

INTERNATIONAL JOURNAL OF LAW
MANAGEMENT & HUMANITIES
[ISSN 2581-5369]

Volume 8 | Issue 4
2025

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IBC Role in Curbing Non-Performing Assets (NPAs): A New Era of Credit Discipline

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ABSTRACT

There is nothing in this world that is flawless, and everything has pros and cons of its own. This premise is applicable to all government-formulated legislation and policies, regardless of their type or character and the IBC is not an exception. The government implemented the Insolvency and Bankruptcy Code in 2016 with the intention of ending the non-performing assets (NPA) crisis in India and facilitating the free flow of credit across the economy. While the IBC has contributed to a measurable improvement in debt recovery and resolution efficiency, several structural and procedural challenges continue to limit its effectiveness. Despite giving the impression of being a strong and smart policy, the IBC ultimately fell victim to the system's flaws. The paper also highlights the influence of industry-specific risks on NPAs, with the aviation sector serving as a critical case study. The ongoing insolvency proceedings of Go First Airlines (2023–24) underscore how volatile input costs (especially aviation turbine fuel), regulatory rigidity, and global contractual conflicts (e.g., with aircraft lessors under the Cape Town Convention) amplify financial distress and complicate resolution. This reveals the limitations of a uniform insolvency framework in addressing sectoral vulnerabilities. In this context, the paper argues for sector-sensitive insolvency protocols, institutional reforms, pre-default risk detection, and improved regulatory coordination to enhance the effectiveness of the IBC. Despite its shortcomings, the IBC has been a landmark reform that has shifted the balance of power towards creditors, reduced the culture of willful default, and improved India's global rankings in ease of doing business and credit enforcement. Thus, with targeted refinements, the IBC holds strong potential not only to resolve existing NPAs but also to prevent their recurrence ushering in a new era of responsible borrowing and sustainable credit culture in India.

Keywords: NPAs, IBC, Credit, Debt Recovery, Aviation.

I. INTRODUCTION

Over time, there has been an increase in non-performing asset (NPA) cases, which may negatively affect the banks' performance, credibility, dependability, and stability. The

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bank's poor lending decisions lead to the creation of non-performing assets. The interest that banks charge on advances or loans that they make, represents a profit for the banks and, as such, a performing asset. The loan or advance becomes non-performing when the borrower fails to make interest or principal payments, or both.³ The Reserve Bank of India (RBI) states that a loan, advance, or interest becomes non-performing for the bank or lender if it is not repaid within 90 days; however, the duration of the period may vary based on the terms of the borrower-lender agreement.⁴

The bank loses both interest and the principal amount as a result of an NPA. Since the banks' main source of income is the interest from the loan, they suffer a significant loss when they are unable to receive it. Additionally, the banks' capital basis will suffer if they do not receive their principle back. Thus, non-performing assets present a serious threat to the banks' solvency, capacity to lend money, and reputation.⁵ The government has periodically developed a number of plans, laws, and policies to combat the threat posed by non-performing assets. The Insolvency and Bankruptcy Code (IBC), which was passed in 2016, is one such law.⁶

II. A BRIEF BACKGROUND

After 1991, the government introduced a number of policies, strategies, and laws to address the growing problem of non-performing assets. These included the establishment of Asset Restructuring Companies, various restructuring schemes such as corporate and strategic debt restructuring, the scheme for sustainable structuring of stressed assets, and the establishment of departments like the Board for Industrial and Financial Reconstruction. The legal tactics encompass the establishment of Debt Recovery Tribunals (DRTs) to expedite the resolution of cases involving non-performing assets, as well as the enactment of the Sick Industrial Companies Act, 1985 (SICA) and the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI).

All of these laws and policies, however, fell short of the necessary standard. After some time, it became apparent that a more comprehensive and strong policy as well as a single law was

³ Nishchal Mittal, *NPA Crisis and Its Resolution*, IEG Seminar Paper, Feb. 28, 2025, available at: <https://www.ies.gov.in/pdfs/Nishchal-Mittal-march25.pdf>.

⁴ Non Performing Assets (NPA), Clear Tax, Jan. 30, 2025, available at: <https://cleartax.in/glossary/npa-non-performing-assets>.

⁵ Ayush Bhatia, *Non-performing assets and their effect on the Indian economy*, 7 IJARIIT 1, available at: <https://www.ijariit.com/manuscripts/v7i1/V7I1-1192.pdf>

⁶ Dr.N.L.Vijaya & Dr.S.Muralidhar, *A Study On Efficacy Of Ibc Over Other Debt Recovery Channels – With Special Reference To Recovery Of NPAs Of Scheduled Commercial Banks In India*, 4 IJARCMSS 132-140, available at: <https://www.inspirajournals.com/uploads/Issues/1514993499.pdf>.

needed in place of multiple statutes. As a result, on May 28, 2016, the Insolvency and Bankruptcy Code was passed, along with certain modifications to some of the previous laws.

How is the IBC solving the NPA Crisis?

Various procedures and tactics have been established by the IBC to expedite and simplify the process of recovering the default amount. The biggest benefit of the IBC is that, in contrast to earlier legislation, it allows for a time-bound recovery of the default amount, which aids in disciplining defaulters. In the event that a corporate debtor defaults, the IBC grants financial creditors, operational creditors, and even the corporate debtor itself the authority to start the corporate insolvency resolution procedure (CIRP) under Section 6(2).⁷ The IBC, through Section 12(3),⁸ establishes a 180-day deadline for the completion of the corporate insolvency resolution process, starting from the date of the acceptance of the application to begin the process. An extension of up to 90 days, granted only once, will be permitted if the adjudicating authority is convinced that the process will not be finished in the allotted time.⁹ In addition, Section 12 mandates that the full corporate bankruptcy resolution process must be completed within 330 days of the insolvency's start date, taking into account both the extension period and the length of time needed for the related legal processes.¹⁰ The order for the corporate debtor's assets to be liquidated will thereafter be passed by the adjudicating authority. The Insolvency and Bankruptcy Code also establishes five authorities, which serve as the IBC's pillars and assist it in accomplishing its objectives. These authorities are the Insolvency and Bankruptcy Board of India (IBBI), Insolvency Professional Agencies (IPA), Insolvency Professionals (IP), Information Utilities (IU), and the Adjudicating Authority.¹¹

As was also decided in the case of *Phoenix ARC Private Limited v. Spade Financial Services Limited & Others*,¹² the IBC also aims to safeguard the interests of corporate debtors by requiring that any employees connected to the corporate debtor who contributed to the debtor's insolvency refrain from any kind of involvement with the Committee of Creditors (CoC). In the *Chitra Sharma v. Union of India* case,¹³ the Supreme Court ruled that the intention behind this IBC clause is to prevent defaulters from having any chance to interact

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⁸ The Insolvency and Bankruptcy Code 2016, s. 12(3).

⁹ Mohd. Malik Chauhan, Livelaw.in, Mar 19, 2025, available at: <https://www.livelaw.in/ibc-cases/adjudicating-authority-can-extend-time-period-for-making-payment-of-sale-consideration-beyond-90-days-us-35-of-ibc-read-with-rule-11-of-nclt-rules-nclat-286921>.

¹⁰ The Insolvency and Bankruptcy Code (Amendment) Act, 2019, s. 12(3).

¹¹ A Handbook on Understanding the IBC, Key Jurisprudence and Practical Consideration, IBBI, available at: <https://www.ibbi.gov.in/uploads/whatsnew/e42fddce80e99d28b683a7e21c81110e.pdf>.

¹² *Phoenix ARC Private Limited v. Spade Financial Services Limited & Others*, [2021] 3 SCC 475.

¹³ *Chitra Sharma v. Union of India*, [2018] 18 SCC 575.

with the CoC. This is only being done in order to keep the defaulters from having any influence over the CoC. The idea of a moratorium, which is implemented following the acceptance of an insolvency petition, was first presented by the IBC. A moratorium attempts to safeguard the corporate debtor's interests by being forgiving of the debtor but not of the individuals who brought about the insolvency. The rights of the corporate debtor are safeguarded, but not those of the defaulters. The primary goal of a moratorium, according to the Supreme Court's ruling in *P. Mohanraj v. Shah Brothers Ispat Private Limited*,¹⁴ is to prevent further depletion of the corporate debtor's assets and to guarantee that no legal action is taken against the latter during the corporate insolvency resolution process. The NCLT is also endowed with a great deal of power by the IBC, enabling it to rule on all matters pertaining to the insolvency and liquidation of corporate debtors in addition to hearing cases.¹⁵ However, the NCLT is unable to contest the Committee of Creditors' wisdom, and in the event that the Committee's resolution plan is flawed, it may only be returned for revision, as the Apex Court decided in the *Jaypee Kensington* case.¹⁶

Is the IBC able to solve the NPA Crisis?

The Indian bankruptcy landscape has completely changed since the IBC was passed. There is greater discipline and less exploitation in the borrowing-lending process as a result of the IBC's decision to provide creditors greater power and control over debtors. Due to a specified deadline for completing the corporate bankruptcy resolution procedure and the requirement that the corporate debtor's assets be liquidated thereafter, many entities have begun to discipline themselves out of fear of losing their business and assets.¹⁷

Even if there are notable exceptions, cases that formerly took about four years to decide now take about 330 days. These days, an increasing number of insolvency applications are being filed. The most famous instance of bankruptcy settlement is the purchase of Bhushan Steel by Tata Steel, which then paid back the debtors 35, 200 crore rupees out of 56, 079 crore rupees. The majority of the default amount was repaid, despite the haircut.¹⁸ The implementation of

¹⁴ *P. Mohanraj v. Shah Brothers Ispat Private Limited*, [2021] 6 SCC 3.

¹⁵ The Role of the National Company Law Tribunal (NCLT) in Insolvency Proceedings in India, Maheshwari & Co., Feb. 11, 2025, available at: <https://www.maheshwariandco.com/blog/national-company-law-tribunal-nclt/#:~:text=protect%20creditors%20interests,-Adjudicatory%20Role%20of%20the%20NCLT%20in%20Insolvency%20Proceedings,the%20corporate%20debtor%20is%20completed.>

¹⁶ *Jaypee Kensington Boulevard Apartments Welfare Association & Ors. Vs. NBCC (India) Ltd & Ors.*, [2021] 12 SCR 603.

¹⁷ Insolvency Professional: A Key To Resolution Information Brochure, IBBI, available at: <https://ibbi.gov.in/uploads/whatsnew/2021-04-13-163323-pt2ei-a56e6e185a5c5b7e8c7355f7a68f612f.pdf>.

¹⁸ Haircut here refers to the amount by which the bank the value of loans to compensate borrowers and reduce his over all burden. Banks do involve in this to minimize their losses from potential losses and lengthy legal

the IBC is credited for helping India's rating rise from 136 in 2017 to 52 in 2020, according to a World Bank report. India's ranking in the World Bank's ease of doing business also rose from 142 in 2014 to 63 in 2022.¹⁹

III. LEGAL FRAMEWORK

Different statutes, including those pertaining to individuals, partnerships, and organisations, are currently in effect in India for the resolution of bad debts. The multitude of statutes made it extremely difficult to implement any law. All other laws are superseded by this code, which deals with commercial structures such as individuals, partnerships, and corporations. Additionally, it aims to revitalize the business sector that makes the most contribution to economic growth.²⁰ There are four pillars of IBC, which are as follows:

1. IBBI

The Indian Board of Bankruptcy and Insolvency is the regulatory body for this code.²¹ The other three pillars of the IBC are overseen by this body in terms of their work and behaviour. This board has a common seal and is subject to everlasting succession.²² Its functions include registering, withdrawing, suspending, or cancelling the registration of IPAs, IPs, and IUs; disclosing the minimal eligibility requirements for these institutions' registrations; charging fees or charges for the same; and establishing regulations for the examination of insolvency professionals.

2. Insolvency Professional

An individual who has registered as a member of an insolvency agency and as an insolvency professional with the board is referred to as an insolvency professional.²³ Formerly, the business owner retained ownership and management of the company; however, this authority has since been transferred to an impartial expert chosen by the creditor committee. When a process of bankruptcy, insolvency, liquidation, or fresh start is launched against a corporate debtor, the role of the insolvency professional starts.

processes.

¹⁹ Harshvardhan Korada, *Five Years Of IBC: A Promising Journey*, Mondaq.com, Feb. 22, 2022, available at: <https://www.mondaq.com/india/insolvencybankruptcy/1164034/five-years-of-ibc-a-promising-journey>.

²⁰ *IBC: Idea, Impressions and Implementation*, IBBI, available at: <https://ibbi.gov.in/uploads/whatsnew/b5fba368fbd5c5817333f95fbb0d48bb.pdf>.

²¹ Know About Insolvency and Bankruptcy Board of India, IBBI, available at: <https://ibbi.gov.in/uploads/publication/f3bbc84057f6bfc3d332c8971f0c19f5.pdf>.

²² The Insolvency and Bankruptcy Code 2016, s. 188 (2).

²³ Frequently Asked Questions- Insolvency Professionals, IBBI, available at: https://www.ibbi.gov.in/uploads/register/FAQ_IPs.pdf.

3. Information Utility

An individual who, in accordance with section 210 of the IBC, is registered with the board as an information utility.²⁴ It is the responsibility of the IU to compile and preserve, for universal access, financial data regarding the debt and default of businesses that are going through resolution. It must accept electronic submissions of financial data from individuals who are required to provide it in accordance with section 215 of the code.²⁵

4. Adjudicatory Authority

For a person, business, or other entity with both limited and unlimited responsibility, there are many adjudicatory bodies. Therefore, the Debt Recovery Tribunal will serve as the firm's deciding authority in cases involving individuals and limited liability partnerships. If the party is not happy with the DRT order, they have the option to appeal to the Debt Recovery Appellate Tribunal. Additionally, limited liability corporations and companies will be adjudicated by the National Company Law Tribunal. The National Company Law Appellate Tribunal is the venue for their appeal. The parties may file an appeal with the Supreme Court if they are dissatisfied with the NCLAT and DRAT orders.

This code's time-bound nature is its best feature. The code stipulates that the resolution process must be finished in full within 330 days.²⁶ In addition, if the procedure is not finished in the allotted time, an extra 90 days may be granted. Additionally, the resolution specialist must provide a written explanation for the delay. According to the World Bank's Doing Business Report from 2016, the debt recovery process used to take roughly 4.3 years to complete in the past when IBC wasn't present. Thus, the IBC code provides a time frame to eliminate this circumstance.²⁷

IV. IMPACT OF IBC ON BANK NON-PERFORMING ASSETS

As is already known, there existed several statutes for recovering the outstanding sum prior to the introduction of the IBC. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002²⁸ and the Recovery of Dents owing to the Bank and Financial Institution Act, 1993²⁹ were two examples. The banks used to file a lawsuit to recover unpaid debts against the debtor under these two acts. Additionally, there

²⁴ The Insolvency and Bankruptcy Code 2016, s. 210.

²⁵ The Insolvency and Bankruptcy Code 2016, s 215.

²⁶ Supra note

²⁷ Dr. Binoy J. kattadiyil, Insolvency and Bankruptcy Code (Amendment Act) 2020: An Analysis, International Journal of Multidisciplinary Educational Research, March 2020.

²⁸ SARFAESI Act 2002.

²⁹ Financial Institutions Act 1993.

were other measures such as the Companies Act of 1956 (winding up clause) and the Sick Industrial Companies Act, 1985³⁰ that allowed bank and non-bank lenders, as well as corporate debtors, to file a lawsuit for the collective resolution of insolvency. Following the adoption of the IBC Code, it was specifically stated in the VIII Schedule of the IBC that cases that were previously before the BIFR and AAIFR would be alleviated if they were re-initiated before the NCLT under the IBC. The IBC 2016 requires that the case be filed within 180 days of the inception. It is also possible to start new cases under the IBC for other matters that were before the DRT or winding up cases that were before the High Court and admitted under the Companies Act of 2013.

All types of creditors, both operational and financial, bank and non-bank, are able to start a corporate bankruptcy case under Section 6 of the IBC. Therefore, even non-bankers who are dealing with protracted cases might file a case before the NCLT, in which case the bank will be forced to take part in the proceedings. Therefore, IBC can be implemented widely for current NPAs. Following the NCLT's admission of an Insolvency Resolution plan for a corporate debtor, an automatic 180-day moratorium period will begin. All cases against the corporate debtor that are pending before the DRT, Civil Court, or High Court will be on hold during this time.

All of the company's financial creditors will be included in a committee of creditors that will be formed. The resolution plan is then approved by the COC with a 75% majority vote by value.³¹ All cases that are pending in various forums must be resolved, and the resolution plan will be put into action if approved by the COC and NCLT. In the event that the COC declines to accept it after 180 days, NCLT will issue a liquidation order in accordance with IBC section 33(1).³² Therefore, once the liquidation process starts, the only way to recover would be through it, as all mechanisms and recovery processes from earlier forums would cease.

V. INDUSTRY SPECIFIC RISKS: REAL WORLD PROBLEM IN AVIATION SECTOR

The landscape of Non-Performing Assets (NPAs) in India is not uniform across sectors, it is significantly influenced by industry-specific economic, operational, and regulatory dynamics. One prominent example is the **aviation sector**, which has witnessed a recurring

³⁰ Sick Industrial Companies Act 1985.

³¹ The Insolvency and Bankruptcy Code 2016, s 30(4).

³² The Insolvency and Bankruptcy Code 2016, s 33(1).

pattern of financial distress among domestic carriers.³³ A critical factor contributing to the high level of NPAs in this industry is the **disproportionately high cost of aviation turbine fuel (ATF)**. For Indian airlines, ATF accounts for nearly **45% of total operating expenses**, in stark contrast to the **global average of approximately 30%**.³⁴ This cost disparity arises from heavy **central and state-level taxes**, making ATF prices in India among the **highest in the world**.³⁵ Furthermore, the aviation sector is highly capital-intensive, with significant fixed costs related to fleet acquisition, maintenance, leasing obligations, and airport charges. These cost burdens, when coupled with **volatile fuel prices, currency fluctuations** (as leasing and fuel payments are often dollar-denominated), and **thin profit margins**, severely affect the cash flow of airline companies.³⁶ In periods of economic downturn or exogenous shocks such as the COVID-19 pandemic³⁷ or the Russia-Ukraine war impacting global oil prices,³⁸ airlines struggle to service their debt, leading to defaults and the classification of loans as NPAs by their creditors.³⁹

The **insolvency of Jet Airways (2019)**⁴⁰ and the **ongoing resolution process of Go First Airlines (2023–24)**⁴¹ exemplify the sector's vulnerability. In both cases, fuel costs, poor capacity utilization, and unsustainable leasing structures played a major role in their financial downfall.⁴² Additionally, **regulatory rigidity**, such as the delay in bringing ATF under the ambit of GST and lack of targeted fiscal relief, compounds the risk profile of the

³³ Next IAS Contributors, *Non Performing Assets (NPAs): Causes, Impacts & Resolution*, Next IAS Aug. 22, 2024, available at: <https://www.nextias.com/blog/non-performing-assets-npas/>.

³⁴ Starred Question No. : 243, Ministry Of Civil Aviation, To Be Answered On 24th March 2025, Rajya Sabha, available at: https://sansad.in/getFile/annex/267/AS243_GpEzLp.pdf?source=pqars.

³⁵ ATF costs account for 45% of air ticket prices, says Minister, The Hindu, Mar. 27, 2025, available at: <https://www.thehindu.com/news/national/atf-costs-account-for-45-of-air-ticket-prices-says-minister/article69382175.ece>.

³⁶ Aviation Leaders Report 2025: The Supply Strain, KPMG, available at: <https://assets.kpmg.com/content/dam/kpmg/ie/pdf/2025/01/ie-aviation-leaders-report-2025-2.pdf>.

³⁷ Strengthening Financial Stability, Resilience and Safety Nets in the Pacific Islands: Compilation of In-Depth Papers, World Bank, Aug., 2022, available at: <https://documents1.worldbank.org/curated/en/099011502062388343/pdf/P17493305132130540bf5e024338cf26d6b.pdf>.

³⁸ Maciej Kolaczowski, *How does the war in Ukraine affect oil prices?*, World Economic Forum, Mar. 04, 2022, available at: <https://www.weforum.org/stories/2022/03/how-does-the-war-in-ukraine-affect-oil-prices/>.

³⁹ Ahita Paul, *Examining the rise of Non-Performing Assets in India*, Sep. 13, 2018, PRS India.org, available at: <https://prsindia.org/theprsblog/examining-the-rise-of-non-performing-assets-in-india?page=67&per-page=1>.

⁴⁰ Dhananjay Kumar & Abhishek Mukherjee, *Jet, Set and Grounded – Supreme Court orders liquidation of Jet Airways*, Cyril Amarchand & Mangaldas Blogs, Nov. 12, 2024, available at: <https://corporate.cyrilamarchandblogs.com/2024/11/jet-set-and-grounded-supreme-court-orders-liquidation-of-jet-airways/>.

⁴¹ Himesh Thakur et.al, *Go Air Insolvency in India: A Comprehensive Examination*, Lexology.com, Feb. 24, 2025, available at: <https://www.lexology.com/library/detail.aspx?g=35a6c48d-4aed-449f-a4fc-c62d116115f8>.

⁴² Nidhi Yadav, *Collapsed Resolution of Aircraft Insolvencies, End of an Icon: An In Depth Analysis of the Jet Airways Case*, SCC OnLine, May. 06, 2025, available at: <https://www.scconline.com/blog/post/2025/05/06/collapsed-resolutions-of-aircraft-insolvencies-end-of-an-icon-an-in-depth-analysis-of-the-jet-airways-case/>.

sector.⁴³ This illustrates how **sectoral challenges when left unmitigated, translate into systemic financial risk**, affecting banks and financial institutions exposed to these industries.⁴⁴

In this context, the **Insolvency and Bankruptcy Code (IBC), 2016** plays a pivotal role in addressing sector-specific financial distress by offering a structured framework for resolution.⁴⁵ For capital-intensive and volatile sectors like aviation, the IBC provides a much-needed legal mechanism to restructure debt, attract new investment, and ensure continuity of operations wherever feasible.⁴⁶ The **moratorium under Section 14** prevents asset repossession and legal claims during the CIRP, which is particularly crucial in sectors with large leased assets, such as aircraft.⁴⁷ However, recent cases like **Go First Airlines (2023–24)** have exposed the limitations of a one-size-fits-all insolvency regime. The application of IBC provisions, such as moratoriums on aircraft repossession, has led to tensions between domestic insolvency law and international leasing frameworks like the **Cape Town Convention**,⁴⁸ deterring global lessors and financiers.⁴⁹ This highlights the need for a **sector-sensitive application of IBC**, where insolvency resolution is balanced with contractual realities and operational continuity, especially in industries prone to cyclical risks and external shocks. Thus, while the IBC offers a valuable tool to contain the spillover of sectoral stress into systemic NPAs, its effectiveness depends on continuous refinement, regulatory coordination, and the evolution of **industry-specific insolvency protocols** within its broader framework.

VI. SUGGESTIONS & CONCLUSION

Despite the notable strides made by the Insolvency and Bankruptcy Code, 2016 in curbing NPAs and enhancing credit discipline, several systemic, procedural, and industry-specific

⁴³ TOI Business Desk, *States not in favour of bringing ATF under GST: Sitharaman*, Times of India, Dec. 21, 2024, available at: <https://timesofindia.indiatimes.com/business/india-business/states-not-in-favour-of-bringing-atf-under-gst-sitharaman/articleshow/116541525.cms>.

⁴⁴ Shijie Zhou, *The Current State and Challenges of Financial Risk Management*, 21 GFHR 2023, available at: https://www.researchgate.net/publication/379363316_The_Current_State_and_Challenges_of_Financial_Risk_Management.

⁴⁵ Tejaswani Prasad, *Role of Insolvency and Bankruptcy Code on Distressed Mergers and Acquisitions*, IBC Law Blogs, Nov. 06, 2024, available at: <https://ibclaw.blog/role-of-insolvency-and-bankruptcy-code-on-distressed-mergers-and-acquisitions-by-tejaswani-prasad/>.

⁴⁶ Aparajitha Narayanan, *Overriding Effect of IBC*, Lakshmikumaran & Sridharan Blogs, Oct. 03, 2017, available at: <https://www.lakshmisri.com/insights/articles/overriding-effect-of-insolvency-and-bankruptcy-code>

⁴⁷ The Insolvency and Bankruptcy Code 2016, s. 14.

⁴⁸ Convention On International Interests In Mobile Equipment (2001), UNIDROIT, available at: <https://www.unidroit.org/instruments/security-interests/cape-town-convention/>.

⁴⁹ Krrishan Singhania, *The interplay between the Cape Town Convention and insolvency law when a private airline company undergoes liquidation in India*, IBA Net.org, Jun. 04, 2024, available at: <https://www.ibanet.org/insolvency-law-airline-liquidation-india>.

gaps remain. To fortify its effectiveness, a few key reforms are essential. **First**, the capacity of National Company Law Tribunals (NCLTs) must be enhanced through increased judicial appointments, dedicated benches, and digital process optimization to reduce delays in resolution. **Second**, sector-specific insolvency frameworks should be evolved within IBC, especially for capital-intensive industries like aviation, infrastructure, and real estate. These should consider the operational complexity and regulatory overlaps—such as the conflict between IBC moratoriums and international leasing rights in aviation.

Third, the IBC framework must include pre-default stress detection mechanisms and promote pre-packaged insolvency schemes for non-MSMEs, allowing early intervention. Incentivizing viable resolution plans over liquidation would also preserve enterprise value and protect jobs. Additionally, cross-border insolvency law based on the UNCITRAL Model must be enacted to aid foreign creditors and assets situated overseas. **Fourth**, the RBI and IBBI should jointly create an early warning system that flags high-risk sectors and borrower behavior patterns contributing to NPAs. Sector-wise NPA data transparency must be improved for public and academic scrutiny.

The IBC has undoubtedly transformed India's credit enforcement landscape, infusing speed and predictability into debt resolution. It shifted the power balance in favor of creditors, reducing willful default and disciplining borrower behavior. However, the persistence of high-profile defaults, procedural inefficiencies, and rising sectoral distress such as in aviation—signal the need for a more adaptive, responsive, and industry-sensitive insolvency regime. With timely legal reforms, coordinated regulatory action, and institutional strengthening, the IBC can evolve into a comprehensive tool not just for resolving NPAs, but for preventing them ushering in a truly resilient and disciplined credit economy.
