6. Identify various constraints, challenges ... relevant suggestions to improve the performance of Asset reconstruction companies.

History of its Arrival: Asset reconstruction company was the term coined by now, but its earlier notions goes with the name of recovery Agencies. where both private & Public Sector was Also roped in. especially After the SARFESI Act.

Its work & its growth: There are Almost 30 ARC in India out of which only the top 5 has the capability to Accure broad spread of Loans & Also can target niche markets. It especially focus on Bad Loans & NPA and thus to restores the liquid value of the Asset inorder to stabilize the liquidity crunch in the Scheduled & commercial Banks.

Challenges & constraints: When SARFESI Act Come into picture, Banks where able to Attain.

the collateral value of the loan, but it didnot. Prove efficient. Quietly almost 26-30% of the recovery was only made by the DRT (debt Recovery tribunals, Recovery Agencies & by Lokadalats) Mainly the issue was distressed Assets were not properly floated in the market & people or corporates were not ready for its liquid value. Which was much higher than the state value & the Interest rates of the Loan.

<u>The concept of zombie lending:</u> One of the vital problems which the Analysts later realised was the zombie lending where higher values than the collateral value were credited. This further introduced india into the pattern for Bad Banks, Small finance Banks to spread the risk of recovery in Lower Levels & ARC's in higher level Loans. But untill RBI Lookforward to reform the lending patterns of Banks, NBFC, Nidhi companies & chit funds. Quiet a lot of liquidity crunches happens in consistent Basis.