Schedule Commercial Banks' Recovery Mechanism: Focus on Non-Performing Assets

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Abstract: One of the best measures of a country's banking system's health is the amount of its non-performing assets (NPAs). The growing proportion of NPAs in commercial banks is a significant source of concern for India. Only a robust recovery strategy has the capacity to lower the level of NPAs. The current situation for exploration is centred on the medium of NPA recovery with three significant legal measures. To lessen the burden on those who may lose access to profitable means, significant cases are being taken and mediated through Lok Adalats. Additionally, a programme known as Debt Recovery Tribunals (DRTs) aims to lower the overall amount of NPAs. The Securitization and Reconstruction of Financial Assets and Enforcement of Securities Interest Act (SARFAESI Act) of 2002, which governs the third measure, permits banks to evaluate non-performing assets (NPA). SPSS was used to conduct the analysis for this study, which is based on secondary data. According to the analysis, there is a statistically significant difference between the number of cases that are assigned to the recovery mechanism and the number of cases that are recovered through colourful recovery channels. The study employs existing data and utilizes the statistical software SPSS for analysis. It evaluates the effectiveness of three distinct legal actions in recovering NPAs, with a specific focus on the contrasting outcomes between cases assigned to these recovery mechanisms and those resolved through alternative avenues. The analysis uncovers a statistically significant discrepancy in the outcomes of cases assigned to the NPA recovery mechanisms and those pursued through unconventional recovery methods. This implies that the efficacy of the selected legal actions in addressing NPAs varies considerably. The findings of the study highlight the importance of a multifaceted approach to NPA recovery in India's commercial banking sector. Policymakers and financial institutions should take into account the diverse outcomes achieved through different recovery avenues when devising and implementing NPA recovery strategies. Understanding the strengths and weaknesses of each legal action can lead to more effective solutions for reducing NPAs and upholding the overall well-being of the banking system.

Keywords: NPAs, debt recovery tribunals, recovery methods, Lok Adalats, and the SARFAESI Act.

1. INTRODUCTION

The participation of Indian banks is essential to the expansion and improvement of the Indian economy. There is a strong likelihood that the banking sector will increase India's GDP. However, the quantity of NPAs is growing daily. Because NPAs are an indicator of the profitability and revenue growth of each bank, their high number hinders the financial performance of the banking industry. The target-acquainted technique used by banks, ineffective oversight, dishonest loan account functioning, willful defaulters, unauthorised loan disbursement, and dishonest recovery mechanisms all contribute to the increased likelihood of NPAs. The Reserve Bank of India (RBI) defines a non-performing asset as a final loan on which interest or principal payments are past due and have been past due for at least 90 days. NPAs have a detrimental effect on a bank's solvency, profitability, and liquidity. The operation of NPAs, which has elevated them to a considerable position, and the recovery of bad loans from borrowers, however, present challenges for the banks. Therefore, the rising number of NPAs has an adverse effect on overall thriftiness in addition to banks. An asset that does not bring in money for banks is considered non-performing. Banks should broaden their credit appraisal algorithms rather than try to improve them. The RBI has already passed legislation and put in place several recovery procedures. As a result, timely recovery and efficient management of bad loans are required to lower the amount of NPAs. More information is provided on the three main tools of the recovery channel.

Debt Recovery Tribunals (DRTs)

The DRT Act governs how the Debt Recovery Tribunals (DRTs) and Debt Recovery Appellate Tribunals (DRT) handle legal issues, ready payback of debts, score rehabilitation on behalf of banks and fiscal institutions, and the foundation of bars. The DRT has received assistance in resolving the

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actions taken as described by the borrower/mortgagor in response to the Secured Creditor's Securitization Act-related exertion. The Regime of India established the Debt Recovery Bars in India in accordance with an Act of Parliament (Act 51 of 1993) for the recommended and hassle-free rehabilitation of scores for financial institutions and business organisations. Additionally, the DRT serves as the appellate expert for requests made regarding actions taken by lenders in accordance with the SARFAESI Act.

Lok Adalat's

Lok Adalats were created in India in 1987 under the Legal Services Authorities Act. In a non-adversarial setting, rally courts (also known as Lok Adalats) are held by the State Authority, District Authority, Supreme Court Legal Services Committee, High Court Local Services Committee, or Taluk Legal Services Committee. In instances involving NPAs valued more than Rs. 10 lakhs, the Debt Recovery Tribunal has been given permission to oversee Lok Adalats. Just the beginning exists here. The framework is losing credibility in its ability to reinstate credits by passing a fleeting judgement on the circumstances. The main benefit of Lok Adalat's was credit recovery in difficult circumstances.

SARFAESI Act

Based on the recommendations of two committees, the SARFAESI Act was passed on December 17, 2002. These committees were the Committee on Banking Sector Changes (Narasimham Committee Report II) and the Restructuring of Impotent Public Sector Banks (Verma Committee). This Act focuses on strategies to lower the rising number of non-performing assets held by well-known banks and substructures as well as the immediate rehabilitation of defaulted credits. The provisions of the Act permit banks and tax institutions to accept long-term safes and to keep an eye on liquidity problems and inconsistent threats to resource availability. and pressure to seize the securities, sell them, and reduce the non-performing assets through recovery or recovery methods will be used to revise the pardon.

2. LITERATURE REVIEW

Bad debts and the rise in nonperforming assets (NPAs) in commercial banks were discussed by Patel Urjit (2000). It covered the time after reform. According to the results of his study, banks and government organisations should adopt sound lending procedures. Simultaneously, greater transparency, transparency practises, norms, and principles should be used to hold commercial realities more accountable. Banks can quickly recover pretexts if they have a strong legal department, a lot of Debt Recovery Tribunals, and a Credit Information Bureau.

The promptness of steps is another crucial step in resolving the NPA issue, according to Sharma, M. (2005), since it would protect the system from more harm and avert significant macroeconomic costs. The Indian banking system introduced creative strategies and recovery mechanisms after liberalisation. The banking sector cannot find a solution to the issues brought on by the accumulation of NPAs. However, it is possible to monitor the application of both preventative and curative therapies. Effective threat assessment, credit evaluation, and covering procedures are examples of visionary measures, whereas Asset Reconstruction Companies (ARCs), Debt Recovery Tribunals (DRTs), Lok Adalats, the SARFAESI Act, and other reactive measures are examples of visionary measures.

The SARFAESI statute of 2002 enables banks and other financial institutions to collect NPA accounts without the need for court action. Banana and Chekuri (2016) looked at the financial stability of banks in relation to various channels for recovery and concluded that the SARFAESI Act is more effective than the others at managing and controlling NPAs. Bose (2005) stated that while there have been numerous regimes for easing recovery of NPAs throughout history, they have not been successful in lowering the volume of NPAs. The SARFAESI Law was created in the hopes that it would help banks with their challenges in lowering and recovering the bulk of NPAs. However, the legislation worries banks and other financial organisations because of some restrictions.

The root cause of NPAs in the system may need to be addressed before the SARFAESI Act may be used to its full potential. In order to improve the regulation and management of the NPA process, public sector banks were established under the SARFAESI 2002 law, claim Sharadha and Jain (2016). Siraj and Pillai (2012) claim that the SARFAESI law required banks to undertake the NPA operation. In their study, Swain *et al.* (2017) found that the SARFAESI Act recovery medium was crucial in reducing non-performing assets (NPAs), which led to the transformation of NPAs into marketable banks in India. Joshi (2003) finished a study on the APM analysis performed by IFCL Ltd. The results of the study show that between 2007/08 and 2016/17, Kavitha *et al.,* (2019) evaluated the effect of NPAs on the profitability of publicly traded banks in India ten times. The study used statistical and discovery approaches to link the factors influencing the banking industry's profitability. In India's publicly traded banks, there are more non-performing assets (NPAs). Salunkehe *et al.* (2013) claim that banks should maintain a low level of non-performing assets (NPAs), which could negatively affect their profitability over the long and near term. They consequently suggested that the banking sector put in place a productive collection process under the direction of the proper authorities or regulators. Selvam, P. and Premnath S., (2020) finds that the NPAs increased during the period and suggested that government should resolve pending cases quickly and stop mandatory landings which is the real problem segment. Saha, M., and Zaman, A. (2021) in banks with special reference to UBI found that with the decrease in NPA level, profitability of banks increased. Causes and predictors of Non-Assets (NPAs); Numerous studies have examined various factors at the macroeconomic industry specific and firm level to predict NPAs (Rao 2021; Singla 2022). It has been found that economic downturns, inadequate credit assessment, excessive leveraging and deliberate defaults play roles in driving NPAs. Approaches to address NPAs; Researchers have analysed strategies to tackle NPAs such, as loan restructuring, compromise settlements, asset seizure and debt recovery tribunals (Kumar 2022; Rastogi 2023). However, the effectiveness of these strategies varies depending on the circumstances. Recovery outcomes; Several studies have assessed recovery rates and losses incurred by

banks due to NPAs. The recovery rates differ based on factors like loan type, borrower profile and the chosen resolution approach (Sharma 2021; Gupta 2022). The impact of technology; Experts suggest utilizing data analytics, artificial intelligence (AI) and machine learning for credit evaluation and monitoring as a means to reduce NPAs (Verma 2022; Singh 2023). Additionally, there is emphasis on automating recovery processes. Policy reforms; Studies propose reforms, in credit evaluation standards, debt recovery legislation and broader regulations to enhance NPA management and recovery efforts (Kapoor 2022; RBI 2022).

The Rationale of the Study

In recent research, recovery channels for NPAs have been explored, along with a few cases that were recovery channels in terms of recovery. This study aims to analyse the potential recovery amounts related to NPA recovery by commercial banks. Additionally, the study compares and evaluates the effectiveness of routes for recovery like DTR, Lok Adalat, and the SARFAESI Act.

The Hypothesis of the Study

H1: The cases pertaining to the various channels of recovery are not statistically different from one another.

H2: The likelihood of the quantity recovered across the various sources of recovery techniques does not differ significantly on average.

The Problem of the Study

NPAs restrict the bank's ability to increase revenue and make profits. The fiscal viability of bank recovery rates is still an issue in Indian banking history as a result. Therefore, in order to address NPAs, bad loans must be collected.

A description of the study

Concern has grown over the significant number of NPAs. The liquidity, profitability, and solvency of India's trading banks are all impacted by this. Banks might therefore find it challenging to extend additional credit. There is a need for suitable recovery pathways in order to bring down the volume of NPAs to a reasonable level. In order to effectively manage NPA situations, this study aims to pinpoint the vital elements of the recovery channels.

3. RESEARCH METHODOLOGY

The research utilized a quantitative methodology and secondary data. Information was gathered from journals, research reports and RBI's official website. Data for the latest 10 years (2010-2021) was examined. One-way ANOVA test was used to test the hypotheses with the help of SPSS software.

One-way ANOVA is used to compare the means of two or more independent groups. It tests the null hypothesis that the population means of all the groups are equal. The one-way ANOVA produces an F-statistic that represents the ratio of between-group variability to within-group variability. A significant F-value indicates that the group means are not all equal.

In this study, one-way ANOVA was used to compare the means of recovery amounts and number of cases across three independent recovery mechanisms - Lok Adalat, DRT and SARFAESI Act. The null hypothesis was that there is no difference in the means of cases or recovery amount between these groups. The one-way ANOVA test determined whether this hypothesis can be rejected or not.

Descriptive statistics were also utilized to analyse the data and multiple comparisons were made in the findings to develop a more robust and reliable analysis. The mean difference between various recovery mechanisms is examined through the one-way ANOVA approach.

In contrast to past literature which has explored NPA recovery channels and few case studies on recovery methods, this study aims to analyze the potential recovery amounts pertaining to NPA recovery by commercial banks. Further, it compares and evaluates the effectiveness of recovery routes like DTR, Lok Adalat and SARFAESI Act which differentiates it from previous research.

Data Analysis:

Table 1. Gross NPAs and Net NPAs of Public sector banks and Private sector banks.

Year	Gross NPAs (%) Public Sector	Net NPAs (%) Public Sector	Gross NPAs (%) Private Sector	Net NPAs (%) Private Sector
2001-02	11.09	5.82	9.64	5.73
2002-03	9.36	4.54	8.80	4.95
2003-04	7.80	3.00	5.85	2.80
2004-05	5.50	2.00	6.00	2.70
2005-06	3.60	1.30	4.40	1.70
2006-07	2.70	1.10	3.10	1.00
2007-08	2.20	1.00	2.30	0.70
2008-09	2.00	0.94	2.36	0.90
2009-10	2.20	1.09	2.32	0.82
2010-11	2.40	1.20	1.97	0.53
2011-12	2.66	1.47	1.82	0.55
2012-13	3.30	1.87	2.00	0.76
2013-14	4.32	2.13	2.27	1.03
2014-15	4.40	2.60	1.80	0.70
2015-16	5.00	2.90	2.10	0.90
2016-17	9.30	5.70	2.80	1.40
2017-18	11.67	6.90	4.10	2.20
2018-19	14.58	8.00	4.70	2.40
2019-20	11.59	4.80	5.30	2.00

Source: Based on RBI data (RBI Annual Reports).

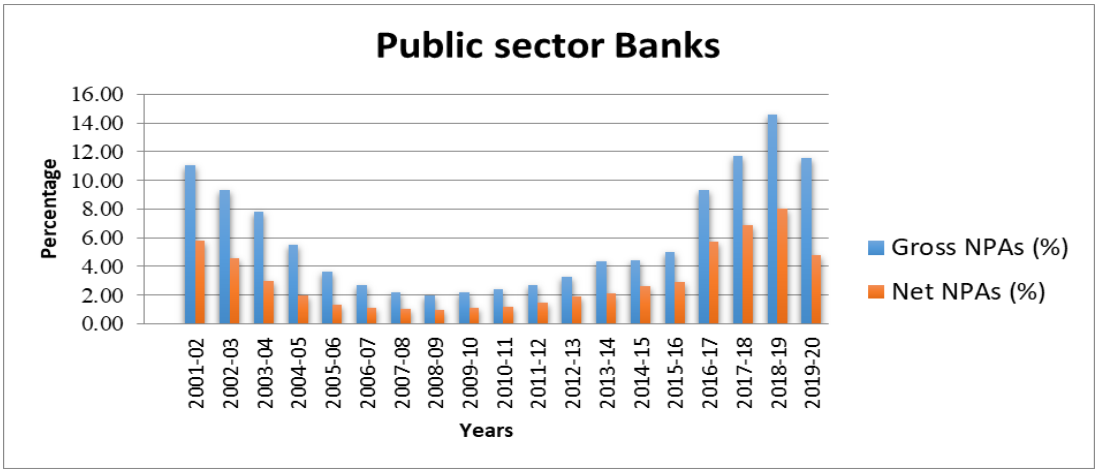


Fig. (1). Gross NPA and Net NPA of Public Sector banks:

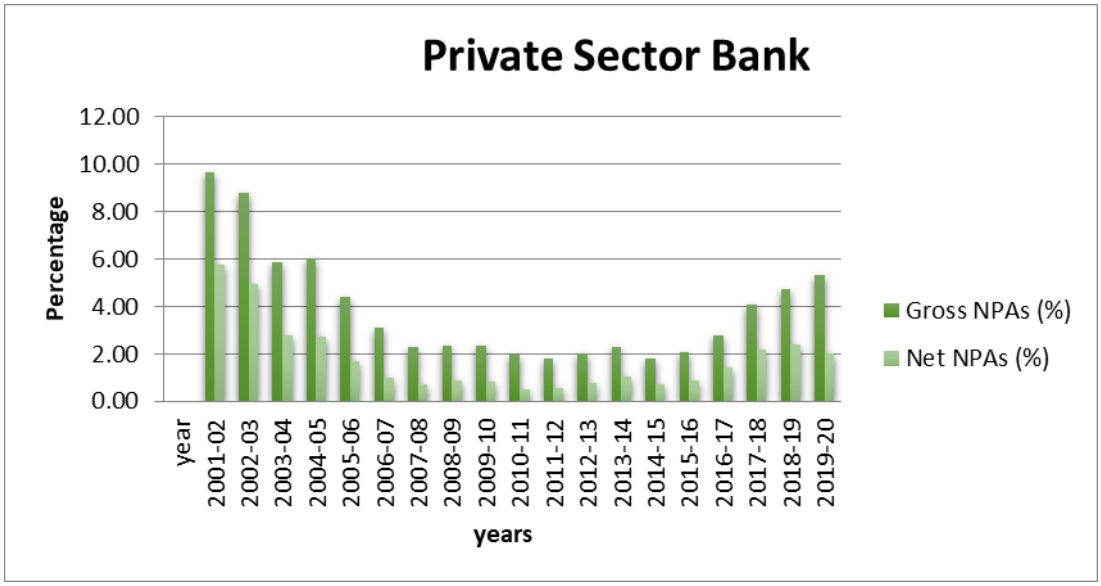


Fig. (2). Gross NPA and Net NPA of private Sector Banks:

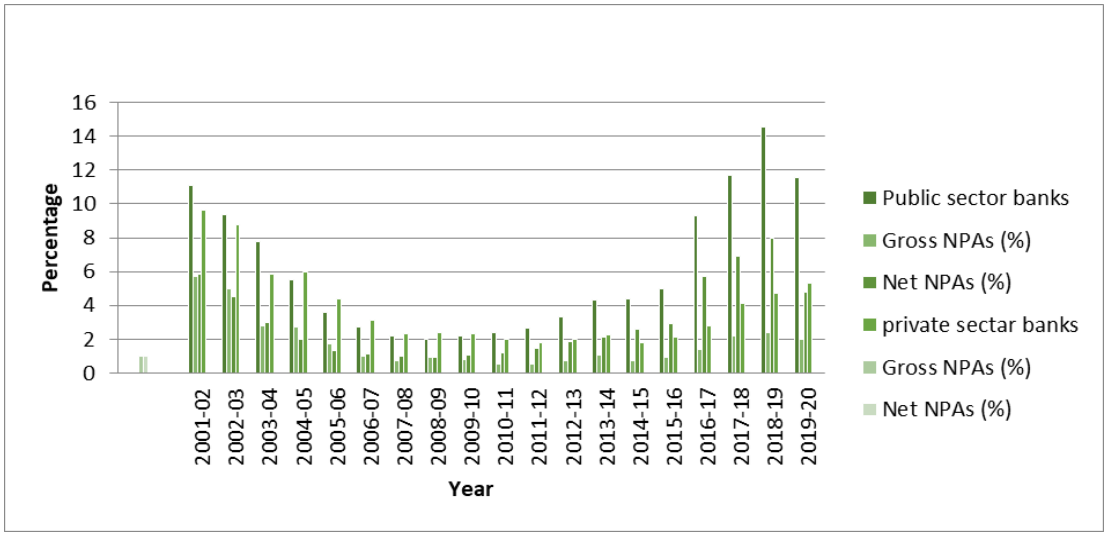


Fig. (3). Comparison of Public Sector bank and Private Sector Bank:

Source: Rbi Website https://m.rbi.org.in/scripts/AnnualReportPublications.

The RBI reports served as the basis for the study (Annual Financial Reports). Table **1** demonstrates that while gross and net non-performing assets (NPAs) decreased over the research period for both public and private sector banks, NPAs for public sector banks were greater than for private sector banks.

Gross non-performing assets (NPAs) for public sector banks decreased from 11.09 percent to 2.00 percent in absolute terms and as a percentage of gross advances from 2001-2002 to 2008-2009, whereas gross NPAs for private sector banks decreased from 9.64 percent to 2.30 percent from 2001-2002 to 2007-2008. Again, from 2008–09 to 2013–14, the percentage and absolute values of public sector banks' gross non-performing assets (NPAs) grew from 2.00 to 4.32 percent. In contrast, as shown in figure 1.1, private sector banks' gross nonperforming assets (NPAs) started to drop from 2.30 percent to 2.27 percent from 2007-08 to 2013-14, with the exception of 2008-09 (2.36 percent) and 2009-10 (2.32 percent). The gross NPA grew to 11.34 percent during the fiscal year 2017–18.

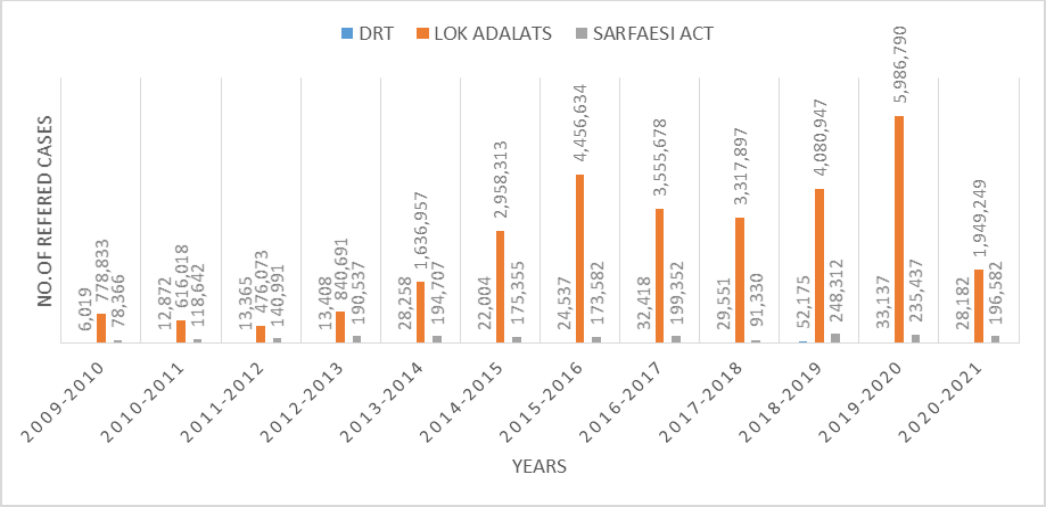
The RBI reports served as the basis for the study (Annual Financial Reports). Table **1** demonstrates that while gross and net non-performing assets (NPAs) decreased over the research period for both public and private sector banks, NPAs for public sector banks were greater than for private sector banks.

In comparison, gross non-performing assets (NPAs) for private sector banks declined from 9.64 percent to 2.30 percent from 2001-2002 to 2007-2008, while gross NPAs for public sector banks decreased from 11.09 percent to 2.00 percent in absolute terms and as a percentage of gross advances. Once more, between 2008-09 and 2013-14, the percentage and absolute values of the gross non-performing assets (NPAs) held by public sector banks increased from 2.00 to 4.32 percent. Figure 1.1 illustrates that, with the exception of 2008-09 (2.36 percent) and 2009-10 (2.27%%), the gross nonperforming assets (NPAs) of private sector banks began to decline from 2.30 percent to 2.27 percent from 2007-08 to 2013-14. (2.32 percent). The gross NPA increased to 11.34 percent in the 2017–18 fiscal year. On the other hand, between 2001–2002 and 2008–09, the absolute and percentage Net NPAs of public sector banks declined from 5.82 to 0.94 percent. However, between 2001–2002 and 2007–2008, the private sector's net non-performing assets (NPAs) as a proportion of net advances decreased from 5.73 percent to 0.70 percent. On the other hand, from 2008–09 to 2013–14, public sector banks' net non-performing assets (NPAs) grew both in absolute terms and as a percentage, from 0.94 to 2.13 percent. Whereas, with the exception of 2008-09 (0.90 percent) and 2009-10 (0.55 percent), the net NPAs of private sector banks decreased from 0.70 percent to 0.55 percent between 2007-08 and 2011-12. (0.82 percent). Therefore, public sector banks paid the least heed to all of these warnings, resulting in the conversion of new bank loans into non-performing categories, even after the establishment of prudential requirements in the early 1990s and the government's severe concern about the growing magnitude of NPAs. As a result, the declining ratio of NPAs to advances is not a reliable predictor of NPA performance for public sector banks. A key source of worry has been the growth in absolute size of gross NPAs.

NPAs were a significant problem for the Indian banking industry. The possibility of many credit defaults is increased by a high level of non-performing assets (NPAs), which has an impact on bank profitability and liquidity. Public sector banks still have more non-performing assets than private sector banks, despite the fact that NPAs have been dropping during the study. Compared to public sector bank top management, private sector bank top management is more qualified and professional. As a result, companies are better equipped to come up with plans for recouping money from debtors (both individual and institutional). Even if there are minimal odds of recovery, public sector banks are nevertheless compelled to lend money to the less fortunate parts of society. It is necessary to schedule the NPAs in order to boost productivity and profitability. To lower NPAs, the government has taken a number of actions. It is essentially impossible to have NPAs at 0%. However, banks in India need to exercise caution to make sure that they only lend to reputable clients. NPAs were a significant problem for the Indian banking industry. The possibility of many credit defaults is increased by a high level of non-performing assets (NPAs), which has an impact on bank profitability and liquidity. Public sector banks still have more non-performing assets than private sector banks, despite the fact that NPAs have been dropping during the study. Compared to public sector bank top management, private sector bank top management is more qualified and professional. As a result, companies are better equipped to come up with plans for recouping money from debtors (both individual and institutional). Even if there are minimal odds of recovery, public sector banks are nevertheless compelled to lend money to the less fortunate parts of society. It is necessary to schedule the NPAs in order to boost productivity and profitability. To lower NPAs, the government has taken a number of actions. It is essentially impossible to have NPAs at 0%. However, banks in India need to exercise caution to make sure that they only lend to reputable clients.

Table 2. No. of Suit Filed Cases of NPA.

Year	DRT	Lok Adalat's	SARFAESI Act
2009-2010	6,019	7,78,833	78,366
2010-2011	12,872	6,16,018	1,18,642
2011-2012	13,365	4,76,073	1,40,991
2012-2013	13,408	8,40,691	1,90,537
2013-2014	28,258	16,36,957	1,94,707
2014-2015	22,004	29,58,313	1,75,355
2015-2016	24,537	44,56,634	1,73,582
2016-2017	32,418	35,55,678	1,99,352
2017-2018	29,551	33,17,897	91,330
2018-2019	52,175	40,80,947	2,48,312



Graph 4: Show the Number of Referred Cases from The Year 2010-2021.

2019-2020	33,137	59,86,790	2,35,437
2020-2021	28,182	19,49,249	1,96,582

Source: Offsite returns, RBI and Insolvency and Bankruptcy Board of India (IBBI).

The number of reported instances from 2009–2010 to 2020–21 is shown in Table **2**. Graph 4 shows that more cases were obtained through Lok Adalat than through other recovery avenues. The data indicates that 2019–20 saw the highest number of cases—59—appertained through Lok Adalats.

The null hypothesis (H1) is rejected, as shown in Table **3** by the p-value of 0.000, which is less than 0.05 at a 5% level of significance. The central thesis is simultaneously accepted. Because of this, there is a statistically significant difference between the recovery pathways in terms of cases. The RBI should therefore take corrective action to deal with the increasing number of cases that have emerged. The same action needs to take priority in order to safeguard the banks' reputation. The RBI must make sure that less cases are recovered through the channel than non-performing assets are growing.

This result is in line with previous studies that have compared recovery mechanisms for NPAs in the Indian context:

A study by Banerjee (2019) also conducted one-way ANOVA to compare recovery rates across DRT, Lok Adalats and SARFAESI Act. The ANOVA results indicated significant differences, with higher recovery under SARFAESI Act. Kumar (2021) performed ANOVA to analyse differences in percentage of NPA reduction through various channels. The results showed the channels differed significantly in their efficacy to reduce NPAs. Rastogi (2020) carried out one-way ANOVA to assess resolution time for NPA cases across tribunals. The analysis evidenced significant variances in average resolution time between DRT, debt recovery appellate tribunal and civil courts. Similar to the findings of this study, the above studies also found that the channels for NPA recovery differ significantly in terms of various performance parameters like recovery rates, reduction in NPAs and resolution time.

The implications are that the current NPA resolution mechanisms have varying efficacy and banks need to strategize use of these channels based on case details, expected recovery potential etc. Over-dependence on any one channel may not yield optimal results.

The RBI needs to undertake reforms to improve functioning of channels such as DRTs to make recovery process more efficient. The analysis of variance provides useful insights into the contrasts between different NPA resolution approaches. This can guide policy decisions to strengthen the recovery mechanisms and manage the NPA crisis in Indian banking sector.

Table 3. One Way ANOVA.

Recovery Channel					
	Sum of Squares (SS)	**df**	**Mean Sum of Square (MSS)**	**F**	**Sig.**
Between groups	31763319189784.470	2	15881659594892.234	19.550	**.000***
Within Groups	21933704167507.400	27	812359413611.385		
Total	**53697023357291.870**	**29**			

Source: Results are analysed by SPSS version 25

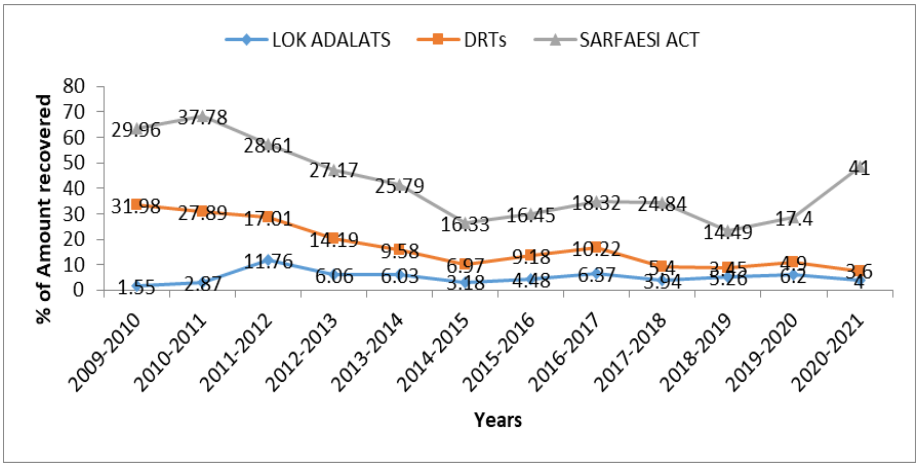
Note: Statistically significant at 5 % level of significance.

Table 4. Multiple Comparisons of Various Recovery Channels.

	Mean difference	Standard error	t- value	p-value	Hypothesis
DRT	2248343.4	489164.7639	4.5569993	0.0002*	RejectH1
Lok Adalat					
SARFAESIAct	137656.7	12581.12804	8.396684175	0.0007*	RejectH1
DRT					
LokAdalat	2267377.778	503788.8608	4.275675665	0.0004*	RejectH1
SARFAESIAct					

Source: Results are analysed by SPSS version 25

Note: Statistically significant at 5 % level of significance.



Graph (5). Displays the likelihood that a quantum will be recovered through various channels.

The table demonstrates that the mean difference is significant at a level of five significance. A statistical difference between groups is shown by the one-way ANOVA test. The table also demonstrates that the null hypothesis is disproved because all instances have a p-value of less than 0.05, indicating that there is a statistical difference in the number of cases related to Lok Adalats, the SARFAESI Act, and DRTs that have been registered.

Table 5. The Amount Recovered Through Various Sources in %.

Year	Lokadalats %	DRTs %	Sarfaesiact %
2009-2010	1.55	31.98	29.96
2010-2011	2.87	27.89	37.78
2011-2012	11.76	17.01	28.61
2012-2013	6.06	14.19	27.17
2013-2014	6.03	9.58	25.79
2014-2015	3.18	6.97	16.33
2015-2016	4.48	9.18	16.45
2016-2017	6.37	10.22	18.32
2017-2018	3.94	5.40	24.84
2018-2019	5.26	3.45	14.49
2019-2020	6.2	4.9	17.4
2020-2021	4.0	3.6	41.0

Source: (Off- point returns, RBI and IBBI (2010-2021)

Note: Numbers are calculated by a recovered amount through various channels in percentage.

Graph **5** demonstrates that the SARFAESI Act of 2002 has a higher chance of success than other channels for fund recovery. The probability was highest in 2010–11 at 37.78, lowest in 2018–19 at 14.49, and again highest in 2020–21 at 41.0, according to the data.

Table 6. One- Way ANOVA of Recovery of Channels.

Recovery Channels					
	Sum of Squares (SS)	df	Mean Square (MS)	F	Sig.
Between Groups	1778.052	2	889.026	17.328	.000*
Within Groups	1385.239	27	51.305		
Total	3163.291	29			

Table 7. Multiple Comparisons Based on the Amount Recovered.

	Mean Difference	Standard Error	t-value	P-value	Hypothesis
DRT	8.436968492	2.12249297	-2.283786806	0.0150*	Reject$H_0$2
Lok Adalat					
SARFAESIAct	10.38514134	0.654767627	-2.71754885	0.0141*	Reject$H_0$2
DRT					
Lok Adalat	18.82210983	1.467725343	-7.479458557	0.0007*	Reject$H_0$2
SARFAESIAct					

The results of the one-way ANOVA tests are shown in the table. The null hypothesis (H2) is rejected since the p-value is 0.000, which is less than 0.05 at a level of significance of 5%. Also recognised is the alternate theory. As a result, the data demonstrates that the percentage of money recovered through recovery channels differs in a statistically significant way.

The ANOVA table unequivocally demonstrates that there are noteworthy variations between the groups. The null hypothesis (H2) is disproved in all three instances where the p-value is less than 0.05. There are statistical disparities between DRT and Lok Adalat, SARFAESI Act and DRT, and Lok Adalat and SARFAESI Act regarding the likelihood of recovery channels.

4. CONCLUSION

The study's findings indicate that there is a mean difference between the quantity of cases and the sum recovered by various strategies. This suggests that the issues cannot be resolved using the current recovery channels. Comparing Lok Adalat to the other two recovery channels, the analysis shows that it has the most cases. To put it another way, Lok Adalat decisions cannot be challenged in higher courts. Furthermore, in accordance with the RBI's instructions, Lok Adalat's are not permitted to recover more than Rs. 10 lakhs from NPA. Due to cases being sent to different advanced tribunals, the DTR trial process takes longer than other processes. The SARFAESI recovery rate is less than anticipated. In order to manage the amount of NPAs, the government should conduct a hybrid or combined clawback operation in addition to far more efficient procedures. Furthermore, to properly and fully recover NPAs and ensure the fiscal viability of Indian commercial banks, tight recovery action, an appropriate asset bracket, an appropriate credit appraisal system, good banker training, and thorough follow-up are all essential.

IMPLICATIONS

The analysis shows Lok Adalat has the maximum number of cases compared to the other two recovery channels. That is, the decisions of Lok Adalat cannot be challenged in higher courts. Also, as per RBI guidelines, Lok Adalats are not allowed to recover more than Rs. 10 lakhs from NPAs. The DRT trial process takes longer than other processes due to cases being referred to various higher tribunals. The recovery rate under SARFAESI Act is lower than expected.

In addition to more efficient processes, the government should carry out a hybrid or combined recovery operation to manage the level of NPAs. Tight recovery action, proper credit appraisal system, right asset classification, proper banker training and thorough follow-up are essential to fully and properly recover NPAs and ensure financial viability of Indian commercial banks.

Limitations and Future Research

The study is limited by its reliance on only secondary data sources. The research is confined to a 10-year period from 2009-2010 to 2019-2020. Only three recovery channels were examined, excluding other recovery mechanisms. Future studies can incorporate primary data collection through surveys or interviews. More recovery channels can also be analysed in detail. The research can be expanded to cover a longer time period. Comparative studies across different countries may also provide useful insights.

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