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Corpus Rescue v Liquidation: Evaluating Post-Covid Reforms in Insolvency Laws of India with a Comparative Analysis with UK & USA and the Role of AI-Driven Warning System

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The paper discusses how the insolvency policy has now changed to corporate rescue, rather than liquidation, comparing reforms made in India, the United Kingdom (UK) and the United States of America (USA) after COVID. The study is mixed-method research based on the doctrinal analysis of the legislative changes, with the empirical results provided by the survey carried out among legal professionals, academicians, advocates, and research scholars using the comparative case study of restructuring results. The paper determines whether novel interventions during the pandemic, including insolvency filings suspension, statutory moratorium, threshold enhancement, and restructuring mechanisms, were useful to encourage rescue-oriented results without disproportionately prejudicing creditor interests. The results suggest that the short-term relief of the distressed companies through the temporary stay of insolvency proceedings in Section 10A of the Insolvency and Bankruptcy Code, 2016, created short-term creditor uncertainty and postponed the outcomes of the resolution in India. By contrast, the Corporate Insolvency and Governance Act, 2020 of the UK institutionalized permanent rescue vehicles, such as a statutory moratorium, restructuring plans with cross-class cram-down, whereas the CARES Act of the USA broadened access to Chapter 11-friendlier reorganization by increasing eligibility under Subchapter V. According to the empirical findings, 58% of the respondents have seen the insolvency system in India as moderately rescue-oriented, but the issue of procedural delays is

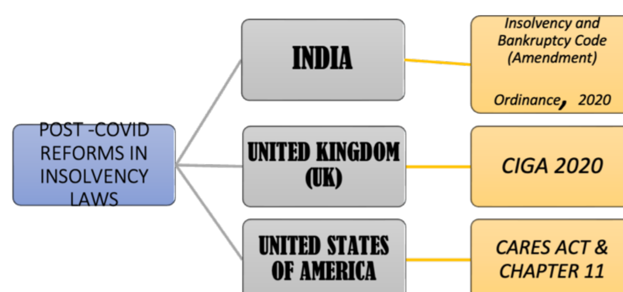
a major issue. The paper concludes with the ultimate recommendation of the structural reforms, such as the pre-insolvency solutions, AI-implemented early-earning systems, to enhance the shift of India to the creditor-balanced corporate rescue regime.

Keywords: *insolvency, bankruptcy ordinance, international jurisdictions.*

INTRODUCTION

The COVID-19 epidemic led to an unprecedented interruption in the global economy, in which businesses across the world were pushed into a state of economic distress. A lot of the otherwise working firms have had to go insolvent, not because of structural deficiencies but as a result of lockdowns and lack of liquidity. Regulators and governments therefore needed to review the margin on saving corporations and provide them a way to save the business's continuity, coupled with considering the rights of the creditors.

One of the situations in which this came into the limelight in India was in the Insolvency and Bankruptcy Code 2016 (IBC). The introduction of Section 10A in the code that stayed insolvency procedures in case of defaults that had happened during the pandemic signified that the policy favoured corporate rescue. At the same time, both the 'United Kingdom (UK)' & 'United States of America (USA)' have implemented various reforms in a systematic order to ensure that they have financially stable enterprises. The Corporate Insolvency and Governance Act 2020 (CIGA 2020) in the UK and the amendments made to Chapter 11 procedures and relief introduced by the CARES Act, 2020 in the US encouraged early restructuring mechanisms. Therefore, India mainly had made temporary suspensions, while the UK and EU made more permanent reforms, which are rescue-oriented.[1]



[1] Kristin van Zwieten, 'Mid-Crisis Restructuring Law Reform in the United Kingdom' (2023) 24 European Business Organisation Law Review <https://link.springer.com/article/10.1007/s40804-023-00288-0 - citeas> accessed 06 March 2026

Figure 1: Post-COVID Reforms in Insolvency Laws

To fill the gap, this research indicates a comparative study of post-COVID insolvency reforms in India, the UK, and the USA. It mainly deals with the question of whether these measures were able to shift policy focus away from liquidation to corporate rescue and analyse the trade-off which was reached between debtor protection and creditor interests.

Problem Statement: Although several studies have already been conducted on the frameworks of insolvency, the available literature does not feature any suggestive measures that have been elaborately and comprehensively explained to ameliorate the system of bankruptcy in India by taking into consideration the reforms taken by various fast-growing economies, such as the USA and the UK.

RESEARCH METHODOLOGY

Using this Research Methodology to accomplish the stated objectives: The objective is threefold:

- To determine the essential post-COVID insolvency reforms in the selected jurisdictions, i.e. India, the USA and the UK.
- To assess the effectiveness of such insolvency reforms in influencing corporate rescue rather than liquidation.
- To draw comparative conclusions on how a stronger insolvency regime in India can be drawn to do more than merely manage a crisis.

This paper will offer new insights into the discussion that is still ongoing and unsettled regarding the development of a resilience, rescue-oriented insolvency system that can lead to economic stability in times of systemic disruption.

Type and Nature of Research: The nature of the research paper is Empirical, Doctrinal, Comparative and Analytical. This paper primarily focuses on the survey conducted among the law professionals, advocates, research scholars, professors and students with a sample size of 50 to analyse the problem statement and the systematic analysis of statutes related to the insolvency laws, the amendments introduced after 2019, which are relevant for this study. Also, this research paper contains a comparative dimension by comparing insolvency laws of different jurisdictions for broadening the areas of research, best practices, gaps and areas

required for improvement. Further, this methodology showcases an analytical approach too for critically examining the information & data available and making reasoned key findings.

INDIA'S POST-COVID INSOLVENCY REFORMS & ASSESSMENT

In India, the Insolvency and Bankruptcy Code, 2016 (IBC) primarily provides a procedure for restructuring, which lays down a systematic procedure of rebuilding an entity for its corporate revival by adopting the Corporate Insolvency Resolution Process (CIRP). The point of this framework is to enable financially challenged businesses to renegotiate their debt, lengthen the debt repayment period, or turn their debt into equity so as to guarantee business survival without jeopardising the creditors.

Post-COVID Reforms in Indian Insolvency Laws: The Insolvency and Bankruptcy Code (Amendment) Ordinance, 2020, implements certain provisions regarding targeting the limited suspension on the existing framework of the Code. Specifically, it prohibits the filing of applications for initiating insolvency proceedings against companies for defaults occurring during the COVID-19 period, initially defined as six months beginning from March 25, 2020, with a provision for extension up to one year if deemed necessary, as mentioned under Section 10A of the Insolvency and Bankruptcy Code, 2016. This measure effectively shields companies that were not in default as of March 25, 2020, but subsequently defaulted during the pandemic period, from being subjected to insolvency proceedings.[2]

For securing the directors of a corporate debtor, a non-obstante clause has been incorporated into Section 66 (Fraudulent or wrongful trading) of the IBC, which limits the resolution professional from filing any application under Section 66 (2) for defaults covered by the suspension of CIRP initiation under Section 10A.

Another reform that took place was that the basic default limit for starting the CIRP under Section 4 of IBC has been raised significantly, from INR 1,00,000 (One Lakh Rupees) to INR 1,00,00,000 (One Crore Rupees), which was inserted by Act 26/2021. This increased 'trigger

[2] Dr M S Sahoo, 'Insolvency Law in Times of COVID-19' (*IBBI*) <https://ibbi.gov.in/uploads/resources/19f5dd1867e29b404046912df2b065f8.pdf> accessed 06 March 2026

amount' ensures that CIRP is initiated only for major defaults, thus avoiding the initiation of minor or trivial cases.[3]

Recognising the severe financial distress faced by Micro, Small and Medium Enterprises (MSMEs) sector during the COVID-19 pandemic, the Government established the Pre-Packaged Insolvency Resolution Process (PIRP) through an Ordinance in April 2021. The PIRP framework provides MSMEs with a quicker, more economical, and less disruptive approach to insolvency resolution that focuses on maintaining business continuity and safeguarding employment.

Under the PIRP, an MSME corporate debtor can initiate proceedings when there is a minimum default of One Lakh rupees.

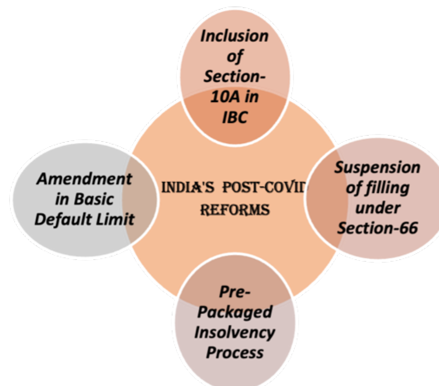


Figure 2: India's Post-COVID Reforms in Insolvency Laws

CASE STUDY

The Case of Resolution of Jal Power Corporation Limited (JPCL): The Jal Power Corporation Limited (JPCL)[4] case can be one of the leading cases of corporate resolution in Indian insolvency law following COVID-19. JPCL, an organisation dealing with hydroelectric power plants, became a part of the Corporate Insolvency Resolution Process (CIRP) under the IBC since it was not able to handle the debts worth 1,000 crore and above. The situation became well-known because it was one of the first resolutions at the scale of

[3] Divyansh Chaudhary, 'A Continued Necessity of PPIRP under the IBC 2016 Post-Covid' (2024) 7(6) International Journal of Law Management & Humanities <https://doij.org/10.10000/IJLMH.118694> accessed 06 March 2026

[4] 'NHPC gets NCLT's nod to take over Jalpower Corporation' *The Hindu Business Line* (07 January 2021) <https://www.thehindubusinessline.com/companies/nhpc-gets-ncltsnod-to-take-over-jalpower-corporation/article33522196.ece> accessed 06 March 2026

the power sector that was facilitated during the COVID-19 times, referring to the changing situation of insolvency in India. The JPCL resolution showed how effectively IBC reforms went at the time of the COVID period, when they focused more on resolution than liquidation.

GLOBAL STUDIES

United Kingdom (UK) Post-COVID Actions in Insolvency Laws: The United Kingdom (UK) provides a more flexible and diverse restructuring model by providing various facilities, such as Company Voluntary Arrangements (CVA), Administration and Restructuring Plan, as provided in Part 26A of the Companies Act 2006. The tools aim at saving viable businesses by allowing a debt renegotiation and restructuring operations under the care of the court.[5] A notable aspect of the UK system is the cross-class cram-down provision found in Sections 901F and 901G of the Companies Act 2006, which allows courts to approve a restructuring plan even if some classes of creditors oppose it, thus safeguarding viable businesses from being compelled into liquidation by a minority of dissenting creditors.[6]

In the UK, liquidation is carried out following a clearly defined order of priority, favouring secured creditors over unsecured ones and shareholders. It can occur via Members' Voluntary Liquidation (MVL), Creditor's Voluntary Liquidation (CVL), or Court-Ordered Liquidation. The UK system is known for its speed and efficiency, with average recovery rates for creditors of 40-50%, which is notably higher than those in India, due to streamlined processes and robust institutional frameworks that protect creditor rights and support corporate rescues.[7]

[5] Felicity Toube, KC et al., 'Evaluation of the UK's CIGA Reforms: A Best Practice Model for Other Jurisdictions?' (*Norton Rose Fulbright*, April 2023) <https://www.nortonrosefulbright.com/-/media/files/nrf/restructuring-touchpoint/2023/evaluation-of-the-uks-ciga-reforms.pdf> accessed 06 March 2026

[6] Hamiisi Junior Nsubuga, 'Political, regulatory competition and the UK debt-restructuring regime at the crossroads' (2025) 54(2) Common Law World Review <https://doi.org/10.1177/14737795251325252> accessed 06 March 2026

[7] Kristin Van Zwieten, 'Corporate Rescue in India: The Influence of the Courts' (2015) 15(1) Journal of Corporate Law Studies <https://www.tandfonline.com/doi/abs/10.5235/14735970.15.1.1> accessed 06 March 2026

CASE STUDY

The case of Re Sino-Ocean Group Holding Limited: One notable example of how the judiciary favoured a restructuring plan rather than liquidation can be seen in the case of Re Sino-Ocean Group Holding Limited [2025] EWHC 205 (Ch). The UK High Court, in this case, has passed a plan to restructure even though creditors were against it, something that supports the merit of restructuring as a tool of corporate sustainability and economic balance. The Hong Kong company that had more than USD 13 Million of debt defaults and was addressing a winding-up petition resorted to section 26A of The Companies Act 2006. It proposed an international restructuring plan, in line with a Hong Kong Scheme of Arrangement, which predetermined the fact that it would be enforceable in other jurisdictions.[8] However, Justice Thompsell approved the plan using the 'Cross-class cram down' provision under Section 901G of the Companies Act 2006, highlighting that creditors would achieve considerably better recoveries through restructuring than if the company were liquidated.

UNITED STATES: CARES ACT & CHAPTER 11

USA -CARES Act: The Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law on March 27, 2020, represented the largest economic stimulus package in the history of the United States, totalling around $2.2 trillion, equivalent to 10% of the U.S. GDP at that time. This legislation was enacted in direct reaction to the severe economic challenges caused by the COVID-19 pandemic, which included widespread business closures and a significant increase in the rate of unemployment.[9]

Expansion of Eligibility Under Small Business Reorganisation Act (SBRA)- Subchapter V of Chapter 11: The 'Subchapter V' business reorganisation process was established by SBRA under Bankruptcy Code Chapter 11 specifically for small enterprises, providing a more economical and simplified alternative to conventional Chapter 11 proceedings.[10]

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[8] Gerard McCormack, 'Debt restructurings, debt grifting and the limits of contractualism' (2023) 32(3) International Insolvency Review <https://onlinelibrary.wiley.com/doi/abs/10.1002/iir.1523> accessed 06 March 2026

[9] Neil Bhutta et al., 'COVID-19, THE CARES ACT, AND FAMILIES' FINANCIAL SECURITY' (2020) 73(3) National Tax Journal <https://www.journals.uchicago.edu/doi/10.17310/ntj.2020.3.02> accessed 06 March 2026

[10] Michael C Blackmon, 'REVISING THE DEBT LIMIT FOR "SMALL BUSINESS DEBTORS": THE LEGISLATIVE HALF-MEASURE OF THE SMALL BUSINESS REORGANIZATION ACT' (2020) 14(2)

In response to the COVID-19 pandemic, the eligibility debt limit for Subchapter V was temporarily raised from approximately US $ 2.7 million to US $ 7.5 million.[11] This adjustment allowed a greater number of struggling small or mid-sized companies, with elevated debt levels, to take advantage of the more adaptable reorganisation options during and after the pandemic.[12] Nonetheless, as highlighted by a recent news report, the increased threshold has now lapsed and reverted, consequently restricting access once again, which is critical for the sustainability of small businesses.

COMPARATIVE REMARKS

Comparing this jurisdiction, we analyse certain differentiations among them all, which we will understand through a tabular chart as follows:

Sr. No.	BASIS	INDIA	USA	UK
1	Governing Law	Insolvency and Bankruptcy Code 2016	U.S. Bankruptcy Code & Company Act 2006	Insolvency Act 1986 & CIGA 2020
2	Nature of System	Creditor Oriented	Debtor Oriented	Hybrid (Originally it was creditor friendly, but now debtor-oriented)
3	Major Post-COVID Reforms	1. Suspension of filling of	1. Expansion of small-business	1. Introduction of CIGA 2020

Brooklyn Journal of Corporate, Financial & Commercial Law <https://brooklynworks.brooklaw.edu/cgi/viewcontent.cgi?article=1335&context=bjcfcl> accessed 06 March 2026

[11] Daniel O'Hare, 'The Long and Winding Road to the Small Business Reorganization Act: Why our Next Stop Should Be Simplicity and Accessibility' (2022) 124(2) West Virginia Law Review <https://researchrepository.wvu.edu/wvlr/vol124/iss2/9/> accessed 06 March 2026

[12] A H Kroezen, 'Reorganizing Small Businesses: From Chapter 11 to the Dutch Scheme and Back' (2024) 98(2) Chicago-Kent Law Review <https://scholarship.kentlaw.iit.edu/cgi/viewcontent.cgi?article=4473&context=cklawreview> accessed 06 March 2026

		defaults during the COVID-19 era 2. Threshold increased from 1 Lakh to 1 Crore.	restructuring via Subchapter V 2. CARES Act Benefits	2. Introduction of Moratorium & Restructuring Plan
4	Focus on MSMEs	HIGH {PIRP}	HIGH {Subchapter V specially for small businesses}	LOW {No specific Provisions}

Table: Insolvency Laws in India, UK and USA

AI-DRIVEN EARLY WARNING SYSTEM

The use of artificial intelligence in corporate insolvency early-warning systems and legal support is a line of research that aims to increase the predictive skill of financial-crisis indicators and the effectiveness and responsiveness of legal services. For this, the statistical analysis of financial ratios, liquidity/solvency indicators, contractual-obligation/text-analysis-derived-risk-signals features are to be taken into consideration. These artificial attributes are the vital inputs of assessing the financial situation of a firm and the analytical platform on which legal decisions are made.[13]

Researchers usually use supervised learning algorithms like Random Forests, Gradient Boosting Models, and Neural Networks to predict the risk of bankruptcies after having been trained to identify patterns that are linked to financial distress.

With the volumes of insolvency cases growing faster in the world in multiple insolvency systems, the demand for scalable technological solutions has become more urgent. The use of AI-based early-warning systems can become relevant: governments and regulators are

[13] Jin Du, 'Artificial Intelligence in Early Warning and Legal Assistance of Corporate Bankruptcy' (Conference: ICKII 2024 - International Conference on Knowledge Innovation and Invention, Nagoya, Aichi, Japan, 2021)

urged to implement AI tools that will analyse financial ratios and other signs to indicate that distress is on the verge of breaking out 6-12 months before an economic crisis takes place. Sharing anonymous financial data with regulators by banks is one of the practical solutions to establish sector-wide heat maps of financial health, so that more active control can be achieved.

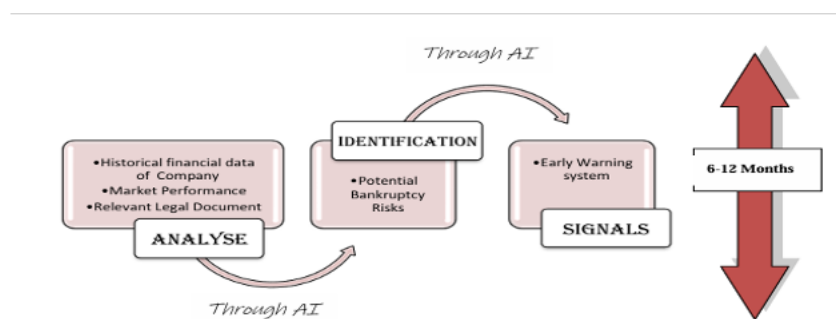

Figure 3: Data Processing for AI-driven Early Warning System

Technology can also enhance asset-tracing in an insolvency situation. One of the most intractable problems in the liquidation process is the hiding or loss of assets in the so-called twilight zone, the days before the actual insolvency. Blockchain solutions can provide a good opportunity, an unchangeable registry of asset movement that increases transparency and minimises the ways of committing fraud.

DATA ANALYSIS & INTERPRETATION (EMPIRICIAL FINDINGS)

The survey received 50 valid responses through a Google Form circulated among legal professionals, academicians, research scholars, and students engaged with insolvency law. The demographic distribution is provided below:

- Law Students = 36% (n=18)
- Advocates = 34% (n=17)
- Professors / Academics= 16% (n=8)
- Research Scholars = 14% (n=7)

The following sections outline the circulated questions and the data gathered in response, which is analysed as follows:

Section-1: **Effectiveness of Insolvency Laws in Corporate Rescue over Liquidation Perception: Key Finding:** 58% of respondents either agreed or strongly agreed with the argument that IBC is effective in promoting corporate rescue over liquidation.

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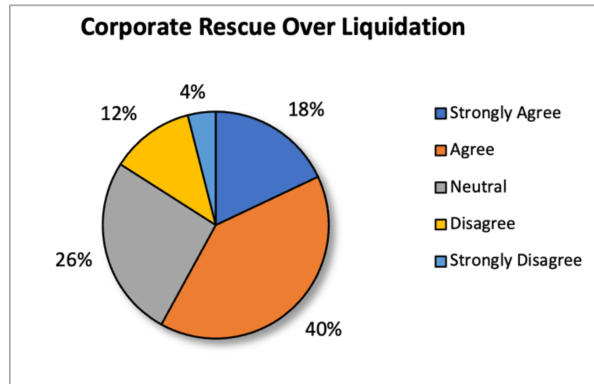

Figure 4: Responses for Corporate Rescue over Liquidation

Interpretation: Most of the perceptions show that IBC has been successful with its rescue-oriented motive. Nevertheless, the 26% of neutral answers indicates uncertainty, while 16% disagreement indicates that there is still a concern regarding implementation.

Section–2: **Impact of Post-COVID Reforms:** Key Findings: 70% of the respondents reported that at least some process improvements were made through the reforms after COVID, which was not significant to 24 per cent of respondents.

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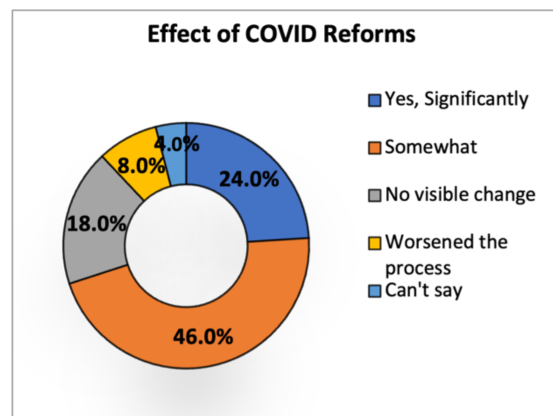

Figure 5: Responses showing Effectiveness of Post -Covid Reforms

Interpretation: While reform's perception is positive, the predominance of 'somewhat' indicates that reforms have been more of an incremental than a transformative nature. The 26% in the negative/neutral category shows that there is considerable opportunity to develop.

Section-3: Primary Challenges in Corporate Rescue: Key Finding: Procedural delays were found to be the most prevalent issue, with 54% of the respondents mentioning the same.

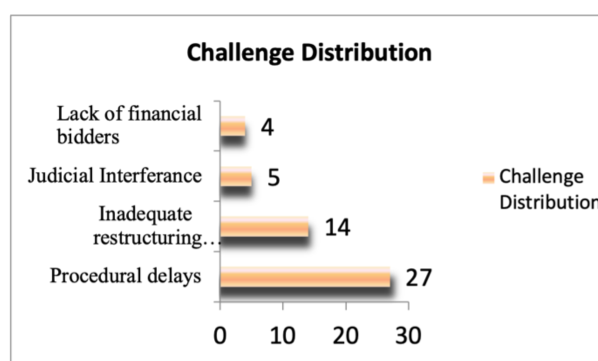

Figure 6: Challenges faced in enforcing Insolvency reforms in India

Interpretation: Although the issue of finance or infrastructure might be a relevant obstacle to the rescue outcomes, procedural bottlenecks, such as court backlogs, NCLT capacity constraints, and timeline constraints.

Section-4: Comparative Jurisdictional Analysis: The research shows that insolvency stakeholders in India find a moderate or mixed reform model with calibration to be more preferable than complete adoption of either of the foreign frameworks. The trend in favour of adopting US-style debtor-in-possession schemes to overcome rigidity within the creditor-dominated regime in India is well established, rather than the methods being followed in the UK. The positive attitude towards the system of EU preventive restructuring frameworks highlights a conglomeration of opinion towards an early intervention and prevention trend, which indicates that there is a necessity to shift the Indian system of insolvency.

SUGGESTIONS

According to the response obtained through empirical data collected, the following are the propositions considered to be priority reform areas in the Indian insolvency regime:

Improving Procedural Effectiveness by Building Infrastructure: Most of the respondents (56%) emphasised the need to increase the efficiency of procedures under the IBC. It is advised that to ensure the problem of case pendency is resolved, more benches of the National Company Law Tribunal (NCLT) should be established and sufficiently manned. In addition, the enforcement of statutory timelines must be institutionalised by administrative monitoring systems to facilitate time-bound solutions, which was a central aim of the IBC.

Increasing the Scope of the PPIRP: About 44% of the people who were surveyed supported an extension of the PPIRP to a wider field other than MSMEs.

The Proposals to introduce Debtor-in-Possession Models with Safeguards: About 30% of the respondents heeded the idea of incorporating debtor-in-possession mechanisms based on the United States Chapter 11 model.

Formulation of AI-Early Warning & Pre-Insolvency Structures: A very high percentage of respondents (22%) emphasised the need for AI-early intervention of financial distress. It is suggested to incorporate early warning mechanisms, such as financial stress warning and pre-insolvency models.

CONCLUSION & WAY FORWARD

The COVID-19 pandemic required a thorough reconsideration of the insolvency systems all over the globe, because it was necessary to focus more on the balance between the liquidation processes & the corporate rescue measures. In the current research, it is possible to note that despite the fact that India, the UK, and the USA implemented reforms in the aftermath of the crisis, the scope and the long-term consequences of the reform effort were very different. India's reformative steps had a temporary alleviating effect, but they didn't bring a substantive shift to the rescue-driven regime. Conversely, the UK and US exercised extensive and progressive reforms that were used to maintain financially viable businesses. The empirical data gathered in this study show that Indian stakeholders are strongly motivated towards adopting hybrid algorithms of insolvency, efficiency of the procedure and early intervention, which underscores the limitations facing the current creditor-focused framework that can be installed.

Going forward, the insolvency regime in India requires a shift from a reactive & crisis-driven structure to a preventive & a resilience-focused structure. The use of the pre-insolvency and preventive restructuring measures, the extension of the Pre-Packaged Insolvency Resolution Process for MSMEs and prudent incorporation of debtor-in-possession under judicial control are all required to facilitate such a transformation. The introduction of AI-based early warning systems can also be used to improve the timelines at which value-destructive insolvencies can be mitigated. Such reforms should be anchored on capacity building through institutions and strict implementation of statutory schedules to ensure the effectiveness and sustainability of the corporate rescue programme.