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EDITORIAL ANALYSIS

Towards a Fair, Efficient Insolvency Regime

 THE HINDU

15 June 2026

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Towards a Fair, Efficient Insolvency Regime

 **The Hindu**

15 June 2026

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INTERVIEW ANGLE

"A faster insolvency process is good for the economy, but who gets to start it? If only some creditors can trigger resolution, is that efficiency or a new inequality? How should the law decide who has standing?"

 Source: [Original editorial](#)
[The Hindu](#)


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HOW

WHY THIS MATTERS NOW

The **Insolvency and Bankruptcy Code (Amendment) Act, 2026** introduced a **Creditor-Initiated Insolvency Resolution Process (CIIRP)** but restricted who may start it to notified financial institutions. The amendment has been passed and awaits its effective date by Gazette notification. For an aspirant, this is a GS3 and GS2 case on **insolvency law, the equality of creditors, and reasonable classification under Article 14**.

THE CRUX IN 60 WORDS

The new **CIIRP** speeds up insolvency resolution, but only **notified financial institutions** may initiate it. That draws a line on **institutional identity**, not the nature of the debt, excluding creditors with equal or greater exposure and sitting uneasily with creditor equality and **Article 14**. The fix: a **universal process keyed to financial exposure**, with anti-abuse safeguards.

THE ISSUE, DECODED

CONCEPT	WHAT IT MEANS	WHY IT MATTERS
IBC	The time-bound insolvency framework	The law being amended
CIIRP	Creditor-initiated resolution process	Faster, but access-restricted
Reasonable classification	Article 14 test for any legal distinction	The constitutional issue
Creditor equality	Treating creditors fairly by stake	The principle at risk

THE ANALYSIS: SPEED WITHOUT FAIRNESS

- ❶ **The right intent.** A creditor-initiated, faster process preserves value in distressed firms.
- ❷ **The wrong filter.** Limiting initiation to a notified class excludes creditors with real exposure.
- ❸ **The constitutional problem.** A classification by identity, not exposure, may fail the Article 14 test of reasonableness.
- ❹ **The fixable design.** A threshold based on exposure, plus anti-abuse safeguards, achieves the aim without the arbitrariness.

DATA AND INSTITUTIONS VAULT

the **Insolvency and Bankruptcy Code, 2016**, which created a time-bound resolution process and the institutional architecture below. **The institutions:** the **Insolvency and Bankruptcy Board of India (IBBI)** (regulator), the **National Company Law Tribunal (NCLT)** (adjudicator) and the **National Company Law Appellate Tribunal (NCLAT)**. **The principle:** the resolution process is meant to maximise value and treat creditors equitably; **Article 14** requires reasonable classification. **Concept:** debtor-in-possession; the Committee of Creditors; time-bound resolution.

THE DEBATE

Argument for restricting initiation: Limiting the trigger to regulated financial institutions ensures the process is started responsibly by sophisticated creditors, reducing frivolous filings.

Argument for universal access: Access should depend on financial exposure, not institutional identity; an identity-based filter is arbitrary, excludes genuine creditors and may fail the Article 14 test.

HOW TO THINK ABOUT IT

Frame the answer around **speed versus fairness**, and on **reasonable classification under Article 14**. Concede the value of a faster, creditor-initiated process, then argue that the access criterion should be **exposure-based, not identity-based**, with safeguards. Avoid treating the reform as either wholly good or wholly bad.

THE DIAGRAM IN WORDS

Picture a fast-track queue at a bank that is open only to customers holding a particular brand of card, while customers owed far more but holding a different card must wait in the slow line. The fast track is a good idea; restricting it by the card's brand rather than the size of the account is not.

PYQ LINKAGE

UPSC has asked about the IBC, the resolution process and Article 14. This editorial connects those to the fairness of access in the new creditor-initiated process.

THE ONE-LINE TAKEAWAY

A faster insolvency process is welcome, but access should turn on what a creditor is owed, not what it is called; a universal, exposure-based CIIRP is both fairer and more efficient.

Source: Towards a Fair, Efficient Insolvency Regime – Ujiyari.com | Free UPSC & State PCS Editorial Analysis

● KEY ARGUMENTS AT A GLANCE

The new Creditor-Initiated Insolvency Resolution Process under the 2026 IBC amendments restricts the right to initiate to only notified financial institutions, an arbitrary and constitutionally suspect classification that a fair and efficient regime should replace with a universal process keyed to financial exposure rather than institutional identity.

✓ **SUPPORTING**

- Restricting initiation to a notified class of creditors excludes others with equal or greater financial exposure, undermining the equality of creditors that insolvency law is meant to uphold.
- A classification based on institutional identity rather than the nature of the debt is arbitrary and may not survive the test of reasonable classification under Article 14.
- A creditor-initiated, debtor-in-possession process can speed up resolution and preserve value, but only if access to it is fair.


COUNTER

The government argues that limiting initiation to regulated financial institutions ensures the process is triggered responsibly by sophisticated creditors, reducing frivolous or premature filings.


WAY FORWARD

Adopt a universal creditor-initiated process keyed to financial exposure above a threshold, with safeguards against abuse, so that all creditors with real stakes have fair access while preserving the speed the reform seeks.


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MAINS ANSWER FRAMEWORK
QUESTION

"Access to the insolvency process should turn on financial exposure, not institutional identity." Examine in the context of the creditor-initiated resolution process under the IBC. (250 words)

INTRODUCTION

An insolvency law lives or dies on two questions: how fast it resolves, and how fairly it treats those owed money. India's new creditor-initiated process answers the first well and the second poorly.

BODY

The Insolvency and Bankruptcy Code transformed India’s approach to distressed firms by creating a time-bound, creditor-driven process. The 2026 amendments introduce a Creditor-Initiated Insolvency Resolution Process (CIIRP), a streamlined route designed to speed up resolution, in some versions keeping the debtor in possession during the process.

The intent, faster resolution and preserved value, is sound. The flaw is in who may use it.

By restricting the right to initiate the CIIRP to a notified set of financial institutions, the law draws a line based on institutional identity rather than the nature of the debt. A creditor with large financial exposure that happens not to be on the notified list is shut out, while a notified institution with a smaller stake is let in.

This sits awkwardly with the principle that insolvency law should treat creditors equally, and with the constitutional requirement under Article 14 that any classification be reasonable and bear a rational nexus to the objective. Limiting access to “responsible” regulated creditors is a defensible aim, but it can be achieved without an identity-based filter: a threshold keyed to financial exposure, coupled with safeguards against frivolous filing, would let all creditors with genuine stakes initiate while still deterring abuse.

The reform’s speed is worth keeping; its arbitrariness is not. A universal CIIRP, open on the basis of what one is owed rather than what one is called, would be both fairer and more efficient.

CONCLUSION

The creditor-initiated process is a welcome step toward faster insolvency, but access must turn on financial exposure, not institutional label, to be fair and to survive constitutional scrutiny.

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