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NPA Auction and Recovery: A Case of PNB (India).

Anjali Gupta[1] , N.P Singh[2]

[1]Research Scholar, School of Business Management & Commerce, MVN University, Palwal-121105, Haryana, India
Email: 22ms9002w@mvn.edu.in & anjalgupta14august@gmail.com
ORCID ID: 0009-0002-8027-8362
[2]Professor, School of Business Management & Commerce, MVN University, Palwal-121105, Haryana, India
Email: dr.npsingh@mvn.edu.in
N. P Singh 0000-0002-3006-9522

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ABSTRACT

Non-Performing Assets (NPAs) are one of the issues that the banks operating in the Indian public sector bank had to deal with, and the present paper focus on how Punjab National Bank (PNB) improved its recovery framework followed by 2020 merger. It aims at evaluating the role of merger synergies, legal intervention under SARFAESI Act and Insolvency and Bankruptcy Code (IBC), and technology adoption in enhancing asset quality and financial stability. The secondary data approach is a case study technique of analysing recovery patterns and performance indicators. The results indicate improvement, as NPAs declined from 14.21% in FY2020 to 8.65% in FY2024, while recoveries increased from ₹11,175 crore ($1.49B) to ₹17,599 crore ($2.12B). Capital adequacy improved to 16.25% and provision coverage exceeded 90%. The research suggests enhancing technology-based recovery and legal enforcement processes. Despite being restricted to one bank, the results have implications to the public sector banks implying that the integrated recovery systems and mergers synergies can help in supporting growth sustainability in a regulated banking sector......

1. INTRODUCTION

Non-Performing Assets (NPAs) have been a thorn in the flesh of the Indian banking industry, hugely impacting the profitability as well as the financial stability of the banks industry. The banking industry has been hit most by large corporate defaults and poor credit monitoring systems Public Sector Banks (PSBs) being the worst hit in India. In the recent past years, a number of policy reforms and institutional mechanisms have been implemented to deal with this issue though they have not been effective to the expectation but helped banks to certain extent.

1.1 Background of NPA in Indian Banking Sector

Non-Performing Assets (NPAs) have become a chronic problem as mentioned above of Indian banking sector, particularly the Public Sector Banks (PSBs) that directly affect profitability, availability of credit, and overall financial stability. According to the Reserve Bank of India (RBI) (2023), non-performing assets are defined as assets that are no longer generating income to the bank, a situation that occurs when the interest, or principal payments are outstanding to the banks to an extent of over 90 days. This involves term loans, overdrafts or cash credit accounts that are still out of order, bills which are not paid in 90 days and any other receivables not realized within the time period they are due. It is need less to mention that high NPA levels diminish the earning capacity of the banks, escalate the burden on provisioning and limit new lending. According to the Economic Survey (2022), gross NPAs have decreased in the last several years, but there are still systemic weaknesses and inefficiencies in the process of loan recovery. Chakrabarty (2013), who served as Deputy Governor of RBI, pointed out that resolving the problem of NPAs is critical to renewing confidence and the resilience of the banking sector. This is in reply to several steps such as NPA auctions, Asset Reconstruction Companies (ARCs), SARFAESI Act implementation, and the Insolvency and Bankruptcy Code (IBC) aimed at enhancing recovery and cutting down stressed assets...

Importance of NPA Recovery

The recovery of Non-Performing Assets (NPAs) is very important in ensuring the financial stability, liquidity and credit ability of the banking sector. In the case of Public Sector Banks (PSBs), where a significant share of lending in the priority sector is done, a high level of NPAs places a burden on the state budgets as it needs repeated capital injections to keep regulatory capital levels (Economic Survey, 2022). Early and successful NPA recovery reflects better capital adequacy, better quality of assets and a regained investor/depositor confidence.

In addition, effective recovery operations diminish reliance on taxpayer funds, which makes banks work more effectively and competitively. The Reserve Bank of India (2023) cited that the quality of assets is one of the fundamental markers of the healthy banking sector, and the continuous drop in the number of NPAs is essential to the growth of credit and economic development. The mechanisms as auctions at the NPA level, the application of the SARFAESI Act, and the resolution of the Insolvency and Bankruptcy Code (IBC) have improved recovery systems. Thus, an effective and open recovery mechanism is essential not only to enhance the bank balance sheets but also to maintain the larger financial system and help India in long term economic growth.

Legal and Institutional Rationale Behind NPA Auctions in India

The NPA auctions have become important in the strategy of Indian banking sector towards reduction of distressed assets, which can recover faster and improve financial discipline. Legal support to this process is represented by the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002, which enables banks and other financial institutions to enforce their security rights without a court intervention in the event of default (Ministry of Law and Justice, 2002). This law saves a lot of time and money spent on litigation. It gives the lenders the mandate to auction off collateral assets so that they can recover dues.

Asset Reconstruction Companies (ARCs) were established in order to operationalize this framework. ARCs obtain NPAs of banks- by auction, usually competitive- and seek recovery using the resolution, restructuring, or liquidation models (Reserve Bank of India, 2023a). The mechanism enables the banks to clean up their balance sheets in order to enhance capital adequacy in order to refocus on new credit creation. As it is stressed by the Economic Survey (2022), the SARFAESI framework is one of the most commonly used tools of secured asset recovery, particularly during the pre-insolvency stage. Reserve Bank of India (2023b) points out that ARCs also play an important role in developing a secondary market of NPAs, which solidifies the usefulness of the auction-based resolution process.

Overview of PNB’s NPA Issue (2010–2024)

PNB is the second largest government owned bank in India, Punjab National Bank (PNB), was experiencing some significant stress during the period of 2010 to 2024, on Non-Performing Assets (NPAs) due to a systemic issue and institutional events. In the first half of this decade, PNB managed to retain a stable asset quality of its provisioning and Gross NPAS of less than 2% and a stable provisioning coverage ratio (Scribd, 2010). However, the later years were marked by the sharp growth of loan defaults, primarily owing to the overexposure to capital-intensive sectors, including infrastructure, iron and steel, telecom and power that were revealed due to slow clearances, regulatory payments, and fluctuating prices of commodities (RBI, 2015). This has got worse after 2015, following the Reserve Bank of India Asset Quality Review (AQR), which showed that a large portion of restructured loans had previously been reported as standard. The GNPA ratio of PNB rose drastically to 11% in FY2017 and it peaked at 14.06% in FY2020. The 13,000-cr. ($1.91B) fraud that took place in 2018 due to Nirav Modi and Mehul Choksi was one of the key moments that led to the exposure of institutional failures in the risk management practices and ultimately the destruction of the trustworthiness of stakeholders (Business Standard, 2018). This was further complicated by the merger with the Oriental Bank of Commerce in April 2020 and United Bank of India that provided the newly formed institution with inherited stressed assets.

Despite these failures, PNB initiated the change in structure, improved internal control and enhanced recovery mechanisms using SARFAESI, DRTs, ARC Sales and IBC based resolutions. As a result, the bank achieved significant growth by the FY2024: GNPA dwindled down to 5.73%, Net NPA dwindled down to 0.73%, and Provision Coverage Ratio soared to more than 95% (PNB Annual Report, 2024; Economic Times, 2024). This revival is a sign of a shift to greater standards of prudence, e-surveillance of credit risk and the proactive mechanism of recovering bad loans.

This research paper seeks to examine the auction of Non-Performing Assets (NPAs) in Punjab National Bank (PNB) as an auction tool. It discusses the processes of pre, in, and post Auctions affect the quality of assets and financial results of PNB. Special attention is paid to the alterations that happened following the merger of Oriental Bank of Commerce (OBC) and Union Bank of India (UBI). The paper also identifies the difficulties in auction process and proposes a way of making the NPA auction effective. This research paper is divided in to 9 sections starting with a section of introduction, review of literature, research methodology, overview of NPA auction process in India, PNB’s NPA auction, post-merger impact analysis of PNB, challenges in NPA auction, policy implication to address challenges in NPA auction & conclusion.

2. REVIEW OF LITERATURE

2.1 Understanding NPA Management and Recovery Tool

Many studies have focused on the rising problem of Non-Performing Assets (NPAs) in the Indian banking sector and the recovery mechanisms employed to manage them. Early reports, such as the Narasimham Committee (1998), emphasized the urgent need to improve asset quality among Public Sector Banks (PSBs). RBI (2022) categorizes NPAs as loans overdue for more than 90 days, and their build-up has led to significant stress in the sector. Studies by Mohan (2019) and Jha (2019) explore how macroeconomic shocks and poor credit appraisal systems have led to recurring NPA cycles. Ali and Sufian (2020) identify a direct correlation between high NPA levels and shrinking profitability in public banks. Recovery mechanisms like one-time settlements, debt restructuring, and write-offs have been widely used, but their effectiveness has remained limited (Das & Uppal, 2021). Thus, scholars suggest a shift toward more structured resolution mechanisms like auctions and sales to ARCs.

2.2 Previous Studies on SARFAESI Act and ARC Effectiveness

The SARFAESI Act (2002) has transformed the face of lending and banks are now able to take over and sell secured assets without a court order. According to Gaba and Kumar (2018), the Act greatly minimized delays in enforcing the law to recover assets. Choudhury (2020) asserts that it is crucial in accelerating asset disposal, particularly in large public sector such as Punjab National Bank (PNB), State Bank of India (SBI) & Bank of Baroda. The success of Asset Reconstruction Companies (ARCs) has come under broad discussion. Shankar (2023) discovers that as ARCs assisted banks to cleanse their books, real recoveries were small. According to Mukherjee (2024), several numbers of ARCs are not capitalized and are not operational, which results in few turnarounds of acquired assets. Patel and Rajan (2021) warn against the excessive use of a small number of dominating ARCs, which distort prices in the auction procedure. In spite of these shortcomings, Pandey (2022) admits that banks such as PNB have employed SARFAESI and ARC sales in strategic ways to cut down the Gross NPAs, more so after FY18 when the quality of the assets in PNB faced serious scrutiny. According to the data of RBI (2023), PNB actively resorted to auction notices and e-auctions to sell bad loans in retail and MSME segments.

2.3 Auctions as a Recovery Strategy and Their Financial Impact

Goyal and Joshi (2012) and Pandey (2022) describe the steps of the auction process into three parts, which are pre-auction (assessment of assets and provisioning), auction (proclamation and bidder), and post-auction (legal clearance and delivery). According to Bhattacharya (2023), PNB it is targeting to regain more than 1,200 crores ($0.145B) through auctions in FY25 itself, which will indicate the increasing significance of the tool. A number of researches note that asset auctions have a beneficial effect on both short-term capital adequacy and provisioning buffers, although they may not necessarily lead to full-value recovery (Das and Uppal, 2021; Mishra, 2021). The assets are on average auctioned at 30-50 percent of the book value (Economic Times, 2022; Shankar, 2023). World Bank (2021) stresses that recovery ratios should be enhanced by having better price mechanisms. Following the transition to the post-merger phase, Iyer (2023) points out that the auction process at PNB was more consolidated and digitized with the help of such platforms such as MSTC and Indian Banks Auctions. This was required after the 2020 consolidation with OBC and UBI which united diverse recovery operations. According to Dey and Roy (2022), despite the enhanced recovery activities at PNB following the merger, legacy NPAs were still problematic.

The existing literature on NPAs, SARFAESI, and ARCs, in general, do not provide detailed, bank-specific analysis, in particular, post-merger banks such as PNB. There is a lack of literature that considers how PSBs have strategic and operational differences in recovery. Scarcely any research has been conducted on processes that precede and succeed the auction process like negotiating with the borrower or the pricing of assets. Likewise, little focus is paid to the identification of ARC buyers or patterns of concentration in the auction. The paper will focus on these gaps by examining the auction strategy of PNB, its operational structure and its financial effects on the basis of public disclosure and RBI data.

2.4 Conceptual Framework and Theoretical Foundation

The research is based on the financial intermediation theory, distressed asset resolution theory, and post-merger integration theory. According to the financial intermediation theory, an increase in non-performing assets undermines the efficiency of the bank in the allocation of credit as well as capital adequacy. They must therefore have effective recovery mechanisms to reinstate balance-sheet strength and financial stability (Diamond, 1984; Gorton & Winton, 2003). Consequently, banks must adopt effective recovery and resolution mechanisms to restore balance-sheet strength and sustain financial intermediation functions.

The theory of distressed asset resolution focuses on market-based techniques like auctions as effective means of price discovery and risk transfer. Auctions help to clear stressed assets faster, minimize information asymmetry, and allow banks to clear non-performing exposures in a transparent way through competitive bidding (Klingebiel, 2000; Hotchkiss et al., 2018). Such mechanisms are particularly relevant for large public sector banks facing persistent NPA stress.

Moreover, post-merger integration theory emphasizes that the alignment of operations, harmonization of governance, and a combination of recovery mechanisms are what makes mergers either beneficial in terms of performance (Haspeslagh &

Jemison, 1991; Cartwright & Schoenberg, 2006). In the case of Punjab national bank, the post-merger process meant the need to bring together recovery systems, legal procedures as well as asset management and NPA auctions would be a very important institutional mechanism of dealing with inherited stress.

According to these theoretical approaches, the conceptualization of the study views NPA auctions as a bridge between post-merger integration and the financial performance implications. Good auctions are anticipated to enhance the quality of assets, make provisioning more robust and capital adequacy which aids in stabilizing financial position after a merger (Berger & Humphrey, 1997; RBI, 2021).

3. RESEARCH PROPOSITIONS

Based on the conceptual framework and objectives of the study, the following research propositions are developed in the context of Punjab National Bank (PNB):

Propositions 1. The increased use of auction-based resolution mechanisms at Punjab National Bank is systematically associated with a decline in Gross and Net Non-Performing Asset ratios in the post-merger period.

Propositions 2. The auction-led recoveries contribute positively to financial resilience, as reflected in improvements in the Provisioning Coverage Ratio and Capital Adequacy Ratio.

Propositions 3. The effectiveness of NPA auctions at Punjab National Bank improves after merger integration due to enhanced coordination, standardized recovery processes, and centralized asset management systems.

Propositions 4. The auctions with higher transparency and a greater share of cash recoveries result in stronger financial outcomes compared to security receipt–based resolutions.

Propositions 5. The recovery frameworks enhance the impact of regulatory reforms on post-merger improvements in asset quality.

4. RESEARCH METHODOLOGY

This section is present the methods used to investigate Punjab National Bank's (PNB) approach to NPA auctions. It explains the case study design, sources of data, period of analysis, and tools applied to examine auction practices and their financial impact, especially in the context of PNB's post-merger restructuring.

4.1 Case Study Approach: Punjab National Bank (PNB)

This study adopts a case study approach, focusing on Punjab National Bank (PNB) as a representative Public Sector Bank (PSB) with a significant history of NPA accumulation and recovery efforts. The decision to choose PNB is based on the fact that the bank has a big balance sheet, has participated in key NPAs resolutions, and has undergone a transformative merger with two public sector banks i.e. Oriental Bank of Commerce and United Bank of India in 2020. The case study approach allows a thorough investigation of the bank-specific approaches to auction, organizational reaction to stress assets, and the effects of systemic changes that occurred after the merger.

4.2 Data Sources

This research is based on secondary data collected from reliable and publicly available sources. These include PNB's annual reports, investor presentations, and financial statements, which provide insights into asset quality trends and recovery performance. RBI publications such as the Financial Stability Report, Master Directions on NPAs, and Trends and Progress of Banking in India offer regulatory and macro-level context. Additional sources include news articles from platforms like The Economic Times, Business Standard, and Money control; updates from the Insolvency and Bankruptcy Board of India (IBBI); and press releases or official statements from leading Asset Reconstruction Companies (ARCs).

4.3 Time Frame of Study

The study is structured across two key periods: the pre-merger phase (2017–2019), and the post-merger phase (2020–2024). The pre-merger period reflects PNB's standalone auction strategy before amalgamation, while the post-merger phase captures the effects of organizational consolidation, asset pooling, and strategic reorientation in dealing with NPAs. This bifurcation allows for a comparative analysis of auction effectiveness across structural and regulatory shifts.

4.4 Analytical Tools and Techniques

To analyse the data, descriptive and ratio analysis methods are used. The procedural elements of the auction process, such as asset listing, interaction with the bidder, and restructuring after sales are tracked through descriptive analysis. The ratio analysis is used to determine the quantitative result of the auctions on the financial health of PNB in regards to key ratios: Gross NPA (GNPA), Net NPA (NNPA), Provisioning Coverage Ratio (PCR) and Capital Adequacy Ratio (CAR). All these tools will contribute to the determination of whether the auctions have made any significant contribution to enhancing the quality of the asset of the bank especially in the post-merger scenario.

4.5 Objectives of the study

To identify major non-performing assets auctioned by PNB and analyse the profile of acquiring entities.

To study the key procedural stages involved in the auction process—pre-auction assessment, bidding, and post-auction outcomes.

To assess the impact of NPA auctions on PNB's asset quality, with particular focus on the post-merger period.

5. OVERVIEW OF NPA AUCTION PROCESS IN INDIA

This section provides a comprehensive understanding of how Non-Performing Assets (NPAs) are auctioned in India. It presents the life cycle of the auction process, including identification and classification of NPAs for auction, post-sale recognition and financial impact. This process consists of names three phases in a framework of pre-auction, during-auction, and post-auction phases.

5.1 Pre-Auction Phase

This section is present the compete process of auctioning of NPA's of banking sector in India as envisaged in RBI regulation and guidelines. The process consists of three phases such as pre-auction, during auction and post auction phase. The pre auction phase includes identifying, classification, and competition regulatory process for auction, such as valuation, provisioning, and public notices. This process consists of 7 steps as cleared in table 1.

Table 1: Procedural Framework for Pre-Auction of NPAs

Steps	Description	Responsible Authority	Approval Required	Legal/Regulatory Framework	References
1	Classification of account as NPA after 90+ days of default	Credit Monitoring Cell	As per IRAC norms	RBI Master Circular on IRAC (2023)	Reserve Bank of India. (2023).
2	Categorization as Sub-standard, Doubtful, or Loss Asset	Credit/Risk Department	Internal SOP	RBI Income Recognition & Asset Classification	Reserve Bank of India. (2023)
3	Independent valuation (Fair and Realisable Value)	Bank-appointed RBI-approved valuers	Reviewed by Asset Sale Committee	RBI Guidelines on Stressed Asset Sale	Reserve Bank of India. (2022)
4	Loan loss provisioning based on asset class and age	Finance & Risk Management Team	Automatic based on RBI norms	RBI Provisioning Norms (2023)	Reserve Bank of India. (2023)
5	Drafting and publishing of auction notice (online + print media)	Recovery Department & Legal Cell	Reviewed by Legal / Compliance Team	SARFAESI Act, e-Bkray Guidelines	Government of India. (2002) &
6	Invitation for bids from ARCs / Qualified Buyers	NPA Cell / IT Department	SOP-based	SARFAESI Act Section 3; IBA Norms	Indian Banks' Association
7	Approval for auction and reserve price finalisation	Asset Sale Committee / Board	Based on loan exposure	RBI Sale of Stressed Assets Circular (2022)	Reserve Bank of India (2023).

5.2 During Auction

This section introduces the auction mechanism and details how the evaluation of bids will be done. Is demonstrates the approach in the process of selecting buyers and the model on which terms of sale are discussed and established. It is stressed that transparency and competitiveness alongside effective recovery results are ensured the all procedural framework during auctioning of NPA. This section consists the 5 steps as cleared in table 2.

Table 2: Procedural Framework for During-Auction of NPAs

Steps	Description	Responsible Authority	Approval Required	Legal/Regulatory Framework	References
1	Online auction via e-Bkray or bank's internal auction portal	IT Department / NPA Cell	Supervised by Legal & Compliance	IBA, DFS, and e-Bkray Portal Rules	Department of Financial Services
2	Participation by eligible ARCs offering bids (Cash/SRs/Hybrid)	Qualified Bidders (ARCs)	Minimum 15% cash component (if SRs)	RBI Guidelines on Sale of Stressed Assets (2022)	Reserve Bank of India. (2022).
3	Evaluation of bids against reserve price and structure	Asset Sale Committee / Resolution Cell	Final approval by Committee / Board	RBI Asset Sale Guidelines; Internal SOP	Reserve Bank of India. (2022).
4	Finalisation of successful bidder and execution of sale agreement	Legal Department & ARC Buyer	Legal vetting and documentation	Indian Contract Act; SARFAESI Procedures	Government of India. (1872).
5	Monitoring compliance and auction process integrity	Internal Audit, Legal & Risk Teams	Ongoing internal oversight	SARFAESI Act; RBI Process Audit Framework	Government of India. (2002).

5.3 Post-Auction

This section examines what happens after an auction, including removal of the asset from books, recognition of recovery, and its effect on the bank's balance sheet and performance.

Table 3: Procedural Framework for Post-Auction of NPAs

Steps	Description	Responsible Authority	Approval Required	Legal/Regulatory Framework	References
1	Derecognition of asset from balance sheet	Accounts / Finance Department	Verified by Statutory Auditor	RBI Asset Sale Disclosure Rules	Reserve Bank of India. (2022)
2	Recognition of recovery: Cash as income, SRs at NAV	Finance Department	CFO / Audit Committee	RBI Guidelines; Annual Report Rules	Reserve Bank of India. (2022) & Ministry of Corporate Affairs. (2023)
3	Adjustment of provisioning post-sale	Risk Management & Finance Dept	Based on ARC recovery performance	RBI Financial Stability Report (2023)	Reserve Bank of India. (2023).

4	Impact on GNPA ratio, CET1 capital, and Provision Coverage Ratio	Financial Reporting Team	Reported to RBI / Board	Basel III Framework; RBI Circulars	Reserve Bank of India. (2021) & Bank for International Settlements. (2017)
5	Strategic assessment of recovery method effectiveness	Strategic Risk Committee / Top Mgmt.	Board-level review	Risk-based Recovery Policy; RBI Oversight	Reserve Bank of India. (2022)

NPA Auctions case of PNB

As mentioned, that during 2020 OBC and UBI were merged with PNB. The emphasis is laid on the specifics of each auction such as the name of the borrower, the amount due, the persons who purchase it or ARCs, and the way it is recovered. These significant NPA auction transactions are summarized in the following table (Table 4 & 5), which determines how the bank has been strategic in its asset recovery efforts and the magnitude of those endeavours over the years and used the e auction recovery method.

Table 4: Pre-Merger Major NPA Auctions of PNB (Before April 1, 2020)

Year	Borrower Name	Outstanding Amount (₹ Cr)	Buyer / ARC	Approx. Recovery (₹ Cr)	Remarks	References
2017	Hanung Toys & Textiles	771.65 Cr.($0.119B) (Consortium exposure)	ARC / FI	Not disclosed (part of ₹1,176 Cr) ($1.81B)	Largest in 32-account auction block	Business Standard (2017) & India Today (2017)
2017	Harbs India	Not disclosed (part of ₹1,176 Cr) ($1.81B)	ARC / FI	Not disclosed	Included in 32 NPAs	Business Standard (2017) & India Today (2017)
2017	United Foods	Not disclosed (part of ₹1,176 Cr) ($1.81B)	ARC / FI	Not disclosed	Included in 32 NPAs	Business Standard (2017) & India Today (2017)
2017	Harman Textiles	Not disclosed (part of ₹1,176 Cr) ($1.81B)	ARC / FI	Not disclosed	Included in 32 NPAs	Business Standard (2017) & India Today (2017)
2018	Moser Baer	233.06Cr. ($0.036B)	Edelweiss (Likely)	Part of ₹1,320 Cr ($0.020B)	Part of 21 NPA auction,	Business Standard

	Solar				Sep 2018	(2018)
2018	Divine Vidyut	132.66Cr. ($0.020B)	Not disclosed	Part of ₹1,320 Cr($0.020B)	Part of 21 NPA auction, Sep 2018	Business Standard (2018)
2018	Vandana Vidyut Steel	454.02Cr. ($0.067B)	Not disclosed	Part of ₹1,779 Cr. ($2.62B)	Listed in Dec 2018 auction	The New Indian Express (2018)
2018	Visa Resources	115.2Cr. ($0.017B)	Not disclosed	Part of ₹1,779 Cr($2.62B)	Listed in Dec 2018 auction	The New Indian Express (2018)
2019	Vandana Vidyut Steel	454.02Cr. ($0.067B)	Not disclosed	Part of ₹20,000 Cr. ($28.57B)	Re-auctioned Jun 2019	Business Today (2019)
2019	Visa Steel	443.76Cr. ($0.063B)	Not disclosed	Part of ₹20,000 Cr. ($28.57B)	100% cash bid required	Business Today (2019)
2019	Ind Barath Energy	414.23Cr. ($0.059B)	Not disclosed	Part of ₹20,000 Cr. ($28.57B)	Listed in 11-account auction	Economic Times (2019)
2019	Aster Pvt Ltd	113.57Cr. ($0.016B)	Not disclosed	Part of ₹20,000 Cr. ($28.57B)	Included in same tranche	Economic Times (2019)
2019	Om Shiv Ltd	100.16Cr. ($0.014B)	Not disclosed	Part of ₹20,000 Cr. ($28.57B)	Included in same tranche	Economic Times (2019)

Table 5: Post-Merger Major NPA Auctions of PNB (After April 1, 2020)

Year	Borrower Name	Outstanding Amount (₹ Cr)	Buyer / ARC	Recovery Method	Approx. Recovery (₹ Cr)	Remarks	References
2023-24	Undisclosed Corporate #1	Part of ₹4,929 Cr. ($0.594B)	NARCL / ARC	e Auction / OTS	Part of ₹1,248 Cr. ($0.150B)	Total 20 accounts sold	BFSI Economic Times. (2024) & Reuters. (2024)
2023-24	Undisclosed Corporate #2	Part of ₹4,929 Cr. ($0.594B)	NARCL / ARC	e Auction / OTS	Part of ₹1,248 Cr. ($0.150B)	Names not made public	Punjab National Bank. (2024)

Table 4 & 5 presents the major NPA auction transactions of Punjab National Bank between 2017 and 2024, highlighting some of the largest and most strategically important recovery efforts undertaken by the bank. In 2017, PNB conducted its biggest block auction of 32 NPAs worth ₹1,176 cr. ($1.81B), with Hanung Toys & Textiles emerging as the largest exposure at ₹771.65 cr. ($0.119B), accompanied by other accounts such as Harbs India, United Foods, and Harman Textiles. The year 2018 shows notable inclusions like Moser Baer Solar ₹233.06 cr. ($0.036B) and Vandana Vidyut Steel ₹454.02 cr. ($0.067B), which were part of auction tranches valued at ₹1,320 crore ($0.193B) and ₹1,779 crore ($0.260B) respectively. The scale of auctions expanded considerably in 2019, with a ₹20,000 cr. ($28.57B) multi-account sale that included the re-auction of Vandana Vidyut Steel, along with large exposures such as Visa Steel ₹443.76 cr. ($0,063B) and Ind Barath Energy ₹414.23 crore ($0,016B). In the post-merger period, 2023–2024 reflects a strategic shift, as shown in the table, with the involvement of NARCL and other ARCs in handling ₹4,929 cr. ($0.594B) worth of distressed assets across 20 accounts through e-auctions and one-time settlements, though borrower names were not disclosed. Overall, Table 4 clearly shows that these cases are significant due to their high-ticket sizes, repeated appearances across years, and their critical role in reducing PNB's gross NPAs.

7.0 Post-Merger Impact Analysis of PNB: NPA Control and Minimization (2020–2024)

In this section, the effort of Punjab National Bank (PNB) to control and minimize its Non-Performing Assets (NPAs) between 2017 and 2024, particularly after the April 2020 merger with OBC and UBI, is analysed. The bank had been engaged in huge NPA auction programs, large recoveries of huge accounts, which have helped to bring a gradual reduction in its gross and net NPAs over the years. PNB encountered high NPAs, and at times of the merger, strategic recovery actions were implemented like Insolvency and Bankruptcy Code (IBC) resolutions, Asset Recovery Company (ARC) sales, One-Time Settlement (OTS), and the application of digital instruments, which led to better asset quality. Legal frameworks, technological innovations, and diversified approaches helped the bank in its recovery efforts, thus increased financial stability and adequate capital adequacy. Although the company continues to face difficulties such as valuation issues and sluggishness in procedures, the emphasis that PNB has placed on digital transformation, transparency, and systemic reforms has been instrumental in enhancing the company in terms of asset management and recovery operations. All in all, the concerted efforts by the bank after the merger have been a significant factor in bettering its financial status and alleviating the stress in its asset portfolio.

7.1 NPA Position at the Time of Merger of PNB, OBC and UBI (April 2020)

On 1 April 2020, Punjab National Bank (PNB) was merged with the Oriental Bank of Commerce (OBC) and United Bank of India (UBI) in the Government of India plan to consolidate the public sector banks announced in August 2019. The outcome of this merger was the second largest public sector bank in India with a combined business size of 17.94 lakh cr. ($239.2B), 180 million customers and a network of 11,437 branches and 13,000 ATMs. Nevertheless, the quality of the assets also became a major issue during the merger since both banks went into the union with a heavy NPA burden. By FY2019, PNB had Gross NPAs of 77,733 cr. (16.30%), OBC 21,580 cr. (12.66%) and UBI 17985 cr. (15.49%). After the merger, the collective stressed assets were over 1.17 lakh crore, which translates into a consolidated GNPA ratio of more than 14% in FY2020. This legacy debt became a priority issue with PNB executing unified recovery measures across the joint-company-asset-base: through the Insolvency and Bankruptcy Code (IBC), selling NPAs to Asset Reconstruction Companies (ARCs), building digital One-Time Settlement (OTS) platforms and enhancing centralized NPA oversight, to gradually clean up asset quality in the ensuing years.

7.2 Consolidated NPA Position Post-Merger

The merger of Punjab National Bank (PNB) with Oriental bank of commerce (OBC) and United Bank of India (UBI) as of April 1, 2020, caused a significant change in the size of the bank assets-and similarly, in its non-performing assets (NPAs). The consolidated gross NPA (GNPA) shot up as a result of inherited bad loans of OBC and UBI, and provisioning, which was specified by the Reserve Bank of India (RBI). According to the annual report of PNB (2021), the bank had to align NPA recognition among merged entities, so, FY2020, it had a GNPA of ₹1.05 lakh crore and a GNPA ratio of 14.21%.

But, aggressive provisioning, Insolvency and Bankruptcy Code (IBC) resolution, asset sales and e-auction has succeeded in reducing NPA levels over the years. In FY2024, GNPA declined to 70,816 crore and the GNPA ratio was also decreased to 8.65%. The same situation was seen with regard to net NPA (NNPA), which increased by 2.93 percent in FY2024 as compared to 5.78 percent in FY2020 (PNB, 2024; CRISIL, 2023).

Table 6: Consolidated GNPA & NNPA (₹ Crore and %) – FY2020 to FY2024

Year	Gross NPA (₹ Cr)	GNPA (%)	Net NPA (₹ Cr)	NNPA (%)	References
FY2020	1,05,405 ($14.05B)	14.21%	38,575 ($ 5.17 B)	5.78%	Punjab National Bank. (2024) & RBI (2023)
FY2021	1,04,423 ($14.12B)	14.12%	38,581 ($ 5.22 B)	5.73%	Punjab National Bank. (2024) & RBI (2023)
FY2022	92,320 ($12.31B)	11.78%	34,000 ($ 4.33 B)	4.80%	Punjab National Bank. (2024) & CRISIL Ratings. (2023)
FY2023	83,582 ($10.19B)	10.48%	28,665 ($ 3.47 B)	3.72%	CRISIL Ratings. (2023
FY2024	70,816 ($8.53B)	8.65%	22,415 ($ 2.69 B)	2.93%	Punjab National Bank. (2024)

Table 6 shows the combined results of Gross NPA (GNPA) and Net NPA (NNPA) of Punjab National Bank in FY2020-2024 displaying the total effect of its recovery and resolution policies that included the significant NPA auction activities outlined in Table 4. In FY2020, the consolidated GNPA, shortly after merging Oriental Bank of Commerce and United Bank of India with PNB was ₹1,05,405 cr. ($14.23B) (14.21%) and NNPA 38,575 cr. ($5.21B) (5.78%).

Although the stress of the pandemic also impacted FY2021, GNPA levels declined slightly and steadily to 104423 cr. ($14.00B), partly due to sustained large-ticket recoveries and auction sales in earlier years. The pace increased in FY2022 with GNPA reducing to ₹92,320 cr. ($12.39B) (11.78%) and NNPA to ₹34,000 cr. ($4.56B) (4.80%), and some of the accounts mentioned in Table 4 were successfully resolved by conducting repeated auctions and settlements. As of FY 2023, GNPA and NNPA further improved to ₹83,582 cr. ($10.17B) (10.48%), and ₹28,665 cr. ($3.49B) (3.72%), respectively, due to high-quality assets, improved provisioning and strategic involvement in the ARCs and NARCL of high-value distressed assets. The highest growth of the period is projected in FY2024, when GNPA is projected to 70,816 cr. ($8.50B) and NNPA is estimated to be 22,415 cr. ($2.69B), highlighting the success of the continuous recovery initiatives, re-auctioning of the chronic NPAs and implementation of One-Time Settlement (OTS) on the hard accounts. It is evident that the sequential decrease in both GNPA and NNPA during the same five years is directly related to the recovery initiatives recorded in Table 5 and how the liquidation of large NPA accounts contributed directly to the reinforcement of PNB balance sheet, and the quality of its asset profile.

7.3 Recovery Performance (FY2020–2024)

The major approaches were the IBC appeal, selling of bad loans to the Asset Reconstruction Companies (ARCs), the introduction of One-Time settlement (OTS) plans, and auctioning through the e-Bkray platform. Recovery was highest at ₹8,645 cr. ($1.16B) in FY2021 according to the annual reports and the speech by the directors (FY2021). ARCs also helped the bank to recover a large amount of dues, particularly in FY2023 and FY2024 through NARCL.

Total recovery reached 17,599 cr. ($2.11B) in FY2024 with a big portion being contributed by stressed retail and MSME accounts that were resolved using digital OTS platforms like the SAMARTH portal (Business Standard, 2023). The performance was also facilitated by the introduction of special NPA monitoring verticals such as SASTRA and centralized dashboards (Economic Times, 2022).

Table 7: Recovery Performance by Mechanism – FY2020 to FY2024

Year	IBC Recovery (₹ Cr)	ARC Sale (₹ Cr)	OTS & Others (₹ Cr)	Total Recovery (₹ Cr)	References
FY2020	5,643($0.76B)	2,377($0.32B)	3,155($0.43B)	11,175($1.51B)	PNB Annual Report (2020)
FY2021	8,645($1.16B)	3,132($0.42B)	4,201($0.56B)	15,978($2.14B)	PNB Annual Report (2021)
FY2022	7,289($0.98B)	2,756($0.37B)	5,010($0.67B)	15,055($2.02B)	PNB Annual Report (2022)
FY2023	6,182($0.75B)	3,621($0.44B)	3,981($0.48B)	13,784($1.68B)	PNB Annual Report (2023)
FY2024	8,248($0.99B)	4,029($0.48B)	5,322($0.64B)	17,599($2.11B)	PNB Annual Report (2024) & Business Standard (2024)

Table 7 highlights the distribution of PNB's recoveries across three primary mechanisms—IBC resolutions, ARC sales, and OTS/other settlements—over FY2020 to FY2024. IBC consistently contributed the largest share, peaking at ₹8,645 cr. ($1.16B) in FY2021 and maintaining strong recovery levels thereafter. ARC sales, which included major corporate NPA transfers to NARCL in FY2023–FY2024, increased steadily from ₹2,377 cr. ($0.32B) in FY2020 to ₹4,029 cr. ($0.48B) in FY2024. Recoveries through OTS and other modes—significantly boosted by the SAMARTH digital portal—rose from ₹3,155 cr. ($0.43B) in FY2020 to ₹5,322 cr. (($0.64B) in FY2024. Overall, total recoveries improved from ₹11,175 cr. ($1.51B) to ₹17,599 cr. ($2.11B) during this period. These results directly complement the large-ticket auction cases in Table 5 and the GNPA/NNPA reductions in Table 6, demonstrating that PNB's diversified and technology-enabled recovery framework effectively tackled both high-value corporate accounts and retail/MSME stress.

Capital Adequacy and Provision Coverage Improvements (FY 2020–2024)

Post-merger, Punjab National Bank had to recalibrate its capital strategy due to the burden of NPAs inherited from Oriental Bank of Commerce (OBC) and United Bank of India (UBI). A critical component of this strategy was ensuring compliance with Basel III norms, specifically maintaining a sufficient Capital Adequacy Ratio (CAR) and Provision Coverage Ratio (PCR). Over the period FY 2020–2024, PNB improved both indicators substantially.

Table 8: Capital Adequacy and Provision Coverage – PNB (FY 2020–2024)

Financial Year	Capital Adequacy Ratio (CAR)	Tier I Capital (%)	Provision Coverage Ratio (PCR)	References
2020–21	14.32%	11.79%	80.14%	PNB Annual Report
2021–22	14.50%	12.20%	84.78%	PNB Annual Report
2022–23	15.50%	12.80%	88.32%	PNB Annual Report
2023–24	16.25%	13.40%	90.23%	PNB Annual Report

According to the table 8 above, the CAR of PNB increased to 16.25% in FY24, as compared to 14.32% in FY21, which is well above the minimum 10 percent regulatory requirement of the RBI. Simultaneously, Tier I capital reflecting the robustness of the bank core equity capital- strengthened, 11.79 to 13.40, which shows the growing role of internal accruals and capital inflows after the merger (PNB, 2024; RBI, 2023). The Provision Coverage Ratio (PCR) has also improved significantly, increasing to 90.23 in FY24, with an increase in 80.14 in FY21, as one of the indicators of a more conservative and proactive provisioning (CRISIL, 2023). This improvement implies that the bank was already holding sufficient reserves against its bad loans and hence it was not that sensitive to future asset quality shock. The growth in the CAR as well as PCR shows that PNB undertook a strategic approach in capital conservation, risk control, and credit discipline, which contributed to rebuilding the confidence of the market after the merger.

Strategic Shifts in Recovery Mechanisms (Use of IBC, ARCs, OTS, Digital Tools)

After the merger, PNB redefined its loan recovery strategy which was previously based on traditional tools to a more technology-based, diversified, and empowered under the law strategy. The merger had increased the bank NPA base, which was of high priority in recovering to sustain itself financially. The National Company Law Tribunal (NCLT) enhanced the use of the Insolvency and Bankruptcy Code (IBC) as one of the main reforms. PNB was driving defaulters who were of high value into the resolution process leading to recoveries confined in time. Such cases as Bhushan Power and Videocon Industries assisted the bank to recover significant values though with haircuts. At the same time, the bank sold bad loans to Asset Reconstruction Companies (ARCs), such as Edelweiss ARC and JM Financial ARC, and erased the balance sheet, which decreased the provisioning necessity. Moreover, in FY 202223, PNB introduced a digitized One-Time Settlement (OTS) Portal. This enabled borrowers to pay out over due loans online thereby expediting the process and promoting transparency. The success of the portal is reflected in the total recoveries of the bank.

Table 9: Recovery Performance by Channel – PNB (FY 2020–2024)

Financial Year	Total Recovery (₹ Cr)	Key Recovery Channels Used
2020–21	16,600 ($2.23B)	OTS, ARC Sales, NCLT, SARFAESI
2021–22	22,300($2.99B)	NCLT, DRTs, Lok Adalats, ARC
2022–23	26,152($3.19B)	OTS Portal (New), Digital War Room, IBC
2023–24	17,599($2.11B)	Upgraded OTS, IBC, Real-time digital monitoring tools

FY23 was the best recovery year when more than 26,000 cr. ($3.16B) was recovered with the help of the digital OTS and the IBC resolutions in table 9. Recoveries were strong in FY24 at 17,599 cr. ($2.11B), they were mainly made by tech-driven tools (Business Standard, 2023). Another initiative by the bank was the establishment of the so-called Digital War Rooms, which made it possible to monitor the NPA in real-time and also connected machine learning models to forecast loan recovery processes. These AI-powered dashboard enhanced accountability and internal controls particularly where the corporation was experiencing a high-value default (Economic Times, 2022). Moreover, smaller and secured loans were also pursued through the traditional legal avenues such as SARFAESI Act, Debt Recovery Tribunals (DRTs) and Lok Adalat. These legal-tech arrangements formed a multi-layer recovery system that corresponded to account size and complexity, resulting in a recovery process that was highly efficient at PNB following the merger.

8.0 Challenges in NPA Auctions

8.1 Low Bid Value vs Outstanding Loan

A key issue that continues to plague PNB's NPA auctions is the significantly lower bid values compared to the outstanding loan amounts. In many high-value cases, the bids received were well below even the reserve price. For instance, in June 2019, PNB placed six major non-performing accounts, including Vandana Vidyut and Visa Steel, on auction, with total dues of over ₹1,000 cr. ($0.14B). However, the reserve price was set at only ₹342 crore ($0.049B), about 34% of the outstanding loan, indicating massive under-recovery risk (Business Standard, 2019; Business Today, 2019). This gap is largely due to investor risk perception, deteriorated asset conditions, and legal encumbrances attached to the properties. For buyers, the risk of acquiring assets tied in litigation or with disputed valuations makes them cautious, which further suppresses the bidding competition. As a result, PNB often has to conduct multiple rounds of auctions, settle for lower realization, or resort to write-offs and provisioning, which adversely impacts the bank's profitability and capital adequacy.

8.2 Asset Valuation Disputes

Valuation disputes are a frequent and complex hurdle in PNB's auction processes. Disagreements arise when borrowers challenge the reserve price as being too low, or bidders find valuations unrealistic or inflated. A notable example is the auction of Mehul Choksi's assets, seized under the Prevention of Money Laundering Act (PMLA). The Enforcement Directorate attached properties worth ₹2,565.9 cr. ($0.42B), but the auction could not proceed until a special PMLA court approved the valuation and authorized monetization (Business Today, 2024; Money life, 2024; The Indian Express, 2024). This caused long procedural delays and undermined auction timelines. In other instances, borrowers have approached the Debt Recovery Tribunal (DRT) or High Courts to challenge valuations, claiming suppression of market value or procedural lapses. Courts have sometimes issued stays, demanding independent third-party valuations. This lack of consensus on fair asset pricing often delays auctions, reduces bidder confidence, and occasionally leads to outright cancellations.

8.3 Delays in Auction Process

Although there are clear guidelines on the SARFAESI Act and the norms of RBI, the delays in the process of auction are common and layered. These delays are attributed to litigation by borrowers, inability to secure sufficient participation of bidders, regulatory issues and even technological issues. In the COVID-19 era (20202021), the moratorium on loans set by the Reserve Bank of India allowed banks, such as PNB to classify non-performing accounts into non-performing assets (NPAs) and to auction them (Reserve Bank of India, 2020). Auctions continued to be stopped following the pandemic as portal outages and bidders complained of access problems on the e-auction site of PNB (CNBC TV18, 2024). Moreover, due to the decentralization of the auction listings (managed at the zonal level (e.g. at Rajkot, Coimbatore)) there was inconsistency in schedules and a lack of synchronization. These logistical and technical defects forced some of the auctions to be cancelled or re-listed. These delays do not only destroy the value of the asset with time, but also discourage future buyers in the auctions.

8.4 Regulatory/Legal Hurdles

The procedures in the auction processes of PNB are frequently crippled by legal and regulatory problems. The bank has several high-value NPAs that are stuck in legal cases that cut across several acts of law including the SARFAESI Act, PMLA, IBC, and civil law. To illustrate, as in the case of Bhushan Power and Steel or Gitanjali Gems, the assets were either under enforcement by the ED or in an insolvency process under NCLT, before any auction could take place, it needed to be approved by multiple layers (Executive Education ISB, 2022; The Indian Express, 2024). Also, under Section 13(4) of SARFAESI in DRTs and High Courts, the notices of auction are often challenged by the borrowers, which leads to stays and injunctions. Such legal challenges are compounded by inappropriate interpretation of laws and overlaps between jurisdictions. Although the SARFAESI seeks quicker asset recovery by selling the assets, legal dilatory can create time-consuming disputes which impede the recovery of the dues by the bank in a timely manner and dents the credibility of the auction process.

8.5 Coordination Issues Post-Merger

After the merger of PNB with Oriental Bank of Commerce and United Bank of India in April 2020, internal coordination issues started to emerge, especially regarding NPA recovery and auctions. All the merged banks had their policies, records of assets and norms of valuation. The process of integrating these systems was lengthy and led to confusion when it comes to the process of classifying assets, fixing the reserves, and verifying the documentation (PNB, 2020; Reuters, 2025). Therefore, certain auctions were postponed or cancelled due to the old and incorrect legacy borrower details within OBC or UBI being not updated or incompatible with the centralised system of PNB. The differences in the records of asset possession on a zone level, missing charge documentation, and variation of legal panels also complicated the duties of preparing the auction. Across the merged institution there was the need to restructure such departments as SASTRA (Stressed Asset Recovery) and SAMV (Stressed Asset Management Vertical). In 2024, on the occasion of mega e-auctions in various zones, there was a problem of coordination gaps due to which the approval was not received in time, the notice was mismatched or even the listing was duplicated. These problems underscore the structural necessity of post-merger integration that brought about operational inefficiencies that affected the execution of the auctions.

8.6 Challenges for Researchers

There are several challenges that researchers undertaking research on bank mergers and management of NPA have. One of them is the inconsistency and comparability of data that can vary significantly since the format of reporting as well as asset classification rules and practices of disclosure typically vary in a post-merger situation and makes it challenging to compare the pre-merger and post-merger data (PNB Annual Reports; RBI). Inadequate transparency on the channels of recovery, including that of ARC sales, haircuts as part of IBC, and OTS settlements, inhibits a disaggregated evaluation of efficiency in recoveries (IBBI, RBI). Moreover, it is methodologically difficult to draw the influence of merger on external factors such as economic cycles, regulatory changes and the stress of the pandemic. There is also a likelihood that the research findings will be compromised due to heavy dependence on secondary data and delays in official disclosures (PNB; CRISIL).

9.0 Policy Implications to Address Challenges in NPA Auctions

The analysis of systemic challenges in NPA auctions at Punjab National Bank (PNB) suggests several actionable policy interventions that can enhance recovery performance and restore market efficiency in the distressed asset space. These policy implications are grounded in recent government initiatives, RBI working papers, and institutional experience with auction failures and recoveries.

9.1 Codify Auction Transparency Measures

Transparent auction mechanisms, including real-time bid disclosure and audit trails, are essential to reduce collusion and improve price discovery. Historical opacity in PNB's auction practices often deterred bidders and undermined competitive pricing (Devdiscourse, 2025; Times of India, 2015).

Table 10: Policy Suggestions to Improve Transparency in NPA Auctions at PNB

Current Problem	Suggested Policy Action	Expected Outcome	Reference
Lack of bid visibility and documentation	Real-time bid logs, anonymized bidder identities	Higher bidder confidence, reduced collusion	Times of India (2015)
Inadequate grievance redressal	Complaint portals for auction-related feedback	Enhanced fairness and bidder participation	Devdiscourse (2025)
No post-auction audit trail	Timestamped digital logs of all bids	Dispute resolution and institutional transparency	RBI (2020)

The table 10 shows that PNB's previous auction framework lacked mechanisms such as real-time visibility, audit trails, and bidder grievance systems. By institutionalizing digital logs, anonymized bidding, and complaint redressal, banks can improve bidder trust and participation. For example, spectrum auctions in India successfully used transparent bidding logs (Times of India, 2015), which can be a replicable model in NPA auctions.

9.2 Mandate a Centralized NPA Marketplace

Disjointed listings across PNB and other PSBs have made asset discovery difficult. The creation of a centralized platform like BAANKNET helps unify documentation and market access (Devdiscourse, 2025; Economic Times, 2024).

Table 11: Benefits of Implementing a Centralized NPA Marketplace for PNB and Other PSBs

Issue in Current Setup	Policy Recommendation	Resulting Benefit	Reference
Fragmented auction portals	Integrate all listings on BAANKNET	Reduces redundancy and improves bidder accessibility	Economic Times (2024)
Varying document standards	Standardize asset valuation and legal templates	Shortens due diligence timelines	Devdiscourse (2025)
Limited participation by investors	Broader visibility to ARCs and distressed asset funds	Higher competition and better price realization	RBI (2020)

This table 11 highlights the fragmented nature of auction processes across banks. Creating a unified marketplace like BAANKNET (as recommended by the Economic Survey and RBI) can reduce redundancy and improve market efficiency. With standardized documentation and broader visibility, investors would be more willing to participate, leading to better asset price discovery (Devdiscourse, 2025).

9.3 Revise ARC Incentive Framework

Security Receipt (SR) structures often delay payments to banks. Realigning ARC incentives to increase upfront payments can enhance recovery value for institutions like PNB (RBI, 2020; Live mint, 2020).

Table 12: Policy Recommendations to Enhance ARC Participation through Better Incentive Structures

ARC Practice Limitation	Policy Strategy	Impact on Bank Recovery	Reference
Deferred payments dominate SR-based sales	Link capital relief to upfront cash paid by ARC	Improves immediate liquidity for the bank	RBI (2020)
Low third-party investor participation	>51% ownership of SRs by external investors	Aligns ARC risk with asset recovery	Live mint (2020)
Uniform pricing approach	Board-approved auction flexibility	Encourages true-sale mechanisms for NPAs	RBI Guidelines (2020)

This section presents the inefficiencies of ARC-led resolutions, where deferred payments through SRs undermine cash recoveries. The suggested reforms—linking capital relief to upfront cash and encouraging third-party ownership in SRs—are aimed at aligning ARC incentives with faster resolution, thus reducing the bank's stress on capital provisioning (RBI, 2020; Live mint, 2020).

9.4 Adopt AI-Driven Valuation Tools

Traditional valuation methods often fail in capturing the dynamic market context. Use of AI can improve asset pricing accuracy and auction efficiency (Business Standard, 2025; NITI Aayog, 2022).

Table 13: Technological Interventions for Accurate and Timely NPA Asset Valuation

Valuation Challenge	Tech-Based Solution	Expected Improvement	Reference
Static and outdated asset values	Predictive pricing models using real-time data	Improves reserve price estimation	Business Standard (2025)
Legal vetting delays	AI-enabled title search and encumbrance detection	Faster due diligence and auction turnaround	NITI Aayog (2022)
Fragmented valuation tools	Integrated AI dashboards for recovery teams	Streamlines and standardizes asset assessments	World Bank (2023)

The table explains how the conventional manual means of valuation results in slow and contentious asset pricing. Turnaround times and valuation issues can be lowered tremendously by the application of AI and predictive analytics, including automated legal checks and price models. It can enhance the results of auctions by turning them into more factual and trustworthy ones (Business Standard, 2025; NITI Aayog, 2022).

9.5 Post-Merger Harmonization Protocols

After the 2020 merger, inconsistent asset classification, zone-level documentation formats, and IT platforms hindered PNB's recovery efficiency (PNB, 2021; Reuters, 2025).

Table 14: Post-Merger Policy Reforms to Streamline Recovery and Auction Operations at PNB

Post-Merger Issue	Harmonization Measure	Organizational Advantage	Reference
Duplicate borrower accounts	Shared national registry of borrowers and charges	Eliminates auction overlaps and legal redundancy	PNB Annual Report (2021)
Legal/valuation panel inconsistencies	Unified panel database across merged entities	Smoothens cross-zonal asset handling	RBI (2020)

Disjointed IT platforms	Integrated auction and recovery dashboard	Enables real-time monitoring and status updates	Re

After the merger, PNB experienced operational inefficiencies as a result of duplicated borrower records, fragmented legal panels and lack of integrated IT systems. A combination of these systems in the form of centralized databases, uniform recovery panels, and integrated dashboards would simplify the process of the auction and support real-time monitoring to minimize delays and errors (PNB, 2021; Reuters, 2025).

These policy actions can ensure a much better recovery timeline and increase bidder participation, which, in turn, will enhance asset resolution of distressed assets, which will in turn strengthen banking sector stability and fiscal health in case implemented.

10.0 Preposition Analysis

In this section, the findings of the study are presented relative to propositions formulated earlier. All of the propositions are evaluated to find out how post-merger interventions, recovery processes via auction, and institutional mechanisms affected the quality of assets, financial strength, and NPA management. The findings point to the efficiency of the strategic moves that were made at Punjab National Bank during the post-merger phase.

Propositions 1. The increased use of auction-based resolution mechanisms at Punjab National Bank is systematically associated with a decline in Gross and Net Non-Performing Asset ratios in the post-merger period.

This proposition examined whether increased reliance on auction-based resolution mechanisms at Punjab National Bank led to a reduction in Gross and Net Non-Performing Assets in the post-merger period. According to the analysis, there seems to be an observable drop in the level of both GNPA and NNPA following the merger, which is accompanied by the accelerated auction activity. Auctions facilitated the systematic disposition of stressed assets and helped to clean up balance sheets faster and lessened the liability of legacy NPAs. These results indicate that auction-based recovery was important in enhancing the quality of assets at Punjab National Bank and thus it supports the proposition 1.

Propositions 2. Auction-led recoveries at Punjab National Bank contribute positively to financial resilience, as reflected in improvements in the Provisioning Coverage Ratio and Capital Adequacy Ratio.

The relationship between auction-led recoveries and financial resilience was tested through proposition 2. The results indicate that the recovery performance increased coupled with an increase in the Provisioning Coverage Ratio and improvement in the Capital Adequacy Ratio. The resolutions on the basis of auction decreased the risk weighted assets and the capital buffers which made the bank more financially stable. This validates that auction-based recoveries were favorable in bearing financial fortitude in the post-merger phase.

Propositions 3. The effectiveness of NPA auctions at Punjab National Bank improves after merger integration due to enhanced coordination, standardized recovery processes, and centralized asset management systems.

The study also explored whether post-merger integration enhanced the effectiveness of NPA auctions. These results show that the performance of the auctions was considerably improved with the introduction of recovery processes, documentation systems and monitoring mechanisms. The recovery operations were centralized and the inter-departmental coordination was improved to enable the smooth running of the auction. This gives credence to the argument that integration of mergers was critical towards the effectiveness of NPA auctions.

Propositions 4. Auctions conducted by Punjab National Bank with higher transparency and greater cash recovery components result in stronger financial outcomes compared to security receipt–based resolutions.

The analysis indicates that auctions with greater transparency and a larger portion of cash-based recoveries have produced better financial results than transactions that involved receipt of security. Cash recoveries gave the company immediate liquidity and they had a direct impact on the balance-sheet improvement, but security receipts deferral was delayed in financial impact. These results confirm the hypothesis that the structure of an auction and its composition of recovery have a significant impact on the results of the financial outcome.

Propositions 5. The recovery frameworks enhance the impact of regulatory reforms on post-merger improvements in asset quality.

This proposition examined the role of structured recovery mechanisms in enhancing post-merger asset quality. Results have reported that the effectiveness was enhanced by the use of digital auctions and regulation alignment as well as structured recovery. The findings indicate that the frameworks have assisted in converting reforms into sustainable asset-quality gains.

11.0 Conclusion

Punjab National Bank (PNB) is the second-largest public sector bank in India and has experienced major problems with Non-Performing Assets (NPAs) during the last ten years, particularly between 2010 and 2024. Originally, PNB experienced fairly stable quality of assets with the Gross NPAs (GNPA) of less than 2% facilitated by the wise credit policies and the norm of the provisioning. The beginning of the 2010s was however a turning point following systemic problems, huge exposures to sensitive areas like infrastructures, steel, telecom and power, and the delayed regulatory approvals. These, along with macroeconomic shocks, resulted in a soaring rise in NPAs, with GNPA ratios going beyond 11 percent to a high of 14.06 percent in FY2017 and FY2020, respectively.

One prominent turning point was the Nirav Modi and Mehul Choksi fraud case, which happened in 2018, with 13,000 cr. ($1.90B) being involved, which revealed internal weaknesses and loss of trust among the stakeholders. This incidence emphasized the need to reinforce internal controls and risk management structures. In 2018, PNB stepped-up its recovery operations, using legal and operational instruments including the SARFAESI Act, Debt Recovery Tribunals (DRTs), Asset Reconstruction Companies (ARCs), and the Insolvency and Bankruptcy Code (IBC). These were done because they wanted to address the stressed assets effectively and enhance the quality of assets.

This was further complicated by the merger of PNB with Oriental Bank of Commerce (OBC) and United Bank of India (UBI) in April 2020 as the bank was left with stressed assets in these banks. No matter the initial failures, PNB has taken a strategic approach to asset resolution, such as big-ticket sales, re-auction of the chronic NPAs, and digital recovery efforts. Such attempts led to a steady reduction in NPAs in the following years. Indicatively, the GNPA fell in FY2024 with 70,816 cr. ($8.50B) (8.65%) compared to 14.21% in FY2020 and the NNPA in FY2024 is 22,415 cr. ($2.69B) (8.65) compared to 38,575 cr. ($5.21B) in FY2020.

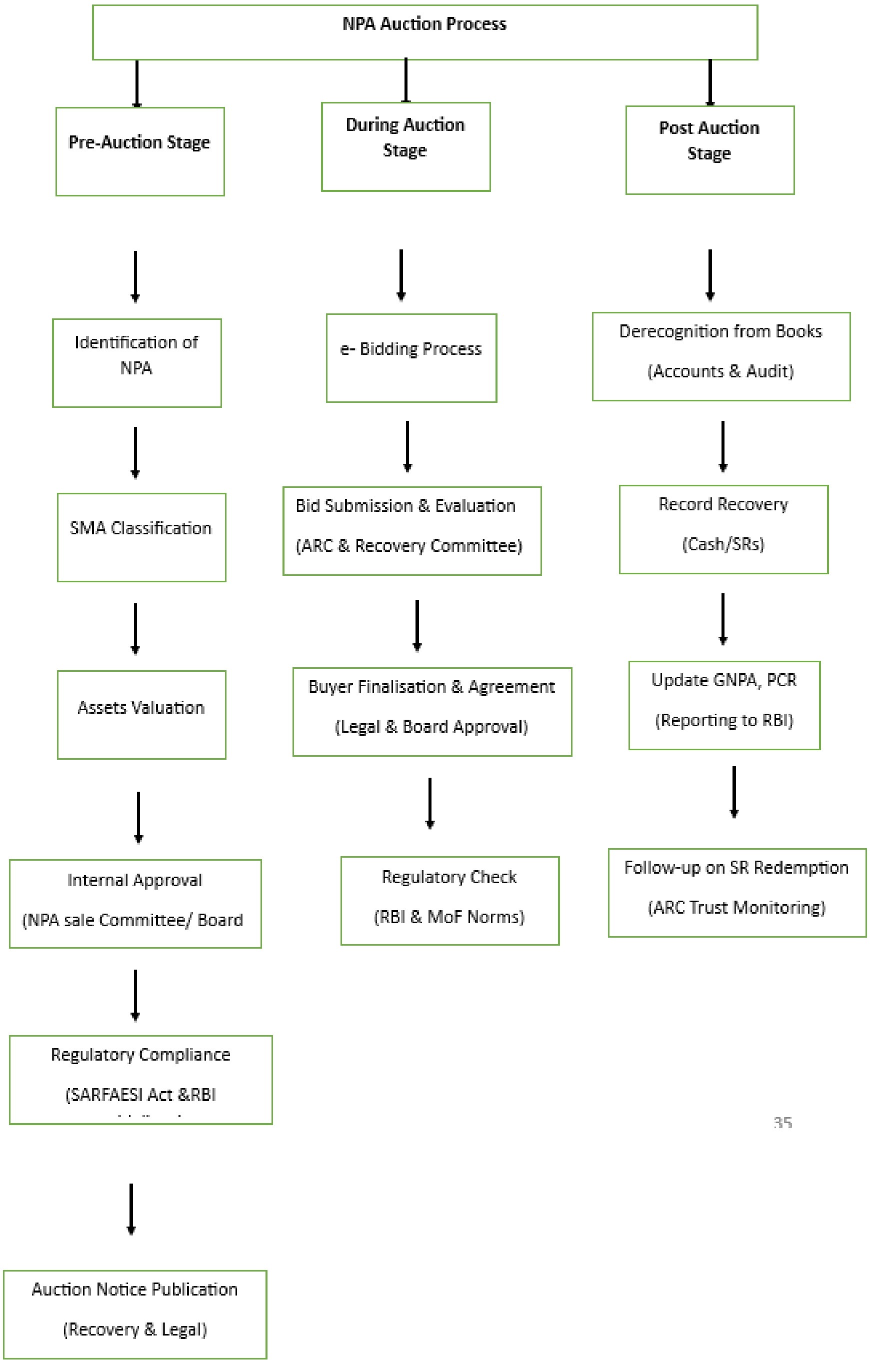
NPAs auction has been a major part of the recovery plan of PNB. The bank has undertaken several large scales auctions such as the auction of assets with high value to ARCs and strategic investors. They have increased transparency and efficiency and the digital auctions, specifically, have been able to solve troubled assets quicker. As an example, the digital auction facility by PNB has helped the company to dispose non-performing assets at competitive bid prices, resulting in better recovery of the assets and a lighter balance sheet.

These recovery measures are appearing in the improved ratios of asset quality. The Net NPA ratio is lower in FY2024 (2.93% compared to FY2020 (more than 5.78%)) and the Provision Coverage Ratio (PCR) passed 95% which indicated strong provisioning and risk management. Also, the capital adequacy of the bank increased whereby the Capital Adequacy Ratio (CAR) increased to 16.25%, which would make the bank resistant to future shocks.

In spite of these favourable changes, there are still issues. Low bid values, valuation disputes, delays and legal hurdles are some of the problems common in auction processes, making it difficult to recover within time. In addition, integration of systems and processes after merger has been a challenge in terms of coordination, which has influenced effectiveness of NPA resolution activities. In order to resolve these concerns, the policy proposals involve the establishment of a central NPA marketplace where they could do transparent and competitive bidding, AI valuation tools to ensure the correct assessment of the assets, and changes to incentives provided to ARCs to promptly dispose of NPAs.

Conclusively, the strategic application of legal, technological, and operational instruments has made PNB a better asset over the years. The concentration on large ticket auction sales, digital recovery platforms, and efficient resolution of stressed assets have also led the bank to a significant decrease in NPAs and enhanced the financial situation. Nevertheless, to overcome the current difficulties and maintain the wave of recovery, new changes and innovations have to be carried out continuously. Improving the process of auctioning, increasing the transparency, and creating the favourable environment under which the PNB will resolve its assets will play a vital role in ensuring its long-term stability and growth...

NPA Auction Process Framework



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