



Identify the Effective Strategies for Restructuring (Non-Performing Loans) NPLS and Maximizing Recovery Value In Ashwin Enterprises

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ABSTRACT: The study proposes a framework to choose the right non-performing loan (NPL) stock reduction strategy mix. Moving from these references, the study investigates the strategic options that banks can implement to reduce non-performing loans (NPLs), taking into account the evolution of the external context and the bank-specific situation. In this sense, our study proposes some possible operating rules banks should consider when they implement strategic planning procedures and make their decision in the selection of the most suitable NPL reduction options. Relevant materials on non-performing loan management practices will also be used in this study to review relevant information to this study. The study to establish the relationship of non-performing loan management practices to loan recovery performance. In addition, Descriptive statistics such as percentages, mean, standard deviation will be used to test the relationship of the dependent variables to the independent variables.

Keywords: Non-performing loan reduction strategy, financial crises, Credit quality.

I. INTRODUCTION:

Non-performing loans (NPLs) represent a pervasive challenge within the financial sector, exerting strains on both financial institutions and the broader economy. As loans on which borrowers have failed to meet scheduled payments, Non-performing loans not only undermine the stability of banks' balance sheets but also impede the efficient allocation of capital, hindering economic growth. Recognizing the urgency of addressing this issue, this study endeavours to explore effective strategies for restructuring Non performing loans and maximizing recovery value, focusing on the case of Ashwin Enterprises. By delving into the unique circumstances faced by this hypothetical company, the research aims to offer actionable

insights and recommendations applicable to similar scenarios, thereby contributing to the advancement of knowledge in banking and finance. Through a comprehensive examination of factors contributing to Non-performing loans accumulation, evaluation of existing restructuring mechanisms, and identification of best practices, this study seeks to develop a practical framework tailored to the specific challenges encountered by Ashwin Enterprises and other entities grappling with NPL issues.

II. LITRATURE REVIEW:

Chaudhuri (2021) stated that, Presence of NPAs indicates asset quality of the balance sheet of a bank/institution and hence future income generating prospects. This also requires provisioning which has implications with respect to capital adequacy. Declining capital adequacy adversely affects shareholder value and restricts the ability of the bank/institution to access the capital market for additional equity to enhance capital adequacy. Thus, if a resolution strategy for recovery of dues from NPAs is not put in place quickly and efficiently, these assets would deteriorate in value over time and little value would be realized at the end, except may be its scrap value.

Kasinger (2021) discusses policy implications of a potential surge in NPLs due to COVID-19. The study provides an empirical assessment of potential scenarios and draws lessons from previous crises for effective NPL treatment. The paper highlights the importance of early and realistic assessment of loan losses to avoid adverse incentives for banks. Secondary loan markets would help in this process and further facilitate bank resolution as laid down in the BRRD, which should be uphold even in extreme scenarios.



Fofack (2020) conducted a study on non-performing loans in sub Saharan Africa after which he concluded that economic growth, real exchange rate appreciation, the real interest rate, net interest margins, and inter-bank loans are significant determinants of non-performing loans in these countries. The author attributed strong association between the macroeconomic factors and non-performing loans to the undiversified nature of some African economies.

STATEMENT OF PROBLEM

The problem addressed by this study is the lack of comprehensive strategies for restructuring non-performing loans (NPLs) and maximizing recovery value, particularly in the context of Ashwin Enterprises. Despite the recognition of NPLs as a significant challenge within the financial sector, there remains a gap in understanding the specific factors contributing to NPL accumulation within Ashwin Enterprises and the effectiveness of existing restructuring mechanisms. Furthermore, the absence of tailored strategies for NPL resolution tailored to the unique circumstances of Ashwin Enterprises exacerbates the financial strain on both the company and its lending institutions. Therefore, the study seeks to address this problem by identifying effective strategies for NPL restructuring and recovery, ultimately enhancing financial stability and promoting sustainable economic growth.

OBJECTIVES

- To know the current practices and trends in NPL restructuring within the Ashwin Enterprises.
- To Identify factors contributing to the buildup of NPLs and challenges in their recovery.
- To know the effectiveness of various restructuring techniques, including debt restructuring, collateral management, loan workouts, and legal measures.
- To provide recommendations for Ashwin Enterprises to improve their NPL management processes and enhance recovery value.

III. RESEARCH METHODOLOGY:

The research methodology adopted for this study was primarily descriptive, aiming to offer a detailed, accurate, and succinct depiction of transparency and traceability within the restructuring non-performing loans (NPLs) and maximizing recovery value, with a specific focus on Ashwin Enterprises. To gather the requisite data, primary data sources was utilized. Primary data

were collected through structured interviews with the employees of Ashwin Enterprises. The questionnaire is designed to gather insights into perceptions, opinions, and experiences regarding NPL management and restructuring strategies. The interviews comprised both open-ended questions, allowing respondents to share their thoughts and provide detailed information beyond the scope of the questionnaire, and closed-ended questions, which included multiple choice, dichotomous, and ranking questions, along with a rating scale.

The Convenience Sampling Method is used for the survey. Convenience or opportunistic sampling is the crudest type of non-random sampling. This involves selecting the most convenient group available. Due to the small number of the entire study population and its easy accessibility, the census method was employed. The census method is designed to collect information from each and every member of the population. It enables the researcher to gather sufficient information to assist in analysis and arriving at accurate results. The sample size of 180 is determined to provide a representative subset for analysis.

METHODS OF COLLECTION

Primary data:

Primary data is collected through the administration of structured questionnaires to employees of Ashwin Enterprises. The questionnaire is designed to gather insights into perceptions, opinions, and experiences regarding NPL management and restructuring strategies.

The commonly used statistical tools for analysis of collected data are:

- Simple percentage analysis
- Chi-square test
- Correlation
- Anova

SIMPLE PERCENTAGE ANALYSIS

Percentage refers to a special kind of ratio. Percentage is used in making comparison between two or more series of data. Percentage is used to describe relationship. Percentage can also use to compare the relationship.

CHI-SQUARE TEST

Rate estimation, connections are the measurable apparatuses utilized for examination on this task. There are momentarily clarified in the accompanying. A rate investigation is utilized to decipher information by the utilization of rate. The



information are decreased in the norm from with base equivalent to 150 which actuality offices relative examination. Straightforward rate investigation.

CORRELATION

There are several different correlation techniques. The survey systems optional statistics module includes the most common type, called the person or product moment correlation. The module also includes a variation on this type called partial correlation. The latter is useful when you want to look at the relationship between two variables while removing the effect of none or two other variables.

ANOVA

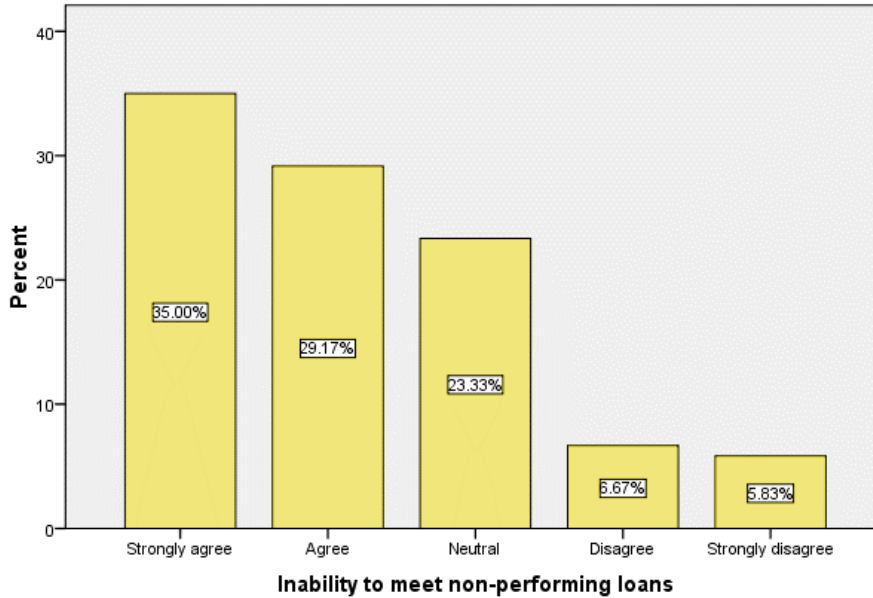
ANOVA is a solid measurable method that is utilized to show distinction between at least two methods or segments through importance tests. It likewise shows us an approach to make various correlations of a few population implies.

LIMITATIONS

1. The study may face constraints due to the availability of comprehensive and up-to-date data on Ashwin Enterprises and similar cases.
2. Regulatory limitations and compliance requirements may impact the feasibility of certain restructuring strategies explored in the study.
3. Findings and recommendations may have limited applicability beyond the specific context of Ashwin Enterprises due to variations in industry practices and market conditions.
4. The dynamic nature of financial markets and business environments may restrict the study's ability to capture real-time insights and developments.
5. Constraints on time, budget, and access to expertise may affect the depth and scope of analysis conducted within the study.

IV. DATA ANALYSIS AND INTERPRETATION PERCENTAGE ANALYSIS

Inability to meet non-performing loans			
		RESPONDENTS	PERCENTAGE
Valid	Strongly Agree	43	35.0%
	Agree	36	29.2%
	Neutral	29	23.3%
	Disagree	9	6.7%
	Strongly Disagree	8	5.8%
	Total		100



INTERPRETATION

The above table shows that, 35.0% of the respondents are belongs to Strongly agree, 29.2% of the respondents are belongs to agree, 23.3% of the respondents are belongs to 35.0% of the respondents are belongs to Strongly agree, 6.7% of the respondents are belongs to Disagree, and 5.8% of the respondents are belongs to Strongly Disagree. It is Majority 35.0% of the respondents are belongs to inability of strongly agree.

CHI-SQUARE TEST

Null hypothesis

Ho – There in no significant relationship between age groups of the respondents and Industry-specific issues play a major role.

Alternative hypothesis

Ha –There in a significant relationship between age groups of the respondents and Industry-specific issues play a major role.

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.737E2 ^a	16	.000
Likelihood Ratio	271.287	16	.000
Linear-by-Linear Association	111.521	1	.000
No of Valid Cases	125		
a. 16 cells (64.0%) have expected count less than 5. The minimum expected count is .25.			

Result: The significant value (0.80) is> greater than the P value (0.000). Hence null hypothesis in accepted so there in no significant relationship age groups of the respondents and Industry-specific issues play a major role.



CORRELATION

The table shows that the relationship between Years of Experience and Asset sales or transfer of assets help

Descriptive Statistics			
	Mean	Std. Deviation	N
Years of Experience	2.06	1.110	125
Asset sales or transfer of assets help	2.10	1.205	125

Correlations			
		Years of Experience	Asset sales or transfer of assets help
Years of Experience	Pearson Correlation	1	.982**
	Sig. (2-tailed)		.000
	Sum of Squares and Cross-products	146.592	156.300
	Covariance	1.232	1.313
	N	125	125
Asset sales or transfer of assets help	Pearson Correlation	.982**	1
	Sig. (2-tailed)	.000	
	Sum of Squares and Cross-products	156.300	172.800
	Covariance	1.313	1.452
	N	125	125
**. Correlation is significant at the 0.01 level (2-tailed).			

Result: This is a positive correlation. There are relationships between Years of Experience and Asset sales or transfer of assets helps

ANOVA ANALYSIS

ANOVA							
Collaboration between the firm and financial institutions should be strengthened							
			Sum of Squares	df	Mean Square	F	Sig.
Between Groups	(Combined)		146.309	3	48.770	212.017	.000
	Linear Term	Unweighted	84.509	1	84.509	367.386	.000
		Weighted	145.690	1	145.690	633.361	.000
		Deviation	.619	2	.309	1.344	.265
Within Groups			26.683	116	.230		
Total			172.992	119			

Result: From the above analysis, we find that calculated value of the F-value 212.017 is a positive value, so H1 accept. Since the P value less than < 0.05 regarding there is a significant relationship between Department of the respondents and Collaboration between the firm and financial institutions should be strengthened. The results are significant at 4% level.



V. FINDINGS, SUGGESTION AND CONCLUSION

FINDINGS

- It is Majority 35.0% of the respondents are belongs to inability of strongly agree.
- There in no significant relationship age groups of the respondents and Industry-specific issues play a major role.
- There are relationships between Years of Experience and Asset sales or transfer of assets helps.
- There is a significant relationship between Department of the respondents and Collaboration between the firm and financial institutions should be strengthened. The results are significant at 4% level.

SUGGESTION

One of the most effective tools for resolving non-performing loans (NPLs) is the establishment of Maximizing Recovery Value. It entities that take over the NPLs from the non-performing loans and financial institutions, effectively removing the toxic assets from their balance sheets. The above results alone are useful to think about the transmission mechanism of a monetary policy with a proper econometric approach used to quantify the effect of idiosyncratic shocks.

They can also be a starting point for further analysis. The above results have many possible implications for the recent criticism of unwillingness to make loans and their withdrawal of loans. It should be possible to determine if non-performing loans really are unwilling to lend or if actions can be justified in terms of job creation and destruction.

The impact of these shocks on non-balance sheet items was also summarized. The results indicate mounting pressure from financial institutions on worse-off firms. However, the pressure takes the form of increases in interest rates and not necessarily more stringent loan contracts. Thus, while the short-term interest rate is sometimes higher, no significant difference is observed in collateral provision or other conditions.

CONCLUSION

With new regulations, Firm have heightened pressure in assessing nonperforming loans at frequent intervals. An ability to assess, manage, and optimize returns on impaired loans depends on a well-defined strategy, framework, and culture for handling NPLs. In addition to NPLs, financial institutions are also exploring ways to

effectively monitor significant performing exposures to watch for any potential indicators of NPLs and Maximizing Recovery Value.

However, without an appropriate governance structure and operational setup, NPLS will not be able to address their NPLs issues in an efficient and sustainable way. An Credit Assessment Manager provides a framework for both qualitative and quantitative assessment of individual nonperforming loans, enabling financial institutions to obtain the information needed to establish capital reserves, mitigate losses, and improve collections. It was designed based on the NPL guidance from the Aswin Enterprises Ltd, as well as on other international regulatory guidance such as it complements the collective assessment of a credit portfolio.

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