

Homebuyers as Financial Creditors: A Study of Real Estate Inclusion under Bankruptcy Law

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Article Info	ABSTRACT
Article History: Received Apr 13, 2026 Revised May 12, 2026 Accepted Jun 15, 2026	Insolvency denotes the absence of resources to satisfy a loan obligation. It results from the inability of an individual, business organisation or association to meet its debt's time obligations. Conversely, bankruptcy is a legal procedure which takes place when a natural person or business entity cannot meet their outstanding obligations. Bankruptcy may be initiated through an application to the court, made by the parties who owe money to the creditor(s). However, there is considerable variation across nations regarding the procedures to be followed when making a bankruptcy application. This research investigates whether there is a gap in regard to intention and actual purchasing behaviour of green housing (GH) and suggests how to close that gap. The research model was based on the Theory of Planned Behaviour (TPB) and extended with environmentally related trust and concern for the environment. A survey was used to collect data from 450 individuals/future homebuyers located in Shandong, PR China in order to test the research model. The study results provide evidence that there exists a significant gap between intentions to purchase and actual purchasing behaviour in terms of GH consumption. In addition, the gap was positively moderated by trust in green (environmentally friendly) housing; however, concern for the environment did not significantly moderate the gap in this study. The authors conclude from a sustainable urban development perspective that enhancing consumers' trust in green housing will provide a means to enhance actual purchasing behaviour of green housing and ultimately support the greater introduction of green buildings into society.
Keywords: Bankruptcy, Financial Creditors, Encouraging green housing (GH), Intention-behavior gap, Philosophy of planned behavior	
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1. INTRODUCTION

Before the Insolvency and Bankruptcy Code (IBC) was introduced, the Companies Act of 1956 governed how companies in India would be liquidated when they were no longer able to pay their debts. Prior to the introduction of the IBC, the Companies Act of 1956 was primarily concerned with the winding down of a business. Whenever a company became unable to pay its

debts, creditors could apply to the High Court (now the National Company Law Tribunal) to have it wound up [1]. The way this was done was based on a traditional view of a company, and judges were given a lot of discretion to determine whether or not to wind up an entity and to determine the process through which a company would go through bankruptcy. The process under the Companies Act was not only tedious and lengthy; it only provided for liquidation of the company and did not provide for the possible revival or resolution of the company.

The Sick Industrial Companies Act (SICA) of 1986 was developed to alleviate this issue. A Board of Industrial and Financial Reconstruction (BIFR) was also set up under SICA to approve a plan of rehabilitation for "sick" businesses [2], defined as companies whose accumulated losses at the end of a fiscal year equal or exceed their entire net worth. One of the most significant features of SICA was that it imposed a moratorium on legal proceedings against companies while their rehabilitation scheme was being prepared and approved. Unfortunately, SICA was not very effective; many companies were able to remain under the protection of the moratorium for long periods without developing successful rehabilitation schemes.

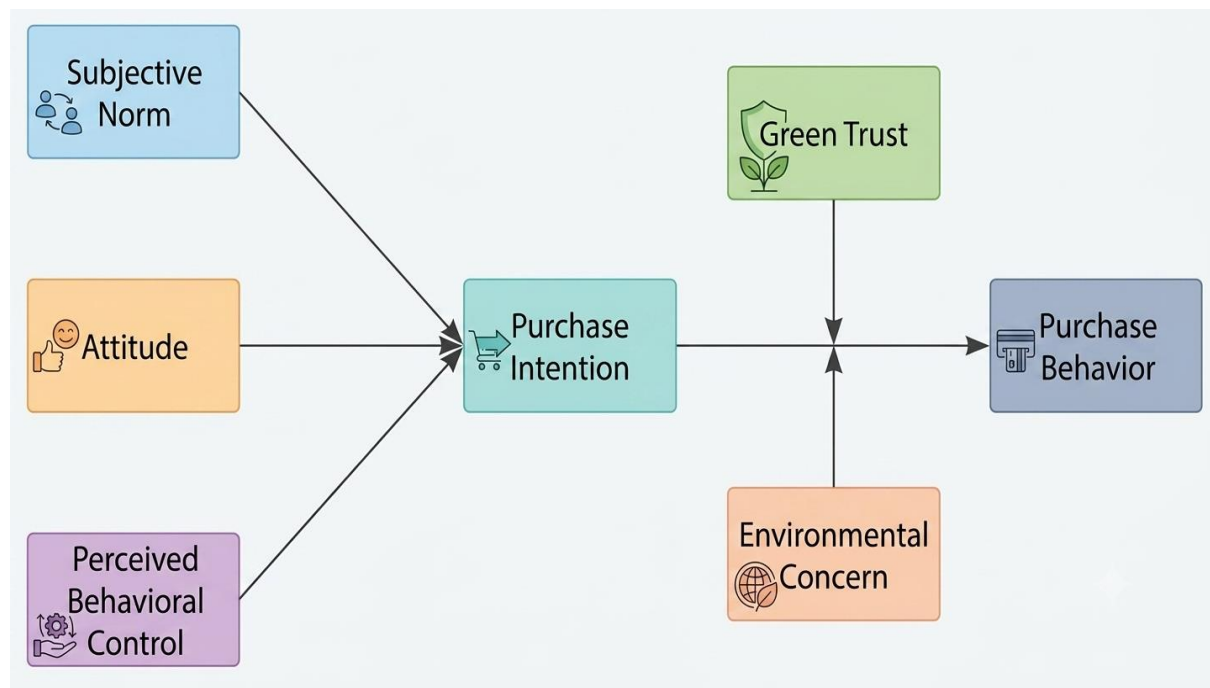


Figure 1. The GH Purchasing Intention-Behavior Gap Theory Model

The Research Model as shown in Figure 1. The Theory of Planned Behavior's (TPB) historical applicability regarding the relationship between intention and action as it relates to green consumption has been debated over several decades by various researchers. Recent studies cite additional variables (constructed by modified TPB's) to more accurately predict or close this gap between intention and action while reinforcing intention-actualization. In order to correctly determine GH consumption behaviour [3], it is important to consider the additional variables of both green trust and environmental concern. The more trust a consumer has in GHs will translate into a greater likelihood that they will choose a GH from a perceived standpoint of superior performance, quality, and healthiness as compared to non-GH products [4]. When environmental concern increases for consumers, new increases occur in their preference for green products including GHs since they provide environmentally friendly designs and energy efficiency materials. The more environmental concern one has, the greater the intention and behavior there will be to purchase GHs. Thus, a new model will be proposed based on an evolved TPB which

documents the intention versus behavior gap regarding GH purchases and how green trust or environmental concern affects this relationship.

2. LITERATURE REVIEW

Although they are sometimes mistaken for one another, the difference between the two meanings is fundamental: bankruptcy as an effect; and insolvency as a condition. The legal definition of insolvency involves an excess of liabilities over the value of assets and means that the individual or business is unable to generate sufficient cash flow from the company's operations to pay their liabilities when they are due. Once an individual determines they will not have sufficient cash flow and cannot meet their obligations, they will normally file for bankruptcy under the Code [5]. They then seek relief from the government to help satisfy their obligations to their creditors. The primary purpose of this article is to provide an overview of financial creditors, operational creditors, jurisdiction, and the significance of home buyers under the Indian Bankruptcy Code.

By allowing and enabling authorized debtors to modify their primary residential mortgages, consumer bankruptcy legislation can fulfill the pressing needs of poor and disadvantaged communities for fair housing [6]. It also can serve as a primary component and delivery method of strategies for wealth-building and retention to serve the purposes of long-term and permanent improvement and remediating economic injustices associated with homeownership. As such, when viewed as a method of restoring economic prosperity rather than just as a means of providing a temporary release from financial hardship, consumer bankruptcy is capable of addressing the structural issues surrounding racial and economic disadvantage in creating chronic economic subordination by virtue of home ownership. In this respect, consumer bankruptcy can also serve as a means of providing a fresh start and an adequate remedy to financially distressed consumers who are suffering from the economic hardship caused by unlawful and discriminatory mortgage lending practices contributing to or exacerbating the financial hardship of such consumers.

This article is a synthesis of case studies done by several different organizations; in particular, they include private lenders, lender consortia, and nonprofit community organizations that provide mortgage financing in underserved markets. The focus is on how these organizations have successfully attracted, qualified, and retained new homebuyers through their respective strategies [7]. The case studies demonstrate a range of strategies used by these organizations to address imperfections in the marketplace (related to information, discrimination, and financial characteristics) that serve as barriers to homeownership. Although there are expanded opportunities for homeownership through these strategies, there are still some challenges faced by organizations as they try to encourage homeownership and community development for low-income and minority households. There is also tension between the trend towards standardization and new, efficient business practices in the industry versus the customized and typically more expensive programs required to solve the many barriers to homeownership and community development experienced by underserved households and communities. In addition to this tension between business practices, the gap in the distribution of risks and rewards within the United States' primary socioeconomic institution, homeownership, continues to be evident.

This paper details all of the major amendments in Indian history regarding Bankruptcy and includes each Act's requirements [8], how it works and what happens after it is passed into law. Each Act's pros and cons are identified in detail as well with each phase of the current Bankruptcy changes explained in easy to understand steps. It includes an analysis of one of the most well-

known Bankruptcies that occurred under current law to highlight some of the issues and problems with the current Bankruptcy System.

The data indicates that between 2012 to 2018 there was a substantial difference in the probability of transitioning from being a non-mortgage holder to a mortgage holder in the same time frame [9]. Based on their transition behaviors, it can be concluded that Blacks were only approximately 0.5 times as likely and Hispanics were only approximately 0.67 times as likely as Whites were to transition to a mortgage between 2012 and 2018. The Blinder-Oaxaca decomposition approach using nonlinear regression techniques has been employed. When calculating the differences between White and Black people in the transition from non to mortgage holders, it was found that differences in credit characteristics between Whites and minorities account for a significant portion of the reduction in transition rates; however, other components accounted for the difference in transition rates between Whites and Hispanics versus Blacks. Geographic location is an important component of this difference accounting for a significant portion of the White–Hispanic transition rate but household composition and income growth for the same period of time were more important in explaining the difference between Whites and Blacks in their transition to mortgages.

3. METHODS AND MATERIALS

3.1 Purchasers of Homes as Lenders

At launch, the IBC did not grant homebuyers with either financial or operational creditor status and therefore made them ineligible for any COP proceedings against real estate firms to whom they had sent funds while reserving apartments against the promise of being delivered an apartment once completed [10]. Because of IBC's different treatment of all persons providing goods/services and employees as operational creditors while disallowing homebuyers who provided large amounts of money toward purchasing their apartments as creditors created an anomaly in coping with this type of debtor in the IBC framework. As a result, homebuyers were forced to seek relief from the judicial system.

3.2 Legal precedents regarding homebuyers' status prior to the 2018 Amendment Act

The IBC was not intended to apply to homebuyers as defined; for example, a delay in possession of real property cannot constitute an operational creditor, as there are no good or services provided by homebuyers for which payment is owed [11]. The NCLAT further found that operational debt under the IBC does not apply to anything other than a financial obligation. The definition of operational debt is limited to that portion of Section 5(21) of the IBC.

Additionally, the NCLT has found that operational creditors under the IBC are limited to those providing goods, services, employment, and crown obligations; homebuyers do not provide goods or services [12]. The NCLT felt that because the advance model contracts provided neither time value of money whatsoever nor any guarantee of return to home buyers, that these advanced payment amounts made home buyers ineligible for the definition of financial creditor. The court relied on *Anil Mahindra vs. Earth Organics Infrastructure* [16] primarily because it was emphasised for exception scenarios where evidence produced by the parties indicated a timeline had been agreed false lease payments as an indicator of secured returns to the home buyers by the developer. The NCLAT found contrary to the NCLT, by had established that any amount raised by developers through secured return agreements was considered to be in essence "borrowing transactions" in light of its usage of "commitment charges" under "financial costs" on an annual basis. Therefore,

the home buyers are shown as financial creditors within the purview of Section 5(7) of IBC as per the accounting in the developers' Annual Reports [13].

4. IMPLEMENTATION AND EXPERIMENTAL RESULTS

The use of Structural Equation Modelling (SEM) in the field of consumer psychology and behaviour research has become extremely popular, especially when working with data derived from a questionnaire [14]. A significant amount of evidence indicates that SEM methodology is appropriate for multivariate regression analysis, and this applies equally to both exploratory and confirmatory research. There are two primary methodologies for estimating structural equation parameters: Covariance-Based Structural Equation Modelling (CB-SEM), which employs maximum likelihood estimation, and Partial Least Squares Structural Equation Modelling (PLS-SEM). PLS-SEM has been determined to be the more suitable of the two methodologies for conducting exploratory or comprehensive research models compared to CB-SEM; thus, in this study, PLS-SEM was used to assess the research model. Validation of the research hypothesis was performed by first analysing the measurement model for its reliability and validity and then the structural model was assessed.

4.1 Evaluation of Measurement Models

To evaluate the reliability and validity of measurement models, the Smart-PLS software version 4.1.0.9 was used. Outer loadings (the result of original outer loading values) were examined at a cut-off of 0.708 [15]. The outer loadings for all items were within this range of 0.794-0.914 and show that all indicators satisfy the requirements to survive. Construct reliability is determined through the composite reliability (CR) and Cronbach's α measure of reliability. The results provided in Table 3 show that the Cronbach's α and CR values for each of the constructs exceeded the cut-off value of 0.70, which indicates that the constructs exhibit satisfactory reliability. The certification of convergent validity of each measurement through AVE was also computed. The AVE for all constructs was also met since it exceeded the cutoff value of 0.5 which, in addition to supporting both measures of reliability, further supports adequate levels of convergent validity.

Table 1. Construct Reliability and Validity

Constructs	Item	Outer Loading	Cronbach's α	CR	AVE	VIF
Subjective Norm	SN1	0.889				2.253
	SN2	0.872	0.837	0.838	0.755	2.015
	SN3	0.845				1.782
Attitude	ATT1	0.850				1.756
	ATT2	0.862	0.782	0.784	0.697	1.848
	ATT4	0.791				1.449
Perceived Behavioral Control	PBC1	0.862				2.039
	PBC2	0.884	0.842	0.847	0.759	2.045
	PBC3	0.867				1.919
Green Trust	GT1	0.892				2.648
	GT2	0.874	0.899	0.902	0.767	2.554
	GT3	0.858				2.289
	GT4	0.879				2.637
Environmental Concern	EC1	0.889				2.758
	EC2	0.887	0.902	0.903	0.773	2.737
	EC3	0.875				2.588

Two methods can be used to evaluate discriminant validity. First is using the Fornell-Larcker criterion (FLC), shown in Table 4 [16], and second is using the HTMT criterion for additional analysis. The upper off-diagonal values of the table represent the correlation between constructs, with values below the minimum threshold of 0.9. Additionally, the diagonal values (the square root of the AVE) verify adequate discriminant validity since each square root AVE is greater than the squared correlation of constructs represented in the off-diagonal values in parenthesis. Both assessments provide ample evidence for establishing that all constructs have adequate discriminant validity. Thus, the results of this study establish reliability, validity, and discriminant validity of all constructs.

Table 2. HTMT Ratios and Fornell-Larcker Criterion Analysis

	SN	ATT	PBC	GT	EC	PI	PB
SN	0.869						
ATT	0.595 (0.481)	0.835					
PBC	0.502 (0.424)	0.385 (0.312)	0.871				
GT	0.167 (0.146)	0.229 (0.193)	0.140 (0.123)	0.879			
EC	0.291 (0.254)	0.307 (0.258)	0.325 (0.284)	0.774 (0.697)	0.879		
PI	0.834 (0.664)	0.825 (0.635)	0.706 (0.567)	0.337 (0.279)	0.152 (0.128)	0.821	
PB	0.501 (0.434)	0.514 (0.429)	0.419 (0.365)	0.807 (0.726)	0.752 (0.675)	0.721 (0.593)	0.907

4.2. Assessment of Structural Models

The structural model was evaluated in terms of the goodness of fit indices and testing the proposed hypotheses. Multi-collinearity was assessed using variance inflation factors (VIFs) among the variables and the VIF values ranged from 1.449 to 2.775, therefore they are relatively low. Therefore, these VIFs do meet the conservative criterion of three for the presence of multi-collinearities. Next, R2 values were examined, with PI having an R2 value of 0.642 and PB having an R2 of 0.784 (PI's R2-adjusted = 0.639 and PB's = 0.782). Overall, the R2 values suggest the structural model is a good explanation of the data. As one of our objectives is to assess the intention-behavior gap and the moderating effects of green trust and environmental concerns, use of R2 is preferred over Q2 as an indicator of "explanatory modeling efforts" [17]. When we apply a blindfolding procedure to determine Q2 values for the purposes of evaluating endogenously structured criteria, we obtain Q2 values of 0.425 (PI) and 0.638 (PB). Since both of these values are significantly greater than 0.35, it is indicative of strong predictive relevance for the relationship between exogenous and endogenous variables in our research model - that is, the model has very high levels of predictive relevance. With a clear plan of action, we also conducted bootstrapping analyses as a means of evaluating the statistical significance of each coefficient for the proposed paths in our research model using 5,000 re-samples [18].

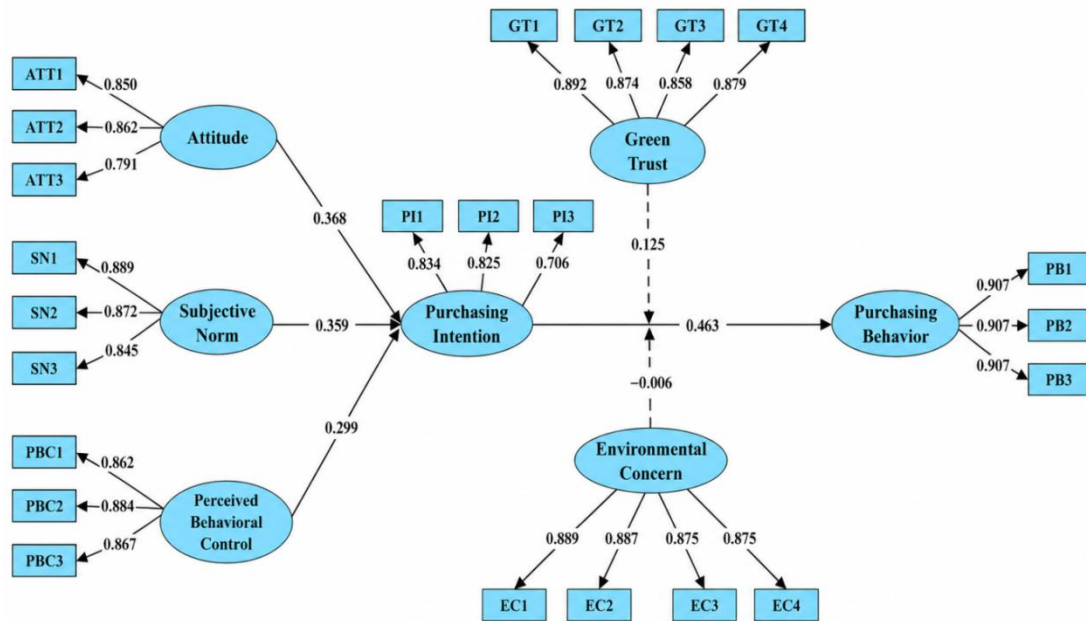


Figure 2. SEM Route Analysis of the GH Purchase Intention-behavior Gap

Figure 2 displays the SEM path analysis diagram. All hypotheses were confirmed except H6 (according to Table 5) [19]. The results show that there were positive effects on purchasing intentions from subjective norms ($\beta = 0.359$, $p < 0.001$), attitude ($\beta = 0.368$, $p < 0.001$) and perceived behavioral control ($\beta = 0.299$, $p < 0.001$). This means that the first three hypotheses (H1, H2, H3 respectively) are confirmed by the findings. Moreover, the effect of purchasing intention on actual purchasing behavior was also found to be significant ($\beta = 0.463$, $p < 0.001$) confirming hypothesis H4, indicating strong purchasing intention increases actual purchasing behaviors significantly. The analysis shows that green trust moderated the relationship between consumer's purchasing intentions and their actual purchasing activity ($\beta = 0.125$, $p < 0.001$) thus indicating that green trust plays an important role in bridging the gap between intention and behaviour. In contrast to green trust, the results show that environmental concern did not significantly moderate the relationship between consumers' purchasing intentions and purchasing behaviour ($\beta = -0.006$, $p > 0.05$) therefore not confirming hypothesis H6.

Table 3. Testing Hypotheses

Relationship	Path Coefficients (Effect Size f^2)	Confidence Intervals (Bias-Corrected, 97.5%)	T-Statistics (p -Value)
SN $\rightarrow$ PI	0.359 (0.247)	[0.282, 0.434]	9.239 (<0.001)
ATT $\rightarrow$ PI	0.368 (0.285)	[0.294, 0.442]	9.757 (<0.001)
PBC $\rightarrow$ PI	0.299 (0.201)	[0.228, 0.368]	8.382 (<0.001)
PI $\rightarrow$ PB	0.463 (0.857)	[0.403, 0.525]	14.887 (<0.001)
GT $\rightarrow$ PI $\rightarrow$ PB*	0.125 (0.048)	[0.054, 0.193]	3.501 (<0.001)
EC $\rightarrow$ PI $\rightarrow$ PB*	-0.006 (<0.001)	[-0.086, 0.069]	0.144 (0.885)

4.3. Analysis of Moderating Effects

To analyze how the level of green trust moderates the relationship between green trust, purchase intention and purchase behaviours, Smart-PLS 3.0 used simple slope testing. In this case, Green Trust is the moderating variable. To create the high score group, add one standard deviation (1 SD) to the mean score of all respondents. To create the low score group, subtract one standard deviation from the average score of all respondents. Since no significant effect of Environmental Concern as a moderator variable was found between Purchase Intention and Purchases, the Simple Slope Test was not done. Thus [20], any purchase intentions for consumers do have moderating influences as well as controlling influences on the purchase–purchase behaviour relationship.

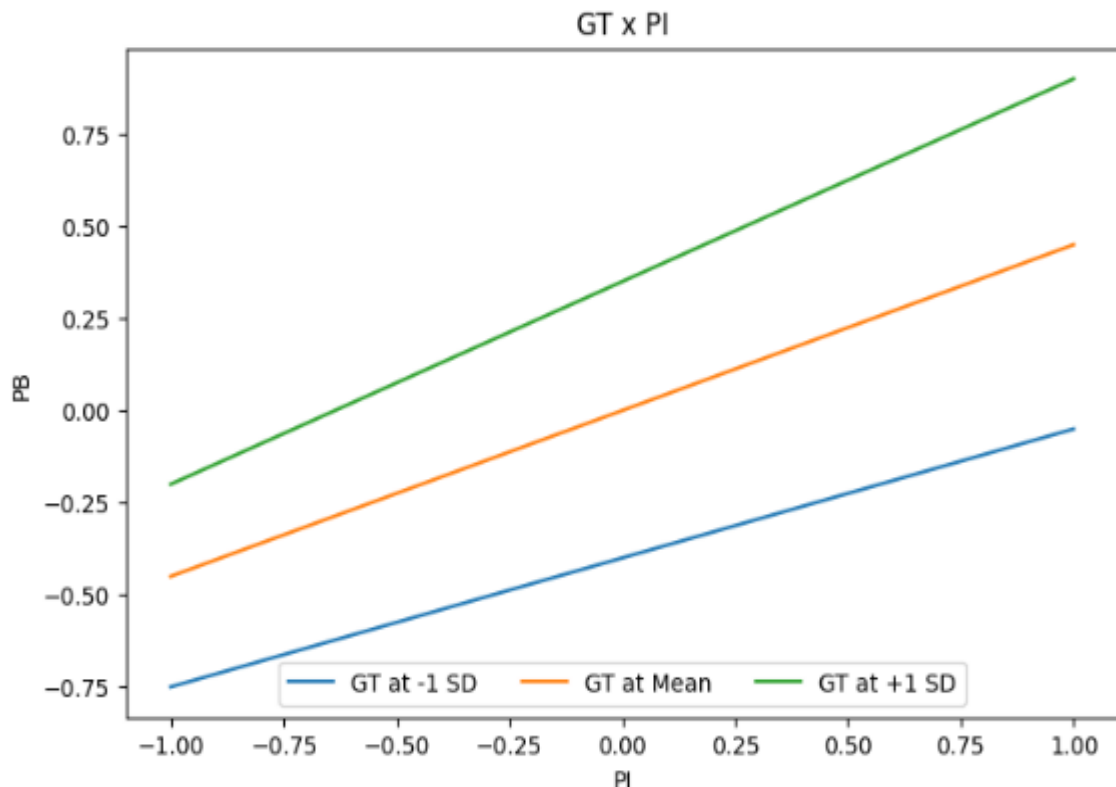


Figure 3. Green trust's Moderating Influence

Figure 3 presents a schematic of the moderating effects of Environmental Concern. For consumers who have a high level of Green Trust in Green Homes, their purchase intentions have a greater effect on their actual purchase behaviours [20]. On the other hand, for consumers who have a low level of Green Trust in Green Homes, their purchase intentions have a much weaker effect on their actual purchase behaviours.

4.4. Gap between Intention and Behavior

This inquiry investigates the discrepancy between the intention to buy green hats and the behaviour of consumers buying GH. The researchers analysed the average differences between individual intention and behaviour variables in the research sample. Results of the validity test indicated there was a large difference between the intention to purchase GH and the actual behaviour of buying GH. The average intention to purchase GH was 3.89, whereas the average behaviour related to the purchase of GH was 3.11. A paired sample t-test was performed to assess the occurrence of statistically significant differences between these two variables. The differences between the mean intention and behaviour (mean differences) were statistically significant ($p \leq 0.01$) and the mean difference (0.7878) was less than zero with the 95% confidence interval ranging

from -0.716 to -0.860. The two-tailed t-value was 21.472 ($p \leq 0.01$), providing clear evidence of a substantial difference between consumer's GH intentions and behaviours relating to the regards GH purchase during the decision-making process. The evidence from this investigation supports prior research ([88]) and indicates that consumers with the highest GH purchasing intentions frequently do not follow through on their intentions resulting in the existence of an "intention-behaviour gap" with respect to GH purchases.

5. CONCLUSION

The real estate industry faces many issues each day, including the trouble that exists with buying a home and financing it through loans or other means based on past bad policies - this includes a history of improper protection for consumers. There have been many efforts to provide additional protection for home buyers but these changes will have far-reaching impacts across the entire real estate industry and all of its associated parties.

The difficulties facing both the industry's current state and the buyer's experience have multiple levels of complexity but are mostly the result of historical events (i.e., incorrect lending methods, lack of protection for the consumer). Because of the way in which these issues were created, buyers do not trust the industry in general and developers have developed a strained relationship with their customers.

Our findings demonstrate five attainable ways for addressing the discrepancy between intention and behaviour toward the context of green housing from both sustainable urban planning and policy. Policymakers and urban developers should note that closing the intention-behaviour gap around green housing represents not only a psychological explanation for the behaviour of many individual consumers but is also an important mechanism for achieving urban sustainability objectives (e.g., decreasing the carbon footprint; increasing resource efficiency; and improving public health). By building consumer trust through transparent certification systems, reliable performance disclosures, and rigorous oversight, decision-making at the individual consumer level for green housing can be made to align with broader urban sustainability goals. While the report did not find an environmental concern to have a direct moderating effect on green housing consumer behaviour, it is a necessary foundation for understanding green consumption and should be supported through long-term education and communication programs as part of an overall urban sustainability strategy. This corresponds with the idea that enterprise-driven innovations in green products are an important instrument in the development of smart and sustainable cities.

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