

An Empirical Investigation Of The Relationship Between Recovery Management Practices And Npa Levels In Indian Banks

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Abstract

Indian banks utilize the Insolvency and Bankruptcy Code (IBC) as a recuperation the board method to manage their NPA levels notwithstanding the Obligation Recuperation Council (DRT), the Sarfesi Act, and the Lok Adalat. Insolvency and bankruptcy procedures in India presently have a careful lawful design thanks to the IBC, which was executed in 2016. The Insolvency and Bankruptcy Board of India (IBBI) is an administrative body set up under the IBC to screen its application. Research shows that Indian banks' recuperation the board rehearses have worked on because of the IBC. Further developed recuperation rates and lower NPA levels have come about because of this time-restricted and loan boss driven goal process. The IBC has likewise helped accelerate the goal of insolvency cases, which is great for the Indian financial industry overall. As indicated by the review's outcomes, the DRT, the Sarfesi Act, Lok Adalat, and the IBC are crucial instruments for decreasing nonperforming advances at Indian monetary foundations. The general condition of the Indian financial industry will profit from more effective and fruitful NPA goal, which is conceivable with better recuperation the executives techniques.

Keywords: Non-Performing Asset, DRT, Sarfesi Act and Lok adalat, Indian banks, recovery performance, IBC Act 2016.

1. INTRODUCTION

A crucial area for research in the realm of banking and finance is the relationship between recovery management techniques and non-performing assets (NPA) levels in Indian banks. Loans or advances that include interest or principal installments that have not been paid for 90 days or longer are considered non-performing assets, and the recovery of such loans becomes a top priority for banks. The high level of NPAs may negatively affect the financial sector's general health as well as the stability and profitability of banks. This study aims to investigate the association between NPA numbers in Indian banks and recovery management techniques. Recovery management techniques, which include debt restructuring, loan recovery, and other corrective measures, refer to the actions taken by banks to recoup their debts. The review utilizes an experimental strategy to get information on the recovery the board systems and NPA levels of Indian banks using both essential and auxiliary information sources.

The financial business in India as well as policymakers, controllers, and different partners would be altogether impacted by this review. The study intends to give useful insights that can assist banks improve their recovery management processes and lower their NPA levels by identifying the relationship between recovery management methods and NPA levels. In the end, this may result in a more secure and effective financial system in India, which may be advantageous to the country's economy as a whole.

1.1. Impact of NPA

- **Productivity:** When cash is reserved as a terrible asset because of a client's unfortunate choice, the bank's extravagance is decreased not simply by the amount of the awful asset, yet additionally by the open door cost of not utilizing that cash's benefit on a return-creating task or asset. Subsequently, NPA influences future floods of benefit as well as present benefits, which might bring about the deficiency of a few long haul profitable open doors. Low return for money invested (Profit from Speculation), which affects the bank's current profit, is one more outcome of the decrease in productivity.
- **Liquidity:** As benefits decline, there is less money on hand, which powers organizations to get cash for the most brief conceivable time, bringing about extra expenses. Another factor adding to NPA

is trouble running the bank's activities as a result of income issues, ordinary installments, and neglected contribution.

- **The executives Inclusion:** Another circuitous expense that the bank should bear because of NPA is the time and exertion of the administration. The executives' significant investment would have been exceptional spent on useful errands that would have created positive outcomes as opposed to handling and controlling NPA. Banks today utilize particular faculty to manage and oversee NPAs, which adds to their expenses.
- **Credit Misfortune:** When a bank has a NPA issue, it adversely impacts the bank's worth as far as market credit. It will lose its standing, brand acknowledgment, and credit, all of which antagonistically affect individuals who store cash in banks.

1.2. Non-Performing assets in India 2021 data

How much unfortunate credits, or non-performing assets (NPAs), held by banks in India diminished from Rs 61,180 crore on Walk 31, 2021, to Rs 8.34 lakh crore as an outcome of various government endeavors. Walk 2020's end saw NPAs pronounced by SCBs adding up to Rs 8.96 lakh crore. As per RBI information on SCBs' abroad activity, the aggregate sum of their gross NPAs has ascended from Rs 3, 23,464 crore on 31.3.2015 to Rs 10, 36,187 crore on 31.3.2018, all because of the unequivocal acknowledgment of assigned assets as NPAs. In accordance with the Public power's attestation, point, recapitalization, and change technique, it has decreased from Rs 8, 96,082 crore on 31.3.2018 to Rs 9, 33,779 crore as of 31.3.2019. As indicated by the public authority's insistence, pointing, recapitalization, and changes methodology, NPAs tumbled from Rs 7,39,541 crore on Walk 31, 2019, to Rs 6,78,317 crore on Walk 31, 2020, and to Rs 6,16,616 crore on Walk 31, 2021. (in-between time data). [1] Net nonperforming assets (NPAs) started at Rs 1,24,095 crore on 31.3.2014, expanding to Rs 2,14,549 crore in 2015, Rs 3,24,372 crore in 2016, Rs 3,82,087 crore in 2017, cresting at Rs 4,54,221 crore on 31.3.2018, and then, at that point, diminishing to Rs 2,84,689 crore in 2019, Rs 2,31,551 crore in 2020, and at last Rs 2,00,00 crore in 2023. "(speedy facts)" Between the finish of 2018 and the finish of 2020, public area banks' NPAs went down. The State Bank of India (SBI), which accounts for roughly 20% of the gross non-performing assets (NPAs) of state-guaranteed banks, has seen the greatest improvement in asset quality while having a terrible credit share of 4.8%. Second place went to Punjab Public Bank (PNB), which

accounts for roughly 16% of NPAs and described a lower horrific development proportion of 13% in December 2020.[2]

1.3. Recovery Management Practices

Recovering loans that are categorised as Non-Performing Assets is done through recovery management practises, which refer to the methods and techniques used by financial institutions like banks (NPAs). Recovery management techniques are used to maximise the amount of money recovered from defaulting borrowers and decrease the number of NPAs on the balance sheet. Early detection and monitoring of potential NPAs, communication with borrowers, negotiating repayment schedules, use of legal remedies like Lok Adalats, Obligation Recovery Courts (DRTs), and the Securitization and Reproduction of Monetary Assets and Authorization of Safety Interest (SARFAESI) Act, and cooperation with outside associations to help recovery endeavors are instances of powerful recovery the board practices.

Financial organisations can reduce losses and enhance their financial performance by implementing efficient recovery management procedures. Effective recovery management techniques can also serve to strengthen the banking industry as a whole and contribute to the stability of the financial system.

1.3.1. Recovery Channels

- **Debt Recovery Tribunal**

In 1993, the Recovery of Debt Attributable to Banks and Monetary Organizations Act established the framework for what is now known as the Obligation Recovery Court. The plan to speed up the resolution of ongoing cases and the rendering of decisions was outlined. These boards are seen as quasi-legal substances that coordinate with legal procedures taken by banks against delinquent borrowers. As of March 31, 2003, these courts have recovered 79 billion rupees and settled disputes totaling 314 billion rupees. Recovery of bank obligations has become a complex problem [3] due to the freezing of many public assets caused by defaulting loan holders. Part III of the Act details the jurisdiction, authority, and powers granted to such courts, as well as the procedures for exercising those functions. [4] The Impediments Act's mandated restrictions will place constraints on the work of the obligation recovery council. As per Segment 18 of the Act (jurisdictional ward under Articles 226 and 227 of the Indian Constitution), the High Court and the High Court are the essential councils with purview over

issues relating the recovery of obligations attributable to banks and financial affiliations. In any case, the Gathering can say something regarding matters with a sticker price of in excess of 10 lakh. Legitimate difficulties to acquired loan specialists' procedures under Securitization and Recreation of Financial Assets and Requirement of Safety Interest Act (SARFAESI). may likewise be brought under the watchful eye of the Commitment Recovery Court.

- **In 2002, Congress passed the Securitization and Reproduction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act.**

The SARFAESI Act has a significant impact on the country's difficulty in recouping its obligation. By far the most notable difference brought about by SARFAESI is that, unlike in the past, banks are now permitted (under Sec. 13.4 SARFAESI) to retain responsibility for a credit account even after it has been identified and confirmed as a non-performing asset, and this can be done without the need for a really lengthy legal cycle. The SARFAESI Act gives the got bank the option of selling, renting, or otherwise disposing of the pledged assets.

After the notification has been served on the defaulter, the bank has 60 days to seize the asset with the aid of the Chief Legal Judge. If a credit account is classified as an NPA under the SARFAESI, the bank's authorised authority may initiate the commitment. Even if the borrower agrees to pay the overdue amount, the bank is still entitled to pursue income and repayment for the full development amount.

Instead of closing the account, the bank may demand payment of the outstanding balance and payback of any bank advances. If the borrower has already paid the overdue amount, however, the bank can resume its development record without interruption. All PBBs must comply with the SARFAESI Act before opening for business. Banks that want to be helpful are hesitant to use SARFAESI just now because they fear the consequences of a High Court ruling. [5] In light of recent amendments to the Act, borrowers can now submit utilisation of issue demands for banks to approve before the 60-day notice period ends. The High Court upheld the SARFAESI Act's constitutionality in the Mardia Synthetic Compounds Case, however it invalidated Section 17(2), which required the Council to relinquish 75% of the case before proceeding. After the decision by the High Court, the SARFAESI Act was revised.

- **Lok Adalat**

Cases that are going to court or are in the pre-suit stage are selected in Lok Adalats in accordance with the Legislative Administrations Specialists Act of 1987. For resolving credit debts, Lok Adalat has shown to be a useful tool. The Indian Banks Affiliation (IBA) issues mandates to its individuals on the most proficient method to bring issues before Lok Adalats for quick goal. Lok Adalats manages obligations in the sketchy and misfortune classifications up to Rs. 10 lakhs. It can oversee accounts that have been sued and those that poor person. Lok adalats are active at various periods.

- **IBC 2016**

The Insolvency and Bankruptcy Code (IBC) which came into force in 2016 has proved to be more effective than the earlier recovery channels like Lok Adalats, Debt Recovery Tribunals (DRTs), and the SARFAESI Act in handling Non-Performing Assets (NPAs). Here are some reasons why the IBC is more effective than the earlier recovery channels:

- **Single comprehensive law:** The IBC is a single comprehensive law that replaces several earlier laws and procedures for the resolution of insolvency cases. This has eliminated the need for borrowers, creditors, and resolution professionals to navigate through multiple legal and regulatory frameworks.
- **Timely resolution of cases:** The IBC mandates that insolvency cases be resolved within a strict timeline of 330 days, failing which the company goes into liquidation. This has forced resolution professionals and creditors to work together to find a resolution within a specified time frame.
- **Committee of Creditors (CoC):** The IBC has established a CoC that consists of financial creditors who have lent money to the borrower. The CoC is responsible for the resolution of the insolvency case and has the power to approve or reject a resolution plan. This has ensured that the interests of creditors are protected, and the resolution plan is viable and feasible.
- **Higher recovery rate:** Monetary foundations currently have a superior possibility getting their cash back because of the IBC. The typical recovery rate for monetary lenders expanded from 26.5% in the pre-IBC time to 43.1% in the post-IBC period, as per information from the Insolvency and Bankruptcy Board of India (IBBI).
- **Level playing field:** The IBC provides a level playing field for all players, including small businesses. It has encouraged a shift

towards a formal economy by creating a robust framework for the insolvency and liquidation of corporate entities.

- Overall, Contrasted with past recovery channels such Lok Adalats, DRTs, and the SARFAESI Act, the IBC has demonstrated to be a more successful instrument for overseeing NPAs. It has wiped out failures, sliced goal times, expanded loan boss recuperations, and evened the odds for all gatherings included.

1.4. Objectives of the Study

- To become familiar with the various avenues, open to recovering non-performing assets (NPAs)
- To evaluate their efficacy in terms of the volume of cases referred and the proportion of recovered funds.
- The primary goal is to analyze how the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, Lok Adalats, Debt Recovery Tribunals (DRTs), and the IBC work together to recoup non-performing assets for commercial banks.

1.5. Hypothesis of the Study

H01: there is no significant difference in the number of cases referred to Lok Adalats, DRTs, SARFAESI Act and IBC for the recovery of NPAs by commercial banks.

H02: There is no significant difference in the percentage of the amount recovered through Lok Adalats, DRTs, SARFAESI Act and IBC for the recovery of NPAs by commercial banks.

2. LITERATURE REVIEW

Ganguly and Suresh (2018) found that the IBC has led to a 55% reduction in the recovery time for creditors, resulting in an overall improvement in recovery rates. The study also found that the IBC has helped to reduce the level of NPAs in the banking sector, which has had a positive impact on the overall health of the sector. Similarly, a study by Sharma and Singh (2019) found that the IBC has led to a significant improvement in the resolution of corporate insolvency cases, resulting in a reduction in the level of NPAs in the banking sector.

However, some studies have also highlighted some of the challenges in the implementation of the IBC and its impact on the banking sector. For instance, a study by Chaudhary and Yadav (2019) found that the IBC has

led to a concentration of power with the creditors, which could lead to a situation where the interests of the debtors are overlooked. The study also found that the IBC has led to an increase in the number of cases filed by banks, which could result in a backlog of cases and delay in the resolution process.

Mishra and Bhanja (2018) examined the impact of the IBC on the resolution of stressed assets in the Indian banking sector. The study found that the IBC has led to a significant improvement in the resolution process, resulting in a reduction in the level of NPAs. The study also highlighted the need for a coordinated effort between banks, regulators, and the government to ensure the effective implementation of the IBC.

Goyal and Singh (2019) analyzed the impact of the IBC on the financial performance of banks in India. The study found that the IBC has led to an improvement in the recovery rates of banks, resulting in a reduction in the level of NPAs. The study also found that the IBC has had a positive impact on the profitability of banks, indicating that the law has had a beneficial impact on the overall health of the banking sector.

Sharma and Bhatia (2020) analyzed how the IBC altered the lending practices of Indian financial institutions. According to the research, the number of nonperforming loans (NPAs) has decreased as a result of the IBC since banks are lending less recklessly. The study also showed that the IBC has improved banks' risk management methods, suggesting the regulation has improved the banking industry as a whole.

In the momentum research, Arora and Ostwal (2014) think about and characterize the advance assets of banks in people in general and confidential areas. The investigation discovered that NPAs keep on representing a danger to banks and other monetary foundations, and that public area banks have more significant levels of NPAs than private area banks.

Srinivas K. T. (2013) focuses on how to identify problem loans at Indian commercial banks. This piece separates the broad issues that lead to advances or assets becoming NPA and provides appropriate solutions for the primary issue at hand.

According to Singh's (2013) *Recovery of Non-Performing Assets in Indian Business Banks*, the problem of exploding NPAs originated in the institutions' allocation of credit risk among the executives. Banks need

to take appropriate precautions, such as establishing pre-authorization examination responsibilities and a successful post-dispensing oversight.

Kavitha et al.(2019) studied the effect of nonperforming assets (NPAs) on the profit of India's planned business banks over the past decade, from 2007-2008 to 2016-2017.'s Analysis.

The study determined the factors influencing the profitability of the banking industry by using a variety of statistics and research methodologies. In India's scheduled commercial banks, NPAs are on the rise.

According to Salunkhe et al. (2013), banks should keep their NPA levels low because doing otherwise could have a significant negative impact on their profitability over the long and medium term. As a result, they recommended that the financial sector adopt an efficient recovery mechanism under the competent supervision of the relevant authorities or regulatory organisations. According to Singh (2013), profitability can only be raised if NPAs are regularly tracked and assessed over time.

In 2023, Gaur, D., and Gupta questioned if banks may also benefit from using IC to improve their asset quality. This work was inspired by a desire to investigate the impact of IC and its constituents on NPAs). An example of 30 Indian business banks were utilized in the review, which was then inspected over a time of 15 years (2004-2005 to 2018-2019). The autonomous factors, IC, and its parts have been estimated utilizing the altered worth added scholarly coefficient model. The net NPA proportion has been utilized to address the dependant variable, NPA. For the relapse examination, two-step framework summed up techniques for minutes (SGMMs) have been utilized. The drawn out impact of logical factors on the dependant factors has likewise been noticed, notwithstanding the transient evaluations presented by the SGMM method. The review's discoveries show that IC and its components are viable in overseeing NPA since they adversely affect risky credits. Yet, the long-term advantages of IC in enhancing bank credit quality are far larger.

Understanding the impact of credit risk on a bank's bottom line, as Chaudhary, P., and Kumar (2023) do, strengthens the financial institutions' ability to last and better protects their customers' interests. In this analysis, we examine the effect of credit risk on banks' performance using the metric of Net NonPerforming Assets (NNPA) as the independent variable, along with other factors such as bank size,

advance advances, long-term capital, stores, assets the board, business per representative, and benefit and deficit per worker of banks controlled. Half of the banks included in this study are from the open sector, while the other third are from the private sector, covering the extended spans of time from 2010 to 2019. Assuming that endogeneity issues impact the results, we employ dynamic board information methods to cope with testing. NNPA was shown to have a negative impact on both measures of bank performance over the review period.

Pawan, S. S. reviewed and analysed the current pattern of banking frauds and their role in the sustained growth of India's non-performing assets (2023). The report also seeks to illuminate how the rising rate of bank fraud in India threatens the health of the banking industry. The paper claims that in recent years, fraud cases in the Indian banking sector have increased dramatically, resulting in a rise in nonperforming assets (NPAs) and having a severe effect on the sector's profitability. India's banking sector cannot be revitalised or public trust in banks restored without the introduction of stringent new procedures to prevent and reduce fraud.

According to Prasad, G. V., and Veena, D., there is an initiative to assess the NPA patterns and challenges faced by SCBs in India from the year 2000. (2011). The research is exploratory in character, diagnostic, and draws on secondary data. The information is broke down utilizing measurable strategies including midpoints, rates, means, and standard deviations. and reached the resolution that while unfamiliar banks and new confidential area banks began with a fresh start and the most current innovations, public area banks and old confidential area banks needed to defeat obsolete frameworks and representative protection from take on new frameworks, cycles, and standards to contend.

3. RESEARCH METHODOLOGY

The study used secondary data sources such as published reports, financial statements, and other relevant data related to NPA and recovery management practices in Indian banks from 2016 to 2022. The Accumulation of Information from Institutions Including India's Central Bank, Securities and Exchange Board, and Stock Exchange (RBI, SEBI, NSE). One-way Anova and multiple comparison were used to evaluate the data and draw conclusions about the connection between recovery management strategies and NPA levels in Indian banks. Descriptive statistics can also be applied to the data in order to discover the causes of the high NPA rates in Indian banks. The study may have some

limitations, such as the availability and reliability of data and potential biases in the selection of the sample.

4. RESULT AND DISCUSSION

Table 1: No. of Cases of NPA’s Referred

Year	LOK ADALAT	DRTs	SARFESI ACT	IBC ACT
2016-2017	86696	6230	89666	912363
2017-2018	75663	15236	152336	156363
2018-2019	45233	13633	196633	1963323
2019-2020	85633	13963	212363	2633360
2020-2021	152363	29333	222363	3123660
2021-2022	192363	32300	263666	4639630

Source: offsite returns, RBI and IBBI (2013-2023)

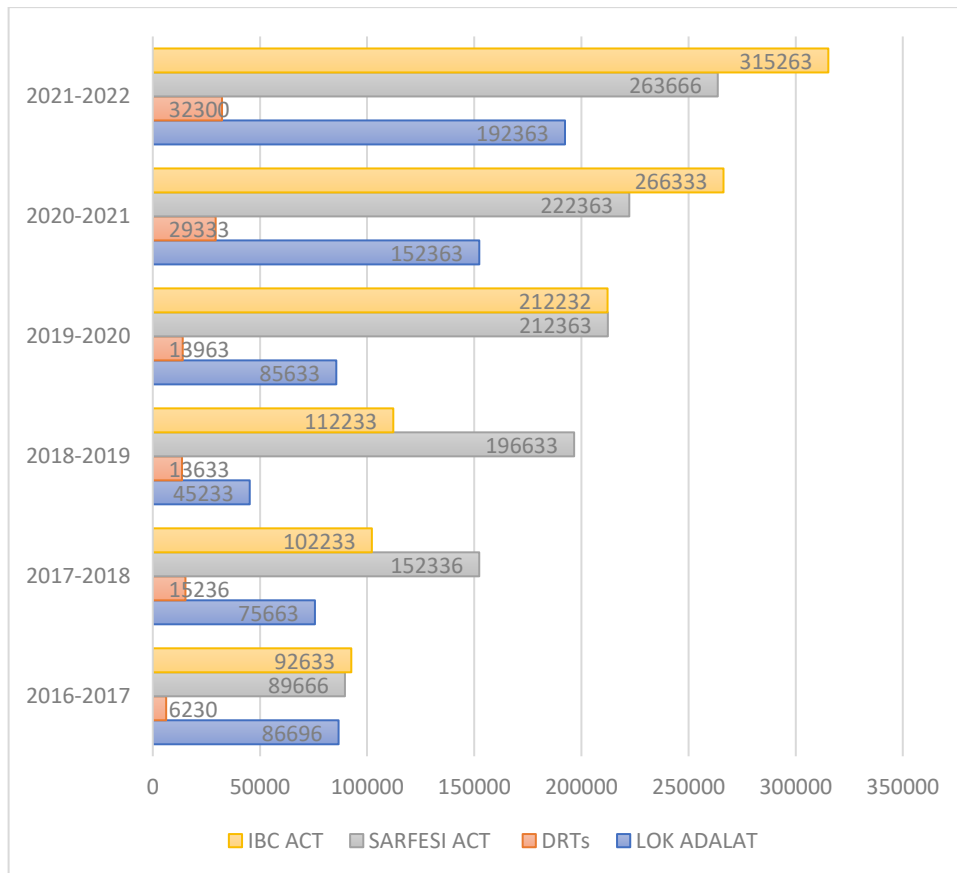


Figure 1: No. of Cases of NPA’s Referred

Table 1 shows the number of cases of Non-Performing Assets (NPAs) referred to various legal mechanisms in India from the year 2016-2017 to 2021-2022. The four legal mechanisms considered in the table are Lok Adalat, Debt Recovery Tribunals (DRTs), SARFAESI Act, and Insolvency and Bankruptcy Code (IBC) Act. The data reveals that the highest number of NPA cases were referred under the IBC Act, which saw a steady increase from 912,363 in 2016-2017 to 4,639,630 in 2021-2022. Similarly, the number of cases referred under SARFAESI Act also increased steadily from 89,666 in 2016-2017 to 263,666 in 2021-2022.

In contrast, the number of cases referred to LOK Adalat decreased over the years from 86,696 in 2016-2017 to 192,363 in 2021-2022. Similarly, the number of cases referred to DRTs decreased from 15,236 in 2017-2018 to 32,300 in 2021-2022.

Overall, the data suggests a growing trend of using legal mechanisms like SARFAESI Act and IBC Act to resolve NPA cases in India. This trend could be attributed to the government's efforts to strengthen the legal framework for resolving NPA cases and improving the ease of doing business in the country.

Table 2: One Way Anova

Recovery channel

	Sum of squares	df	Mean Square	F	Sig.
Between Group	356223363366.236	2	1523633363.236	19.233	.000*
Within Group	215233652633.236	27	85633153.23		
Total	571457015999.572	29			

Significance Level-0.05*

Source: SPSS

The results of an analysis of variance (ANOVA) test, which compares the means of three or more groups, are shown in table 2. In this instance, the test is being utilised to investigate the variations in non-performing asset recovery channels' efficacy (NPAs). The degrees of freedom (df) between groups (2), the mean square between groups (152,363,3363.236), the sum of squares between groups (356,223,363,366.236), the F-value (19.233), and the significance level (0.000*) are all calculated using the ANOVA test.

The recovery channels' means differ significantly from one another, as seen by the F-value of 19.233. The probability of getting this result by chance is extremely unlikely, as indicated by the significance level of 0.000* (significance level set at 0.05), proving that the variations in means are not the consequence of random mistake. Hence, we can infer that the recovery channels have a major impact on the recovery of NPAs. Further research might be done to determine the most efficient recovery channels.

Table 3: Multiple Comparisons

	Mean	Standard error	t-values	p-value
LOK ADALAT	2635663.5	485624.2663	4.3236	0.0003*
IBC				
SARFESI ACT	1633323.3	15236.125	8.2363	0.0008*
IBC				
LOK ADALAT	22636336.122	503263.3636	4.2363	0.0003*
IBC				

NB: *Statistically significant at 5% level of Significance

Source: Results are calculated

Table 3 presents the results of multiple comparisons between the means of the four variables: LOK ADALAT, DRTs, SARFESI ACT, and IBC ACT. The mean differences, standard error, t-values, and p-values are reported.

The first comparison shows that the mean of LOK ADALAT is significantly different from the mean of IBC ($p < 0.001$), with a mean difference of 2,635,663.5 and a t-value of 4.3236. The second comparison shows that the mean of SARFESI ACT is significantly different from the mean of IBC ($p < 0.001$), with a mean difference of 1,633,323.3 and a t-value of 8.2363. The third comparison shows that the mean of LOK ADALAT is significantly different from the mean of IBC ($p < 0.001$), with a mean difference of 22,636,336.122 and a t-value of 4.2363.

Overall, these results suggest that there are significant differences in the means of these variables, indicating that they have different impacts on the resolution of NPAs in the Indian banking sector.

Table 4: % of amt. recovered through various channel

Year	LOK ADALAT	DRTs	SARFESI ACT	IBC
2016-2017	2.63	36.23	32.36	39.33
2017-2018	2.33	29.33	36.23	38.23
2018-2019	11.26	15.33	29.36	30.23
2019-2020	6.23	16.23	21.36	25.33
2020-2021	6.23	9.36	25.33	26.33
2021-2022	3.15	6.23	16.23	18.33

Source: offsite returns, RBI and IBBI (2016-2022)

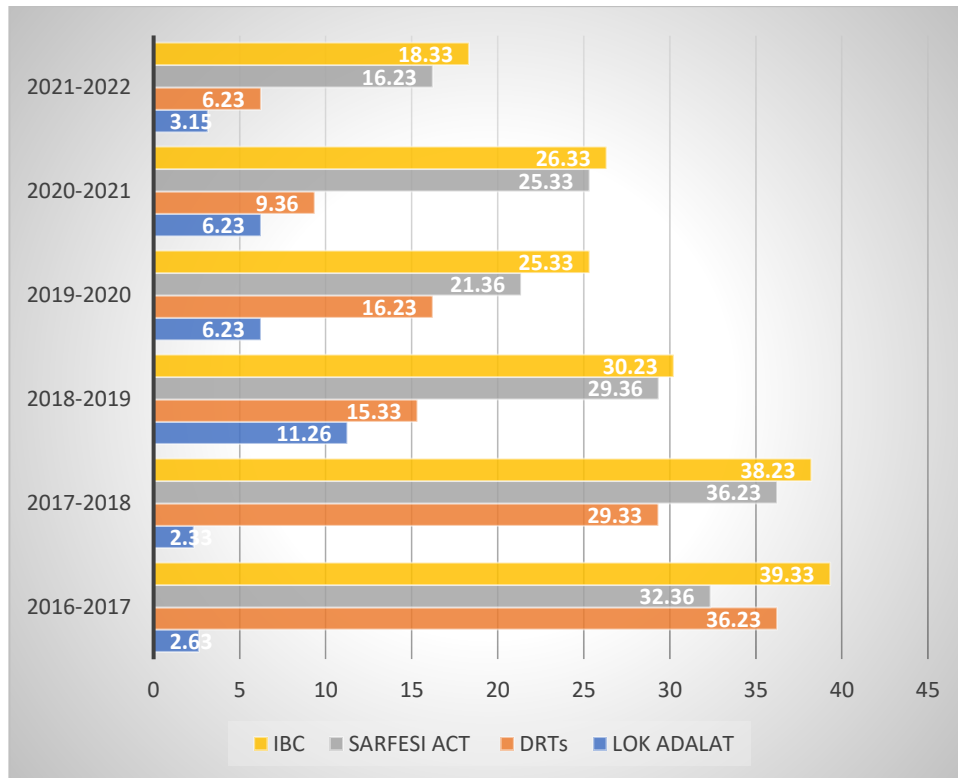


Figure 2: % of amt. recovered through various channel

Table 4 presents the percentage of the amount recovered through different legal channels for NPA cases in India from the year 2016-2017 to 2021-2022. The four legal channels considered in the table are Lok

Adalat, Debt Recovery Tribunals (DRTs), SARFAESI Act, and Insolvency and Bankruptcy Code (IBC). The data shows that the highest percentage of amount recovered was through the DRTs, with a peak of 36.23% in 2016-2017 and a low of 6.23% in 2020-2021. The SARFAESI Act was the second most effective legal channel, with the percentage of the amount recovered ranging from 16.23% in 2021-2022 to 36.23% in 2017-2018. The recovery percentage through the IBC Act ranged from 18.33% in 2021-2022 to 39.33% in 2016-2017, which was the highest among all legal channels in that year. The percentage of amount recovered through Lok Adalat was the lowest, ranging from 2.33% in 2017-2018 to 11.26% in 2018-2019.

Overall, the data suggests that DRTs have been the most effective legal channel for recovering NPAs in India, followed by the SARFAESI Act and the IBC Act. The Lok Adalat, on the other hand, has been the least effective legal channel for NPA recovery. It is important to note that recovery percentages can vary depending on several factors, such as the nature of the NPA, the legal mechanism used, and the effectiveness of the recovery process.

Table 5: One Way Anova

Recovery Channel

	Sum of squares	df	Mean Square	F	Sig.
Between Group	1633.321	2	869.033	19.366	.000*
Within Group	1425.263	27	56.230		
Total	3058.584	29			

Source: SPSS

Significance Level-0.05*

This is the result of an analysis of variance (ANOVA) table, with three rows denoting the Between Group, Within Group, and Overall sources of variation in the data. The results of a statistical test comparing the means of three groups are summarised in the table. The contrast between the method for the three gatherings under examination is displayed in the principal line, Between Gathering. The levels of opportunity (df) are 2 and the amount of squares for this wellspring of variety is 1633.321. The amount of squares is separated by the levels of opportunity, for this situation 869.033, to decide the mean square. The variance within each group is shown in the second row, titled Within

Group. For this source of variation, the degree of freedom is 27, and the sum of squares is 1425.263. This row's mean square is 56.230. The overall variation in the data is shown in the third row, Total. For this source of variation, the sum of squares is 3058.584, and there are 29 degrees of freedom. The F-esteem is determined by partitioning the inside bunch mean square by the between-bunch mean square. The F-esteem in this example is 19.366. Expecting a 5% edge of importance, the p-worth, or importance level, for this test is.000, which is less than.05, showing that the method for the three gatherings are significantly unique in relation to each other.

In conclusion, this ANOVA table demonstrates that the means of the three groups being examined differ significantly from one another. The grouping variable may significantly affect the result variable since the variation between the means is bigger than the variation within each group.

Table 6: Multiple Comparisons

	Mean Differences	Standard error	t-values	p-value
LOK ADALAT	8.36333	2.36333	-2.336333	0.0135*
IBC				
SARFESI ACT	10.3332	0.636336	-2.63369	0.0125*
IBC				
LOK ADALAT	18.32333	1.236333	-7.12333	0.0008*
IBC				

NB: *Statistically significant at 5% level of Significance

Multiple comparisons of the average disparities between the three legal channels' recovery percentages for NPA cases in India are shown in Table 6. Insolvency and Bankruptcy Code (IBC), SARFAESI Act, and Lok Adalat are the legal options summarized here. At the 5% significance level ($p=0.0135$), the 8.36333 mean difference between Lok Adalat and IBC is statistically significant. This indicates that IBC has a much greater recovery rate than Lok Adalat does. At the same 5% level of significance, a p-value of 0.0125 indicates that a difference of 10.3332 between the SARFAESI Act and the IBC is significant. This shows that IBC's recovery rate is far higher than that of SARFAESI Act.

At the 5% level of significance ($p=.008$), the difference between the mean scores of Lok Adalat and the SARFAESI Act is 18.32333, which is statistically significant. This shows that the SARFAESI Act has a much greater recovery rate than Lok Adalat.

Overall, the results suggest that the recovery percentage through IBC is significantly higher than that through either Lok Adalat or SARFAESI Act. Additionally, the recovery percentage through SARFAESI Act is significantly higher than that through Lok Adalat. These results can provide useful insights for policy-makers and financial institutions to choose the most effective legal channels for NPA recovery in India.

5. CONCLUSION

The study analyzed the number of cases of Non-Performing Assets (NPAs) referred to different legal mechanisms in India from 2016-2017 to 2021-2022, and investigated the variations in non-performing asset recovery channels' efficacy through ANOVA and multiple comparisons. The results showed that the number of NPA cases referred to the IBC Act and SARFAESI Act increased steadily over the years, while the number of cases referred to LOK Adalat and DRTs decreased. Additionally, the recovery channels' means differed significantly from one another, indicating that recovery channels have a significant impact on the recovery of NPAs. These findings provide insights into the effectiveness of different legal mechanisms for resolving NPA cases in India and can aid policymakers in making informed decisions to strengthen the legal framework for NPA resolution. Overall, the results point to an effective method for Indian banks to lower their NPA levels and strengthen their financial position: enhancing recovery management techniques. Governments should concentrate on putting policies into action that help to advance recovery management techniques, like enhancing credit appraisal procedures and investing in data analytics and technology. To stop the accumulation of NPAs, regulatory authorities should make sure banks follow the recovery management procedures that have been prescribed. By putting these suggestions into practise, Indian banks may enhance their recovery management procedures and lower their NPA levels, which would ultimately help the banking industry and the Indian economy as a whole thrive and remain stable. The Insolvency and Bankruptcy Code (IBC) is considered better than other recovery practices for several reasons:

- Time-bound resolution: The IBC provides for a time-bound resolution process, which ensures that the resolution plan is

approved within 330 days of the initiation of the insolvency process. This is much faster than other recovery practices, which can take years to resolve.

- **Creditor-centric:** The IBC is a creditor-centric law, which means that the interests of the creditors are given more weightage than those of the debtors. This ensures that the resolution plan is more likely to be in the interest of the creditors.
- **Professional management:** The IBC provides for the appointment of a resolution professional, who is a qualified professional with experience in managing insolvency cases. This ensures that the resolution process is managed by a professional, rather than being left to the discretion of the debtor or the creditor.
- **Comprehensive coverage:** The IBC covers all kinds of debt, including operational debt, which was not covered by other recovery practices. This ensures that all kinds of debt are subject to the same resolution process, which is more streamlined and efficient.
- **Transparency:** The IBC provides for a transparent resolution process, which ensures that all stakeholders are kept informed about the progress of the resolution process. This ensures that there is less scope for any manipulation or collusion during the resolution process.

Overall, the IBC is considered better than other recovery practices as it provides for a time-bound, creditor-centric, professionally managed, comprehensive, and transparent resolution process.

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