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"Assessing the Triadic Impact: A Comprehensive Empirical Analysis of the Companies Act 2013, Insolvency and Bankruptcy Code 2016, and Goods and Services Tax 2017 on Corporate Governance and Performance in India"

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Abstract

Present study provides an exhaustive empirical analysis of the impact of the Companies Act 2013, Insolvency and Bankruptcy Code 2016, and Goods and Services Tax 2017 on corporate governance and performance in India. Delving into the evolution of insolvency laws in India, the study explores the significant overhaul brought by the Insolvency and Bankruptcy Code (IBC) 2016. This reform aimed to streamline insolvency and bankruptcy proceedings, thereby enhancing corporate governance and efficiency. Using time series and cross-sectional data, the analysis focuses on case studies under the IBC, evaluating recovery rates and their influence on non-performing assets (NPAs) in the banking sector. The study also assesses the reshaped legal and institutional frameworks, including the establishment of the Insolvency and Bankruptcy Board of India (IBBI) and adjudication mechanisms. Findings indicate improvements in recovery rates and a reduction in NPAs, yet challenges like extended resolution timelines and regional enforcement disparities persist. The paper offers recommendations for enhancing insolvency resolution efficiency, emphasizing the need for quicker adjudication, improved cross-border insolvency laws, and the adoption of digital platforms for resolutions. This study contributes to the ongoing discourse on the effectiveness of the IBC 2016, underscoring its role in India's economic reforms and legal landscape evolution.

Keywords: Corporate Governance, Insolvency and Bankruptcy Code (IBC) 2016, Companies Act 2013, Goods and Services Tax (GST) 2017, Non-Performing Assets (NPAs), Corporate Performance, Indian Economic Reforms, Legal Framework, Bankruptcy Law

INTRODUCTION

A pivotal juncture in India's economic history transpired in 2016 with the enactment of the insolvency and Insolvency Code (IBC), which consolidated the nation's antiquated insolvency regulations into a solitary, all-encompassing law. Whilst insolvency systems are primarily linked with the British era, historical proof from ancient Indian manuscripts implies that debt retrieval techniques with spiritual connotations existed as early as 200 BC (Das et al. 2020). There was a mosaic of insolvency laws in India before the enforcement of the insolvency and Bankruptcy Code (IBC), the most significant of which were the Government Rules and the Reserve Bank of India (RBI) Regulations. As component of its reforms, the Insolvency and Bankruptcy Board of India (IBBI), Bankruptcy Experts, Bankruptcy Professional Agencies, and Information Utilities were established within the institutional framework outlined in the legislation.

After half a decade of the Code's execution, we can affirm that it has experienced its portion of triumphs and setbacks. Completing the voids and strengthening the environment should be paramount concerns. The requirement for additional reorganisation options has been emphasised by certain of the issue regions that have emerged from the examination. Inquisitively, the utmost noteworthy hindrance to accomplishing commitments and delivering the Code has been the rearrangement of timeframes. The remainder of this document explores these problematic areas. The objective of this article is to elaborate on the symposiums that preceded the IBC 2016. To apprehend the advancement made in India's legislative formulation process, it is imperative to juxtapose it with preceding laws. How and what can be undertaken to augment the standings of the diverse stakeholders under the system is tackled by the matter of how the IBC supports them. Another domain that requires probing is how effectively the Code has tackled the escalating issue of non-performing assets (NPA) in India's banking industry. In order to comprehend the nonperforming liability (NPL) trajectory, recuperation rates and time required under diverse recuperation mechanisms, a synopsis of cases under the Insolvency and Bankruptcy Code (IBC), and India's position in the global insolvency systems, it is imperative to scrutinise the current status of the Indian economy using time series and cross-sectional data.

We contribute to the current reservoir of information on bankruptcy and insolvency legislation by offering robust empirical evidence from India regarding the effectiveness of IBC 2016. Investigation into insolvency and bankruptcy encompasses numerous captivating aspects. Bankruptcy and insolvency legislations have been the topic of a substantial amount of global empirical research regarding their effectiveness and productivity. A substantial quantity of research has been carried out in the preceding sixty years in light of the initial discourse on the ideal capital configuration by Modigliani and Miller (1958), disregarding tax and insolvency considerations. Scholars in the realm of insolvency prognosis may track their origins back to the groundbreaking study of Altman (1968). Assessing the prevailing insolvency procedures employed worldwide, Aghion, Hart, and Moore (1992) proposed an innovative approach grounded in the distinctive conditions of the United Kingdom. Investigation into the efficiency of insolvency and bankruptcy regulations in both global and local settings has been propelled by the growing globalisation of the worldwide economy.

However, thus far, there has been a scarcity of emphasis on examining the impacts and effectiveness of IBC in India. The current form of India's insolvency system was moulded by several advancements that Branch and Khizer (2016) investigate and scrutinise. The writers concentrate on the outcomes of these changes. In view of the alterations brought forth by IBC 2016, Gupta (2018) examines the contemporary discourse surrounding India's credit distribution and accessibility system.

Utilising information from the initial period of 2016's bankruptcy instances under IBC, Chatterjee, Shaikh, and Zaveri (2018) carried out an empirical investigation of the financial consequence of IBC and the judiciary's effectiveness. Das et al. (2020) furnished an all-encompassing examination of the bankruptcy and insolvency reforms executed in India, alongside a juridical analysis of the IBC 2016 and its ramifications. The management of permitted assertions for functional and monetary lenders was scrutinised by Prasad, Gupta, and Mathur (2020) in an evaluation of instances managed under the IBC of India. In his evaluative assessment of the proposals put forth by the Insolvency Law Committee (ILC), Das (2020) examined the challenges and possible advantages of the IBC's international system. To aid the Indian economy in enticing and retaining investors and fortifying acquisitions, Handa (2020) examined the Corporate Insolvency Resolution Process (CIRP) as a plausible acquisition tactic and discovered acquisition-linked concerns. In their exploration of India's distressed corporate debt market, Bose, Filomeni, and Mallick (2021) examined the impact of an innovative insolvency resolution mechanism on the situation. To explore the kinetics of settlement and resolution under the IBC procedure post COVID-19, Singh and Thakkar (2021) formulated a framework. Since the novel insolvency and bankruptcy legislation came into effect in India on May 28, 2016, our analysis distinguishes itself from the cited literature on IBC and is thus pertinent for policymakers assessing the effectiveness of the modifications brought about by the law.

This is the lingering framework of the document. In Section 2, we acquire knowledge about the chronicles of India's insolvency regulations. Section 3 delineates the novel IBC overhaul in its entirety. In Section 4, we briefly examine how the IBC has modified company policy, business activities, and the financial markets. The empirical discoveries on the effectiveness of IBC 2016 and its impact on the recuperation of nonperforming assets in the Indian economy are

showcased in section 5. The outcomes and recommendations are evaluated in Section 6, which is the final section.

Insolvency and Bankruptcy Reforms in India

Because insolvency aids a nation's economy by providing those corporations an opportunity to persist in commerce and assisting those unable to escape indebtedness to obtain a fresh start, bankruptcy regulations are among the most noteworthy in this domain. The Indian Insolvency Code (IIC) of 2016 was the culmination of a protracted process of legislation that had been subject to numerous annulments and modifications. Das et al. (2020) observe that insolvency and bankruptcy legislation systems were absent in India before British intervention; nevertheless, they argue that numerous of the current tenets of bankruptcy can be discovered in Smriti customs of India dating back to around 200 BC, notwithstanding the notion that English law is commonly regarded as the origin of India's insolvency structure. In the Smriti scriptures, it is underscored that fulfilling one's responsibilities is both a lawful and ethical duty. The teachings additionally outline the procedures for reclaiming debts and articulate eternal condemnation as the consequence for neglecting to reimburse. Debt resolution in ancient India was hence an intricate system that was greatly impacted by spiritual doctrine.

Sections 23 and 24 of the Government of India Act of 1800 are the inaugural insolvency regulations implemented during the British dominion. The implementation of Act 9 signalled the commencement of India's distinct bankruptcy regulations. Prior to the enactment of the Presidency Towns Insolvency Act of 1909, the Indian Insolvency Act of 1848 was adhered to by the Presidency municipalities. The primary endeavour to establish bankruptcy laws in the hinterland was to grant district courts jurisdiction over bankruptcy cases by incorporating provisions into the Code of Civil Procedure in 1877. The Code of Civil Procedure, 1882 restated these provisions with specific alterations. In 1907, the Regional Bankruptcy Act rectified the Code's imperfections; in 1920, the identical statute was annulled.

As an outcome of suggestions made by multiple committees, the administration has amended its strategies. The Bhabha commission was formed in the post-independence era to hasten the modification of the Corporation Legislation, which eventually resulted in the alteration act of 1956. Business bankruptcy procedures did not discover Section 425 of the legislation to be measurable, but it did establish a fundamental groundwork for liquidation. In 1975, in reaction to Industrial Illness, the RBI established the Tandon Committee, which suggested a fresh knowledge system. To rejuvenate declining industrial units, the 1976 H. N. Ray group put forth a consolidation technique. In 1981, the Tiwari Committee proposed establishing a distinct quasi-legal entity and enacting precise statutes to tackle the matter of work-related ailment. This resulted in the 1985 enactment of the Ailing Industrial Enterprises Act (AIEA) and the 1987 formation of the Committee for Industrial and Financial Reconstruction (CIFR). The bankruptcy system has also transformed since the LPG reforms, with the former being the legislation proposed by the Indian government and the latter being the modifications in policy implemented by the Reserve Bank of India.

A recommendation for Exclusive Courts was one of three approaches put forth by the Narasimham Committee, which the administration established in 1991. This concept ultimately transformed into the Retrieval of Obligations Owed to Banks and Financial Institutions (RDDBFI) Act 1993. To facilitate debt retrieval, courts known as Debt recovery Tribunals (DRTs) were established. In April 1998, the Narasimham Committee 2 published a report delineating standards for categorising resources, the formation of Asset Reconstruction Companies (ARCs), and the objectives that banks should aim for in reducing their nonperforming assets (NPAs). The Andhyarujina Panel was formed in 1998 to grant this report formal recognition. The outcome was the SARFAESI Act of 2002, which endeavours to collateralize and restructure monetary resources and impose securities concerns. The formation of ARCs was enabled by the legislation. The Arbitrating Body (AB) in this instance was the Debt Recovery Tribunals (DRTs).

The Corporate Obligation Reorganisation (CDR) Scheme, the initial authorised debt reorganisation mechanism formulated by the RBI, is a discretionary system that depends on arrangements between borrowers and lenders as well as among lenders themselves. It was founded in 2001. Founded in 2014, the subsequent is the procedure of the Collaborative Creditor's Assembly (CCM). When a loan is categorised as a Unique Mention Accounts-2 with the Central Repository of Information on Large Creditors (CRILC), all lenders are obligated to form a lenders' consortium JLF and develop a plan to tackle the matter. With the inception of the 5:25 initiative in 2014, creditors were granted the go-ahead

to establish an extended repayment period for venture loans. In 2015, an enhancement to the JLF procedure known as the Tactical Debt Restructuring Scheme (TDR) was commenced. In SDR, the advocates are disassociated from the obligation and permitted to transform it into ownership. In S4A, the sponsors may persist to be engaged in administration by transforming strained assets into equity or bonds. In accordance with the 'Prudential Framework for Resolution of Distressed Assets,' an RBI circular dated 7 June 2019, the majority of the aforementioned plans were terminated.

The formation of the IBC 2016 was enabled by the bankruptcy system's requirement for uniform legislation. To explore the present condition of corporate insolvency legislation, Shri. T. K. Viswanathan founded the Bankruptcy Law Reforms Committee (BLRC) on August 22, 2014, as mentioned in the 2014–2015 financial plan announcement. The committee proposed establishing the IBBI as the sentinel to monitor insolvency resolution in the country and recommended consolidating the existing statutory framework by amending six laws and abolishing two. Corporations and individuals may adhere to the measures delineated in the Code to proclaim insolvency, with the aid of a resolution expert supervising the procedure. With a time limitation of 180 days, the 2016 Code greatly enhances the speed of bankruptcy processes. A National Enterprise Law Tribunal (NELT) and a Debt Retrieval Tribunal (DRT) were both proposed by the Committee as potential platforms for the settlement of legal conflicts. The previous one is accountable for managing individual bankruptcies and insolvencies, whereas the latter deals with liquidation and insolvency proceedings involving limited liability partnerships and enterprises.

Insolvency and Bankruptcy Code, 2016

The Indian Insolvency Code (IIC) 2016 is a comprehensive compendium on the subject of Indian insolvency legislation. "The canopy legislation" that all of the nation's insolvency laws are founded on is the Statute. It originated due to meticulous analysis and reassessment of the laws that had formerly governed the nation's insolvency procedures. One of the most notable alterations to economic policy was the Insolvency and Bankruptcy Code (IBC) of 2016, which systematised insolvency regulations across the nation. Harmonising and modifying legislation concerning the restructuring and bankruptcy resolution of individuals, collaborative enterprises, and corporate entities within a designated timeframe is the objective of the Code.

Discovering a contented equilibrium amidst conflicting concerns is crucial to IBC 2016. All individuals from lenders and borrowers to financial institutions and asset reconstruction companies—not to mention the bond market and the economy—are engaged in the IBC framework. In relation to the corporate insolvency system, it compels the choice of the bankruptcy procedure with the primary stakeholders' concerns in consideration. Stockholders and lenders are the primary stakeholders with an interest in a corporation due to the equity and obligation assets that sustain it. The ineffectiveness of the equity stakeholders or the company's nonpayment are the two primary reasons for corporate insolvency. Both dissolution and the Corporate Insolvency Resolution Process (CIRP) are feasible alternatives, and the Code aims to discover a harmonious balance between the two in order to maximise value. After contemplating both approaches, the CIRP would be chosen since it maximises the worth of assets throughout the settlement procedure, which advantages both parties. Since its inception on October 1, 2016, the Insolvency and Bankruptcy Board of India (IBBI) supervises the Code and the bankruptcy intermediaries, such as data utilities, bankruptcy practitioners, bankruptcy practitioner agencies, and bankruptcy practitioner entities. Methods specified in the Code are formulated and implemented by the IBBI. The creation of AA to oversee the lawful aspects of the procedure was in reaction to a primary objective of the Code, which was to maintain the business and legal elements of the procedure separate. The NCLT is appointed as the authorised insolvency dissolution process (AA) for business entities (i.e., companies and limited liability partnerships) under section 5(1) of the Code. Section79(1) of the Regulation designates that the DRT is the designated authorised recipient (AA) for the objectives of insolvency resolution and bankruptcy proceedings involving individuals and partnership enterprises. To oversee the operations of Bankruptcy Experts, the IBBI formulated the IBBI (Bankruptcy Specialist) Guidelines, 2016. When resolving a bankruptcy, the Insolvency Professionals fulfil the role of intermediaries. The establishments that supervise bankruptcy experts are recognised as insolvency regulatory bodies (IRBs). To expedite choices, the Information Utilities are fashioned to collect, assemble, authenticate, and disseminate the debtors' fiscal information. The solitary documented data utility in the country is National e-Governance Services Limited (NeSL).

I. Introductory; II. Bankruptcy Resolution and Liquidation for Corporate Entities; III. Bankruptcy Resolution and Insolvency for Individual and Collaborative Enterprises; IV. Oversight of Insolvency Experts, Organisations and Data Services; and V. Diverse encompass the five divisions and 255 segments that constitute the Code's lawful structure. Title, extent, commencement date, geographical location, and legal enforcement are all encompassed in section I, the preliminary section of the Code. Divisions 4–77, distributed across seven chapters, offer additional elaboration on the process as it relates to business individuals in Part II. In that segment, the two separate stages of CIRP and dissolution are delineated. In the event that the CIRP is unsuccessful, the debtor's company will be subjected to liquidation. This is due to the fact that the CIRP relies on the financial creditors' assessment of the debtor's business feasibility. Sections 78–187 of Part III of the Code aim to synchronise Indian legislation governing the insolvency and dissolution of individuals, collaborative enterprises, and corporate entities. If the borrower is indebted with a small amount and possesses scarce or negligible assets to fulfil the expenses, the involved parties may opt to submit a petition for insolvency, which grants debt alleviation. Alternatively, they might opt to commence anew. Divisions 188–223 of Part IV of the Code oversee the supervision of bankruptcy mediators. Divisions 223–255 of Part V establish the Insolvency and Bankruptcy Reserve, which is accountable for the management of insolvency proceedings, dissolution, and bankruptcy proceedings involving individuals as defined in the Code (IBC 2016). Annually, the committee not just publishes a report elucidating its endeavours, but it also formulates a financial plan.

The Cypher had been greatly enhanced over the years with the aid of numerous modifications that were recorded yearly. This is a synopsis of the most significant alterations: (a) Section 29A designates who is ineligible to seek a resolution; (b) Throughout the moratorium duration, the Resolution Professional has the authority to ascertain which commodities and amenities will not be ceased; (c) Fresh regulations concerning the insolvency and bankruptcy of financial service providers were recently implemented by the Indian government; and (d) The insolvency process can now endure for a maximum of 420 days instead of 180 days (with a potential extension of up to 270 days).

We undertook the subsequent measures subsequent to contemplating the repercussions of COVID-19 in the IBC. Segment 10A was incorporated into the Insolvency and Bankruptcy (Amendment) Ordinance of 2020 to halt the commencement of the Corporate Insolvency Resolution Process (CIRP) of a corporate debtor under segments 7, 9, and 10 for any nonpayment occurring on or after 25 March, 2020. The administration additionally elevated the default threshold sum for commencing insolvency proceedings from Rupees (Rs.) 1 lakh to Rs. 1 crore by the conclusion of March, 2020. Following an initial half-year implementation, the latter measure was subsequently prolonged until March 31, 2021. Furthermore, the overseer and the legal system implemented several measures, including acknowledging that the confinement duration cannot be utilised to establish a cutoff point for any undertaking that was uncompleted due to the confinement (this encompasses the Respected Supreme Court of India, NCLT, and IBBI).

Impact of IBC on Corporate Governance, Business Practices, and Capital Market

Lenders are now regarded as stakeholders, thanks to IBC, which has modified the corporate governance framework. At the initial sign of difficulty, the IBC has enforced rigorous measures to prevent promoters and directors from obtaining loans or disposing of assets. Directors who faltered to take suitable measures or who indulged in deceitful endeavours in expectation of a setback are not qualified to pursue redress under the IBC due to the dusk period, which is an assessment of the two years preceding the commencement of CIRP. Furthermore, the advocates are no more qualified to seek a solution, and the IBC has barred them from doing so, imposing civil and criminal liabilities on the corporation's wayward executives.

Given that the IBC has enforced control over lending practices by transferring authority from debtors to lenders, it remains pertinent to commercial operations. Enterprises are being encouraged to boost their inventory investments and disclose their financing origins. The Reserve Bank of India has explicitly stated that creditors must diligently oversee and accomplish the aim of bank advances. It is conceivable that the promoters may be incapable of obtaining loans in the future if they consciously redirect the funds that have been entrusted to them. Due to this, the advocates are ready to resolve their responsibilities prior to initiating the mechanism. In regards to their role, the lenders' behaviours were likewise greatly impacted by the IBC. Lenders are obligated under the Prudential Framework for Resolution of Distressed Assets circular released by the Reserve Bank of India (RBI) in 2019 to recognise loan accounts displaying

premature cautionary indications of strain and assign them as Special Mention Accounts (SMAs) upon nonpayment. The IBC's stringent rules have compelled borrowers to be more conscientious about maintaining their records, and the Committee of Creditors (CoC) has encouraged greater collaboration among lenders.

Investors' confidence in the capital markets has expanded due to the enhancement in recuperation rates. Insufficiency of insolvency settlement is a pivotal element contributing to "absent" corporate bond markets, as per a recent study that utilised the World Bank's Doing Business information. Rate of recuperation, duration to recuperation, and business bonds-to-GDP proportion are all favourably associated. Bond prices might not mirror alterations to insolvency legislation for approximately a decade, as per approximations. The business bonds-to-GDP proportion in India has escalated from 17.9% in 2016 (CRISIL 2019) to 18.3% by the conclusion of March 2021, which is identical to the five-year mean preceding the IBC. Over the subsequent five years, we will remain unaware of the precise impact the IBC had on the Indian bond market.

Effectiveness of the IBC 2016: Empirical Analysis

No solitary establishment can manage strained assets independently; the administration, the central bank, and the borrowing bank must collaborate. With this objective in mind, the IBC was implemented in 2016 with the purpose of assisting distressed corporations in having their liabilities resolved. To what magnitude has IBC been triumphant in attaining the objectives established by the Code is empirically examined in this segment. Comprehensive investigation has connected prosperous bankruptcy modifications to several favourable consequences, comprising diminished expenses and resolution durations, improved creditor retrieval, and the promotion of enterprise among companies, notably those that are petite. The information utilised to assemble the examination in this segment is openly reachable online at IBBI (www.ibbi.gov.in) and the RBI Database on the Indian Economy (https://dbie.rbi.org.in). The subsequent examination elucidates how the Code is achieving these objectives, encompassing the impacts of this legislation as it progresses towards these aims.

Summary of Cases Admitted Under IBC 2016

As of the conclusion of the Gregorian year 2021, a total of 4,946 submissions have been approved under the Code. There are 3,247 that have been concluded. The subsequent data is displayed in Table 1: 714 instances have been concluded due to appeals, evaluations, or agreements; 562 cases have been retracted subsequent to the commencement of the CIRP; 1,514 cases have culminated in directives for dissolution, signifying that approximately half of the cases have culminated in dissolution; and 457 cases have culminated in the endorsement of resolution schemes.

A misinterpretation of the Code's provisions concerning dissolution may be demonstrated by the data. A substantial proportion of the cases presently being handled are those that were initiated during the BIFR era, and by the time they entered CIRP, a considerable amount of their net value had already been diminished, which is why the rate of dissolution is so elevated. Presently, there are 1,699 ongoing CIRPs, as per the latest data. Figure 1 displays the CIRPs' amalgamated pattern for admission, termination, and ongoing instances.

Illustration 2 demonstrates the dissection of how stakeholders commence CIRP. There was a striking surge in the quantity of lenders and borrowers utilising the IBC mechanism for bankruptcy proceedings, as per the data. There were only 37 CIRPs in March 2017, but by 31 December 2021, the overall count has expanded to 4,946. As of the conclusion of December 2021, as per IBBI (2021), functioning creditors were the individuals that instigated 51.13 percent of the CIRPs, pursued by monetary creditors with 42.7 percent, and business debtors with the remainder. However, 80% of CIRPs with underlying defaults under Rs. 1 crore were initiated by operational debtors, whereas 80% of CIRPs with underlying defaults exceeding Rs. 10 crores were initiated by monetary creditors. Due to the efforts of business debtors to evade the legislation by implementing stringent measures, the proportion of CIRPs initiated by them is dwindling over time.

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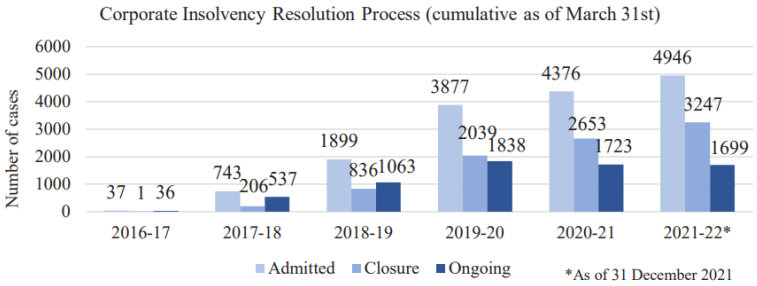

Figure 1. Trend in Corporate Insolvency Resolution Process.

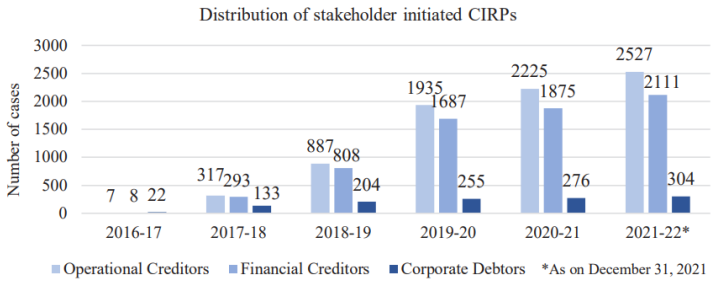

Figure 2. Distribution of stakeholder initiated CIRPs.

Table 1. Status of CIRPs since its inception (as of 31 December 2021).

Status of CIRPs	No. of CIRPs
Admitted	4,946
Closed on Appeal / Review / Settled	714
Closed by withdrawal under section 12A	562
Closed by resolution	457
Closed by liquidation	1,514
Ongoing CIRP	1,699
Timeline of ongoing CIRPs	
> 270 days	1,241
> 180 days ≤ 270 days	114
> 90 days ≤ 180 days	161
≤ 90 days	183

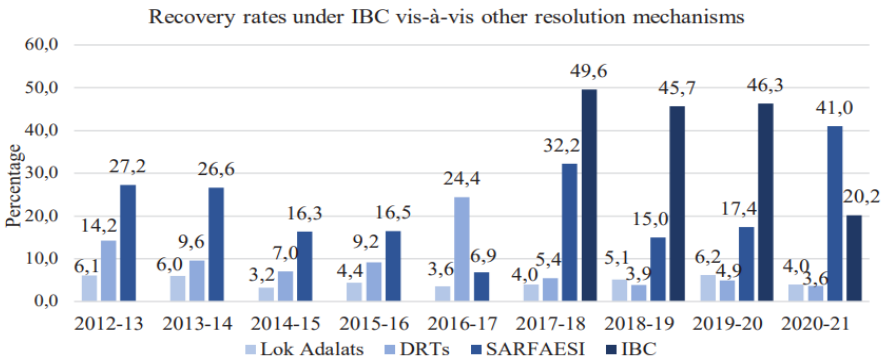

Figure 3. Recovery rates of different resolution mechanisms.

Recovery Rates Under IBC vis-à-vis Other Resolution Mechanisms

The BLRC discovered that creditors in India regained merely 20% of the Net Present Value of liabilities through corporate or individual resolution methods, positioning among the globe's most minimal recuperation percentages. The worldwide economic turmoil and the inefficiency of the approaches employed during the 2010s by Lok Adalat, SARFAESI, and DRT resulted in diminished recuperation rates in contrast to the prior decade. This emphasised the pressing requirement for a proficient solvency mechanism in India. With the IBC still in fashion, recuperation is perceived as a consequence of corporation salvation endeavours. However, when examining the recuperation rate and amount reclaimed, the SARFAESI avenue also emerged as the frontrunner. Presently, collaborative financial institutions are presently encompassed by the SARFAESI Act, there's optimism for recuperation through this pathway. Businesses impacted by the COVID-19 pandemic are now reliant on the SARFAESI as fresh bankruptcy protocols cannot be initiated for defaults that transpire within a twelve-month period commencing on 25 March 2020. Financial institutions might tidy up their financial statements in various manners, such as recuperation through diverse resolution methods and the vending of underperforming assets to asset redemption enterprises (ARCs). Figure 3 illustrates how different resolution procedures contrast in relation to recuperation rates, which are defined as the amount regained in comparison to the quantity involved in the resolution procedure. Aside from 2020–21, IBC has been the utmost favoured recuperation technique since 2017–18. From 2017–18 through 2019–20, the IBC's recuperation proportion was over 40%. Nevertheless, in 2020–21, the pace declined due to resolution protocols linked to the COVID-19 pandemic. Gupta and Singh (2020) discovered a comparable trend in their investigation, observing that during the initial stages of the recuperation pathway, it grew increasingly dependent on IBC compared to its forerunners.

Adherence to IBC Timelines

The mean number of days it took to settle the 457 CIRPs that generated resolution strategies was 441 by the conclusion of December 2021. Likewise, it required an average of 391 days for the 1,514 CIRPs to finalise, resulting in directives for liquidation. Furthermore, it required an average of 431 days for 292 dissolution proceedings to conclude, with ultimate assessments expected by December 31, 2021. It required a mean of 411 days for 546 voluntary dissolution proceedings to conclude by presenting ultimate records. As of 31 December 2021, there were 1,699 CIRP instances that still required to be resolved. A substantial portion of these instances, 1,241 (73% of the overall), had been awaiting for over 270 days, as depicted in Figure 4.

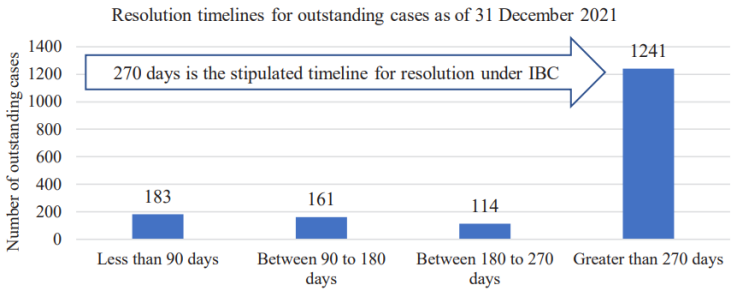

Figure 4. Resolution timelines for outstanding CIRPs.

Resolution Cost

The ability to effectively liquidate nonviable businesses and resolve viable ones is essential to the efficient resolution of bankruptcy. You possess the choice to incorporate the process expenses either at the commencement or the finale of the operation. In line with the World Bank's Conducting Commerce Report 2020 (World Bank 2020), the CIRP expenditures have been notably diminished by the IBC in contrast to the former system, where they could potentially escalate to as much as 9% of the company's assets worth. As per the World Bank's Doing Business 2020 rankings, the expense of insolvency, as a proportion of the assets, is 10% in the United States, 6% in the United Kingdom, and 22% in China. A costly insolvency procedure would be less preferred by the instigator, thus it is crucial to evaluate the expenses incurred.

Given this circumstance, countries ought to strive to decrease the cost of their processes.

Resolution of NPAs

The theatrical surge in nonperforming assets in the Indian banking sector in recent years has brought concerns about asset quality to a climax. Significant nonperforming liabilities (NPAs) in subsequent years are the outcome of rapid loan growth from 2005 to 2012, feeble credit evaluation and supervision standards, and deliberate defaults. The complete sum of this exceptional obligation reached its highest point in the 2017–18 financial year and has subsequently been gradually decreasing. Owing to their permissive lending practices, adaptable terms, and stipulations, government-owned banks in India's banking system possess a greater proportion of nonperforming loans (NPAs). Owing to more stringent credit reimbursement protocols and a correlated concern, private sector banks possess a diminished ratio of nonperforming loans (NPAs) in comparison to their public sector counterparts. There has been a conspicuous alteration in the borrowing approach of overseas banks in India following the 2008 worldwide economic downturn. They have transitioned their attention from retail borrowing to institutional commerce, which has impacted their loan rate and resulted in reduced non-performing liabilities. Fresh blood is required by the lending institution, which will require time for verification, and small finance banks in India commenced operations recently in 2016. To observe how repulsive nonperforming assets (NPAs) and the proportion of repulsive nonperforming assets to gross advances have evolved over time in India's banking sector, refer to Table 2.

By the conclusion of March 2020, the immense nonperforming liabilities (NPL) of India's planned commercial banks (SCBs) had diminished to 8,377.71 billion rupees, from 8,998.03 billion rupees at the termination of March 2020. The repugnant nonperforming assets (NPA) of different categories of banks as of the conclusion of March 2021 were 6,166.16 billion Indian rupees for government sector banks, 2,001.41 billion for independent sector banks, 150.44 billion for overseas banks, and 59.71 billion for petite financing banks (RBI 2021).

Unpleasant non-performing liabilities (UNPLs) as a proportion of total advances indicates what percentage of advances cannot be retrieved. While repulsive nonperforming assets (NPA) escalated throughout the years 2016–2018, the GNPA proportion declined after escalating for three years consecutively. Worries for the Indian banking industry have been intensified by the reality that nonperforming assets (NPAs) have increased in both absolute and comparative terms alongside the enlargement of bank lending. In March 2021, the bulky nonperforming liability proportion of SCBs was 7.3%, decreased from 8.2% in March 2020, owing to the extensive measures implemented by the Indian government to address the issue of escalating nonperforming assets. In 2020–21, SCBs' gross bank credit expansion decelerated to 5.4% from 6.0% in 2019–20. Chart 5 illustrates gross delinquent liabilities (NPAs) as a ratio of gross loans, along with the expansion rates of bank lending and GDP from 2015 to 2016.

Table 2. Gross NPAs as a percentage of gross advances in the Indian banking system.

As on 31 March	Gross NPA (in Rs. Billion)	Gross NPAs to Gross Advances Ratio (in %)				
		Scheduled commercial banks	Public sector banks	Private sector banks	Foreign banks	Small finance banks
2010	846.98	2.5	2.3	3.0	4.4	-
2011	979.73	2.4	2.3	2.5	2.6	-
2012	1,429.03	2.9	3.2	2.1	2.8	-
2013	1,940.53	3.2	3.6	1.8	3.0	-
2014	2,633.62	3.8	4.4	1.8	3.9	-
2015	3,233.35	4.3	5.0	2.1	3.2	-
2016	6,119.47	7.5	9.3	2.8	4.2	-
2017	7,917.91	9.3	11.7	4.1	4.0	-

2018	10,396.79	11.2	14.6	4.6	3.8	2.5
2019	9,364.74	9.1	11.6	5.3	3.0	1.8
2020	8,998.03	8.2	10.3	5.5	2.3	1.9
2021	8,377.71	7.3	9.1	4.9	2.4	5.4

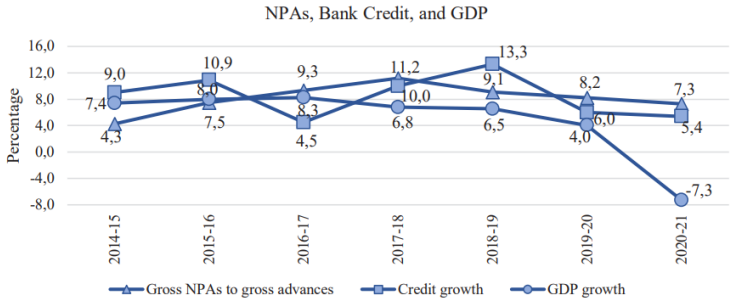

Figure 5. Gross NPAs to gross advances ratio, credit growth, and GDP growth.

With the alteration in the gross non-performing assets (NPA) proportion, Figure 6 displays the progression of the gross NPA path. The chart illustrates the surge in gross delinquent assets (NPAs) until 2018 and the subsequent decrease that ensued from the Code's integration into India's economy. A comparable pattern arises in the corresponding modification in the gross delinquent property to gross advances proportion, additionally bolstering the Code's efficacy. Kattadiyil and Islamov (2021) discovered the identical trend of nonperforming loans (GNPAs) in the Indian banking sector when they examined the proportion of GNPAs to overall loans.

Fresh underperforming properties (FUPs) amass gradually through deteriorations. New Nonperforming Liabilities divided by Conventional Loans at the commencement of the period is the Slippage Proportion. Reduced skidding implies that productive resources are not transitioning into unproductive resources as rapidly. Financial institutions' capital positions were fortified in 2019 owing to several factors, such as a decline in total nonperforming assets and fresh setbacks, heightened profitability, and limitations on dividend distributions. Since 2018, the discrepancies have been trending downwards, with a steep decline to 4.0 in 2019 from 7.6 in 2018. After plummeting to 3.8% in 2020, the statistics disclose an additional decrease to 2.8% in 2021. The non-performing assets of commercial banks that were obtained by various resolution approaches are enumerated in Table 3. In contrast to quantities gathered by alternative approaches and regulations, the sum retrieved by SCBs under IBC was the most substantial throughout 2018–19, as per the data. Owing to the instigators' clemency towards the IBC structure, the quantity of instances directed to recuperation through DRTs and SARFAESI has notably diminished. There was a noteworthy decline in the quantity of cases presented for resolution in 2020-21 across all recuperation avenues, with Lok Adalats being the most impacted. It was one of the most significant methods to gather finances, despite novel insolvency measures couldn't be initiated under the Indian Bankruptcy Code (IBC) until March 2021 and COVID-19-associated debt wasn't in arrears. Based on the information in the chart, the IBC is performing a function in diminishing non-performing assets (NPAs) and aiding in their resolution.

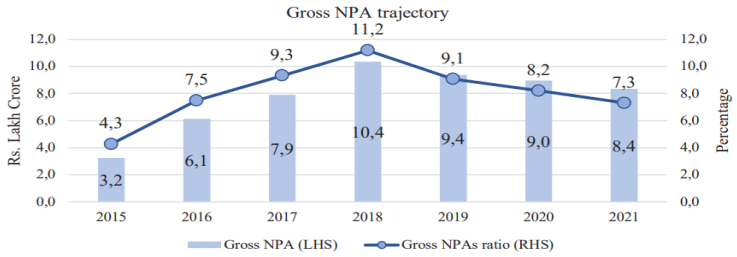

Figure 6. Trajectory of gross NPAs.

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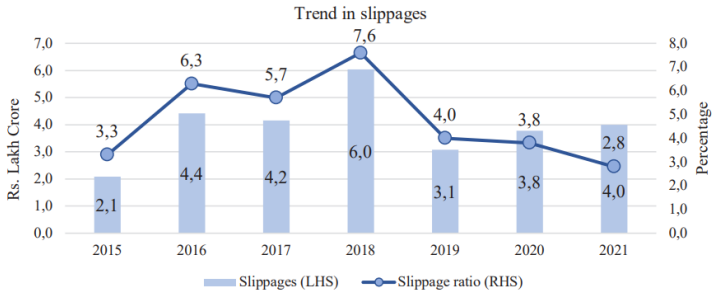

Figure 7. Trend in NPA slippages.

Status of Twelve Large Accounts

The Reserve Bank of India (RBI) has designated twelve large accounts—the "Dirty Dozen"—representing a quarter of the country's overall non-performing assets as requiring urgent resolution under the IBC. Following RBI's June 2017 directive, banks began the resolution procedure for 12 big accounts because of the disproportionately huge sums at stake in a small number of instances. Eight of the twelve accounts have been resolved, while two are in the CIRP and two are in the liquidation stages. The other four are still in the process. As of 31 December 2021, Table 4 provides the full status of the major non-performing accounts.

Insolvency Scores Pre and Post IBC

The World Bank's Doing Business ranking system encompasses twelve domains of company regulation, including but not limited to: obtaining electricity, registering property, obtaining credit, safeguarding minority investors, paying taxes, transacting across borders, contract enforcement, insolvency resolution, employment, and government contracts.

Table 3. NPAs of SCBs recovered through various channels (amounts in Rs. Billion).

Year	Recovery Channel	Lok Adalats	DRTs	SARFAESI Act	IBC	Total
2016–17	No. of cases referred	21,52,895	28,902	80,076	37	22,61,873
	Amount involved	1,057.87	670.89	1,131.00	-	2,859.76
	Amount recovered	38.03	163.93	77.58	-	279.54
	3 as percentage of 2	3.6	24.4	6.9	-	9.8
2017–18	No. of cases referred	33,17,897	29,345	91,330	704	34,39,276
	Amount involved	457.28	1,330.95	818.79	99.29	2,706.31
	Amount recovered	18.11	72.35	263.80	49.26	403.52
	3 as percentage of 2	4.0	5.4	32.2	49.6	14.9
2018–19	No. of cases referred	40,87,555	51,679	2,35,437	1,152	43,75,823
	Amount involved	534.84	2,684.13	2,586.42	1,454.57	7,259.96
	Amount recovered	27.50	105.52	389.05	664.40	1,186.47
	3 as percentage of 2	5.1	3.9	15.0	45.7	16.3
2019–20	No. of cases referred	59,86,790	33,139	1,05,523	1,986	61,27,438
	Amount involved	678.01	2,050.32	1,965.82	2,249.35	6,943.50
	Amount recovered	42.11	99.86	342.83	1,041.17	1,525.97
	3 as percentage of 2	6.2	4.9	17.4	46.3	22.0
2020–21	No. of cases referred	19,49,249	28,182	57,331	537	20,35,299
	Amount involved	280.84	2,253.61	675.10	1,351.39	4,560.94
	Amount recovered	11.19	81.13	276.86	273.11	642.28
	3 as percentage of 2	4.0	3.6	41.0	20.2	14.1

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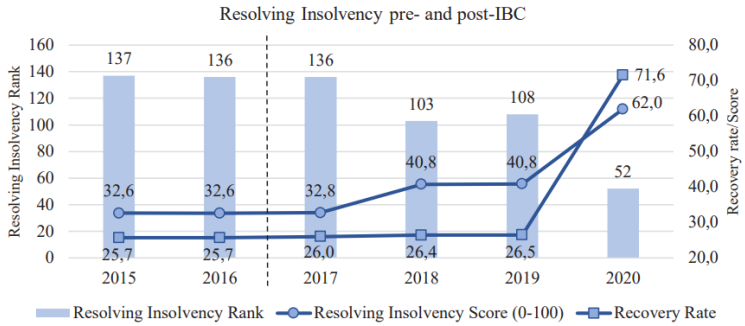

Figure 8. Performance of India in Resolving Insolvency as per the World Bank's Ease of Doing Business Rankings.

Scores and rankings for "ease of doing business" take into account all except the final two of these factors. A resolution of insolvency is determined by the recovery rate, the amount spent on the procedure as a proportion of the estate, and the time it takes to finish the process. With a recovery rate, time to resolution, and cost to proceedings that is above average for high-income OECD nations, India has surpassed all other South Asian countries in this regard. The resolution of the insolvency score is most strongly indicated by changes in the recovery rate. Figure 8 shows the rankings, scores, and recovery rate for resolving insolvencies in India before and after the implementation of IBC.

Table 4. Status of 12 large accounts (amounts in Rs. Billion).

S. No.	Name of CD	Claims of FCs dealt under resolution			Realisation by claimants as a % of liquidation value	Successful resolution applicant
		Amount admitted	Amount realised	Realisation as % of claims		
				Completed		
1	Electrosteel Steels Limited	131.75	53.2	40.38	183.45	Vedanta Ltd.
2	Bhushan Steel Limited	560.22	355.71	63.5	252.88	Bamnipal Steel Ltd.
3	Monnet Ispat & Energy Limited	110.15	28.92	26.26	123.35	Consortium of JSW and AION Investments Pvt. Ltd.
4	Essar Steel India Limited	494.73	410.18	82.91	266.65	Arcelor Mittal India Pvt. Ltd.
5	Alok Industries Limited	295.23	50.52	17.11	115.39	Reliance Industries Ltd, JM Financial Asset Reconstruction Company Ltd., JMFARC- March 2018 Trust
6	Jyoti Structures Limited	73.65	36.91	50.12	387.44	Group of HNIs led by Mr Sharad Sanghi
7	Bhushan Power & Steel Limited	471.58	193.5	41.03	209.12	JSW Limited
8	Amtek Auto Limited	126.41	26.15	20.68	169.65	Deccan Value Investors L.P. and DVI PE (Mauritius) Ltd.
				Under		

				Process		
9	Era Infra Engineering Limited				Under CIRP	
10	Jaypee Infratech Limited				Under CIRP	
11	Lanco Infratech Limited				Under Liquidation	
12	ABG Shipyard Limited				Under Liquidation	

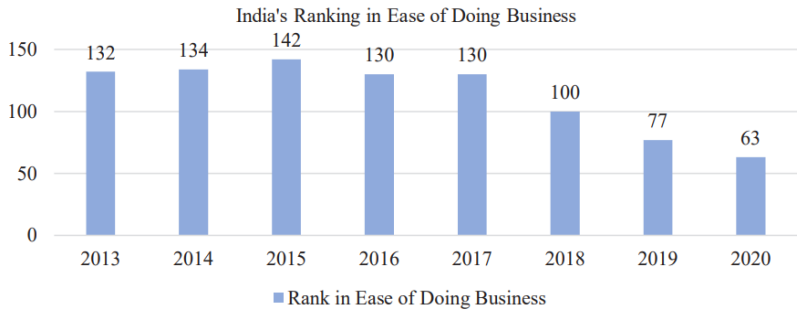

Figure 9. India's ranking in the World Bank's Ease of Doing Business Index.

An improvement from last year's 108th place and 40.8th score, India is now ranked 52nd for resolving insolvency with a score of 62. Based on the ranking, it is clear that the recovery rate was rather consistent before to IBC. The score and ranking started to improve once the IBC was implemented. India's score increased, leading to a remarkable improvement in their position, as their recovery rate jumped from 26.5 to 71.6.

The IBC also helps to improve India's business climate, which is shown in the country's historic leap in the World Bank's Ease of Doing Business Index—in 2020, India placed 63rd out of 190 nations—and the success story of the legislation. According to data compiled by the World Bank, the implementation of the IBC was a watershed moment in 2016 for India's economic climate.

Conclusions and Recommendations

Prior to the implementation of the IBC 2016, India's insolvency process was dispersed among a patchwork of laws. The Code, by establishing distinct responsibilities from a business and legislative standpoint, has successfully brought these disparities under control. The Code's primary goal is to facilitate a speedy settlement while also balancing the interests of its parties, including creditors and debtors. Inadequate national infrastructure, stemming from a variety of regional, political, and objective variations throughout the country, is largely to blame for the obstacles standing in the way of the Code's effective implementation. Overall, the law is refined by a sturdy main body and many modification branches that produce the fruit of resolution or liquidation, whichever applies.

Previously in this article, we discussed the history of India's bankruptcy systems. Presently, we shall scrutinise the Code and assess its triumph. In the subsequent segment, we observe how the bankruptcy resolution mechanism evolved over time on the Indian subcontinent. This encompasses the pre- and post-transformation epochs, along with the epochs of antiquity, British imperialism, and liberty. We additionally acquire a speedy synopsis of the Code. Section 3 offers a comprehensive analysis of the Code within the Indian judicial system, delving into areas such as its past, inception, participants, organisational modifications implemented to accommodate the Code's fresh regulations, legal structures established to guarantee its triumphant implementation, present legal patterns, and the impact of COVID-19 on the Code. Section 4 furnishes a top-notch synopsis of the modifications induced by the Code and their impact on corporate governance, commercial activities, and the capital market. Section 5 showcases the empirical findings on the IBC

instance synopses, a juxtaposition of the IBC recuperation proportions to the pre-existing mechanisms, an analysis of the instances' chronologies, settlement expenditures, resolution of non-functioning assets, twelve substantial accounts' condition, insolvency evaluations, and resolution of non-functioning assets.

The subsequent discoveries illustrate that, considered collectively, the IBC possesses the capability to tackle the problem of escalating nonperforming assets (NPAs) in our economy over the past five years. The decrease in data may be ascribed to the growing number of cases referred under the Regulation, which has ensured that the underperforming assets would be attended to. The system's recuperation rate is three times higher than the other systems during the past three years, on average, because of the exceptional systematisation of the operations. When India's recuperation rate escalated from 26.5 in 2019 to 71.6 in 2020, the World Bank index also indicated that the Code had an advantageous impact. Numerous regions necessitate immediate intervention concerning the issues and challenges faced by the IBC system. The Indian administration's Economic Survey for 2021–22 asserts that there were 9,768 Code petitions still undergoing evaluation in January 2022 (GoI 2022). The upsurge in instances under the Insolvency and Bankruptcy Code and the scarcity of seats of the Adjudicating Authority are the two primary reasons for this. The country possesses a grand sum of 39 DRTs and merely 16 NCLT benches. (2) The IBC has unquestionably accomplished a great deal thus far, but adhering to timeframes remains an issue. The initial 180-day timeframe was prolonged by 90 days, resulting in a cumulative duration of 330 days to address apprehensions. Strategies for resolution still surpass the deadline, even with the postponement. (3) Corporations engaged in collective bankruptcy are frequently situated in disparate regions of the nation. In this situation, it would be more effective for the various jurisdictions to collaborate on a resolution plan rather than squandering time with distinct procedures.

This paragraph compiles the policy suggestions that may improve the system's operation as a whole.

(1) At present, the ability of the RBI to commence bankruptcy procedures is contingent upon the government's authorization. The Reserve Bank of India (RBI) ought to have unfettered authority to instruct banks to commence bankruptcy procedures whenever deemed necessary, given its position as the supreme monetary regulator. The provision of proof and information on defaults is greatly assisted by information utilities. To ensure the country's data is secure, more than one data utility is required. During the Code's construction, there were aspirations for cross-border bankruptcy laws, but such plans ultimately failed. This is not given the necessary attention by IBC. Currently, only sections 234 and 235 of the Code address the cross-border resolution. (4) The COVID-19 way of life should serve as an inspiration for the use of online resolution methods from the very beginning of the Committee of Creditors' establishment. This provision has potential for improvement as the Code does not always demand the physical manner of meeting. This mode is designed to be more efficient and user-friendly, making it simpler to reach resolution.

Theoretically, insolvency legislation during COVID-19 shows the steps taken to aid the people during the crisis, which is essential. The outcome of the loosened rules and the adjustments made will not be known for some time. Differences in policy and outcomes might be highlighted by conducting an analytical research comparing the impact of IBC in pre- and post-pandemic circumstances. The MSMEs Pre-packaged Insolvency Resolution Process was established by the IBBI law on April 4, 2021. It is believed that this less formal approach will outperform the current standards. There is need for further study on micro, small, and medium-sized enterprises (MSMEs) in relation to pre-packaged bankruptcy, which is apparently a game-changer. In order to comprehend the impact of the Code on Indian soil, it is necessary to monitor and assess the changes in conduct of the IBC stakeholders, who constitute the system's fundamental elements. By analysing primary data on stakeholder changes in conjunction with archival data, researchers may make predictions about future changes, which might lead to systemic policy adjustments. Unfortunately, we can't talk about these problems right now, but we intend to fix them in our next project.

Early case investigation is a limitation of our research. Since the Code is still in its infancy and its impacts are just beginning to shake up the economy, a thorough evaluation is premature. Within this scope, we find that the paper's findings are pertinent to ongoing scholarly and policy discussions over the IBC 2016's efficacy. To sum up, both the resolution's conclusion and its timetable are unsettling. It is high time to fill open seats on different benches, expedite disposal procedures, prioritise pre-packaged resolutions, and impose guarantees to maximise the optimum value of troubled assets.

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