

Identify various constraints, challenges and offer relevant suggestions to improve performance of ARCs

The NARCL National Asset Reconstruction Company Limited has been started in public sector. Total stressed assets with ARCs is around 10 Lakh crore. The recovery rate of ARCs is 27%.

Constraints

ARCs are thinly funded and they are not in a position to sign off. ~~So~~ So, equity contributions from government and RBI can improve ARC funding.

There is absence of vibrant market for the security receipts acquired by the ARCs.

Also, the ARCs are deprived of professionals such as bankers and chartered accountants.

Challenges

To support ARCs, the NCLT was formulated in Insolvency code. majority of loan portfolio of NCLT is in infrastructure sector. Over 9.2 lakh crore remains stagnant.

Also there are paucity of judges to NCLTs which burdens ARCs.

Suggestions

Constitution of bad banks as prescribed in the budget, the government can contribute equity.

Asset management companies can sell bad assets and debts can be resolved in market led way.

Insolvency Bankruptcy code can be amended to permit ARCs to bid for equity in stressed companies directly.

The NARCL can have sunset clause of three to five years.

The ~~ARCs~~ strong ARCs can help dilute the tax balance sheet problem.