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SARFAESI Act: A Game Changer or a Splash in the Pan

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Abstract. Non-Performing Assets (NPAs) have remained a major challenge in the Indian banking industry and have had a substantial effect on financial stability and economic growth. The Finance Minister of India reported in Parliament that 1,009,511 crores worth of bad loans had been written off between 201718 and 202122, leading to huge losses of investible resources. This capital crowding out is a negative factor to the economy as it lessens the amount of money that can be invested productively. Various recovery mechanisms have been established over the years to deal with this issue, such as the Debt Recovery Tribunals (DRTs), Lok Adalat's and the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act. The SARFAESI Act was introduced in 2002 based on the recommendations of the Narasimham Committee II, which was to facilitate the process of loan recovery by authorizing financial institutions to repossess and sell the collateral without the involvement of the court. It was projected as a revolutionary measure to quicken the process of recovery of debts and enhance the financial status of banks. This paper aims at comparing the efficiency of the SARFAESI Act with other legal recovery tools. The study uses a mixed-methods research design whereby it first conducts a quantitative study that compares the efficiency of the SARFAESI Act to DRTs and Lok Adalat's. The aim is to determine whether the Act has achieved its desired purpose of speeding up the recovery process and thus fortifying the economic base of Indian banks.

1. INTRODUCTION

A systematic financial system can exist in the world only if there is a strong banking system and for a strong banking system to exist, the system must have not only a smooth functioning of debit and credit but also it should be a platform where there should be a mutual trust between the lenders and the borrowers. If such a mutual trust does not exist, the lenders will hesitate to postpone their current purchase and lend out their funds to prospective borrowers in the hope of getting a good return. However, one of the biggest roadblocks in this arena is the (NPA). It is often referred to as among the most reliable measures of the well-being of any banking system, and the bank's ability to pass the stress test to a large range hinges on the ability of the tier to deal with its NPAs. In fact, ineffective management of NPA can lead to the weakening of the financial system. Hence time and again different laws have been brought in to help banks recover their NPA (Joseph, 2014). The reason for this is the increasing number of defaults and the rise in the NPA.But a lot can also be attributed to the historical lineage of the Indian Banking system. Till 1991 NPAs were never taken seriously as the primary goal then was the expansion of the banking system. It was only after the recommendation of the Narasimham Panel in 1991, that it was categorically pointed out that India had a gigantic problem with NPA and it was increasing the stress on our banks making them monetarily feeble. It was only after this mention that the different debt recovery channels were formulated like the Debt Recovery Tribunal (DRT), Lok Adalat, Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act (SARFAESI), 2002, and the Indian Bankruptcy Code (IBC) 2016 (Sumathy & Das, 2021). But how effective these debt recovery channels have been is a question that needs to be pondered. While all these acts have aimed to decrease the NPA burden of the banks the important question is how effective has been these debt recovery channels in terms of solving the NPA problem.

The current research paper aims to see how effective has been these debt recovery channels primarily the three debt recovery channels, DRTs, Lok Adalat, and SARFAESI Act in recovering debt and thereby solving the NPA problem of the banking system. The purpose behind using the aforesaid 3 debt recovery channels is that these are the only channels that have existed throughout the study period. While the one-time settlement scheme was no longer available after 2005 – 06 as after that period no further data for the same was available, the IBC was implemented only in 2016 – 17 and the true data was available only from 2017 – 18. Hence, to have a true idea about the working of the debt recovery channels of SCBs during the study period only the three aforesaid major channels were taken into consideration. This brings us to the following inquiries for research:

1. Is there any substantial difference between the three debt retrieval networks in the standings of the cases allocated to them?
2. Is there any significant modification amid the three debt retrieval networks in standings of the NPA amount of SCBs allocated to them, especially between the SARFAESI ACT and the other debt recovery channels?
3. Is there any significant difference between the three debt retrieval networks in terms of the NPA expanse of SCBs improved by them, especially between the SARFAESI ACT and the other debt recovery channels?
4. Did the three recovery channels have any substantial influence on the NPAs of the SCBs?

The study questions lead us to the subsequent purposes:

1. To comprehend the behaviour of the three-debt retrieval channels the Lok Adalat, the DRTs, and the SARFAESI Act, and try to identify whether there is a significant difference among them especially the SARFAESI Act and the other debt
2. To identify the overall influence of the debt retrieval channels on the NPA of SCBs, especially that of the SARFAESI Act.

All the research has been predicted on subordinate data and the foundations of information collection are RBI along with various reports on the growth and developments in Indian banking.

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2. REVIEW OF LITERATURE

While a lot has been written about the NPAs and their causes a study of the NPAs has revealed that banks' lending practices can have a critical influence on their non-performing finances (Reddy 2004). The term lazy banking was coined when it was categorically stated that a evasion is not always an unreasonable verdict but a nonpayer makes a very conscious probabilistic assessment of the cost and the benefits associated with it (Mohan, 2003). These perceptions of acclaim ethos (Reddy 2004) and indolent funding (Mohan 2003) are not a feature that is associated with India only but are prevalent internationally and are often considered to be the main drivers behind NPAs (Bloem and Gorters, 2001).

Hence it is extremely essential that in the game of cost vs. benefit, the cost desires to be increased in command to certify that despite the existence of anchorage bias like credit culture and lazy banking the probabilistic assessment is heavily weighted towards the cost, thus deterring culture of willful default as it was observed that changes in the cost of credit did have an impact on NPA (Rajan and Dhal, 2003). Though it can be argued that a positive macroeconomic environment does play a very crucial part in non-performing loans of banks, at the same time the regulatory forces have a very strong role to play (Manjappa & Baig, 2008). So how effective these recovery channels are again something that needs to be studied. Often it is argued that since the process of debt recovery is such a long-drawn-out process that often the purpose of such recovery channels is not fulfilled. One of the primary reasons was attributed to the long-drawn-out process that each debt recovery channels entail. It is believed that while the DRTs have impacted the NPA recovery but there is a strong need for an act. It was believed that the SARFAESI Act of 2002 and IBC of 2016 will be crucial to the recovery of debt (Panigrahi & Chaudhari, 2017). However, there are studies that have expressed apprehension as it was seen that the facilitation of fast recovery was not very effective (Sharma, 2024). But the SARFAESI Act is still considered better than the others as it was believed that the SARFAESI Act provided a long-needed momentum to India's banking system in terms of NPA management (Siraj & Pillai, 2012). But how effective has the SARFAESI Act been in the NPA scenario of the Indian banks remains to be seen.

3. RESEARCH METHODOLOGY AND DATA ANALYSIS

The information was gathered entirely from secondary sources primarily from RBI along with some compiled from reports like Trends and Progress in Indian Banking. As has been indicated in Figure 1, there has been an explosive growth in the volume of NPAs reported to debt collections by Scheduled Commercial Banks (SCBs) in the last 20 years due to which there has been an increase in the reliance on schemes such as DRTs and SARFAESI to the resolution of assets. And as The NPA recovery by SCBs was in upward trend over years with a peak in 201920 and a fall thereafter in 202021 and 202122, probably due to stress in the economy in the period of COVID-19 pandemic (see Figure 2).

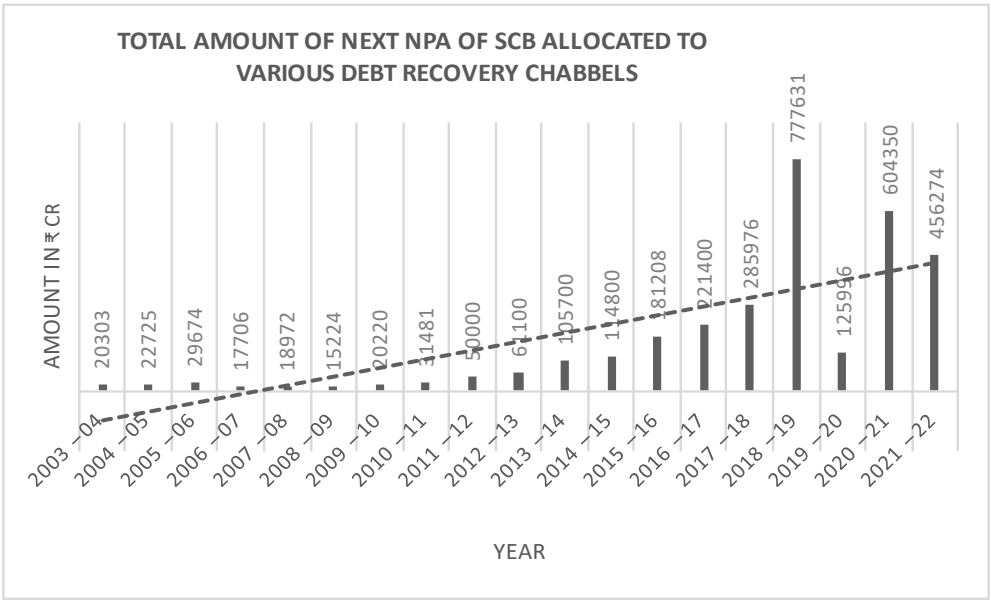

Figure 1: Total amount of next NPA of SCB allocated to various debt recovery Chabbles.
Source: Dbie.rbi.org.in and also compiled from several reports of trends and growth of banking in India.

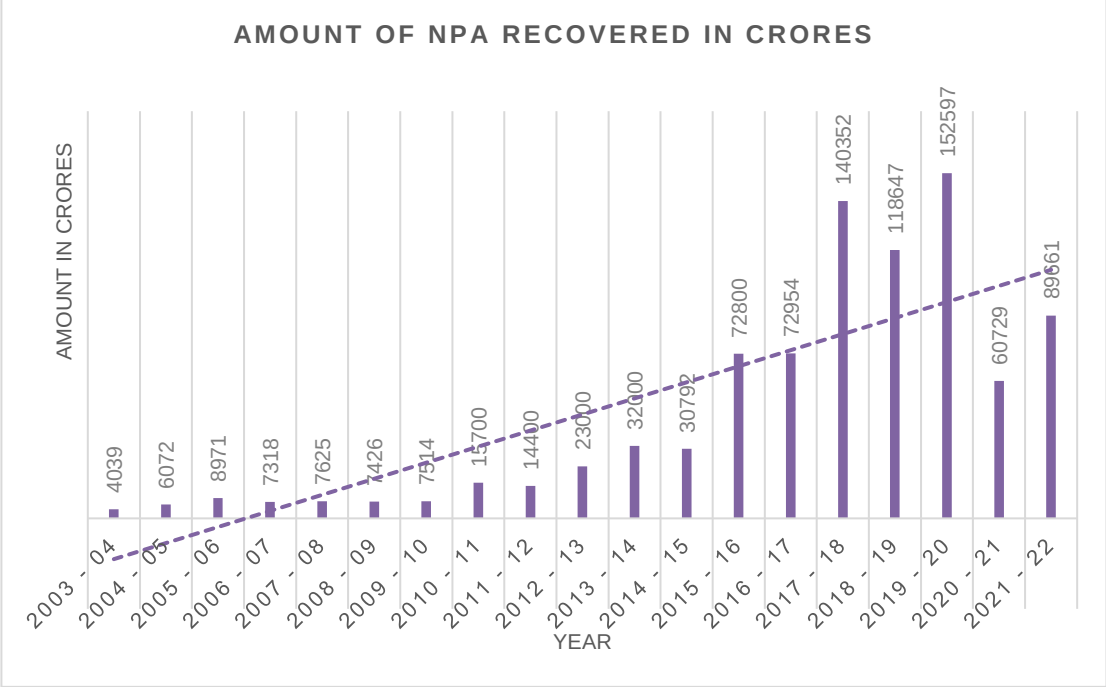

Figure 2: Amount of NPA recovered in crores.
Source: Dbie.rbi.org.in and also compiled from various reports of trends and progress of banking in India.

Even though the actual recovery amounts are increasing (see Figure 2), the recovery percentage relative to the total referred NPAs has slowly decreased over the years, dropping as low as 18.4 percent in the fiscal year 202122 as in Figure 3.

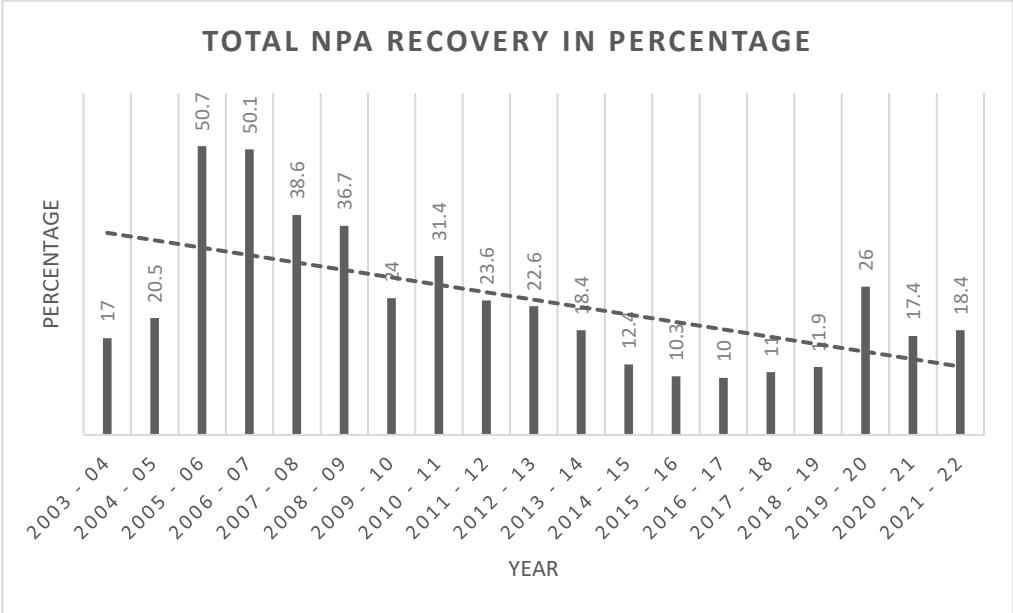

Figure 3:Total NPA recovery in percentage.
Source: Dbie.rbi.org.in and also compiled from various reports of trends and progress of banking in India.

A look into the data has revealed that while in absolute terms the entire expanse of NPAs of Scheduled Commercial Banks (SCBs) allocated to several recovery networks throughout the study period i.e. from 2003-04 to 2021-22 has witnessed a compounded annual growth rate (CAGR)of about 17.51 percent and the total amount recovered during this period too increased by 17.72 percent but whether this is significant enough needs to be more analyzed. Hence when a closer look is taken in the form of total NPA recovery in each year in percentage, it can be seen that for most of the year, the total NPA recovery of the allotted NPA in that particular year has not even reached the 50 percent mark. It is only in the years of 2005 – 06 and 2007 – 08 that the NPA recovery has touched the 50 percent mark. However, in the later years the total NPA has been dismal with the collections reaching only 10 percent marks during 2015 – 16. It did pick up after the introduction of IBC when it reached to 14.9 percent, 16.3 and 22 percent during the years 2017 – 18, 2018 – 19, and 2019 – 20 but it fell again during the Covid year of 2020– 21, when it fell to 14 percent.

In order to get a better understanding a look into the recovery channels is needed. A deeper look into the NPAs of SCBs in crores allocated to various channels in crores reveals that the SARFEASI Act did have a weightage in standings of the expanse of NPA SCBs allotted to several networks. A significant the amount of NPAs of the SCBs has been allotted to the SARFAESI Act, but when it comes to the growth of NPAs that has been allotted to the SARFAESI Act it has been observed that in the last few years, especially after the IBC that there has been a significant drop in the total allocation of NPAs of SCBs to the SARFAESI Act. This can be seen in Figure 4. Figure 5 depicts the growth of NPAs of SCBs too has not been very significant. The high growth

that was seen was primarily due to a low base.

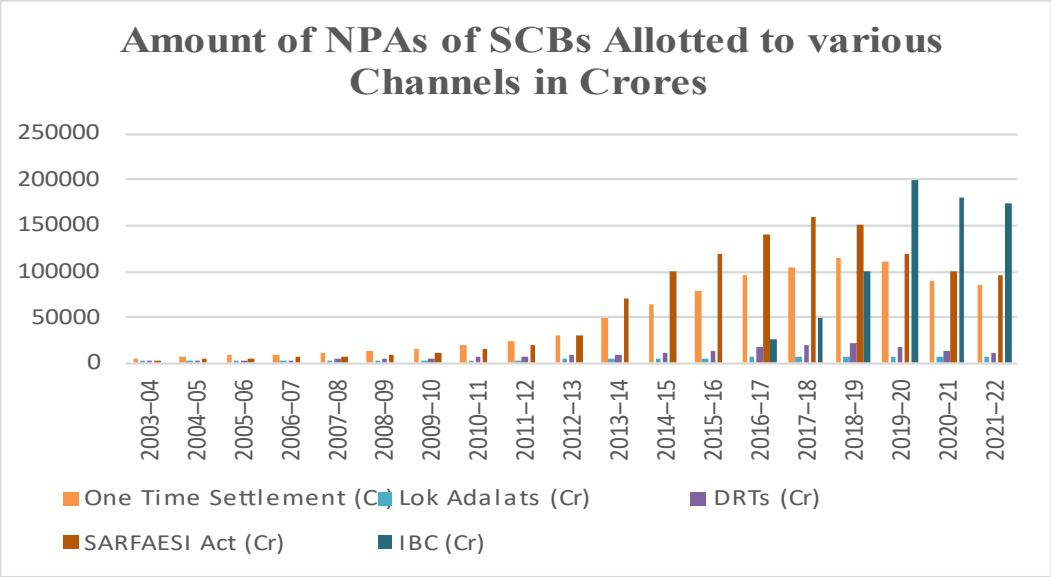

Figure 4:Amount of NPA's of SCB's allotted to various channels in crores.
Source: Dbie.rbi.org.in and also compiled from several reports of trends and advancement of banking in India.

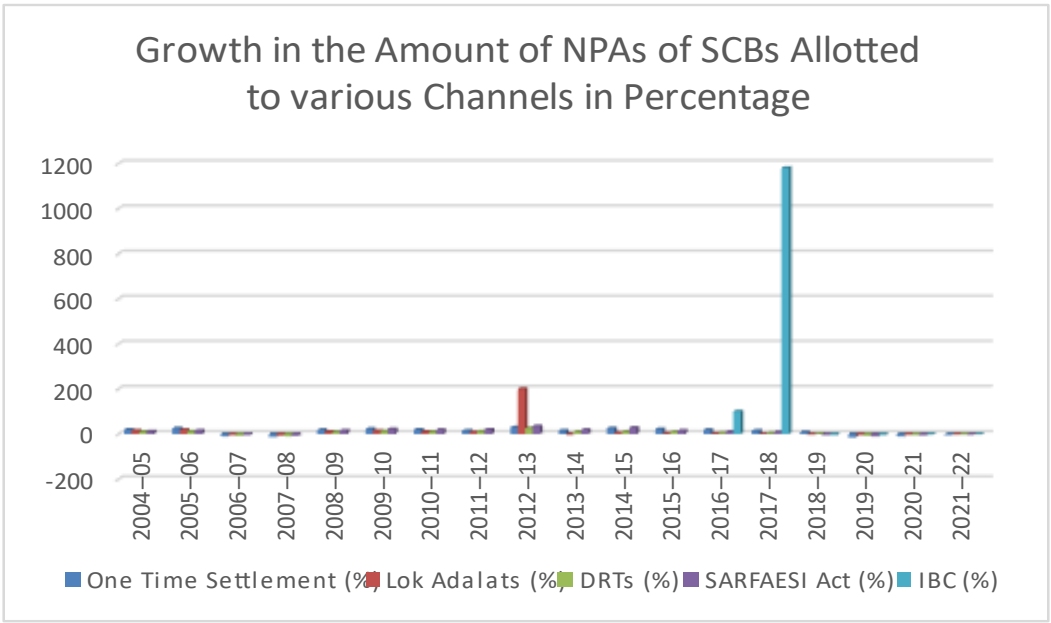

Figure 5:Growth in the amount of NPA's and SCB's allotted to various channels in percentage.
Source: Dbie.rbi.org.in and also compiled from numerous reports of trends and growth of banking in India.

At the same time a look at the recovery of the proportion of the allotted NPAs of SCBs over several networks it is clear that for most of the channels, the recovery has not even touched the 50 percent mark. In the case of the SARFAESI Act, the track record is slightly better than its counterpart as the percentage of the amount recovered. While most of the time in the case of the SARFAESI Act to the recovery rate has been below the 50 percent mark, there has been one instance i.e. 2007 – 08, when the recovery rate has been 61 percent. However, in the future years of the study period, the recovery rate dipped. In the case of its other counterparts i.e. DRTs and Lok Adalat, the recovery rate is even more dismal. In the case of IBC, the recovery rate was good after the initial years of implementation of IBC, when the recovery rate has been 49.6 percent, 45.7 percent, 46.3 percent respectively for the years 2017 – 18, 2018 – 19, and 2019 – 20, it fell to 20.2 percent. The COVID-led lockdown and the subsequent impact on the economy can be responsible for the dismal performance in terms of recovery through IBC. But a proper understanding of the debt recovery channels is needed. These lead to the two aims of the study. The purposes lead to the following two major hypotheses.

3.1. Hypothesis

H_1: There is a substantial alteration in the behaviour of the three-debt retrieval networks DRTs, Lok Adalat, and the SARFAESI Act during the study period.

H_2: There is a substantial impact on the NPAs recovered by the three prominent retrieval networks DRTs, Lok Adalat, and the SARFAESI Act on NPAs of scheduled commercial banks.

Testing the 2 hypotheses:

H_1: There is a substantial variance in the behavior of the three-debt retrieval networks DRTs, Lok Adalat, and the SARFAESI Act during the study period.

In order to fully understand these 3 sub-hypotheses are tested. They are as follows:

H1a: There is a substantial modification in the figure of cases of NPA of SCBs referred to the three different debt recovery channels.

H1b: There is a substantial change in the amount of NPA of SCBs allotted to the different channels.

H1c: There is a important alteration in the amount of NPA of SCBs recovered by the different channels.

Table 1: ANOVA results comparing the efficacy of different debt recovery mechanisms on NPA recovery.

ANOVA

Source of variation	SS	df	MS	F	P-value	F crit
Between groups	5.45E+13	2	2.73E+13	14.86767	7.18E-06	3.168246
Within groups	9.9E+13	54	1.83E+12			
Total	1.53E+14	56				

The residuals in Table 1 depict that the ANOVA test outcome is significant ($F(2,54) = 14.87$, $p < 0.001$), therefore, the assumption that the ANOVA test implies is correct and the channels of recovering debts are not equal and the simplest channels are not of the same substance as the others.

H1a:

H_{1a0}: There is no notable variation in the quantity of cases of NPA of SCBs referred to the three different debt recovery channels.

H_{1a1}: There is a notable variation in the quantity of cases of NPA of SCBs referred to the three different debt recovery channels.

As F > F crit; and also, the value of p is below the implication level, the substitute hypothesis is acknowledged while the null hypothesis is forbidden. Hence, there is a substantial difference in the NPAs of the SCBs that are referred to the three different debt recovery channels.

Table 2: Pairwise comparison of debt recovery mechanisms using T-tests with Bonferroni correctio.

Groups compared	P value (T test)	Significance	Test type	Alpha
Lok Adalat vs DRTs	0.000939574	Yes	ANOVA	0.05
DRTs vs Sarfaesi Act	7.46771×10^{-6}	Yes	Post-hoc test (Bonferroni corrected)	0.01666667
Sarfaesi Act vs Lok Adalat	0.001439102	Yes	Post-hoc test (Bonferroni corrected)	0.01666667*

The results of the pairwise comparisons in Table 2 were all detailed as having statistically significant results ($p < 0.05$), despite the corrections obtained with Bonferonni. The SARFAESI Act passed both DRTs (p = 7.4710 16) and Lok Adalat's (p = 0.0014) by far and hence it is a more efficient mechanism of debt recovery.

The Bonferonni test is done to account for the multiple hypotheses that is getting performed over here. The more the hypothesis are getting performed the higher the probabilities of Type I Error. The Bonferonni correction, in this case, is α/No. of post hoc test = 0.05/3 = 0.0167With the Bonferonni correction the corrected value of α = 0.0167. The test is significant if $p < 0.0167$. The test is not significant if $p \geq 0.0167$.With the Bonferonni correction too, the tests are significant thus indicating that there is s substantial modification in the cases referred to the three liability retrieval networks. Accordingly, the Post Hoc Test illustrates that the figure of cases sent to Lok Adalat is substantially higher than the number referred to DRTs under the SARFAESI Act.

Table 3: ANOVA results comparing total NPA recovery percentages across different recovery mechanisms.

ANOVA

Source of variation	SS	df	MS	F	P-value	F crit
Between groups	2.52E+10	2	1.26E+10	2.90341	0.06344	3.168246
Within groups	2.35E+11	54	4.35E+09			
Total	2.6E+11	56				

H_{1b}:

H_{1b0}: There is no substantial modification in the amount of NPAs of SCBs allotted to the three different debt recovery channels.

H_{1b1}: There is a substantial change in the amount of NPAs of SCBs allotted to the different debt recovery channels.

According to Table 3, ANOVA test results on the different percentage recovery among Lok Adalat, DRTs, and SARFAESI Act turned out not to be statistically significant ($F(2,54) = 2.90$, $p = 0.063$), implying that the absoluteness of the recovery levels may differ, but the ratio outcomes look quite different.

While the substitute hypothesis is rejected, the null hypothesis is not since F < F crit and p is greater than the criterion of significance. Therefore, the number of SCB NPAs allocated to the three distinct debt collection channels does not differ much.

Table 4: ANOVA results comparing the average NPA recovery amounts across different debt recovery mechanisms.

Source of variation	SS (Sum of squares)	df (Degrees of freedom)	MS (Mean square)	F	P-value	F crit
Between groups	2.38×10^9	2	1.19×10^9	22.83426	8.28×10^{-8}	3.178799
Within groups	2.65×10^9	51	52,015,273			
Total	5.03×10^9	53				

The ANOVA test revealed significantly high difference in the mean amounts of recovery of NPAs with the three mechanisms namely Lok Adalat, DRTs and SARFAESI Act ($F(2,51) = 22.83$, $p<0.001$), therefore providing strong evidence that the nature of method of recovery makes a huge difference to the amount of money that is recovered.

H_{1c}:

H_{1c0}: There is no notable variation in the quantity of cases of NPA of SCBs referred to the three different debt recovery channels.

H_{1c1}: There is a notable variation in the quantity of cases of NPA of SCBs referred to the three different debt recovery

channels.

The null hypothesis is excluded while the substitute hypothesis is left intact because F > F crit and p is less than the level of significance. Therefore, the retrieval of the SCBs' (NPAs) that are assigned to the three distinct debt recovery channels differs significantly.

Table 5: Post-hoc pairwise comparisons of average NPA recovery amounts across debt recovery mechanisms using Bonferroni-corrected T-tests.

POST HOC test			**ALPHA**	
Groups	**P value (T test)**	**Significance**	**Test**	**Alpha**
Lok Adalats Vs DRTs	3.55149E-06	Yes	ANOVA	0.05
DRTs Vs Sarfaesi Act	0.00171392	Yes	Post -hoc test (Bonferroni corrected)	0.01666667
Sarfaesi Act Vs Lok Adalat	4.37787E-05	Yes		

All the post-hoc gave statistically significant results as shown in Table 5 at Bonferonni alpha-adjusted level (0.0167). The SARFAESI Act was also far superior to DRTs (p = 0.0017) and Lok Adalats(p = 4.3810) proving once more its superior position in the recovery of NPAs.

With the Bonferonni correction too, the tests are significant thus indicating that there is a substantial change in the amount recovered by the three liability retrieval networks.

The Post Hoc Test thus reveals that in standings of the expanse improved the recovery by the SARFAESI Act is more than that of the DRTs and the Lok Adalats. This shows that the SARFAESI has a higher capacity to recover loans as the amount of loan recovered is more than its peers. But what is the impact of this on the overall NPA. This can be tested by the second hypothesis.

In order to understand the true impact, the amount recovered had on the NPA of the (SCBs), the amount of the allotted NPAs recovered from these channels was regressed on Gross NPA, Net NPA, and Write-offs, and then try to understand the true impact. Therefore, on order to fully test the hypothesis, they were split into three smaller hypotheses. They are as follows:

H_{2a}: The amount of NPAs recovered from the 3 debt recovery channels of Lok Adalat, DRTs, and SARFAESI Act, has a significant impact on the Gross NPA.

H_{2b}: The amount of NPAs recovered from the 3 debt retrieval networks of Lok Adaalat, DRTs, and SARFAESI Act, has a significant impact on the Net NPA.

H_{2c}: The amount of NPAs recovered from the 3 debt retrieval networks of Lok Adaalat, DRTs, and SARFAESI Act, has a significant impact on write-offs.

Testing the first sub-hypothesis that the amount of the NPAs recovered has a significant impact on Gross NPAs.

H2a0: The amount of NPAs recovered from the 3 debt retrieval networks of Lok Adaalat, DRTs, and SARFAESI Act does not have a significant impact on the Gross NPA.

H2a1: The amount of NPA recovered from the 3 debt retrieval networks of Lok Adaalat, DRTs, and SARFAESI Act, does not have a significant impact on the Gross NPA.

$$l\text{��}Y = \text{��}9 + \text{��}1X1 + \text{��}1X1 + \text{��}1X1 + u1i$$

Here Y is the Gross NPA, X1 is the recovery made by Lok Adalats, X2 is the recovery made by DRTs and X3 is the recovery made by SARFAESI Act.

ln Gross NPA = 10.7+0.00025 Lok Adalats+0.000058 DRTs-0.000057 SARFAESI Act + uI (1)

Table 6: Regression output summarizing standard errors, t-statistics, and p-values for model coefficients.

se = (0.245489)	(0.000149)	(0.00073)	(0.000015)
t = (43.59426)	(1.69478)	(0.79469)	(3.76619)
p = (0.0000)	(0.11077)	(0.43919)	(0.001868)

R^2 = 0.89824

$\bar{R}^2$ = 0.87789 df = 18

Thus, it can be seen that in the multiple regression, the value is significant only for the SARFAESAI Act i.e. in this case only the alternative hypothesis is not rejected, while in all the other cases the alternative hypothesis is forbidden. As was indicated in Table 6, the intercept of the model and the fourth predictor variable are significantly important factors that influence heavily the dependent variable (p value of 0.0019 and < 0.001 respectively). But the second and the third predictors are insignificant (p = 0.1108 and 0.4392, respectively) which means that they do not contribute much to the model.

Testing the second sub-hypothesis that the amount of the NPAs recovered has a significant impact on Net NPAs.

H_{2b0}: The amount of NPAs recovered from the 3 debt retrieval networks of Lok Adalat, DRTs, and SARFAESI Act does not have a substantial influence on the Net NPA.

H_{2b1}: The amount of NPA recovered from the 3 debt regaining networks of Lok Adalat, DRTs, and SARFAESI Act does not have a substantial influence on the Net NPA.

ln Net NPA = 10.1254+0.00033 Lok Adalats+0.000027 DRTs-0.000065 SARFAESI Act+uI (2)

Table 7: Regression summary displaying standard errors, t-values, and p-values for model parameters.

se = (0.311095)	(0.00018932)	(0.000093)	(0.000019)
t = (32.54766)	(1.74902)	(-0.29353)	(3.42038)
p = (0.0000)	(0.10071)	(0.77314)	(0.003796)

R^2 = 0.835820

$\bar{R}^2$ = 0.80298 df = 18

Here in this multiple regression, the value is significant only for the SARFAESAI Act i.e. in this case only the alternative hypothesis is not rejected, while in all the other cases the alternative hypothesis is rejected.

According to table 7, the regression indicates that the impacts of the intercept (p < 0.001) are significant as well as those of the fourth parameter (p = 0.0038). The second and the third predictors, though are not statistically significant as they result in the value of p = 0.1007 and 0.7731, respectively, which is an indication of limited activity on an outcome variable.

Testing the third sub-hypothesis that the amount of the NPAs recovered has a significant impact on Write-offs.

H_{2c0}: The amount of NPAs recovered from the 3 debt retrieval networks of Lok Adalat, DRTs, and SARFAESI Act does not have a significant impact on the Write-Offs.

H_{2c1}: The amount of NPA recovered from the 3 debt retrieval networks of Lok Adalat, DRTs, and SARFAESI Act, does not have a significant impact on the Write-Offs.

$$\ln \text{Write-offs} = 6.80552 + 0.000533\,\text{Lok Adalats} + 0.00009\,\text{DRTs} - 0.00016\,\text{SARFAESI Act} + u_I \quad (3)$$

Table 8: Regression output including standard errors, t-statistics, and p-values for model coefficients.

se = (0.311095)	(0.00018932)	(0.000093)	(0.000019)
t = (32.54766)	(1.74902)	(-0.29353)	(3.42038)
p = (0.0000)	(0.34363)	(0.74105)	(0.003796)

$R^2 = 0.7231$

$R^2 = 0.70264$ df = 18

Here in this multiple regression, the value is significant only for the SARFAESAI Act i.e. in this case only the alternative hypothesis is not rejected, while in all the other cases the alternative hypothesis is rejected.

The regression showed that the intercept and the fourth predictor variable were of the statistical significance ($p < 0.001$ and $p = 0.0038$, respectively; Table 8). Conversely, the second and third predictor are not significant ($p = 0.3436$ and 0.7410) indicating that they do not make insignificant change to the dependent variable.

4. FINDINGS, CONCLUSION, AND LIMITATIONS

Accordingly, it is apparent from the statistics breakdown that although there is a notable variation in the figure of instances stated to the three debt retrieval channels, the number of cases raised to Lok Adalats is more than that of DRTs and SARFAESI Act in terms of the overall amount of NPAs of SCBs that are allocated to the different debt recovery channels, there is no substantial modification. But in terms of regaining there is again a significant difference with the SARFAESI Act being able to recover a higher proportion of the loan. However, how this has impacted the overall NPA scenario is studied in hypothesis 2.

Here, it can be seen from the data analysis that while the SARFAESI Act did have an impact on Gross NPA, Net NPA, and Write-offs, the impact was very minimal. The model used here is the semi-log model or the log-lin model. From equation 1, the equation of Gross NPA it is clear that for every 1 crore increase in debt recovery, the Gross NPA reduces by 0.0015 percent, which is very minimal. Similarly in equation 2, i.e. the equation for Net NPA, it is observed that for every 1 crore increase in debt recovery, the net NPA reduces by only 0.0065 percent. Similarly, from equation 3, it can be seen that for every 1 crore increase in debt recovery, the write-off decreases by 0.016 percent. It is clear that the SARFAESI Act has not been able to have a significant impact on NPA. While the other prominent debt recovery channels too did not have any significant effect. It is also evident as continuously new legal routes for debt recovery are being brought into the fray continuously. One of the most important issues faced by most of the debt recovery channels is the inordinate delays that hamper the recovery process. While the current research has categorically been able to say that debt recovery channels have not been able to impact the NPAs of SCBs, why the debt recovery channels have not been effective needs to be studied further. In this way, we can say that none of the debt recovery tools proved to be very effective. The SARFAESI Act was significant, but the impact it had on NPA was almost negligible.

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Annexure I: NPAs of SCBs recovered through various channels.

Year	S.No.	Recovery Channel	One-time settlement/ Compromise Schemes	Lok Adalat	DRTs	Sarfaesi Act	IBC	Total
		Amount in crore						
2003-04	1	No. of cases referred	1,39,562	1,86,100	7,544	2,661	3,35,867	
2		Amount involved	1,510	1,063	12,305	7,847	22725	
3		Amount recovered*	617	149	2,117	1,156	4039	
4		3 as a percent of 2	40.9	14.02	17.2	14.7	17.8	
2004-05	1	No. of cases referred	1,32,781	185395	4744	39288	362208	
2		Amount involved	1,332	801	14317	13224	29674	
3		Amount recovered*	880	113	2688	2391	6072	
4		3 as a percent of 2	66.1	14.1	18.8	18.1	20.5	
2005-06	1	No. of cases referred	10262	2,68,090	3534	41180	323066	
2		Amount involved	772	2,144	6273	8517	17706	
3		Amount recovered*	608	265	4735	3363	8971	
4		3 as a percent of 2	78.8	12.4	75.5	39.5	50.7	
2006-07	1	No. of cases referred	160368		4028	60178	224574	
2		Amount involved	758		9156	9058	18972	
	3	Amount recovered*		106	3463	3749		7318
	4	3 as a percent of 2		14.0	37.8	41.4		38.6
2007-08	1	No. of cases referred		186535	3728	83942		274205
	2	Amount involved		2142	5819	7263		15224
	3	Amount recovered*		176	3020	4429		7625
	4	3 as a percent of 2		8.2	51.9	61.0		50.1
2008 - 09	1	No. of cases referred		548308	2004	61760		612072
	2	Amount involved		4023	4130	12067		20220
	3	Amount recovered*		96	3348	3982		7426
	4	3 as a percent of 2		2.4	81.1	33.0		
2009 - 10	1	No. of cases referred		778833	6019	78366		863218
	2	Amount involved		7235	9797	14249		31281
	3	Amount recovered*		112	3133	4269		7514
	4	3 as a percent of 2		1.6	32.0	30.0		
2010 - 11	1	No. of cases referred		616018	12872	118642		747532
	2	Amount involved		5300	14100	30600		50000
	3	Amount recovered*		200	3900	11600		15700
	4	3 as a percent of 2		3.7	27.6	37.9		
2011 -12	1	No. of cases referred		476073	13365	140991		630429
	2	Amount involved		1700	24100	35300		61100
	3	Amount recovered*		200	4100	10100		14400

	4	3 as a percent of 2	11.8	17.0	28.6		23.6
2012-13	1	No. of cases referred	840691	13408	190537		1044636
	2	Amount involved	6600	31000	68100		105700
	3	Amount recovered*	400	4400	18500		23300
	4	3 as a percent of 2	6.1	14.2	27.2		22.0
2013-14	1	No. of cases referred	1636957	28258	1,94,707		1859922
	2	Amount involved	23200	55300	95300		173800
	3	Amount recovered*	1400	5300	25300		32000
	4	3 as a percent of 2	6.0	9.6	26.		18.4
2014-15	1	No. of cases referred	2958313	22004	175355		3155672
	2	Amount involved	30979	60371	156778		248128
	3	Amount recovered*	984	4208	25600		30792
	4	3 as a percent of 2	3.2	7.0	16.3		12.4
2015-16	1	No. of cases referred	4456634	24537	173582		4654753
	2	Amount involved	72000	69300	80100		221400
	3	Amount recovered*	3200	6400	13200		22800
	4	3 as a percent of 2	4.4	9.2	16.5		10.3
2016-17	1	No. of cases referred	3555678	32418	199352	3700	3787485
	2	Amount involved	36100	100800	141400		278300
	3	Amount recovered*	2300	10300	25900		38500
	4	3 as a percent of 2	6.3	10.2	18.3		13.8
2017-18	1	No. of cases referred	3317897	29345	91330	704@	3439276
	2	Amount involved	45728	133095	81879	9929	270631
	3	Amount recovered*	1811	7235	26380	4926	40352
	4	3 as a percent of 2	4	5.4	32.2	49.6	14.9
2018-19	1	No. of cases referred	4087555	51679	235437	1,152@	4375823
	2	Amount involved	53484	268413	258642	145457	725996
	3	Amount recovered*	2750	10552	38905	66440	118647
	4	3 as a percent of 2	5.1	3.9	15.0	45.7	16.3
2019 - 20	1	No. of cases referred	59,86,790	33,139	1,05,523	1,986	61,27,438
	2	Amount involved	67,801	2,05,032	1,96,582	2,24,935	6,94,350
	3	Amount recovered*	4,211	9,986	34,283	1,04,117	1,52,597
	4	3 as a percent of 2	6.2	4.9	17.4	46.3	22.0
2020 -21	1	No. of cases referred	19,49,249	28,182	57,331	536	20,35,298
	2	Amount involved	28,084	2,25,361	67,510	1,35,319	4,56,274
	3	Amount recovered*	1,119	8,113	27,686	27,311	64,229
	4	3 as a percent of 2	4	3.6	41	20.2	14
2021 - 22	1	No. of cases referred	85,06,648	29,487	2,49,475	885	87,86,495
	2	Amount involved	1,19,005	47,165	1,21,642	1,99,250	4,87,062
	3	Amount recovered*	2,777	12,114	27,349	47,421	89,661
	4	3 as a percent of 2	2.3	25.7	22.5	23.8	18.4

Source: Dbie.rbi.org.in and also compiled from various reports of trends and progress of banking in India.