

# UAI JOURNAL OF ECONOMICS, BUSINESS AND MANAGEMENT

## (UAJEBM)



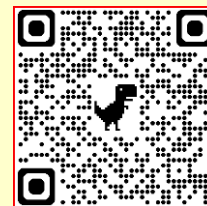
Abbreviated Key Title: UAI J Econ Bus Manag.

ISSN: 3049-2777 (Online)

Journal Homepage: <https://uaipublisher.com/>

Volume- 1 Issue- 3 (May-June) 2025

Frequency: Bimonthly



## Analyzing Distress debt Funding Flows and Distress debt Deals Globally

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### ABSTRACT

*This research investigates the types and trends of funding and arrangements for distressed debt on a worldwide and regional scale. This study applies descriptive analysis and the independent group t-test to examine the flow of distressed debt financing and agreements across various income brackets and global regions. The data, which spans five continents (Asia, Europe, North America, Oceania and Rest of the world) and dates from 2006 to 2023, is used to make these findings. This research also investigates the fact that the majority of contributions to distressed debt financing and agreements come from North America and Europe, with other areas still in the developing stages.*

**KEY WORDS:** Distress, Distress debt agreements, Distress debt financing.

### 1. Introduction

Every Distressed debt transaction tells a story that could be about financial challenges like mismanagement of the company or any specific industrial challenges (ADAM HAYES, n.d.). Distressed debt, by definition, is decaying or troubled assets that need to be under closer supervision and monitoring to make sure the right steps are made when needed (Muriithi, 2022a). "Alternative investments" have gained popularity in recent years and offer options beyond traditional stocks, bonds, and cash. "Alternative Investments" One of its Debt investing involves investing capital in the debt of an organization, government, or entity, with two types of debt investing: private and distressed (Alam et al., 2025; Barua et al., 2025; Golder et al., 2024; Golder & Barua, 2025). According to Matt Wilson, a portfolio manager at Oaktree Capital Management,

investors in distressed debt seek for "a good company with a bad balance sheet," as stated in the Alternative Investments. When a company experiences financial difficulties, a distressed debt investor can purchase a portion of its debt to acquire a controlling position (Golder et al., 2023; Kayser & Golder, 2019). Investors in distressed debt deliberately concentrate on taking charge in two crucial situations. In order to influence the restructuring process and maybe become equity owners, they first seek to acquire a majority of the company's debt during the reorganization of a financially troubled business (Shahriar et al., 2021). Second, these investors prioritize acquiring a significant portion of the debt in the event that a distressed company files for bankruptcy and liquidates its assets because debt holders receive payments before equity holders. Distressed debt investors skillfully navigate complex financial landscapes to maximize returns by strategically positioning

themselves in both scenarios (Catherine Cote, 2021). Institutional investors, such as hedge funds, mutual funds, brokerage firms, and private equity firms, often control the distressed debt market (Golder et al., 2019). Even once the debt is discounted, distressed debt investing may need a significant amount of readily available cash to purchase the debt of faltering businesses. Aside from that, it might be dangerous to invest in the debt of struggling businesses. (Rebecca Lake, n.d.-a)

Since the 1990s, the market for distressed assets, sometimes referred to as "vulture" markets, has developed into a recognized asset class (Altman & Benhenni, 2018). Distressed debt is only created when an entity experiences financial trouble as a result of internal mismanagement, market economic conditions, industry-wide trends, or both. Distressed debt is not intentionally issued by an entity (*Distressed Debt*, n.d.). There is barely have research on how affected the world by its funding and deals, but this is not new, only a certain number of investors who have experienced it have profited from investing in distress debt. Individual investors find it extremely challenging to participate in distressed debt because of the significant risk and numerous additional complications. Alternatively, investors could choose to invest in mutual funds or hedge funds that are purchasing these kinds of debts (Gupta, 2023). Among the businesses that have emerged from bankruptcy are General Motors, Chrysler, and Delta Air Lines, which received distressed debt financing. After declaring bankruptcy in 2009, General Motors was given a \$50 billion bailout by the US government. 2010 saw the company's bankruptcy discharged, and it has since recovered. Similarly, the US government provided a \$12.5 billion bailout to Chrysler after the company filed for bankruptcy in 2009. 2010 saw the company's bankruptcy discharged, and it has since recovered. When Delta Air Lines filed for bankruptcy in 2005, JP Morgan Chase and other investors contributed \$1.4 billion. After coming out of bankruptcy in 2007, the business has now rebounded (Clarfelt, 2023).

Distressed debt funds are a unique class of alternative investments. They are a strategic capital approach that involves allocating capital to projects that are underperforming and are frequently located in situations where traditional investors would decline to participate because of perceived risk or difficulties. These funds, which serve an affluent clientele, are especially attractive to hedge fund managers who want to allocate funds to projects with higher risk-reward ratios. Because they are attracted to investments with high risk and great potential for profit, hedge funds that specialize in distressed debt are a valuable way for them to diversify their holdings. The allure of these opportunities is the possibility of purchasing distressed assets at a discount to their inherent value, with the expectation that these assets might be rehabilitated to provide significant returns via clever management or restructuring. As a result, investors looking to take advantage of market imperfections and profit from the mispricing of distressed securities use these funds as a conduit. Distressed debt funding flow and distressed debt deals can have a substantial impact on the global economy; comprehension of this impact and the causes contributing to it can be achieved through analysis. Finding market trends can be facilitated by examining the capital flow and agreements related to distressed debt. Investors can choose more wisely where to put their money by recognizing these tendencies.

Research on distressed debt investment is scarce, and the general public does not have easy access to this idea globally. Analyzing distressed debt fund trends and associated activities in the global market is, thus, the main goal of this study. This research attempts to

increase the body of knowledge by examining the debt fund distribution trends and patterns that are now prevalent in the global distressed debt investment market. Many economic downturns had already occurred as a result of crises similar as COVID-19 and Russia Ukraine war, and the tide of troubled debts could not be turned around by improper investment (Golder et al., 2022; Rumaly et al., 2025). Dealing with any upcoming global economic downturn is anticipated to benefit greatly from this research.

The funding and transactions associated with distressed debt have surpassed conventional borders, encompassing not only affluent nations but also a multitude of marginalized nations in need of support to weather economic downturns. Even though these projects are not very common, they have caught the interest of a few investors that have specialized knowledge in this field. According to (David Malpass, 2022) "The cost of inaction is brutal for the world's poorest countries, but debt relief would be a small pill for wealthy countries to swallow." We cannot afford to make the same error twice when it comes to managing the debt load of developing economies by offering too little relief too late. Financial fragility brought on by distressed debt financing and transactions may have a detrimental effect on the economy. Prioritizing resources based on the situation is critical as we strive for growth-oriented capital allocation and widespread credit availability (David Malpass, 2022). Long-term debt hardship and lending to "zombie" companies that impede economic recovery can be prevented with the use of efficient insolvency procedures (Golder, Sheikh, et al., 2021; Golder, Sultana, et al., 2021; Hossain & Golder, 2022). Orderly debt reduction for individuals can be facilitated by enhancing bankruptcy systems, enabling out-of-court workouts, particularly for small enterprises, and encouraging debt forgiveness (Carmen Reinhart, n.d.). There are various cutting-edge and tried-and-true methods for debt restructuring to take into account: 1) Making use of public resources 2) using debt buybacks with green and climate finance, debt-for-nature swaps, and various credit upgrades as state-contingent instruments to leverage natural hedges 3) Swaps of debt for climate 4) Debt exchanges for Sustainable Development Goals 5) Swaps of debt for equity. These strategies have all shown to be successful in assisting debtor nations in lowering the overhang of distressed debt, improving their creditworthiness, and addressing issues related to biodiversity, public health, climate change, and green and sustainable development (Yan Wang, Ying Qian and Kevin P. Gallagher, n.d.).

Thus, in the field of distressed debt investment, our work adds significantly and in a new way to our understanding of early financial risk identification, increased transparency, and the development of a robust financial system. The purpose of this study is to determine whether there is a statistically significant difference between the mean debt capital amounts for distressed debt investment businesses located in two separate regions using an independent sample t-test. To further aid in the visualization of distressed debt financing's trends and patterns, a range of graphical displays of the financing's worldwide and regional distribution are provided.

## 2. Literature Review

"Zombie company" refers to firms in Distress financial situations that are near to bankruptcy and not susceptible to repay their debt. Investing in zombie enterprises carries a significant risk and is not advised for the timid (WILL KENTON, n.d.). The term "zombie companies" was first used in Japan to describe enterprises that could only make enough money to pay off their debt. When the Japanese asset price bubble broke in late 1991, Japanese banks chose to

support failing companies instead of letting them fail. This choice contributed to the "Lost Decade," which was a protracted period of Japan's economic stagnation. The phrase gained traction again in 2008 during the Global Financial Crisis and was applied to businesses that the US Troubled Asset Relief Program (TARP) bailed out. (CFI Team, n.d.). Private equity firms, hedge funds, and specialty debt managers are often the ones using distressed debt tactics.<sup>6</sup> In order to explore distressed debt strategies, financial advisers should look for specialist funds that are solely devoted to these kinds of possibilities or funds that combine distressed debt with more widely diversified investments (CAIS, 2023). When looking at distressed debts, investors can anticipate one of three things: 1) The Companies finances improve, raising the debt's value and enabling investors to profit when they sell it on the open market. 2) If the business fails to turn a profit or undergoes a restructure, debt buyers might acquire a portion of the business. 3) The business restructures and files for Chapter 11 bankruptcy, giving unpaid debt purchasers preference over other creditors (Rebecca Lake, n.d.-b).

(Asquith et al., 1994) Examines the strategies used by financially troubled companies to attempt and escape bankruptcy, including asset sales, mergers, restructurings of their private and public debt, and lower capital expenditures. The main key result is that their debt structure influences the method in which financially troubled enterprises reorganize.

A bank should standardise its distressed debt management strategy, known as the Watch List (WL) Framework, which outlines the conditions to guarantee prompt compliance with legal obligations. Maintaining client confidentiality and paying close attention to the guidelines outlined under Conduct Risk are essential while handling distressed debt or assets (Muriithi, 2022b). South African banks have grown extremely creative in how they collect distressed debt as a result of global advances in the field (Walt & Vorster, 2011)

The Bretton Woods system's breakdown, the significant increases in oil prices, and the significant deregulation of international finance in the 1970s all served as severe shocks to the global monetary system that precipitated the debt crisis of the 1980s (Ams et al., n.d.) Millions of people in the fast-developing region of South Asia live in extreme poverty and lack access to basic essentials. Both India and Bangladesh exhibit remarkable growth, albeit at a slower pace in India. The economic progress of Sri Lanka and Pakistan is uneven and unsatisfactory. The effect of external debt on GDP in five South Asian nations is examined in this section (Abbas et al., 2020).

In this piece, (De Haas et al., 2010) give a general review of the reasons behind and the ways in which the crisis has impacted credit quality in the transition area. Even if the crisis was brought on by external factors, we contend that domestic vulnerabilities are primarily responsible for the large degree of distressed debt that exists today in many transitioning nations. It's also startling how similar the majority of debt issues in the area are to those in Western nations.

(Ohashi & Singh, 2004) highlights the need for external risk capital to replace impaired bank loans and accelerate corporate restructuring in Japan. It identifies the primary obstacle as the difficulty in determining market-clearing prices, which are marked by a significant bid-ask spread between banks and distressed-debt investors.

(Moyer, 2004) intends to satisfy the information requirements of professionals and investors in financially distress companies. As such, it is appropriate for use by financial analysts, portfolio managers, attorneys in bankruptcy departments, restructuring

advisory groups, turnaround consulting firms, and investment bank departments that specialize in distressed securities and reorganization.

The study aims to enhance the empirical basis for actively managing distressed debt portfolios by analyzing the risk and reward within the no defaulted bond segment of the distressed debt universe (Fridson et al., 2008)

(Wang, 2011) talks about the correlation between distressed debt trading prices following a Chapter 11 filing and the final recovery in a large number of Chapter 11 instances during the previous ten years. A financially troubled firm can reorganize itself under Chapter 11, a provision of the bankruptcy legislation (*Chapter 11 - Bankruptcy Basics | United States Courts*, n.d.)

Although there wasn't much of an improvement in the distressed debt market during the previous 10 years (the main focus is on the years 1987 to 2016), it is possible that this improvement was caused by modifications to bankruptcy laws (Altman & Benhenni, 2018).

### 3. Methodology

The average distribution of distressed debt funding and deals is examined in this study to see if it significantly varies across income groups and geographical locations. To do this, descriptive analysis and the independent group's t-test are used to determine whether the average mean of two distinct groups is statistically different from another. It also employs a number of graphics to comprehend the characteristics and patterns of distressed debt financing and transactions both internationally and in various regional contexts at the same time.

#### 3.1 Variables

The study uses panel data to investigate the characteristics and patterns of debt financing in the financial distress industry and the number of financial Distress deals on a global and categorical basis. In addition, the study investigates whether the pattern of Distress debt fundraising differs depending on geographic region and income groups. The criteria and data utilized to calculate Distress debt funding and deals are explained in Table 1.

Table 1: Variable`s description

Variables	Definition	Measurement scale
Distress debt funding	Debt financing in firms	Total size of distress debt financing in U.S. dollar
Distress deals	Number of Distress contracts held	Total quantity of Distress contracts in helda country

Source: Author`s Computation

#### 3.2 Model Specification

Following Ghosh et al. (2024), this study uses Equation (1) and Equation (2) to determine whether there is any significant difference between the distributions of Distress debt funding and deals among different income levels and regions of the world, where Equation (1) is used when the two group`s variance is equal, and Equation (2) when the variance is for unequal.

$$t = \frac{\bar{x}_1 - \bar{x}_2}{s \sqrt{1/n_1 + 1/n_2}} \quad (1)$$

$$t = \frac{(\bar{x}_1 - \bar{x}_2) - (\mu_1 - \mu_2)}{\sqrt{s_1^2/n_1 + s_2^2/n_2}} \quad (2)$$

Where  $\bar{x}_1$  and  $\bar{x}_2$  are sample means of sample 1 of size  $n_1$ , and sample 2 of size  $n_2$ , respectively;  $\mu_1$  and  $\mu_2$  are the population means, and  $s$  is pooled estimate of common population standard deviation.

### 3.3 Data

This study incorporates data from 5 continents, namely Asia, Europe, North America, Oceania, and Rest of the world (RoW) and covers 2006 to 2023. Here, all the countries, excluding Asia, Europe, North America and Oceania from Rest of the World panels. We obtained the data from PitchBook, a source that gathers information on Distress debt agreements and their funding at both global and regional levels.

## 4. Result and Discussions

Distress debt is a dynamic force in the complex web of global financial markets, affecting investment plans, navigating uncertain currents, and playing a crucial role in the economy. Distress debt, which is defined as the debt of businesses that are experiencing severe financial difficulties, encapsulates the core of market adaptation, financial resilience, and the complex dance between opportunity and danger. A careful investigation of distressed debt finance flows and dealings on a worldwide scale becomes not only relevant but essential as the world struggles with hitherto unseen economic complexity. As to the statement made by Oaktree Capital co-founder Howard Marks, CFA, we are in a "sea change" situation with nominally higher rates, wherein "holders are not so complacent, and buyers are not so eager."(says, 2023) Distressed debt dealings date back to a number of different eras in financial history, and the notion of distressed debt and distressed debt investing is not new.

Among the companies that usually participate in distressed debt investing are hedge funds and private equity organizations. These businesses focus on finding chances for investments in businesses that are having financial troubles.

Figure 1 demonstrate that the total amount of debt invested globally in distressed properties was \$10.69 billion in 2006 and \$41.63 billion the following year. Among all the years 2008 had the peak point of \$48.46 billion. The upward and downward trend continued till 2022 but significantly achieved only \$2.22 billion in 2023. It also pursued the distress debt financing route in the case of distress deals : in 2006, 2007, 2008, and 2009, it was 12, 28, 26 and 21, respectively; and disorderly continued till 2019 that was 31. In 2020 was the highest level of deals 42. In comparison to the previous pattern of 33 in 2021 and 16 in 2022, there were a few fewer distress transactions in 2021 and 2022. The lowest transaction occurred in 2023 that is only 3. Between 2006 and 2009, there was a rising trend in per-deal distress debt funding; however, this was followed by a decline. Nonetheless, the maximum amount of distressed debt financing per transaction in 2022 was \$2.01 billion. Investment in distress debt may rise. Following the collapse of the US housing market, there was a subprime mortgage crisis from 2007 to 2010. Many borrowers were unable to repay their loans after the housing bubble broke. Another factor is the European Sovereign Debt Crisis, which was brought on by significant institutional flaws and excessive levels of public debt in a number of European nations.(*European Sovereign Debt Crisis*, n.d.) The COVID-19 pandemic is another important factor, as it raises the investment in distressed debt as a result of the pandemic's recovery.

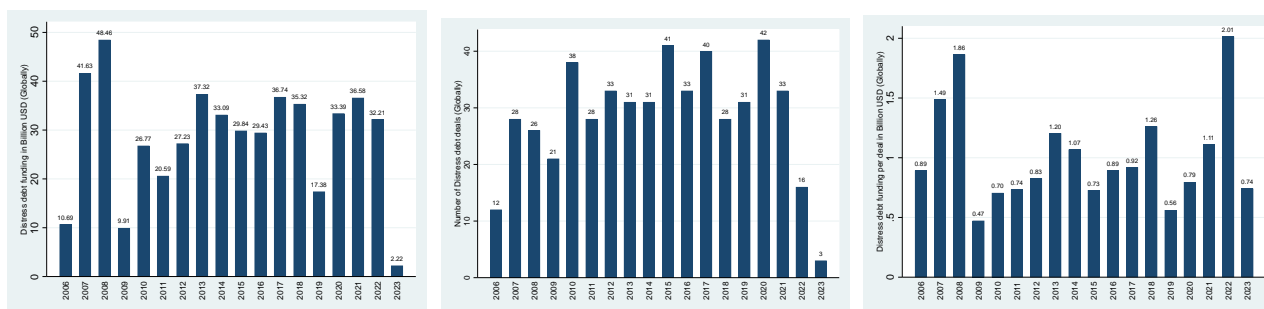


Figure 1: Global distribution of Distress debt funding, Distress deals, and Distress debt funding per deal. Source : Author's calculation based on data from

Figure 2 displays the regional distribution of funding for distressed debt, the quantity of distressed deals, and the funding for distressed debt per deal. The nature, trends, and quantity of funding for distressed debt as well as the number of distressed deals are examined across the world's five continents: Asia, Europe, North America, Oceania, and the rest of the world. These trends reveal some fascinating tales behind the global upsurge in both funding and deals for distressed debt.

The head of the IMF's Asia and Pacific Department, Srinivasan, said on CNBC's "Squawk Box Asia" that "if you look at debt for the region, if you look at Asia's share of total debt, aggregate debt, that's gone up quite sharply." He stated that before to the epidemic, the region's debt was 25%, but it is currently 38%. Srinivasan stated that Papua New Guinea, Laos, Mongolia, and the Maldives are among the nations at risk, adding that Sri Lanka has already fallen behind on its debt payments (Buddhavarapu, 2022). Asia's funding for distressed debt has risen consistently since early 2006, with a peak of \$3.58 billion. Funding for it began at \$1.92 billion in 2016 and

decreased to \$0.46 and \$0.55 billion in 2017 and 2018, respectively. In 2022 , it saw the second picks with \$2.44 billion; in 2023 it was \$0.02 billion. Distress agreements were improving and represented a thrilling match-up with 4 deals in 2006. However, in 2011 and 2019, it was 5 and 5, and in 2021, 2022, and 2023, it fell by one deal in a row. Additionally, there was a zigzag road in the finance per agreement.

The COVID-19 epidemic has had an impact on the European debt market; nevertheless, because of effective economic support programs implemented at both the national and EU levels, asset quality has not declined as much as initially expected. Also notes, that because of Ukraine's near proximity to the Union and its robust economic ties to the region, geopolitical issues that arise there will initially affect EU member states. As a result, growth projections for the continent have been lowered lower, especially in nations that depend more heavily on imported fossil fuels. (*Navigating European Distressed Markets - KPMG Global*, 2022). Although there has been significant development in this industry, as evidenced by the \$1.79 billion in 2006 and the \$8.70 billion in 2013, distressed debt investment fell to \$0.40 billion in 2016 as sector investment collapsed. COVID-19 and the war effect caused a null investment in 2019 and 2023. It is also clear that the distress transactions on the

European continent have had ups and downs, with 2 and 2 in 2006 and 2007 and 8 and 8 in 2012 and 2013. 10 transactions were the most in 2017, and the remaining transactions will continue to decline until 2023, and in 2008 and 2011, the funding per deal increased to \$2.20 billion and \$2.50 billion, respectively, with the remaining funding following a downward trend.

North American debtors' credit conditions appear destined to gradually worsen, as inflation continues to reduce consumer spending power, all-in borrowing costs are unlikely to decrease anytime soon, and investor risk appetite is becoming more cautious.

There is a tug-of-war between credit concerns and economic resiliency, and a lot hinges on whether the United States can make the elusive "soft landing" (*Credit Conditions North America Q4 2023: Shift To Low Gear*, 2023). The weaving trend in North America's investment portfolio was \$5.32 billion in 2006 and \$45.52 billion in 2008. decreased by \$15.71 billion in 2019 and \$2.20 billion in 2023, respectively. The amount of distressed debt deals, with 29, 32, and 32 agreements executed in 2010, 2015, and 2020, respectively, with each deal going through a zigzag route, further demonstrates North America's importance.



Figure 2: Regional distribution of Distress debt funding, Distress deals, and Distress debt funding per deal. Source : Author's calculation based on data from

Pacific nations are now more vulnerable to financial turmoil, according to the World Bank and IMF. There is a significant chance of financial difficulty for seven low-income Pacific Island nations:

Kiribati, Marshall Islands, Micronesia, PNG, Samoa, Tonga, and Tuvalu. Vanuatu and the Solomon Islands both have extremely low shock tolerance, yet they also face a moderate danger of debt hardship. The IMF has upgraded Timor-Leste's rating from low risk to moderate risk of debt distress. The IMF's evaluation indicates that debt is sustainable for middle-income nations like Fiji, Nauru, and Palau, but in the case of Fiji, the debt position has gotten worse and is more dangerous ("The Pacific Has a Spiralling Debt Problem,"

2022). There were only two funding years, totaling \$0.01 billion in 2015 and \$0.02 billion in 2020. The number of agreements and per-deal are distributed according to the same years. The rest of the globe is still a long way off. Between 2006 and 2017, there was no investment and no deals; in 2018 and 2021, there was an investment of \$0.20 billion and \$2.00 billion, respectively, and there were 2 deals in each year.

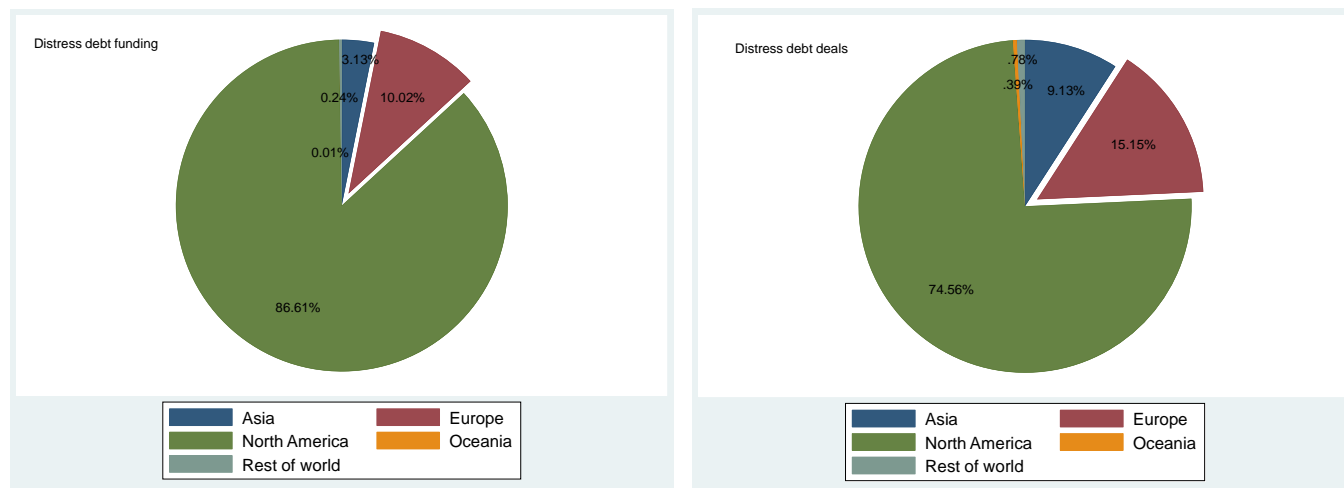


Figure 3: Continent-based contribution of Distress debt funding and Distress deals. Source : Author`s calculation based on data from

Figure 3 Shows the continent-based contribution of distress debt funding and distress debt deals, where North America positioned first place by making 86.61% of total distress debt funding investment. The presence of numerous hedge funds and private equity firms in the region, who are known to invest in distressed assets, could be one of the reasons for North America's significant contribution (*A World of Debt*, n.d.). Europe, with 10.02% of the overall distressed debt investment, holds the second position. In contrast, the European distressed debt investment market is well-established, with several investors specializing in this area. (*Debt, Affordable Finance, and a Future for the Least Developed Countries | Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States*, n.d.). Even though Asia and the rest of the world rank third and fourth in the world, respectively, they only contribute 3.13% and 0.24% to the funding of distressed debt, with Oceania making up the remaining 0.01%. Asia and the rest of the globe, on the other hand, have comparatively fewer investors who focus on distressed debt investing, which may account for their smaller

participation (*Overview*, n.d.). In terms of debt funding, North America and Europe ranked first and second, respectively, with contributions of 74.56% and 15.15 percent, and the outcome for distressed agreements is a little bit similar. Asia comes in at number three with 9.13% and the rest of the world at number four with 0.78%, while Oceania comes in last at just 0.39%.

In order to determine whether there is a significant difference between the financing flow and deals of distressed loan funding, an independent two-sample t-test is utilized. Finding out whether there is an equal or uneven variance between the two different groups is crucial before running the t-test. Thus, Table 2 presents the findings from a two sample f-test, which indicates that there is an unequal variance in the cases of both distressed funding and deals between Asia and Europe, Asia and North America, Asia and Oceania, Asia and the rest of the world, Europe and North America, Europe and Oceania, North America and the rest of the world, and Oceania and the rest of the world and all of these are shows unequal in case of both Distress funding and deals.

Table 2: Two sample f-test

Region	Variables	Asia	Europe	North America	Oceania
<i>f</i> -stat					
Europe	DDF	0.191***			
	DDD	0.288**			
North America	DDF	0.007***	0.036***		
	DDD	0.036***	0.126***		
Oceania	DDF	31000***	160000***	4600000***	
	DDD	22.656***	78.750***	626.625***	
RoW	DDF	15.946***	83.334***	2300***	0.001***
	DDD	5.664***	19.688***	156.656***	0.250***

Notes: Significance level: \*\*\*1%, \*\*5%, and \*10%. Note: DDF and DDD refer to Distress debt funding and Distress debt deal, respectively. Source: Author's calculation.

Based on the findings from Table 2, which indicates which group has equal variance and which has uneven variance, Table 3 displays the results of the independent sample t-test between each of the two groups. As Table 3 demonstrates, there are notable differences in the debt funding flows and deals, with Europe being in a far stronger position than Asia. Asia's public debt crisis is likely to get worse as a result of the world economy slowing down, historically high inflation and rising interest rates, and the uncertainty brought on by the conflict in Ukraine. Europe has some of the wealthiest countries in the world, which have a better understanding of distress debt for which they are in a better position than Asia. Over and above, Europe in Comparison with Oceania and the Rest of the world evolve better position because Europe is far more stable in economic development and has control over a strong politically stable region. Europe's leaders in private debt transactions are the UK and France. Other notable players in the private debt market are Germany, Spain, and the Benelux area. Some of the richest nations in the world are found in both North America and Europe, however in this instance, North America performs better than Europe because Europe comes in second. It may account for their larger funding contribution for distressed debt. The substantial contribution from North America may be attributed to the region's concentration of hedge funds and private equity firms, which are well-known for making distressed asset investments. In a similar vein, Europe boasts a thriving distressed debt investing market, with numerous investors specializing in this field, despite the continent lagging somewhat behind North America and significantly ahead of Asia, Oceania, and the rest of the world. The results are from Asia and North America, with North America showing a greater volume of investment and deals related to distressed debt. Given their increased confidence in the efficacy of such initiatives, nations with more stable political systems could be more willing to contribute to the funding of distressed debt. Asia may be more prone to political instability than

North America, which is often thought to be a relatively stable region. Furthermore, here the result shows that Europe and North America have great condition than Asia. Comparing North America to Oceania and the rest of the world goes without saying why North America is so much better than them. The cause of it the rest of the world's contribution may be less because there aren't as many investors there that focus on distressed debt investing. Oceania may have contributed less than other regions because it has a smaller economy and fewer investors with experience in distressed debt financing. With 86.61% of the total investment, North America is the biggest source of capital for distressed debt. Europe ranks second with a contribution of 10.02% to the overall investment. With a mere 3.13% contribution, Asia ranks third in terms of finance for distressed debt (Kharas & Dooley, n.d.). Asia is in a somewhat better position than Oceania and the rest of the world, despite the fact that both regions are experiencing financial difficulties. The epidemic of COVID-19 and other reasons have caused debt crisis in many countries. The impoverished nations' external debt has increased by 100% in the last ten years, and a lot of them run the risk of entering debt crises due to rising interest rates and slower global development. Since the beginning of the COVID-19 epidemic, Barbados, Belize, and Costa Rica have experienced significant disruptions to their ocean economic sectors and specific seafood value chains. With support from governments, international development or financial institutions, and donors, unprecedented recovery and stimulus packages have been created and implemented to deal with the severe effects of the pandemic and get ready for a post-COVID-19 society. When it's time to compare Oceania with rest of the world more unstable countries are with rest of the world which defines Oceania's better condition. some of are like, according to the Low-Income Country Debt Sustainability Framework (LIC DSF), Papua New Guinea has a weak debt-carrying capacity and is therefore still at significant risk of financial crisis. The government of Chile has been attempting to rectify its fiscal imbalances and encourage sustainable growth, and the nation's debt hardship is still minimal. Overall, the countries that rank best to worst are North America, Europe, Asia, Oceania and finally the rest of the world.

Table 3: Two sample t-test

Region	Variables	Asia	Europe	North America	Oceania
<i>t</i> -stat					
Europe	DDF	-3.475***			
	DDD	-2.244**			
North America	DDF	-8.641***	-7.817***		
	DDD	-9.640***	-8.398***		
Oceania	DDF	3.934***	5.514***	8.995***	
	DDD	6.744***	6.203***	11.114***	
Rest of the world	DDF	3.533***	5.354***	8.969***	-1.163
	DDD	6.070***	5.929***	11.029***	-0.652

Notes: Significance level: \*\*\*1%, \*\*5%, and \*10%. Note: DDF and DDD refer to Distress debt funding and Distress debt deal, respectively. Source: Author's calculation.

## 5. Conclusion and Policy Implications

This study uses data from five continents between 2006 and 2002 to investigate the nature, trends, and patterns of funding and dealings

related to distressed debt on a global and regional level. The descriptive study indicates that the number of agreements and the quantity of loan capital invested in distress are increasing globally. North America plays the most significant role in Distress debt funding, followed by Europe, which contributes 86.61% and 10.02% of total global equity funding. The dominance of these two continents is also noticeable, with their contribution of 74.56% and 15.15% to the total agreements, respectively, and also Asian

influence accounts for 9.13% of total deals. Besides, the distribution pattern of average Distress debt investment and Distress deals significantly differs between developed and emerging economies.

The results of this investigation have important policy ramifications. Because the patterns and trends of distressed debt financing and transactions differ from those in developed economies, policymakers and governments in developing economies should investigate strategies to boost the flow and growth of distressed debt funding as well as the number of distressed loan agreements. Various policies can be put in place by governments to encourage individuals to invest in distressed debt, especially during recessions or other times of financial hardship. Utilizing Distress debt services will improve resilience for individuals, government, and private firms. Developing a thorough grasp of distressed debt investing is crucial, as any nation or company might become insolvent. Appropriate understanding of this field can significantly reduce these consequences. Consequently, governments want to launch targeted education programs to raise awareness and improve knowledge of distressed debt investing. Underinvestment is a persistent problem in low-developed countries (LDCs), mostly caused by unskilled investors with little understanding of the complexities of distressed debt investment. Our findings from our regional study support this claim. Given this, it is necessary to build focused educational initiatives in order to close the knowledge gap and provide investors with the necessary expertise to make wise judgments when it comes to distressed debt investing.

## 6. Future Research Direction

However, the only topics covered in this study are the global and regional patterns, trends, and distribution of distressed debt dealings and financing. It doesn't focus on the variables that affect or dictate the financing and transactions of distressed debt. Future research has to concentrate on the elements that affect distressed debt financing both locally and globally to preserve the industry's long-term survival. There is much-untapped research potential in the realm of distressed debt. Recent years have seen a rise in the popularity of distressed debt investing, especially in emerging economies. Numerous variables can affect this investment strategy's efficacy, and the effect of distressed debt on local economic stability is a complicated topic. Investment in distressed debt has the ability to accelerate the economy's recovery after a crisis, which is one of its main advantages. Distressed debt investors can assist floundering enterprises in restructuring their debt and regaining stability by lending them funds. After major catastrophes like the COVID-19 epidemic that have affected the world economy, this can be very helpful. Distressed debt finance is not without its social and environmental consequences, though. To guarantee that distressed debt investments are not having a detrimental effect on the environment or society, it is crucial to link them with sustainable development goals and ethical investing standards. Debt management techniques that involve debt restructuring, such debt-for-nature swaps and debt-for-equity exchanges, might be useful. These tactics can benefit the environment or other stakeholders in addition to assisting a corporation in lowering its debt load. Fintech technologies and other forms of technology can be crucial to the effectiveness, openness, and risk reduction of distressed debt transactions. Investors can lower the risk of default and manage their assets more skillfully by utilizing technology. States and regions might have rather different legal systems controlling distressed debt. To assess the simplicity of use and the level of security offered, it is crucial to compare various frameworks. Ultimately, comparing distressed debt funds may aid investors in assessing their

performance as well as their investing and risk management tactics. For those looking to invest in this area, this might be a useful tool.

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