Effectiveness of Asset Reconstruction Companies in Reducing NPAs

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Abstract

This study aims to explore the effectiveness of Asset Reconstruction Company (ARC)in reducing the Non-Performing Assets (NPAs) in India. The NPAs (Bad loans) are regarded as the greatest threat to the financial institutions because these inactive assets do not generate any kind of revenue to the banking sector. Recently, the Indian banks has increased the level of precautions when it comes to lending activities in all sectors due to the pernicious impact of the dormant assets. Therefore, Asset reconstruction companies act as the experts to reduce the obligations of NPA based on securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act-2002. According to the recent data, ARC has skilfully taken the steps with the RBI and the government to bring down the NPAs. There is a significant reduction in the gross non-performing assets (GNPA) of public sector banks, with a decline from 8.96 lakhs crores in the fiscal year 2018 to 4.28 lakh crores in the fiscal year 2023. In this study, we analysed how ARCs acquired the dormant assets in last ten years and improved the Indian economy.

Keywords: asset reconstruction, dormant asset, fiscal year, Non-performing assets, securitization, SARFAESI,

Introduction

The banking sector assumes a significant role in the economic progress of a nation by facilitating the mobilization, preservation, and allocation of capital to various manufacturing businesses. It is well acknowledged that an invisible phenomenon exists. The financial system has the potential to hinder the progress of a specific economy and worsen the existing economic crises. Hence, it is imperative for the government of any nation to prioritize the soundness of the banking sector. Asset quality was not a paramount concern in the Indian banking sector until the year 1991. The government's primary focus lies in achieving performance targets related to many areas, including the establishment of a broad exposure network/agency, development in rural areas, lending to priority sectors, and the generation of job growth. The primary role of a bank is to provide financial assistance by granting loans to various sectors, including agriculture, industry, personal loans, housing loans, and more. However, in recent times, banks have shown an increased level of precaution when it comes to lending activities. The primary issue for banks in India currently revolves around the attachment of non-performing assets (NPA), which has emerged as a significant factor.

Meaning of NPAs

An operating asset refers to a financial instrument that generates revenue for a bank through the collection of interest and other associated expenses. The term "dormant asset" can be used to refer to a non-performing asset within the banking sector. In other words, an imprest account that is no longer producing revenue is considered a dormant asset. If customers fail to return the principal and interest within a specified timeframe, the loans in concern turn into an NPA, or non-performing asset. In a more constrained context, an inactive asset may be defined as a non-revenue generating resource that does not immediately contribute to the financial gains of the organization or have any visible good effects. This

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aspect may hold significance in the context of loan and advance applications.

Definition according to SARFAESI Act, 2002

The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 defined NPAs as an asset or account of a borrower, which has been classified by a bank or financial institution as sub-standard, doubtful or loss assets in accordance with the direction or guidelines relating to asset classification issued by the RBI.

Current Scenario

Based on the data released by Ind-Ra on 19th June 2023, the gross non-performing advances (GNPAs) have currently reached a level of 4.0% at the system-wide scale. Furthermore, it has been revealed that the net non-performing advances (NNPAs) currently stand at a rate of 1.0%. There was a significant reduction in the gross non-performing assets (GNPA) of public sector banks, with a decline from 14.1% in the fiscal year 2018 to 5.0% in the fiscal year 2023. The private sector banks also exhibited favorable advancements, as indicated by a reduction in their Gross Non-Performing Assets (GNPA) from 6.3% to 2.3%. The non-performing loan ratios seen in public sector banks and private banks were determined to be lower than the credit cost for the fiscal year 2023, with respective values of 1.23% and 0.6%. Moreover, the survey findings revealed a convergence between the two types of banks in terms of their asset quality and loan cost parameters.

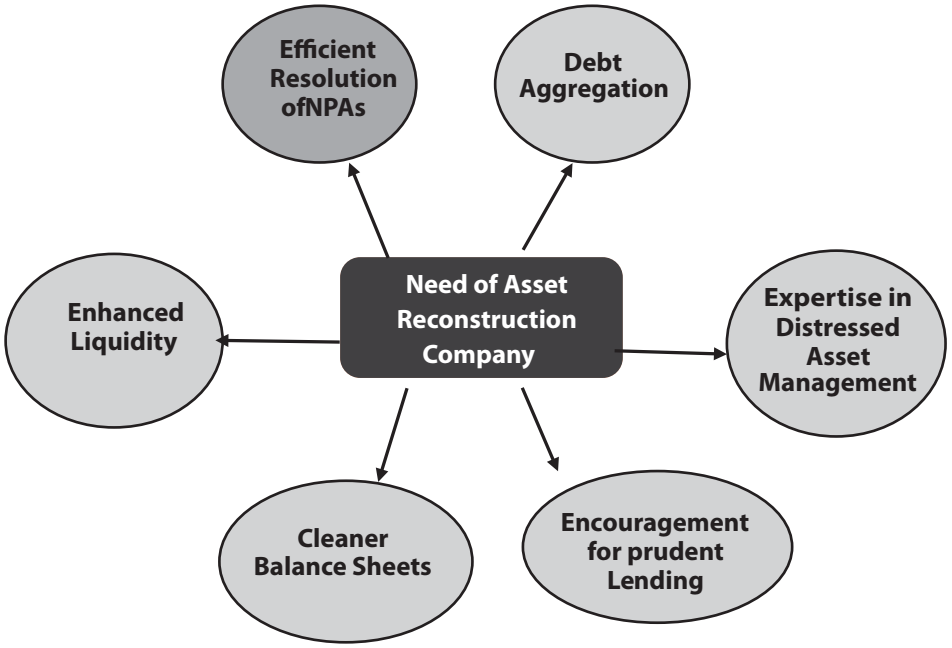
In prior instances, credit rating agencies CRISIL and CareEdge Ratings issued forecasts suggesting positive advancements in the asset quality of banks. Based on CRISIL's projection, it is anticipated that the gross non-performing assets (NPAs) will decline to a historically low level of 3.8% by the completion of the fiscal year 2023-24. Furthermore, CareEdge Ratings predicts that the Non-Performing Assets (NPAs) would approach levels similar to those observed before to the Asset Quality Review (AQR). The aforementioned predictions align with the prevailing optimistic outlook on India's banking sector and its ongoing efforts to improve the stability of its financial institutions.

Asset Reconstruction Company

The principal aim of an asset reconstruction firm is to efficiently manage and capitalize on underperforming assets or those that have been officially classified as non-performing assets (NPAs) held by companies that are unable to generate adequate and punctual revenue to fulfill their present obligations. One drawback is the possible financial damage that may arise when attempting to address challenging debt crises in situations where organizations face the possibility of bankruptcy or insolvency. According to the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, portfolio management businesses are entrusted with the role of serving as middlemen between promoters and trusts. A fee is levied for the services provided by the organization, which mostly involves facilitating the transfer of property or loans to the trust for a nominal price based on the revalued amount. Therefore, the promoters are remunerated for their involvement in the acquisition process.

According to estimates, a significant proportion of businesses that fail, up to 75%, do so as a result of their inability to effectively address financial challenges. These challenges can arise from various sources, such as inadequate management practices or outright mismanagement of borrowed funds. For instance, businesses may utilize working capital loans to fulfill long-term financial requirements, subsequently leading to liquidity constraints. Additionally, businesses may face pressure from banks, which may impose penalties or initiate legal proceedings. Furthermore, private equity partners or public investors may exert pressure on businesses to generate higher dividends or improve their overall financial performance. Occasionally, in the face of intense pressure characterized by multiple creditors demanding payment and numerous unresolved liabilities and obligations, certain businesses and entrepreneurs succumb to the overwhelming strain and ultimately surrender. In order to mitigate an unfavorable outcome, it is advantageous to possess knowledge regarding the diverse alternatives available to enterprises experiencing challenges. Furthermore, it is imperative to recognize that enduring such a phase does not signify the ultimate demise of the organization. Nevertheless, in a context of elevated intellectual capacity, possessing knowledge confers a significant advantage, while conversely, lacking knowledge might have dire consequences. The notion of failure should be regarded as a temporary setback, serving as a stepping stone towards future triumph and ultimate achievement.

Figure-1: Need of Asset Reconstruction Company



Process of Asset Reconstruction

The primary objective of acquiring outstanding debts or non-performing assets (NPAs) is to ultimately recover the debts due by them. Nevertheless, the process is not a simple one. The ARCs possess the following subsequent alternatives in this regard:

• Acquisition or assumption of control over the operational management of the borrower's enterprise.

• Disposition or leasing of said enterprise.

• Revising the repayment of outstanding debts - offering alternative plans and arrangements for the settlement of those debts.

• Implementing safety measures in accordance with legal regulations.

Assuming responsibility for the property that has been offered as collateral.

One potential strategy is to convert a portion of the outstanding debt into equity.

Review of Literature

Abhijit Sinha (2016) examines NPA trends from 2005-06 to 2014-15, critically analyzing the role of ARCs and associated challenges. The findings suggest a need for a comprehensive, multi-faceted approach to address the complexities of NPAs effectively. The research aims to provide insights for policymakers and industry stakeholders to enhance strategies in tackling non-performing assets in the Indian banking sector

Ghania Saleh (2021) aims to comprehensively understand the factors influencing the performance of ARCs in India. The study delves into the structure and market environment of ARCs, analyzing their historical performance against the backdrop of increased non-performing assets (NPAs) following the financial crisis.

Meher, B. K., & Puntambekar, G. L (2018) demonstrate efficacy in addressing NPAs, the paper acknowledges a limitation—the combined net worth of existing ARCs may not be sufficient to acquire all stressed assets held by Indian banks. This insight suggests significant growth prospects not only for existing ARCs but also for potential newcomers in the future. The paper draws attention to the correlation between the profits of ARCs, particularly ARCIL, and the Gross NPAs of banks, emphasizing the financial dynamics at play.

Dhawan, S. (2016) delves into the options available to banks burdened with non-performing assets, emphasizing the choice between managing NPAs on their books with provisions and recovery efforts, or opting to transfer these assets to ARCs for a cleaner balance sheet.

H., Aishwarya; Miranda, Rahul (2013) aims to provide a comprehensive understanding of the context leading to the introduction of the SARFAESI Act and the subsequent establishment of ARCs. By exploring various aspects of ARCs, the paper contributes to the

ongoing discourse on the effectiveness of these entities in addressing NPAs. The analysis attempts to weigh the pros and cons of the ARC model, shedding light on its role in rectifying the impediments faced by banks and financial institutions in managing non-performing assets.

Kaveri, V. S. (2015) highlights various challenges associated with the overall functioning of ARCs. Concerns include capital augmentation, effective liquidity management for timely redemption of Security Receipts (SRs), and the imperative to enhance loan recovery within the existing legal framework. Issues such as cost control are also identified as significant considerations. The article underlines the need for a comprehensive overview of ARCs' operations, identifying key issues, and providing suggestions for improvement.

Saini, R. K., & Tayal, V. K. (2018) examines the role of banks in a country's development and the historical challenges posed by non-performing assets (NPAs). Despite meticulous risk assessment, the issue of unrecoverable loans persists, particularly prevalent in Indian banks. The paper aims to evaluate the SARFAESI Act-2002's efficacy in NPA recovery, highlighting trends and assessing both successes and failures. This reflects a focus on legislative evolution to address the persistent challenge of non-performing assets in the banking sector.

Hasanmalek, N. (2023) delves into the impact of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI) in addressing the rising issue of non-performing assets (NPAs) in India's banking sector. The study critically examines the implementation of the SARFAESI Act, identifying shortcomings and proposing recommendations for its enhancement. It highlights the dependency on banks for funding developmental projects and emphasizes the adverse impact of increasing NPAs on the financial stability of banks. The study aims to fill a gap in existing research by focusing specifically on the SARFAESI Act's implementation, critically analyzing its effectiveness, and addressing encountered shortcomings. This research adds value by contributing a nuanced evaluation of the SARFAESI Act's impact on NPAs, shedding light on both its successes and areas that require refinement.

Dey, S. (2018) delves into NPAs and their recovery, emphasizing the importance of effective credit assessment and recovery management. It highlights the challenges arising from a tendency to compromise asset quality during economic booms. The research analyzes the recovery mechanisms of Lok Adalat, DRTs, and SARFAESI Act, covering 2003-04 to 2016-17 based on RBI data. Despite SARFAESI Act's aim for speedy recovery, the study finds that overall recovery in the banking industry is inadequate. Statistical analysis reveals a significant difference among recovery channels, with SARFASEI falling short of expectations. The study underscores the need for stronger recovery tools to address the NPA problem.

Sahoo, M. K., & Majhi, M. (2020) explores the issue of Non-Performing Assets (NPAs) in the Indian banking sector, focusing on recovery mechanisms through Lok Adalats, Debt Recovery Tribunals (DRTs), and the SARFASEI Act. It aims to assess the effectiveness of these channels in managing NPAs. Data analysis reveals significant differences among recovery channels in cases referred and percentage of amount recovered. In conclusion, the study suggests that existing recovery channels may be insufficient, advocating for combined and more effective measures to address NPAs in the Indian banking sector.

Misra, T. (2021) focuses on Non-Performing Assets (NPAs) in Indian banks, emphasizing their impact on financial performance. NPAs, representing unrecovered loans, pose threats to individual banks and the entire financial system. The causes include lack of supervision, political interference, willful defaulters, and poor appraisal systems. NPAs affect profitability, liquidity, and solvency. The study suggests strategies for recovery, highlights policy implementations, and relies on RBI reports and journals for data. It underscores the need for effective measures to curb NPAs and enhance financial health in the Indian banking sector.

Narang, D., & Kaveri, V. S. (2016) discusses the rise in Non-Performing Assets (NPAs) that has led banks to consider selling them to Asset Reconstruction Companies (ARCs) for balance-sheet cleanup. Fixing a fair reserve price is challenging, involving careful valuation and negotiation between banks and ARCs. Despite challenges, the urgency to address NPAs by the end of 2016-17 creates business potential for ARCs. This article discusses issues in NPA acquisition, offering suggestions for resolution. Additionally, it evaluates the government's proposal for a Bank Board Bureau and Bad Bank as an alternative to ARCs, adding depth to the evolving landscape of NPA resolution strategies.

Thirupathi, G. A (2016) aims to delve into the dynamics of priority sector advances across public, private, and foreign banks. The 'Direct Lending System' by the RBI, mandating scheduled commercial banks to allocate 40% of their credit to the priority sector, is identified as a major contributor to the NPA problem. Banks meeting these targets face challenges as NPAs rise, particularly in the priority sector, leading to detrimental effects on their financial health. It examines the target achievement by these banks and conducts a comparative study on the trends of NPAs in both priority and non-priority sectors over a five-year

period from 2010-11 to 2014-15. The research seeks to provide insights into the impact of priority sector lending on the NPA landscape, shedding light on the challenges faced by different bank groups in meeting social banking objectives.

Lot of research has happened in the field of effectiveness of Asset Reconstruction Companies' role in bringing down the NPAs of various financial institutions and banks. To the best of our knowledge no research has happened in the area of effectiveness of ARCs taken in this study. Hence this research is unique in the context of examining the role of ARCs in reducing the NPAs for the selected period of 2014 - 2023.

Objective of the study

The research paper aims to investigate the effectiveness of Asset Reconstruction Companies (ARCs) in reducing Non-Performing Assets (NPAs) in India.

To examine the significance and process used by ARC in reducing the NPAs.

To analyze the trend in purchasing the bad debts during 2014-2023 by all the five selected ARC for this study - Pridhvi, Edelweiss, ASREC, JM Financial, and Reliance

Research Methodology

The current research is descriptive and analytical in nature. The data is collected only from secondary sources like the company websites, official website of RBI and journals and periodicals. Data is collected from the top performing Asset reconstruction companies from the year 2014 to 2023. The companies selected for this study are Paras, Pridhvi, Edelweiss, Asrec, JM Financials & RARC.

Data Analysis and Interpretations

Table 1: Overall Bad Debts offered by the bank to ARCs from 2014 to 2023

Year	Outstanding amount (crores)
2013 – 2014	40,000
2014 – 2015	64,000
2015 – 2016	72,000
2016 – 2017	88,200
2017 – 2018	94,500
2018 – 2019	1,47,300
2019 – 2020	51,652
2020 – 2021	21,254
2021 – 2022	22,400
2022 – 2023	1,78,283

Source: https://www.paras.org.in/

We can see that the outstanding amount of bad debts offered by the bank to Asset Reconstruction Companies (ARCs) has fluctuated over the years. The numbers have seen some ups and downs, with a significant increase in 2018-2019 and a notable decrease in 2019-2020 may be due to COVID 19 pandemic. However, the trend took a sharp turn in 2022-2023, with a substantial surge in outstanding bad debts.

Table 2: Purchase of bad debts by Pridhvi Asset Reconstruction and Securitisation Company Limited from 2014 to 2023

Year	Bad Debt Amount (Crores)
2013 – 2014	157.86
2014 – 2015	674.10
2015 – 2016	265.16
2016 – 2017	521.26
2017 – 2018	394.98
2018 – 2019	68.01
2019 – 2020	1304
2020 – 2021	476.39
2021 – 2022	1,225.8
2022 – 2023	5,495.27

Source:https://www.pridhvi.org.in/, https://www.bseindia.com/

The data shows a significant increase in the purchase of bad debts by Pridhvi Asset Reconstruction and Securitization Company Limited over the years. The

amounts started relatively low in 2013-2014 and 2014-2015 but experienced a sharp rise in 2015-2016. There was a fluctuating trend until 2019-2020, where the purchase amount spiked substantially. The subsequent years, 2020-2021, 2021-2022, and 2022-2023, witnessed a remarkable increase in the purchase of bad debts, reaching a peak of 5,495.27 crores in 2022-2023. This could suggest a strategic approach by Pridhvi in acquiring distressed assets during this period, possibly driven by market opportunities or a specific business strategy.

Table 3: Purchase of bad debts by Edelweiss Asset Reconstruction Company Limited from 2014 to 2023

Year	Bad Debt Amount (Crores)
2013 – 2014	9,200
2014 – 2015	11,000
2015 – 2016	15,974
2016 – 2017	24,038
2017 – 2018	12,001
2018 – 2019	17,734
2019 – 2020	8,185
2020 – 2021	6,804
2021 – 2022	8,951
2022 – 2023	6,651

Source
(https://www.edelweissarc.in/,https://www.bseindia.com/)

The data for Edelweiss Asset Reconstruction Company Limited's purchase of bad debts shows a fluctuating pattern over the years. There was a notable increase from 2013-2014 to 2016-2017, reaching the highest amount in that period. However, the subsequent years witnessed a decline, particularly in 2019-2020. The purchase amounts continued to decrease in 2020-2021 and 2021-2022, with a slight uptick in 2022-2023. This could suggest varying market conditions or shifts in Edelweiss' strategy for adjusting their focus within the distressed asset market.

Table 4: Purchase of bad debts by ASREC (India) Limited from 2014 to 2023

Year	Bad Debt Amount (Crores)
2013 – 2014	494.26
2014 – 2015	789.21
2015 – 2016	865.33
2016 – 2017	565.46
2017 – 2018	820.95
2018 – 2019	256.55
2019 – 2020	1,041.95
2020 – 2021	2,970.32
2021 – 2022	533.89
2022 – 2023	3,256.75

Source : https://asrecindia.co.in/

The data for ASREC (India) Limited's purchase of bad debts shows a dynamic trend over the years. There was a consistent increase from 2013-2014 to 2017-2018, reaching the highest point in that period. However, there was a significant drop in 2018-2019. The subsequent years, particularly 2019-2020 and 2020-2021, saw a substantial increase in the purchase of bad debts, reaching a peak in the latter year. The trend continued in 2021-2022, with a notable decrease in the amount in comparison to the previous year, and then a further increase in 2022-2023.

Table 5: Purchase of bad debts by JM Financial Asset Reconstruction Company Ltd from 2014 to 2023

Year	Bad Debt Amount (Crores)
2013 – 2014	6,048
2014 – 2015	5,936
2015 – 2016	5,639
2016 – 2017	4,506

2017 – 2018	3,639
2018 – 2019	4,909
2019 – 2020	23,105
2020 – 2021	1,303
2021 – 2022	2,092
2022 – 2023	9,751

Source: https://www.jmfinancialarc.com/, https://www.bseindia.com/

The data for JM Financial Asset Reconstruction Company Limited's purchase of bad debts reflects a generally decreasing trend from 2013-2014 to 2018-2019. During this period, there was a gradual decline in the amount of bad debts acquired. However, there was a significant spike in 2019-2020, indicating a substantial increase in the purchase of distressed assets. The subsequent years, 2020-2021 and 2021-2022, saw a notable decrease in the amount, and then a subsequent increase in 2022-2023

Table 6: Purchase of bad debts by Reliance Asset Reconstruction Company Ltd from 2014 to 2023

	Bad Debt Amount (Crores)
2013 – 2014	99
2014 – 2015	159
2015 – 2016	225
2016 – 2017	285
2017 – 2018	281
2018 – 2019	428
2019 – 2020	70
2020 – 2021	325
2021 – 2022	259
2022 – 2023	249

Source: https://www.rarcl.com/, https://www.bseindia.com/

The data for Reliance Asset Reconstruction Company Ltd.'s purchase of bad debts shows a fluctuating trend over the years. There was a steady increase from 2013-2014 to 2018-2019, reaching the highest point in that period. However, there was a significant drop in 2019-2020, indicating a substantial decrease in the acquisition of bad debts. The subsequent years, 2020-2021 and 2021-2022, saw a mixed pattern with a moderate increase followed by a decrease. The trend continued in 2022-2023 with a slight decrease. This trend suggests a deliberate strategy of managing and potentially reducing exposure to distressed assets.

Table 7: Purchase of bad debts by the top ARCs companies from 2014 to 2023

Company Name	Bad Debt Amount (Crores)
Pridhvi	9,409
Edelweiss	1,20,538
ASREC	11,591
J M Financials	66,928
RARC	2,380

It seems like these top Asset Reconstruction Companies (ARCs) have been quite active in acquiring bad debts from 2014 to 2023. Edelweiss stands out with a substantial bad debt amount, indicating a significant role in the market. JM Financials also seems to have made considerable acquisitions, signifying a robust presence in the distressed asset market. Pridhvi, though with a lower amount at still demonstrates significant engagement. ASREC takes a more selective approach while RARC, with the lowest amount may adopt a more conservative or specialized strategy in acquiring bad debts.

Discussion & Results

Analyzing the overall data on bad debts offered by the bank to ARCs from 2014 to 2023, we observe a fluctuating trend in the outstanding amounts. The figures rose steadily from 2013-2014 to 2018-2019, reaching a peak of 1,47,300 crores. However, there was a significant drop in 2019-2020, possibly influenced by the COVID-19 pandemic, with only 51,652 crores outstanding. The subsequent years, 2020-2021 and 2021-2022, showed a slight increase, and a substantial surge occurred in 2022-2023, reaching 1,78,283 crores.

The sharp increase in 2022-2023 may indicate a renewed focus on resolving bad debts or a response to specific market opportunities.

Now, looking at the individual data for ARCs like Pridhvi, Edelweiss, ASREC, JM Financials, and RARC, we notice diverse patterns in their bad debt acquisitions.

Pridhvi Asset Reconstruction and Securitization Company Limited witnessed a substantial increase in the purchase of bad debts over the years, peaking at 5,495.27 crores in 2022-2023. This indicates a strategic and aggressive approach in acquiring distressed assets, possibly capitalizing on market conditions or aligning with their business strategy.

Edelweiss Asset Reconstruction Company Limited, on the other hand, displayed a fluctuating pattern in bad debt acquisitions. While there was a notable increase up to 24,038 crores in 2016-2017, the subsequent years saw a decline, reaching 6,651 crores in 2022-2023. This suggests a dynamic strategy, possibly influenced by changing market conditions or a deliberate shift in focus.

ASREC (India) Limited demonstrated a dynamic trend with a consistent increase up to 3,256.75 crores in 2022-2023, with fluctuations in between. The significant drop in 2018-2019 followed by a spike in subsequent years might signify a strategic adjustment or response to market dynamics.

JM Financial Asset Reconstruction Company Limited exhibited a decreasing trend in bad debt purchases until a significant spike in 2019-2020. The subsequent years showed a decline, indicating potential adjustments to their distressed asset acquisition strategy.

Reliance Asset Reconstruction Company Ltd displayed a fluctuating trend, with a notable drop in bad debt acquisitions in 2019-2020. The following years showed mixed patterns, suggesting a deliberate strategy in managing and potentially reducing exposure to distressed assets.

In summary, the data reflects a dynamic and evolving landscape in the distressed asset market, with ARCs adopting diverse strategies based on market conditions and organizational goals. Like Pridhvi is actively expanding its distressed asset portfolio, Edelweiss is adopting a more conservative approach, ASREC is showcasing adaptability, JM Financial is adapting to market changes, and Reliance ARC is focused on quality over quantity in their bad debt acquisitions. managing distressed assets. Each ARC's approach to bad debt acquisition reflects its unique strategy, responsiveness to market dynamics, and risk management practices to managing distressed assets.

Conclusion

This research paper sheds light on the critical role played by Asset Reconstruction Companies (ARCs) in addressing the challenges posed by Non-Performing Assets (NPAs) in the Indian banking sector. The study analyzes the effectiveness of ARCs in reducing NPAs, focusing on the period from 2014 to 2023. The Indian banking sector has witnessed a significant shift in its approach to lending activities, primarily due to the rising concerns related to NPAs. The study emphasizes the importance of ARCs in managing and resolving distressed assets, thereby contributing to the overall stability of the financial system. The reduction in Gross Non-Performing Assets (GNPAs) of public sector banks from 14.1% in fiscal year 2018 to 5.0% in fiscal year 2023 highlights the positive impact of ARCs in mitigating NPA-related risks. Examining specific ARCs such as Pridhvi, Edelweiss, ASREC, JM Financial, and Reliance, the findings reveal diverse strategies and approaches adopted by these companies in acquiring and managing bad debts. Pridhvi demonstrates an active expansion of its distressed asset portfolio, while Edelweiss adopts a more conservative approach. ASREC showcases adaptability, JM Financial adapts to market changes, and Reliance ARC focuses on quality over quantity in bad debt acquisitions. The fluctuating trend in bad debts offered to ARCs from 2014 to 2023 indicates dynamic market conditions influenced by economic factors and ARCs' resolution efforts. The surge in bad debt amounts in 2022-2023 suggests changing dynamics in the distressed asset market, possibly influenced by economic recovery efforts. This research contributes valuable insights into the evolving landscape of NPAs and the pivotal role ARCs play in resolving these challenges. The distinct strategies of individual ARCs highlight the need for a nuanced and adaptive approach in managing distressed assets. As the banking sector continues to navigate the complexities of NPAs, the role of ARCs remains integral to fostering financial stability and facilitating the efficient resolution of distressed assets in India.

Implications of the study

The findings of this research can be or some help to other ARCs, banks, RBI and other policy makers. The study throws light on the trend in the purchase of bad debts by the selected ARCs and the strategies followed by them in reducing the level of distressed debts.

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