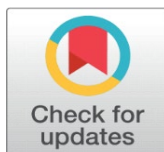


CORPORATE INSOLVENCY RESOLUTION AND LIQUIDATION: MEASURING EFFECTIVENESS OF THE IBC FRAMEWORK

Chandan Choubey ¹, Dr. Vandana Gupta ²

¹ Research Scholar, Department of Commerce & Management, Shri Venkateshwara University, Gajraula, Amroha, Uttar Pradesh, India

² Professor



DOI

[10.29121/shodhkosh.v6.i2.2025.6286](https://doi.org/10.29121/shodhkosh.v6.i2.2025.6286)

Funding: This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

Copyright: © 2025 The Author(s). This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

With the license CC-BY, authors retain the copyright, allowing anyone to download, reuse, re-print, modify, distribute, and/or copy their contribution. The work must be properly attributed to its author.

ABSTRACT

The Insolvency and Bankruptcy Code of 2016 has contributed to a huge transformation in corporate insolvency resolution in India. It is done with the help of introducing structured processes for dealing with various types of financial distress. This specific article clearly explores the examines the Corporate Insolvency Resolution Process and Liquidation Process under IBC. The proper focus of this article is on their effectiveness, sector-specific challenges as well as the role of technology in the matter of enhancing efficiency. A combination of investigative as well as analytical methods was used in this article. Some of these methods include surveys, interviews, and case studies that are supported by statistical and qualitative analysis. The major findings of this article clearly highlight the successes of CIRP in the matter of balancing the interests of stakeholders as well as reveal if there are any kind of operational challenges. It is particularly evident in industry-specific contexts as well as technological adoption. The study highlights the fact that it is needed to enhance the awareness of stakeholders and refine targeted policy. This is because this specific approach will help in addressing these issues. On the other hand, this study also emphasises the potential of various types of advanced technologies, including AI. It is done to enhance the transparency and reduce the timelines for resolution. These specific insights are crucial for policymakers and legal experts who aim to strengthen the insolvency framework of India for economic stability and growth.

Keywords: IBC 2016, Corporate Insolvency Resolution Process, Liquidation Process, Stakeholder Rights, Corporate Insolvency, Economic Impact, India



1. INTRODUCTION

The specific corporate insolvency landscape of India has gone through a notable transformation. This transformation was mainly driven by the enactment of the Insolvency and Bankruptcy Code in 2016 (Gattani & Chhabda, 2023). Fig 1 provides a clear and precise overview of the key pillars of Insolvency and Bankruptcy Code in 2016. The IBC was introduced with the hope that it would contribute to addressing the increasing number of non-performing assets. On the other hand, it is also expected to make sure that the resolution of distressed companies is on time. The Corporate Insolvency Resolution Process and the Liquidation Process under the IBC provide a structured approach that helps in dealing with cases of insolvency (Jain, 2021). This specific approach keeps the focus on time-bound resolutions, stakeholder fairness as well as the enhancement of assets. Over 40,000 insolvency cases in the year 2024 were filed under the IBC (ETLegalWorld, 2024). this fact clearly highlights the fact that these specific processes are of greater importance in the financial system of India.

Figure 1

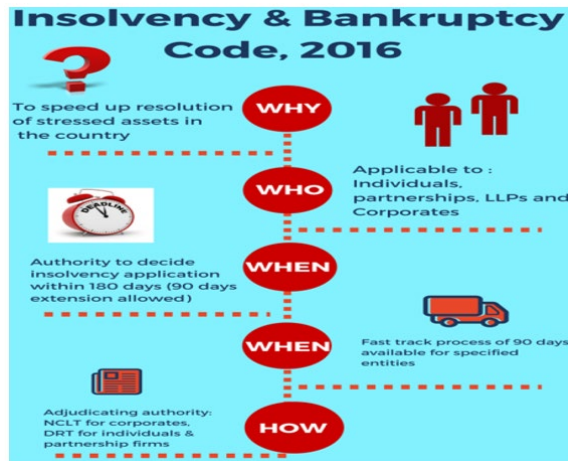


Figure 1 Pillars of Insolvency and Bankruptcy

Source Gyan, 2024

The implementation of CIRP and the Liquidation Process deals with different types of challenges. Some of these challenges include delays, lack of sector-specific strategies, and inefficiencies in the coordination among stakeholders (Das et al., 2022). The fragmentation of regulatory bodies and the complexity of multi-jurisdictional cases often result in prolonged timelines (Steelman et al., 2021). On the other hand, the evolving regulatory environment as well as the increasing complexity of cases also contributes to additional obstacles to timely resolution. The lack of clarity in certain legal provisions has been an ongoing issue that highly hampers the process of effective implementation. This study is significant because it works on exploring how CIRP and Liquidation under the IBC may impact the matter of economic stability, safeguard the rights of stakeholders as well as reshape the development of policy. The approach of maintaining effective implementation may contribute to enhancing the confidence of investors, improving the business climate as well as supporting economic growth with the help of effectively resolving distressed companies.

2. AIM AND OBJECTIVES

1) Aim

The primary aim of this research is to clearly evaluate the effectiveness of the Corporate Insolvency Resolution Process and Liquidation Process under the Insolvency and Bankruptcy Code while keeping the focus on enhancing their efficiency and addressing existing challenges.

2) Objectives

The objectives of this study include:

- 1) Exploring the practical implementation of CIRP and its legal and procedural aspects.
- 2) Investigating sector-specific challenges as well as their impact on the process of resolving insolvency.
- 3) Assessing the overall effectiveness of the IBC in the matter of resolving corporate insolvencies as well as safeguarding the rights of creditors.
- 4) Evaluating the role of technology in the process of improving efficiency, transparency as well as stakeholder engagement during the proceedings of insolvency.
- 5) Providing recommendations for enhancing the IBC framework and addressing gaps in its application.

3. LITERATURE REVIEW

3.1. EVOLUTION OF IBC 2016

The Insolvency and Bankruptcy Code 2016 was introduced with the hope that it will help in the process of effectively addressing inefficiencies in the fragmented insolvency framework of India (Singh, 2021). Fig 2 properly highlights the

evaluation of IBC. It showcases the milestones of IBC from the year 2016 to 2018. There are various earlier laws including the Sick Industrial Companies Act and Recovery of Debts Act that were criticised for delays as well as lower rates of recoveries. As per Pardhey, (2021), the IBC streamlined insolvency works with the help of creating a time-bound system for resolving different types of financial distress. This fact made a clear contribution on shifting the focus from debtor control to a creditor-driven approach. According to the research of Migrator, (2024), this shift has notably reduced the resolution time of insolvency to an average of 340 days in 2022 in comparison to 4.3 years previously.

Figure 2



Figure 2 Milestones of IBC

Source: RJA, 2023

3.2. CIRP FRAMEWORK

Nair & Nemade (2024) have described that the Corporate Insolvency Resolution Process is central to the IBC. As per their research, CIRP provides the opportunity for creditors to initiate the proceedings of insolvency and propose plans for restructuring. Fig 3 provides a visual representation of the CIRP framework that highlights the key aspects. According to Misra & Feibelman, (2021), there is a crucial role of the National Company Law Tribunal in the matter of adjudicating cases. On the other hand, the framework makes sure transparency is maintained. However, the delays that occur due to overloaded tribunals still contribute to a critical challenge. Makam, (2024) noted that the CIRP framework has also been noted because it is able to enhance the value of assets during the process of resolution.

Figure 3

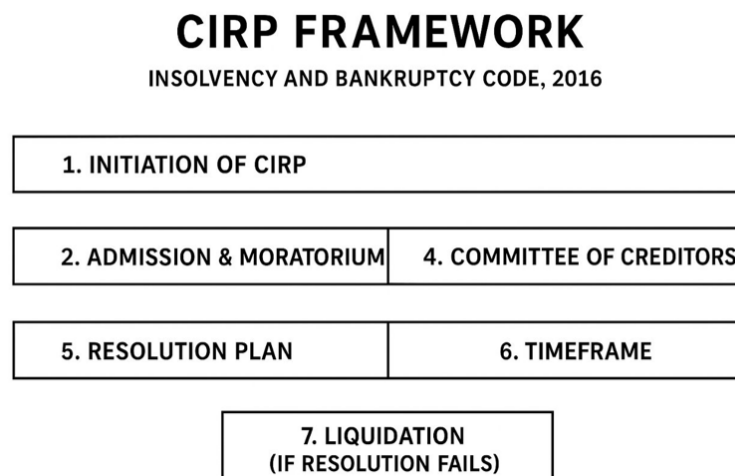


Figure 3: CIRP Framework

Source: Researchgate, 2024

3.3. LIQUIDATION PROCESS

The process of liquidation is activated if the CIRP fails. Binder, (2024) states the fact that the process of liquidation ensures a fair distribution of proceeds among stakeholders. It clearly follows a pre-defined hierarchy. On the other hand, there are still some challenges remain including undervaluation of assets and lack of buyer interest that sometimes result in suboptimal outcomes. These types of cases create significant risks for stakeholders. It is particularly evident for operational creditors as well as employees.

3.4. TECHNOLOGICAL INTEGRATION

There are various types of advancements in technology including artificial intelligence and blockchain that are contributing to enhancing the levels of efficiency of the processes of insolvency. As per Machireddy et al. (2021), specific tools of AI help in the matter of analysing financial data for quicker plans of resolution. On the other hand, digital platforms contribute to streamlining the management of cases. However, their adoption in India is very limited. This is why it is required for more investments and regulatory support.

4. METHODS

4.1. RESEARCH DESIGN

This research uses an investigative as well as analytical approach (Mohajan, 2020). It works on investigating the processes of CIRP and liquidation under the Insolvency and Bankruptcy Code. This specific research properly combines theoretical study with practical analysis. It is done to clearly understand various types of real-world challenges and outcomes.

4.2. SAMPLING

A stratified random sampling method is used to make sure that the study maintains representation from different industries (Iliyasu & Etikan, 2021). There are various types of industries including real estate, manufacturing as well as small and medium enterprises that are included. This is done to effectively capture sector-specific nuances and challenges.

4.3. DATA COLLECTION

Primary data is collected with the help of conducting surveys and interviews with key stakeholders (Giorgi et al., 2022). Some of these stakeholders include creditors, insolvency professionals as well as legal experts. On the other hand, various case studies of companies that are undergoing CIRP or liquidation provide in-depth insights. Secondary data is obtained from legal documents, academic studies as well as publicly available databases.

4.4. DATA ANALYSIS

Quantitative data is analysed with the help of using statistical tools (Corchete et al., 2020). It helped in the matter of recognising patterns and correlations. On the other hand, there are various types of qualitative techniques including thematic analysis that are applied to interpret the responses of interviews and case studies.

5. RESULTS AND DISCUSSION

5.1. FINDINGS

The timely resolution of stressed companies that potentially can be saved is the strength of the Corporate Insolvency Resolution Process (CIRP) which is governed by the Insolvency and Bankruptcy Code (IBC) 2016. The CIRP has contributed to the improvement of India's position in the international venues of doing business in particular the resolving insolvency parameters since it has been more pro creditors. However, the effectiveness varies across sectors,

with industries like real estate and small-scale manufacturing experiencing longer times due to asset valuation issues and low sales solicitors.

As noted, certain sectors of the economy continue to experience slow resolution processes and this can be viewed as challenges of specific strategies. For example, Fourth-Generation mobile technologies and investments into federal energy markets are central to the telecom and power industries, which suffer from severe bottlenecks as regulatory approval procedures take place at different levels. Likewise, micro small and medium enterprises (MSME) are unable to attract resolution applicants due to low market capitalization, forcing them into frequent liquidation rather than successful resolution.

One of the indisputable influences on the processes of bankruptcy has been the introduction of technological devices. With so many digital channels available, submission of claims, communication with stakeholders, and asset control have been done faster and more efficiently. On the other hand, the reluctance to implement such tools is frequent.

5.2. ANALYSIS

The results point toward the need for continuous upgradation of CIRP and its strengthening to improve stakeholder satisfaction, economic stability, and legal frameworks. Legally, the stress on creditor primacy in the IBC has expedited the process of insolvency resolution but has also raised questions pertaining to the protection of debtors' rights, especially of MSMEs (Majumdar & Garg, 2023). Legislative amendments are crucial to address this issue and ensure that all parties involved are heard and treated fairly. The need for sustainable improvements is underscored in the findings in CIRP which is beneficial to stabilizing the corporate ecosystem and also enabling distressed firms to regain viability.

Economically, CIRP's success in some cases has supported the stabilization of the corporate ecosystem by allowing distressed firms to regain viability (LED 2024). However, recurring liquidations in MSMEs lead to job losses and have negative economic ripple effects, thus requiring sector-specific intervention strategies. This is reflected in the asymmetric adoption of technology technologies on stakeholder capacity-building programmes. Insolvency management would indeed be revolutionized with state-of-the-art technology like blockchain for transparency and AI for predictive analysis (Richey Jr et al., 2023). For wide penetration, policymakers need to lay utmost emphasis on training initiatives and on investments in digital infrastructure.

6. PRACTICAL IMPLICATIONS

A few conclusions the study makes are that there are quite doable suggestions toward enhancing the Corporate Insolvency Resolution Process (CIRP) of IBC 2016. Enhancing the knowledge of stakeholders is one of the ways to ensure that resolution procedures are smooth and less painful (Sanyaolu et al., 2023). Such focused training initiatives and awareness campaigns can be provided for creditors, debtors, and resolution experts regarding rights, responsibilities, and nuances of the resolution process.

Another important step to enhance efficiency and transparency is the implementation of advanced technology (Allioui & Mourdi, 2023). Blockchain technology for secure data sharing, AI-based tools for predictive analysis, and digital platforms for rapid claim submission can significantly reduce delays and enhance process integrity. Additionally, central technology hubs for smaller businesses may help bridge resource gaps (Pessot et al., 2023). Lastly, techniques need to be adapted to address sector-specific challenges.

7. LIMITATIONS AND FUTURE SCOPE

7.1. LIMITATIONS

This research faces a number of constraints. Lack of reliable and adequate data regarding insolvency cases especially relating to smaller enterprises and sector specific treatments imposes data constraints. An added challenge with the amendment IBC 2016 has in terms of changing bankruptcy laws is that they periodically have to undergo amendments and interpretations from courts which may someday render some conclusions irrelevant (BHAKTA, 2022). Interpretation biases toward the qualitative findings from the stakeholder's surveys or interviews may negatively impact the impartiality of the study, especially for those whose views might be influenced by organizational or personal interests.

7.2. FUTURE SCOPE

The focus areas of future research include comparative studies with international frameworks that incorporate best practices of countries that have matured their insolvency systems, like the US and UK, to better improve the policies of India. Exploration into the application of AI in the management of insolvency would reveal insights in predictive analytics and automation towards making decisions more effective, improving transparency, and eliminating procedural delay.

8. CONCLUSION

The globalization of the Indian economy has called for a legal mechanism to safeguard the interests of both foreign and domestic creditors which led to the impact of the Insolvency and Bankruptcy code 2016, explains the research. Core results point the effectiveness of the CIRP in achieving a timely as well as systematised approach towards solving the financial problems. The framework has elevated the global image of the country by improving ranking in the parameter of ease of doing business on resolving insolvency. Sector-specific issues, particularly in MSMEs, as well as in regulated sectors such as telecommunications and power seem to be the factors for the failure to achieve the desired outcomes consistently. Also, the varying stages of the adoption of the new technologies in the process of addressing insolvency equally compromises the efficiency and transparency of the system.

These findings are of great importance to stakeholders and policy makers alike. For stakeholders, notably creditors, debtors, and resolution professionals, it is important to grasp how the operational context and its challenges within the IBC can be leveraged to participate effectively. Policy makers, on the other hand, can make use of these insights to effect reforms that are specific to the problems the sectors face and boost the confidence of the diverse stakeholders in the system.

Enhancing the IBC to a more functional level is fundamental for ensuring the economic viability over the long run. Modifications of legislation should include the goal of fair treatment of different stakeholders, concentrating on vulnerable groups like MSMEs. Additionally, integrating advanced technologies, such as AI and blockchain, can streamline processes, reduce delays, and improve transparency. Moreover, policy improvements and further research are suggested in enhancing the efficacy of IBC. The policymakers would have to develop sector-specific strategies because challenges differ. Comparative studies involving international insolvency frameworks are invaluable to gain insight into best practices adaptable to the Indian scenario. Research into the application of AI and other digital tools may be conducted to provide recommendations on innovative solutions towards optimizing operational efficiency.

CONFLICT OF INTERESTS

None.

ACKNOWLEDGMENTS

The University Grants Commission (UGC) funds this research under the Junior Research Fellowship (JRF) scheme - NTA Ref. No. 190510564517 dated 29/11/2019.

REFERENCES

- Allioui, H., & Mourdi, Y. (2023). Unleashing the potential of AI: Investigating cutting-edge technologies that are transforming businesses. *International Journal of Computer Engineering and Data Science (IJCEDS)*, 3(2), 1-12.
- BHAKTA, L. (2022). THE INSOLVENCY AND BANKRUPTCY CODE, 2016 (IBC) VIS-A-VIS PREVENTION OF MONEY LAUNDERING ACT, 2002 (PML ACT): UNDERSTANDING THE CONUNDRUM BETWEEN THE TWO.
- Binder, J. H. (2024). Resolving Small and Mid-Sized Bank: Resolution Versus Liquidation and the Transfer Tools.
- Corchete, L. A., Rojas, E. A., Alonso-López, D., De Las Rivas, J., Gutiérrez, N. C., & Burguillo, F. J. (2020). Systematic comparison and assessment of RNA-seq procedures for gene expression quantitative analysis. *Scientific reports*, 10(1), 19737.
- Das, A., Agarwal, A. K., Jacob, J., Mohapatra, S., Hishikar, S., Bangar, S., ... & Sinha, U. K. (2022). Insolvency and bankruptcy reforms: the way forward. *Vikalpa*, 45(2), 115-131.

- ETLegalWorld (2024). Insolvency cases surge: Over 40,000 filed in NCLT under IBC by September 2024 - ET LegalWorld. Retrieved from <https://legal.economictimes.indiatimes.com/news/law-policy/insolvency-cases-surge-over-40000-filed-in-nclt-under-ibc-by-september-2024/115699007>
- Gattani, V., & Chhabda, D. (2023). An Analysis of Corporate Insolvency Resolution Process under the Insolvency and Bankruptcy Code 2016. Part 2 Indian J. Integrated Rsch. L., 3, 1.
- Giorgi, S., Lavagna, M., Wang, K., Osmani, M., Liu, G., & Campioli, A. (2022). Drivers and barriers towards circular economy in the building sector: Stakeholder interviews and analysis of five European countries policies and practices. *Journal of cleaner production*, 336, 130395.
- Gyan, I. (2024). INSOLVENCY AND BANKRUPTCY CODE. Retrieved from <https://www.iasgyan.in/daily-current-affairs/insolvency-and-bankruptcy-code-26>
- Ilyasu, R., & Etikan, I. (2021). Comparison of quota sampling and stratified random sampling. *Biom. Biostat. Int. J. Rev.*, 10(1), 24-27.
- Jain, A. (2021). An Analysis of Corporate Insolvency Resolution Process (CIRP) under the Insolvency and Bankruptcy Code, 2016 (Doctoral dissertation, National Law School of Indian University, Bangalore).
- LED, A. C. (2024). HYBRID INSOLVENCY RESOLUTION PROCESS.
- Machireddy, J. R., Rachakatla, S. K., & Ravichandran, P. (2021). AI-Driven Business Analytics for Financial Forecasting: Integrating Data Warehousing with Predictive Models. *Journal of Machine Learning in Pharmaceutical Research*, 1(2), 1-24.
- Majumdar, A. B., & Garg, M. (2023). The Homebuyers Conundrum in Real Estate Insolvency. *Emerging Ideas on IBC, Insolvency and Bankruptcy Board of India*.
- Makam, G. (2024). An Analysis of the Rights and Liabilities of Corporate Debtors Under the Insolvency and Bankruptcy Code, 2016. Available at SSRN 4885271.
- Migrator. (2024). Insolvency law reduces resolution time for stressed assets to 340 days: Economic Survey. Retrieved from <https://www.deccanherald.com/amp/story/india/insolvency-law-reduces-resolution-time-for-stressed-assets-to-340-days-economic-survey-800157.html>
- Misra, P., & Feibelman, A. (2021). The Institutional Challenges of a Cross-Border Insolvency Regime. *Corp. & Bus. LJ*, 2, 329.
- Mohajan, H. K. (2020). Quantitative research: A successful investigation in natural and social sciences. *Journal of Economic Development, Environment and People*, 9(4), 50-79.
- Nair, J., & Nemade, B. (2024). Creditor Driven Insolvency Resolution Law–A Review of Intent v/s Practice. *Journal of Global Economy*, 20(1), 19-32.
- Pardhey, N. (2021). Critical analysis of insolvency and bankruptcy code progression and improvement in light of shifting epochs.
- Pessot, E., Zangiacomì, A., Marchiori, I., & Fornasiero, R. (2023). Empowering supply chains with Industry 4.0 technologies to face megatrends. *Journal of Business Logistics*, 44(4), 609-640.
- Researchgate (2024). Retrieved from https://www.researchgate.net/figure/Flowchart-of-framework_fig1_367737364
- Richey Jr, R. G., Chowdhury, S., Davis-Sramek, B., Giannakis, M., & Dwivedi, Y. K. (2023). Artificial intelligence in logistics and supply chain management: A primer and roadmap for research. *Journal of Business Logistics*, 44(4), 532-549.
- RJA. (2023) Highlights in insolvency and bankruptcy code, 2016. Retrieved from <https://carajput.com/blog/highlights-in-insolvency-and-bankruptcy-code-2016/>
- Sanyaolu, T. O., Adeleke, A. G., Efunniyi, C. P., Akwawa, L. A., & Azubuko, C. F. (2023). Stakeholder management in IT development projects: Balancing expectations and deliverables. *International Journal of Management & Entrepreneurship Research P-ISSN*, 2664-3588.
- Singh, V. K. (2021). Modern Corporate Insolvency Regime in India: A Review. *NLS Bus. L. Rev.*, 22.
- Steelman, T., Nowell, B., Velez, A. L., & Scott, R. (2021). Pathways of representation in network governance: evidence from multi-jurisdictional disasters. *Journal of Public Administration Research and Theory*, 31(4), 723-739.
- Ullah, F., Sepasgozar, S. M., Thaheem, M. J., & Al-Turjman, F. (2021). Barriers to the digitalisation and innovation of Australian Smart Real Estate: A managerial perspective on the technology non-adoption. *Environmental Technology & Innovation*, 22, 101527.