

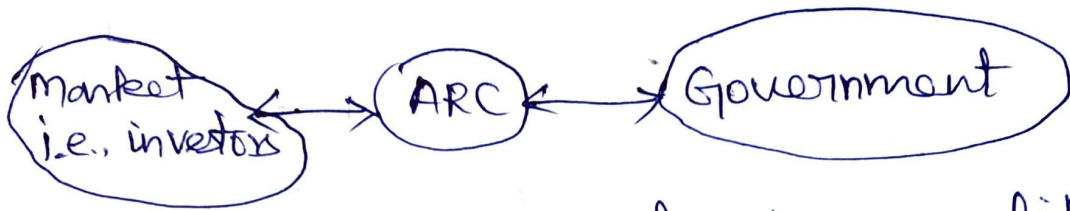
The Economy is reviving from recession and there is increase in consumption to fuel growth lending from banks is need of the hour. But banks are suffering from NPAs for various reason.

Asset Reconstruction Banks/ Companies are entities which buy NPAs from banks to recover the asset out of it. These ARC can help banks in reviving economy.

ARCs need Capital base for its working. RBI has mandated net owned funds to ₹100 Cr from ₹2 Cr in 2017 which caused only marginal raise in ARC.

The Department of Promotion of Industry and Internal trade allowed 100% FDI in ARC but it didn't materialised.

ARC now require help from 2 arms to expand capital base & liquidity



also some structural changes, like consolidating / merger of smaller ARC for attracting investment.

Big ARC are capable of attracting investment and developing the sector.

RBI has notified that ARC need to invest 15% ~~of~~ in security receipts of each class issued by them till redemption.

Investing more in SRs will help liquidity and attract investors.

Government support:

- Countries like Indoneasia are actively investing their ARCs for support.
- Government investment will increase liquidity which are some what restricted in case of investors

For faster recovery of bad loans banks ^{ARC} need to increase the capital base.