The Bioscan
AN INTERNATIONAL QUARTERLY JOURNAL OF LIFE SCIENCES
21(2): S.I (2), 1428-1439, 2026 www.thebioscan.com

Liquidation of companies: An analysis of the position in India after the enactment of The Companies Act, 2013

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DOI: https://doi.org/10.63001/tbs.2026.v21.i02.S.I(2).pp1428-1439

KEYWORDS
Liquidation, winding up, Public Interest, Limited liability Partnership (LLP).

Received on: 18-04-2026
Revised on: 10-05-2026
Accepted on: 22-05-2026
Published on: 28-05-2026

Abstract

The enactment of The Companies Act, 2013, paves the way for the corporate sector to go for self-managed and controlled action while ensuring strict transparency for increased disclosure for improved compliance, with a motive to promote an environment of ease of doing business for companies in India. Business of companies is the most important driver for the economy to fulfil the needs of society in a country on behalf of the government. Liquidation of the companies in India means a legal process of the dissolution of the companies' affairs, preceded with realization of its assets and distributing it with their creditors and shareholders. Liquidation in India was completely covered under the Companies Act, 2013, however after the enactment of Insolvency and bankruptcy code 2016, the liquidation of the companies is being done either by the Act, 2013 or by Code 2016. Present study aims to analyze the dissolution trend of companies during the last eight years after the enactment of the Companies Act, 2013. The study will also lead to a conclusion based on an analysis of secondary data in the form of reports presented by the ministry of corporate affairs, government of India in terms of establishing the impact of the Companies Act, 2013, i.e., favorable or unfavorable for companies in the country and further to give an insight for future research. This article aims to seek attention of the policymakers of the country to work for more effective mechanisms to deal with corporate entities in a globalized world to move from a profit-orientation approach to wealth maximization.

1.INTRODUCTION

The corporate sector in India has grown appreciably and also worldwide in post war period, Government and non-Government Companies are at work, however, number of companies has gone into liquidation both compulsory and voluntary since the commencement of the Act. Under reformation of corporate world numerous companies were declare defunct and companies/ Industries were struck-off from the registers maintained by Registrar of companies. Winding up is the process by which a company's life comes to an end and its property shared by contributories which includes stakeholders of the company i.e. Creditors, shareholders, investors and also to workers. In Indian society which has accepted planned economic development, as a model for its growth, a modern commercial corporation, whether state-owned or owned by the members of the public, has a very important social function to perform. Besides being a mere producer and distributor of various goods and services, essential for the economic life of the community, it has to act as an important instrument of social and national change. It has to be a powerful medium to uplift the economic standard of the people and a faster tool for the nation's economic growth. The role of commercial corporations in a capitalist society and in a society that aims to be a 'socialistic' society can't be identical. In a social setting like India, the existence and affairs of commercial companies are too serious affairs to be solely left to the directors, shareholders, and their creditors or other stakeholders. Society's interest in continuation and affairs of corporate entities cannot be easily overlooked therefore; the element of public interest enters into their management. The affairs of the company have to be conducted not only in the best interest of its members and creditors but also in a manner that is not prejudicial to the public interest. Society depends on it for its goods and services. It not only provides livelihood to its direct stakeholder but also to its indirect beneficiaries who keep their expectation too high with the company and wish that wheel of the company may move indefinitely. Some of them must have acquired, through their jobs, training in highly skilled specialized activities. If such a company is thoughtlessly wound up, the society will suffer. So the tribunals must take into consideration, not only the interest of the shareholders and creditors but also the public interest. Here, it lays a formidable challenge to the judicial process to perform the skilful and purposeful function of social engineering. It is well settled that winding up of the companies shall be the last resort , i.e, other option should not be left unexplored before winding up a company otherwise such decision would not be justifiable.

Pennington, summarize that in "a winding up or liquidation, the management of the affairs of a company is taken out of its directors' hands, its assets are realized by a liquidator, and any balance is returned to the members or shareholders of the company". At the end of the winding up, the company will have no assets or liabilities and it is therefore perfectly reasonable for it to be dissolved, that is, for its legal personality as a corporation to cease to exist. However the inter connection of a company with society is not taken into consideration; if a company is thoughtlessly wound up the society will suffer. So that court must take into consideration not only the interest of the shareholders and creditors but also public interest.

The purpose of winding up is realization of the assets and a proper and expeditious distribution of those assets according to law but in the present scenario the social setting around the company may also not be taken lightly because it not only provides livelihood to its shareholders but also to its employees who put their labor to keep its wheel moving.

The bold and imaginative approach adopted by the court (Now Tribunal) not only during the yester year of the chancery law of lords laying down cannon of equity but even in decision given by the Supreme Court in its historic decision of -"National Textiles workers union etc V. P.R. Ramkrishnan and others.

"This decision explains the status of the workers in winding up petition. It is not only the interested shareholders who have supplied capital but the workers who supply labor to the company and invest their sweat and toil, in fact their life itself, therefore they have a special place in a socialistic pattern of society they are not a marketable commodity to be purchased by the owners of Capital."

During the last few decades, the concept of company has undergone radical change. The traditional view that the company was to carry on trade and industry and the Act was considered regulating device for it and state intervention in social and economic matter was at very minimum level, but with the reference to above mentioned decision of the Supreme court it is established that in the light of the changing socio- economic concept and values, a company is not mere property of share holders or creditors. However, it is essential to take appropriate measures in view of social and economic life of the companies as whole.

The present study is an attempt to analyze the various modes of liquidation under the Indian law as well as the present position of company's liquidation in the country after overhauling of the previous companies Act 1956 in for the Companies Act 2013. The purpose is to achieve a conclusion in form of impact of enactment of Companies Act 2013. Conclusion drawn out of the study will leads the suggestion and insight for future research in the area of liquidation of the companies.

2. OBJECTIVE OF THE STUDY

objectives the present study are as under-

a. To gain familiarity with various modes of liquidation under the Companies Act 2013 and Insolvency and Bankruptcy Code 2016.

b. To analyze the scenario of liquidation of companies in India after the enactment of the Companies Act 2013.

c. To analyze the liquidation and dissolution of the companies during the period from the year 2014 to 2018.

3. RESEARCH METHODOLOGY

The present study an analytical study based on the secondary data sourced from the various online and offline method. The provisions of Companies Act 2013 and insolvency and bankruptcy code 2016 along with case law decided by the various tribunals will be analyzed in depth to meets its first objective. The data of eight years reports presented by the ministry of corporate affairs in respect liquidation of companies in India, after the enactment of the Companies Act 2013 is collected and analyzed to meets the second and third objectives of the study.

4. LIQUIDATION OF THE COMPANIES

Initially the term liquidation is not provided under the Companies Act 2013, but after the enactment of Insolvency and Bankruptcy code 2016, the amendment was also brought in the definition clause of the Companies Act 2013, and the term liquidation is added in the definition. 2(94A) of the Companies Act, 2013, which also changed the definition clause, and winding up is defined as "winding up under this Act, or Liquidation under the Insolvency and Bankruptcy Code, 2016 as applicable". By this way the term liquidation is came into existence in reference to the IBC 2016.

Liquidation is the conversion of all assets into one commercial commodity that can be used in all circumstances: cash, irrespective of sentimental historic functional value of any assets in to money to be disbursed to those who are entitled to it. This can be normally done by means of sole business assets to whoever prepared to pay most of them . Therefore the liquidation is the sole decision of the members of the company to close down the unprofitable entity before it suffers with a more liability in future.

Winding up is in the most respect same as the liquidation. In strict sense liquidation can only be carried out by a liquidator, whereas a business could be wind up itself by paying off all its creditors and returning any surplus assets to the members of the company without employing liquidators to do so. Liquidation is more formal and regulated activity, but in a common understanding both term are synonymous to each other .

The liquidation of the Companies is wider term which consist winding up and dissolution in it. Liquidation is a complete process of closing down the companies which start from the passing of the resolution and end with dissolution followed with striking off the name of the company from the register of the company's registrar.

A- Dissolution of a Company: A company is a juristic person that comes into existence by way of incorporation and can be dissolved by way of removal of the name of the company from the register of the Registrar when it becomes defunct or by an order of the Tribunal, without winding up, under a scheme of arrangement , or by undertaking a winding-up process as per the provision of the Companies Act, or under the Insolvency and Bankruptcy Code (IBC) 2016. After this, an amendment was also made under section 2(94A) of the Companies Act, 2013, which also changed the definition clause, and winding up is defined as "winding up under this Act, or Liquidation under the Insolvency and Bankruptcy Code, 2016 as applicable". Dissolution of a company means when a company loses its corporate entity and it stops it's business and existence. It finally takes place when the Registrar of the companies strikes down the name of the company from the register. The company is dissolved by order of the Tribunal. Until the company is dissolved by the order of the Tribunal it remains a taxpayer. It requires a well-settled procedure defined under the Indian company law and other laws prescribed and prevailing in India. The company has to present and pass a resolution for dissolution and publish it in the official gazette. Hereby, dissolution is the step at which the company ceases its operations and the company comes to an end, management of affairs is withdrawn from the hands of directors and an administrator known as a liquidator is appointed who takes control of the entire company in his hands and finally, all assets and liabilities of the company are discharged.

B. Dissolution v winding up of a company:- Dissolution and winding up are two terms but have the same intent and both mean the end of a company and are interrelated to each other. Dissolution is the final destination for closing while the winding up is the previous step of dissolution after which the dissolution takes place. The dissolution is the procedure that may start with the resolution of the company while winding up starts when the Court/Tribunal order winding up and appoint an administrator called a liquidator. In the process of dissolution the company liquidator does not play a significant role while in winding up the liquidator plays an important role. The process of dissolution is exclusively administrative while the process of winding up is purely judicial. The Hon'ble Apex court has held that "winding up precedes dissolution."

C. Procedure of liquidation under the Companies Act, 2013: Section 270 of the Companies Act, 2013, provides two modes of liquidation of a company that is voluntary winding up or compulsory winding up also known as winding up by Tribunal. The circumstances of voluntary winding up are covered under the Insolvency and Bankruptcy Code 2016. The summarized form of all circumstances/modes of liquidation is depicted by way of Figure.1 as under.

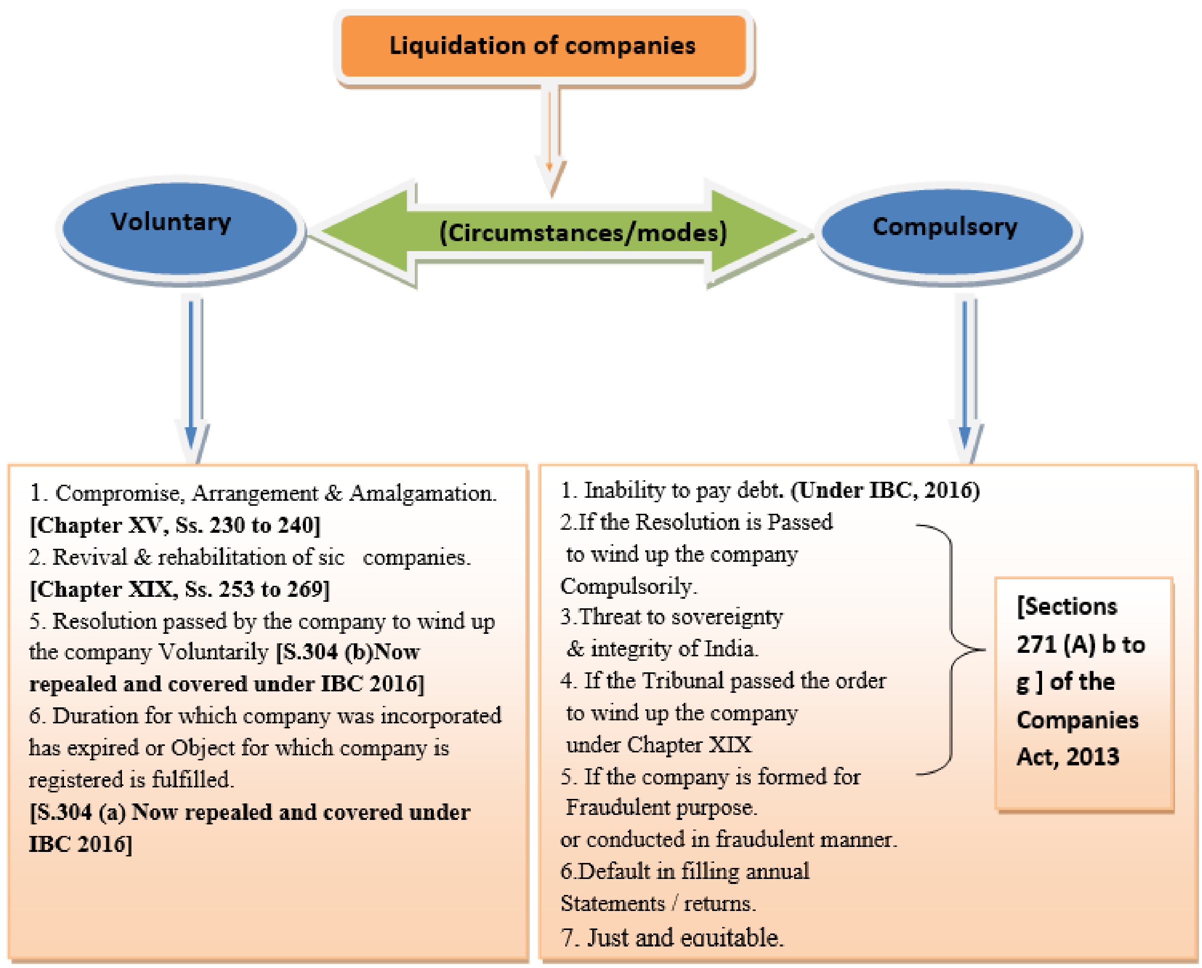

Figure:- Circumstances/modes of liquidation of the companies.[11]

1.Voluntary winding up:- The voluntary winding up includes corporate restructuring by means of compromise, merger, amalgamation and acquisition .

Corporate Restructuring is essential for the survival of a company in a competitive environment, whereby every entrepreneur is trying their best to maximize his wealth to become a leader in the global corporate scenario.

Commonly the term compromise is used to denote an agreement between two or more than two parties who decide to settle their dispute amicably. Every party must be empowered to put their voice effectively before arriving at a conclusion . For a compromise there is necessarily a dispute between or among the parties. There can't be a compromise without the existence of a dispute .

The term arrangement does not have any definite meaning but it has a broad scope as it is not necessary for an arrangement to have a dispute but it is only a settlement of their rights and liabilities between them. The present Companies Act, 2013, does not define the arrangement but it states that "arrangement includes a reorganization of the company's share capital by the consolidation of the shares of different classes, or by both of those methods". Capital restructuring, reduction, and demerger are also included in it. Once the scheme of compromise or arrangement is sanctioned by the Tribunal under section 230 of the Act, the Tribunal has the power to supervise the enforcement of the sanctioned scheme of compromise and arrangement.

Amalgamation is the combination of two or more companies into one company or unit controlled by newly formed company. Amalgamation takes place when two or more companies are merged to form a third entity or once it is absorbed into or blended with another. When two companies amalgamate and merge into one, the transferor company loses its identity as it ceases to have its business, however, their respective rights and liabilities are determined under the scheme of amalgamation but the corporate identity of the transferor company ceases to exist with effect from the date on which amalgamation is made effective. The power of the company to amalgamate is derived from the memorandum of association of the company and if there is no such provision in the memorandum of the company, it should be incorporated by altering the memorandum of the company. Therefore, such provision for amalgamation must exist in the memorandum of the company.

There are several recognized methods of reconstruction and amalgamation of companies such as (1) by sale of shares (2) by sale of undertaking (3) by scheme of compromise and arrangement (4 by dissolution. A company may be dissolved voluntarily under the scheme of arrangement by the order of the Tribunal/Court.

A company can be dissolved voluntarily by passing a resolution in a general meeting or passing a special resolution. However, if the company in general meeting passes a resolution requiring the company to be wound up voluntarily as a result of the expiry of the period for its duration provided under the article of association of the company on occurrences of a particular period or any occurrence prescribed in the article of association, same can be wound up . Further, if a company passes a special resolution that the company be wound up voluntarily the company can be dissolved by adopting this method too.

The provision for revival and rehabilitation of sick Companies were provided under Sections 253 to Section 265 of the Companies Act, 2013 (now repealed). Before enactment based on the recommendations of an expert committee headed by T. Tiwari, the legislature enacted special legislation known as the Sick Industrial Companies (Special Provisions) Act, 1985, popularly known as SICA, under which the Board for Industrial and Financial Reconstruction (BIFR) and the Appellate Authority for Industrial and Financial Reconstruction (AAIFR) were also established in the year 1987 to deal with sick or potentially sick companies, which was amended further in the year 1991 to cover the government companies under its preview and in the year of 1993 it was further amended to include provisions for determination of industrial sickness. The objective of SICA was to find out the viability of the revival of the companies if the public interest demand and their rehabilitation were possible or to close them down and to stop the misuse of public and private resources with a further objective to protect employment. Therefore, the enactment of SICA was to safeguard the economy of the country and protect the viable sick units. After that several amendments were brought in the SICA to eradicate its loopholes. By enactment of Companies Act, 2013, the provisions of SICA were synchronized only for industrial companies and chapter XIX of the new Companies Act covered all types of companies under its preview. When these provisions became obsolete, the legislature enacted the IB Code, 2016. The object of IB Code, 2016 is to resolve insolvency where possible, and on failure proceed for liquidation. Chapter XIX was completely repealed from the Act, 2013 now these matters are being dealt with through modes of inability to pay debts which are covered under the compulsory winding up of companies under IBC, 2016.

2. Compulsory winding up:- The winding up of the companies may be either by the Tribunal or voluntary. However, section 270(2) of the Companies Act, 2013 provided that notwithstanding anything contained in any other, the provision of this Act, with respect to winding up shall apply to any modes specified under section 270(1) of the Act, 2013.

A company may be ordered to wound up by the Tribunal if it is unable to pay its debts, under IB Code, 2016. Even the term debt and default have also been defined under IBC. The term financial debt and financial creditors are also provided in the Code, inability would be deemed, if the Company is indebted more than one lac from a creditor and is due and a demand requiring is made before the Company and the Company fails to pay the said demand within twenty-one days from the receipt of the demand, the inability to pay debts shall be deemed for the Company, further if any execution of or other process issued and a decree or order of any court or tribunal is returned unsatisfied in favor of a creditor then also the inability to pay debts shall be deemed for the Company. If the tribunal is satisfied with any of both of the conditions, it may order for winding up of the company under the clause of inability to pay debts. However, the contingent and prospective conditions shall also be considered by the tribunal. However, the machinery of winding up will not be allowed to be utilized merely as a means for realizing dues from a company. The inability to pay debts may be the basis for winding up by the tribunal but where the dispute is not real, but put forward by the company as a cloak to hide its inability to pay its debt, the application for winding up would be allowed.

If the activities of a company are found to be against the interest of the sovereignty and integrity of India and further are against the public interest, morality, and decency, such company can be ordered to be wound up by the Tribunal under section 270 (b) of the Companies Act, 2013. The objective behind the insertion of this clause is that presently we are living in a global era and there are companies of belligerent States that may set up companies in the country and later on turn out to be involved in nefarious or anti-national activities. Such a company may be ordered for winding up by the Tribunal under this clause.

When an application is made by the Registrar of the companies or by an authorized person or by the Central Government regarding the registration of a company for a fraudulent purpose or such company's activities are fraudulent and the Tribunal thinks that the affairs of the company have been conducted fraudulently or the company in question is formed for the fraudulent/unlawful purpose, the tribunal can order for the winding up of the company. If the company in question has been conceived and brought forth in force or for illegal purposes may also be ordered for winding up. The Madras High Court observed that where the main object of the company was to conduct a lottery, the fact, that some of its objects are philanthropic shall not prevent the company from being ordered to be wound up as being formed for illegal purpose .

Section 271(1) of the Companies Act, 2013, provides for a compulsory winding up of a company on the ground of default in filing financial statements/annual returns. It provides that whereby a company has committed a default in filing financial statement/annual returns including its balance sheets, and audit reports with the registrar of the companies for immediate proceedings for five consecutive financial years, the Tribunal may pass the order for the winding up of such company.

As section 271 (1) of the Companies Act, 2013, the Tribunal may order for winding up of the companies on just and equitable grounds, when it considers that it is just and equitable to wind up the company. Under this clause, the Tribunal has vast discretionary power to order winding up when it appears to the Tribunal or it seems to be desirable. However, it is difficult to define the just and equitable clause but while deciding the petition of winding up the Tribunal gives high consideration to the interest of the company, its employee, shareholders, creditors, and also the interest of the general public . It is not possible to lay down categories or headings in which the just and equitable clause may be invoked before the Tribunal but after wise analysis of previous decisions of the Court/Tribunal under which circumstances the Tribunal exercises the power of this clause to dissolve the companies are as, oppression of minority, deadlock in management, losses to the company, operation of minority, exclusion from office in participation of management, justifiable lack of confidence, partnership analogy, and fraudulent purpose. However, the High Court has held that the petition for winding up under this clause filed by the director of the company for nonpayment of dues can't be allowed and dismissed the petition.

5. ANALYSIS OF LIQUIDATION SCENARIO OF THE COMPANIES IN INDIA AFTER THE ENACTMENT OF THE COMPANIES ACT, 2013:-

In India, the overall activities of the companies start from the formation of companies to operation, liquidation, and winding up of companies are governed under the Companies Act, 2013 now winding up of Companies in case inability to repay debt is governed by the insolvency and bankruptcy code 2016. It regulates a range of regulation of corporate governance, structure, and obligations of companies towards their stakeholders, investigation, enforcement, and company processes such as mergers/amalgamations/arrangements/reconstructions, etc. constitute the main focus of the Act. The Companies Act, thus enables a statutory platform for corporate governance requirements essential for the functioning of the companies with transparency and accountability, recognizing and protecting the interests of various stakeholders.

The newly enacted Companies Act, 2013 was enacted while replacing the old Companies Act, 1956. However, it has been observed that there has been steady growth in the corporate sector after the enforcement of this Act.

Distribution of Companies by mode of Winding Up/ Liquidation

Sl. No.	Mode of Winding Up	Under Liquidation as on 01.04.13	During Financial Year 2013-14		Under Liquidation as on 01.04.14	During Financial Year 2014-15		Under Liquidation as on 01.04.15
			Went into Liquidation	Finally Dissolved		Went into Liquidation	Finally Dissolved	
1	Voluntary winding up	616	66	80	602	58	89	571
	Of which,							
	(i) Members Voluntary winding up	612	66	77	601	55	89	567
	(ii) Creditors Voluntary winding up	4	0	3	1	3	0	4
2	Winding up by Court	4,367	181	336	4,212	400	104	4,508
Grand Total		4,983	247	416	4,814	458	193	5,079

Table:1-Source:- Government of India, "1st Annual Report on working & administration of the Companies Act, 2013 year ended March 31, 2015" (Ministry of Corporate Affairs 2015).

As per the report presented by the Ministry of Corporate Affairs, the total number of 64395 companies were incorporated during the year 2014-2015 which was much greater than the figure of 896 companies in the year 1956-1957, and the total figure of registered companies in India reached 1459278 and out of which 268142 companies were dissolved till the year ended march 31st 2015. Further, as of 31st March 2015 a total number of 268142 companies were closed under the various provisions and categories such as 10263 companies were liquidated/ dissolved, 238417 companies were defunct/ struck off, 15365 companies were amalgamated/ merged and 4096 companies were dissolved/ converted into LLP. if we see what mode for winding up was opted for, in the financial year 2014-2015, a total figure of 193 companies were wound up out of which 89 companies opted for voluntary mode and 104 companies were wound up by the court. Therefore, it can be said that the most dominant mode for winding up was winding up by the Court during this financial year.

Data presented in Table.1 clearly indicates that after the enactment of the Act, 2013, though at that time various provisions of the Act were not enforced, however the in the financial year 2013 4987 companies went in to liquidations and maximum no of companies which went in to compulsory mode. However the liquidation scenario was slight less in comparison to the year 2013 for the year 2014 and again the most dominant mode for liquidation again opted by stakeholders is compulsory mode. During this period the insolvency matter also covered under liquidation as Insolvency and Bankruptcy code was not enacted, but this scenario attracted the attention of the law maker and government framed committee for specifically dealing of insolvency issues.

Distribution of Companies by mode of Winding Up/ Liquidation

Sl. No	Mode of Winding Up	Under Liquidation as on 01.04.14	During Financial Year 2014-15		Under Liquidation as on 01.04.15	During Financial Year 2015-16		Under Liquidation as on 01.04.16
			Went into Liquidation	Finally Dissolved		Went into Liquidation	Finally Dissolved	
1	**Voluntary winding up**	**602**	**58**	**89**	**570**	**79**	**52**	**598**
	Of which,							
	(i) Members Voluntary winding up	601	55	89	567	79	52	595
	(ii) Creditors Voluntary winding up	1	3	0	3	0	0	3
2	**Winding up by Court**	**4,212**	**400**	**104**	**4,508**	**280**	**236**	**4,552**
Grand Total		**4,814**	**458**	**193**	**5,079**	**359**	**288**	**5,150**

Table.2:Source:- Government of India, "2nd Annual Report on working & administration of the Companies Act, 2013 year ended March 31, 2016" (Ministry of Corporate Affairs, 2016).

Further as per the 2nd report presented by the Ministry of Corporate Affairs as of 31st March 2016 a total number of 285845 companies were liquidated under the various provisions and categories such as 10360 companies were liquidated /dissolved, 251490 Companies were defunct/struck off, 16989 companies were amalgamated /merged and 7006 Companies were dissolved/converted into LLP. If we see the mode for winding up is opted, in the financial year 2015-2016, a total number of 288 companies were wound up, out of which, 52 companies opted for voluntary mode and 236 Companies were wound up by the court. Therefore, it can be said that the most dominant mode for winding up was winding up by the court/tribunal during this financial year.

From the analysis of the presented above in table.2, it can be concluded that the during the financial year 2015-16 more than 5000 companies went into liquidation but finally 288 companies dissolved and most dominant method opted by stakeholders is compulsory mode the difference between the figure of companies liquidated and dissolved may be because of multiplicity of forum available in previous companies Act, 1956 during this period. However liquidation scenario was increasing gradually for the years.

Distribution of Companies by mode of Winding Up/ Liquidation

(₹ in Crore)

Sl. No	Mode of Winding Up	Under Liquidation as on 1st April, 2015	During Financial Year 2015-16		Under Liquidation as on 1st April, 2016	During Financial Year 2016-17		Under Liquidation as on 1st April, 2017
			Went into Liquidation	Finally Dissolved		Went into Liquidation	Finally Dissolved	
1	**Voluntary winding up**	**571**	**79**	**52**	**598**	**140**	**63**	**675**
	Of which,							
	(i) Members Voluntary winding up	567	79	52	595	139	61	673
	(ii) Creditors Voluntary winding up	3	0	0	3	1	2	2
2	**Winding up by Court**	**4,508**	**280**	**236**	**4,552**	**222**	**197**	**4,577**
Grand Total		**5,079**	**359**	**288**	**5,150**	**362**	**260**	**5,252**

Table.3:Source:- Government of India, "3rd Annual Report on working & administration of the Companies Act, 2013 year ended March 31, 2017" (Ministry of Corporate Affairs, 2017).

As per the 3rd report presented by the Ministry of corporate Affairs as of 31st March 2017, a total number of 301778 companies were closed under the various provisions and categories such as 10320 companies were liquidated /dissolved, 262690 companies were defunct /struck off, 18854 companies were amalgamated /merged and 9914 companies were dissolved /converted into LLP. If we see the mode for winding up is opted, in the financial year 2016-2017, a total number of 270 companies were finally wound up under the winding up, out of which 63 companies opted for voluntary mode and 197 companies were wound up by the court.

Therefore, it can be said that the most dominant mode for winding up was winding up by the Tribunal during this financial year too. Further during this period the liquidations trend for companies are found progressive in comparison to previous years. However the dissolution of companies is less than the previous years. It clearly indicates a non conducive environment for the corporate culture and less effective mechanism for liquidation and dissolution.

Distribution of Companies by mode of Winding Up/ Liquidation

(in ₹ crore)

Sl. No	Mode of Winding Up	Under Liquidation as on 1st April 2016	During Financial Year 2016-17		Under Liquidation as on 1st April, 2017	During Financial Year 2017-18		Under Liquidation as on 31st March, 2018
			Went into Liquidation	Finally Dissolved		Went into Liquidation	Finally Dissolved	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	**Voluntary winding up**	**598**	**140**	**63**	**675**	**89**	**229**	**535**
	Of which,							
	(i) Members Voluntary winding up	595	139	61	673	89	228	534
	(ii)Creditors Voluntary winding up	3	1	2	2	0	1	1
2	**Winding up by Court**	**4,552**	**222**	**197**	**4,577**	**326**	**259**	**4,644**
Grand Total		**5,150**	**362**	**260**	**5,252**	**415**	**488**	**5,179**

Table.4:Source:-Government of India, "4th Annual Report on working & administration of the Companies Act, 2013 year ended March 31, 2018" (Ministry of Corporate Affairs, 2018).

The Ministry of Corporate Affairs presented its 4th report on 31st March 2018 and as per this report, a total number of 540487 companies were closed under the various provisions and categories such as 10516 companies were liquidated/ dissolved, 496319 companies were defunct /struck off, 20783 companies were amalgamated/ merged and 12869 companies were dissolved/ converted into LLP. In the financial year 2017-2018, a total figure of 488 companies were finally wound up, out of which 229 companies opted for voluntary mode and 259 companies were wound up by the Tribunal. Therefore, it can be said that like three preceding years most dominant mode for winding up was winding up by the Tribunal.

From the above data presented in table 4, it can be said that during this financial year the figure of companies liquidated is slight less while the finally dissolved companies or slight more in comparison to the previous year. However the stakeholders may rely upon the compulsory mode of the winding up of companies as it was in earlier years.

Distribution of Companies by mode of Winding Up/ Liquidation

Sl. No	Mode of Winding Up	Under Liquidation as on 1st April 2017	During Financial Year 2017-18		Under Liquidation as on 1st April, 2018	During Financial Year 2018-19		Under Liquidation as on 31st March, 2019
			Went into Liquidation	Finally Dissolved		Went into Liquidation	Finally Dissolved	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	**Voluntary winding up**	**675**	**89**	**229**	**535**	**49**	**141**	**443**
	Of which,							
(i)	Members Voluntary winding up	673	89	228	534	49	140	0
(ii)	Creditors Voluntary winding up	2	0	1	1	0	1	4,420
2	**Winding up by Court**	**4,577**	**326**	**259**	**4,644**	**215**	**439**	**0**
(i)	Winding up subject to supervision of Court	0	0	0	0	0	0	0
Grand Total		**5,252**	**415**	**488**	**5,179**	**264**	**580**	**4,863**

Table.5:Source:- Government of India, "5th Annual Report on working & administration of the Companies Act, 2013 year ended March 31, 2019" (Ministry of Corporate Affairs, 2019).

The Ministry of Corporate Affairs presented its 5th report on 31st March 2019 and as per the report, a total number of 670018 companies were closed under the various provisions and categories such as 10640 companies were liquidated/ dissolved, 621966 companies were defunct /struck off, 22532 companies were amalgamated/ merged and 14880 companies were dissolved/ converted into LLP. In the financial year 2018-2019, a total number of 580 companies were finally wound up, out of which 141 companies opted for voluntary mode and 439 companies were wound up by the Tribunal.

Data clearly indicates that majority of the companies were wound up by the tribunal. The stakeholders rely upon the compulsory mode of winding up. However the data of companies liquidated is remain less and data for companies finally dissolved is high in comparison to the previous years. By this time major provisions of companies Act 2013 are enforced by this time and the tribunal was established their functioning is started. The insolvency and bankruptcy code 2016 is also enacted and cases of insolvency are dealt under the code.

Distribution of Companies by mode of Winding Up/ Liquidation under Companies Act, 1956

Sl. No.	Particulars	No. of companies in Liquidation as on 01.04.2019	No. of companies that Went into Liquidation during the period 01.04.2019 to 31.03.2020	Total (2+3)	Number of Companies finally dissolved during the period 01.04.2019 to 31.03.2020	No. of Companies in liquidation Liquidation as on 31.03.2020 (4-5)
	1	2	3	4	5	8
(i)	Members voluntary winding up	443	20	463	382	81
(ii)	Creditors Voluntary winding up	0	1	1	0	1
2	Winding up by Court	4,407	123	4530	378	4,152
Grand Total		4850	144	4994	760	4,234

Table.6:Source:- Government of India, "6th Annual Report on working & administration of the Companies Act, 2013 year ended March 31, 2020" (Ministry of Corporate Affairs, 2020).

As per the 6th report The Ministry of Corporate Affairs on 31st March 2020 and a total number of 745426 companies were closed under the various provisions and categories such as 10974 companies were liquidated/ dissolved, 690429 companies were defunct /struck off, 25419 companies were amalgamated/ merged and 18604 companies were dissolved/ converted into LLP.

In the financial year 2019-2020, a total number of 144 companies were finally wound up, out of which 21 companies opted for voluntary mode and 123 companies were wound up by the Court. Therefore, it can be said that the most dominant mode for winding up was winding up by the Court during this financial year.

The analysis of the data liquidation of companies in this financial year very less and data of finally dissolved companies are high. This indicates that the effective mechanism provided under the companies Act, 2013 becomes trustworthy for the stakeholders as they found single window system for liquidation and dissolution under the Act.

Distribution of Companies by mode of Winding Up/ Liquidation under Companies Act, 1956

Sl. No.	Particulars	No. of Cos. in Liquidation as on 01.04.2020	No. of Cos. that went into Liquidation from 01.04.2020 to 31.03.2021	Total (3)+(4)	No. of Cos. finally dissolved from 01.04.2020 to 31.03.2021	No. of Cos. in Liquidation as on 31.03.2021 (5)-(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Voluntary Winding up by Members	81	11	92	45	47
2.	Voluntary Winding up by Creditors	1	0	1	1	0
3.	Winding up by the Court	4,152	12	4,164	181	3,983
	Total	**4,234**	**23**	**4,257**	**227**	**4,030**

Table.7:Source:-Government of India, "7th Annual Report on working & administration of the Companies Act, 2013 year ended March 31, 2021" (Ministry of Corporate Affairs, 2021).

An analysis of 7th report The Ministry of Corporate Affairs presented on 31st March 2021 and the report discloses that, a total number of 758350 companies were closed under the various provisions and categories such as 11059 companies were liquidated/ dissolved, 700197 companies were defunct /struck off, 27094 companies were amalgamated/ merged and 20000 companies were dissolved/ converted into LLP. In the financial year 2020-2021, a total number of 227 companies were finally winded up under the winding up, out of which 46 companies opted for voluntary mode and 181 companies were wound up by the court.

From the data presented in table.7, it can be precisely clear that the liquidation of the companies was less in comparison to previous financial year. Further the most dominant mode for winding up was winding up by the Court during this financial year too. The number of total companies liquidated is also less in comparison to the previous year. However the number of total companies dissolved is also less in comparison to the previous years.

Distribution of Companies by mode of Winding Up/ Liquidation under Companies Act, 1956

Sl. No.	Particulars	No. of Cos. In Liquidation as on 01.04.2021	No. of Cos. That went into Liquidation from 01.04.2021 to 31.03.2022	Total (3)+(4)	No. of Cos. Finally dissolved from 01.04.2021 to 31.03.2022	No. of Cos. In Liquidation as on 31.03.2022 (5)-(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Voluntary Winding up by Members	47	11	58	37	21
2.	Winding up by the Court	3,983	10	3,993	195	3,798
	Total	**4,030**	**21**	**4,051**	**232**	**3,819**

Table.8:Source:- Government of India, "8th Annual Report on working & administration of the Companies Act, 2013 year ended March 31, 2023" (Ministry of Corporate Affairs, 2023).

The Ministry of Corporate Affairs presented its 8th report on 31st March 2023 and as per the report, a total number of 825771 companies were closed under the various provisions and categories such as 11274 companies were liquidated/ dissolved, 763838 companies were defunct/ struck off, 29043 companies were amalgamated/ merged and 21616 companies were dissolved/ converted into LLP. In the financial year 2021-2022, a total figure of 232 companies were wound up, out of which 37 companies were opted for voluntary mode and 195 companies were wound up by the Court.

Therefore it can be concluded that the most dominant mode for winding up was winding up by the court during this financial year.

Further the number of companies liquidated is also in decreasing in comparison to the previous years. During this financial year only a few companies went into liquidations and the companies finally dissolved is also less than to the previous years.

The analysis of the data also indicates that an increase in the number of companies liquidated during this period of eight years. But the liquidation figure of companies is till the financial year 2013-2016 progressive in the comparison to the dissolution figure. This indicates the apart from non enforcement of several closure mechanism up to the year 2018 such as establishment of NCLT may also might be the reason for few year but as the establishment of NCLT in last few years may also in increase the figure of closure of the companies. The enactment of the Insolvency and Bankruptcy Code 2016 may also had a large impact in the liquidations of the companies as it specifically and fairly deals with the insolvency issues of the companies effectively in last few years after 2016.

6. CONCLUSION

After in depth analysis of the data presented by the Ministry of Corporate Affairs during the financial year 2014-2015 to financial year 2021-2022, there was a substantial rise in the dissolution scenario of the companies in India. Most surprising numbers in case of the companies that are declared to be defunct or strike off under the provision of the Act and the second largest figure was shown for the companies merged or amalgamated. The third figure which is increasing for dissolved companies or the companies converted to LLP, and the last and the shortest figure indicates the companies which are liquidated or dissolved. The first highest figure of defunct/strike off companies clearly shows that by enactment of the Act, 2013 government placed a better checkpoints for the companies at very first level of incorporation of the companies or on other hand it indicates a non conducive environment for business in the country and our legislative machinery is still required to be overhauled. The second largest figure was shown for the companies merged or amalgamated indicates that now the entrepreneurs are using the remedy of merger and amalgamation to get together and rise together as required by competitive situation of the economy. The concept of LLP is also at the priority of the entrepreneur. The rising trend of dissolution of companies under various provisions significantly indicates the change in global business scenario, competition in the market, and less effective statutory mechanism, and non conducive legal mechanism in the country.

The enactment of Insolvency and Bankruptcy Code, 2016, is a mile stone in the area of bankruptcy laws in India, by creating a speedy fair and trust worthy mechanism for liquidation of companies. This Code starts working as per the changing economic scenario and proving itself beneficial for the corporate lenders, borrowers, regulators and for the other stakeholders as well as government as the time passes. By providing time limit process of liquidation, of 270 days to settle the claims of the creditors of the default companies, confidence in our system is improved for creditors. The wrongdoer companies are being reduced in the economy and companies which are working with fair and transparent system by in terms of code is blooming and definitely push financial stability in the economy of the country.

The Companies Act, 2013 and Insolvency and Bankruptcy Code 2016 provides only three mode of liquidations of the companies, which are Voluntary mode, winding up by the tribunal and winding up under the super vision of the Tribunal, in case of corporate restructuring and revival and rehabilitation of the companies as presented in figure.1.

The analysis of data presented by Ministry of Corporate affairs clearly reflects that an increasing trend of liquidation in countries up to year 2016 but later on it starts decreasing year wise up to the year 2022. The most opted mode of winding up of companies is by Tribunal; it means establishment of single window system in form of Tribunal and eloping of multiplicity of authorities for liquidation is also proving trustworthy for the stakeholders of the companies in the country.

It can be also concluded from the analysis that in the year 2014 and 2015 the liquidation and dissolution both are progressive but in subsequent year the liquidation is decreasing while the dissolution is increasing year wise. It indicates that both the statutes seem to be effective for the corporate world.

It is expected that in the light of ease of doing business the government will come up with means to support business, as liquidation and dissolution of the companies has an impact not only on the direct beneficiaries i.e., members, creditors, directors and other stakeholders but also its indirect beneficiaries.

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