AILF INSIGHTS · COURTS AND DELAY

What court delay costs the Indian economy

Slow dispute resolution raises the cost of credit, discourages investment and hurts small businesses most. The economic case for faster justice in India.

Judicial delay is usually discussed as a problem of justice. It is equally a problem of economics. Each year a dispute remains undecided, money, land and effort stay idle.

How delay turns into cost

Capital is locked. A contractor waiting to be paid cannot bid for the next project. A lender waiting to enforce security cannot lend again.

Credit becomes dearer. Where recovery is slow and uncertain, lenders charge more and lend less, especially to small businesses without strong collateral.

Contracts are written defensively. Parties demand advances, guarantees and personal sureties because they do not trust enforcement.

Investment is postponed. Investors price in the risk that a dispute will take years.

Land stays unused. Property under litigation cannot be sold, mortgaged or developed.

Dishonesty pays. When breach has no timely consequence, the party in the wrong gains from delay.

Who bears it most

Large companies can afford arbitration clauses, legal teams and the wait. Small and medium enterprises cannot. A delayed payment of a few lakh rupees can close a small business. The burden of delay falls hardest on those least able to carry it.

The scale

Various studies have estimated the cost of judicial delay to India at a meaningful fraction of national output each year. The exact figure is debated. The direction is not. With more than five crore cases pending, the amounts tied up in litigation are very large.

What companies pay to manage disputes

Part of the cost shows up in company accounts. Listed companies in India reported legal expenses of about ₹97,664 crore in FY2026, on data compiled by The Economic Times, against about ₹25,832 crore in FY2014. Larsen & Toubro, a construction group with a large arbitration docket, reported ₹1,615 crore in FY2025, up from ₹912 crore in FY2022. Sun Pharmaceutical, with heavy litigation abroad, reported ₹3,261 crore. Not all of this is caused by delay, but disputes that run for years are a large part of it.

What reduces the cost

- **Commercial courts that keep to timelines.**
- **Arbitration and mediation** that work as real alternatives.
- **Fast enforcement.** A decree that cannot be executed is worth little, and execution proceedings are often slower than the suit.
- **Insolvency resolution within statutory time limits.**
- **Prompt payment by government** to its contractors and suppliers.
- **Realistic costs awards** that remove the profit from delay.

What firms can do for clients

- Draft contracts with clear dispute clauses and practical remedies.
- Advise early settlement where the economics favour it.
- Pursue interim relief and summary procedures where available.
- Give honest estimates of time and cost.

The national argument

India seeks investment in infrastructure and manufacturing on a historic scale. Improving the speed of enforcement is among the least expensive ways to make that capital cheaper and more willing. A rupee spent on courts and tribunals is returned many times over in activity that would otherwise wait.

Faster justice is not only fair. It is growth policy.

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