An Analysis: Non Performing Assets Recovery Channels of Scheduled Commercial Banks

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Abstract

NPAs are the biggest problem that can harm the growth rate of a country.In India banks are struggling with recovery of assets on time. There are some recovery channels such as DRTs, LokAdalats and SARFAESI Act through which banks can recover their NPAs. This paper focused on the effectiveness of recovery channel from 2012-2013 to 2016-2017.The research work has been analyzed throughcoefficient of variation and bar graph method. This paper has concluded that SARFAESI Act is performing well as compared to DRTs and LokAdalats. Recovery channel should proactively watch on the non-performing assets recovery. Banks should timely convey the alarming loan that can convert into non performing assets information to recovery channel.

Keywords: DRTs, LokAdalats, NPAs, Recovery of Assets and SARFAESI Act

1. Introduction

NPAs are the biggest problem that can harm the growth rate of a country. In India banks are struggling with recovery of assets on time. A strong financial system help to develop the economy growth rate. Banks are the key players that strengthens the financial system. Banks channelize the money from savers to seekers. In this process banks provide loans and advances to general public. But when banks are not able to collect their money on time. It create the situation of NPAs for Banks. At this time banks need the recovery channels that help them to resolve the problem of non recovery of assets income. In India there are three recovery channels that are working for timely recovery in banks. These are as follows:

1.Debt Recovery Tribunals

2.SARFAESI Act

3.LokAdalats

Debt recovery tribunals and Debt Recovery Appellate tribunals were established in 1993 by Government of India to recover the NPAs of banks and financial institutions. There were 33 DRTs and 5 DRATs had established for fast recovery and also reduced the legal proceeding time for less than one year. They resolved different cases significantly but due to overburden of cases they had not attained goals of hundred percent recovery.

SARFAESI (The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act) was established in 2002. This act authorizes banks and financial institutions to recover their NPAs without intervention of courts.LokAdalats had established in 1987 for speedy recovery with the help of state legal Services Authorities.

2. Review of Literature

Khan (2000) supported that derivative tool and appraisal for credit should utilize for timely recovery of non performing assets. Patel (2000) suggested that banks should operate effective recovery system to control over NPAs.Muniyappan (2002) found that RBI has given credit risk management model, settlement methods and focused on effective utilization of debt recovery tribunals. It has been suggested that good corporate governance method should be used.Kumar(2003) analyzed that SARFAESI Act has been enacted for fast recovery without intervention of courts or legal authorities. Following this Sharma (2005) has also concluded that SARFAESI Act is effectively managing the banks default payment.Swamy (2006) focused that non recovery of credit hampers the growth of financial institutions. Ahmed (2008) examined the banks recovery managements system and concluded that DRTs and SARFAESI Act are best recovery system out of available recovery system. Kumar 2017 analyzed the performance of recovery channel of banking Institution and concluded banks should adopt proper credit appraisal system to control their NPAs.

3. Research Methodology

3.1 Research Gaps

This paper has taken specified objectives that have not earlier discussed in other similar researches.

3.2 Objectives of the Study

1. To know about the recovery channels of banking institutions.
2. To compare the cases referred to DRTs, SARFAESI Act and LokAdalats.
3. To compare the amount recovered by DRTs, SARFAESI Act and LokAdalats.
4. To give suggestion on the basis of study.

3.3 Research Design

Empirical research design has been used for it. This is the research that based on historical data.

3.4 Data collection

Secondary data collection method has been used for the study.

3.5 Tools and Techniques

Tools and techniques are Coefficient of Variation and bar graph.

4.Data Analysis and Interpretation

Table 4.1Number of cases referred to Recovery Channels.

Year	Recovery Channel	LokAdalats	Percentage of Total	DRTs	Percentage of Total	SARFAESI Act	Percentage of Total	Total
2012-13	Cases Referred	840691	80	13408	1	190537	18	1044636
2013-14	Cases Referred	1636957	88	28258	2	194707	10	1859922
2014-15	Cases Referred	2958313	94	22004	1	175355	6	3155672
2015-16	Cases Referred	4456634	96	24537	1	173582	4	4654753
2016-17	Cases Referred	2152895	95	28902	1	80076	4	2261873
C.V.		57.27		26.74		52.87		

Source: Data assembled through excel.

Figure: 4.1: Bar Graph presentation of cases referred to recovery channels.

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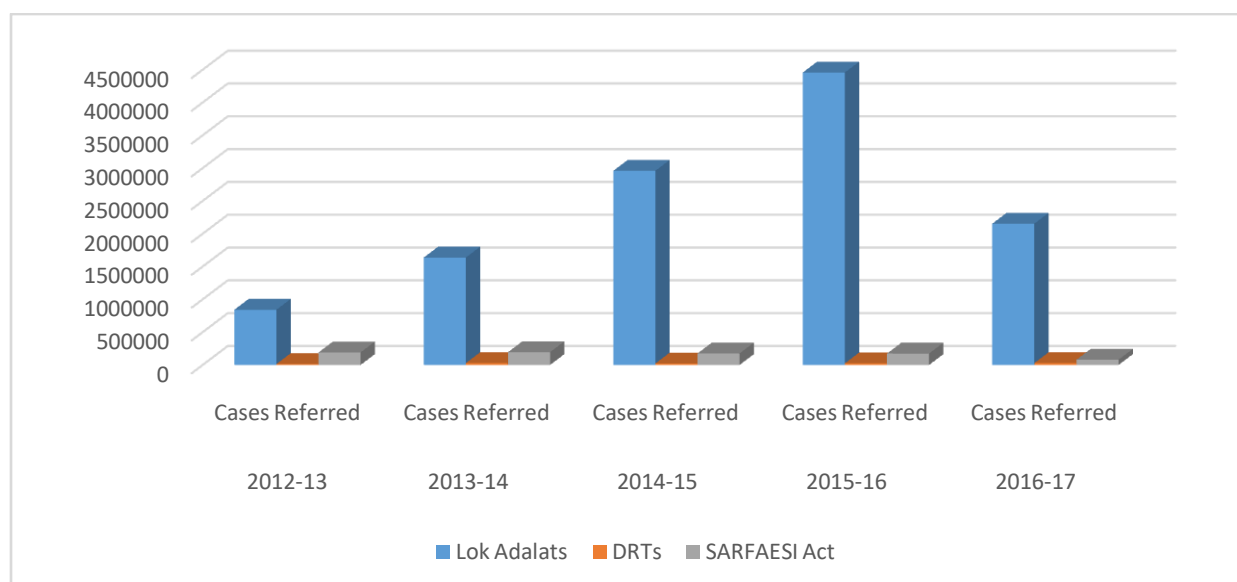
Source: Data assembled through excel using data of table 4.1.
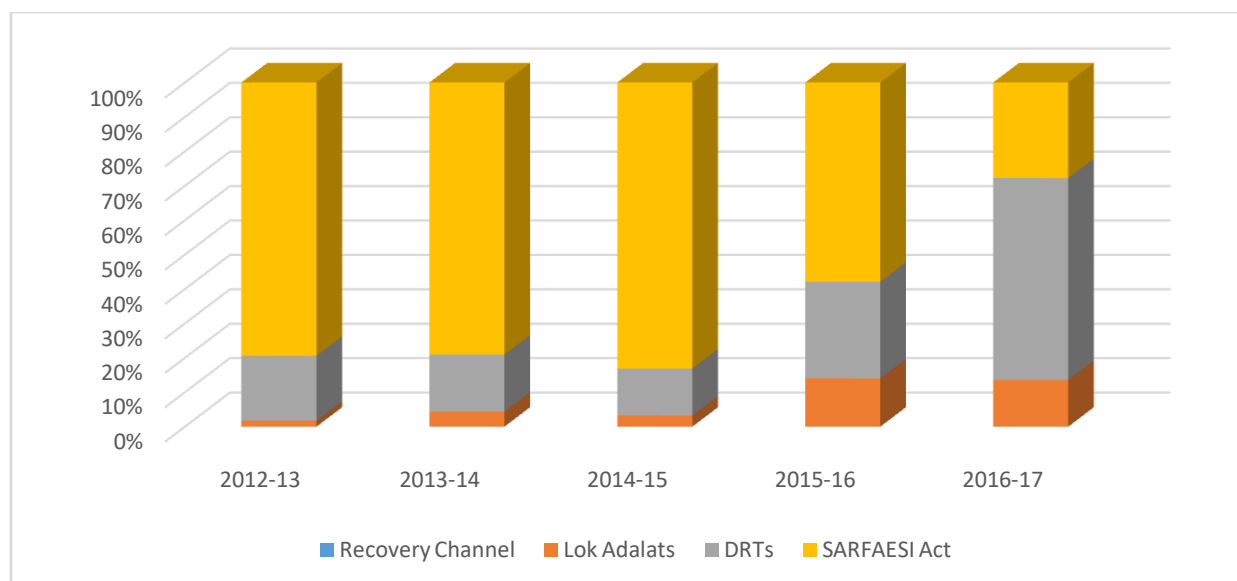
It has been observed from the data that from 2012-13 to 2016-17 highest cases of non performing assets has been referred to LokAdalats followed by SARFAESI Act and DRTs. It has been reflected from coefficient of variation that DRTS have minimum C.V. i.e. 26.74 it shows that DRTs are managing well the cases referred to it as compared to LokAdalats and SARFAESI Act. SARFAESI Act has less C.V. i.e. 52.87 percent, shows that it has managed well the cases referred of non performing assets as compared to LokAdalats.

Table 4.2Amount recovered by Recovery Channels.

Year	Recovery Channel	LokAdalats	Percentage of Total	DRTs	Percentage of Total	SARFAESI Act	Percentage of Total	Total
2012-13	Amount Recovered	400	2	4400	19	18500	79	23300
2013-14	Amount Recovered	1400	4	5300	17	25300	79	32000
2014-15	Amount Recovered	1000	3	4200	14	25600	83	30800
2015-16	Amount Recovered	3200	14	6400	28	13200	58	22800
2016-17	Amount Recovered	3803	14	16393	59	7758	28	27954
C.V.		74.80		69.98		42.79		

Source:Data assembled through excel.

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Figure:4.1: Bar Graph presentation of amount recovered by recovery channels.

Source: Data assembled through excel using data of table 4.2.

It has been analyzed from the data that from 2012-13 to 2016-17 highest amount of non performing assets has been recovered by SARFAESI Act followed by DRTs and LokAdalats. It has been reflected from coefficient of variation that SARFAESI Act have minimum C.V. i.e. 42.79 it shows that SARFAESI Act are managing well the cases of amount recovery to it as compared to DRTs and LokAdalats. DRTs have less C.V. i.e. 69.98 percent, shows that it has managed well the amount recovery of non-performing assets as compared to LokAdalats.

4. Findings, Conclusion and Suggestions.

It has been revealed that the cases of non performing assets has been referred to LokAdalats is highest followed by SARFAESI Act and DRTs. But DRTs has less coefficient of variation that reflected it has managed well the cases of non performing assets referred to it as compared to LokAdalats and SARFAESI Act. This has also been found that SARFAESI Act has recovered highest amount as compared to LokAdalats and DRTs. DRTs has recovered more amount as compared to LokAdalats. It has been concluded that SARFAESI Act is performing well as compared to DRTs and LokAdalats. Recovery channel should proactively watch on the non-performing assets recovery. Banks should timely convey the alarming loan that can convert into non performing assets information to recovery channel.

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