

## Comparative Study of Global Best Practices: Role of AI in Pre-Pack Insolvency in the UK, US, and India

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### Abstract

The pre-pack insolvency process has become one of the major tools in global restructuring as it contributes to maintaining operational continuity, minimising value destruction through long and drawn-out administrations, while offering some element of expedite resolution for distressed companies. In the UK and US, pre-pack insolvency has been shaped by decade's worth of legislation changes, court cases and professional practice after maturity. In this context, the introduction of AI in insolvency proceedings has been revolutionary. The utility of AI goes beyond dealing with just another tool for processing technology and becomes a larger structural capacity that can help to understand financial due diligence, demonstrate early-stage distress indicators, automate large scale data reviews, provide increased transparency around process flow and assist practitioners (including courts) in arriving at complex decisions more accurately.

In the UK, AI tools complement regulatory reforms and practitioner-led systems, while in the US, they are integrated into court-centric insolvency procedures, especially in Chapter 11 reorganizations. India, in contrast, is at a nascent stage in both its pre-pack framework, introduced only in 2021 for MSMEs, and its AI adoption in insolvency law. This paper undertakes a comparative study of how AI has been used or could be further leveraged in the UK and US, and identifies lessons that may be drawn for India. The analysis reveals that while the UK emphasizes practitioner accountability and the US emphasizes judicial oversight supported by AI, India must prioritize infrastructural development, regulatory clarity, and professional training to meaningfully adopt AI in its pre-pack framework. By synthesizing global best practices, the paper recommends policy interventions for India to integrate AI into its insolvency system in order to enhance speed, credibility, and fairness in resolution.

**Keywords:** AI, Pre-pack, Insolvency, UK, US, India, Creditors, NCLT, Valuation, Transparency.

### 1. Introduction

Pre-pack insolvency has become particularly important in modern insolvency law as it is hybrid – it combines the expediency of negotiated outcomes with some form of judicial or quasi-judicial rubber stamping. In brief, a pre-pack is an arrangement by which the business and assets of a company in financial difficulties are sold or restructured before insolvency begins – partially (if not entirely) with prior agreement from key stakeholders. This allows the company to retain its going concern value, save jobs and avoid massive asset attrition all of which typically result from lengthy insolvency proceedings.<sup>1</sup>

In contrast to the usual insolvency regime which may be plagued by delay, court backlogs and an 'adversarial bargaining process', pre-packs provide a proactive form of corporate rescue where parties work together before entering into formal legal disputes. This characteristic makes pre-packs uniquely appropriate for economies seeking to improve the investment climate and encourage investor trust.

The emergence of AI technology in pre-pack insolvencies represents an inflection point for how we find, negotiate and implement solutions to corporate distress. AI can analyze large volumes of financial and legal data in real time, identify anomalous patterns in corporate accounts, automate the review of contracts and offer predictive models to forecast a company's risk for default. Such capabilities greatly increase the efficacy of insolvency practitioners, regulators and courts in analyzing relevant data for efficient decision-making.

Relatedly, AI also mitigates vulnerability to abuse and manipulation in the context of pre-packs which have been frequently censured as opaque insider deals across jurisdictions. Through automated due diligence and creditor communication systems, AI has the potential to lend credibility to processes that traditionally hinged on practitioner discretion and subjective assessments.

Internationally, the UK and US offer differing approaches to pre-pack insolvency. The UK's licensed insolvency practitioner led system has the licenced insolvency practitioners at its core and their conduct is framed by a regulatory framework, such as legislation under the Insolvency Act 1986 and Statements of Insolvency Practice (SIP). In the US, on the other hand, Chapter 11 of Bankruptcy Code involves court-driven procedure that is more influenced by a creditor committee and judicial confirmation.<sup>2</sup> Both have, however, been increasingly relying on AI tools that look different in each system. And now, in 2021 itself In India we have a potential opportunity to learn from the implementation of SMEs/Packs abroad with Pre-pack insolvency introduced for MSMEs under Insolvency and Bankruptcy Code.

However, in India, there are several structural issues including inadequate digital infra, delays at insolvency tribunals and limited use of AI to speed up the closing process for accounts. It is thus the goal of this paper to examine global best practices in AI application with respect to pre-pack insolvency (in the UK and US) and understand how these can be transposed into India's changing scenario.

<sup>1</sup> Vanessa Finch, "Pre-packaged Administrations: Bargaining in the Shadow of the Law," *Oxford Journal of Legal Studies* 27 (2007): 281–304.

<sup>2</sup> Gerard McCormack, "Corporate Rescue Law in the UK and US: An Assessment," *International and Comparative Law Quarterly* 54 (2005): 515–541.

### 1.1 Conceptual Framework of Pre-Pack Insolvency

The justification of pre-pack insolvency rests on the hybrid model, which draws together private expediency and public credibility through legal (judicial or regulatory) validation. Unlike ordinary insolvency, which does not start until after the first formal procedures have been taken, a pre-pack involves prior planning and negotiation about what will happen at the outset of an administration. This architecture is designed to preserve going concern value, avoid the costs of litigation and maintain uninterrupted business operations. The model is built around three conceptually-based pillars: speed that mitigates value erosion during periods of delay; transparency, which serves to maintain creditor confidence in the system and accountability, ensuring debtor autonomy while safeguarding creditors.<sup>3</sup> The interplay of the three factors has influenced how different jurisdictions have shaped their pre-pack frameworks with practitioner-driven control as preferred mechanism in UK, judicial oversight becoming central to US market and debtor-in-possession providing backbone cover for MSMEs modelled by India. Advances in Artificial Intelligence contribute to this conceptual frame by strengthening all three of its bases. For velocity, AI-powered predictive analytics can help to anticipate financial distress and open the door for negotiations before it is too late. Disclosure: For disclosure, natural language processing (NLP) and auto due diligence tools are helping insolvency professionals to review contracts and claims of the creditors more quickly and with greater accuracy. From accountability perspective, forensic AI platforms identify anomalies in financial transactions and mitigate insider abuse and undervaluation to address potential criticism on pre-pack cases.<sup>4</sup> Therefore, AI does not change the flavor of pre-pack but reinforces its concept and operation making everything more efficient and credible in a balanced environment. AI embedded in the conceptual design of pre-pack insolvency in developing economies like India can offer a solution to structural data, trust and court related issues.

## 2. Research Problem

The core research issue which forms the basis for this paper is whether or not AI potential can be fully realized in relation to achieving efficacy, transparency and credibility of pre-pack insolvency systems across jurisdictions such as India- enabled to lean from global best practices. Whether pre-pack insolvency will become the recovery instrument of choice for a typical Indian corporate across India remains to be seen from an operating and credible restructuring tool that has been successful in UK. This disjuncture points to a central problem: India's insolvency ecosystem is still evolving even as developed jurisdictions are embracing AI-powered predictive analytics automated due diligence and digital infrastructure to support pre-pack sales. At the same time, pre-packs face criticism for being too secretive and insider-fixated in general across the globe – a contention AI may be able to alleviate through clear scrutiny of systematic due diligence, fair valuation practices as well transparent engagement with creditors. However, AI has its own set of challenges too - the likes of algorithmic bias data privacy concerns, poor infrastructure and regulatory ambiguity at least in a developing economy like India. So, the unanswered question is whether India can successfully introduce AI within its pre-pack regime and how it might draw from or avoid some of UK/US experience to address its own historical structural-institutional constraints. This is a matter of profound importance, not only to the insolvency jurisprudence in India, but also for legal literature internationally as it strengthens the new discourse that 'technology-led corporate rescue' has turned into.

### 2.1 Research Objectives

1. **To examine the pre-pack insolvency frameworks in the UK, US, and India** and analyze the structural, regulatory, and procedural differences that shape their effectiveness.
2. **To assess the role of Artificial Intelligence in insolvency practice**, focusing on its applications such as predictive analytics, automated due diligence, fraud detection, and decision-support systems in pre-pack mechanisms.
3. **To evaluate the challenges and opportunities of integrating AI into India's pre-pack insolvency framework**, considering infrastructural constraints, regulatory gaps, and the readiness of insolvency professionals.
4. **To derive lessons from global best practices** and propose policy recommendations for strengthening India's pre-pack insolvency regime through responsible and effective adoption of AI.

### 2.2 Research Methodology

The research follows a comparative doctrinal and qualitative methodology based on content analysis of statutes, case laws, regulations and scholarship in the UK, US and India. Dogmatic analysis is used to interpret the legislation and regulation of insolvency pre-packs in Insolvency Acts world-wide -UK, US (Chapter 11), India- as well as secondary rules regarding effectuation in practice; professional codes like SIP16 (Statement of Insolvency Practice) advice or regulator pronouncements such as IBBI reports. The qualitative aspect uses academic literature, discussion papers and worldwide studies of the AI use in bankruptcy with a comparative analysis between U.K.'s professional-led model, US court-based approach and India's embryonic pre- pack regime to find out transferable best practices. Since India is also new to pre-packs and their assimilation with AI, this research is largely explorative, drawing heavily on predictive analysis and prescriptive reasoning based on secondary data including fintech trends and case studies of the application of AI in insolvency. The survey is limited to pre-pack insolvency and purposefully ignores other forms of bankruptcy, while the limitations come largely from India's relatively recent regime as well as AI being an emerging technology that constrains empirical evidence/ predictions. However, with the combination of doctrinal, comparative and qualitative approaches this methodology guarantees an exhaustive and trustworthy analysis on how AI will influence the future of pre-pack insolvency in India.

<sup>3</sup> UK Insolvency Service, *The Graham Review into Pre-pack Administration* (2014): 1–74.

<sup>4</sup> *Re T&D Industries plc*, [2000] 1 WLR 646.

### 3. Pre-Pack Insolvency Frameworks: A Comparative Overview

#### 3.1 United Kingdom

The UK is widely considered the “home” of modern pre-pack insolvency where it has become a staple feature of its corporate rescue landscape. Pre-pack administration is based on the Insolvency Act 1986 and allows IPs to agree a restructuring or sale of the business before it enters formal insolvency, implementing that soon after entering into administration. From that, a practitioner-led approach to preserving going concern value through the preservation of jobs and supply chains was developed. But the UK model has long been criticized for being less than transparent, notably in situations of connected-party sales when insiders buy up a business at undervaluation, with concerns over fairness to unsecured creditors. In the meantime, these criticisms were met with controls-driven reforms.<sup>5</sup> The Statement of Insolvency Practice 16 (SIP) sought to make IPs accountable for pre-pack sales by specifying that they should disclose why and how a PPS had been undertaken. More recently, the Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021 mandated that connected party sales must be externally scrutinised. These reforms illustrate the UK’s attempt to strike an appropriate balance between efficiency and creditor protection, increasing transparency without compromising the swiftness and freedom of pre-packs. And crucially the dependence of insolvency on licensed practitioners in the UK makes it a fertile ground for technological intervention. AI tools are starting to be used for due diligence, anomalous financial behavior detection and valuation fairness. By incorporating AI into practitioner workflows, the UK enhances performance and oversight while showing how regulation and technology can mesh in a mature insolvency regime.<sup>6</sup>

#### 3.2 United States

The US has the alternative model of pre-packaged insolvency for that, called Chapter 11 reorganization. Unlike the UK approach, which is focussed on practitioners in control of a formal process, this US system has more litigation built into it with creditor negotiations and court approval. A pre-packaged Chapter 11, called a “pre-pack,” has debtors reaching out to creditors in advance of filing for bankruptcy and working out restructuring arrangements. After obtaining adequate creditor approval, the plan is filed and court confirmation in accelerated fashion. The resulting hybrid marries the expediency of pre-negotiating with the legitimacy injected by judicial supervision, all while minimizing lost time and expense relative to a full-scale Chapter 11 filing.<sup>7</sup> The US system is characterised by heavy creditor committee participation, which means that it tends to be more transparent and fairer than some of the UK-style pre-packs. That does make the process more cumbersome and resource intensive, however. Technology, and especially AI, has taken root in this system as well; no longer do courts, law firms — or financial advisors for that matter — depend solely on advanced digital tools to tackle the complexity of large bankruptcy cases.<sup>8</sup> Artificial intelligence (AI) algorithms power predictive models that estimate the likelihood of default and inform reorganization tactics; natural language processing systems automate scoring on thousands of contracts and creditor claims. AI driven legal research platforms also support the practitioner in analyzing precedence and identifying process risks. The adoption of AI in the US bankruptcy system highlights its readiness to embrace technology evolution within a court-based process, characterising pre-pack reorganizations as not only expeditious but entrenched with judicial approval.

#### 3.3 India

India distinction of pre-pack insolvency is more recent as modern legislation in the form of The Insolvency and Bankruptcy Code (Amendment) Ordinance 2021 introduced a Pre-Packaged Insolvency Resolution Process (PPIRP) only for Micro, Small and Medium Enterprises of India (MSMEs). Unlike the UK and US regimes, India’s pre-pack introduced is nascent in nature and deeply constricted by a number of macro issues confronting its insolvency regime: including but not limited to judicial capacity constraints, procedural delays aggravated further by infrastructural bottlenecks. PPIRP has been designed as a debtor-in-possession mechanism, enabling the promoters to continue running the company while working out a revival plan with creditors. This resolution plan has to be cleared by the Committee of Creditors (CoC) and then approved by the National Company Law Tribunal (NCLT).<sup>9</sup>

Although that approach prioritizes speed and access for smaller businesses, critics said it still suffered an image problem as well-wishers wait on the sidelines because of scepticism from creditors about promoter-led processes and a lack of transparency in valuations. Besides, India does not yet have the digital infrastructure and professional capability to adopt AI tools in a snap. e-filing and virtual hearings) with only modest automation in claim verification—with little sign of AI-based predictive analytics or automated due diligence. However, the opportunity for India to adopt AI is huge. India, with its expanding fintech ecosystem as well as government’s digitization drive and the integration of technology to bring about transparency in various policies, can leverage AI on enhancing creditor trust mechanisms, instead estimate values automatically and speed up resolution. But this will require systemic reforms, regulatory handholding by the Insolvency and Bankruptcy Board of India

<sup>5</sup> UK Insolvency Service, “SIP 16 Monitoring Reports” (various years, esp. 2015–2021).

<sup>6</sup> Thomas H. Jackson and Robert E. Scott, “On the Nature of Bankruptcy: An Essay on Bankruptcy Sharing and the Creditors’ Bargain,” *Virginia Law Review* **75** (1989): 155–204.

<sup>7</sup> Douglas G. Baird and Robert K. Rasmussen, “Chapter 11 at Twilight,” *Stanford Law Review* **56** (2003): 673–699.

<sup>8</sup> Administrative Office of the U.S. Courts, *Chapter 11 Bankruptcy Basics* (Washington, D.C.: U.S. Courts, 2022).

<sup>9</sup> Insolvency and Bankruptcy Board of India (IBBI), *Report of the Sub-Committee of the Insolvency Law Committee on Pre-Packaged Insolvency Resolution Process* (2021): 1–58.

(IBBI), as well immense investment in training insolvency professionals to operate alongside AI technologies.<sup>10</sup> So, although India is still working on its framework, it now has a vital opportunity to embed AI right from the start by drawing lessons from good practices in place in countries such as the UK and US while taking into account their institutional context.

Parameter	United Kingdom	United States	India
<b>Legal Basis</b>	Insolvency Act 1986, SIP 16, Administration (Connected Persons) Regulations 2021	Chapter 11 of the US Bankruptcy Code	Insolvency and Bankruptcy Code (Amendment) Ordinance, 2021
<b>Stage of Development</b>	Mature and widely used	Mature with court-driven flexibility	Recently introduced (2021), limited to MSMEs
<b>Approach</b>	Practitioner-led (Insolvency Practitioner initiates and executes pre-pack)	Court-supervised (debtor negotiates with creditors; plan confirmed by court)	Debtor-in-possession model; CoC and NCLT confirmation required
<b>Transparency Measures</b>	SIP 16 disclosures; Independent Evaluator for connected-party sales	Court hearings, creditor committee oversight, formal disclosure requirements	Public invitation for resolution plans, approval by creditors and NCLT
<b>Role of Courts/Tribunals</b>	Minimal court involvement post-administration unless challenged	Extensive court oversight and plan confirmation required	Tribunal (NCLT) must confirm plan; procedural delays are common
<b>AI Integration Level</b>	Moderate; used in due diligence, valuation analytics, fraud detection by firms	Advanced; AI used in prediction, legal research, document review, financial modeling	Limited; only basic automation (e-filing, case management); no widespread AI use yet
<b>Key Strengths</b>	Speed, practitioner autonomy, regulatory flexibility	Creditor confidence, judicial legitimacy, robust use of technology	Debtor control, cost-effectiveness for MSMEs
<b>Key Challenges</b>	Risk of insider abuse; need for more creditor protection in connected sales	Lengthy negotiations, higher legal costs, complexity in multi-stakeholder coordination	Low adoption, infrastructural gaps, lack of AI-readiness, limited creditor trust
<b>Future Outlook</b>	Likely to deepen AI integration with regulatory compliance tools	Continued AI-driven reform and experimentation within Chapter 11	Opportunity to build AI from the ground up; needs legal clarity and infrastructural investment

**Table 1: Comparative Overview of Pre-Pack Insolvency Frameworks in the UK, US, and India**

#### 4.Role of AI in Pre-Pack Insolvency

AI is transformer of the current insolvency regimes (modern-day) which are otherwise characterized by delay, absence of transparency and high costs. "AI is particularly pertinent in pre-pack insolvency context given speed, valuation certainty and transparency are key which AI addresses at various stages. First, predictive analytics and machine learning models are used to detect early warning signals of financial distress so that practitioners or lenders can intervene before an inevitable collapse. UK providers use AI-based scoring systems, while US financial institutions leverage default prediction models but India's MSMEs do not yet have structured data available to that analysis type and need such digital databases created by the government. It also streamlines due diligence, with NLP tools easily digesting contracts and creditor claims/ filings rapidly so insolvency professionals can concentrate more on strategy than process management.<sup>11</sup> While solutions such as ROSS Intelligence in the US and AI bots being used by law firms based on UK show how technology can increase efficiencies, what also gets highlighted is that India still needs to catch up fast for incorporating these technologies or systems of verification into routine practices. Beyond early-warning and due diligence, AI boosts the integrity of pre-pack by discouraging abuse cases or involving stakeholders. Anomaly detection algorithms underpin the operation of fraud-detection systems, which reveal abnormalities in financial transactions; suppressed related-party dealings or undervalued transfers are not uncommon and have a tendency to limit creditor trust. These tools are already in use in the UK and US, and could be especially useful in India where promoter-led schemes tend to attract skepticism. AI-enabled negotiations AI can also assist in the negotiation process by easing communication through virtual assistants, simulating restructure outcomes and making knowledge available to smaller creditors. Interface Decision-support systems at the last stage monitor compliance with approved plans and assist tribunals in effective resource allocation.<sup>12</sup> The UK's digitalization of company records and U.S. courts' use of AI for case triaging point

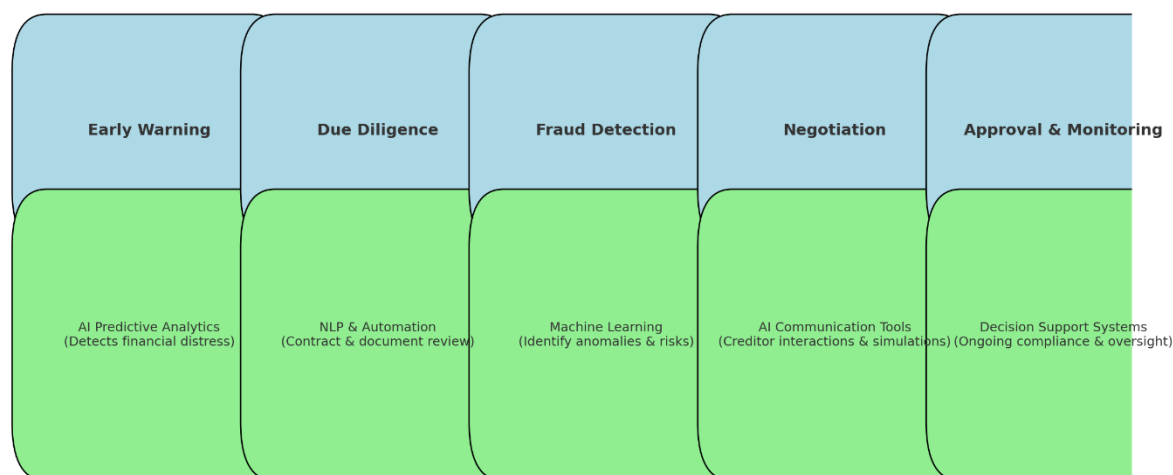
<sup>10</sup> NITI Aayog, *National Strategy for Artificial Intelligence – #AIforAll* (2018): 1–111.

<sup>11</sup> M. E. Ohlson, "Financial Ratios and the Probabilistic Prediction of Bankruptcy," *Journal of Accounting Research* **18** (1980): 109–131.

<sup>12</sup> Andrew W. Lo, "The Gordon Gekko Effect: The Role of Human Nature in the Market," *Journal of Portfolio Management* **30** (2004): 15–28.



to this potential. In India's case, the NCLT backlog could be dramatically reduced if AI-based systems were used for managing cases (with limited monitoring) coached by real judges.



The flowchart above illustrates how AI can be embedded across the entire pre-pack cycle—from early warning to post-resolution oversight—showing that technology is not a mere supplement but a central pillar in creating faster, fairer, and more credible insolvency outcomes.

## 5. Comparative Insights: Lessons for India

Analysing the degree to which AI is embedded into UK and US pre-pack insolvency models (India currently contemplating its own take on a pre-pack regime) throws up some interesting trends. The UK model is also instructive for India on how the regulatory regime must be calibrated to embrace technology. The use of the SIP 16 compliance tools by UK and its varieties of independent review offers a demonstration how AI may add to accountability, if put together with explicit disclosure/rules.<sup>13</sup> Furthermore, LIP-based policies in the UK would enable AI tech to be employed by qualified providers who could balance efficiency with fairness. However, India is yet to standardize the training programme and certified infrastructure for insolvency professionals in order for them to use AI effectively. Practitioner guidelines for AI use It can also be the most efficient way to bring transparency around when something like an AI is moving too fast, especially in due diligence and valuation.<sup>14</sup> The US example shows how AI can entangle debtors with creditors as well as the legal system. Modeling tools to help U.S. creditor committees use AI for its restructuring outcomes, increase participation and decrease post-approval challenges. It can be a blessing for India also as creditors of MSME are not financially literate and by using this technology make it easy to write pre-pack clauses through technology. Moreover, the way US courts are using AI to handle cases and for triage is a template India's NCLTs (and many other) can well emulate: most Indian NCLTs are groaning under pendency-hell. AI and machine learning may help prioritize which concerns are most pressing, track agency compliance and maintain surveillance over how plans perform after approval.<sup>15</sup>

But for India to replicate these successes, it should first invest in digitisation of corporate records and a central database on insolvency that could facilitate public-private partnerships among technologists committed to legal reform projects. These reforms, combined with best international practices can not only ensure that India now has an efficient pre-pack insolvency mechanism back home but also emerge as a regional leader of sorts on the AI-led micro corporate insolvency resolution front.

## 6. Policy Recommendations

### 1. Develop Regulatory Guidelines for AI Integration in Insolvency Practice

The Insolvency and Bankruptcy Board of India (IBBI) should release clear policy guidelines for the use of AI tools in pre-pack proceedings. These guidelines must define the scope of permissible AI applications, such as automated due diligence, fraud detection, and creditor communication, while ensuring safeguards for data accuracy and privacy. A well-structured regulatory approach will give confidence to insolvency professionals, creditors, and the judiciary in using AI responsibly.

### 2. Establish a Regulatory Sandbox for Legal-Tech and Insolvency Startups

To encourage innovation while maintaining oversight, India should establish a regulatory sandbox specifically focused on insolvency-related technologies. Similar to the UK's Financial Conduct Authority (FCA) sandbox, this

<sup>13</sup> UK Government, *Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021*, SI 2021/427 (2021).

<sup>14</sup> *Re Kayley Vending Ltd*, [2009] EWHC 904 (Ch).

<sup>15</sup> Ministry of Law & Justice (India), *e-Courts Mission Mode Project Phase II – Independent Evaluation Report* (2019): 1–120.

environment will allow fintech and legal-tech startups to test AI-powered solutions—like fraud analysis or valuation automation—in real cases under IBBI supervision. It will promote innovation without compromising the legal safeguards necessary in insolvency.

3. **Invest in Centralized Digital Infrastructure for Insolvency Data**

A major bottleneck in India is the lack of structured, accessible, and verified financial data, especially for MSMEs. A centralized insolvency data repository, managed by IBBI or a public-private partnership, should be developed to store company financials, resolution outcomes, and real-time compliance data. Such a platform would facilitate effective use of AI tools, particularly in predictive modeling and monitoring post-resolution compliance.

4. **Train Insolvency Professionals and Tribunal Members in AI Tools**

Adoption of AI requires human readiness. Mandatory training programs and certifications should be developed in collaboration with law schools, ICAI, and technology institutes to train insolvency professionals (IRPs/RPs) and NCLT members. Familiarity with AI-powered tools—like NLP-based contract reviewers or case triage systems—will enhance the quality of resolution and reduce dependence on manual processing.

5. **Deploy AI in NCLTs for Case Prioritization and Monitoring**

NCLTs are currently burdened by a high volume of insolvency cases. AI-powered docket management and triage tools can help classify, prioritize, and track pre-pack matters more efficiently. Moreover, post-resolution AI dashboards can monitor whether companies are complying with approved plans, thereby enhancing enforcement and accountability.

6. **Ensure Ethical and Transparent Use of AI in Decision-Making**

As AI becomes more integrated into resolution processes, India must create oversight mechanisms to avoid algorithmic bias, protect data privacy, and uphold natural justice. Independent audit mechanisms, explainability standards, and human-in-the-loop systems must be mandated wherever AI is used in critical stages of resolution, especially in creditor decision-making or plan assessment.

7. **Conclusion**

Artificial Intelligence is quickly emerging as a central facilitator within insolvency regimes worldwide, and its integration with pre-pack models demonstrates how technology can help simplify historical issues of delay, opacity and expense. In the United Kingdom, AI has supported practitioner-driven reforms by assisting with disclosure rule compliance; used to ensure valuers value more accurately and transparently in connected-party transactions. In the United States, home of the court-led Chapter 11 process AI can make creditor negotiations more effective and expedites document review while allowing adjudicating bodies to handle a large workload. These examples highlight that AI is not just an add-on but a critical factor necessary to achieve the primary purpose of pre-pack insolvency – preserving business value and meeting creditor needs.

For India, the takeaways are stark — and daunting. The prepack framework was notified only in 2021 for MSMEs and is yet to see wider acceptance. AI penetration is still limited, restricted to digitization at most by way of e-filing and virtual hearing. Yet the potential is immense. Implementing predictive analytics for early distress detection, forensic AI tools to sniff fraud and communication platforms to engage with creditors in timely ways would certainly go a long way towards fostering trust and participation among the stakeholders involved within pre-pack processes. At the institution level, an AI-enabled case management system in NCLTs could address systemic delays and miscommunication in insolvency cases using sophisticated algorithms that track cases from filing through completion; with a centralized data base for insolvent entities helping maintain long-term compliance.

The general lesson of the best practices from around the globe is that successful integration of AI relies on both regulatory guidance and professional readiness. India needs to prepare the ground by developing clear guidelines on using AI in insolvency, investing in digital infrastructure and providing training for both IP's and tribunal members. Ethical checks and balances are equally necessary to make sure that AI supplements human judgment without eroding fairness or due process. If adopted, India will be able to leapfrog its way out from the current constraints and set up a strong technology-driven pre-pack insolvency system that is efficient, transparent and trust inspiring for all stakeholders.