
IMPACT OF CORPORATE LAW REFORMS ON BUSINESS IN INDIA

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ABSTRACT

Corporate law reforms in India, particularly over the last decade, have significantly reshaped the landscape of business regulation, governance, and dispute resolution. A notable embodiment of these reforms is the Supreme Court's September 26, 2025 judgment in *Kalyani Transco v. M/S Bhushan Power and Steel Ltd.*, which upheld JSW Steel's ₹19,700 crore resolution plan under the Insolvency and Bankruptcy Code (IBC), thus reinforcing the primacy of creditor-led restructuring and validating market-driven commercial decisions in insolvency processes.¹ This paper examines the effects of key statutory reforms — notably the *Companies Act, 2013* and its subsequent amendments, the IBC framework, and related regulatory changes on corporate governance, insolvency resolution, ease of doing business, and investor confidence. Through an analysis of recent case laws and contemporary legal developments, this study assesses both the successes and continuing challenges of corporate law reform in India. The paper concludes that while reforms have strengthened institutional frameworks and transparency, judicial interpretation and compliance burdens continue to shape business practices and market outcomes in nuanced ways.

¹ *Kalyani Transco v. M/S Bhushan Power and Steel Ltd.* (Supreme Court of India, Sept. 26, 2025) (upholding JSW Steel's ₹19,700 crore insolvency resolution plan). (The Times of India)

Introduction

Corporate law lies at the heart of economic governance, directly influencing how businesses are structured, governed, financed, and, when necessary, restructured or wound up. India's corporate legal framework has witnessed transformational reforms since the early 2010s, reflecting the government's agenda to modernize company law, strengthen creditor rights, and enhance governance norms consistent with global standards.

The Companies Act, 2013 represented a major overhaul of the Indian company law regime, focusing on transparency, accountability, and stakeholder rights.² Later, the *Insolvency and Bankruptcy Code, 2016* (IBC) revolutionized the resolution of distressed companies through a time-bound framework designed to preserve enterprise value and maximize creditor recoveries.³ Additionally, regulatory interventions — including expanded fast-track mergers, widened “small company” compliance relief, and enhanced disclosure norms have significantly influenced business decision-making and compliance cultures in India.⁴

This paper explores the multifaceted impact of such reforms on Indian business, analyzing statutory changes, judicial interpretations, and evolving regulatory practices. It discusses how corporate law reforms have reshaped governance standards, facilitated market-oriented insolvency resolution, and influenced foreign and domestic investment.

Historical Background of Corporate Law Reform

Prior to the *Companies Act, 2013*, Indian company law was governed by the *Companies Act, 1956*, a statute largely regarded as outdated and ill-suited for contemporary corporate complexities. The Act's limitations included inadequate governance frameworks, limited disclosure norms, and an emphasis on procedural compliance rather than substantive accountability. The enactment of the *Companies Act, 2013* sought to remedy these shortcomings by introducing rigorous governance obligations, expanded disclosure requirements, and enhanced enforcement mechanisms.⁵

Simultaneously, fragmented insolvency laws, including the Debt Recovery Tribunal (DRT)

² Insolvency and Bankruptcy Code, 2016 introducing time-bound resolution framework. (TaxGuru)

³ MCA's expanded “small company” compliance relief (Dec. 1, 2025). (Prakash Pandya Legal Insights)

⁴ Companies Act, 2013's enhanced governance and transparency provisions. (Wikipedia)

⁵ NCLT and IBC integration advancing corporate adjudication. (TaxGuru)

regime and discretionary arrangements under various statutes, impeded timely resolution of stressed assets. The IBC's enactment in 2016 was a watershed in Indian legal history, creating a consolidated, time-bound, and market-aligned insolvency regime.

By integrating the roles of adjudicating authorities, insolvency professionals, and creditor committees, the IBC aimed to foster efficiency and certainty in distress resolution.⁶ The institutionalization of the National Company Law Tribunal (NCLT), replacing multiple forums, further strengthened adjudicatory coherence in corporate disputes.

Key Corporate Law Reforms and Business Impact

The Companies Act, 2013: Governance, Transparency, and Compliance

The *Companies Act, 2013* introduced a broad array of governance reforms that affected corporate practices and compliance strategies across sectors:

1. **Corporate Social Responsibility (CSR):** Section 135 mandated mandatory CSR spending (2% of average net profits) for companies meeting prescribed thresholds, thereby institutionalizing social accountability.⁷
2. **Enhanced Disclosure Norms:** Expanded reporting on related-party transactions, director remuneration, risk management strategies, and board evaluation processes improved transparency.⁸
3. **Director Duties and Accountability:** Statutory codification of fiduciary duties, standards of conduct, and stricter penalties for non-compliance strengthened the accountability of directors and key managerial personnel.⁹
4. **Fast-Track Merger Rules:** 2025 amendments to the Companies (Compromises, Arrangements and Amalgamations) Rules substantially widened the eligibility for fast-track mergers, reducing reliance on tribunal approvals and accelerating restructuring processes for small companies, startups, and wholly-owned subsidiaries.¹⁰

These reforms collectively aimed to elevate India's corporate governance profile and align domestic law with international best practices. Enhanced governance norms have influenced

⁶ Mandatory Corporate Social Responsibility under Section 135.

⁷ Enhanced disclosure norms under the Act.

⁸ Statutory duties and penalties for directors.

⁹ Companies Act, 2013 (replacing Companies Act, 1956) as primary Indian company law.

¹⁰ Fast-track mergers expanded under 2025 Rules. (Mondaq)

investor perceptions, improving confidence among foreign investors seeking robust regulatory environments.

The Insolvency and Bankruptcy Code (IBC), 2016

The IBC marked a paradigm shift in addressing corporate distress. The key pillars of the Code include:

1. **Time-Bound Resolution:** Stipulated 180-day resolution timelines (extendable by 90 days) subject to credible plan formulation by the Committee of Creditors (CoC), thus reducing delay and uncertainty in insolvency processes.¹¹
2. **Creditor-Centric Framework:** Clear prioritization of creditor rights and voting powers, ensuring commercial decisions are led by creditors with economic stakes.¹²
3. **Disqualification and Eligibility Rules:** Section 29A disqualified certain parties (e.g., willful defaulters) from bidding, deterring opportunistic or conflict-laden participants.¹³
4. **Professional Insolvency Practitioners:** Empowered licensed insolvency professionals to manage debtor companies and formulate viable resolution plans, enhancing expertise and market confidence.

The IBC's initial years showed measurable results, including high recovery rates and faster resolution compared to legacy mechanisms. Government data highlighted the IBC's role in resolving a significant proportion of bank recoveries, thereby enhancing financial system stability.¹⁴ However, judicial interventions in key cases have both clarified and complicated the operation of the Code.

Recent Judicial Case Law and Their Business

Kalyani Transco v. M/S Bhushan Power and Steel Ltd. (2025) In one of the most significant corporate law judgments in recent years, the Supreme Court upheld JSW Steel's ₹19,700 crore resolution plan for Bhushan Power and Steel Ltd (BPSL), overturning an earlier May 2, 2025 order that had scrapped the plan and ordered BPSL's liquidation under the IBC.¹⁵

¹¹ IBC time-bound resolution provisions. (TaxGuru)

¹² Creditor priorities under IBC. (TaxGuru)

¹³ Section 29A eligibility restrictions.

¹⁴ IBC's contribution to bank recoveries per RBI/IIM-A. (TaxGuru)

¹⁵ Supreme Court judgment on JSW Steel resolution plan. (The Times of India)

The initial ruling had criticized the Committee of Creditors (CoC) and resolution professional for procedural lapses and non-compliance with statutory obligations, asserting that commercial expediency could not override legal frameworks.¹⁶ Subsequent proceedings culminated in a special bench reversing the earlier decision and validating the resolution plan, thereby reinforcing judicial support for commercially sound outcomes within statutory boundaries.¹⁷

This judgment has deep implications for business:

- It underscores the judiciary's expectation of strict statutory compliance while recognizing commercial wisdom exercised by the CoC.
- It reassures investors and creditors regarding the enforceability of market-driven resolution plans.
- It underscores the importance of diligence and regulatory adherence in insolvency resolutions, balancing statutory sanctity with economic efficiency.

NCLAT Upholds Stakeholder Consultation in Ansal Insolvency:

In *Lucknow Development Authority v. Ansal Properties & Infrastructure Ltd.*, the National Company Law Appellate Tribunal (NCLAT) ruled that insolvency proceedings cannot progress without adequately consulting governmental stakeholders holding significant statutory dues.¹⁸ The appellate tribunal's direction emphasized inclusive creditor consideration particularly for institutional stakeholders whose dues and regulatory interests are critical to equitable resolution.

This case highlights:

- The judiciary's role in broadening stakeholder participation in insolvency processes.
- The due diligence burden on resolution professionals, particularly in real estate and infrastructure sectors characterized by complex creditor profiles.
- The effect of such rulings on negotiation strategies and risk assessments of financial stakeholders.

¹⁶ Judicial focus on compliance over commercial expediency. (ETLegalWorld.com)

¹⁷ Appellate reversal reinstating JSW plan. (The Times of India)

¹⁸ NCLAT upholding stakeholder consultation in Ansal case. (The Times of India)

BluSmart Insolvency and Corporate Governance Challenges:

In 2025, electric cab provider BluSmart entered insolvency proceedings following allegations of corporate governance failures and fund diversion by leadership.¹⁹ The National Company Law Tribunal admitted insolvency petitions at the instance of financial creditors, marking a corporate governance dispute transitioning into formal insolvency resolution. This case reflects the intersection of governance failures and IBC enforcement — where internal malfeasance triggered creditor actions and raised questions about corporate governance standards in fast-growing digital economy firms.

While not as legally precedent-setting as JSW/BPSL, this case exemplifies:

- Investor and creditor vigilance in responding to governance lapses.
- The role of tribunals in enforcing creditor remedies under the IBC.

Impact of Corporate Law Reforms on Business in India

Ease of Doing Business and Regulatory Certainty

Amendments such as expanded “small company” thresholds and fast-track merger mechanisms have materially reduced compliance burdens for thousands of companies, particularly SMEs.²⁰ Simplified audits, relaxed board meeting obligations, and reduced financial disclosure requirements have incentivized entrepreneurship and eased operational costs. Moreover, regulatory clarity on merger regimes encourages consolidation and strategic industry restructuring without protracted litigation.²¹

Digital governance platforms, online filing systems, and harmonized compliance timelines have further streamlined corporate administrative processes, contributing to improved rankings in ease-of-doing-business indicators.

Corporate Governance and Investor Confidence

Enhanced disclosure norms, accountability frameworks for directors, and CSR obligations have collectively strengthened governance standards. These reforms signal to investors — both

¹⁹ BluSmart insolvency due to governance issues. (Reuters)

²⁰ MCA “small company” compliance relief. (Prakash Pandya Legal Insights)

²¹ Fast-track merger framework benefits. (Mondaq)

domestic and foreign — that corporate India is adhering to higher levels of transparency and accountability. Institutional investors, in particular, have welcomed these changes as mitigating information asymmetry and agency costs.

However, compliance complexity remains a concern, especially for smaller businesses that may lack adequate legal or accounting expertise. Balancing robust governance with cost-effective compliance continues to be a policy challenge.

Insolvency Resolution and Credit Markets

The IBC's creditor-centric approach has improved debt recovery outcomes, encouraging banks and financial institutions to leverage insolvency processes rather than protracted litigation. Empirical evidence suggests that the IBC accounted for a substantial share of bank recoveries, indicating improved efficiency in handling non-performing assets.²²

Additionally, judicial clarification on contentious issues — such as treatment of EBITDA disputes or eligibility challenges under Section 29A — contributes to jurisprudential certainty. However, high-profile judicial reversals (like the BPSL saga) illustrate that uncertainties in interpretation can have wide-ranging financial implications, including potential reversal of tax benefits and disruption of market expectations.²³

Challenges and Continuing Issues

Compliance Burden on SMEs:

Despite compliance relief measures, small businesses still face significant regulatory requirements, especially in reporting and governance domains. Simplifying compliance without diluting substantive accountability remains a policy priority.

Judicial Uncertainty and Investment Risks:

The evolution of corporate law jurisprudence, while necessary for refinement, sometimes creates unpredictability in enforcement outcomes. The BPSL litigation, with its initial scrapping and subsequent reinstatement, exemplifies how protracted legal battles can affect investment timelines and financial planning for large corporations.

²² IBC recoveries and insolvency outcomes. (TaxGuru)

²³ Tax benefit reversal implications in JSW case (The economic Times)

Stakeholder Complexity in Insolvency:

Broader stakeholder inclusion — such as governmental dues, homebuyer claims, and cross-border creditor interests — complicates insolvency resolutions. Tribunal and appellate decisions emphasizing inclusive consultation require resolution professionals to navigate complex creditor matrices, potentially slowing resolution processes.

Policy Recommendations

To consolidate the gains from corporate law reforms, the following measures are recommended:

1. **Judicial Guidelines:** The Supreme Court and appellate tribunals should issue clarificatory principles on recurring legal disputes (e.g., eligibility under Section 29A, treatment of operational creditors, and EBITDA disputes) to provide consistent jurisprudential guidance.
2. **SME Support Frameworks:** Dedicated legal compliance support programs for SMEs — potentially government-backed — could mitigate disproportionate compliance costs.
3. **Enhanced Stakeholder Mapping:** Insolvency professionals and regulatory bodies should develop standardized mechanisms for early identification and engagement with all potential stakeholders to minimize litigation delays.

Conclusion

Corporate law reforms in India — embodied in the *Companies Act, 2013*, IBC, and subsequent regulatory changes — have significantly influenced the nation's business ecosystem. By enhancing governance standards, streamlining insolvency resolution, and promoting compliance transparency, these reforms have strengthened institutional frameworks and investor confidence. Recent case laws, including the *Kalyani Transco v. M/S Bhushan Power and Steel Ltd.* judgment, underscore the complex interplay between legal compliance and commercial outcomes, highlighting the evolving nature of corporate jurisprudence in India.

While challenges remain — particularly around judicial predictability and compliance burdens — corporate law reforms have overall contributed to a more resilient, transparent, and business-friendly regulatory environment. Continued refinement in statutory interpretation, tribunal

guidance, and compliance support will be crucial to sustaining momentum and reinforcing India's position as a robust destination for investment and enterprise growth.