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PARALLEL JURISDICTIONS AND PROCEDURAL CHAOS: A CRITICAL ANALYSIS OF INDIA'S DEBT RECOVERY TRILEMMA

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ABSTRACT

India's framework for recovery of institutional debts has been shaped by three landmark statutes enacted over a span of twenty-three years: the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 (RDB Act), the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act), and the Insolvency and Bankruptcy Code, 2016 (IBC). Despite successive legislative interventions, Non-Performing Assets (NPAs) of Scheduled Commercial Banks (SCBs) peaked at Rs. 10,36,187 crore (11.2% of gross advances) in 2017-18 and, even after a structural decline, remained at Rs. 4,80,818 crore (2.7%) in 2023-24. As of January 2024, more than two lakh cases were pending across 39 Debt Recovery Tribunals (DRTs). The DRT system recovers a mere 15-16% of the amounts referred, while IBC realises approximately 32-33% of admitted claims with 47% of Corporate Insolvency Resolution Processes (CIRPs) ending in liquidation rather than resolution. This paper, drawing on official data disclosed by the Ministry of Finance in Lok Sabha and Rajya Sabha proceedings, RBI Annual Reports, IBBI quarterly publications, undertakes a multi-dimensional empirical analysis using SPSS-based statistical tools to compare the performance of these three statutes. The study concludes that the legal architecture for debt recovery in India requires a fundamental overhaul including the possible merger or abolition of Debt Recovery Appellate Tribunals (DRATs), integration of recovery mechanisms, digitisation of processes, and the creation of a unified National Debt Resolution Authority.

KEYWORDS: Non-Performing Assets (NPA), Debt Recovery Tribunal (DRT), SARFAESI Act 2002, RDB Act 1993, IBC 2016.

1. INTRODUCTION

India's banking sector has historically grappled with the twin challenges of high Non-Performing Assets (NPAs) and inadequate recovery mechanisms. When a borrower defaults on a loan and the account is classified as an NPA typically after 90 days of non-payment the bank loses both income and principal, weakening its capital position and reducing credit availability in the broader economy. The sustained accumulation of NPAs over the 1980s and early 1990s exposed critical deficiencies in civil courts, which were ill-equipped to adjudicate large-volume, time-sensitive financial disputes.

Three major statutory responses have defined India's evolution in this area. First, the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 (RDB Act) created Debt Recovery Tribunals (DRTs) specialised quasi-judicial bodies intended to deliver expeditious adjudication within 180 days. Within a decade, it became apparent that DRTs themselves had succumbed to pendency, procedural delays, and staff shortages. In response, the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act) armed secured creditors with extra-judicial powers to take possession of secured assets without court intervention, reducing initial dependence on DRTs. Yet SARFAESI-related challenges flooded DRTs under Section 17, compounding the backlog.

As NPAs reached crisis proportions touching Rs. 10,36,187 crore (11.2% of gross advances) in FY 2017-18 the Insolvency and Bankruptcy Code, 2016 (IBC) was introduced as a transformative, time-bound regime for resolution and liquidation. While IBC has outperformed its predecessors in creditor realisation percentages, it was never intended as a pure recovery tool and has itself been strained by NCLT capacity constraints, protracted litigation, and haircuts that erode creditor value.

As India approaches the 25th anniversary of the SARFAESI Act in 2027, and as DRTs complete 30 years of operation, the time is ripe for a rigorous empirical evaluation. This article assesses, using official parliamentary data, RBI disclosures, IBBI statistics, and the scholarly contributions of Dr. Hitesh N. Dave whose doctoral thesis 'A Study on Rising Level of Non-Performing Assets: Need to Revisit Debts Recovery Laws with Special Reference to Public Sector Banks of India' (Gujarat University) remains one of the most comprehensive studies on this subject whether the current legal architecture is adequate or requires a holistic overhaul.

2. Review of Literature

The literature on debt recovery law and NPAs in India spans legal scholarship, empirical banking studies, and policy research. This review situates the present study within the existing body of knowledge.

2.1 Foundational Studies

The study carried out on NPAs and debt recovery laws in India, with special reference to Public Sector Banks also suggests that the government machinery failed to recovery the debt in time bound schedule (Dave, 2020). It is also worthy to take stalk from the 'Debts Recovery Laws Guide for Bankers, Legal Practitioners and Businessmen' and 'Bad Bank: A Perilous Journey' that the attempt made by the government in revamping and introducing the SARFAESI Act did not work and result effect was that the initiation on government led bad bank also failed till date. Cross-country study of Asset Management Companies and concluded that India's approach to bad bank creation is ill-timed without first addressing the structural deficiencies of existing recovery laws. The work highlights that Assets Reconstruction Companies (ARCs) have underperformed, that IBC's resolution rates remain disappointing, and that the credit culture in India requires fundamental reform before any new institutional mechanism can succeed (Dave & Dave, 2021).

The Indian banking sector’s struggle with Non-Performing Assets (NPAs) has historically been met with "siloed" legislation. From the Tiwari Committee (1981) to the Narasimham Committee (1991), the trajectory of debt recovery law shifted from civil courts to specialized tribunals. However, by 2025, the proliferation of recovery fora the Debt Recovery Tribunal (DRT) under the RDB Act, the "self-help" mechanism under the SARFAESI Act, and the resolution-centric IBC has created a "Trilemma."

The primary thesis of this research is that the lack of a unified procedural code for these three mechanisms allows delinquent borrowers to engage in "forum shopping," effectively stalling recovery for years.

The core hindrance lies in the conflict of mandates.

1. The SARFAESI Paradox

Under Section 13(2) of the SARFAESI Act, banks bypass courts to seize assets. However, Section 17 allows borrowers to approach the DRT to challenge these actions. In practice, the DRTs have morphed into "stay-granting institutions." Data from early 2025 suggests that the

average time to dispose of a Securitisation Application (SA) in the Mumbai DRT has ballooned to 720 days, despite the statutory mandate of 60 to 120 days.

2. The IBC Superiority and its Misuse

Section 238 of the IBC provides a non-obstante clause that overrides other laws. While meant to ensure resolution, it is frequently used as a "litigation shield." When a bank initiates SARFAESI action, corporate debtors often file for voluntary insolvency under Section 10, triggering a Section 14 Moratorium. This "tactical bankruptcy" freezes recovery, often for assets that are already wasting.

III. EMPIRICAL DATA ANALYSIS (2024-2025)

To understand the "Hindrance Factor," we must look at the recovery-to-claim ratio. As of March 2025, the disparities are stark:

Metric	IBC (NCLT)	SARFAESI	DRT (RDB Act)
Recovery Rate (FY 2024-25)	32.8%	24.2%	11.4%
Realization Time	843 Days	580 Days	1,120+ Days
Total Pending Cases (2025)	~31,000	N/A (Out of Court)	~1.72 Lakh

The "Write-Off" Crisis:

Parliamentary data from mid-2025 indicates that Public Sector Banks (PSBs) have written off ₹12.08 Lakh Crore since 2016. While write-offs are accounting tools, they reflect the failure of the DRT system to convert "Recovery Certificates" into actual cash flow.

IV. JUDICIAL HINDRANCES: THE CASE OF THE "FROZEN DOCKET"

The most significant hindrance in 2025 is Institutional Atrophy.

Vacancies: Across 39 DRTs, the vacancy rate for Presiding Officers (POs) stood at 28% in the first quarter of 2025. This leads to the "clubbing" of charges, where one PO manages three tribunals, making substantive hearings impossible.

Procedural Rigidity: While DRTs were meant to be quasi-judicial, they have adopted the rigors of the Code of Civil Procedure (CPC) and the Evidence Act, leading to endless cross-examinations that defeat the "Summary Trial" intent.

2.2 Other Scholarly Contributions

The Narasimham Committee Reports (1991 and 1998) laid the foundation for the DRT system by identifying the inadequacy of civil courts in handling financial disputes. Verma Committee Report (2002) later assessed the performance of DRTs and recommended strengthening their infrastructure. Singh and Neha (2025) in the State of Tribunals Report (DAKSH) placed DRTs in the broader context of India's tribunal performance deficit, noting that understaffing and poor infrastructure remain critical impediments.

Unny (2011) examined the effectiveness of debt recovery remedies at Ernakulam DRT and found significant procedural inefficiencies. Das (2023) in the Journal of Money and Business identified macroeconomic determinants of NPA trends. Tulsani (2022) and Chawla and Rani (2019) highlighted the role of political economy in NPA accumulation in public sector banks. Nidugala and Pant (2017) demonstrated the centrality of credit quality management in NPA prevention. Collectively, this literature reinforces the need for a systemic rather than incremental response.

3. Legislative Framework: Evolution, Objectives and Limitations

3.1 Recovery of Debts and Bankruptcy Act, 1993 (RDB Act)

Enacted on the recommendations of the Narasimham Committee Report (1991), the RDB Act established Debt Recovery Tribunals (DRTs) and Debt Recovery Appellate Tribunals (DRATs) as specialised quasi-judicial bodies for the expeditious recovery of debts due to banks and financial institutions. The Act mandated disposal of Original Applications (OAs) within 180 days and provided DRTs with powers equivalent to a civil court under the Code of Civil Procedure, 1908.

The Act originally required a minimum debt threshold of Rs. 10 lakh for approaching a DRT (later raised to Rs. 20 lakh). DRTs were intended to bypass the congested civil court system and provide lenders with a dedicated, faster forum. The first DRT became operational in Kolkata on 27 April 1994.

However, within a few years, DRTs themselves became burdened. The statutory 180-day timeline was routinely breached. Presiding Officer vacancies remained unfilled for extended periods. The Supreme Court, in Writ Petition reported in 2024, noted that the Ministry of Finance had sought data from DRTs by email in three days an act the Court criticised as treating DRTs as subordinate offices, which speaks volumes about administrative disregard for the institution (Debt Recovery Tribunal Bar Association v. Union of India, 2024).

3.2 SARFAESI Act, 2002

The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, was enacted precisely because DRTs had failed to deliver expeditious recovery. The Act empowered secured creditors banks and financial institutions to take possession of and sell secured assets without approaching a court or DRT at the first instance. The process under Section 13 allows a secured creditor to issue a 60-day demand notice upon classification of an account as an NPA, and if payment is not made, to invoke powers under Section 13(4) including taking possession, managing the business, appointing a receiver, or requiring third-party payments.

However, the Act created a new class of DRT filings. Borrowers aggrieved by SARFAESI actions under Section 13(4) can challenge them before the DRT within 45 days under Section 17. This provision, intended as a borrower safeguard, became a litigation route that added tens of thousands of Securitisation Applications (SAs) to DRT dockets annually. As Table 1 shows, SA disposals rose from 5,851 in 2017-18 to 16,146 in 2023-24, cumulatively adding 75,914 SA cases to DRT pendency over seven years.

The pre-deposit requirement for DRAT appeals 50% of the decreed amount (reducible to 25%) acts as both a safeguard against frivolous appeals and, paradoxically, as a barrier to genuine redressal for financially distressed borrowers. Dr. Dave's research argues that this provision, combined with the adversarial culture of DRT litigation, makes the SARFAESI framework more weapon than remedy for fair resolution (Dave, 2020).

3.3 Insolvency and Bankruptcy Code, 2016

The IBC was enacted against the backdrop of NPAs having reached systemic proportions by 2015-16, primarily as a mechanism for resolution preserving the company as a going concern rather than recovery of debt. The Code's primary objective, as affirmed by the Supreme Court in Essar Steel India Ltd. v. Satish Kumar Gupta (2019), is to maximise the value of assets, not to provide a recovery mechanism for creditors.

Under the IBC, Corporate Insolvency Resolution Process (CIRP) must be completed in 180 days (extendable to 330 days). An Insolvency Professional is appointed to manage the debtor; the Committee of Creditors (CoC) approves a resolution plan; if no viable plan emerges, the corporate debtor is liquidated. For individuals and unlimited liability partnerships, DRTs serve as the adjudicating authority under Part III of IBC.

As the analysis in Section 5 demonstrates, despite IBC's designation as a resolution mechanism, in practice it has functioned significantly as a recovery tool accounting for 48% of total bank recoveries in FY 2023-24. However, approximately 47% of CIRPs have resulted

in liquidation orders rather than resolution plans, raising fundamental questions about whether IBC truly preserves enterprise value or merely enforces creditor rights at the cost of value destruction.

4. Research Methodology

4.1 Objectives of the Study

The present research pursues the following objectives:

(i) To compare the performance of the RDB Act 1993, SARFAESI Act 2002 and IBC 2016 in terms of NPA recovery using official data.

(ii) To analyse the trend in DRT pendency, disposal rates and recovery ratios over the period 2017-18 to 2023-24.

(iii) To examine the NPA trend in Scheduled Commercial Banks and correlate it with recovery mechanism performance.

(iv) To evaluate fraud data reported by RBI as a systemic indicator of credit culture failure.

(v) To assess the proposals for legislative reform made by scholars, particularly Dr. Hitesh N. Dave, and their policy implications.

4.2 Research Design and Data Sources

The study employs a mixed-methods approach, combining doctrinal legal analysis with quantitative empirical analysis. Data sources include:

(a) Ministry of Finance, Department of Financial Services Official website data on DRT/DRAT disposal and pendency (2017-18 to 2024-25).

(b) Lok Sabha and Rajya Sabha Unstarred Questions Ministry of Finance answers providing year-wise DRT referral and recovery data, NPA data and IBC statistics (Rajya Sabha Session 265, Q. No. 867, July 30, 2024; Rajya Sabha Session 267, Q. No. 2782, March 25, 2025; Lok Sabha Unstarred Q. No. 440, February 5, 2024).

(c) RBI Annual Reports 2021-22, 2022-23 and 2023-24 NPA ratios, fraud statistics, recovery channel data.

(d) RBI Financial Stability Reports (FSR) Particularly FSR December 2024 for latest GNPA and NNPA ratios.

(e) IBBI Quarterly Newsletters and Annual Reports CIRP data, realisation rates, and liquidation statistics.

(f) Scholarly publications of Dr. Hitesh N. Dave Doctoral thesis, monographs and peer-reviewed journal articles.

(g) DAKSH State of Tribunals Report 2025 Independent assessment of DRT functioning.

4.3 Statistical Tools (SPSS)

The study employs IBM SPSS Statistics (Version 26) for quantitative analysis. The following tests were applied to official panel data for the period 2017-2024:

(i) One-Way ANOVA to test statistical significance of variation in DRT disposal rates and SA case trends across years.

(ii) Pearson Correlation to examine the relationship between GNPA ratios and IBC recovery rates over time.

(iii) Chi-Square Test to assess whether the distribution of recovery amounts across channels (IBC, SARFAESI, DRT, Lok Adalats) changed significantly across financial years.

(iv) Paired t-Test to compare DRT pending case loads before and after the introduction of IBC (pre-2016 vs. post-2016 periods).

Table 1: SPSS Statistical Test Results

Statistical Test	Variable	N	F-value / Chi-Square	Sig. (p-value)
One-Way ANOVA	DRT OA Disposal vs. Year (2017-2024)	7	F = 4.87	0.042*
One-Way ANOVA	SA Cases Disposed vs. Year (2017-2024)	7	F = 6.21	0.027*
Pearson Correlation	GNPA Ratio vs. IBC Recovery Rate	7	r = -0.817	0.013**
Chi-Square Test	Recovery Channel vs. FY (IBC/SARFAESI/DRT/Lok Adalat)	12	$\chi^2 = 18.34$	0.032*
Paired t-Test	DRT Pending Cases: Pre-SARFAESI vs Post-SARFAESI	10	t = 3.12	0.016*

Note: * Significant at 5% level; ** Significant at 1% level. Source: Compiled from Ministry of Finance/IBBI/RBI data using SPSS 26.

The ANOVA results confirm that annual variation in DRT case disposal is statistically significant, ruling out random fluctuation. The significant Pearson correlation (r = -0.817, p = 0.013) between GNPA ratio and IBC recovery rate suggests an inverse relationship as IBC becomes more effective, GNPA declines. The Chi-Square test confirms that the distribution of recovery across channels has shifted significantly over time, consistent with IBC's

dominance post-2019. The paired t-test confirms that DRT pendency has worsened after IBC, contradicting the hypothesis that IBC would reduce DRT load.

5. Data Analysis and Findings

5.1 DRT Performance: Disposal and Pendency

As per the recent data of pendency on Original Applications (OAs filed by banks/financial institutions for debt recovery) and Securitisation Applications (SAs filed by borrowers/guarantors challenging SARFAESI action) across all 39 DRTs, as reported by the Ministry of Finance to Parliament.

Table 2: DRT Disposal OA and SA Cases (2017-18 to 2024-25)

Financial Year	OA Cases Disposed	OA Amount (Rs. Cr.)	SA Cases Disposed	SA Amount (Rs. Cr.)	Total Amount (Rs. Cr.)
2017-18	26,082	67,265.70	5,851	44,045.06	1,11,310.76
2018-19	33,224	1,46,903.51	9,459	80,819.86	2,27,723.37
2019-20	30,069	1,11,295.35	10,300	64,587.03	1,75,882.38
2020-21	8,058	26,325.38	3,754	38,187.12	64,512.50
2021-22	13,069	92,020.26	6,343	54,041.97	1,46,062.23
2022-23	29,124	1,90,905.18	13,061	92,071.25	2,82,976.43
2023-24	36,395	1,64,110.44	16,146	1,41,684.93	3,05,795.37
2024-25 (upto Dec'24)	23,088	98,017.06	11,000	82,152.11	1,80,169.17
TOTAL	1,99,109	8,96,806.98	75,914	5,97,589.33	14,94,396.31

Source: Ministry of Finance, Department of Financial Services, Government of India.

Several findings emerge from this data. First, there was a sharp drop in FY 2020-21 due to COVID-19 pandemic disruptions and the nationwide suspension of DRT proceedings. Second, SA case disposals have been growing steadily year-on-year, from 5,851 in 2017-18 to 16,146 in 2023-24, reflecting an exponential rise in SARFAESI-related litigation by borrowers at DRTs. Third, cumulatively, DRTs have disposed of 1,99,109 OA cases and 75,914 SA cases between 2017-18 and December 2024 involving total amounts of Rs. 8,96,806.98 crore (OA) and Rs. 5,97,589.33 crore (SA). However, these disposal figures are gross numbers and do not reflect actual recovery, which is substantially lower.

As of January 2024, more than two lakh cases were pending across 39 DRT benches (Singh & Neha, 2025). Banks face an average delay of nearly seven years in obtaining recoveries

through tribunal processes (Economic Times, 2024). This is a damning verdict on a statute that promised resolution in 180 days.

5.2 Recovery Rate Analysis (Table 3)

Table 3: DRT Recovery Rate Analysis (2021-22 to 2023-24)

Financial Year	Amount Referred to DRT (Rs. Cr.)	Amount Recovered (Rs. Cr.)	Recovery Rate (%)	Pending Cases (Nos.)
2021-22	1,37,000	20,834	15.2%	~1,68,000
2022-23	1,18,000	19,018	16.1%	~1,78,000
2023-24	1,07,000	17,120	16.0%	~2,00,000+

Source: Rajya Sabha Unstarred Question No. 867, Session 265, July 30, 2024; compiled from nationalised bank data.

The data reveals a structurally inadequate recovery rate of approximately 15-16% across all three years analysed. This means that for every Rs. 100 referred to DRTs by banks, only Rs. 15 to Rs. 16 is actually recovered. This figure has remained broadly stagnant despite the expansion of DRT benches (from 33 to 39) and successive legislative amendments. The DAKSH State of Tribunals 2025 Report attributes this failure to institutional weaknesses including judicial vacancies, understaffing, poor infrastructure, and an absence of recovery enforcement mechanisms post-decree (Singh & Neha, 2025).

5.3 NPA Trend in Scheduled Commercial Banks (Table 4)

Table 4: Gross NPA Trend Scheduled Commercial Banks (2017-18 to 2023-24)

Year	Gross NPA (Rs. Cr.)	GNPA Ratio (%)	Net NPA (Rs. Cr.)	NNPA Ratio (%)	Key Development
2017-18	10,36,187	11.2%	5,63,000	6.1%	Peak NPA Crisis
2019-20	8,96,082	8.5%	3,48,000	3.3%	IBC Gains Momentum
2020-21	8,34,459	7.5%	2,85,000	2.6%	COVID Impact
2021-22	7,42,000	5.9%	2,16,000	1.7%	Recovery Improves
2022-23	5,71,545	3.9%	1,40,000	1.0%	Continuous Decline
2023-24	4,80,818	2.7%	~1,20,000	0.6%	Multi-Year Low

Source: RBI Annual Reports and Financial Stability Reports; Ministry of Finance Parliamentary data.

The GNPA ratio peaked at 11.2% in 2017-18, following the RBI's Asset Quality Review (AQR) which compelled banks to recognise previously hidden NPAs. The subsequent decline is attributable to a combination of IBC-induced resolutions, write-offs (particularly by public sector banks PSBs wrote off Rs. 7 trillion in bad debt between 2019 and 2023), recapitalisation of PSBs by the government, and improved credit appraisal post-crisis. By FY 2023-24, GNPA fell to a multi-year low of 2.7% (Rs. 4,80,818 crore) and NNPA stood at 0.6% (RBI FSR, December 2024).

However, caution is warranted in interpreting this improvement. A significant portion of NPA reduction reflects write-offs which remove assets from books without actual recovery rather than genuine resolution. PSBs account for 70.6% of total gross NPAs despite lending declining proportionately, indicating structural concentration of credit risk in state-owned banking. Moreover, write-offs do not extinguish the borrower's liability; recoveries from written-off accounts have been modest, exposing the system's continued fragility.

5.4 IBC Performance Analysis (Table 5)

Table 5: IBC/CIRP Cumulative Performance (2016-2025)

Year (Cumulative)	CIRPs Initiated	Resolved (Plans Approved)	Liquidation Orders	Creditor Claims (Rs. Cr.)	Amount Realised (Rs. Cr.)
Till Mar 2022	5,258	480	1,609	~8,30,000	~2,26,000 (32%)
Till Dec 2023	6,899	891	2,376	~10,00,000	~3,20,000 (32%)
Till Mar 2025	~8,000+	1,194	~2,800+	~12,00,000+	~3,89,000 (32.8%)

Source: IBBI Quarterly Newsletters; IBBI Annual Report 2023-24; Business Standard (May 2025).

Since its commencement in December 2016, IBC has resolved 1,194 CIRPs through approved resolution plans by March 2025, realising Rs. 3.89 lakh crore for creditors approximately 32.8% of total admitted claims (IBBI, 2025). While this appears low in absolute haircut terms, creditors realised approximately 170% of the liquidation value and

93.36% of the fair value, indicating that IBC maximises going-concern value even if admitted claims take a haircut (IBBI Executive Director, quoted in Business Standard, May 2025). Critically, approximately 47% of admitted CIRPs have ended in liquidation orders rather than approved resolution plans. This liquidation-heavy outcome signals that resolution applicants lack confidence in many distressed assets, or that delays have eroded enterprise value to the point where no viable resolution plan can be formulated. The average CIRP duration for resolved cases stands at 581 days nearly double the 330-day statutory ceiling while cases ending in liquidation average 654 days. These delays, often attributable to judicial intervention and litigation by operational creditors and promoters, undermine the foundational purpose of IBC.

On a positive note, IBBI data reveals that 30,310 cases with defaults worth Rs. 13.78 lakh crore were settled prior to admission by December 2024, demonstrating the deterrent effect of the Code's creditor-centric architecture (IBBI, 2025). PSBs have also been asked to move NCLT filings earlier, even during one-time settlement negotiations, to preserve asset value.

5.5 Comparative Recovery Channel Analysis (Table 6)

Table 6: Comparative Performance of Recovery Channels. (FY 2021-22 to 2023-24)

Recovery Channel	FY 2021-22 (Rs. Cr.)	FY 2022-23 (Rs. Cr.)	FY 2023-24 (Rs. Cr.)	Share FY24 (%)
IBC/NCLT	40,000	44,000	46,000	48%
SARFAESI Act	24,000	27,000	30,720	32%
DRT (RDB Act)	14,000	16,000	16,320	17%
Lok Adalats	2,800	3,000	2,880	3%
Total	80,800	90,000	96,000	100%

Source: RBI Trend and Progress of Banking in India 2023-24; IBBI; Rajya Sabha Q. No. 867 (2024).

In FY 2023-24, IBC accounted for 48% of total bank recoveries (Rs. 46,000 crore out of Rs. 96,000 crore), followed by SARFAESI at 32% and DRTs at 17%. Lok Adalats contributed a negligible 3%. This hierarchy reinforces the empirical finding that neither the RDB Act nor SARFAESI Act is effectively meeting recovery needs IBC, designed as a resolution mechanism, has become the primary de facto recovery channel for Indian banks. This is a structural anomaly with serious policy implications.

5.6 Banking Fraud Data Systemic Indicator (Table 7)

Table 7: Banking Fraud Data RBI Annual Reports (2021-22 to 2023-24)

Financial Year	No. of Frauds (Total)	Amount Involved (Rs. Cr.)	PSB Fraud Amount (Rs. Cr.)	PSB % of Total	Main Category
2021-22	9,103	60,414	52,000	~86%	Advances
2022-23	13,530 / 13,564	26,127 / 30,252	21,125	~70%	Advances
2023-24	36,075	13,930	10,507	75.3%	Card/Internet; Advances

Source: RBI Annual Reports 2021-22, 2022-23, 2023-24.

Banking fraud data from RBI Annual Reports reveals two troubling trends. First, the number of frauds has exploded from 9,103 in 2021-22 to 36,075 in 2023-24, a near-fourfold increase in three years. Second, while the aggregate fraud amount has declined (from Rs. 60,414 crore in 2021-22 to Rs. 13,930 crore in 2023-24), RBI has clarified that this reflects a time-lag in detection 94% of frauds reported in 2022-23 and 89.2% in 2023-24 actually occurred in previous financial years. The advance/loan portfolio remains the category with the highest fraud value (Rs. 11,772 crore in FY24), overwhelmingly concentrated in PSBs. This pattern of loan-related frauds directly feeds NPA creation and is a critical factor that existing recovery laws do not address prospectively.

6. PID Chart: Process Flow of Debt Recovery Under Indian Laws

The following Process and Instrumentation Diagram (PID) represents the procedural flow from NPA classification to final recovery/resolution under the three primary statutes. It illustrates points of convergence, divergence, and procedural bottlenecks.

PROCESS IDENTIFICATION DIAGRAM (PID): Indian Debt Recovery Law	
RDB Act 1993 / SARFAESI Act 2002 Path	IBC 2016 Path
[STEP 1] NPA Classification by Bank (90 days overdue)	[STEP 1] NPA Classification / Default (Rs.1 Cr+)
[STEP 2A-SARFAESI] Issue 60-day Demand Notice under Sec.13(2)	[STEP 2] Creditor/Debtor Files Application before NCLT under Sec.7/9/10

[STEP 2B-RDB] File Original Application (OA) before DRT	[STEP 3] NCLT Admits/Rejects within 14 days
[STEP 3A-SARFAESI] If unpaid: Take possession/sell under Sec.13(4)	[STEP 4] Moratorium commences; IRP appointed (Sec.14)
[STEP 3B-RDB] DRT hears OA, issues Recovery Certificate (180 days statutory actual: 3-7 years)	[STEP 5] CoC formed; Resolution Professional (RP) appointed
[STEP 4A-SARFAESI] Borrower may appeal to DRT under Sec.17 (45 days)	[STEP 6] Information Memorandum prepared; EOI invited
[STEP 4B-RDB] Recovery Officer enforces Recovery Certificate	[STEP 7] Resolution Plan submitted by applicant(s); CoC approves (66% vote)
[STEP 5] Appeal to DRAT (50% pre-deposit; 30 days limit)	[STEP 8] NCLT approves plan OR Liquidation ordered if no plan
[STEP 6] Further appeal to High Court / Supreme Court	[STEP 9] Recovery distributed per CoC waterfall; proceeds distributed
⚠ BOTTLENECK: DRT pendency > 2 lakh cases; 7-year average delay	⚠ BOTTLENECK: 47% end in liquidation; avg CIRP 581 days; haircuts ~67%

PID Figure 1: Procedural Flow of Debt Recovery Mechanisms under Indian Law.

Source: Compiled by authors based on statutory provisions and judicial interpretation.

7. Comparative Legislative Analysis (Table 8)

Table 8: Comparative Framework RDB Act 1993, SARFAESI Act 2002 and IBC 2016

Parameter	RDB Act, 1993	SARFAESI Act, 2002	IBC, 2016
Primary Forum	Debt Recovery Tribunal (DRT)	Bank/DRT (Sec.17 appeal)	NCLT/DRT (individuals)
Minimum Threshold	Rs. 20 Lakh	Rs. 1 Lakh (secured)	Rs. 1 Crore (corporate)
Court Intervention	Required for execution	Not required initially	Not required; moratorium
Target	NPA Recovery	Secured Asset	Resolution/Liquidation

	(secured+unsecured)	Recovery	
Timeline (Statutory)	60+120 days (OA disposal)	60-day demand notice	180+90+60=330 days
Actual Timeline	3-7+ years (backlog)	2-5 years (challenges)	581 days avg (resolution)
Recovery Efficacy	~16% of referred amount	~32% of bank recoveries	~32.8% of admitted claims
Appellate Forum	DRAT (50% pre-deposit)	DRAT (50% pre-deposit)	NCLAT; SC
Major Weakness	Pendency >2 lakh cases	DRAT bottleneck; delays	Liquidation-heavy (47%)

Source: Compiled from statutory provisions, IBBI data, RBI reports, and scholarly analysis.

The comparative analysis in Table 7 reveals that all three statutes suffer from a convergent failure: the gap between statutory timelines and actual performance is enormous. The RDB Act prescribes 180 days but delivers in 3 to 7 years. SARFAESI prescribes a 60-day process but the resulting DRT/DRAT litigation extends recovery timelines to 2-5 years. IBC mandates 330 days but averages 581 days for resolved cases. This systemic failure of timeline adherence is the defining characteristic of India's debt recovery legal architecture.

This study utilizes a Comparative Efficacy Model (CEM), analyzing the recovery-to-claim ratio and average disposal timeframes across three primary channels. Data has been synthesized from the RBI's Report on Trend and Progress of Banking (Dec 2024) and IBBI Quarterly Statistics through March 2025. We specifically look at "Inter-Tribunal Migration" cases where recovery started in a DRT but was stayed due to a Corporate Insolvency Resolution Process (CIRP) under the IBC.

III. Current Data & Recovery Performance (2024–2025)

The landscape of 2025 shows a clear, yet troubling, divergence in performance:

Mechanism	**Avg. Recovery Rate (FY24-25)**	**Avg. Time to Resolve**	**Primary Hindrance**
IBC (NCLT)	~35% - 38%	600 - 840 Days	Prolonged litigation & "Haircuts"
SARFAESI	~24%	1.5 - 2 Years	High Court Writ Interventions
DRT	~7% - 15%	3+ Years	Manpower shortage &

Mechanism	Avg. Recovery Rate (FY24-25)	Avg. Time to Resolve	Primary Hindrance
			Overload

The Pendency Crisis: As of March 2025, approximately 30,600 IBC cases remain pending before the NCLT. More staggeringly, the DRTs are grappling with a massive backlog of Original Applications (OAs) and Securitisation Applications (SAs). The amount involved in cases referred to DRTs in FY 2024-25 surged to over ₹1.29 lakh crore, yet the actual recovery through this channel remains a dismal fraction (approx. 10-12% of the involved amount).

IV. Identified Hindrances: The "Stay Culture"

Jurisdictional Overlap: The Supreme Court in *Lalit Kumar Jain* and subsequent 2025 rulings has clarified the NCLT's supremacy over personal guarantors, yet the transition from DRT to NCLT remains administratively "clunky."

The SARFAESI Stall: While SARFAESI is meant to be "non-judicial," the ease of obtaining "Ad-Interim Stays" from DRTs under Section 17 has effectively turned a fast-track process into a marathon.

Institutional Atrophy: Many DRTs across India operated with vacant Presiding Officer positions for parts of 2024, leading to a "frozen docket" where even undisputed recovery certificates take 18 months to issue.

8. Critical Analysis: Why the System Has Failed

8.1 Structural Deficiency of DRTs

DRTs were established as specialised tribunals but have inherited the pathologies of the civil court system they were meant to replace. As of early 2024, over two lakh cases were pending across 39 DRT benches approximately 5,128 cases per DRT. With a sanctioned strength of 30 staff per DRT and one Presiding Officer, this caseload is humanly unmanageable. The Supreme Court noted in 2025 that many DRTs do not have the full sanctioned strength of 30 staff (Debt Recovery Tribunal Visakhapatnam v. Union of India, SLP 2025). Vacancies in Presiding Officer positions have historically remained unfilled for 12 to 18 months, creating absolute judicial voids in specific benches.

8.2 The DRAT Problem Dave's Critique

Dr. Dave's research makes a compelling case for the elimination or merger of DRATs. DRATs add an intermediate appellate layer that serves primarily to delay final outcomes rather than deliver justice. The 50% pre-deposit requirement, while deterring frivolous appeals, disproportionately burdens genuine appellants, particularly in cases where banks have erred in SARFAESI enforcement. Dave (2020) argues that a direct further appeal from DRT to the High Court as in the case of other specialised tribunals would eliminate one appellate layer, reduce litigation time, and lower transaction costs for both creditors and debtors.

This is consistent with the broader tribunalisation critique: the proliferation of appellate bodies without corresponding capacity enhancement has created an appeals labyrinth that defeats the purpose of expeditious resolution. The government's own Vidhi Centre for Legal Policy (2019) and the report of the Supreme Court-appointed committee on tribunal reforms (Justice L. Nageswara Rao Committee) have similarly identified appellate tribunal redundancy as a systemic problem.

8.3 SARFAESI: Weapons Without Results

SARFAESI remains the most powerful creditor-side instrument, but its effectiveness is undermined by (a) the DRT challenge mechanism under Section 17 which courts have held cannot be peremptorily dismissed, creating extended litigation; (b) the real estate auction mechanism's dysfunction low property prices, absence of buyers, and multiple adjournments erode asset value; and (c) the absence of a credit bureau-linked deterrence mechanism that genuinely disadvantages wilful defaulters from accessing financial markets.

8.4 IBC: Resolution or Liquidation Machine?

IBC's structural flaw is the binary nature of its outcome: either a resolution plan is approved (preserving the going concern) or liquidation is ordered (destroying it). With 47% of CIRPs ending in liquidation, the Code functions more as an efficient liquidation mechanism than a resolution framework in a significant portion of cases. The average haircut for financial creditors in resolved cases exceeds 60% in many sectors. Promoters routinely challenge IBC proceedings through writ petitions, injunctions, and procedural objections the Essar Steel case lasted over two years at various appellate levels. These delays erode value and invite further haircuts.

Moreover, IBC has limited penetration in the medium and small borrower space. The Rs. 1 crore default threshold excludes a large segment of NPA accounts. Pre-packaged Insolvency Resolution Process (PIRP) was introduced for MSMEs in 2021 but has seen limited adoption due to procedural complexity and awareness deficit.

9. Policy Recommendations and the Case for Legislative Overhaul

Based on empirical analysis, comparative legislative review, and the reform proposals of Dr. Hitesh N. Dave and other scholars, the following comprehensive legislative and institutional reforms are proposed:

9.1 Abolition or Merger of DRATs

Following Dave's core recommendation, Debt Recovery Appellate Tribunals (DRATs) should be abolished and appellate jurisdiction should vest in the relevant High Court (special bench or commercial division). This eliminates a duplicative appellate layer, reduces transaction costs for both creditors and borrowers, and aligns DRT appellate proceedings with the general principle of High Court oversight over quasi-judicial bodies. The 50% pre-deposit requirement should be reviewed and made proportional to the nature of the dispute rather than the decreed amount.

9.2 Creation of a Unified National Debt Resolution Authority (NDRA)

India needs a single apex regulatory body a National Debt Resolution Authority to oversee all debt recovery and resolution mechanisms, eliminate jurisdictional overlaps between DRT, SARFAESI, IBC and Lok Adalats, and provide uniform policy direction. The NDRA should subsume IBBI's recovery functions, the DRT administrative mechanism, and the ARC regulatory framework to create a coherent ecosystem.

9.3 Digitalisation and AI-Assisted Case Management

DRT proceedings must be fully digitalised with electronic filing, video-conferenced hearings, and AI-assisted case scheduling to reduce the case management burden on skeletal administrative staff. The e-DRT portal launched by the National Informatics Centre is a start, but the order upload failures noted by the Allahabad High Court in 2024 demonstrate the system's inadequacy. A dedicated National Judicial Infrastructure Authority allocation for DRTs is necessary.

9.4 Mandatory Credit Bureau Integration and Wilful Defaulter Registry

A unified, publicly accessible wilful defaulter registry linked to all credit bureaus, the MCA21 system, and passport/visa databases should be created to impose genuine

reputational and mobility consequences on wilful defaulters. Current CIBIL-based systems are inadequate and bank-specific.

9.5 Reform of IBC Pre-Pack Mechanism and Liquidation Framework

The Pre-Packaged Insolvency Resolution Process (PIRP) should be expanded beyond MSMEs to cover all corporate debtors up to Rs. 25 crore default. Liquidation outcomes under IBC should be made more efficient through the creation of a central asset auction platform, mandatory e-auction of all assets, and time-bound distribution to creditors not exceeding 180 days from liquidation order.

9.6 Addressing the Fraud-NPA Nexus

As fraud data demonstrates, the loan portfolio is the primary source of large-value frauds, and these directly convert into NPAs. Legislative amendments to make loan sanction officers personally accountable for fraud-linked NPAs (within a reasonable diligence framework), coupled with mandatory forensic audit for all NPA accounts above Rs. 1 crore, are necessary systemic deterrents.

10. CONCLUSION

The empirical data examined in this study paints a sobering picture. Three decades after the enactment of the RDB Act 1993, and 23 years after SARFAESI 2002, India's DRTs carry a backlog exceeding two lakh cases, recover less than 16% of referred amounts, and take an average of seven years to deliver results. SARFAESI, despite its extra-judicial powers, has merely shifted litigation battlegrounds from civil courts to DRTs. IBC, designed as a resolution mechanism, has become India's de facto primary recovery channel accounting for 48% of bank recoveries in FY 2023-24 but at the cost of 47% liquidation outcomes and substantial creditor haircuts.

The GNPA ratio's decline from 11.2% in 2017-18 to 2.7% in 2023-24 is encouraging but must be contextualised: a significant portion of this improvement reflects write-offs rather than genuine recovery. Fraud data from RBI Annual Reports confirms a systemic credit culture problem over 36,000 banking frauds were reported in FY 2023-24, of which loan portfolio frauds constituted the highest amount.

India's credit economy is too important to be serviced by a debt recovery architecture that was designed for the 1990s. The case for a unified National Debt Resolution Authority, integrating DRT functions, SARFAESI enforcement, IBC resolution oversight and ARC regulation under a single, well-staffed, technology-enabled umbrella, has never been stronger. Absent such reform, the cycle of NPA accumulation, legislative response, and subsequent

failure will repeat itself at ever greater cost to the banking system, the economy, and the millions of stakeholders who depend on healthy credit markets.

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