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A STUDY ON RECOVERY TRIBUNAL OF SCHEDULE COMMERCIAL BANKS IN INDIA

RINCY KURIAN

M.Phil Research Scholar

Dr. P. SUGANYA

Assistant Professor, School of Commerce - PG
 CMS College of Science and Commerce, Chinnavedampatti, Coimbatore

Abstract

In India, NPA's are becoming a major threat, the functionality of the banks depend upon the performance and the level of the NPA. The profitability and the liquidity of the bank are depending upon the NPA. Certain measure has been taken by Narasimham committee for the management of NPA but it was not possible for the committee to minimize the NPA completely. The government of India has set up the recovery tribunals for the NPA. In this paper an attempt has been made to find out whether the recovery tribunals have helped to recover the NPA's or not.

Key Words: Recovery Tribunals, DRT'S, NPA, LOK ADALATS.

Introduction

In India, banking plays a vital role to the society. During the last decade of 18th century banking has originated in India. All scheduled commercial banks have occupied a major role in the Indian banking sector. The first bank was Bank of Hindustan and it was established in the year 1770 later it got liquidated. During 1990's accepting deposits and lending money was the major service of banking sector. Presently the various operations of Indian banks merchant banking, leasing, venture capital, mutual funds etc. The banks also provide various services to attract more customers like mobile banking, ATM service, interest free loan, M-pass book etc. The primary goal of every business is to maximize profit but

it is more risky for a bank to make profit as certain factors may lead a profitable business into unprofitable. NPA is a major factor which affects the banks functioning. it is important that the banks should minimize its NPA. The high NPA reflect the performance of the bank and it directly affects the profitability of the concern. There are various factors which will reduce the NPA level likewise there are certain other factors that contribute to the recovery of the NPA. The banks and financial institutions can recover the loan amount through recover tribunals.

Non-Performing Asset

Non-Performing asset can be explained as a type of loan or advances, where will make a default to repay the principal amount and

interest, within 90 days.

Classification of NPA

- ❖ **SUB -STANDARD ASSET:** A sub-standard asset can be said to be a Non-performing one where the interest/principal amount has overdue for a period not exceeding 1 year
- ❖ **DOUBTFUL ASSET:** The principal amount / interest is overdue for a period of 1 year
- ❖ **LOSS-ASSET:** The principal amount/ interest is considered loss- asset due to under recovery and the amount is not fully written off

Recovery Tribunals

When non-performing assets turns into doubtful or loss asset, the principal amount and interest can be recovered through following recovery tribunals.

LOK ADALAT: The Lok Adalat is a recovery tribunal which was introduced in the year 1987 under the legal service authority Act organized by civil court.under the consultation with RBI all the monetary ceiling cases will come under Lok Adalat. All the cases with 500,000 to 20,00,000 will come under Lok adalat, once the NPA is turned into doubtful or loss asset then the cases could be be filed.

DRT's: The Debt Recovery Tribunal Act was passed on 1993 under the recovery of debt and financial institution Act. All the cases with above 10,00,000 can be filed under this Act.

SARFAESI Act: Securitization and Reconstruction Of Financial Assets and Enforcement Of Securities Interest Act 2002. The Act was passed under section 10 of SARFAESI Act, 2002. This law is applicable for loans below 100,000

Review of Literature

Mayur Raoa and Ankita Patel (2015): has studied the management of NPA in scheduled commercial banks in INDIA. The asset quality of private bank and foreign sector banks is having better performance due to various factors.

The study analyzed that from 2009 to

2013 there is no significant difference in gross NPA to gross advances of scheduled commercial banks. Thus the study has been concluded that the management of NPA may vary according to the operation of the concern. Private sector and foreign sector banks are more concern about the management of NPA but public sector bank has to improve its operations.

Dr Prema Dawar and Ms Pooja Sharma (2017) studied Non-performing asset comparison of ICICI bank and HDFC bank. Net NPA ratio of the study has been carried out. From 2010 to 2014 ICICI showed a better performance in the asset quality, whereas HDFC bank showed a fluctuating trend. From 2009 to 2011 HDFC bank showed a better performance in the asset quality of the bank. The hypothesis testing result showed that both the bank has no significant difference in NPA.

Dr. Ujjwal M. Mishra and Jayant R Pawaskar(2017) : has studied the NPA and its impact on banking sector. The study has found out that the for the past four year NPA has been increasing and hence it is important that banks has to follow better credit appraisal system for the management of the NPA. The study has concluded that the problem of NPA can be solved only by taking proper Recovery measures from RBI. It has been recommended that the RBI has to improve the credit appraisal system

Objective of the Study

To analyze the performance of Recovery tribunals in minimizing NPA's

To understand the importance of Recovery Tribunals with regard to NPA's

Limitation of the Study

The period is limited to past 5 year from 2012-2017. The study is based on present performance of the NPA and the future performance can't be predicted

Scope of the Study

This study will help to know the recoveries of NPA in scheduled commercial banks in India. The study helps to know the role of Recovery Tribunals in recovering or

minimizing the NPA's. The study helps to understand to what extent the NPA is recovered

and also the performance of recovery tribunal during the study period.

NPA recovered through LOK ADALATS (amounts in billion)

ITEM	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Number of cases referred	840691	1636957	2958313	4456634	2152895
Amount involved	66	232	310	720	1058
Amount recovered	4	14	10	32	38
% of amount Recovered	6.1	6.2	3.2	4.4	3.5

The above table indicates that the number of cases referred has been increased from 2012-2013 to 2015-2016, where it has decreased during the last year of the study. Amount involved shows a steady increase during the period of study. It has been found that during 2012-2013, out of the total amount involved (66 billion), 4 billion has been recovered i.e.

61%.the next year 2013-2014, the percentage of recovery is 6.2%. But in 2014-2016 the percentage has been decreased to 3.2 and in the year 2015-2016 it increased to 4.4% in the last year recovery percentage again decreased to 3.5%. Hence there is fluctuation in percentage of the recoveries during the study period under LokAdalat

NPA recovered through DRT'S

ITEM	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Number of Cases referred	13408	28258	22004	24537	28902
Amount Involved	310	553	604	693	671
Amount Recovered	44	53	42	64	164
% of amount recovered	14.1	9.5	6.9	9.2	24.4

The table has shown the recovery of NPA through DRT's. The number of cases involved in the year 2012-2013 to 2016-2017 has been increased. In the year 2012-2013 number of cases involved is 310 and the recovered amount is 44 billion. There has shown an increasing trend during the period of the study.

The percentage of amount recovered in the year 2012-2013 was 14.1% and in the year 2016-2017 total amount involved was 671 and the amount recovered was 164(billion) so the percentage of amount recovered is 24.4 %. Compared to previous year the total percentage has been increased during the period of the study.

NPA recovered through SARFAESI

ITEM	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Number of cases referred	190537	194707	175355	173582	80076
Amount Involved	681	953	1568	801	1131
Amount recovered	185	253	256	132	780
% of amount Recovered	27.1	26.5	16.3	16.4	68.9

The table has shown the NPA's recovered through SARFAESI ACT for a period of 2012-2013 to 2016-2017. In the year 2012-2013 total amount involved is 681 out of which the recovered amount is 185(billion) which is 27.1% and the percentage recovered in the year 2013-2014 is 26.5%. In the year 2014-2015 to 2015-2016 the recovered percentage is 16.3% and 16.4%. So from 2012-2013 to 2014-2015 there has been a slight variation in the percentage of amount recovered through SARFAESI ACT. In 2016-2017 the amount recovered was 780 and the percentage was 68.9% hence there is a great major difference in the recovery during the period of the study

Findings

1. Lok Adalat – The percentage of amount recovered through the recovery tribunal is found to be fluctuating 6.1%,6.2%,3.2%,4.4%,3.5% respectively during the study period
2. Debt Recovery Tribunal – The percentage of amount recovered under this recovery tribunal is found to be in between 6.9% to 14.1% during the first four years. But it is increased to 24.4 % during the year 2016-2017
3. SARFAESI – the percentage of amount recovered in the year 2012-2013 is 27.1% followed by 26.5% .During the year 2013-2014 it was 16.3% and 16.4% in the next two years, 2014-15 and 2015-16 respectively. It is found that there was a great increase in the year 2016-17 indicating a recovery of 68.9%

Suggestions

The credit monitoring systems should get improved so that the recoveries will be identified and there will be decrease in the number of recoveries. Regular follow-up has to be maintained by bank towards non-payment of loan. The banker has to identify the repayment capacity of the customer before approving loan. Field verification should be processed for the large borrowers. Delay in filing cases against NPA has to be minimized

Conclusion

All scheduled commercial banks in India is facing NPA problem.it is not possible for a bank to recover all the NPA amounts. The non-performing assets have a direct impact on the profitability of the bank. The government of India has to follow various methods to solve the problem. One of the measures adopted by RBI is recovery tribunals.it is important that the bank has to recover the amounts and it will improve the efficiency of the bank. In this study it has found out that the recovery tribunals are performing well compared to previous years but it is necessary to bring forward all the number of cases referred, So that the number of recoveries will get decreased and the efficiency in the management of NPA will get improved.

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