

IBC IN ACTION: FIELD REFLECTIONS AND FUTURE REFORMS

Abstract

The Insolvency and Bankruptcy Code (IBC), enacted in 2016, revolutionised India's insolvency framework by introducing a time-bound, creditor-centric corporate insolvency resolution process (CIRP). This study systematically evaluates the effectiveness of the IBC from 2016 to 2024, focusing on resolution timelines, creditor recovery, and stakeholder outcomes. A mixed-methods approach was employed, combining quantitative analysis of data from the National Company Law Tribunal (NCLT) and the Insolvency and Bankruptcy Board of India (IBBI) with qualitative insights from stakeholders' interviews and case reviews. The quantitative findings indicated significant improvements in the recovery rates and process efficiency. However, qualitative analysis reveals three key implementation challenges: judicial delays at the NCLT and the National Company Law Appellate Tribunal (NCLAT), limited institutional capacity, and procedural complexities, particularly in complex corporate cases and valuation disputes. While the IBC's legislative framework is robust, its full potential depends on addressing institutional and operational constraints. This study proposes evidence-based recommendations to strengthen the IBC's implementation, enabling it to serve as an efficient, globally competitive insolvency resolution system that supports sustainable economic recovery.

Introduction

India's Insolvency and Bankruptcy Code (IBC), enacted in 2016, represents a paradigm shift



CMA (Dr.) Shilpa Parkhi

Research Scholar
SPPU, Research Centre
National Insurance Academy, Pune
d.shilpa.parkhi@gmail.com



Dr. Uma Subramanian Gopalakrishnan

Associate Professor
National Insurance Academy
Pune
uma@niapune.org.in

in the country's insolvency framework, replacing fragmented and protracted mechanisms for managing financial distress (Agnihotri, 2023). The Code introduced a time-bound, creditor-driven resolution process designed to maximise asset value, encourage entrepreneurship, and maintain a balance of equitable stakeholder interests. Central to this framework is the Corporate Insolvency Resolution Process (CIRP), which transfers control from distressed promoters to licensed insolvency professionals and is supported by dedicated institutions, including the Insolvency and Bankruptcy Board of India (IBBI), Information Utilities, and the National Company Law Tribunal (NCLT) (Morrissey et al., 2025).

A literature review revealed a critical gap. On the one hand, substantial attention has been devoted to the IBC's structural design and institutional architecture. However, empirical assessment of its practical effectiveness, that is, its actual ability to achieve the stated objectives in implementation, remains limited. The distinction between legislative intent and real-world outcomes is fundamental to understanding insolvency reform. An effective insolvency law must demonstrate clarity in drafting, enforceability, institutional capacity, and timeliness in decision-making. It must align with stakeholder needs and broader socioeconomic objectives. Despite the IBC's stated objectives, empirical evidence documenting its performance across diverse insolvency categories, geographic contexts, and temporal phases remains scattered and incomplete, limiting a comprehensive assessment of its multidimensional effectiveness.

This study addresses this research gap by systematically evaluating IBC effectiveness and examining the extent to which the Code translates its statutory objectives into measurable outcomes. Specifically, we investigated the following questions:

- ◎ Adherence to prescribed timelines in the CIRP resolution
- ◎ Institutional capacity and decision-making process
- ◎ Economic impact on asset recovery and creditor protection.

By bridging the gap between legislative design and implementation outcomes, this study contributes to the understanding of what distinguishes effective insolvency reform from well-intentioned policy frameworks, offering insights relevant to India's ongoing refinement of insolvency laws and to emerging economies undertaking similar reforms.

Research Problem

Primary Problem: Despite being enacted in 2016 and establishing a comprehensive institutional framework, the IBC lacks empirical evidence of its practical effectiveness in achieving its stated objectives. Although the law's structural design is well documented, a critical gap exists between legislative intent and actual implementation outcomes.

Despite years of implementation, the effectiveness of the IBC in practice remains unknown. The current literature focuses on the law itself but provides no empirical evidence on whether it effectively achieves its stated objectives. However, it remains unclear whether the IBC achieves its core objectives (maximising asset value, encouraging entrepreneurship, and stakeholder equity) in practice.

Research Methodology

This study employs a mixed-methods approach, combining quantitative and qualitative analyses to comprehensively evaluate the effectiveness of IBC implementation. The quantitative component uses secondary data from NCLT records, IBBI statistics, and publicly available case databases to assess resolution timelines, recovery rates, and resolution success metrics across the CIRP cases filed between 2016 and 2024. Study was conducted to understand case duration, creditor recovery percentages, and resolution outcomes. Additionally, qualitative case reviews of landmark CIRP decisions and "Dirty Dozen" cases were systematically analysed to identify procedural bottlenecks, challenges to judicial interpretation, and implementation gaps. Document analysis of tribunal orders, regulatory directives, and stakeholder submissions provides contextual evidence of the operational constraints affecting the effectiveness of the CIRP.

The qualitative component incorporated semi-structured interviews with the participants. The total number of respondents was 24, comprising professionals such as Cost Accountants, Chartered Accountants, Company Secretaries, and Advocates who are practising as Insolvency Professionals (IP)/financial valuers/forensic auditors. This study used a purposive sampling technique. The interviews were designed to capture stakeholder perceptions of IBC effectiveness, institutional capacity limitations, procedural challenges, and recommendations for systemic improvement. Interview transcripts were analysed using inductive thematic analysis to identify convergent and divergent stakeholder perspectives. Qualitative stakeholder insights facilitate a comprehensive assessment of the IBC's actual versus perceived effectiveness.

IBC Implementation experience:

Respondents appreciated the clear procedures and shift of control from the debtor to a neutral professional, which improved transparency. However, they noted practical limitations, particularly delays caused by overburdened tribunals and litigation, which impeded adherence to the prescribed timelines. IPs expressed concerns that judicial bottlenecks undermine timely resolution and erode distressed asset value. Financial valuers noted that standardised valuation guidelines brought discipline to the process but highlighted challenges from incomplete financial information. They indicated that the lack of reliable records affects valuation accuracy, contributing to stakeholder disputes and delayed resolution plans (Banerjee & Kumar, 2023). Corporate creditors view the IBC as a strong recovery tool that improves credit discipline and increases lender bargaining power. However, they were dissatisfied with the actual recoveries, noting significant gaps between claims and recovered amounts in complex cases. They attributed this to systemic delays and applicants' reluctance to engage with companies facing operational uncertainties. Creditors recommend streamlined processes and stronger oversight to improve the outcomes.

Corporate debtors accepted that the threat of insolvency proceedings under the CIRP compelled them to make early payments or seek restructuring. Many defaulters view the Bankruptcy Code as fair yet strict, ensuring promoter accountability and timely recognition of distress. However, they expressed concerns over procedural inflexibility, particularly the loss of managerial control during the CIRP (Kattadiyil & Islamov, 2021). Some respondents suggested that pre-packaged insolvency or out-of-court settlements could provide better revival opportunities than the CIRP. They noted that the current framework limits promoters' participation in restructuring when a company fails (Thornhill & Amit, 2003). Stakeholders unanimously agreed that institutional capacities, especially within the NCLT, should be strengthened to reduce delays. This is also highlighted in the Dirty Dozen cases referred to in the table below. They advocated for digital interventions to simplify the CIRP by improving case tracking and implementing uniform data

submission platforms. Responses suggest educating smaller creditors about their rights under the Code to encourage active participation (Singh, 2021). The interviews revealed that while the Insolvency and Bankruptcy Code (IBC) created a paradigm shift in Indian insolvency (Gupta & Kumar, 2024), its effectiveness was moderated by systemic and procedural factors. Continuous improvement and strengthening of the system at all levels, along with stakeholder engagement, are essential to achieve the Code's goals of timely resolution, value realisation and economic recovery.

IBC Learnings

Engaging stakeholders, including insolvency experts, financial appraisers, creditors, and debtors, provides insights into implementing the Insolvency and Bankruptcy Code (IBC). Discussions often focus on the "Dirty Dozen" cases involving major distressed companies like Essar Steel, Bhushan Steel, and Jaypee Infratech, which were among the first to be processed under the IBC. These cases have become learning experiences for practitioners and policymakers, influencing insolvency frameworks. The Dirty Dozen cases provide a crucial assessment of the Corporate Insolvency Resolution Process (CIRP), revealing procedural flaws, delays, and issues with stakeholder coordination. A key challenge is adhering to timelines within complex corporate structures and lengthy court processes. The respondents also highlighted the valuation disputes. The Dirty Dozen cases demonstrate the need for robust valuation methods and clear documentation. Disagreements over values often delay resolution, suggesting that standardised criteria and the mandatory submission of financial data would be solutions. The IBBI subsequently provided clearer guidance on valuation practices in India. Banks reflected on how these cases exposed the strengths and weaknesses of distressed asset management. While significant recoveries were achieved in cases such as Bhushan Steel, lenders noted that legal disputes often diminish recovery rates. Respondents emphasised the need for a more efficient appeal process and increased staffing at the NCLT and NCLAT to minimise delays.

In situations where companies faced difficulties due to market downturns rather than poor

management, owners suggested improving the system through constructive dialogue instead of exclusion. These discussions highlight the policy challenges in implementing pre-pack insolvency strategies and the opportunities for promoters under stringent regulations. The respondents advocated for clear legislation on complex issues, such as avoiding agreements, managing dissenting creditors, and determining payment priority in Dirty Dozen cases.

The Dirty Dozen cases significantly influenced code amendments by setting precedents. These cases tested the robustness of the insolvency system, demonstrating both the IBC's capacity for change and its real-world implementation challenges. These insights have guided improvements and created a more responsive policy framework for addressing insolvency in India.

Company Name	Timeline	Recovery Trend (Creditor Haircut %)	Stakeholder Response & Outcome
Bhushan Steel Ltd	10 months	~63%	Acquired by Tata Steel for ₹35,200 Cr; 63% creditor recovery; NCLT approval; fraud investigation against Neeraj Singal; plant operations continued; employment secured
Bhushan Power & Steel Ltd	28 months	~59%	JSW Steel acquisition for ₹19,350 Cr; 41% financial creditor recovery; contentious bidding process; NCLAT appeals; operational creditors 95% haircut
Essar Steel India Ltd	28 months	~55%	Largest IBC resolution; ArcelorMittal acquired for ₹42,000 Cr; Supreme Court litigation; Ruia family legal battles; 90% financial creditor recovery; 15,000+ jobs protected
Alok Industries Ltd	23 months	~83%	Reliance Industries/JM Financial consortium for ₹5,050 Cr; 17% creditor recovery; operational creditors severely impacted; business restructured under new management
Monnet Ispat & Energy Ltd	10 months	~76%	JSW Steel acquired for ₹2,875 Cr; 24% creditor recovery; NCLT approval; integrated with JSW operations; workforce retained; production resumed
Electrosteel Steels Ltd	9 months	~60%	First RBI-12 case resolved; Vedanta Ltd acquired for ₹5,320 Cr; 40% recovery; promoter fraud allegations; capacity expansion planned; jobs preserved
Jaypee Infratech Ltd	43 months	~25%	Suraksha Realty acquisition for ₹7,350 Cr; 32,000+ homebuyers affected; multiple NCLT/NCLAT/SC appeals; flat delivery commitments; homebuyer protection prioritized
Lanco Infratech Ltd	30+ months	~90%	First of RBI's list to be referred; resolution attempts failed; ordered into liquidation; minimal creditor recovery; assets under auction; legal disputes ongoing
Amtek Auto Ltd	12 months	~95%	Initial resolution by Liberty House failed; CIRP restarted; ordered into liquidation; piecemeal asset sales; severe creditor losses; promoter legal proceedings

Era Infra Engineering Ltd	36+ months	~85%	Resolution attempts were unsuccessful; moved toward liquidation; limited asset value; creditors facing severe losses; legal complications; minimal recovery expected
ABG Shipyard Ltd	60 months	~98%	Liquidation after failed resolution; India's largest bank fraud case filed; CEO arrested; assets auctioned; minimal creditor recovery; CBI investigation ongoing
Jyoti Structures Ltd	12 months	~92%	No viable resolution plan received; ordered into liquidation; asset sale process; creditors face heavy losses; operational challenges; minimal recovery for stakeholders

Source: The Table is prepared by the authors.

Conclusion

This study offers a systematic empirical assessment of stakeholders' perceptions regarding the practical effectiveness of the Insolvency and Bankruptcy Code (IBC), revealing a complex picture of progress hindered by implementation challenges. Our findings indicate that the IBC has fundamentally reformed India's insolvency landscape, yielding measurable improvements. Efficiency, transparency, and creditor focus are observed compared to previous regimes. However, significant structural and institutional barriers remain in translating legislative intent into consistent outcomes. Our research uniquely quantifies stakeholder consensus on both the achievements and limitations. Insolvency practitioners, financial valuers, corporate creditors, and debtors collectively recognised that the new framework would enhance recovery and improve creditor discipline. This study identifies and documents critical implementation gaps that prior conceptual analyses have overlooked. Valuation disputes and information access barriers emerge as a major systemic constraint. The judicial delays and organisational complexity create operational friction, undermining case resolution timeframes. Importantly, this study transcends subjective accounts to provide structured evidence of performance gaps in the IBC. The experiences of the "Dirty Dozen," analyses, and interviews with respondents reveal that institutional capacity deficits—not legislative design flaws—constitute the primary bottleneck to effective insolvency resolution. However, this distinction has not been systematically documented in the literature.

Implications and Future Directions:

Our findings propose four targeted reforms: enhancing judicial infrastructure and capacity, promoting digital adoption, refining valuation and regulatory procedures, and improving inter-institutional collaboration.

By documenting what works, what fails, and why, this research aims to transform the IBC from a promising policy initiative into a system capable of robust, efficient financial distress resolution. MA

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