



TIME-BOUND INSOLVENCY RESOLUTION UNDER IBC: MYTH OR REALITY?

*Anjali*¹

¹(LL.B.) Department of Law, Amity Law School, AUUP, Lucknow Campus

Abstract

The Bankruptcy and Bankruptcy Code of 2016 was enacted in order to convert India's current disjointed bankruptcy system into a rational, creditor-based, and time-sensitive insolvency resolution mechanism. By finishing the Corporate Insolvency Resolution Process in 180 days, or up to 330 days if litigation is involved, it aims to prevent value erosion and enhance credit discipline. The key question in this study is whether the time-bound solution to insolvency under IBC is a true aspect of legislation or a practical illusion. The Supreme Court's judicial interpretation of timelines in important cases such as Innovative Industries Ltd. v. ICIC Bank, Swiss Ribbons Pvt. Ltd. v. Union of India, and Committee of Creditors of Essar Steel India Ltd. v. Satish Kumar Gupta are covered, as are the rulings of the National Company Law Tribunal (NCLT) and appeal courts. The report also examines real data from India's Insolvency and Bankruptcy Board, which demonstrates delays caused by complicated procedures, capacity issues, and litigation. It is challenging to consistently adhere to deadlines, even if the IBC has significantly improved recovery rates or credit culture compared to pre-IBC years. The study concludes that the time-bound resolution under the IBC is a reform in progress that requires institutional support, judicial restraint, and procedural efficiency to achieve the fundamental goal for which it was created. It is not entirely a chimera or anything.

Keywords

Insolvency Law Reform; Time-Bound Resolution; Corporate Insolvency Resolution Process (CIRP); Insolvency & Bankruptcy Code, 2016; Time-Bound Resolution; Economic Efficiency.

I: INTRODUCTION

The 2016 Insolvency and Bankruptcy Code significantly changed Indian business and financial procedures. The Companies Act of 1956 and the Sick Industrial Companies (Special Provisions) Act of 1985 were two of the legislation that governed insolvency resolution procedures prior to 2016. Litigation and poor recovery resulted from such activities. Because of jurisdictional overlap, procedural delays, and enforcement uncertainty, the dispersion of the legal system led to a decline in value of assets and a loss of creditor faith. The growing volume of non-performing assets (NPAs) and systemic liquidity in the economy pressure created an urgent need for an interconnected, unified and time-constrained insolvency system.¹

Creditor-in-control and the need to adhere to rigorous timeframes as the primary bankruptcy resolution concept were two of the modifications that the IBC was forced to implement. According to Section 12, the corporate bankruptcy resolution procedure must be finished within a period of 180 days, with a maximum of 90 days and 330 days for litigation.² According to the Bankruptcy Law Reforms Committee, the legislation seeks to achieve speed, predictability, and value maximization by focusing on the interests of creditor and debtor rehabilitation. By granting the committee in question of Creditors authority, the Code prevented the defaulting management from strategically delaying the implementation of the market-based remedy.

In terms of legal interpretation, time schedules are improved. In the well-known ruling of *Innoventive Industries Ltd. v. ICICI Bank*, the Supreme Court noted that speed is the most crucial component of the Code and that adherence to statutory time constraints is a crucial indicator of its effectiveness.³ Similarly, the Court upheld the validity of the IBC in the *Swiss Ribbons Ppt. Ltd. versus. Union of India* case, reiterating that the time-constrained settlement is the fundamental component of the architecture.⁴ However, in *Committee of Creditors of Essar Steel India Ltd. vs. Satish Kumar Gupta*, the Constitutional Court found no reason why limits could not be fair and stated that the 330-day timeframe might be extended in light of the aim to prevent injustice.⁵

This conflict between legislative prescriptions and practice is the study's main emphasis.

Statement of the Problem

Although the IBC suggests a time-limited approach for resolving bankruptcy, actual data shows that many CIRPs take longer than the suggested 330-day timetable. Judicial interventions, NCLT capacity constraints, the seriousness of the appeal, and convoluted stakeholder talks are the main causes of the delay. This leads us to a crucial question: do the IBC's statutory deadlines represent an ideal to be realized or a reality to be put into effect?

¹ Bankruptcy Law Reforms Committee, *The Report of the Bankruptcy Law Reforms Committee* (Ministry of Finance, 2015).

² Insolvency and Bankruptcy Code, 2016, s. 12 (as amended by the Insolvency and Bankruptcy (Amendment) Act, 2019).

³ *Innoventive Industries Ltd. v. ICICI Bank* (2018) 1 SCC 407 (SC).

⁴ *Swiss Ribbons Pvt. Ltd. v. Union of India* (2019) 4 SCC 17 (SC).

⁵ *Committee of Creditors of Essar Steel India Ltd. v. Satish Kumar Gupta* (2019) 16 SCC 479 (SC).

It is a structural problem as well as a procedural one. If the insolvency process takes longer than required by law, the fundamental goal of maximizing values may be compromised. Therefore, it is necessary to critically investigate the question of whether the time-limited procedures within the IBC framework is successfully implemented.

Objectives of the Study

1. should take into account the purpose of the law that established the IBC's time-bound insolvency resolution process.
2. To analyze judicial interpretation of statutory timelines under Section 12 of the Code.
3. To assess the practical implementation of the 180/330-day framework in CIRP cases.
4. To identify institutional and procedural factors contributing to delays.
5. To evaluate whether time-bound insolvency resolution under IBC is a myth or reality.

Research Questions

1. What is the legislative purpose of prescribing strict timelines under the IBC?
2. How has the 330-day outside limitation been understood and applied by courts?
3. To what extent do CIRP proceedings adhere to the prescribed timelines in practice?
4. What are the major causes of delay in insolvency resolution?
5. Can institutional reforms ensure strict compliance with time-bound resolution?

Hypothesis

This study will make the assumption that, although the IBC offers a robust legal framework to guarantee resolution in a timely manner of insolvency, in actuality it does not align with the legislation in terms of institutional and systemic constraints. As a result, while time-bound resolution is often met in the IBC, it is not always met in reality.

Research Methodology

This research has a critical and dogmatic stance. The primary sources will be the 2016 Insolvency and Bankruptcy Code, its amendments, and Supreme Court and NCLAT rulings. Secondary sources include reports from the BLRC, the Insolvency Law Committee, the IBBI, and scholarly research.

Case law analysis becomes a crucial component of the method. The affiliations of Swiss Ribbons, Essar Steel, and Innoventive Industries are analyzed in order to illustrate how judicial discretion strikes a compromise between fairness and speed. In addition, statistical data released by India's Insolvency and Bankruptcy Board (IBBI) is analyzed to see if it adheres to the deadlines set by the government.

This qualitative study will bridge the gap between normative lawmaking and local reality.

Review of Literature

The BLRC study, which highlighted the unfavorable consequences of insolvency resolution—rapid asset depreciation and declining recovery value over time—is credited with providing the IBC foundational information. The Committee suggested stringent deadlines in order to improve investor trust and establish discipline on loans.

The Insolvency Law Committee's findings evaluated operational challenges and recommended changes to improve time-bound resolution.⁶ Scholarly observers have noted that although the IBC demonstrated greater rates of recovery than the previous system, it was still contentious and court action continues to impede timely measures.

The Standing Committee of Creditors' notion of commercial wisdom is also the subject of scholarly investigations, especially in light of the ruling by Essar Steel, which restricted the role of judiciary in economic judgments.⁷ However, critics claim that the court of appeals level's frequent litigation violates the time-limited system.

According to recent IBBI empirical study data, a sizable percentage of CIRPs are longer than 330 days, and stay orders and procedural difficulties are often to blame. According to recent IBBI empirical study data, a sizable percentage of CIRPs are longer than 330 days, and stay orders and procedural difficulties are often to blame.

II: LEGISLATIVE FRAMEWORK AND OBJECTIVES OF TIME-BOUND RESOLUTION

In order to optimize asset value, promote entrepreneurship, and balance the interests of all parties, the Act on Insolvency and Bankruptcy of 2016 (IBC) has a clear and well-organized goal: to settle insolvency as soon as possible. The Preamble makes clear that the two main tenets of the insolvency system are being quick and efficient.⁸ Unlike the pre-IBC system, and this had an unnecessary number of forums and was in any case susceptible to limitless delay, the Code combined insolvency regulations into a single system with clear procedural timetables.

Unlike the pre-IBC system, which had an unjustified proliferation of forums and was in any case prone to indefinite delay, the Code made insolvency regulations universal under a single mechanism with defined procedural timeframes.⁹ Therefore, the Committee recommended a stringent timeline preservation method to preserve economic value and improve credit markets.

⁶ Insolvency Law Committee, *Report of the Insolvency Law Committee* (Ministry of Corporate Affairs, 2018).

⁷ *Committee of Creditors of Essar Steel India Ltd.*, supra note 5.

⁸ Insolvency and Bankruptcy Code, 2016, Preamble.

⁹ Bankruptcy Law Reforms Committee, *The Report of the Bankruptcy Law Reforms Committee* (Ministry of Finance, 2015).

Section 12 of the Code used to mandate that the process for addressing corporate insolvencies be completed within 180 days after the date of acceptance, with an extension of 90 days after Council of Creditors approval. This design mirrored the legislature's goal to discourage unnecessary adjournments and to incentivize defaulting promoters to squander time in this manner.

a) The 2019 Amendment and Judicial Interpretation

A longer than anticipated CIRP was usually the consequence of litigation and appellate delays, even in spite of the legislative recommendations. Parliament responded by passing the Insolvency & Bankruptcy (Amendment) Act, 2019, with imposed a statutory 330-day deadline for finishing the CIRP, including court time. This modification was intended to remove the Code's long-term ambiguity and strengthen its time-dependent nature.

The Supreme Court restricted the change in the case of Essar Steel India Ltd. and Satish Kumar Gupta's creditors, but it made it plain that there are situations in which time limits should be adhered to but are not. This lawsuit dealt with whether the 330-day restriction was still in effect.¹⁰ The Court ruled that in cases when delays were brought on by circumstances without the stakeholders' control, a stringent application would result in unfairness.

The National Company Law Tribunal is the first instance in the IBC adjudicatory hierarchy, followed by the Supreme Court and the National Company Law Appeals Tribunal. A system like this will guarantee that court processes are monitored in an effort to maintain procedural efficiency.

As a result, under the legislative IBC time-bound resolution, it is both an aspirational and statutory requirement permitted by modifications and judicial interpretation. However, the issue of striking a balance between justice and speed needs to be proven practically.

III: JUDICIAL INTERPRETATION AND EVOLUTION

Even though the legislative system is preoccupied with setting strict deadlines, the judiciary has attempted to strike a balance between speed and the preservation of constitutional rights and even equity in the economic context. This is demonstrated by the Code on Bankruptcy and Insolvency, which was developed in large part by the Supreme Court.

The code necessitates scheduling, which can only be accomplished by adhering to the timelines, as was noted in the Innovative Industries Ltd. versus. ICICI Bank case.¹¹ The Court stated that by creating a creditor-based system where delay would negate value maximization, the IBC is departing from earlier debtor-oriented regimes. By limiting judicial involvement during the admissions phase, the Court upheld the fundamental tenet that the bankruptcy procedures must move quickly after the default was established.

The Court reiterated that the first important premise of the law is time obedience, even though it affirmed the validity of the IBC in the same case, Swiss Ribbons Pvt. Ltd. against. Union of India.

¹⁰ *Committee of Creditors of Essar Steel India Ltd. v. Satish Kumar Gupta* (2019) 16 SCC 479 (SC).

¹¹ *Innoventive Industries Ltd. v. ICICI Bank* (2018) 1 SCC 407 (SC).

The Court reiterated that the first important premise of the law is time obedience, even though it affirmed the validity of the IBC in the same case, *Swiss Ribbons Pvt. Ltd. against. Union of India*.¹² It stated that the Code seeks to ensure that insolvency procedures are able to balance the interests of all parties concerned and are not turned into regular procedures.

However, the Court had to address the rigidity of the 330-day outer limit established by the 2019 Amendment in *Committee of Creditors of Essar Steel India Ltd. vs. Satish Kumar Gupta*.¹³ The Court acknowledged that the deadline may need to be extended in exceptional circumstances to prevent unfairness, even if the provision is required in practice due to certain challenges, such as the challenging lawsuit and the drawn-out appeals procedure.

Additionally, the Court held in *ArcelorMittal India Pvt. Ltd. versus Satish Kumar Gupta* that procedural expediency could never take precedence over substantive adherence to the Section 29A eligibility requirements.¹⁴ Thus, while expediency is essential, justice and adherence to the law cannot be neglected.

Expedition is therefore necessary, but justice and statutory compliance must not be compromised.

IV: EMPIRICAL ANALYSIS – DELAYS IN PRACTICE

Litigation The Corporate Insolvency Resolution Process must be finished in 330 days in accordance with the Insolvency and Bankruptcy Code, 2016 legislative framework. However, actual data released by the Insolvency and Bankruptcy Board of India indicates that many CIRPs have exceeded this upper limit. The Code has improved recovery rates compared to the pre-IBC regime, although the degree of statutory compliance is still inconsistent.

One of the primary causes of the delay was the National Company Law Tribunal's enormous backlog. Adjournments and backlogs have resulted from various courts' subpar benches and facilities, particularly in the crucial sectors of the economy. This is because the NCLT handles corporate insolvency matters, hence the admission rudiment itself can only be finished after many months.

The second main cause of time loss is the large number of appeals that are filed with the Supreme Court and the National Company Law Appellate Tribunal. Even though judicial review is essential to maintaining the law's legality and equity, repeated appeals, especially in high-value insolvency cases, cause the processes to drag on for longer than expected.

Thirdly, laborious talks and valuation procedures are part of the complex resolution tactics of different financial creditors, operational creditors, and statutory agencies. The process is still being dragged out by disputes over the distribution of revenues and claims to Section 29A. Additionally, the initiation of CIRP is slowed down by procedural objections raised during the admission stage, such as the allegation of default or papers.

¹² *Swiss Ribbons Pvt. Ltd. v. Union of India* (2019) 4 SCC 17 (SC).

¹³ *Committee of Creditors of Essar Steel India Ltd. v. Satish Kumar Gupta* (2019) 16 SCC 479 (SC).

¹⁴ *ArcelorMittal India Pvt. Ltd. v. Satish Kumar Gupta* (2019) 2 SCC 1 (SC).

Additionally, delays were made worse by the COVID-19 epidemic. By extending the time to do so, the Supreme Court indirectly affected the insolvency proceedings, even though it was working in the claimants' best interests by extending constraints because of the epidemic.¹⁵ Consequently, even after the required period had passed, some of the CIRPs remained unpaid.

A legal system must thus be quick and effective, but rigid adherence is weakened by institutional bottlenecks, a litigation culture, and outside intervention. Empirical evidence suggests that institutional change, tribunal capacity building, and procedural simplification are necessary to arrive at a stable, time-limited resolution.

V: STRUCTURAL AND INSTITUTIONAL CHALLENGES

The efficiency of the Bankruptcy and Bankruptcy Code, 2016's time-based bankruptcy solution is directly related to the the capacity of institutions of regulatory and adjudicatory bodies. Inadequate facilities and a lack of personnel have been problems for the National Company Law Tribunal, which decided this case. The absence of dedicated insolvency benches contributed significantly to the backlog and process delays in the early years of the Code's adoption. Since bankruptcy procedures need rapid decision-making, a stop with an administrative bottleneck obviously contravene the legislative goal of the Corporate bankruptcy Resolution Process (CIRP) occurring within the allowed timeframe.¹⁶

The role of Resolution Professionals (RPs) is no different. As the guardians of the debtor's management in a CIRP case, RPs are expected to investigate the debtor thoroughly, validate claims, and facilitate effective resolution strategies. However, progress is typically hampered by instances of inadequate competence, information asymmetry, and litigation tactics adopted by the parties. The slow pace is exacerbated by the suspended management's lack of cooperation, disagreements regarding valuation, and delays in gathering claims. The legislature's intended time-limited resolution of time is undermined by such structural constraints.

a) *Cross-border complexity and judicial crossover.*

The degree of judicial interference is the other structural problem. Even while court review ensures equity and adherence to legal mandates, overzealous interference might harm the Committee of Creditors' (CoC) ability to conduct business as usual. In *Committee of Creditors of Essar Steel India Ltd. vs. Satish Kumar Gupta*, the Supreme Court rendered definitive decisions on the CoC, holding that its commercial acumen is undeniable and that, in the majority of cases, it is outside the purview of judicial investigation.¹⁷ The idea is to prevent the courts from substituting financial creditors' judgment for their own business judgment. The processes are nonetheless prolonged by the many appeals and temporary delays.

¹⁵ *In Re: Cognizance for Extension of Limitation* (2020) 19 SCC 10 (SC).

¹⁶ Insolvency and Bankruptcy Code, 2016, s. 12; Insolvency and Bankruptcy (Amendment) Act, 2019.

¹⁷ *Committee of Creditors of Essar Steel India Ltd. v. Satish Kumar Gupta* (2019) 16 SCC 479 (SC).

Moreover, cross-border bankruptcy is not adequately managed. India has not embraced a comprehensive approach determined by the UNCITRAL Model Law on Cross-Border Insolvency, 1997.¹⁸ Lack of a defined legislative process causes situations where there is a lack of jurisdiction and further delays when it comes to multinational assets and international creditors.

Therefore, to turn the legislative necessity of limited in time resolution into a stable practical actuality, systemic reforms are required, such as enacting cross-border insolvency legislation, strengthening RP training, limiting needless judicial activism, and upgrading the tribunal's infrastructure.

VI: COMPARATIVE PERSPECTIVE

A helpful tool for determining whether the time-bound resolution required under the Insolvency and Bankruptcy Code, 2016 has achieved its goals is comparative insolvency jurisprudence. Examples of overseas jurisdictions that can be used to create a model for corporate bankruptcy resolution that weighs the advantages and disadvantages of the Indian framework include the United States and the United Kingdom.

In the United States, corporate reorganizations are typically conducted in compliance with Chapter 11 of the Bankruptcy Code. A debtor-in-possession system with broad court supervision and a significant amount of restructuring flexibility is made possible by the Chapter 11 system.¹⁹ The complex dispute and agreement of the stakeholders might lead the procedures to drag on for a few years, even if this model supports company continuity and the outcome of the discussion. Consequently, the U.S. system does not always require a time-constrained solution, despite its emphasis on restructuring.

On the other hand, according to the Insolvency Act of 1986, the main goals of the administration process in the UK are timeliness and creditor protection. In order to preserve the company as a continuing concern or, more desirably, as a greater achievement than liquidation, an administrator is hired to oversee it. The UK system is generally considered to be quite successful because of its well-established insolvency institutions and efficient judicial participation.

Compared to pre-IBC India, the Code has significantly improved the rate of recovery and institutional clarity. Previous rules under the Companies Act and SICA had been characterized by minimal recovery and unlimited delays. India has made significant progress in resolving insolvencies, as seen by the rates of recovery and legal guarantees, according to the World Bank's Doing Business 2020 report.²⁰

However, when compared to worldwide norms, India is likewise not without its problems. It has a procedural litigation culture, a high degree of judicial intervention, and limitations in the architecture of the tribunals that make it challenging to strictly adhere to the statutory deadlines. India does not currently have the institutional ability to implement an insolvency ecosystem, in contrast to other countries.

¹⁸ UNCITRAL, *Model Law on Cross-Border Insolvency* (1997).

¹⁹ United States Bankruptcy Code, 11 U.S.C. § 1101–1174 (Chapter 11).

²⁰ World Bank, *Doing Business 2020: Comparing Business Regulation in 190 Economies* (World Bank Group, 2020).

As a result, even while IBC is a huge advance over India's prior insolvency system, it has not yet achieved the goal of a time-bound resolution. The task of ensuring that Indian practice is improved to that of the finest international practice will continue to be greatly aided by institutional strengthening and procedural discipline, according to comparative study.

VII: CONCLUSION – MYTH OR REALITY?

Among the most significant fundamental changes to Indian business and commercial law is the Insolvency and Bankruptcy Code, 2016 (IBC). The Code implemented a creditor-based and consolidated insolvency process with strict statutory periods of time in an effort to address the inefficiencies of the pre-2016 regime. Section 12 and the subsequent changes, which established an outer limit of 330 days during which the Corporate Insolvency Resolution Process (CIRP) is to be conducted, represent time-bound resolution, which is not accidental but rather the normative core of the Act. According to the legislative perspective, time discipline is a non-voluntary structural characteristic rather than a policy.

Judicial interpretation has played a major role in advancing this objective. The cases of *Swiss Ribbons Pvt. Ltd. v. Union of India* and *Innoventive Industries Ltd. v. ICICI Bank* have demonstrated that clarity and speed are necessary to optimize value and economy. Simultaneously, the Court considered the practical limitations of the case in *Committee of Creditors of Essar Steel India Ltd. v. Satish Kumar Gupta* and chose to apply the strictness of the 330-day restriction in an uncommon manner to avoid the case being unjust. As a result, the courts have adopted a strategic stance on this issue, prioritizing haste over justice and constitutionality.

However, the world's reality demonstrates that there are still challenges to overcome. According to statistics, the insolvency and bankruptcy board of India (IBBI) has a significant backlog of CIRPs that take longer than the law requires because of complicated processes, appellate litigation, and institutional backlogs. The necessary certainty of the result is dispersed by the National Company Law Tribunal's lack of infrastructure and the instances of numerous appeals to higher institutions. Therefore, in practice, the statutory limit of 330 days is not always met.

As a result, time-bound resolution in the IBC is a half-truth rather than a fiction or an absolute fact. Although systemic and structural obstacles limit the reform's effectiveness, it has increased recovery rates and helped the company win over creditors and become the global leader in bankruptcy ratings. The transformation of legislative aspirations into routines, including the expansion of tribunal business, stricter case handling procedures, technology harmonization, the elimination of needless appellate jurisdiction work, and the implementation of an umbrella insolvency policy across borders, must be a long-term project.

In general, it may be claimed that India has adopted a time-conscious bankruptcy resolution culture thanks to the IBC. Nevertheless, the dedication to a predictable and quick bankruptcy judicial system can only be fully realized with long-term institution and army culture.

REFERENCES

1. M. S. Sahoo (ed.), *Insolvency and Bankruptcy Code: Law and Practice* (Eastern Book Company, 2nd ed., 2023).
2. Sumant Batra, *Corporate Insolvency: Law and Practice* (Eastern Law House, 2017).
3. V. Niranjan & R. Varottil (eds.), *Insolvency and Bankruptcy Regime in India: A Narrative* (National Law School of India Review Special Volume, 2019).
4. Taxmann Editorial Board, *Insolvency and Bankruptcy Code with Rules and Regulations* (Taxmann Publications, latest ed.).
5. IBBI (ed.), *Handbook on Insolvency and Bankruptcy Code, 2016* (Insolvency and Bankruptcy Board of India Publication).
6. Umakanth Varottil, "The Insolvency and Bankruptcy Code 2016: A Critical Analysis," (2017) 29 *National Law School of India Review* 1.
7. Sumant Batra, "Revisiting the Time-Bound Resolution Framework under the IBC," (2020) 12 *Insolvency and Bankruptcy Law Reporter* 45.
8. Niranjan V., "Commercial Wisdom of the Committee of Creditors: Scope and Limits," (2019) 31 *National Law School of India Review* 89.
9. S. C. Sharma, "Judicial Intervention and Delays under the IBC," (2021) 8 *Indian Journal of Corporate Law* 112.
10. Anjali Sharma, "Value Maximization and Timelines under India's Insolvency Regime," (2022) 14 *Journal of Business Law and Governance* 67.
11. The Insolvency and Bankruptcy Code, 2016 (Act 31 of 2016).
12. The Insolvency and Bankruptcy (Amendment) Act, 2019.
13. The Companies Act, 2013 (Act 18 of 2013).
14. Sick Industrial Companies (Special Provisions) Act, 1985 (repealed).
15. United States Bankruptcy Code, 11 U.S.C. (Chapter 11).
16. IndiaCode (official consolidated statutes PDF): *The Insolvency and Bankruptcy Code, 2016* (Government prints).
17. IBBI website — Legal framework, Regulations, Reports, Data / Quarterly newsletters.
18. Ministry of Finance / DEA — BLRC report & related documents.
19. World Bank Doing Business reports (archived): *Doing Business 2020 — Resolving Insolvency* for comparative metrics.