The Operational and Fiduciary Conundrum: Evaluating the Evolving Roles of Resolution Professionals and Liquidators in Corporate Insolvency Proceedings

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Abstract

The current corporate insolvency structure is designed to find a balance between the two conflicting poles of corporate rescue and economic efficiency of asset liquidation. The operational equilibrium is based on two specialized institutional actors: the Resolution Professional (RP) and the Liquidator. This paper explores the evolving operational paradigms, legal delineations, and fiduciary duties of these entities in the context of contemporary insolvency regimes, using India's Insolvency and Bankruptcy Code (IBC), 2016 and the UK Insolvency Act 1986 as reference points. This paper systematically studies how the shift from a 'debtor-in-possession' model to a 'creditor-in-possession' model impacts the fiduciary alignment of the Resolution Professional vis-à-vis the Committee of Creditors (CoC) while necessitating the preservation of the value of the going concern under severe liquidity shocks. On the other hand, it studies the transformation of the regulatory goal from value preservation to asset maximization, recovery speed and fair distribution of wealth under the strict waterfall mechanics by the liquidator's mandate. Based on a doctrinal analysis of statutory mandates and landmark judicial precedents until 2026, this paper identifies critical systemic challenges, including severe institutional delays, asymmetric data environments, collective action dilemmas within creditor committees, and professional liability overreach. The paper calls for substantive policy interventions that include the codification of standardized cross-border protocols, the adoption of robust group insolvency frameworks, and the extension of immunities for professional actors acting in good faith. This research ultimately demonstrates that the efficiency of macroeconomic credit ecosystems critically depends on the clarification of the statutory and fiduciary limits of these two pillars of the insolvency governance.

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1. Introduction

The efficiency of their corporate insolvency regimes is closely linked to the stability, predictability and resilience of today's macroeconomic ecosystems. An insolvency framework is not a death panel for corporate lives, but a critical economic release valve that reallocates distressed capital, preserves organizational value and mitigates systemic risk throughout financial networks (Schwarcz, 2005). The current patchwork of laws that address corporate distress led to procedural delay, destruction of value and uncoordinated competition for assets by creditors. This structural disintegration greatly deteriorated the confidence of credit suppliers and made capital more expensive, especially in emerging market economies (Armour & Lele, 2009). The most prominent examples of a move towards the creation of unified, consolidated codes include the evolution of the UK's Insolvency Act 1986 and the watershed passing of India's Insolvency and Bankruptcy Code (IBC) in 2016 that re-calibrated the institutional architecture governing corporate default (Gupta, 2019).

The present regulatory regime is a conscious departure from the traditional 'debtor-in-possession' regimes to complex 'creditor-in-possession' or court-supervised administrative regimes (Ram Mohan & Raj, 2022). In a debtor-in-possession regime, like the one formalized in Chapter 11 of the United States Bankruptcy Code, incumbent management runs the enterprise during reorganization, which generates structural friction and agency conflicts between distressed insiders and external capital providers (Bebchuk, 1988). This differs from common law and recent statutory reforms that are increasingly turning to independent, state-supervised intermediaries to wrest control away from struggling corporate promoters, to guard against insider opportunism and to guide the body through a systematic process of rehabilitation or peaceful dissolution (Finch, 2005). In the re-organization or rescue phase, these intermediaries are called Resolution Professionals (RPs) and in the terminal winding up phase, Liquidators.

The statutory operationalization of these roles introduces a complex matrix of fiduciary, commercial and administrative responsibilities which are often deeply operationally conflicted. The Resolution Professional faces the herculean task of immediately taking absolute administrative control of a complex commercial enterprise, stabilizing its supply chains, protecting its asset base and keeping it as a going concern, when faced with severe liquidity constraints and stringent statutory timelines (Rawat et al., 2026). The RP acts as an intermediary, a shock absorber and policy implementer between the displaced management of the corporate debtor, the operational labor force, the regulatory state and newly consolidated Committee of Creditors (CoC) (Brahmkshatriya, 2025). The intellectual basis of this role is the model of the 'bargain of creditors. The model suggests that the formal bankruptcy procedures should be designed to maximize the total value to all stakeholders by preventing destructive uncoordinated pulling of assets (Jackson 1982).

But where the market suggests that the corporate debtor's economic distress is terminal and no viable commercial resolution plan is forthcoming, the regime triggers a structural shift to liquidation. The statutory mantle falls here on the Liquidator (Mokal, 2005). The liquidator's operational mandate is quite different from RP. The liquidator's focus is not on the concept of value preservation as a live, ongoing concern, but on the axis of asset maximization, prompt realization of assets, forensic investigation of past corporate malfeasance and the clinical enforcement of statutory distribution hierarchies, often constructed as a waterfall mechanism. (Goode, 2011) The transition is fraught with a lot of structural friction. The professional must transition from a philosophy of enterprise rescue and commercial negotiation to a philosophy of asset deconstruction and adversarial recovery.

The statutory delimitations are conceptually clear, but practically fraught with systemic inefficiencies, judicial overreach and lapses in statutory implementation till 2026. Resolution professionals often encounter intense resistance from excluded promoters, information asymmetry from non-cooperative corporate officers (Pryor & Garg, 2020). Liquidators are also subjected to long-drawn litigation involving asset valuation, validity of security interests and judicial clearance of claims that could take years to receive (Chawla, 2025). The paper is a rigorous doctrinal and comparative analysis of the functions of RPs and liquidators according to the Scopus rating. It examines their statutory powers, reflects on their changing fiduciary orientations, contextualizes their functions within economic and legal theory and offers policy recommendations for improving their institutional effectiveness in today's corporate insolvency ecosystems.

2. Historical Evolution and Statutory Architecture

In order to understand the present aspects of the insolvency profession in its entirety, it is imperative to study the history and theory that led to the need for the Resolution Professional and Liquidator. Early common law systems and pre-consolidated statutory regimes viewed corporate insolvency from the perspective of individual debt collection and corporate receivership. In such cases, security holders, especially secured financial lenders, exercised contractually embedded rights to appoint private receivers whose only fiduciary duty was to extract value for their specific appointors, with no regard for the survival of the enterprise or the residual claims of unsecured operational creditors, employees and the state (Goode, 2011). This ad hoc approach systematically generated what scholars of law and economics call a collective action problem. Individual rational behavior by individual creditors - in this case, a race

to attach assets through judicial foreclosures - produced a collectively irrational outcome: premature destruction of the firm's organizational capital and fire-sale devaluation of its physical assets (Jackson, 1982).
The theoretical response to this systemic failure was the development of corporate rescue paradigms which valued the 'going-concern premium' over piecemeal liquidation value. Warren (1987) made the crucial point that insolvency law cannot be reduced to mere contract enforcement for the advantage of the financial elites, but must have a broader social utility, including the preservation of employment, the ecosystems of suppliers, and community stability. This perspective triggered legislative reforms worldwide. The Cork Committee Report of 1982 in the UK laid the foundation for the Insolvency Act 1986 which introduced the concept of 'administration' – a formal process under which an independent administrator is appointed to displace the directors and assume control of the company for the express purpose of achieving a rescue or a better outcome for creditors than immediate winding up (Finch, 2005). This administrator is the direct jurisprudential predecessor of the modern Resolution Professional.
The historical paradigm was even more badly distorted in India. Before 2016, the legal regime for corporate distress was a highly inefficient and overlapping matrix of statutes like the Sick Industrial Companies Act (SICA) 1985, the Recovery of Debts Due to Banks and Financial Institutions Act 1993 and the SARFAESI Act 2002 (Gupta, 2019). SICA provided for a distressed boards to seek refuge under the Board for Industrial and Financial Reconstruction (BIFR), thereby triggering an automatic, indefinite moratorium that protected the company from creditor actions. This 'debtor-in-possession' paradigm became an instrument of opportunistic delay, enabling non-performing promoters to hold control of bleeding corporate assets for decades, while erosion of asset value crippled the banking sector's balance sheets (Armour & Lele, 2009). The Bankruptcy Law Reforms Committee (BLRC) headed by Dr. T.K. Viswanathan explicitly identified the lack of a time-bound, professionalized resolution mechanism as the biggest bottleneck in India's credit markets.

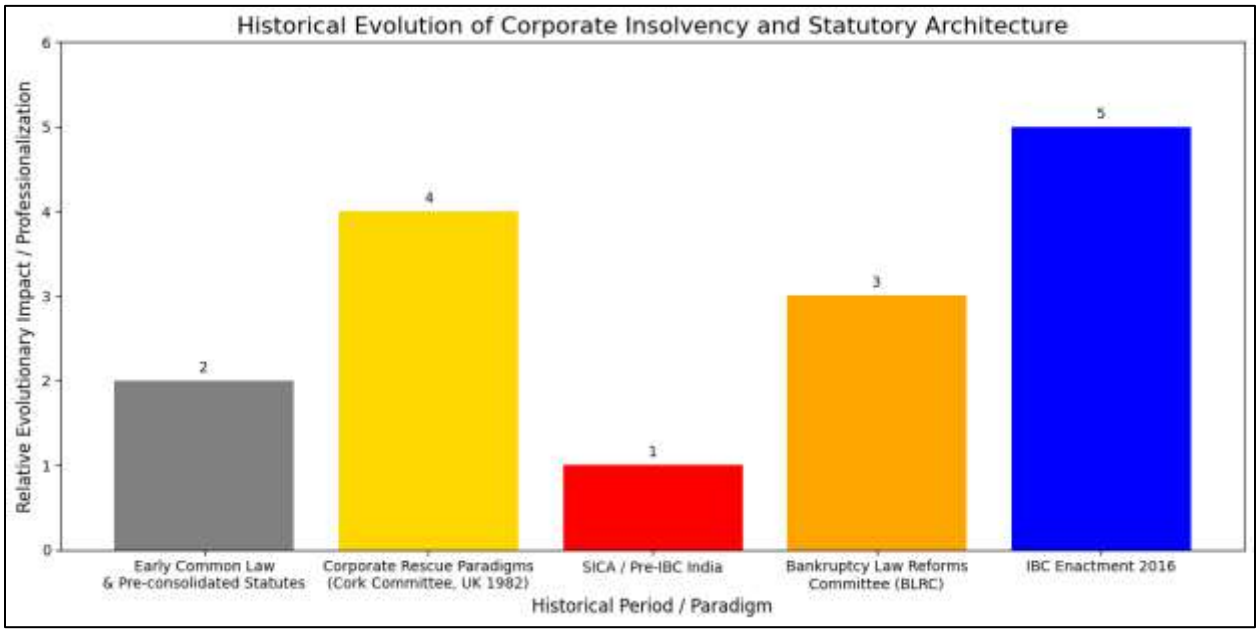

Figure 1: Historical Evolution

The IBC, enacted in 2016, was a radical departure by setting up a four-pillar institutional infrastructure: the Insolvency and Bankruptcy Board of India (IBBI) as the apex regulator; the National Company Law Tribunal (NCLT) as the Adjudicating Authority; Information Utilities (IUs) to eliminate information asymmetry; and a highly regulated cadre of Insolvency Professionals (IPs) (Sahoo, 2024). Under this consolidated architecture, in case of default of an entity, the statutory framework dislodges the defaulting promoter of control and hands over the keys of the enterprise to an independent IP. In this institutional model, the insolvency professionals are not simple agents of the court or tools of the creditors, but public interest professionals bound by strict codes of conduct and tasked with executing a delicate balance between asset value maximization, time-bound processing and equitable stakeholder treatment (Stiglitz, 2001).

Regime Type	**Control Mechanism**	**Primary Structural Deficit**	**Academic Source Link**
Debtor-in-Possession	Incumbent management retains control of the distressed enterprise.	Promotes opportunistic delay and asset value erosion.	https://doi.org/10.1111/j.1540-5893.2009.00380.x

Creditor-in-Possession	Independent professional (RP) displaces management to manage the estate.	Information asymmetry and resistance from non-cooperative displaced promoters.	https://doi.org/10.1093/ojls/17.2.227

Table 1: Comparative Dynamics of Insolvency Regimes

3. The Resolution Professional: Managing the Transition from 'Debtor-in-Possession' to 'Creditor-in-Possession'

The first step in the operational life cycle of a Corporate Insolvency Resolution Process (CIRP) is the appointment of an Interim Resolution Professional (IRP) who is subsequently confirmed or replaced as the final Resolution Professional (RP) by the Committee of Creditors (CoC). On admission of an application for insolvency, the Adjudicating Authority will impose a statutory moratorium and the IRP/RP shall take over the complete control of the affairs of the corporate debtor. This change in management control has badly disrupted corporate governance. The officials, managers and promoters have a legal obligation to report to the RP and provide unrestricted access to all the financial, operational and intellectual property assets of the company. Powers of the board of directors are suspended (Ram Mohan & Raj, 2022).

This time the RP has a twin main statutory mission. They have to run the corporate debtor's business as a going concern and at the same time protect and maintain the value of the corporate debtor's assets (Rawat et al., 2026). This demand is a serious operational problem. Operating a distressed corporate entity requires a considerable amount of working capital, but by definition the company is experiencing a serious liquidity problem. The RP is also faced with a frozen bank account climate and a very skeptical credit market. The RP has to negotiate with vital suppliers and ensure continuity of utilities. The RP has to uplift a nervous work force and secure the continued cooperation of essential consumers. For this, the Act provides the RP to raise "interim finance" which is a super-priority cost of the insolvency resolution process and has preferable payback over all other claims in the resolution and liquidation cases. Empirical evidence suggests that financial institutions are extremely unwilling to inject new liquidity into an entity caught in structural insolvency, forcing RPs to rely on internal cash accruals or innovative receivables management (Rawat et al., 2026), with raising interim financing still very difficult.

The RP must conduct essential administrative and financial processing activities at the same time. All classes of creditors – financial, operational, personnel and government authorities – should issue a public notice for claims. The RP is legally obliged to verify, collate and admit these claims to make a correct and transparent liability profile of the corporate debtor. The RP will prepare the Committee of Creditors (CoC) in accordance with the admitted financial claims. The composition of the CoC is one unique feature of the Indian model, with the voting power being solely based on the percentage of debt owed to each lender (Pryor & Garg, 2020). The very complex interaction between the RP and the CoC is characterized by a strong strategic bargaining. CoC has the final commercial judgement and veto authority on key decisions like the approval or rejection of resolution plans while the RP takes care of the day-to-day administrative operations and ensures full compliance with the legal process directives (Brahmkshatriya, 2025).

The RP's key reorganization responsibility is the preparation of the Information Memorandum (IM). The IM is a large and very sensitive data set, which details the corporate debtor's operating capabilities, past performance, debt structures and valuation of assets. This is the key information source used by prospective resolution applicants to develop their commercial bids (Bhargava, 2024). After the IM is distributed, the RP invites proposals for resolution, issues an expression of interest and thoroughly examines the submitted plans. The RP is charged with ensuring that all plans meet the necessary statutory conditions, including payment to operational creditors up to the extent of their liquidation value, payment for the cost of the insolvency process, and compliance with the regulatory requirements imposed by the corporate and antitrust laws. The CoC must adopt a plan by a statutory majority of 66% before it is sent to the Adjudicating Authority for final judicial sanction. The RP then submits the CoC-compliant plans.

Throughout this whole process, the RP is working on a very tight statutory timeline. In the Indian context, the CIRP has to be completed within a strict period of 180 days which can be extended up to a maximum hard ceiling of 330 days inclusive of all judicial delays. This timing limitation leads to a high-velocity management difficulty of the role of the RP. The more days the company stays in CIRP, the less its value, the higher the client attrition and the administrative costs to the estate (Arora & Shrivastava, 2023).

4. The Liquidator: Capital Realization and Stakeholder Distribution Mechanics

The corporate insolvency process reaches its terminal phase of liquidation when the efforts of the Resolution Professional to reorganize the firm are unsuccessful either because the statutory period ends without a consensus being reached or the CoC specifically resolves to liquidate the firm by 66% majority or the Adjudicating Authority rejects the resolution plan submitted for non-compliance. At this stage the Adjudicating Authority passes a liquidation order and all executive and administrative powers are conferred on the newly appointed Liquidator and immediately the RP is dismissed (unless he is reappointed as liquidator). The entry into liquidation is a significant change in the legal

status of the corporate debtor. The moratorium imposed during the CIRP is replaced by a specific stay on the filing or continuation of legal proceedings against the corporate debtor, with some exceptions to be provided by the adjudicator. The main statutory duty of the liquidator is now to dismantle the corporate structure in a systematic manner to maximize capital realization for the benefit of all creditors, rather than to maintain the business as an active going concern (Mokal, 2005). The main task of the liquidator is the creation and consolidation of the "liquidation estate". The liquidation estate comprises all of the corporate debtor's assets, property, rights and interests, whether located in the United States or elsewhere, tangible or intangible, or financial in nature. The statute specifically states that some asset categories shall be excluded from the liquidation estate to protect the wider social interests. Assets held in trust for third parties, bailment contracts and, importantly, assets of Indian or foreign subsidiaries that have to be settled through separate corporate lines (Goode, 2011) are included.

Liquidators face a major operational conflict in the form of secured creditors. Secured creditors under modern day insolvency regimes have two broad choices. They may choose to stay outside the liquidation estate, enforce their security interest themselves through external mechanisms (like SARFAESI Act or private sale) and then claim any remaining shortfall from the estate. Alternatively, they may give up their security interest to the liquidation estate and take part in the collective distribution. If the secured creditor decides to realize his security himself the liquidator must keep a close eye on him. It is the liquidator's legal duty to ensure the validity of the security interest to ensure that the secured creditor sells the asset at fair market value and returns any surplus funds to the liquidation estate. Such monitoring is important because uncoordinated and aggressive asset enforcement by individual secured lenders could impair the recovery prospects of unsecured claimants by depressing the value of the remaining connected assets.

In addition to the regular sale of assets, the liquidator has wide investigative and forensic powers to fix the prior corporate mismanagement and unwind transactions that unfairly depleted the company's asset base prior to the insolvency trigger. To detect and challenge four different forms of avoidance transactions (preferential transactions, undervalued transactions, extortionate credit transactions and fraudulent or wrongful trading), the liquidator is required to undertake a detailed forensic review of the corporate debtor's historical books of account, usually within a 'look-back period' of one or two years (Keay 2001). If the liquidator finds that the directors or promoters have willfully sold assets at a gross undervaluation to deplete the estate or transferred corporate property to favored creditors, then the liquidator is required to file avoidance motions with the Adjudicating Authority. Thereafter, the Adjudicating Authority may order the directors and beneficiaries to contribute individually to the liquidation estate, order the claw back of those assets or reverse the transactions. This investigative function renders the liquidator an integral officer of corporate accountability rather than an administrative liquidator.

The climax of the liquidator's mandate is the orderly and fair distribution of the realized capital in accordance with the statutory hierarchy of distribution, the so-called waterfall mechanism known from the industry. Section 53 of the IBC lays out the distribution priority with clinical precision: (a) costs of the insolvency resolution process and liquidation costs paid in full; (b) workmen's dues for the preceding 24 months and debts due to secured creditors who gave up their security, to be treated pari passu; (c) wages and unpaid dues of employees for the preceding 12 months; (d) financial debts due to unsecured creditors; (e) dues of the central government and state governments and debts due to secured creditors for any unrealized balance after independent enforcement, to be treated pari passu; (f) residual operational debts; (g) preference shareholders; and (h) equity shareholders or partners. The liquidator must strictly follow this hierarchy and ensure that no payment is made to a shareholder in a lower tier until all the claims of the higher tiers are fully discharged. This waterfall structure provides a greater degree of predictability in corporate loan markets by assuring senior lenders that their structural priority will be legally protected in the event of a company's eventual failure (Baird, 1986).

Priority Rank	**Stakeholder Category**	**Economic/Legal Rationale**	**Legal/Academic Source Link**
1 (Highest)	Insolvency resolution and liquidation costs	Ensures the professionals and processes are funded.	https://scholarship.law.duke.edu/lcp/vol50/iss2/6
2	Workmen's dues (24 months) and relinquished secured creditors	Protects vulnerable labor and incentivizes secured creditors to pool assets collectively.	https://www.sweetandmaxwell.co.uk
3	Wages and unpaid dues of employees (12 months)	Extends labor protection.	https://www.sweetandmaxwell.co.uk

4	Unsecured financial creditors	Maintains basic credit market stability and trust.	https://www.sweetandmaxwell.co.uk

Table 2: The Statutory Waterfall Mechanism

5. Comparative Analysis and Transitional Dynamics

The change of structure from CIRP to Liquidation has resulted in considerable operational and conceptual conflict between the responsibilities of the Resolution Professional and Liquidator. However, both players are from the same professional pool of regulated insolvency professionals but have very different operational approaches, strategic objectives and fiduciary limitations. The RP's primary objectives are commercial negotiation, value preservation, and business continuity within this highly dynamic and forward-looking industry (Finch, 2005). The success depends on the RP's capability to keep the corporate factory working, keep essential staff on board and persuade outside market investors to buy the struggling company as a going concern. The Liquidator, by contrast, is in a more retrospective, liquidation-centric setting, where the primary objectives are forensic audits, rapid asset monetization, and systematic dismantling. The success of the liquidator depends on the speed of capital recovery and strict following of the priorities of the waterfall mechanism.

Table 1 summarizes this operational divergence by comparing the important fiduciary, financial and legislative aspects of these two jobs:

Dimension of Comparison	Resolution Professional (RP)	Liquidator
Primary Statutory Objective	Value preservation; enterprise rescue; running business as a going concern.	Asset maximization; rapid monetization; orderly asset deconstruction.
Control & Governance	Displaces board; manages operations; acts in interface with the CoC.	Assumes absolute ownership of assets; shuts operations unless needed for sale.
Core Procedural Tasks	Collation of claims; formulation of Information Memorandum; evaluating bids.	Consolidation of liquidation estate; sale of assets; executing waterfall distributions.
Forensic / Legal Powers	Identifies avoidance transactions; relies on CoC approval for major actions.	Extensive look-back forensic powers; files direct clawback and fraud applications.
Fiduciary Alignment	Aligned primarily toward the CoC and the collective body of creditors.	Strictly aligned to the statutory distribution priority set by the legal waterfall.

Often, there is a risk to the value of the corporate debtor in the transition between the two. Gridlocks in the CoC or structural delays in court processing often lead to the liquidation of a firm that might have been saved as a going concern (Brahmkshatriya, 2025). The instant an RP passes the company estate to a liquidator the risk of operational slippage and an information vacuum is instantly created. Digital passwords, custodial records, financial information and ongoing contractual information all need to flow smoothly. The friction is exacerbated when the liquidator is a different professional from the RP, as the new liquidator must spend crucial weeks re-verifying claims, find assets, and build relationships with vendors and staff (Arora & Shrivastava, 2023).

Moreover, the current insolvency jurisprudence generally recognizes a hybrid transitory status, often referred to as "liquidation as a going concern". This paradigm pushes the liquidator to sell the corporate debtor's business or corporate shell as a single operating unit even after a liquidation order is obtained as opposed to selling its inventory, machinery and land separately. The purpose of this hybrid approach is to combine the terminal monetization mandate of the liquidator with the value preservation mindset of the RP. However, the sale of a going concern in liquidation is extremely difficult to effect, given the severe reputational discount of the market, the lack of ability to secure interim finance and the ongoing attrition of the workforce (Rawat et al., 2026), meaning the liquidator needs to be extremely commercially agile.

6. Challenges, Accountability, and Judicial Interpretations

Resolution Professionals and Liquidators are working in a very competitive environment and are under the scanner, lawsuits and government overreach. Chronic non-cooperation of erstwhile management and promoters of the business debtor is one of the major operational challenges faced by RPs and liquidators. The insolvency process is viewed by the promoters as a violent expropriation of their ancestral corporate empires and in many cases, they actively engage in sabotage in many forms ranging from clandestine diversion of working capital to physically locking out corporate facilities and withholding statutory records and accounting data (Ram Mohan & Raj, 2022). The law does provide for legislative remedies like Section 19 of the IBC for the RP to file non-cooperation applications before the Adjudicating

Authority. But the court implementation of these remedies is often slow, paralyzing the professional's efforts to collate data.

In addition, these members now face a much higher standard of fiduciary liability. RPs and liquidators are not merely agents of the corporate board or creditors, but fiduciaries for the public interest and officers of the court. They have a duty of care to the entire ecosystem of stakeholders (Bhargava, 2024). There are large legal risks to this multiple-way fiduciary alignment. Any RP accepting a dubious claim or rejecting a competing resolution plan will be sued immediately by angry creditors. A corporate counterparty, however, will fight tooth and nail a liquidator trying to strike an avoidance deal with a former trade partner. The regulator, like IBBI, starts disciplinary proceedings in general, imposes hefty monetary penalties or suspends licenses for minor procedural errors or alleged lapses in due diligence (Sahoo, 2024). In this high-risk environment, insolvency professionals are now playing defense, emphasizing commercial decisiveness over personal accountability or regulatory sanction.

These functions have been outlined, elaborated and in some cases limited by the major decisions handed down in the judicial development of insolvency law. In the landmark judgement of Swiss Ribbons Pvt. Ltd. v. Union of India, the Supreme Court of India upheld the constitutionality of the IBC and observed that the Resolution Professional is an administrative facilitator with the prime responsibility of the management of the business as a going concern and providing administrative support to the CoC which has the final commercial hegemony. This position was explained in its landmark judgement in "Committee of Creditors of Essar Steel India Limited v. Satish Kumar Gupta" by the judiciary by delineating the scope of power between the RP and the CoC. It is the resolution professional (RP) who has to ensure that the resolution plans are viable and abide by the law, while the CoC has the full jurisdiction to decide the commercial distribution of cash to various classes of creditors in a fair and equitable manner, the court said.

Judicial interpretation in the context of liquidation has been aimed at curbing the excesses of individual secured creditors and maintaining the strict sequencing of the waterfall mechanism. In Innovative Industries Ltd. v. ICICI Bank, the Supreme Court reiterated that the statutory time frame was sacrosanct and the individual contractual rights could not override the group pooling needs of the insolvency process. Judicial rulings here always through 2026 have addressed the liquidator's good faith actions based on this manner (Arora & Shrivastava, 2023).

7. Discussion, Institutional Delays, and Policy Recommendations

A critical analysis of the recent data on insolvencies brings out the yawning gap between the statutory objective of speedy and time-bound re-organization of companies and the harsh realities of institutional delays. Across the globe the average completion time of a CIRP is often beyond 600 days, especially in the Indian insolvency ecosystem, well above the statutory hard ceiling of 330 days (Bhagwati, 2022). There are two systemic reasons for the cases taking so long. First, the poor infrastructure of adjudicatory machinery that leads to backlogs of several months even for routine administrative hearings. Second, the tendency of aggrieved operational creditors and displaced promoters to overenthusiastically litigate who use the appellate structure to stall the process (Chawla, 2025) "The company's asset base is being eroded on a daily basis," said one insolvency expert. This reduces the chances of a successful rescue and results in avoidable liquidation as the physical machines rust, the intellectual capital depreciates, the key employees leave and the reputation in the market deteriorates.

Systemic Bottleneck	**Operational Impact**	**Key Source Link**
Institutional and judicial delays	Average CIRP duration exceeds 600 days, well beyond the 330-day statutory hard ceiling.	https://csep.org/wp-content/uploads/2022/01/Insolvency-and-Bankruptcy-Code-IBC.pdf
Promoter sabotage	Withholding of data, locked facilities, and clandestine diversion of working capital.	https://doi.org/10.1080/14735971.2021.1991114
Interim financing scarcity	RPs are forced to rely on internal cash accruals	https://repository.nls.ac.in/cgi/viewcontent.cgi?article=1538&context=nlsblr

	due to banks' unwillingness to inject liquidity.	
Creditor collective action	CoC members prioritize individual immediate recovery over long-term enterprise value preservation.	https://ijirl.com/wp-content/uploads/2025/11/INSOLVENCY-PROFESSIONALS-AND-COMMITTEE-OF-CREDITORS-COC-NEED-FOR-CREDENCE-IN-INDIAS-INSOLVENCY-REGIME.pdf

Table 3: Systemic Bottlenecks in the CIRP and Liquidation Life Cycle

In addition, the structural relationship between the Committee of Creditors and the Resolution Professional is an agency relationship of inherent nature. The CoC is fully commercially autonomous but sometimes there is institutional accountability. In the CoC, lenders are constrained and segmented in their approach and are not concerned with maximizing the long-term enterprise value of the corporate debtor but rather either protecting their particular collateral or maximizing their immediate provisioning recovery (Brahmkshatriya, 2025). Commercial self-interest leads to the rejection of viable proposals for restructuring or the imposition of unrealistic conditions on resolution applicants, which destroys corporate value instantly. The approved plans have been derailed by the systematic marginalization of operational creditors who don't have voting power in the CoC unless their debts are significant in relation to the total liability. This leads to considerable procedural friction and ongoing litigation (Pryor & Garg, 2020).

To overcome such systemic constraints and improve the efficiency of corporate insolvency processes, the following broad policy reforms are proposed: The existing narrow MSME models need to be addressed in the regulatory environment by providing a separate 'Pre-Packaged Insolvency Resolution Process' (PPIRP) for large corporate entities (Kavitha, 2022). A pre-pack gives a debtor and creditors the ability to privately work out a restructuring plan before going to court, thereby reducing operational disruption and limiting the formal judicial process to a simple confirmation hearing. Second, the legislature needs to introduce a comprehensive "Group Insolvency Framework" to cater for modern corporate structures with complex parent-subsidiary relationships and cross-collateralized debts. The separate siloed proceedings in which these entities are resolved does great damage to corporate synergy and makes the job of RPs and liquidators difficult (Wood, 2007). Finally, to protect RPs and liquidators acting in good faith from defensive practice and vexatious litigation in relation to asset seizures and forensic claw backs, adjudicatory capacity must be expanded through the establishment of specialized, digital-first insolvency benches and statutory codification of comprehensive civil and criminal immunities.

8. Conclusion

The Resolution Professional and the Liquidator are the two institutional pillars which uphold the effectiveness, stability and integrity of contemporary corporate insolvency systems. The shift from traditional disjointed debtor led systems to professionalized creditor in possession regulations has made the actors key macro-economic fiduciaries. As we have seen in this study, the Resolution Professional has to deal with extreme operational crisis for preserving going concern value under severe liquidity constraints, as well as mediate the complex strategic interplay between a hostile displaced management and a dominant Committee of Creditors. In contrast, the Liquidator executes a past-oriented, terminal directive, transforming an uncoordinated pool of distressed corporate property into a consolidated liquidation estate, challenging avoidance transactions with sophisticated forensic capabilities, and enforcing strict adherence to the statutory distribution priorities of the waterfall mechanism.

In conclusion, this research shows that the clarity of operations and the legal protections provided to these two professionals are of great importance to an insolvency regime's capacity to foster entrepreneurship, to maximize asset values and to deepen credit markets. The legislative aims of corporate rescue and capital reallocation will be undermined by systemic inefficiencies, particularly long institutional delays, asymmetric data environments and defensive practices due to regulatory overreach until 2026. It requires the development of pre-packaged resolution routes, the institutionalization of group insolvency processes, a purposeful structural shift towards digital first adjudicatory frameworks and the strengthening of statutory immunities for actions taken in good faith to be optimized. By resolving the operational and fiduciary tensions inherent in these responsibilities, modern legal systems can ensure that business distress is treated with predictable, equitable, and economically efficient resolution rather than value destruction.

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