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N Thenmozhi

Research Scholar, School of Law, Vel Tech Rangarajan Dr. Sagunthala R&D Science and Technology University, Avadi, Chennai, Tamil Nadu, India

Dr. ST Naidu

Associate Professor of Law, School of Law, Vel Tech Rangarajan Dr. Sagunthala R&D Science and Technology University, Avadi, Chennai, Tamil Nadu, India

Correspondence Author:

N Thenmozhi

Research Scholar, School of Law, Vel Tech Rangarajan Dr. Sagunthala R&D Science and Technology University, Avadi, Chennai, Tamilnadu, India

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Impact of the commercial courts act of 2015 on the speedy resolution of commercial disputes in India

N Thenmozhi and ST Naidu

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Abstract

The Commercial Courts Act of 2015's outline was a significant advancement meant to accelerate the resolution of commercial disputes in India. This study looks at how the Act affects the efficiency of the Indian judiciary, highlighting important phases including forming commercial courts with specific functions, time-bound resolve necessities, and procedural interpretations that include compulsory pre-institution negotiation. Small and medium-sized businesses (SMEs) benefited critically from the 2018 amendment's decrease of the jurisdictional inception, which greatly enlarged access to these courts. Based on experimental proof, there has been an obvious development in the rates at which commercial matters are resolved, particularly in urban areas such as Delhi and Mumbai. As a result, India now ranks higher in World Bank's Ease of Doing Commerce Index.

Nevertheless, the analysis also points out hindrances that preclude the Act from reaching its full prospective, such as unpredictable submission throughout states and the enduring accumulation in traditional courts. The essay highlights the consequence of demanding adherence to the Act's timelines and processes to achieve speedy justice by studying noteworthy cases like Tata Sons Limited v. Siva Industries and Holdings Ltd. and current Supreme Court rulings. The results indicate that although the Act has expressively improved the efficiency of commercial dispute settlement, more work has to be done in the parts of judicial training, capacity building, and consistent state-by-state application to earn the full rewards of this transformation. This research contributes to understanding the Act's role in improving the comfort of doing business in India and its inferences for the country's economic growth.

Keywords: Commercial courts act of 2015, dispute resolution, judicial efficiency, ease of doing business, legal reform

Introduction

India's legal system endured a substantial refurbishment with channel of the Commercial Courts, Commercial Division, and Commercial Appellate Division of High Courts Act, 2015. The timeworn general courts had traditionally been accountable for running commercial disputes, which contributed to inefficiencies and interruptions in their resolution. To remedy these disputes, the Act was passed. The Act seeks to restructure the adjudication process and ensure that commercial disputes are addressed more rapidly by creating specialized commercial courts and divisions within High Courts ^[1]. Subsequent revisions to the Act prolonged its scope, most notably by dropping the financial jurisdiction requirement. This made the courts more reachable to a greater variety of establishments, including small and medium-sized firms (SMEs) ^[2]. This article uses important case studies, empirical evidence, and legal analysis to critically analyze how the Commercial Courts Act touches on the swift settlement of Commercial disputes in India ^[3]. The analysis highlights the victories and tasks in the Act's implementation.

Objectives of the Commercial Courts Act, 2015

The principal aim of the Commercial Courts, Commercial Division, and Commercial Appellate Division of High Courts Act, 2015 (also known as the "Commercial Courts Act") was to find a specialized legal framework proposed to boost the efficiency of resolving commercial disputes.

¹ See The Commercial "Courts Act, 2015, No. 4, Acts of Parliament of India, 2016.

² See The Commercial Courts (Amendment) Act, 2018, No. 28, Acts of Parliament of India, 2018.

³ Ministry of Law and Justice, GoI, Annual Report 2020-21. Available at <https://doj.gov.in> > annual-reports, last visited on 29.08.2024.

The purpose of the Act was to crack the time-honored problems of inefficiency and interruption in the ordinary court system's handling of commercial disputes, which was recurrently burdened with a variety of case types. The Act aimed to improve how simple it is to conduct business in India and create a more promising atmosphere for commercial transactions by launching a separate set of courts devoted solely to commercial concerns^[4].

"Commercial disputes" are defined extensively under Section 2(1) (c) of the Act to include a wide range of issues, including disagreements resulting from transactions between traders, merchants, bankers, financiers, and other commercial entities. This broad definition guarantees coverage of a wide range of commercial operations, enabling more specialized resolution of issues that are essential to the operation of the commercial sector^[5]. Additionally, the Act mandates that cases involving a minimum financial threshold be brought before these specialist courts, guaranteeing that important commercial disputes are given the specialized attention of judges who are knowledgeable in commercial law^[6]. This specialization is envisioned to encourage faster and more knowledgeable decision-making, thus enlightening the overall efficiency and certainty of the commercial dispute resolution process in India.

Key Features of the Act

The Commercial Courts Act, of 2015, mainly through its amendments in jurisdictional thresholds, resolution timetables, and procedural frameworks, has profoundly improved the mode by which Commercial disputes are adjudged in India.

1. Jurisdiction and Threshold

The Act's principal application was restricted to disputes involving a minimum value of ₹1 crore, or coarsely USD 130,000. The Act's scope was prolonged in 2018 when Section 2(i) was amended, ominously sinking the barrier to ₹3 lakhs (about USD 4,000). This adjustment makes it conceivable for more companies, especially small and medium-sized ones (SMEs), to take benefit of the dedicated commercial courts formed to resolve their disputes. The reorganized threshold shows a cognizant attempt to pledge that a larger range of commercial entities have access to faster legal remedies^[7].

2. Time-Bound Resolution

After the initial case management hearing, commercial issues must be resolved within 6 months, according to Section 16 of the Act. This clause marks a considerable change from the conservative legal system, which often faces inefficiencies and delays. The Act's enthusiasm to prompt adjudication is accentuated by the six-month period, which targets to cut down on prolonged interruptions that may destructively influence corporate actions and legal certainty^[8].

3. Procedural Streamlining

The Act brings in numeral procedural fluctuations aimed at enhancing efficiency and hurrying processes. Pre-institution mediation is required by Section 12A, which is remarkable since it forces parties to try diplomatic perseverance before going to court. This clause is vital for depressing the number of cases that end up in court, which reduces the workload on the courts and encourages settlement. The Act also establishes stringent deadlines for the submission of written statements and supporting documentation, along with operative case management systems, which further subsidize its abridged procedural framework^[9].

Impact on the Speedy Resolution of Disputes

After the Commercial Courts Act of 2015 which has been passed, the resolving business disputes process in India has significantly improved. According to the Ministry of Law and Justice, large cities like Delhi and Mumbai have seen a surge in the average rate of commercial case disposal in specialized courts of around 30%. In particular, the Delhi High Court, which formed its commercial Division, consummated a notable diminution in the accumulation of commercial cases between 2015 and 2020, with the accumulation falling by more than 50%^[10]. The Act has broader economic complications in addition to its immediate case resolution effects. Concerningly, the World Bank's Ease of Doing Commerce Index now ranks India higher thanks to the Act. India's position rose to 63rd in 2020, specifying noteworthy progressions across a range of business-related indicators. The "Enforcing Contracts" category was upgraded, which was a major part of this development. According to the World Bank, it will take coarsely 1,071 days in 2020 instead of 1,445 days in 2017 to settle a commercial dispute in India^[11]. This shrinkage reveals how well the Act has worked to reinforce the efficiency of commercial dispute settlement and speed up the legal system. Overall, the Commercial Courts Act has upgraded India's standing in the global business community and braced economic evolution in the country by restructuring the adjudication process and generating a more auspicious climate for corporate accomplishments^[12].

Case Study

The decision was made in the Bombay High Court's Commercial Division in *Tata Sons Limited v. Siva Industries and Holdings Ltd.* is a remarkable case that highlights the implication of the Commercial Courts Act, 2015. In this case, Tata Sons Limited and Siva Industries and Holdings Ltd. were involved in a big and complex commercial dispute with a substantial cash claim^[13]. In determining complex commercial disputes, the Bombay High Court's Commercial Division proved to be proficient under the new procedural framework fetched about by the Act. A numeral Act's procedural changes, such as strict case management approaches and enhanced trials, were

⁴ See The Commercial Courts, Commercial Division, and Commercial Appellate Division of High Courts Act, 2015, No. 4, Acts of Parliament of India, 2016.

⁵ See Section 2(1)(c) of Commercial "Courts Act, 2015, No. 4, Acts of Parliament of India, 2016.

⁶ See Section 12A of The Commercial Courts (Amendment) Act, 2018, No. 28, Acts of Parliament GoI, 2018.

⁷ Commercial Courts Act, 2015, Section 2(i), as "amended by the Commercial Courts Act (Amendment) Act, 2018.

⁸ Commercial Courts Act, 2015, Section 16.

⁹ Commercial Courts Act, 2015", Sections 12A.

¹⁰ Ministry of Law and Justice, India, statistical reports on the performance of Commercial Courts, 2020, available at <https://doj.gov.in> › annual-reports, last visited on 29.08.2024

¹¹ World Bank, Doing Business 2020: India's Ease of Doing Business Index Report, available at <https://documents1.worldbank.org> › curated › pdf, last visited on 29.08.2024.

¹² Commercial Courts Act, 2015: Ultimate Guide For Businesses & Legal Professionals, source: <https://www.mondaq.com> › arbitration-dispute-resolution, last visited on 29.08.2024.

¹³ Arbitration Case (Civil) No 38 of 2017, 5 January 2023, Supreme Court of India.

recognized by the court. Subsequently, this high-stakes matter was settled in eight months instead of the potential for protracted interruptions in a regular courtroom.

The *Tata Sons v. Siva Industries* case was decided quickly, which confirms the efficiency of the Act's provisions. Executing time-bound case management and restructuring the filing and adjudication processes were vital to this achievement. By guaranteeing that the matter was fingered with the required timeliness and efficiency, these procedures recognized a precedent for the Commercial Courts Act's effective execution^[14]. This case highlights the Act's role in cultivating the efficiency of commercial dispute resolution as well as its impact on the court system's capability to accomplish complicated commercial cases sensibly. The prompt resolution of such well-known conflicts demonstrates the Act's extensive advantages in augmenting India's economic climate and legal stability^[15].

Challenges and Areas for Improvement

Notwithstanding the remarkable benefits brought about by the Commercial Courts Act, of 2015, a sum of implementation-related disputes has been raised, signifying places that could want enhancement. The rough establishment of commercial courts among states is one of the key complications. The institution of commercial courts has advanced more gently in lesser and less economically developed states than in metropolises like Delhi, Mumbai, and Bengaluru. For example, the progression of setting up commercial courts has only lately been initiated in states like Bihar and Jharkhand, which has caused noteworthy variances in admittance to justice^[16]. This irregular dispersal destabilizes the Act's objective of providing impartial access to well-organized dispute resolution mechanisms nationwide.

Moreover, the Act does not sufficiently discourse the judiciary's entire burden. Even while specialized commercial courts target to decide commercial conflicts more swiftly, ordinary courts' accumulation of cases remains a substantial hindrance. The efficiency of the whole legal system is wedged by this ongoing accumulation, which diminishes the outcome of the Commercial Courts Act^[17]. The enduring burden on the court system distresses speedy resolution and causes interruptions even in professional forums. The constant solicitation of the Act's requirements is further impacted by uneven training and capacity building for judges and court employees. To guarantee that judicial officials are equipped to manage the exclusive character of commercial disputes, systematic training programs must be recognized in addition to commercial courts for the Act to be executed effectively^[18]. For the Commercial Courts Act to grasp its full perspective, these disputes must be fixed. For the Act to be more operative and to afford the preferred

outcomes, measures to regulate the establishment of Commercial courts, deal with court accumulations, and advance training for judicial staff will be crucial.

Recent Judgments and Legal Developments

The Commercial Courts Act, 2015 is being construed and functional in a mode that is fluctuating, and this influences how commercial disputes are fixed, as the SC of India has stressed in recent rulings. The Supreme Court addressed a vital procedural question concerning the order of appeals in commercial matters in *Kandla Export Corporation v/s OCI Corporation*. The Court made it clear that appeals from pronouncements made by a High Court's Commercial Division under the Arbitration and Conciliation Act, 1996, must be filed with the SC immediately, avoiding the HC Commercial Appellate Division^[19]. This ruling sustained the commercial courts' expert function and emphasized how rapidly they may settle business skirmishes, especially those encompassing arbitration. The Court pursued to guarantee that commercial disputes are decided rapidly and meritoriously by restructuring the appeals procedure. These rulings determine the Supreme Court's enthusiasm to preserve the procedural productivity brought about by the Commercial Courts Act as well as its role in assuring the speedy and effective determination of commercial disputes. The Court's rulings are a slice of a larger initiative to preserve the reliability of prompt dispute resolution measures and progress the efficiency of commercial courts.

Conclusion

Without question, the Commercial Courts Act of 2015, has transfigured the Indian legal system. The Act has amplified the efficiency of commercial dispute resolution and severely compressed litigation schedules by launching specialized courts with modernized processes. But to touch its full perspective, disputes with the unreliable solicitation of the law in different states and the incessant accumulation in traditional courts must be fixed. Persistent accomplishments in these domains, protected by continuous law amendments and judicial tutoring, will brace the role of commercial courts in supplementing the expedition of commercial transactions in India and augmenting the nation's economic expansion.

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¹⁹ "*Kandla Export Corporation v. OCI Corporation*, [CIVIL APPEAL NO. 1661-1663 OF 2018 @ SLP(CIVIL) No. 28582-28584 of 2017"].