

**1. Bring out the most striking differences between the Indian and the US constitutions with respect to federalism, separation of powers and electoral system.**

**Approach:**

As included in our syllabus the question belongs to the area of comparison of Indian constitutional scheme with that of other countries. Hence, it's a straightforward question. One can start with defining what is constitution besides mentioning one important feature of Indian and American constitution. Here, a candidate is expected to put forth most striking differences between the Indian and the US constitutions with respect to federalism, separation of powers and electoral system. For value addition part it is expected that a candidate can write about the lacunas respective constitutional schemes and how these constitutional schemes have worked in the respective countries. One can conclude by showing importance of constitution in brief and later on explaining what is the current status of constitutions of India and USA.

**Introduction:**

A constitution is an aggregate of fundamental principles or established precedents that constitute the legal basis of a polity, organisation or other type of entity and commonly determine how that entity is to be governed. The Constitution of India is the longest written constitution of any country in the world, while the Constitution of the United States is the oldest active codified constitution.

**Body:**

Originally, the India Constitution consisted of 395 Articles in 22 Parts, with 8 Schedules. Presently (2019), it consists of 470 Articles in 25 Parts, with 12 Schedules. Whereas American Constitution is a very rigid constitution consisting of only Seven Articles and twenty-seven amendments, so far. Though Democracy is a form of polity in both the countries, their nature of constitutional democracy is different due to difference in constitutional scheme of both the countries.

Most striking differences between the Indian and the US constitutions with respect to federalism, separation of powers and electoral system:

**Federalism:**

- In the US, the President is the head of the state and so his government is popularly referred as the Presidential form of government. India, on the other hand, has a Parliamentary form of Government as the Prime Minister with his cabinet exercises real power with the President being only a nominal head.
- India has only one Constitution, wherein the Central government interferes with functions of State governments in the form of, inter alia: Appointment of Governors. Governor having the power of reserving the States' bills for consent of the President. Central government's power to impose President's rule in the States.
- On the other hand, The American Constitution is described as a truly Federal Constitution. It was ratified by 50 Independent States. Further, the Federal

Government and States have their own Constitutions and do not interfere in each other's functions.

- India is a Cooperative Federation i.e. Interdependence of Centre and state govt. Neither of them is independent of the other. Centre usually has the role of big brother.
- While USA is a Dual Federation i.e. both the Centre and state are completely independent. They are complete governments.
- India follows Asymmetrical federalism. States have been given representation in Rajya Sabha on the basis of their population. Articles 371 provide special provisions to few states.
- Whereas USA follows Symmetrical federalism. All states are given equal representation in Senate.
- USA is a Legislative federation. This means that States have dominance in law making. Whereas, India is an Executive federation. This means that states are important at the executive level only.
- India is an indestructible union of destructible states, while USA is an indestructible union of indestructible states.
- USA's constitution provides a role to states in ratifying the international treaties through the Senate. There is no such provision for states in the Indian Constitution.
- The Constitution of India recognises single citizenship. On the other hand, USA's Constitution provides for a double citizenship that is a US citizen can have citizenship of two countries, USA and some other country.

Separation of powers:

- Theoretically, we may say that the doctrine of Separation of Power is adopted in our Constitution, but it is only between the Executive and Judiciary. Separation of Power is complete in US.
- With respect to India, The President is a part of the Union Executive. Yet, it is the Prime Minister and the Council Ministers who are the real executive because the President has to act on the aid and advice of the Council of Ministers. Whereas in USA All the three branches of the government have separate functions.
- The American President has no privilege of law making power. Moreover, he is neither a member of the House of Representative nor that of Senate. Whereas in Indian scenario every bill has to get an assent from President.
- The Presidential system (USA) provides Separation of Power w.r.t. all three organs of the government, whereas in the Parliamentary system (India) there is a fusion of legislative and executive powers.
- In Indian scenario, No organ of the government can be given complete liberty. Hence there have to be checks and balances. For instance, Judiciary checks on other branches of the government, by judicial review of the legislative acts.
- While in USA, by confirming veto power but equally not confirming the law-making power to the President, the Congress controls the Presidents and vice versa. In this way, 'Checks and Balance' are maintained.

**Electoral System:**

- Electoral method: In the US, head of the government, President is indirectly elected by the electoral college. Whereas in India, The President is indirectly elected by means of an electoral college consisting of the elected members of the Parliament of India and the Legislative assemblies of the States of India and the Union territories of Delhi, and Puducherry.
- Election Body: There is no centralised election management body in US like the Election Commission in India. In US all 50 states & countries within it have different management bodies. Though the US has two federal bodies. the Federal Election Commission (FEC) and the US Election Assistance Commission (EAC) , but both of them together do not add up to anything as powerful or effective as the Election Commission in India(ECI).
- Effectiveness of Election Bodies: The Federal Election Commission (FEC) and the US Election Assistance Commission (EAC) are not powerful and effective as Election Commission in India. In the US, elections are actually conducted by local authorities, working under local, state, and federal law and regulation, as well as the US Constitution. It is a highly decentralized system.
- Whereas in India, under Article 324, ECI has the power of superintendence, direction, and control of elections to parliament, state legislature, the office of president of India, and the office of vice-president of India.
- Simultaneous Election System: In India where we have one election at a time, whereas there is a bunch of simultaneous elections in the US. In many states, a voter will be choosing not just the US president but 20 different contestants on a single ballot, including the member of the US Senate and the House of Representatives, state senate, governor, state attorney general, supreme court judge, among others.
- Voting system: No uniform ballot system formed across the US states, where in India, EVMS would be placed in all the poll booths to ensure efficiency and correctness
- We choose only one candidate using on a single ballot in India but in many states in US a voter will be choosing different contestants on a single ballot apart from the president.
- Voter system: In US voting is at polling stations on poll day, provision of early voting in person & absentee voting by mail. In India there is no provision of early voting. However, there are provisions of postal ballot but restricted to armed forces Central govt. staffs posted outside India.
- Polling Stations: The polling stations in US can be variety of buildings including shopping malls, churches court houses etc. and the polling staffs can be drawn from variety of source like private & elected. In India govt. or semi govt. buildings are preferable although provision for private buildings exists too. However polling staffs in India are drawn from govt. authorities & institutions as well as from local bodies.

US Constitution is the world's longest surviving written charter of government and India's constitution is written after ransacking many constitutions of other countries they still pose some challenges which are as follows.

- American Constitution is a very rigid constitution consisting of only Seven Articles and twenty-seven amendments, so far.
- In Indian constitution, Certain features that have effect on federal characteristics require amendment by special majority along with state's concurrence under article 368.
- Indian constitution, Being lengthiest written, it has detailed polity and administrative principles, which need to be followed by the legislature, judiciary, and executive. Defiance of which could result in unconstitutional acts like prescribed age for elections, trying to subvert judicial independence leading to terming non-constitution even a majority backed law like NJAC.
- However, In the USA, each state has its own written constitution. Which makes the task of governing and adjudicating difficult for the three organs of the government.

Whereas an answer to this challenge is can be observed in the foresight of our constitution makers as Indian Constitution, a living document that responds to changing time along with making it durable to protect the basic tenet of democracy, ideals on which the country was formed like those enshrined in the Preamble.

- Indian constitution due to its flexible nature has evolved over the time and maintained its secular, democratic character. Also it is in tune with the diverse nature of society as it enshrines and embodies welfare of every section of society.
- Despite the fact that states in USA have their own constitutions and they have a right to secede, USA is still one nation, it's actually a well performance of this constitutional scheme.
- Also, Indian constitutional scheme maintains equal distance from all religions and intervenes only when necessary. Whereas USA follows strict separation between religion and government. Despite this contrast, both the constitutions have performed in harmony with their respective societal differences over the years.

The constitution forms the basic structure of any government: The constitution of any country is important because of the fact that it lays down all the legal and cultural aspects under which its people and the governmental bodies will be governed and that too when there are foreign interactions in the personal affairs.

**Conclusion:**

When it comes to comparison between different constitutions, they might have some similarities and some stark differences. However their performance with respect to political-social and economical conditions of their respective countries matters the most. Such as proved by Constitution of USA which maintained USA's status as one nation and as India which evolved over time to be known as a 'living document'.

(Note: 1. Candidate can also adopt table format to answer this question. 2. Though the challenges and performance of constitutional schemes is mentioned in the synopsis, its advised to write the core points first and only if time permits, then only go for value addition.)

## 2. How does the Indian Parliament ensure executive accountability? Explain with the help of suitable examples.

### Approach:

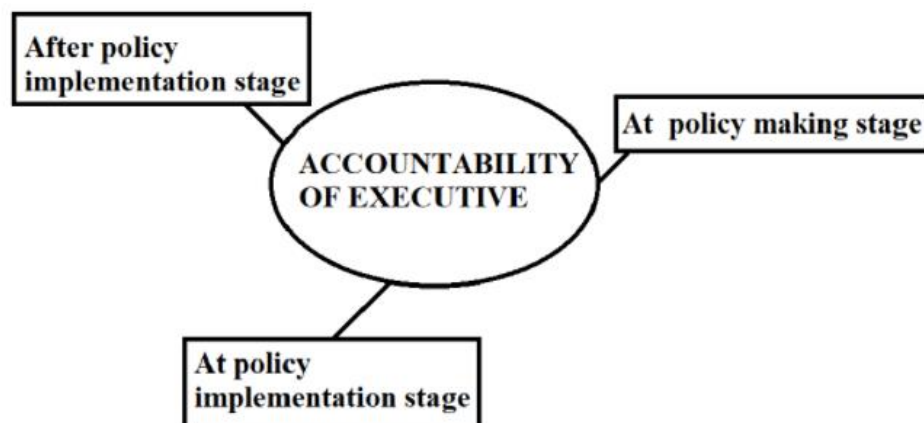
Demand of the question is quite direct – Role of Parliament in holding the Executive accountable. Explain different mechanisms and instruments available for this purpose.

### Introduction:

Accountability of the executive to Parliament is the very essence of parliamentary democracy. While recommending the Parliamentary System of executive, the framers of the Constitution preferred “more responsibility to more stability”.

### Body:

Indian Parliament ensures executive accountability through various mechanisms and at various stages:



### Constitutional Checks on the Executive

Constitution of India has envisaged Parliamentary form of government where the Parliament is supreme. Certain provisions in the constitution authorises the Parliament to exercise control over the Executive.

1. **Principle of Collective Responsibility:** Article 75 provides that the Executive (i.e. Council of Ministers with the Prime Minister at its head) is collectively responsible to the House of the People and this constitutes the primary means of Parliament/Legislative control over the Executive. (One can also provide about motion of ‘no-confidence’ in the Lok Sabha)
2. **Principle of Individual Responsibility:** Article 75 also states that the ministers (who are also part of Executive) hold office during the pleasure of the president. Ministers are individually responsible for acts specific to their departments.

### Parliamentary Control Relating to Legislative Matters

1. **Participation in Legislation:** The executive drafts all legislation to be introduced in the Parliament and the executive cannot carry out these policies and laws without the approval of the Legislature/Parliament.
2. **Ordinances:** The President can proclaim ordinances in the absence of House in session. However, the ordinance lapses if the Houses pass a resolution disapproving it.
3. **Emergency Provisions:** The power of the executive to declare emergency at the State level is subject to parliamentary control.

### Parliamentary Control Relating to Financial Matters

Financial supremacy of the Legislature is one of the basic feature of a Parliamentary democracy.

1. **No money in the Consolidated Fund will be available** to the Government for any purpose unless it obtains a grant from the Lok Sabha; further the House cannot authorize a grant unless there is a demand by the Government specifying the need and amount which it plans to spend.
2. The **Parliament has established a Contingency Fund** under the disposal of the President with a view to meet unforeseen expenditure of an emergent nature. Any amount expended from the Contingency Fund is returned to the Fund from the Consolidated Fund of India after approval of the Parliament.

**Procedural devices:** The Parliament exercises control over the ministers through various devices such as question hour, discussions, adjournment motion, no confidence motion, etc. These devices constitute very potent instruments for effecting parliamentary surveillance over administrative action.

**Parliamentary committees:** Standing committees and ad hoc committees are constituted from time to time and they play important role in ensuring legislature and executive efficiency and accountability. They deliberate and scrutinize the policy, help in obtaining public feedback and building political consensus, allow the views of diverse stakeholders, offer an opportunity for detailed scrutiny of bills and their reports allow for informed debate in Parliament.

### Conclusion:

The modern executive is a very powerful institution of government and enjoys greater powers compared to other organs of the government. This generates a greater need to have democratic control over the executive. Hence, the makers of our Constitution thought with foresight that the executive must be put firmly under regular supervision and control. Thus, a parliamentary executive was chosen.

**Q3. Deference to parliamentary processes builds public trust. Do you agree? Comment in the light of the recent controversy related to the passing of important legislations in the parliament.**

**Approach:**

It expects students to write about the issues related to the parliamentary processes in recent time in the first half and in latter half how deference to parliamentary processes builds public trust.

**Introduction:**

Parliament has a central role in our system of governance. Government is collectively responsible to Parliament for its actions. This implies that Parliament can hold the government accountable for its decisions, and scrutinize its functioning. This may be done using various methods including, during debates on Bills or issues on the floor of Parliament, by posing questions to ministers during Question Hour, and in parliamentary committees. Bypassing crucial processes in parliament is disservice to the trust of people.

**Body:**

Issues related to the parliamentary processes in recent time:

- Ordinance to avoid discussion: Minority governments or coalition governments usually resort to Ordinances, but the Current government has used it more than any of his predecessors despite enjoying a majority in the Lok Sabha. The average number of ordinances jumped from six a year under previous government to 11 a year under present.
- Money Bill: several key pieces of legislation have been passed as Money Bills, despite the fact that they did not fit this category. E.g. Aadhaar act. The Rajya Sabha is second house but certainly not a secondary house.
- Use of Finance Bill to amend other laws: Finance Bill of 2019, in addition to amending the tax laws, also amends several other laws unrelated to taxation in the country. E.g. Reserve Bank of India Act, National Housing Bank act. The 2017 Finance Bill, Changed the composition of 19 tribunals such as the Securities Appellate Tribunal, the Telecom Disputes Settlement and Appellate Tribunal, the National Green Tribunal. The Finance Bill, 2018, had 218 clauses, half of which were matters unrelated to the imposition of taxes.
- Ordinary Bills are not much discussed: Many of the ordinary bills are currently not discussed either because their texts are handed over to the MPs at the last minute or because there is little time for debates. Tendency of passing the bills on same day has increased. E.g. in last session of parliament three of the 22 Bills were passed the same day of introduction. Among them were The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020.
- It is increasingly the case with important pieces of legislation that they are not being either referred to committees, nor are they being fully debated in

Parliament. In the 16th Lok Sabha (2014-19) 25 per cent of the Bills introduced were referred to committees. This number was much lower than 71 per cent and 60 per cent in the 15th (2009-14) and 14th (2004-09) Lok Sabha, respectively.

- Ignorance of processes evident in boycott: When the Labour reform laws were in discussion, opposition MPs were against it however, eight of them were suspended, several opposition parties chose to boycott the rest of the session, even thereafter government passed it along with other 15 Bills.
- Truncated Monsoon Session: No Question Hour and curtailed Zero Hour. This is certainly making both the houses to cease to debate. Question Hour, which was unnecessarily suspended, using the pandemic as an excuse. Even in taking that decision, the Speaker did not accede to the demand for a division.
- Practice of division: If a member of a House asks for a division of votes, the Speaker needs to grant it. The Speaker can refuse under some circumstances, but even then he has to take something like an informal headcount vote before refusing division. E.g. ruckus in Rajya Sabha and suspension of MPs over refusal to grant division.

Deference to parliamentary processes builds public trust:

- Public trust can be harnessed through consultation and involvement of the public in the work of legislatures. Dedicated TV channels and live broadcasting of parliamentary proceedings has contributed to a discernible increase in public interest in parliamentary proceedings.
- More scrutiny will keep chances open for more evolved mechanism: The sharp debate on the floor of Parliament cannot replace the careful analysis done by Parliamentary Committees, which act as a bridge between Parliament and people. E.g. in the act regarding APMC, states could have got 'opt out' option.
- More discussion and deliberations: A lot of the farmers legitimate fears have less to do with the text and more with the context. More reasoned deliberation will avoid hasty legislation. E.g. Select Committee for surrogacy bill met with representatives of different groups and heard the testimony of the National Human Rights Commission, National Commission for Protection of Child Rights and multiple state governments along with the government department piloting the Bill. Based on its own study, evidence and feedback from experts and citizens, the committee suggested certain changes to the government's Bill.
- Sanctity of law making process: Throwing papers, sloganeering, breaking mikes lowers the sanctity of the parliamentary processes and reduces deference of the house in the eyes of people. This was on full display during the debate and passage of the two agricultural Bills in the Rajya Sabha.

The machinery of the government has to be proactive and not reactive while making laws. There must be an attempt to moderate differences and forge common ground and the greater onus for this is on the government. 'In a parliamentary system, the opposition should have its say and the government will have its way.' If the former is not possible, parliament as a democratic institution cannot survive for long.



**Conclusion:**

Accessible, accountable and open legislatures can reinforce public confidence in their representative institutions and thus, ensure a robust decision-making process. Parliamentary practice will not be able to knit an enduring social contract between labour, capital and farmers if it does not inspire confidence. There is need to work together by both government and opposition to improve trust.



**4. The coronavirus pandemic has exposed the plight of working people in the informal sector in urban areas. What measures would you suggest to address it? Discuss.**

**Approach:**

It expects students to write about - in first part write about importance of informal sector in urban development - in second part mention issues faced by worker of informal sector in urban areas - in last part suggest some measures to address this problem.

**Introduction:**

The unorganised sector refers to those enterprises whose activities or collection of data is not regulated under any legal provision or do not maintain any regular accounts. Informal/unorganized sector has a predominant place in the Indian economy in terms of its contribution to the GDP and employment. Out of the total workers, nearly 72 per cent in the urban areas are engaged in the informal sector.

**Body:**

Importance of informal sector in urban development:

- To put things in perspective, as per the Economic Survey of India, about 90% of India's total workforce of about 500 million workers is engaged in the informal sector.
- The migrant labourer is the builder of not just modern India, but modern Singapore, modern Dubai and every modern country that prides itself on the glamour list of modernity.
- A key feature of the urban economy in India, consistent with most developing economies, is the role played by informal workers and the unorganized sector.
- In many ways this is back-end India that offers the much-needed daily support to front-end India to keep the wheels of the modern economy moving.
- Factories, industrial units, hotels, restaurants and many other establishments, irrespective of their scale of operations, depend on such workers.
- They come in many avatars. There is a hierarchy even. There is the Uber and Ola driver who has migrated from Patna to Mumbai. There is the mason, the carpenter, the food delivery boy, the painter, the plumber and many, many others.
- Labour migration within India is crucial for economic growth and contributes to improving the socio-economic condition of people.
- Migration can help, for example, to improve income, skill development, and provide greater access to services like healthcare and education.

Issues faced by worker of informal sector in urban areas:

- Huge Gap in Data About informal sector worker: Though the Unorganised Workers Social Security Act 2008 has specified the role of urban local bodies in registering numbers of informal sector worker and disseminating information regarding welfare schemes to them, these provisions are not obligatory.
- Due to this, there is lack of any credible data on how many informal sector workers enter and leave our states and cities.
- Challenge of informalisation: According to the Economic Survey of India 2019, about 90% of India's total workforce of about 500 million workers is engaged in the informal sector. This made them more vulnerable to the economic crisis induced by Covid-19.
- Some of the major challenges due to the informalisation of the workforce include lack of job security, limited or no access to banking and insurance channels, a generally under-developed public health system.
- Lack of Basic Amenities: According to the recent "Drinking Water, Sanitation, Hygiene and Housing Condition" survey by the government, there continue to be glaring gaps in water access in urban and rural India.
- Also, informal sector workers are likely to have relied more on public amenities such as hand pumps and public taps or standpipes which are connected to a municipal connection.
- These sources are generally unreliable — hand pumps and municipal pipes, for example, do not always supply water of potable quality.
- Given the importance of washing hands in combating the infection, the lack of WASH (Water, Sanitation and Hygiene) makes migrant labourers subject to work in an unsafe work environment

Measures to make Urban spaces more inclusive for the informal sector worker:

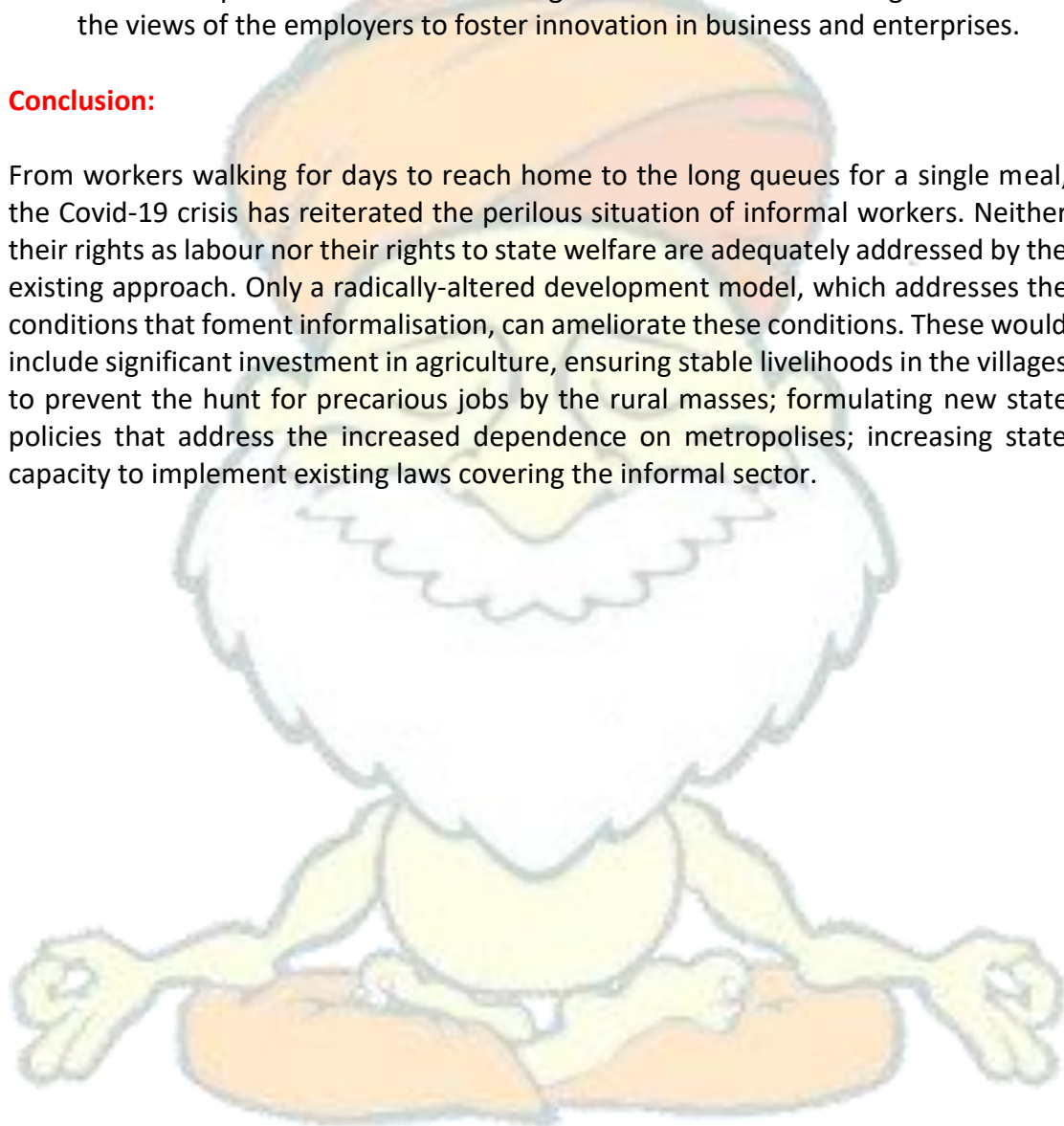
- Formalisation of Economy: The central and state governments need to continue their efforts to address the informality of the Indian economy, the rural-urban divide, the uneven growth within states and between regions in the country, and the social and economic inequalities associated with the poorest and vulnerable. The informal sector worker need to be supported with relevant information and counselling for job search and employment opportunities based on their skills and previous experience through their local governance and panchayat structures. Recently proposed Unorganised Worker Index Number Card by the Labour Ministry would also help in formalisation of the workforce.
- Focusing on Public Health Infrastructure: Smart cities project does well by focusing on creation of hard infrastructure for urban renewal. There is a need to strengthen the public health emergency infrastructure also. This social and financial inclusion would make the Smart Cities Mission truly holistic.
- Supporting Financially: There is a need to expedite the proposed Social Security Fund under the Code on Social Security, 2019. This could go a long way to provide a sense of financial security and act as a tool to monitor this segment of the population better.
- Creation of a Database of Migrant Workers: Recognition and identification of migrants is the first step towards a more enhanced framework to provide basic amenities. To begin with, an effort to create a database of migrant workers is

most necessary. Creating a digital Pan-India database to ensure coordination with their home districts and respective states. Eventually, convergence around this could create a framework of health, banking, microfinance and insurance networks centred around workers and migrants in urban areas.

- Labour Migration Governance System: A fair and effective labour migration governance system for workers within the country is an urgent need of the hour. This is necessary for the realisation of decent work opportunities for all migrant workers while respecting fundamental human rights. Also, there is a need to ensure the protection of the labour rights of workers while taking into account the views of the employers to foster innovation in business and enterprises.

**Conclusion:**

From workers walking for days to reach home to the long queues for a single meal, the Covid-19 crisis has reiterated the perilous situation of informal workers. Neither their rights as labour nor their rights to state welfare are adequately addressed by the existing approach. Only a radically-altered development model, which addresses the conditions that foment informalisation, can ameliorate these conditions. These would include significant investment in agriculture, ensuring stable livelihoods in the villages to prevent the hunt for precarious jobs by the rural masses; formulating new state policies that address the increased dependence on metropolises; increasing state capacity to implement existing laws covering the informal sector.



**5. What are asset reconstruction companies? What role do they play in the economy? Discuss.**

**Approach:**

It expects student to write about - in first part explain what is Asset Reconstruction Companies - in second part write about what role they play in economy - in last part mention few suggestions.

**Introduction:**

In a recently released paper “Indian Banks: A time to reform” Viral Acharya and Raghuram Rajan argued for a greater role for Asset Reconstruction Companies. They argue that when there are fewer bids in a bankruptcy auction, the value on loans is better realised if read an asset reconstruction company takes over the borrower and places the firm under new management.

**Body:**

Asset Reconstruction Companies:

- An Asset Reconstruction Company is a specialized financial institution that buys the NPAs or bad assets from banks and financial institutions so that the latter can clean up their balance sheets. Or in other words, ARCs are in the business of buying bad loans from banks.
- ARCs clean up the balance sheets of banks when the latter sells these to the ARCs. This helps banks to concentrate in normal banking activities. Banks rather than going after the defaulters by wasting their time and effort, can sell the bad assets to the ARCs at a mutually agreed value.
- The Asset Reconstruction Companies were set up in India on the basis of legal status provided by the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002; enacted in December 2002.
- However, due to various reasons, performance of many asset reconstruction companies has not been in expected lines. The new Insolvency and Bankruptcy Code, 2016 (IBC) gives a critical role to the ARCs in settling the bad assets through the insolvency process. It is expected that the performance of ARCs will improve with more legal support.

Role played by ARC in economy:

- An Asset Reconstruction Company or ARC is a financial institution that buys the bad assets or NPAs from banks and other lending institutions.
- ARCs are specialized institutions that pay focused attention on recovery. Banks and other financial institutions sell their non-performing assets to ARCs to clean up their balance sheets.

- By selling bad assets to asset reconstruction companies, financial institutions save themselves from the duty of chasing defaulters. Their precious time, energy and efforts can be invested in better assets.
- The sale of asset is carried out at mutually agreed value. This value is arrived at based on mutual negotiation between the bank and ARC based on the realizable value of assets and other parameters and subject to the guidelines stipulated by the regulator.
- ARCs which buy bad loans have expert teams with adequate knowledge in legal and recovery matters to ensure better recovery or revival.

The main intention of acquiring debts / NPAs is to ultimately realise the debts owed by them. However, the process is not a simple one. The ARCs have the following options in this regard:

- Change or takeover of the management of the business of the borrower
- Sale or lease of such business
- Rescheduling the payment of debts – offering alternative schemes, arrangements for the payment of the same.
- Enforcing the security interest offered in accordance with the law
- Taking possession of the assets offered as security
- Converting a portion of the debt into shares

Need for extending the role of ARCs:

- In 2002, India lacked an effective bankruptcy system.
- There was no market for corporate control of distressed firms.
- ARCs were originally designed for this peculiar institutional ecosystem.
- They were required to hand over the distressed business back to the original promoter once they had generated enough value to repay the debt.
- Consequently, ARCs had little incentive to turn around distressed businesses.
- This situation completely changed in 2016 as the IBC seeks to maximise the value of distressed businesses through a market for corporate control.
- ARCs should be able to fully participate in this market and attempt successful turnarounds by acquiring strategic control over distressed businesses.
- In a solvent company, shareholders have stronger incentives than creditors to maximise enterprise value.
- This is because an increase in enterprise value automatically increases the value of its equity.
- In contrast, creditors do not benefit from increases in enterprise value beyond their individual claims.
- If ARCs could hold more equity instead of debt in the resolved company, they would also have a stronger incentive to take strategic control to ensure successful turnaround.

Way forward:

- The law should enable ARCs to invest in a distressed company's equity, whether by infusing fresh capital or by converting debt into equity.

- Effectively, an ARC should act more like a private equity fund, as Acharya and Rajan suggested.
- This in turn would make the market for corporate control under IBC deeper and more liquid, improving ex-ante recovery rates for banks.

**Conclusion:**

If only ARCs are allowed to directly participate in IBC resolutions by infusing equity, they could emerge as the most efficient vehicle for turning around distressed Indian businesses.

