, and low recovery rates for creditors. Consequently, prolonged insolvency proceedings often led to significant erosion of asset value, adversely affecting creditors, investors, employees, and the broader economy.

Recognizing the need for a comprehensive and time-bound insolvency framework, the Government of India enacted the Insolvency and Bankruptcy Code, 2016 (IBC). The Code marked a paradigm shift in India's approach to insolvency resolution by consolidating existing laws and establishing a creditor-driven process aimed at maximizing the value of distressed assets. The IBC introduced a structured Corporate Insolvency Resolution Process (CIRP), providing a time-bound mechanism for the revival of financially distressed corporate entities while balancing the interests of creditors, debtors, employees, shareholders, and other stakeholders. The establishment of institutional mechanisms such as the National Company Law Tribunal (NCLT), National Company Law Appellate Tribunal (NCLAT), Insolvency Professionals (IPs), Information Utilities (IUs), and the Insolvency and Bankruptcy Board of India (IBBI) further strengthened the insolvency ecosystem.

Since its implementation, the IBC has emerged as one of the most significant economic and legal reforms in India. The Code has substantially altered debtor-creditor relationships by shifting control of distressed companies from existing management to creditors through the Committee of Creditors (CoC). This transformation has enhanced creditor confidence and improved recovery mechanisms within the financial sector. The Code has also contributed to reducing the burden of non-performing assets (NPAs) in the banking system and has encouraged greater financial discipline among corporate borrowers. Several landmark judicial decisions delivered by the Supreme Court of India and the NCLAT have further clarified the interpretation and implementation of various provisions of the Code, thereby contributing to the development of a dynamic insolvency jurisprudence.

Despite these achievements, the practical implementation of the IBC has encountered several challenges that raise concerns regarding its regulatory efficiency and effectiveness. One of the most significant issues is the increasing delay in the completion of insolvency proceedings despite the statutory timelines prescribed under the Code. Many cases continue to remain pending before adjudicatory authorities due to capacity constraints, judicial backlog, and complex litigation. Such delays often result in value destruction of corporate assets and undermine the primary objective of timely resolution. Furthermore, concerns have been raised regarding the functioning of the Committee of Creditors, the treatment of operational creditors, the quality of resolution plans, cross-border insolvency issues, and the increasing number of cases resulting in liquidation rather than successful resolution.

The evolving nature of the insolvency framework has also necessitated continuous legislative and regulatory interventions. Since its enactment, the IBC has undergone multiple amendments aimed at addressing practical difficulties, strengthening creditor rights, enhancing transparency, and improving procedural efficiency. Regulatory reforms introduced by the Insolvency and Bankruptcy Board of India, along with judicial interpretations by constitutional courts and tribunals, have significantly influenced the operational landscape of insolvency resolution in India. These developments reflect the dynamic character of the insolvency regime and the ongoing efforts to balance economic efficiency with stakeholder protection.

Against this backdrop, the present study critically examines the evolving landscape of corporate insolvency resolution under the Insolvency and Bankruptcy Code, 2016, with particular emphasis on regulatory efficiency. The study seeks to evaluate whether the objectives of timely resolution, value maximization, creditor protection, and business revival have been effectively achieved. It further analyzes the institutional framework, regulatory mechanisms, judicial developments, and practical challenges affecting the implementation of the Code. By assessing the successes, limitations, and emerging trends within India's insolvency regime, the research aims to contribute to the ongoing discourse on insolvency law reforms and provide insights into strengthening the effectiveness of the corporate insolvency resolution framework in India.

LITERATURE REVIEW

1. The author[1] examined the evolution and implementation of the Insolvency and Bankruptcy Code, 2016, and explained how the Code consolidated multiple insolvency laws into a unified framework. The author emphasized that the IBC introduced a creditor-driven and time-bound insolvency process aimed at maximizing asset value and improving credit discipline. The study highlighted the transformative impact of the Code on India's insolvency ecosystem while recognizing the need for continuous regulatory refinement.

2. The author[2] analyzed the practical and legal dimensions of corporate insolvency resolution under the IBC. The author explained the role of insolvency professionals, creditors, adjudicating authorities, and resolution applicants in the insolvency process. The study concluded that although the Code significantly improved insolvency administration, procedural complexities and litigation continue to affect resolution efficiency.

3. The author[3] examined the Corporate Insolvency Resolution Process (CIRP) as a mechanism for corporate acquisitions and restructuring in India. The author found that insolvency proceedings increasingly serve as a strategic route for acquiring distressed assets while preserving business value. The study highlighted the commercial significance of the IBC beyond debt recovery and liquidation.

4.The author[4] critically analyzed the regulatory framework governing the Corporate Insolvency Resolution Process. The author assessed the effectiveness of statutory timelines, stakeholder participation, and institutional mechanisms under the Code. The study observed that delays in resolution proceedings and judicial intervention often undermine the objective of timely insolvency resolution.

[1] M. S. Sahoo, *Law Relating to Insolvency and Bankruptcy Code, 2016* (Taxmann Publications 2023).
[2] Sumant Batra, *Corporate Insolvency: Law and Practice* (Eastern Book Company 2022).
[3] Ankit Handa, An Analysis of the Corporate Insolvency Resolution Process as a Route for Acquisitions in India, 29 *Int'l Insolvency Rev.* 332 (2020)
[4] Ganesh Makam, Regulation of Corporate Insolvency Resolution Process (CIRP) in India: A Critical Analysis (2024), available at SSRN.

5.The authors[5] examined the effectiveness of the IBC in resolving distressed assets and reducing non-performing assets within the banking sector. The authors concluded that the Code has substantially strengthened recovery mechanisms and improved creditor confidence.

6. The author[6] analyzed the shortcomings of India's Corporate Insolvency Resolution Process under the IBC. The author identified challenges relating to procedural delays, limited infrastructure of adjudicatory bodies, and inconsistent stakeholder treatment. The study emphasized the necessity of institutional strengthening to achieve the objectives of the Code.

7. The authors[7] examined the impact of the Insolvency and Bankruptcy Code on insolvency resolution outcomes and business revival. The authors found that while the Code has improved recovery rates and enhanced accountability among debtors, concerns remain regarding delays and liquidation-oriented outcomes in several cases.

8. The authors[8] analyzed the legal and operational framework of the Corporate Insolvency Resolution Process. The authors explained the roles of financial creditors, operational creditors, insolvency professionals, and adjudicating authorities in insolvency proceedings. The study highlighted practical difficulties in balancing the interests of different stakeholders.

9.The authors[9] examined the effectiveness of corporate insolvency resolution and liquidation mechanisms under the IBC. The authors evaluated recovery rates, stakeholder protection, and procedural efficiency and concluded that regulatory reforms are necessary to enhance transparency and reduce delays in insolvency proceedings.

10. The author[10] analyzed the economic rationale underlying insolvency laws and examined the contribution of the IBC to India's financial sector reforms. The author observed that an efficient insolvency regime is essential for strengthening credit markets and fostering investor confidence. The study highlighted the importance of timely resolution in

[5] Mahender Pal Arora & Vikalp Shrivastava, A Critical Review of Corporate Insolvency Resolution Process under India's Insolvency and Bankruptcy Code, 2016 (2023).
[6] Malika Jain, Unpacking the Shortcomings in India's Corporate Insolvency Resolution Process under the Insolvency and Bankruptcy Code, 2016 (2023).
[7] Shreyans Shah & Cheta Desai, Impact of Insolvency and Bankruptcy Code on Insolvency Resolution, 12 *J. Int. Econ. Res.* (2025).
[8] Priya Yadav & Komal, Analysis of Corporate Insolvency Resolution Process under Insolvency and Bankruptcy Code (2023).
[9] Chandan Choubey & Vandana Gupta, Corporate Insolvency Resolution and Liquidation: Measuring Effectiveness of the IBC Framework (2025).
[10] S. K. Gupta, *Insolvency and Bankruptcy Law in India* (LexisNexis 2021).

preserving enterprise value.

11. The author[11] examined the governance implications of the Insolvency and Bankruptcy Code and analyzed the shift from debtor-in-possession to creditor-in-control mechanisms. The author argued that the Code significantly altered corporate governance structures by empowering creditors and reducing managerial control during insolvency proceedings.

12. The authors[12] analyzed the relationship between stressed assets, banking sector reforms, and insolvency resolution mechanisms in India. The authors emphasized that an effective insolvency framework is critical for resolving non-performing assets and ensuring financial stability. The study supported the adoption of robust insolvency reforms through the IBC.

13. The Committee[13] examined the deficiencies of the pre-IBC insolvency regime and proposed a comprehensive insolvency framework based on speed, certainty, and creditor protection. The Committee's recommendations formed the foundation of the Insolvency and Bankruptcy Code, 2016, and continue to influence insolvency policy in India.

14. The report by the board[14] demonstrated improvements in creditor recoveries and resolution outcomes while also identifying challenges such as delays, pending cases, and capacity constraints within adjudicatory institutions.

15. The World Bank[15] examined insolvency systems across jurisdictions through its Doing Business and Resolving Insolvency indicators. The reports highlighted significant improvements in India's insolvency rankings following the implementation of the IBC while emphasizing the importance of efficient institutional mechanisms and timely resolution processes for sustaining these gains.

the existing literature reveals that most studies focus on specific dimensions of the Insolvency and Bankruptcy Code, such as creditor recovery, reduction of non-performing assets, insolvency procedures, corporate governance implications, or the legal framework governing

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[11] Umakanth Varottil, *The Insolvency and Bankruptcy Code and Corporate Governance in India*, 10 Nat'l L. Sch. India Rev. 45 (2018).
[12] Viral V. Acharya & Raghuram G. Rajan, *Saving Capitalism from the Capitalists: Lessons for Financial Sector Reform* (contextual discussion on stressed assets and reforms).
[13] Bankruptcy Law Reforms Committee, *The Report of the Bankruptcy Law Reforms Committee* (Ministry of Finance, Govt. of India 2015).
[14] Insolvency and Bankruptcy Board of India, *Annual Report 2024–25*.
[15] World Bank, *Doing Business Report: Resolving Insolvency Indicators* (various years).

corporate insolvency resolution. Several scholars have acknowledged the transformative impact of the IBC in improving credit discipline and enhancing recovery mechanisms. However, the existing literature remains fragmented and often examines individual aspects of insolvency resolution in isolation.

Further, limited scholarly attention has been devoted to critically evaluating the relationship between corporate insolvency resolution and regulatory efficiency in a holistic manner. Most studies do not comprehensively analyze how institutional actors such as the NCLT, NCLAT, IBBI, Insolvency Professionals, and the Committee of Creditors collectively influence the effectiveness of insolvency proceedings. Additionally, recent challenges such as increasing delays in CIRP, capacity constraints of tribunals, judicial intervention, stakeholder conflicts, rising liquidation rates, and the impact of successive legislative amendments have not been sufficiently examined within a single analytical framework.

Therefore, there exists a significant research gap in assessing the evolving landscape of corporate insolvency resolution alongside the efficiency of the regulatory and institutional framework established under the IBC. The present study seeks to bridge this gap by undertaking a comprehensive evaluation of the legal, regulatory, institutional, and practical dimensions of insolvency resolution in India, while assessing whether the objectives of timely resolution, value maximization, stakeholder protection, and corporate revival are being effectively achieved.

ANALYSIS OF THE EVOLVING LANDSCAPE OF CORPORATE INSOLVENCY RESOLUTION AND REGULATORY EFFICIENCY UNDER THE INSOLVENCY AND BANKRUPTCY CODE IN INDIA

I. Evolution of Corporate Insolvency Resolution under the Insolvency and Bankruptcy Code, 2016

Evolution of Corporate Insolvency Resolution under Insolvency and Bankruptcy Code, 2016. The Insolvency and Bankruptcy journey of India has witnessed a turning point since the enactment of the Insolvency and Bankruptcy Code, 2016 (IBC).[16] Prior to the introduction of the Code, the existing insolvency regime in India was fragmented and covered by several legislations such as Sick Industrial Companies Act, 1985 (SICA), Recovery of Debts Due to Banks and Financial Institutions Act, 1993 (RDDBFI Act), Securitisation and Reconstruction of Financial Assets and

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[16] Bankruptcy Law Reforms Committee, *The Report of the Bankruptcy Law Reforms Committee: Volume I – Rationale and Design* 11–15 (Ministry of Finance 2015).

Enforcement of Security Interest Act, 2002 (SARFAESI Act), and some of the provisions of the Companies Act.[17] The laws frequently had overlaps in force and may have been quite cumbersome. This meant that insolvency proceedings often dragged on for years, resulting in the values of assets depressing and recovery failures.

These systemic deficiencies have been recognized by the Bankruptcy Law Reforms Committee (BLRC) and a solution a unified insolvency framework with the emphasis on speed, certainty, transparency and value maximization, is proposed.[18] In the wake of such recommendations, Parliament passed the Insolvency and Bankruptcy Code, 2016. The Code unified the affair insolvency law for partners, corporate entities, and individual debts. The most significant change in the IBC was the change from a debtor in possession of the business to the creditor in control of the business.[19] In the old days, promoters and management would hold on to control when they had financial problems.

However, the IBC revolutionized this by providing for a transition from the control of the Insolvency and Bankruptcy Board to creditors for the start of the insolvency proceedings. This change aimed to do away with lag times due to administration unwillingness and boost confidence in the owners. The CIP is the main feature of the Code. Financial Creditors, Operational Creditors or the Corporate Debtor concerned can set in motion the insolvency proceedings with the NCLT in the event of a default. [20], A moratorium is placed upon you upon admission, in order to save assets of the corporate debtor and prevent superseding litigation. While supervised by the CoC the Insolvency Professional becomes the manager and carries out the resolution proceedings. The IBC set-up comprises of the Insolvency and Bankruptcy Board of India (IBBI), Insolvency Professional Agencies, Insolvency Professionals, Information Utilities, NCLT and the NCLAT.[21] These institutions comprise the regulatory environment that regulates India's insolvency process.[22]

The constant changes in the law have also influenced the development of the IBC. Key reforms so far include recognising the role of homebuyers as financial creditors, safeguarding the interests of successful resolution applicants prior the resolution process, and also the introduction of pre-

[17] Umakanth Varottil, The Insolvency and Bankruptcy Code and Corporate Governance in India, 30 Nat'l L. Sch. India Rev. 45, 47–50 (2018).
[18] Bankruptcy Law Reforms Committee, supra note 1, at 20–26.
[19] Sumant Batra, *Corporate Insolvency: Law and Practice* 72–75 (EBC 2022).
[20] Committee of Creditors of Essar Steel India Ltd. v. Satish Kumar Gupta, (2020) 8 SCC 531.
[21] Insolvency and Bankruptcy Board of India, *Annual Report 2024–25* 42–58.
[22] Insolvency and Bankruptcy Code, No. 31 of 2016, sec 6–32.

packaged execution processes for Micro, Small and Medium Enterprises (MSMEs) as well as actions to decrease execution delays. These advances are evidence that the insolvency procedure continues to adapt to the real-world issues and circumstances. Insolvency law is also an area in which interpretation by the judiciary has played its part.

In successive decisions the Supreme Court has reiterated this "Act of Resolution" goal of the Code as opposed to "recovery." In different decisions, Courts have pointed to who are the stakeholders, given an enhanced powers to the Committee of Creditors, and emphasised the importance of viable business ventures being treated as an ongoing concern. Spanning the entire insolvency eco-system, the IBC has substantially enriched the Indian insolvency landscape. It has created investor's confidence, better mechanisms for debt recovery, and reduced distress management in companies. The reality is however that the 'warm comforts' of a law and its existence is far from the 'spicy pleasure' of actual implementation and regulation efficiency.

II. Assessment of Regulatory Efficiency: Institutional Performance, Timelines, and Resolution Outcomes

Regulatory efficiency can be said to be the soul of the Insolvency and Bankruptcy Code. A successful approach to the insolvency process relies on its capacity to wind up companies with financial problems in a timely and transparent way, while maintaining the company's commercial viability.[23]

Hence the importance of assessing the efficiency of these institutions established by the IBC for assessing the achievement of the target of the Code. The speedy resolution of insolvency proceedings is one of the main goals of the IBC. The original resolution period was 180 days with a possible extension of 90 days; this was later raised to an outer time limit of 330 days. This was to avoid devaluation of assets and speedy resolution, on the basis of strict timelines.[24] However, in real life, lots of cases proceed based on the case's timing and season[25]. Litigious issues, procedural issues, and institutional issues are common barriers to delays. National Company Tribunal has an important function to play in the insolvency proceedings. With this, however, the number of applications for insolvency has risen significantly, putting strain on the Tribunals' capacity.

[23] Insolvency and Bankruptcy Code, 2016, § 12.

[24] M. S. Sahoo, *Law Relating to Insolvency and Bankruptcy Code, 2016* 214–216 (Taxmann 2023).

[25] Insolvency and Bankruptcy Board of India, Quarterly Newsletter, Jan.–Mar. 2025, at 8–10.

Backlog of cases before the NCLT benches due to the shortfall of members, technical members and judges. This results in numerous applications for admission, resolution plans and complaints being delayed. Likewise, the number of appeals before the NCLT also robs its working of efficiency.[26] Frequent contests to NCLT and lengthy delays in proceedings against orders by the NCLT diminishes the value of statutory timelines. These delays do not contribute to one of the cores aims of the Code and call into question the efficiency of the institutions. The Insolvency and Bankruptcy Board of India has been playing a pivotal role in ensuring the effective regulation of insolvency professionals and issuing directions for streamlining the insolvency procedure.[27] IBBI has tried to address the difficulties in actual implementation through the amendments made and guiding regulations.[28]

However, uncertainties remain about consistency of regulatory actions and the effectiveness of safeguards. The Insolvency Professional plays a pivotal role in the CIRP. The level of professionalisation and expertise of the administrator appointed can often affect the quality of the administration of a winding up. Although significant work has been completed in complex insolvency cases by many Insolvency Professionals, sometimes differences in professionalism have led to an inefficient process.[29]

Ongoing training and capacity building is still needed to ensure professional excellence. Though at an economic level, the IBC to date has been more successful than previous mechanisms in improving recovery outcomes. Creditors have a better device for enforcing their rights. Solvent borrowers have been more financially cautious due to the prospect of being wound up. The Code has a dissuasive impact on many debtors and even before admission into CIRP, they would opt to settle the obligations as well.

Despite these achievements, regulatory efficiency cannot be assessed solely through recovery rates. The increasing number of cases ending in liquidation raises important concerns. Liquidation often results in lower recoveries and loss of employment opportunities. If a substantial proportion of cases conclude in liquidation rather than resolution, the objective of preserving viable businesses may not be fully realized.

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[26] Ministry of Corporate Affairs, Standing Committee Report on the Functioning of NCLT and NCLAT (2024).

[27] World Bank, *Doing Business 2020: Resolving Insolvency Indicators* 94–97 (2020).

[28] Insolvency and Bankruptcy Board of India, Discussion Paper on Corporate Insolvency Reforms (2024).

[29] Viral V. Acharya & Raghuram G. Rajan, *Restoring Financial Stability in India* 87–90 (2019).

The issue of delayed resolutions also affects value maximization. As insolvency proceedings become prolonged, assets may depreciate, customers may shift to competitors, and operational viability may decline. Consequently, even successful resolution plans may generate lower value than would have been possible through timely intervention.

Thus, while the IBC has undoubtedly improved the insolvency ecosystem, persistent delays, institutional limitations, and implementation challenges continue to affect regulatory efficiency. Addressing these issues remains essential for achieving the objectives of the Code.[30]

III. Critical Evaluation of Judicial Developments, Stakeholder Interests, and Emerging Challenges

The judiciary has been undeniable in molding the insolvency regime in India. There has been couple of well-known orders that have addressed certain ambiguities in the legislation which have helped in the formation of insolvency jurisprudence since the enactment of the IBC. The Supreme Court in Innoventive Industries Ltd. vs. ICICI Bank stressed on the speedy resolution of the process of insolvency and clarified the admission of insolvency applications.[31] This ruling laid the groundwork for future insolvency law and further strengthened the creditor-focused philosophy of the Code.

In Swiss Ribbons Pvt. Ltd. v. Union of India, the Supreme Court held the constitutional validity of IBC. The Court noted that resolution is the primary goal of the Code, rather than recovery and that the preservation of viable businesses is a key goal of the process.[32] This ruling greatly reinforced the legitimacy of the insolvency system. Likewise, in Committee of Creditors of Essar Steel India Ltd. v. Satish Kumar Gupta, it was reiterated that the committee of creditors have to exercise commercial wisdom.[33] The Supreme Court said that courts or tribunals should have no incentive to intervene in normal commercial transactions by creditors. This is an efficient and creditor-friendly way to achieve things, but has also raised questions about accountability and protections for stakeholders.

Commercial wisdom is one of the most discussed areas of the IBC. Proponents say that creditors have the knowledge that enables them to

[30] Chandan Choubey & Vandana Gupta, *Corporate Insolvency Resolution and Liquidation: Measuring Effectiveness of the IBC Framework*, 4 ShodhKosh 118, 122–24 (2025).
[31] Innoventive Industries Ltd. v. ICICI Bank, (2018) 1 SCC 407.
[32] Swiss Ribbons Pvt. Ltd. v. Union of India, (2019) 4 SCC 17.
[33] Committee of Creditors of Essar Steel India Ltd. v. Satish Kumar Gupta, (2020) 8 SCC 531, 54–73.

appreciate business risk and the proper resolution procedure. Those against although argue that the creditors preferences may lead to inequitable treatment of operational creditors and minority investors. Another major issue is the treatment of the operational creditors. Whilst there are some protections afforded by the Code, in general financial creditors have more influence in the process. This has sparked questions about equity and equality among stakeholders.[34]

There have been a number of judicial decisions aiming to strike a balance between competing interests but there are however, issues that the stakeholder's participation is still problematic. The size of haircuts in resolution plans has been met with criticism as well. In the few well-known insolvency proceedings, creditors have agreed to large write-off terms. The rationale behind these decisions could be sound commercial practice but also involves problems of value maximisation and efficiency of the insolvency process. Yet another problem that is on the horizon is cross-border insolvency. An increasing probability offered by globalization is that corporate debtors have assets, creditors and operations in multiple jurisdictions. To date, India's insolvency framework does not offer a thorough method to resolve issues related to cross-border insolvencies. Lack of a full-fledged legal structure might lead to uncertainty and impede effective resolution of multinationals.[35]

Additionally, modern structures of business have led to a demand for group insolvency mechanisms. Corporate groups may have many entities in existence or entities that are connected by other relationships besides being insolvent, so separate insolvency proceedings can be inefficient and expensive. Existing problem remains; policymakers keep seeking reforms that will make it more convenient to resolve group enterprises.

The Coronavirus disease (COVID-19) pandemic put on light other weaknesses of the insolvency system. Suspension of insolvency procedures and emergency measures showed the availability of some degree of flexibility in terms of responding to exceptional economic situations. The event highlighted the need for a balance between the rights of the creditors and the larger economic issues. All the said events demonstrate that insolvency legislation is still fluid and dynamic in nature. While the structure was reinforced through judicial interpretation, it is still facing many difficulties and needs to be adapted and reformed continuously.

[34] K. Sashidhar v. Indian Overseas Bank, (2019) 12 SCC 150.

[35] Mahender Pal Arora & Vikalp Shrivastava, *A Critical Review of Corporate Insolvency Resolution Process under India's Insolvency and Bankruptcy Code*, 12 Int'l J. L. Mgmt. & Human. 225, 232–35 (2023).

IV. Emerging Reforms and the Future of Insolvency Governance in India

Much of the effectiveness of the IBC will rely on the capacity of regulators and policy makers to deal with current challenges and accommodate new economic realities. The insolvency regime must continually be improved to be efficient, transparent and responsive. Building up institutional capacities is among the most crucial priorities for reform. Expanding the NCLT benches and appointing more membership on judicial and technical posts can play a key role in minimizing the cases in the pendency list. Efficiency can be further improved with the use of improved administrative infrastructure and use of a digital case management system.

The use of technology-based solutions is a great opportunity.[36] Digital platforms can be used to enable creditor claims to be made, managed, followed up, and communicated through time. Enhanced digitisation can lead to a reduction in time and the workload of the specific procedures and have a positive impact on transparency at the insolvency stage. One of the other major reforms is the pre-packed insolvency process (PIP) available for MSMEs.[37] Pre-packs allow there to be discussions with debtors and creditors before formal insolvency processes are begun. This strategy can save money, speed up the process down, and keep businesses' value intact. Further enhancements in insolvency outcomes could come about with wider use of pre-pack mechanisms.

There is still hope for cross-border insolvency reform. The UNCITRAL Model Law on Cross-Border Insolvency may help ensure cross-border cooperation and greater efficiency of resolution of cross-border insolvency cases.[38] This would help to give India a better reputation as a global investment destination. Changes in the structure and functioning of the Committee of Creditors are also needed. Greater transparency in decision making and increased stakeholder considerations may lead to increased confidence in the insolvency procedure, whilst the principle of creditor autonomy will remain a core of the insolvency. Policymakers should explore plans to create more definitive guidelines about resolution plan evaluation and treatment of operational creditors. Another important field needing the reform is professionalization of administration in insolvency suits. The support, skills development and regulatory checks and balances will enhance the quality of insolvency practitioners and provide uniformity of practice. All dominant players need to be skilled in order to handle complex insolvency cases and value

[36] Insolvency and Bankruptcy Board of India, Vision Statement 2024–2027, at 18–20.
[37] Insolvency and Bankruptcy Code (Amendment) Act, 2021.
[38] United Nations Commission on International Trade Law (UNCITRAL), *Model Law on Cross-Border Insolvency* (1997).

added to the stakeholders.

Moreover, more importance should be given to business rescue as opposed to liquidation. While liquidation is useful in some cases, the ultimate goal of the insolvency law should be to save viable companies, if possible. Strategies to encourage restructuring and rehabilitation can help to maintain economic activity and safeguard jobs while contributing to recovery outcomes overall. Insolvency reform from a policy view must stay flexible. The economy, business operations and financial markets remain dynamic and are evolving. Thus, if the adequacy of the provisions is a continuing matter of review, it will be necessary for regulators from time to time to make changes to existing provisions where needed.

Finally, it has completely changed the corporate insolvency regime in India with the Insolvency and Bankruptcy Code. The Code has provided better creditors' rights, enhanced the recovery process, and created a tailored solution to corporate distress. But bulges in timeliness, institutional capacity, stakeholder's protection, cross border insolvency, and regulatory implementation remain an issue for the efficiency. Insolvency laws must be constantly reformulated and institutionalized to adapt to their changing character. With their successful implementation, IBC could prove to be one of the most successful economic reforms of modern India, and play a substantial role in ensuring financial stability, investor confidence and financial sustainability.[39]

CONCLUSION

The Insolvency and Bankruptcy Code, 2016 has significantly transformed the manner in which corporate financial distress is addressed in India. Prior to its enactment, the insolvency regime was fragmented across multiple legislations, resulting in overlapping jurisdictions, prolonged litigation, and poor recovery outcomes.[40] These shortcomings adversely affected creditor confidence and hindered the efficient resolution of distressed assets. The introduction of the IBC sought to establish a unified and comprehensive framework that prioritizes creditor participation, promotes timely resolution, and facilitates the revival of financially viable businesses.

Through the Corporate Insolvency Resolution Process (CIRP), the Code introduced a structured mechanism for resolving corporate insolvency.

[39] M. S. Sahoo, *Law Relating to Insolvency and Bankruptcy Code, 2016* 645–652 (Taxmann 2023).
[40] Bankruptcy Law Reforms Committee, *The Report of the Bankruptcy Law Reforms Committee: Volume I – Rationale and Design* 11–15 (Ministry of Finance 2015).

By shifting from a debtor-in-possession model to a creditor-in-control framework, the IBC strengthened accountability and encouraged greater financial discipline among borrowers. The establishment of institutions such as the Insolvency and Bankruptcy Board of India (IBBI), Insolvency Professionals, the National Company Law Tribunal (NCLT), and the National Company Law Appellate Tribunal (NCLAT) has contributed to the development of a modern insolvency ecosystem. The Code has also improved recovery outcomes in several cases and has encouraged early settlements, thereby reducing the need for prolonged insolvency proceedings. Furthermore, judicial pronouncements in landmark cases such as *Innoventive Industries* and *Essar Steel* have clarified key aspects of the insolvency framework and enhanced legal certainty.[41]

Despite these achievements, several challenges continue to affect the effectiveness of the insolvency regime. The prescribed timelines for completion of insolvency proceedings are frequently exceeded due to tribunal backlogs, procedural complexities, and extensive litigation. Such delays often result in the erosion of asset value and diminish the prospects of successful business revival. Moreover, the increasing number of cases ending in liquidation rather than resolution raises concerns regarding the extent to which the Code is achieving its objective of preserving viable enterprises.[42] Questions also persist regarding the treatment of operational creditors, the acceptance of substantial haircuts under resolution plans, and whether the principle of value maximisation is consistently achieved. Additionally, issues relating to cross-border insolvency and group insolvency continue to present significant regulatory challenges.[43]

The introduction of regulatory reforms, including pre-packaged insolvency mechanisms and increased digitalisation of insolvency processes, demonstrates the legislature's commitment to improving the efficiency of the insolvency framework. Nevertheless, institutional capacity constraints and implementation challenges continue to impede the full realization of the Code's objectives.[44]

In conclusion, while the Insolvency and Bankruptcy Code has undoubtedly achieved greater success than the pre-existing insolvency regime, the goal of complete regulatory efficiency remains a work in progress. Although the Code has strengthened creditor confidence,

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[41] Swiss Ribbons Pvt. Ltd. v. Union of India, (2019) 4 SCC 17; Committee of Creditors of Essar Steel India Ltd. v. Satish Kumar Gupta, (2020) 8 SCC 531.

[42] M. S. Sahoo, *Law Relating to Insolvency and Bankruptcy Code, 2016* 35–42 (Taxmann 2023).

[43] World Bank, *Doing Business 2020: Resolving Insolvency Indicators* 94–97 (2020).

[44] Ministry of Corporate Affairs, Report of the Insolvency Law Committee on Cross-Border Insolvency (2018).

improved recovery mechanisms, and enhanced the overall insolvency framework, persistent delays and procedural inefficiencies continue to limit its effectiveness in achieving value maximisation and corporate revival. Therefore, sustained regulatory reforms, institutional strengthening, and effective implementation remain essential for ensuring the long-term success of India's insolvency framework.[45]

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