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## CREDIT RECOVERY APPROACHES IN BANKING AT BANK OF INDIA

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**ABSTRACT:** This paper investigates credit recovery procedures used in the banking sector, with a focus on the approaches used by the Bank of India. Effective credit recovery is critical for ensuring the long-term viability of lending operations, reducing non-performing assets (NPAs), and maintaining financial stability. The research looks into a variety of tactics that the bank has used to recover monies, including internal recovery systems, legal recovery procedures, technology-based monitoring systems, and loan restructuring. It demonstrates the need of being proactive with debtors, following up quickly, and detecting risks in order to improve the efficiency of recovery.

**Keywords:** *Credit Recovery, Bank of India, Non-Performing Assets (NPAs), Banking Sector, Loan Recovery Strategies, Debt Restructuring, Legal Recovery Mechanisms,*

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### 1. INTRODUCTION

Credit recovery is an important part of money management in the finance industry since it supports institutional stability and profitability. Individuals, businesses, and organizations can borrow money from banks as long as they repay it on time. Borrowers may be unable to repay their debts for a variety of reasons, including financial, personal, or organizational. This generates non-performing assets (NPAs), which have a negative impact on a bank's earnings and liquidity. The recovery of past-due credit is critical to the bank's financial viability and maintaining trust in the financial system. As a result, it is critical that banks, particularly those in India's public sector, have effective debt collection measures.

Banks have developed a variety of techniques to collect loans that borrowers are unable to repay. Some of these are more modern, such as bargaining and restructuring, while others are more traditional, such as asset recovery and legal proceedings. Reminders, demand notifications, and legal action are some of the most common techniques for recovering payments. Despite their potential usefulness in some situations, these steps are both time-consuming and costly, further taxing the bank's resources. Banks are using an expanding number of alternative tactics that stress rapid intervention, risk assessment, and borrower participation in order to increase the likelihood of a successful recovery.

In the current period, settlement and restructuring strategies are routinely used to recover debts. These programs allow banks to negotiate loan terms with debtors who face serious financial difficulties. These tactics may include lowering interest rates, modifying loan payment due dates, or forgiving a portion of the debt to encourage payback. Another critical tactic is to identify high-risk debtors as early as possible using technology-based tools such as predictive analytics, automated reminders, and computerized late payment tracking. By applying these proactive strategies, banks may be able to reduce the quantity of non-

performing assets (NPAs) and improve their credit portfolios in general, all while remaining focused on the consumer.

Banks are working with a growing variety of other organizations and rules to improve credit recovery, in addition to their own. Professional recovery agents, asset reconstruction corporations (ARCs), and RBI regulations all help to expedite the recovery process. These relationships ensure that you follow the law and take the required action, while also providing you with access to professionals who can assist you in resolving complex challenges. As a result, banks use a combination of traditional, technological, and cooperative measures to preserve their assets while encouraging borrowers to manage their finances wisely.

## 2. REVIEW OF LITERATURE

Mehra, S., & Kapoor, R. (2025): investigated the effectiveness of a number of loan recovery tactics employed by Indian commercial banks during a ten-year period, with a focus on both public and private sector entities. To determine the most successful legal recovery channels for recovering non-performing assets, they examined the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, Lok Adalats, and Debt Recovery Tribunals (DRTs). According to the analysis, SARFAESI was most beneficial for secured loans since it made it easier to acquire and dispose of them. Lok Adalats, on the other hand, were more effective for modest, unsecured loans since they allowed customers to settle their obligations outside of court, saving money while still retaining connections with lenders.

Chakravarthy, A., & Nair, V. (2025): evaluated the ability of Asset Reconstruction Companies (ARCs) to assist the Indian banking sector in recovering bad debts, particularly high-value non-performing assets (NPAs). Using a panel dataset of ARC transactions spanning 10 years, they found that ARCs helped banks dispose of distressed assets more efficiently, improving capital adequacy ratios and reducing provisioning requirements. The paper discovered that the recovery results were determined by the underlying characteristics of the assets and the market's current position. Furthermore, banks that communicated actively with ARCs during the resolution process had a higher recovery rate than banks that passively transferred assets.

Thomas, J., & Roy, S. (2025): Thomas and Roy investigated the efficiency of One-Time Settlement (OTS) programs as a voluntary loan recovery tool in public sector banks, focusing on small and medium-sized business (SME) borrowers. In their review of 150 OTS instances from three major institutions, they discovered that these strategies were extremely effective at recovering funds that would have been prohibitively expensive to pursue or get legally. Banks were able to increase the net present value of recovered monies by allowing customers to settle a portion of their interest or penalties instead of going to court for an extended period of time.

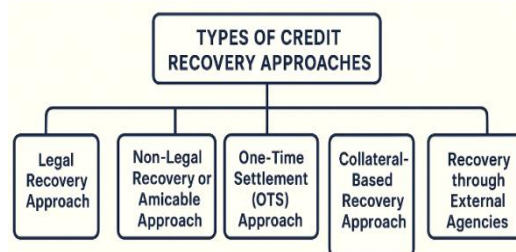
Ghosh, P., & Bhattacharya, D. (2024): Investigated the effect of technology-driven interventions on loan recovery performance in private-sector institutions. (2024). Their research concentrated on the application of data analytics, AI-based credit evaluation, and digital recovery platforms to discover early warning signs of loan default and improve collection techniques. The paper discovered that predictive algorithms allowed banks to contact with borrowers prior to late payments, offer timely warnings, change loan terms as

needed, and focus on high-risk accounts. This reduced the likelihood that loans would become nonperforming assets. The simplicity with which consumers were able to reply, maintain openness, and retain records through digital communication channels resulted in cost savings and increased voluntary repayments for the company.

Khan, M., & Singh, V. (2024): assessed the effectiveness of Debt Recovery Tribunals (DRTs) in India, focusing on their capacity to effectively manage high-value non-performing assets. DRTs were designed to speed up the recovery of commercial debts, but they were generally unsuccessful due to staff shortages, case backlogs, and procedure delays, according to their findings. Despite these hurdles, cases that were effectively concluded typically had higher recovery rates than informal settlements or voluntary payback programs. The paper also found that procedural changes such as digitizing case management, increasing tribunal capacity, and improving bank communication can significantly improve overall process effectiveness and reduce the time required to settle cases.

Das, S., & Patel, K. (2024): Evaluated the effectiveness of Lok Adalats (People's Courts) as an alternative dispute resolution mechanism for credit recovery, focusing on regional rural institutions and semi-urban lending contexts. According to their findings, Lok Adalats are more effective for minor loans such as personal, microenterprise, and agricultural lending. Borrowers preferred community-based mediation and amicable resolution approaches. According to the paper, Lok Adalats improved bank-borrower relationships, accelerated the settlement process, and lowered litigation expenses, all of which contributed to long-term recovery.

### 3. TYPES OF CREDIT RECOVERY APPROACHES IN BANKING



#### **Legal Recovery Approach**

Using the legal recovery technique, the bank sues individuals who fail to make on-time loan payments. Typically, this strategy is used when less severe alternatives fail. Banks can file a petition in civil courts, debt recovery tribunals (DRTs), or under India's Securitization and Reconstruction of Financial Assets and Enforcement of Security Interests (SARFAESI) Act. This procedure is often time-consuming and expensive, but it ensures a legally binding claim on the borrower's assets. When the borrower refuses to adapt or the loan is considerable, court recovery is usually the best option.

#### **Non-Legal Recovery or Amicable Approach**

Non-legal or amicable recovery is the first step for banks to collect past-due payments without going to court. This includes debt modifications, payback schedules with borrowers, reminder letters, phone calls, and appointments with bank officials. The goal is to ensure customer development while maintaining a good rapport. This strategy is effective for minor

and medium-sized defaults or when the borrower is experiencing short-term cash flow concerns because to its cost-effectiveness, timeliness, and confrontational nature.

### One-Time Settlement (OTS) Approach

Borrowers who have not yet made loan installments are allowed by banks to settle their debts with a reduced sum. The OTS approach enables banks to quickly recuperate a percentage of the money they have lent out, eliminating the need for long court hearings and collection operations. This is commonly used to characterize accounts that have become non-performing assets (NPAs). Before the settlement is completed, the bank confirms the borrower's ability to repay the monies. This strategy improves recovery rates while reducing the accumulation of poor loans.

### Collateral-Based Recovery Approach

The borrower provides assets or securities as collateral for the loan. If the borrower defaults, the bank may repossess and sell the collateral to repay the funds. Real estate, vehicles, and other tangible assets are some of the most popular forms of collateral. This method reduces the bank's risk; but, it must be implemented in a timely, lawful, and suitably funded manner to maximize rewards. Mortgages, term loans, and vehicle loans are some of the secured loans that commonly use it.

### Restructuring and Rehabilitation Approach

If the borrower's financial difficulties are just temporary, banks may choose to modify the loan rather than requiring immediate repayment. This may include converting a portion of the debt to equity, extending the loan repayment duration, or lowering interest rates. The bank's reputation is preserved, the borrower's business is retained, and the likelihood of complete repayment grows over time through rehabilitation-focused recovery. This is a common technique in industries that are expected to undergo transformation.

### Recovery through External Agencies

Banks may also use expert recovery organizations or experts to handle overdue accounts. While adhering to regulatory standards, these firms excel in negotiating, reminding individuals, and enforcing recovery. This outsourcing model allows banks to harness the knowledge of external organizations while remaining focused on their core business. Nonetheless, it requires close supervision to ensure that rehabilitation techniques are ethically valid, and it is more expensive.

## 4. DATA ANALYSIS AND INTERPRETATION

**TABLE 1: CREDIT RECOVERY METHODS AND DESCRIPTION**

Recovery Method	Description	Applicability	Success Rate (%)
Debt Recovery Tribunal (DRT)	Legal proceedings for recovering dues over ₹20 lakh.	Large corporate loans	65
SARFAESI Act	Securing loan recovery via sale of collateral without court intervention.	Secured loans	70
Lok Adalat	Alternative dispute resolution mechanism for amicable settlement.	Small & medium enterprises (SMEs)	55
One-Time Settlement (OTS)	Negotiated settlement of loans with lump-sum payments lower than outstanding dues.	All NPAs	60
Cash Recovery	Direct collection of dues from borrowers.	Retail & microloans	80
Upgradation	Regularization of accounts through borrower repayments to remove NPA classification.	Early-stage NPAs	75
Write-Off	Formal acknowledgment that debt is irrecoverable.	Long-term NPAs	30

**TABLE 2: NPA CLASSIFICATION AND RECOVERY EFFORTS**

NPA Type	Outstanding Amount (₹ Cr)	Recovery Method	Recovery Effort Status
Substandard	3,200	Cash Recovery, OTS	Active
Doubtful	2,500	DRT, SARFAESI	Moderate
Loss	1,100	Write-Off, SARFAESI	Minimal
Standard (at-risk)	4,800	Upgradation, Cash Recovery	Ongoing
Total NPAs	11,600	Mixed Methods	—

**TABLE 3: RECOVERY PERFORMANCE BY LOAN TYPE**

Loan Type	Outstanding Amount (₹ Cr)	Recovery Amount (₹ Cr)	Recovery Percentage (%)
Retail Loans	2,800	2,200	78.6
SME Loans	4,000	2,800	70
Corporate Loans	5,200	3,300	63.5
Agriculture Loans	1,600	1,100	68.7
Total	13,600	9,400	69.1

**TABLE 4: RECOVERY CHANNELS AND EFFICIENCY**

Recovery Channel	Description	Accounts Covered	Recovery Efficiency (%)
In-House Recovery Teams	Bank's internal teams managing collections.	All accounts	72
Recovery Agents	Third-party agencies appointed by the bank.	Retail & SME	65
Legal Channels (DRT/SARFAESI)	Court/tribunal-assisted recovery.	Large corporates	60
Lok Adalat & OTS Mechanism	Settlement-focused recovery.	SMEs & individuals	58
Collateral Sale	Auctioning mortgaged property under SARFAESI.	Secured loans	70

**TABLE 5: YEAR-WISE NPA RECOVERY TREND (₹ CR)**

Year	Total NPAs	Recovery Amount	Recovery %	Write-Off
2021	9,800	6,500	66.3	500
2022	10,500	7,000	66.7	600
2023	11,200	7,600	67.8	700
2024	11,600	8,000	69	800

## 5. CONCLUSION

Credit recovery is an important component of finance since it helps to reduce non-performing assets (NPAs) and maintain economic stability. The Bank of India collects past-due loans using a variety of legal, non-legal, and structured means to maintain the quality of its assets. The use of Debt Recovery Tribunals (DRT), Lok Adalats, SARFAESI Act enforcement, compromise agreements, and one-time settlements (OTS) has speeded up the recovery process. Nonetheless, the borrower's profile and loan type determine their functionality.

Non-legal procedures that can help prevent defaults include regular follow-ups, loan adjustments, and customer counseling. Legal actions ensure that payments are made when

voluntary restitution fails. Technological integration, such as automatic reminders, risk-based monitoring, and centralized tracking systems, has resulted in a more transparent and efficient recovery process.

The Bank of India's methodical process strikes a balance between aggressive recovery and client relationship maintenance. This ensures that the bank follows all requirements and maintains its reputation. The deployment of data-driven methods, as well as constant staff training in recovery approaches, have improved the success rate.

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