



INDIAN JOURNAL OF
LEGAL REVIEW

VOLUME 5 AND ISSUE 9 OF 2025

INSTITUTE OF LEGAL EDUCATION



INDIAN JOURNAL OF LEGAL REVIEW

APIS – 3920 – 0001 | ISSN – 2583-2344

(Open Access Journal)

Journal's Home Page – <https://ijlr.iledu.in/>

Journal's Editorial Page – <https://ijlr.iledu.in/editorial-board/>

Volume 5 and Issue 9 of 2025 (Access Full Issue on – <https://ijlr.iledu.in/volume-5-and-issue-10-of-2025/>)

Publisher

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Chairman of Institute of Legal Education

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ROLE OF OFFICIAL LIQUIDATOR: A COMPARATIVE ANALYSIS OF COMPANIES ACT 1956 V 2013

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BEST CITATION – APURBA BEHERA & SATH PATHY GAYATREE GEETASWAROOP, ROLE OF OFFICIAL LIQUIDATOR: A COMPARATIVE ANALYSIS OF COMPANIES ACT 1956 V 2013, *INDIAN JOURNAL OF LEGAL REVIEW (IJLR)*, 5 (10) OF 2025, PG. 54-61, APIS – 3920 – 0001 & ISSN – 2583-2344.

Abstract

A company can't be formed without public demand, employees, board of directors and various other factors, similarly without a liquidator a company will not going to wind up. A liquidator is the one who conducts the all the process of liquidation. It is performed in a situation where the company is about to wind-up and then the process of realisation of assets of the company and it should be distributed among debenture-holders, creditors and shareholders of the company. A person is being appointed to take all those necessary steps which are being taken to wind-up the company. This person is known to be the liquidator under the company. The study of the evolution and current role of Official Liquidators is thus more than a technical comparison of legislative provisions; it also reflects the Indian legal system's transition from a slow, court-dependent insolvency procedure to a nimbler, market-driven insolvency regime. This study intends to critically examine how much the amendments under the Companies Act of 2013 have succeeded in overcoming the flaws of the 1956 Act, as well as whether the position of Official Liquidators remains relevant or needs to be completely overhauled in light of the International Business Code.

Research Methodology

A comparative analysis is been applied in the research paper as this paper as we will talk about the role of official liquidators under the companies act 1956 V 2013. We choose this analysis as a basis to understand a deep understanding on how the role of official liquidator changes over time like the change in responsibilities, powers, roles, of an official liquidator over time in respect to amendments in companies act.

Introduction

The role of official liquidator in corporate insolvency has been gone through an essential transformation in India over decades. A beginning from Presidency Insolvency Act 1909 which focused in individual solvency to Companies Act 2019 which ingrained the role of

official liquidator in corporate entities. The framework of law has grown to taken into account the shifting the economic facts and the necessity for greater effectiveness in company governance. The transition to the Companies Act of 2013 symbolizes a trend toward stronger regulatory monitoring and professionalization of insolvency processes, which culminated in the Insolvency and Bankruptcy Code of 2016 (IBC). The Companies act 1956 described a role of official liquidator as a figure of bureaucracy who work is considered to be lengthy procedural with limited discretionary powers. This Act stated that the process of liquidation is primarily regulated by court and specifically the official liquidators' tasks were considered slow and ineffective in respect to prolonged liquidation process. The Official Liquidator was an important figure in the liquidation of insolvent companies, supervising asset

realization, creditor payments, and investigations, but was restricted by a system that relied heavily on the intervention of the courts. Conversely, the Companies Act of 2013 attempted to give the Indian corporate legal system a new lease of life by enforcing reforms that addressed most of the inefficiencies of the earlier law. While the position of the Official Liquidator still existed, there was a significant move towards a more regulatory and professional regime in terms of insolvency and liquidation. The National Company Law Tribunal (NCLT) replaced the High Courts as the primary deciding authority, leading to a more streamlined process of liquidation. Further, the enactment of the Insolvency and Bankruptcy Code (IBC) has significantly reduced the role of the Official Liquidator, assigning Insolvency Professionals (IPs) as the primary facilitators of corporate insolvency settlements. This comparative examination focuses at the development of the Official Liquidator's obligations under the Companies Act of 1956 and the Companies Act of 2013. It analyses how the Official Liquidator's authorities, duties, and overall efficiency changed over time, and whether the amendments in the 2013 Act address the inefficiencies of the preceding regime. The institutional mechanism that oversees corporate insolvency in a country plays a key role in the quest for fiscal discipline, protection of stakeholders' and creditors' interests, and the smooth exit of unviable businesses from the economy. For India, the Official Liquidator (OL) has played a central role in corporate liquidation. The Official Liquidator is accountable for managing the affairs of firms that have been ordered to be declared winding up and guaranteeing that the liquidation procedure follows the statutory and procedural mandates stipulated by the legislature. Official Liquidators' roles, powers, and operational structure have altered considerably over time, reflecting broader developments in corporate law, economic policy, and judicial administration. The Official Liquidator was the office created by the Companies Act of 1956,

which governed Indian companies for decades since independence. The Central Government appointed the Official Liquidator, and he was accountable to the court. The Official Liquidator operated in tandem with the local High Court. They were tasked with selling properties, investigating cases of fraud, determining claims, and paying money to creditors and shareholders. However, the Official Liquidator work under the 1956 Act was frequently hindered by procedural delays, over-reliance on the courts, a lack of autonomy, and impoverished professional capacity. As a consequence, liquidation proceedings under the 1956 regime were historically lengthy and inefficient, with many companies settling in liquidation for decades without being handled. The Companies Act, 2013 was drafted to enhance the efficacy of companies and to simplify procedures such as incorporation of a company, regulation, insolvency, and winding up of a company in a dynamic economy. The Act kept the Official Liquidator but made several alterations to the way things are done so that they are done expeditiously and responsibly. Particularly, the National Company Law Tribunal (NCLT) was set up as the primary adjudicating authority for corporate cases, eliminating the High Courts in an effort to shorten delays and strengthen specialized adjudication. The OLs appointed under the 2013 Act have been connected to the NCLT, and their authority are guided by the Tribunal's orders rather than the High Courts' general supervision. The Insolvency and Bankruptcy Code, 2016 (IBC) has revolutionized corporate insolvency significantly and made the Official Liquidator less relevant. The IBC established a quick process for resolving insolvency and brought into existence a new class of employees—Insolvency Professionals (IPs). These IPs are regulated by the Insolvency and Bankruptcy Board of India (IBBI) and conduct corporate insolvency resolution and liquidation. They operate in a market-based framework and are selected by creditors, and hence, have greater autonomy and accountability than traditional Official

Liquidators. The IBC has succeeded in reducing resolution times and increasing recovery rates, which calls into question the relevance of the Official Liquidator regime for companies within the purview of the IBC. Despite the existence of the IBC and the rise of Insolvency Professionals, the Official Liquidator continues to act under the company Act for particular kinds of firms, particularly those whose winding-up proceedings are issued outside the scope of the

IBC. These may include voluntary winding-ups before to the IBC's implementation, firms that are not covered by the IBC (e.g., charitable organization), or cases wherein the Tribunal appoints an OL to oversee the winding-up. The present research aims to provide a comprehensive overview of the Official Liquidator's historical advancement, functional alterations, and future relevance in Indian company bankruptcy legislation.

Comparative Analysis of Companies act 1956 and Companies Act 2016

Aspect	Companies Act, 1956	Companies Act, 2013
Governing Provisions	Sections 488 to 527 (for voluntary and court-ordered winding up).	Sections 275 to 365 (for winding up, though many provisions amended and narrowed by the Insolvency and Bankruptcy Code, 2016).
Types of Liquidators	1. Official Liquidator (appointed by Tribunal in case of compulsory winding up). 2. Company Liquidator (appointed in voluntary winding up).	1. Company Liquidator (appointed by Tribunal). 2. Official Liquidator (still appointed by the Central Government for certain cases).
Qualifications	No fixed qualification prescribed, often government officers or advocates/chartered accountants.	Must be qualified professionals (advocates, CAs, CSs, cost accountants) enrolled as Insolvency Professionals under IBC regulations.
Powers and Duties	Broad powers under supervision of Court: take custody of assets, settle claims, distribute assets, report misconduct.	Similar powers but much more structured with Tribunal oversight. IBC gives additional responsibilities like preparing reports, asset valuation, distribution of proceeds.
Remuneration	Fixed by the Tribunal or as per government rules.	Fixed by the Tribunal. For cases under IBC, fees determined based on regulations and approval of Committee of Creditors.

<p>Accountability</p>	<p>Accountable to the Court. Required to maintain records, file regular reports.</p>	<p>Accountable to the Tribunal. More structured reporting, additional scrutiny by Insolvency and Bankruptcy Board of India (IBBI) if under IBC.</p>
<p>Removal</p>	<p>Court could remove on cause being shown.</p>	<p>Tribunal can remove for misconduct, fraud, negligence. Also governed under IBC disciplinary provisions.</p>
<p>Winding up Types Covered</p>	<p>1. Compulsory by Court. 2. Voluntary (Members or Creditors).</p>	<p>1. Compulsory by Tribunal (only limited cases like deadlock, fraud, public interest, etc.). 2. Voluntary winding up moved under IBC now.</p>
<p>Transition due to</p>	<p>Not applicable (IBC was not there).</p>	<p>Major shift: Voluntary liquidations</p>

Under the Companies Act of 1956, the rules concerning liquidators were mainly addressed in Sections 488 to 527. The Act identified two primary categories of liquidators: the Official Liquidator, designated by the Court (for compulsory winding up), and the Company Liquidator, chosen by members or creditors (for voluntary winding up), under court oversight. There were no strict qualifications required to become a liquidator; often, lawyers, certified accountants, or even civil servants could be designated. The liquidators possessed extensive authority, including the ability to take control of the company's assets, resolve claims, allocate assets to stakeholders, and report any

misconduct. They worked under the direct oversight of the Court, and their pay was determined either by the Court or in accordance with established government regulations. Responsibility mainly rested with the Court, and the liquidators were required to submit regular reports. A liquidator may be removed by the Court for demonstrated cause.

Conversely, under the Companies Act of 2013, the legal framework regarding liquidation has advanced considerably, especially following the implementation of the Insolvency and Bankruptcy Code (IBC) in 2016. The Companies Act, 2013 (Sections 275 to 365) stipulates that the Tribunal (NCLT) appoints a Company

Liquidator chosen from a panel kept by the Central Government. In particular situations, the Central Government may still designate an Official Liquidator. Crucially, only certified experts; like advocates, chartered accountants, company secretaries, or cost accountants designated as Insolvency Professionals are permitted to serve as liquidators. Their authorities resemble those established by the 1956 Act, yet are now more organized, featuring enhanced Tribunal supervision and reporting requirements. Their payment is established by the Tribunal or according to regulatory standards under the IBC. Under the 2013 framework, accountability is more rigorous, as liquidators must provide regular reports not only to the Tribunal but, in numerous instances, to the Insolvency and Bankruptcy Board of India (IBBI). Reasons for removal, such as fraud, misconduct, or negligence, are explicitly stated. A significant distinction is that the Companies Act, 2013 addresses winding up solely in specific scenarios, like instances of fraud, oppression, management deadlock, or matters of public interest. Regular voluntary liquidations and creditor-initiated liquidations are now entirely regulated by the Insolvency and Bankruptcy Code, 2016. Therefore, although the 1956 Act was monitored by the courts and focused on government control, the 2013 Act (after IBC) encourages a professional, creditor-oriented strategy for liquidation, prioritizing efficiency, transparency, and responsibility.

Conclusion

The role of the Official Liquidator (OL) in India has also seen a paradigm shift from the formalistic, court-based framework brought about by the Companies Act of 1956 to a less formal, tribunal-based framework brought about by the Companies Act of 2013. The OL was essentially a bureaucratic body with compliance with procedural forms and elaborate judicial supervision under the 1956 Act, with frequent implications in terms of delay, inefficiency, and lengthy liquidation proceedings. Though the court-based

framework was orientated to ensure legality, it was not sufficient to deal with the complexity of operations in modern corporate forms and the growing need for speedy disposal. The Companies Act of 2013, which maintained the office of Official Liquidator, made significant changes to the structure to accelerate the liquidation process. The creation of the National Company Law Tribunal (NCLT) as a specialized adjudicating authority relieved the strain on ordinary courts and allowed for better handling of corporate insolvency cases. The OL's operations were increasingly tribunal-driven and less bound by traditional judicial formalities, signalling a shift toward specialized, rapid adjudication. However, the enactment of the Insolvency and Bankruptcy Code (IBC), 2016 further transformed the insolvency landscape by introducing Insolvency Professionals (IPs) as central figures in corporate liquidation and resolution. This has inevitably relegated the role of the Official Liquidator to more limited scenarios – primarily in cases of voluntary winding-up or matters excluded from the IBC framework. The professionalization of insolvency practices through IPs has considerably improved efficiency, recovery rates, and stakeholder confidence in the system. Despite its lessened significance, the Official Liquidator maintains to play an essential role in India's corporate legal system, especially in legacy matters and areas where the IBC is not directly relevant. The comparative research shows that, while the Companies Act of 1956 laid out the foundation for the OL's role, it has been restricted by systemic inefficiencies. The Companies Act of 2013, while transitional in nature, paved the way for a more specialized and professional insolvency ecosystem, culminated in the IBC's drastic change revisions. In short, the journey reflects India's long struggle to modernize its corporate governance framework—balancing the need for regulatory oversight against the requirements of economic efficiency, creditor protection, and business viability. In the future, continued use of professional insolvency practices and improved

capacity building in OL offices can ensure that, even beyond the ambit of the IBC, liquidation processes are carried out with greater speed, transparency, and accountability. The role and structure regarding liquidators have experienced a notable change from the Companies Act, 1956 to the Companies Act, 2013, particularly due to the impact of the Insolvency and Bankruptcy Code, 2016. The 1956 Act was primarily influenced by the courts, emphasizing the Official Liquidator and considerable judicial oversight of the liquidation process, frequently leading to delays and inefficiencies in procedures. Qualifications for liquidators were vaguely outlined, and liquidation processes relied significantly on the courts for oversight and guidance. Conversely, the Companies Act, 2013 signifies a transformative change towards a more professional and effective liquidation process. The 2013 Act seeks to enable quicker, transparent, and creditor-focused liquidations by establishing a framework where qualified insolvency professionals serve as liquidators and the National Company Law Tribunal oversees the processes, supported by regulatory entities such as the IBBI. Moreover, by narrowing the liquidation framework under the Companies Act and transferring the majority of corporate insolvencies to the specialized structure of the IBC, the contemporary legislation differentiates between firms needing resolution and those necessitating closure, thereby enhancing business operations while protecting stakeholder interests. This development signifies a shift from a court-managed to a professionally overseen insolvency framework, harmonizing the interests of businesses, creditors, and the broader economy. The change in the role of the Official Liquidator (OL) in India is a reflection of the general development of India's corporate insolvency and governance systems. Prior to the Companies Act, 1956, the OL was a very much bureaucratic officer whose function was mainly administrative, working under the direct jurisdiction of the High Courts. The regime was

judge-dominated, a position that ensured checks and balances but resulted in immense procedural time wastage, loss of independence, and ineffectiveness of the liquidation process for firms. The OL was frequently rendered ineffective by needing to obtain several permissions from the courts at multiple levels, as it resulted in situations where cases involving liquidation were pending for a number of years, occasioning enormous erosion of value in the hands of stakeholders and negating the economic usefulness of company assets.

The Companies Act, 2013 introduced a major change both in philosophy and practice. Heeding the need for a commercially oriented and nimble approach, the legislature shifted the adjudicatory power from the High Courts to the dedicated National Company Law Tribunal (NCLT). This alone helped to correct various systemic inefficiencies by bringing about a tribunal structure that was more endowed with commercial and legal know-how related to corporate matters. The OL's role under the 2013 Act, though maintaining much of the traditional functions like asset realization, fraud investigation, and distribution of proceeds, became more formalized and attuned to the needs of the contemporary corporate sector. The reporting lines of the OL changed from the High Courts to the NCLT, enabling quicker decisions, expert oversight, and procedural streamlining.

A still more transformative evolution, though, was that brought about by the passing of the Insolvency and Bankruptcy Code (IBC), 2016. The IBC established a new generation of insolvency professionals (IPs) who are market-oriented, creditor-appointed, and professionally regulated. IPs substituted OLs in the majority of corporate insolvency resolution and liquidation cases, especially those involving financial creditors. The market-led regime ensured that insolvency proceedings were faster, more efficient, and asset-value maximization oriented. In this regime, the role of the Official Liquidator was comparatively restricted, dealing

with cases outside the purview of the IBC, like voluntary liquidations under the Companies Act prior to 2016 or cases involving companies that do not come within the financial creditor-debtor framework.

However, the Official Liquidator continues to be a vital institution in Indian company law. In cases where companies are being wound up due to reasons like misconduct, regulatory breaches, or government instructions (and not solely financial insolvency), the OL continues to preside over liquidation proceedings. Their functions have also been extended in dealing with aged, pending cases that were shifted from High Courts to the NCLT under transition provisions. Accordingly, although the landscape has changed, the OL remains an integral part of India's hybrid insolvency structure.

The comparative study of the Companies Act, 1956 and 2013 in regards to the Official Liquidator shows there is a definite shift towards specialization, efficiency, and professional responsibility. Whereas the 1956 Act created the office and gave limited statutory powers, it was hobbled by proceduralist thinking, resulting in inefficiency and stakeholder discontent. The 2013 Act, drawing on international best practices and India's vision of a modern economy, sought to reconcile judicial control with administrative efficiency by establishing the NCLT and streamlining the OL's working mechanism.

It should be noted that legal reforms are evolutionary. The Companies Act, 2013 was an interim step that set the stage for the more revolutionary market-driven insolvency resolution procedures under the IBC. Instead of making the OL outmoded, these reforms have repositioned the OL's role into niches where government direction, regulatory compliance, or safeguarding public interest still prevails.

In the future, it is imperative to further develop the institutional capacity of Official Liquidators' offices. Suitable staffing, computerization of liquidation procedures, forensic accounting and

corporate investigation training, and coordination with the regulatory agencies such as the SFIO (Serious Fraud Investigation Office) and Enforcement Directorate can enhance the capability of OLs to make a tangible contribution even in today's insolvency scene. Moreover, precise demarcation of cases to be dealt with by OLs and IPs can provide for optimal utilization of resources and avoid overlaps or jurisdictional ambiguity.

To sum up, the transformation of the Official Liquidator's role from the Companies Act, 1956 to the Companies Act, 2013 is a deliberate and intentional effort on the part of Indian legislators to update insolvency administration. While the relevance of OLs has been curtailed by the IBC's framework, they continue to serve a crucial function in certain areas of corporate liquidation. Their future effectiveness will depend on how well they adapt to modern expectations of efficiency, transparency, and professionalism. Therefore, the Official Liquidator's story is one of transformation, specialization, and ongoing utility within India's corporate regulatory landscape rather than a tale of obsolescence.