From Speed to Stagnation: Litigation- Induced Delays in CIRP and Their Legal Implications

Ashutosh Choudhary
B.A.LL.B. (Hons.), KIIT School of Law, India

Jyotsna Rai
B.Sc.LL.B. (Hons.), KIIT School of Law, India

Abstract:

This paper examines the emerging problem of litigation-induced delays in the Corporate Insolvency Resolution Process (CIRP) under the Insolvency and Bankruptcy Code,2016. Initially, the code was enacted with one of the objectives of ensuring a time-bound resolution within 180 to 330 days; however, in practice, this timeline is often exceeded due to increasing judicial intervention and complexity with procedures. The research highlights the gap between the statutory framework and the actual timelines observed during proceedings. The paper adopts a doctrinal research methodology, relying on analysis of statutory provisions, judicial precedents, and secondary sources such as reports and articles to examine the issue in depth. The paper further examines the cause of delays, including frequent appeals, strategic litigation by stakeholders, and infrastructural limitations of the adjudicating authority. It also examines how the litigation-induced delay in CIRP leads to value erosion of assets, reduced creditor confidence, and how it deviates it from one of the main objectives of the Code. In addition, the research identifies emerging litigation trends that have contributed to the shift from a resolution-oriented process to a litigation-driven mechanism. Finally, the paper proposes a practical and modern solution to address these challenges, aiming to restore the efficiency and effectiveness of CIRP.

Keywords:

CIRP delays, Insolvency and Bankruptcy Code, 2016, litigation trends, time-bound resolution.