Strategies And Outcomes In Npa Recovery: Insights From Indian Scheduled Commercial Banks

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Abstract

Non-Performing Assets (NPAs) present a critical challenge for Indian Scheduled Commercial Banks by diminishing profitability, liquidity, and financial health, necessitating substantial provisions. While some NPAs are unavoidable due to diverse factors, banks can minimize their occurrence through vigilant pre-sanction and post-sanction monitoring, strategic precautions, and effective recovery strategies such as rehabilitation, rephasing loan installments, and compromise settlements like One Time Settlements (OTS) and Out of Court Settlements (OCS). Legal frameworks, including Lok Adalat, Debt Recovery Tribunals (DRT), SARFAESI Act, and the Insolvency and Bankruptcy Code (IBC), have significantly evolved, providing structured and expedited recovery processes. This empirical study evaluates the effectiveness of current NPA recovery mechanisms, assesses the impact of legal and regulatory frameworks, and suggests improvements to bolster the resilience and efficiency of the Indian banking sector.

Key words; NPA, Recovery, Debt Recovery Tribunals, IBC, SARFAESI, Lok Adalat

Introduction

Non-Performing Assets (NPAs) have emerged as a significant challenge for Indian Scheduled Commercial Banks, impacting their profitability, liquidity, and overall financial health. An asset classified as an NPA ceases to generate income for the bank and necessitates provisions, thereby acting as a double-edged sword that damages profits, weakens the capital structure, and lowers the bank's rating. In spite of the inevitability of some loan accounts becoming NPAs due to various factors, banks can minimize their occurrence through vigilant monitoring and strategic precautions during the sanctioning and review processes. Effective recovery strategies include the rehabilitation of viable units, rephasing loan installments, and engaging in compromise settlements such as One Time Settlements (OTS) and Out of Court Settlements (OCS). Additionally, banks may apply for claims from schemes like CGTMSE and ECGC or write off non-recoverable assets to manage NPAs effectively.

The role of pre-sanction and post-sanction credit monitoring is crucial in reducing NPAs. A qualitative appraisal of financial statements, understanding of unhealthy developments in accounts, and examination of project viability before extending financial assistance are essential practices. Identifying early symptoms of financial distress through effective scrutiny of periodic statements, borrower discussions, and analysis of borrower accounts is also critical. Regular stock audits by external professionals and recalling advances when there is evidence of fund diversion are vital steps in this process.

Various tools and legal frameworks are available to banks for NPA recovery, including Lok Adalat, Debt Recovery Tribunals (DRT), and proceedings under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI). The introduction of the Insolvency and Bankruptcy Code (IBC) has provided significant relief to lenders by establishing a structured order of priority during liquidation and mandating timelines for resolution plans. The efficiency of the recovery process has evolved significantly since the establishment of DRTs in 1993 and the enactment of the SARFAESI Act in 2002. These measures have empowered banks to recover dues without court intervention and facilitated quicker adjudication processes. However, the effectiveness of these mechanisms continues to be a subject of scrutiny and improvement.

Given the complexities and challenges associated with NPAs, it is imperative to continuously refine recovery strategies and adopt a proactive approach to credit appraisal and monitoring. This empirical study aims to explore the effectiveness of current NPA recovery mechanisms in Indian Scheduled Commercial Banks, evaluate the impact of various legal and regulatory frameworks, and suggest potential improvements to enhance the resilience and efficiency of the banking sector.

Review of literature

Jasbir Singh (2013,) Stated that Indian banking sector is severely impacted by high levels of Non-Performing Assets (NPAs), which negatively affect profitability, capital adequacy, and credibility. and discusses the factors contributing to NPAs, such as target-oriented lending and inadequate credit appraisal, and suggests measures like improved credit

appraisal techniques and better monitoring. Also highlights the need for effective NPA recovery strategies to enhance the efficiency and profitability of banks. **Chandra Shaardha and Ajay Jain (2016**) Analyzes the impact of the SARFAESI Act compared to other recovery methods like Lok Adalats and DRT in public sector banks, focusing on recovery percentages and case referrals for major banks including SBI, Canara Bank, Central Bank of India, Bank of Baroda, and Punjab National Bank. **Vinod Kumar and Rajiv Khosla. (2017)** Banks are essential for a nation's economic development, acting as intermediaries between investors and borrowers. When borrowers fail to repay loans, banks face Non-Performing Assets (NPAs). Before 2002, banks in India relied on courts to recover dues. The SARFAESI Act of 2002, recommended by the Narasimham Committee, empowered banks to manage NPAs by acquiring secured assets directly, easing the recovery process. **Thomas, R., & Vyas, R. K. (2016**) examines the framework of loan recovery mechanisms in the Indian banking sector, dividing strategies into preemptive measures to prevent loan defaults and corrective actions to recover defaulted loans. It introduces a 5-E Early Warning System to prevent loan slippages and discusses various corrective measures and strategic tools in detail, emphasizing the importance and necessity of effective loan recovery strategies. **Saha and Zaman (2021)** found that reducing NPA levels in UBI positively impacted bank profitability. **Hawaldar et al. (2020)** concluded that there was no significant change in pre- and post-sanction NPA levels in agriculture loans, attributing willful defaults and increased NPAs to debt waiver policies announced by political parties. **Singh, S., & Singh, J. (2020)** NPAs pose significant challenges in the banking sector, impacting profitability and financial health, exacerbated by the COVID-19 pandemic. The paper reviews over 100 studies, focusing on difficulties encountered by small farmers in loan repayment, aiming to establish current knowledge and identify future research avenues. **Botla Prabhu Babu** et.al **(2023)** Offers a thorough analysis of NPA recovery laws in banking, exploring solutions and strategies amidst evolving scenarios. It examines legal frameworks globally, identifies challenges in implementation, and proposes recommendations for enhancing efficacy, emphasizing proactive measures and technological integration. Overall, it serves as a valuable resource for stakeholders, aiming to foster resilience, stability, and sustainable growth in the banking sector.

Importance of the Study

The study holds paramount importance as it addresses the critical issue of Non-Performing Assets (NPAs) in the banking sector, which significantly impacts growth, profitability, and stability. By examining the effectiveness of recovery channels recommended by the government and RBI, the research aims to provide valuable insights into mitigating NPAs. Moreover, understanding the impact and importance of these channels can not only boost banker confidence in lending but also enhance overall banking profitability, thereby contributing to the resilience and competitiveness of the banking sector and the economy as a whole.

Objectives:
1. To know the various recovery channels utilized by Indian Scheduled Commercial Banks for NPAs during the period 2019-2023.
2. To measure the effectiveness of different recovery channels in terms of the actual amount recovered from NPAs between 2019 and 2023.
3. To analyze the significance of recovery channels in improving the financial health of Indian Scheduled Commercial Banks during the specified period.

Research Methodology

The study is descriptive and empirical, analyzing the trend of Non-Performing Assets (NPAs) in Scheduled Commercial Banks (SCBs) over a 5-year period from 2018-19 to 2022-23. It relies entirely on secondary data sourced primarily from the RBI website. The sample unit includes data related to NPA recovery through Debt Recovery Tribunals (DRTs), Lok Adalats, SARFAESI Act and the IBC.

Scheduled Commercial Banks
 Scheduled Banks are banks listed under Schedule II of the Reserve Bank of India Act, 1934, meeting specific capital requirements, eligible for low-interest RBI loans, and obligated to maintain a daily Cash Reserve Ratio with the RBI.

Legal and Regulatory Framework for NPA Recovery in India
India's banking sector faces significant challenges with NPAs, addressed by various laws and regulations. The Insolvency and Bankruptcy Code (IBC) of 2016 provides a comprehensive framework for resolving stressed assets with mechanisms like the Corporate Insolvency Resolution Process (CIRP) and oversight by the Insolvency and Bankruptcy Board of India (IBBI). The SARFAESI Act of 2002 empowers banks to take possession of secured assets and sell them without court intervention, supported by Debt Recovery Tribunals (DRTs) and the Appellate Tribunal. The Reserve Bank of India (RBI)

issues guidelines and circulars for NPA management, including classification, provisioning norms, and resolution mechanisms. Specialized institutions like Asset Reconstruction Companies (ARCs) and initiatives like the National Company Law Tribunal (NCLT) and its appellate body (NCLAT) further enhance the NPA recovery process. This framework aims to streamline resolution processes, maximize creditor recovery, and maintain banking system stability. However, a comprehensive analysis is needed to identify strengths, weaknesses, and areas for improvement to fully unlock the potential of NPA recovery in India.

Strategies for recovering NPA
Banks are now highly vigilant about the quality of their loan assets and are taking several steps to reduce NPAs (Non-Performing Assets). Each bank is required to have a comprehensive loan recovery policy that details the strategies for recovering dues, sets period-wise targets for NPA reduction, and establishes norms for compromise proposals involving waivers. The policy should also outline decision-making levels, reporting to higher authorities, and monitoring of write-off and waiver cases. This policy must be approved by the bank's governing body and properly monitored at regular intervals. Special recovery cells should be set up at the regional level, and an adequate number of recovery officers should be appointed at branches with significant NPAs. The progress of recovery efforts should be tracked on a monthly, fortnightly, weekly, or daily basis to effectively reduce NPAs. Banks can use the following techniques to reduce their NPAs:

- Rescheduling of loans
- Rehabilitation of potentially viable units
- Acquisition of sick units by healthy units
- Compromise with borrowers
- Calling in advances and filing civil suits
- Approaching the Debt Recovery Tribunal
- Recovery of advances given under government-sponsored programs
- Establishment of asset recovery branches
- Writing off outstanding dues
- It is evident that various techniques can be employed to reduce NPAs. If one technique fails with a particular NPA, banks may try other methods to achieve recovery.
- The Economic Survey recommends four R's for addressing NPAs: Recognition, Recapitalization, Resolution, and Reform. Banks should accurately value their assets (recognition), safeguard their capital through equity infusions (recapitalization), and sell or rehabilitate stressed corporate assets (resolution). Additionally, future incentives for the private sector and corporations should be reformed to prevent recurrence of NPA issues

Various Steps for Reducing NPA
- Analyze the NPA (Non-Performing Asset) problem by branch, amount, and age.
- Develop a comprehensive loan recovery policy and strategy.
- Establish specialized recovery cells at the zonal and regional levels.
- Identify branches that are critical for recovery efforts.
- Set specific recovery targets and create a time-bound action plan.
- Choose appropriate techniques to address each NPA issue.
- Monitor the implementation of the time-bound action plan.
- Take corrective measures as needed during the monitoring process and adjust the original plan if necessary.

Government Initiatives

Comprehensive measures by the Government and RBI to recover and to reduce NPAs enables an aggregate recovery of Rs. 10,16,617 crores by SCBs during the last nine financial years. As per the Central Repository of Information on Large Credits (CRILC) data, the total funded – amount outstanding of scheduled commercial banks (SCBs) to corporate company borrowers, classified as non-performing assets (NPA) and having amount outstanding of Rs. 1,000 crore or more was Rs. 1,03,975 crores as on 31.3.2023

Comprehensive measures have been taken by the Government and RBI to recover and to reduce NPAs, including those pertaining to corporate companies, which has enabled an aggregate recovery of Rs. 10,16,617 crore (RBI provisional data for FY 2022-23) by SCBs during the last nine financial years. These measures include, inter alia, the following:

1. The Insolvency and Bankruptcy Code, 2016 (IBC), which has transformed the creditor-borrower relationship by taking control away from defaulting promoters/owners and barring wilful defaulters from the resolution process. The IBC now also includes personal guarantors to corporate debtors.

2. Amendments to the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, to enhance its effectiveness.

3. The establishment of the National Asset Reconstruction Company Limited (NARCL) to resolve stressed assets above Rs. 500 crores, with the government approving a guarantee of up to Rs. 30,600 crores to support Security Receipts issued by NARCL.

4. Public Sector Banks (PSBs) creating Stressed Asset Management Verticals for stringent recovery and effective monitoring, including the engagement of specialized monitoring agencies for large-value accounts.

5. The CRILC collecting and disseminating credit data, with banks required to report defaults on a weekly basis for borrowing entities with exposures of Rs. 5 crore and above.

6. The implementation of a comprehensive and automated Early Warning Systems (EWS) in PSBs, featuring around 80 triggers and the use of third-party data for timely remedial actions in borrowing accounts.

7. Wilful defaulters being denied additional facilities by banks or financial institutions, and their units being barred from launching new ventures for five years.Wilful defaulters and companies with wilful defaulters as their promoters or directors are prohibited from accessing capital markets to raise funds.

8. The RBI issued the Prudential Framework for Resolution of Stressed Assets in 2019 to facilitate early recognition, reporting, and timely resolution of stressed assets, incentivizing lenders to promptly adopt resolution plans.

Emerging Trends and Best Practices in NPA Recovery in India
The recent trends in NPA recovery emphasize early identification of potential NPAs and proactive measures to prevent their escalation. Banks are adopting robust credit assessment, risk management frameworks, and leveraging data analytics and predictive models to detect early signs of default. Restructuring and resolution mechanisms, including loan modifications and the Insolvency and Bankruptcy Code (IBC), aim to revive viable stressed assets and prioritize resolution over liquidation. Asset Reconstruction Companies (ARCs) play a significant role by acquiring and managing NPAs, optimizing recovery efforts. Collaborative approaches and stakeholder engagement are crucial, involving banks, financial institutions, regulators, and government agencies to address NPA challenges collectively. Additionally, technology and digital solutions, such as AI, ML, and online platforms, are revolutionizing recovery practices, enhancing efficiency and transparency. Furthermore, innovative approaches like focusing on alternative assets and securitization provide additional recovery avenues, enabling banks to maximize value from distressed assets.

NPA recovery tools in India
NPA recovery tools in India include Lok Adalats, the SARFAESI Act, Debt Recovery Tribunals (DRTs), Compromise Settlements, and Credit Information Bureaus. Lok Adalats handle small NPAs up to ₹5 lakhs, resolving disputes effectively outside of formal legal procedures. The SARFAESI Act allows banks to issue demand notices and recover NPAs above ₹1 lakh through asset reconstruction and securitization without court intervention. DRTs focus on recovering NPAs over ₹10 lakhs, expediting lender-borrower disputes more efficiently than ordinary courts. Compromise Settlements, or One-time Settlement Schemes, involve borrowers agreeing to repay dues, often resulting in partial write-offs for banks. The Insolvency and Bankruptcy Code (IBC) 2016 streamlines insolvency resolution, addressing bad loans with a 180-day deadline, extendable by creditors, and a 90-day process for smaller firms. It allows both debtors and creditors to initiate proceedings, with unresolved cases leading to liquidation. The minimum default threshold for initiating insolvency has been increased from Rs. 1 lakh to Rs. 1 crore to prevent frivolous actions, especially following the Covid-19 outbreak. Credit Information Bureaus assist banks by providing customer financial data, tracking defaulters, and identifying potentially delinquent accounts to improve lending decisions.

Effectiveness of recovery tools of NPA:

Table 1- Recovery of NPAs through Lok Adalats of SCBs
(Amount in Crore)

Year	Cases Referred (in No.)	Involved Amount (in Cr)	Recovered Amount (in Cr)	Recovered Amount (%)
2018-19	4087555	53484	2750	5.1
2019-20	5986790	67801	4211	6.2
2020-21	1949249	28084	1119	4
2021-22	8506648	119005	2777	2.3
2022-23	14249462	188527	3831	2

Source: Report in Trends and Progress of Banking in India, RBI.

The provided data highlights the trends in NPA recovery over five financial years from 2018-19 to 2022-23. There has been a significant rise in the number of cases referred for recovery, escalating from 4,087,555 in 2018-19 to 14,249,462 in 2022-23, indicating intensified efforts by financial institutions to address NPAs. Correspondingly, the total amount involved has surged from Rs. 53,484 crores to Rs. 188,527 crores, suggesting that larger NPAs are being identified.

Although the recovered amounts have generally increased, from Rs. 2,750 crores to Rs. 3,831 crores over the same period, the recovery percentages have fluctuated and shown a declining trend, peaking at 6.2% in 2019-20 before dropping to 2% in 2022-23. This downward trend in recovery rates indicates persistent challenges in the effectiveness of recovery efforts despite the increased identification and referral of NPAs.

Table 2- Recovery of NPAs through DRTs of SCBs
(Amount in Crore)

Year	Cases Referred (in No.)	Involved Amount (in Cr)	Recovered Amount (in Cr)	Recovered Amount (%)
2018-19	51679	268413	10552	3.9
2019-20	40818	245570	10018	4.1
2020-21	28182	225361	8113	3.6
2021-22	29487	47165	12114	25.7
2022-23	58073	402636	36924	9.2

Source: Report in Trends and Progress of Banking in India, RBI

The data from 2018-19 to 2022-23 illustrates trends in NPA recovery, showing variations in the number of cases referred, involved amounts, and recovery effectiveness. The number of cases referred fluctuated, with a notable increase to 58,073 in 2022-23 from 28,182 in 2020-21. The involved amounts also varied, peaking significantly at Rs. 402,636 crores in 2022-23. Recovery amounts generally increased, with a notable spike to Rs. 12,114 crores in 2021-22. The recovery percentages were relatively low, hovering around 3.9% to 4.1% from 2018-19 to 2019-20, dropping to 3.6% in 2020-21. A sharp improvement to 25.7% was seen in 2021-22, followed by a decrease to 9.2% in 2022-23. This indicates that while there were efforts to address larger amounts of NPAs, the effectiveness of recovery efforts varied significantly, with a substantial but inconsistent improvement in recovery percentages.

Table 3- Recovery of NPAs through SARFAESI Act 2002 of SCBs
(Amount in Crore)

Year	Cases Referred (in No.)	Involved Amount (in Cr)	Recovered Amount (in Cr)	Recovered Amount (%)
2018-19	235437	258642	38905	15
2019-20	105523	196582	52563	26.7
2020-21	57331	67500	27686	41
2021-22	249475	121642	27349	22.5
2022-23	185397	111805	30864	27.6

Source: Report in Trends and Progress of Banking in India, RBI

The above table reveals notable trends in NPA recovery efforts. The number of cases referred for recovery fluctuated significantly, peaking at 249,475 in 2021-22 and decreasing to 185,397 in 2022-23. The involved amounts also varied, with a high of Rs. 258,642 crores in 2018-19, decreasing to Rs. 111,805 crores in 2022-23. Recovered amounts showed a general upward trend, with a notable increase to Rs. 52,563 crores in 2019-20 and Rs. 30,864 crores in 2022-23. The recovery percentages demonstrated significant improvement over the years, starting at 15% in 2018-19, peaking at 41% in 2020-21, and maintaining a high of 27.6% in 2022-23. This indicates that while the number of referred cases and involved amounts varied, the effectiveness of recovery efforts improved markedly, with substantial increases in both recovered amounts and recovery percentages over the period.

Table 4- Recovery of NPAs through IBC of SCBs
(Amount in Crore)

Year	Cases Referred (in No.)	Involved Amount (in Cr)	Recovered Amount (in Cr)	Recovered Amount (%)
2018-19	1152	145457	66440	45.7
2019-20	1953	232478	105773	45.5
2020-21	536	135319	27311	20.2
2021-22	885	199250	47221	23.8
2022-23	1261	133930	53968	40.3

Source:(RBI) Report in Trends and Progress of Banking in India, RBI

The trends in NPA recovery through IBC from 2018-19 to 2022-23 highlight key patterns in the handling of non-performing assets. The number of cases referred each year remained relatively small but significant. The total amounts involved fluctuated, starting at Rs. 145,457 crores in 2018-19, peaking at Rs. 232,478 crores in 2019-20, and settling at Rs. 133,930 crores in 2022-23. Correspondingly, the amounts recovered were substantial in the first two years, with Rs. 66,440 crores recovered in 2018-19 and Rs. 105,773 crores in 2019-20. There was a sharp decline in 2020-21, with only

Rs. 27,311 crores recovered, which was just 20.2% of the involved amount. The recovery percentages reflected these trends, maintaining high rates of 45.7% and 45.5% in 2018-19 and 2019-20, respectively, before dropping to 20.2% in 2020-21. The rate slightly improved to 23.8% in 2021-22 and then saw a significant increase to 40.3% in 2022-23. These patterns indicate that while the number of cases and the amounts involved varied, the effectiveness of recovery efforts was notably high in certain years, especially in 2018-19, 2019-20, and 2022-23.

Table 5- Percentage of NPAs Recovery through various channels of SCBs
(in percentage)

Channel/Year	2019	2020	2021	2022	2023
% of Amount Recovered by Lok Adalat	5.1	6.2	4	2.3	2
% of Amount Recovered by DRTs	3.9	4.1	3.6	25.7	9.2
% of Amount Recovered by SARFAESI Act 2002	15	26.7	41	22.5	27.6
% of Amount Recovered by IBC	45.7	45.5	20.2	23.8	40.3

Source: Self Compiled
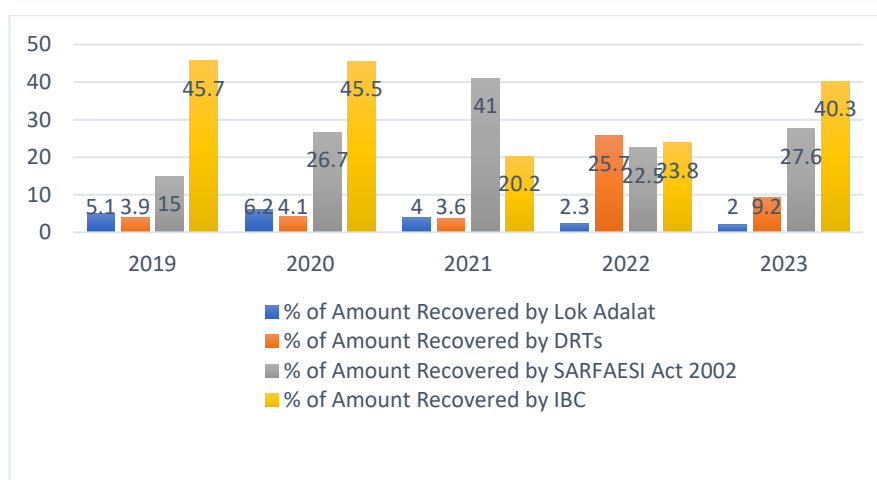
The data from 2019 to 2023 shows the effectiveness of different channels for NPA recovery, measured by the percentage of the amount recovered each year.

Lok Adalat: The recovery percentages through Lok Adalat show a declining trend. Starting at 5.1% in 2019, the recovery increased to 6.2% in 2020 but then dropped to 4% in 2021, 2.3% in 2022, and further to 2% in 2023. This indicates a decreasing effectiveness of Lok Adalat in recovering NPAs over the years.

Debt Recovery Tribunals (DRTs): The recovery percentages through DRTs were relatively low and stable initially, with 3.9% in 2019 and 4.1% in 2020. However, there was a significant increase to 25.7% in 2022, followed by a decline to 9.2% in 2023. This suggests that while DRTs can be highly effective in certain years, their performance is inconsistent.

SARFAESI Act 2002: Recovery through the SARFAESI Act showed a general upward trend from 15% in 2019 to 41% in 2021, indicating strong performance in those years. However, the recovery percentage dropped to 22.5% in 2022 before improving to 27.6% in 2023. This suggests that SARFAESI remains a robust channel for NPA recovery, despite some fluctuations.

Insolvency and Bankruptcy Code (IBC): The IBC consistently shows high recovery percentages, maintaining around 45.7% in 2019 and 45.5% in 2020. There was a dip to 20.2% in 2021, but it improved to 23.8% in 2022 and 40.3% in 2023. This indicates that IBC is generally the most effective recovery mechanism among the channels listed, despite some variations.

Major Findings:
Lok Adalats: Decreasing Effectiveness: The number of cases referred to Lok Adalats has increased significantly, but the recovery percentage has shown a declining trend. From 5.1% in 2018-19 to 2% in 2022-23, this indicates decreasing effectiveness in recovering NPAs despite intensified efforts.

Debt Recovery Tribunals (DRTs): The recovery percentage through DRTs remained low initially (3.9% to 4.1%) but spiked dramatically to 25.7% in 2021-22 before falling again to 9.2% in 2022-23. This shows inconsistent performance with occasional high effectiveness.

SARFAESI Act: The recovery rates under the SARFAESI Act have generally been robust, peaking at 41% in 2020-21, though there were fluctuations. The rates remained relatively high, indicating strong effectiveness in asset recovery through this channel.

Insolvency and Bankruptcy Code (IBC): The IBC consistently demonstrated the highest recovery percentages among the mechanisms, with peaks of 45.7% and 45.5% in the initial years, a dip in 2020-21, and a recovery to 40.3% in 2022-23. This shows it is the most effective tool for NPA recovery.

Key Suggestions:

Enhance Lok Adalats Effectiveness: Simplify and expedite the processes in Lok Adalats to handle the growing number of cases efficiently. Increase awareness and training for Lok Adalat officials to handle complex financial cases effectively.

Stabilize DRT Performance: Allocate more resources to DRTs to handle cases promptly and reduce backlogs. Specialized Training: Provide specialized training for judges and officials on financial and banking regulations to improve adjudication quality.

Strengthen SARFAESI Implementation: Conduct regular audits to ensure compliance and effectiveness of the SARFAESI process. Public-Private: Encourage partnerships between public and private sectors to enhance asset recovery through innovative solutions.

Optimize IBC Processes: Ensure strict adherence to timelines for resolution plans to avoid prolonged litigation and value erosion. Increase the capacity and number of National Company Law Tribunals (NCLTs) to handle the rising number of insolvency cases efficiently.

Integrated Approach: Foster better coordination among different recovery mechanisms to share best practices and resources. Implement advanced data analytics and technology solutions to monitor and predict NPA trends, enabling proactive measures.

Policy Reforms: Regularly update the regulatory framework to address emerging challenges and incorporate global best practices in NPA management. Incentives for Early Resolution: Introduce incentives for banks and borrowers to settle NPAs early through amicable settlements and avoid prolonged legal battles. By focusing on these areas, Indian Scheduled Commercial Banks can enhance the effectiveness of their NPA recovery mechanisms, leading to improved financial health and stability in the banking sector.

Conclusion:

Non-Performing Assets (NPAs) pose a substantial challenge to the Indian banking sector, affecting profitability, liquidity, and financial stability. This study has highlighted the multifaceted efforts and strategies employed by Indian Scheduled Commercial Banks to tackle NPAs, particularly focusing on the period from 2019 to 2023. The recovery channels investigated—Lok Adalats, Debt Recovery Tribunals (DRTs), the SARFAESI Act, and the Insolvency and Bankruptcy Code (IBC)—each have their unique strengths and limitations. The data reveals that while Lok Adalats have seen a decreasing trend in recovery effectiveness, DRTs show significant variability, with occasional spikes in performance. The SARFAESI Act has demonstrated consistent robustness in recovery efforts, though with some fluctuations. The IBC has emerged as the most effective tool overall, maintaining high recovery percentages and offering a structured framework for resolving stressed assets. Government and RBI initiatives, including amendments to existing laws and the introduction of new frameworks like the National Asset Reconstruction Company Limited (NARCL) and comprehensive early warning systems, have significantly contributed to enhancing NPA recovery mechanisms. These efforts have enabled substantial recoveries over the years, although continuous improvement and adaptation are necessary to address the dynamic challenges in NPA management. The study states the importance of proactive credit monitoring, strategic loan sanctioning, and the adoption of modern technological tools in mitigating NPAs. Effective recovery strategies, such as the rehabilitation of viable units, loan rescheduling, and utilizing legal frameworks like SARFAESI and IBC, are crucial for maintaining the financial health of banks. Moreover, a collaborative approach involving all stakeholders and leveraging data analytics for early detection and intervention can further strengthen NPA management.

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