
THE EVOLUTION AND EFFECTIVENESS OF DEBT RECOVERY TRIBUNALS UNDER THE RDB ACT, 1993: A CRITICAL APPRAISAL

Ahana Mandal, LLM, Sister Nivedita University, DG Block, Action Area I, 1/2, Newtown,
Chakpachuria, West Bengal 700156.

Krititapa Pandit, LLM, Sister Nivedita University, DG Block, Action Area I, 1/2,
Newtown, Chakpachuria, West Bengal 700156.

ABSTRACT

This research paper critically explores how Debt Recovery Tribunals (DRTs) set up under the Recovery of Debts due to Banks and Financial Institutions Act, 1993, have evolved and functioned over thirty years in India's financial system. The objective of the study is to understand whether DRTs have truly delivered on their promise to fast-track the recovery of defaulted bank loans, reducing the pressure on regular courts and supporting India's banking stability. By reviewing legal history, key amendments, recent court rulings and comparing DETs with recent recovery channels like SARFAESI and the Insolvency and Bankruptcy Code (IBC), this paper highlights important gaps between the policy goals and ground realities. Despite previous successes, DRTs now face serious challenges, including slow case disposal, staff shortages, outdated practices and overlaps with other laws. The research gap addressed here is the lack of updated, practical appraisal of DRTs' real effectiveness after key reforms.

Methodology involves a review of legislative history, data from government reports, empirical studies and policy literature as well as a comparison with other recovery frameworks. The paper concludes that while DRTs remain necessary for small and medium loan recoveries, real change will need digital reforms, better staffing and clearer coordination across debt laws.

Keywords: Debt Recovery Tribunal, RDB Act 1993, Non-Performing Assets, Financial Reform, Legislative Effectiveness.

Introduction:

A strong and active financial system is essential to the stability and growth of any nation. In India, banks have played a key role in carrying savings into investments, thus powering economic activity across sectors. However, as the Indian economy liberalized in the early 1990s, another challenge surfaced, Indian banks, particularly those in the public sector, began increasing large amounts of Non-Performing Assets (NPAs). These mounting NPAs restricted liquidity, weakened confidence and over time threatened the very foundations of the banking system. Before 1993, the recovery of defaulted loans from borrowers was a long-drawn-out process, typically handled through regular civil courts under the Code of Civil Procedure 1908. Cases often weaken for over a decade, providing debt recovery ineffective and leaving banks unable to recycle blocked capital into fresh loans. To solve this the government acting on the recommendations of the Narasimham Committee (1991) enacted the Recovery of Debts due to Banks and Financial Institutions Act, 1993 (RDB Act) and created specialized Debt Recovery Tribunals (DRTs). The primary aim was to fast track the adjudication and recovery of debts, then above 10 lakhs, now above 20 lakhs, so as to release blocked capital and enhance the financial health of lending institutions.¹

Today nearly three decades post enactment, the DRT structure is under intense scrutiny. Delays, Procedural bottlenecks, unfilled vacancies and overlaps with other legislation like SARFAESI (2002) and the Insolvency and Bankruptcy Code (2016) all question whether DRTs have truly achieved their goal. This research seeks to critically examine the journey, framework and effectiveness of DRTs, drawing from statutory evolution, procedure, ground realities and comparative empirical data.

Evolution of Debt Recovery Tribunals

- **Genesis under the Narasimham Committee Reports**

In the late 1980s and early 1990s, India's civil court system was bursting at the seams. The Narasimham Committee I (1991) highlighted that nearly 6000 crores were locked up in unresolved debt litigation, strangling credit supply and contributing to economic

¹ M.H. Goyal & Vinod Kumar, *A Study on Debt Recovery Tribunals: Structure and Processes with Respect to Loans*, 9 Anveshana's Int'l J. Res. Reg'l Stud., L., Soc. Sci., Journalism & Mgmt. Pracs. (Oct. 2024), <https://publications.anveshanaindia.com/wp-content/uploads/2024/11/A-STUDY-ON-DEBT-RECOVERY-TRIBUNALS-STRUCTURE-AND-PROCESSES-WITH-RESPECT-TO-LOANS.pdf>.

inactivity. The committee observed that, unlike revenue or industrial tribunals, banks had no access to speedy adjudication for loan defaults, causing harmful delays and high transaction costs.

According to these findings the committee suggested the establishment of specialized tribunals, operating outside the strictures of regular civil procedure to ensure speedy disposal of cases. Accepting this recommendation the parliament passed the RDB Act, 1993, bringing it into force on 24 June 1993.² The Act created a structure similar to industrial and tax tribunals but adapted to the unique needs of the financial sector.

Under sections 3 and 8 of the RDB Act, Debt Recovery Tribunals (DRT) and Debt Recovery Appellate Tribunals (DRAT) were set up all over the country with a mandate to reduce loan recovery by sidestepping many procedural obstacles typical in civil courts.

- **Institutional Framework**

Today India has 39 DRTs and 5 DRATs distributed across major cities. Each DRT is chaired by a presiding Officer, supported by Recovery Officers and administrative staff.³ These tribunals have jurisdiction over cases related to banks or financial institutions where the debt claimed exceeds 20 lakhs.

Appeals from DRT are heard by the DRAT, whose decisions are generally final unless a substantial question of law arises for constitutional courts. Sections 17 and 18 of the RDB Act grant exclusive jurisdiction to DRTs for debt recovery cases, barring interference by other courts except the High Courts and Supreme Court via their constitutional writ powers.⁴

The goal of this structure is efficiency; cases are to be settled within 180 days and procedures are intended to be simple and focused on principals of natural justice rather

² Rajani Prabha Gupta, *DRTs: Gain or Pain for Banks?*, Int'l J. Bank Fin. & Com. (Apr.–Sept. 2016), <https://www.researchpublish.com/upload/book/DRTs%20GAIN%20OR%20PAIN%20FOR%20BANKS-3747.pdf>.

³ Department of Financial Services (Ministry of Finance, Government of India), “Debts Recovery Tribunals / Debts Recovery Appellate Tribunals,” <https://financialservices.gov.in/beta/en/page/debts-recovery-tribunals-debts-recovery-appellate-tribunals> (last updated Feb. 12, 2025).

⁴ Anjani Sawhney, *The Role of Debt Recovery Tribunals in Speedy Resolution of Financial Disputes*, 5 Int'l J. Adv. Legal Res. 1 (Feb. 2025), <https://ijalr.in/wp-content/uploads/2025/04/anjanii-rp.pdf>.

than extended technical details.

Objectives and Scope of the RDB Act

The RDB Act was equipped with several clear objectives in mind, all intended to support the health of the Indian banking sector and the wider economy:

- **Fast-Tracking Recovery:** To provide a dedicated and fast adjudication mechanism for the recovery of debts owed to banks and financial institutions, especially in amounts above the stipulated threshold (originally 10 lakhs, now 20 lakhs).
- **Reducing Civil Court Overload:** By shifting debt cases away from regular civil courts, the Act freed up judicial resources for other matters while preventing undue delays in financial cases.
- **Empowering Lenders:** The Act provided quasi-judicial powers to banks and recovery officers, meaning financial institutions did not have to rely solely on court intervention to enforce their rights.
- **Ensuring Accountability:** By setting up specialized recovery officers and tribunals, the Act introduced a sense of accountability and expertise in handling financial disputes.

The objectives were reflected in the very statement of objects and reasons attached to the Act, which stressed the urgency of freeing public funds, securing banks' operations and upholding the broader public interest in financial stability.⁵

As highlighted in academic and policy literature the success of the RDB Act depended on the ability of DRTs to dispose of cases quickly and efficiently. A standard regularly evaluated in subsequent years through empirical studies and policy reports.

Evolution through Legislative Amendments:

The legal and procedural landscape of debt recovery in India did not remain static after 1993.

⁵ NPA Consultant Private Limited, "*The Role of the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 in Modern Financial Management*," (Nov. 12, 2024), <https://www.npaconsultant.in/blog/blog-details/the-role-of-the-rddbf-act-in-modern-financial-management>.

Several important amendments and new laws were introduced to address gaps and balance with the country's changing economic realities.

- **The Amendment of 2000**

The first key amendment clarified jurisdictional ambiguity between DRTs and ordinary civil courts, especially in cases involving company liquidation or workmen's dues. It also strengthened the powers of Recovery officers.

- **SARFAESI Act 2002**

Perhaps the most significant development was securitisation and reconstruction of Financial Assets and Enforcement of Security Interests Act 2002. This legislation empowered banks to take possession of and sell secured assets of defaulting borrowers without needing to first approach a tribunal or court. It kept DRTs as the appellate forum for aggrieved borrowers and for certain types of disputes arising during the process.⁶

- **Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Act 2016 Recent amendments in 2016 brought significant modernization:**

- More DRT and DRAT benches were added to reduce pending cases.
- E-filing and electronic records became mandatory.
- Electronic auctions for asset sales replaced unmanageable manual procedures.
- District Magistrate were empowered to help banks take possession of physical assets quickly.

These reforms seek to align DRT operation with the digital era and to support the integration of DRTs with the wider insolvency architecture, especially after the introduction of the Insolvency and Bankruptcy Code (IBC) 2016.

⁶ Anish Malik, *The Evolution & Development of Recovery Laws in India: A Critical Analysis*, 3 Int'l J. L. Mgmt. & Humanities IV, 411 (2024), <https://ijlmh.com/wp-content/uploads/The-Evolution-Development-of-Recovery-Laws-in-India-A-Critical-Analysis.pdf>.

In spite of these efforts, several empirical studies have observed that case disposals remain slow and congestion is commonplace, partly because new filings routinely surpass case closures.

The Legal and Procedural Framework:

- **Jurisdiction and Procedure**

Section 19 of The RDB Act allows banks of financial institutions to file an application for recovery of debt before the relevant DRT. These proceedings are quasi-judicial and are governed by the Debt Recovery Tribunal Rules 1993. The process is designed for simplicity: evidence is typically by affidavit, cross examinations are limited and technical procedures of the Civil Procedure Code are largely set aside in favor of the principles of natural justice.

DRTs have authority to those of civil courts, they can summon parties, order production of documents, grant interim relief and conduct summary trials. These features help to focus cases on the key substantive issues rather than procedural arguing.

- **Recovery Process**

Once adjudication is complete, the DRT may issue a Recovery Certificate which operates much like a decree of a civil court.⁷ Recovery Officers are then empowered to enforce this certificate by:

- Attaching and selling the debtor's movable and immovable assets.
- Arresting the debtor in certain circumstances.
- Appointing receivers to manage and dispose of assets.

Sections 25-28 states these procedures while section 31 mandates that ongoing suits relating to debts in civil courts be transferred to DRTs after their establishment to prevent jurisdictional overlap and to increase efficiency.

⁷ Dr. Mariappan Govindarajan, *Recovery Certificate Issued by Debt Recovery Tribunal – A Financial Debt?*, TaxTMI (July 14, 2022), <https://www.taxtmi.com/article/detailed?id=10524>.

Priority in asset distribution follows the rules under the Companies Act and since 2016 the IBC ensuring secured creditors are given precedence.

Effectiveness of DRTs in Debt Recovery

- **Empirical Evaluation**

Studies by researchers such as Thakkar, Rami and Sarmah (2020) provide an in depth look at how effective DRTs have been since their establishment. By examining data from all 33 DRTs across the country between 2011-2012 and 2014-2015 they concluded:

- **Average Case Disposal Rate:** Below 40% of total cases filed annually, indicating that new cases continue to outnumber cases disposed, leading growing backlogs.
- **Case Pendency:** The mean disposal time was more than 2.5 years, far exceeding the prescribed six-month statutory window.
- **Bottlenecks and Vacancies:** Frequent adjournments, a shortage of presiding and recovery officers and lack of qualified technical members were cited as major bottlenecks.
- **Systemic Flaws:** While DRTs outperformed the regular civil process, incompetencies prevailed due to outdated procedures, lack of digitalization, slow adoption of reforms and absence of direct accountability measures.⁸

Legal scholars and practitioners consistently noted that these delays often undermine the confidence of lenders, discourage new lending and limit the impact of broader financial reforms.

- **Comparative Assessment with Other Recovery Channels**

The Indian Financial system hosts multiple debt recovery channels such as Lok Adalats,

⁸ Damini M., *An Evaluation of the Effectiveness of the Remedies Available to Banks and Financial Institutions under the SARFAESI Act 2002 and the Recovery of Debts & Bankruptcy Act 1993*, 8 Int'l J. Novel Res. & Dev. 9 (Sept. 2023), <https://www.ijnrd.org/papers/IJNRD2309101.pdf>.

SARFAESI, DRTs and IBC (post 2016). Research by Karanth and Srinivas (2021) compared the effectiveness of these four channels:

- **IBC:** Shows the highest average recovery ratio, sometimes reaching 43%. It allows for rapid resolution of insolvency and has proved to be particularly effective for large value cases.
- **Lok Adalats and SARFAESI:** Generally, more effective in smaller or negotiated settlements than in complex, litigated disputes.
- **DRTs:** Despite being the oldest institution, their average recovery ratio has dropped below 10% due to growing pendency, outdated systems and procedural rigidity.

The reducing effectiveness highlights the urgent need for technological upgrades, better personal management and integration with more modern insolvency frameworks.⁹

Key Insights and Trends

- **Case Delays:** According to one study, the average DRT case took 2.7 years, with significant variance, some lasting over seven years. Failures in hearings (adjournments, procedural lapses) accounted for over half the total duration, suggesting a large number of unrealized potentials for efficiency.
- **Source of Delays:** Surprisingly, delays were often applicable as much to banks as to borrowers, including lenders themselves asking for adjournments to recover documentation, contradicting the assumption that only borrowers delay proceedings.
- **Legal Safeguards:** Borrowers retain the right to file counterclaims and must be given a fair hearing, keeping the process secured in natural justice while protecting creditor's rights.¹⁰

⁹ Vidush R. P., *Comparative Analysis of Debt Recovery Tribunal and Jurisdictional Conflicts*, 5 Int'l J. Advan. L. & Res. 1 (Apr. 2025), <https://ijalr.in/wp-content/uploads/2025/04/VIDUSH-RP.pdf>.

¹⁰ *The Recovery of Debts and Bankruptcy Act, 1993*, No. 51 of 1993 (India) (enacted Aug. 27, 1993), available at https://www.indiacode.nic.in/bitstream/123456789/1775/1/AArecovery1993__51.pdf.

Judicial Interpretation and Landmark Cases:

Since their inception, Debt Recovery Tribunals (DRTs) have been at the center of several judicial and landmark ruling that shaped the contours of banking law and recovery mechanisms in India. The courts, especially the Supreme Court and various High Courts, have played a decisive role in defanging the powers, jurisdiction and constitutional validity of these tribunals. These decisions not only clarified the limits of the RDB Act, 1993 but also strengthened the overall debt recovery framework by balancing the interests of banks and borrowers.¹¹

- **Constitutional Validity and Institutional Legitimacy**

When the RDB Act was first enacted, it faced opposition on constitutional grounds. Critics argued that creating separate tribunals for debt recovery might violate the independence of the judiciary and the principles of natural justice. This concern reached the Supreme Court in *Union of India v. Delhi High Court Bar Association* (2002), where the constitutional validity of the Act was challenged.

The Court upheld the validity of the DRTs, observing that Parliament has the legislative competence under Entry 45 of the Union list (banking) to establish special tribunals for expeditious debt recovery. It further clarified that the DRT system does not undermine the powers of High Courts, as their supervisory jurisdiction under Articles 226 & 227 remains intact. This judgement gave DRTs strong legal legitimacy and speedy justice.

- **Exclusive Jurisdiction and Avoidance of Multiplicity of Proceedings:**

Another major question addressed by courts was whether civil courts could entertain cases once DRTs were established. The Supreme Court in *ICIC Bank Ltd. V. Srinivas Agencies* (1996) clarified that under section 17 & 18 of the RDB Act, DRTs have exclusive jurisdiction over matters concerning recovery of debts due to banks and financial institutions. It held that civil courts are barred from entertaining such cases, except in matters explicitly excluded under the Act.

¹¹ Mukesh Dwivedi & Aqar Raza, *Debt Recovery Tribunals in India: The Legal Framework*, 1 *Indian J. L. & Pol'y Rev.* 46, 46–65 (2016), available at <https://ssrn.com/abstract=3066171>

This interpretation was crucial because, before this decision, many debt-related suits were being simultaneously pursued in civil courts and DRTs, causing duplication and conflicting judgments. Thakkar¹², Rami and Sarmah (2020) emphasize that this ruling strengthened the efficiency of the DRT framework by centralizing all debt recovery litigation in one forum, reducing confusion and procedural delays.

Similarly, in *Industrial Credit and Investment Corporation of India v. Vanjinad Leathers*¹³, the Kerala High Court reiterated that DRT proceedings override provisions of the Companies Act in case of Conflict, especially concerning recovery during liquidation. These judicial interpretations ensured that the DRT mechanism remained the principle the principal channel for recovery, even when other corporate laws were involved.

- **Judicial Support for Borrower Rights and Procedural Fairness:**

While courts have already largely supported the functioning of DRTs, they have also emphasized the need to protect borrower rights and maintain fairness in the process. In *Mardia Chemicals Ltd. V. Union of India* (2004)¹⁴, which primarily dealt with the SARFASI Act, 2002, the Supreme Court held that although banks were given powers to seize and sell secured assets without court intervention, borrowers retained the right to appeal to DRTs under section 17 of SERFASI Act. This case established that DRTs act as an essential check on the excessive powers of banks, ensuring that borrowers are not deprived of their property without a fair hearing.

- **Judicial Emphasis on Efficiency and Alternative Remedies:**

In *United Bank of India v. Satyawati Tondon* (2010)¹⁵, the Supreme Court discouraged the practice of borrowers approaching High Courts directly writ petitions when adequate remedies were available under DRTs procedures. The court emphasized that DRTs were specifically designed to handle such dispute quickly and efficiently and

¹² Harsh Thakkar, Gaurang Rami & Pranjal Sarmah, *Efficacy of Debt Recovery Legislation: An Indian Experience*, 62 *Artha Vijnana* 38–61 (2020), available at <https://www.researchgate.net/publication/344466839>

¹³ *Industrial Credit & Inv. Corp. of India Ltd. v. Vanjinad Leathers Ltd.*, AIR 1997 Ker. 273 (India).

¹⁴ *Mardia Chemicals Ltd. v. Union of India*, (2004) 4 SCC 311 (India).

¹⁵ *United Bank of India v. Satyawati Tondon*, SLP (C) No. 10145 of 2010 (India).

hence bypassing them would defeat the purpose of the RDB Act¹⁶.

This judgement also noted that High Courts should exercise restraint and avoid interfering in recovery matters unless exceptional circumstances arise.

- **DRTs in the Modern Legal Framework:**

Recent case laws have begun exploring how DRTs interact with newer laws such as the Insolvency and Bankruptcy Code (IBC)¹⁷, 2016. The ICMAI Journal (2021) points out that while DRTs remain relevant for small and medium-value debt recovery cases, higher-value corporate defaults have shifted toward the National Company Law Tribunals under IBC.

- **Overall Impact of Judicial Interpretation:**

Cumulatively, the above decisions reflect a clear judicial intent, to strengthen the authority of DRTs while upholding fairness and constitutional safeguards. The courts have consistently encouraged their use as a specialized mechanism for debt recovery laid down by the Act.

The judiciary's continued support has given DRTs institutional stability. This judicial guidance has enhanced procedural discipline within the tribunals, though practical challenges like delays and vacancies still persists.

Overall, the judiciary has acted as both a protector of due process and a promoter of efficiency, ensuring that DRTs evolve in a balanced manner amidst India's fastest transforming financial landscape.

Critical Analysis:

The debt Recovery Tribunals were created to fast-track recovery and protect the banking system. In theory, they are a focused, specialist forum that should be quicker and more efficient than ordinary courts. In practice, however DRTs face several deep-rooted problems that limit

¹⁶ Recovery of Debts and Bankruptcy Act, No. 51 of 1993, INDIA CODE (1993).

¹⁷ Insolvency and Bankruptcy Code, No. 31 of 2016, INDIA CODE (2016).

their effectiveness. The next sub-sections unpack these weaknesses one-by-one, explain how they arise and show what they cost the banking system and borrowers.¹⁸

- **Structural and Institutional Weakness**

- i. **Frequent Vacancies and Understaffing:**

One of the most consistent problems highlighted across the literature is that many DRT benches run with vacant presiding Officers or insufficient recovery staff. When the main judicial officer's post is vacant, work grinds to a halt because the tribunal depends heavily on that single judge's schedule. Recovery officers who do the ground work of attachment and sale of assets, are also often overburdened.

- ii. **Limited bench strength and uneven geographic coverage:**

DRTs were created according to caseload, but many states still lack a nearby tribunals. Some tribunals cover very large territories, which increases travel cost for litigants, overloads a single bench and slows case disposal. This concentration of workload in a few tribunals fuels backbones and makes access to the forum unequal across regions.

- iii. **Absence of multi-disciplinary Composition:**

DRTs are primarily judicial bodies; technical or financial experts are not routinely part of the decision-making bench. Complex banking disputes often involve accounting, valuation and financial restructuring issues, without technical members, tribunals may take longer to understand evidence, rely more on adjournments for expert testimony or issue orders that later get questioned in appeals. This gap creates quality and speed problems simultaneously.

- **Procedural Bottlenecks and Adversarial Practices:**

- i. **Civil-procedure like delays despite summary procedures.**

¹⁸ S. Karanth & K.T. Srinivas, *Effectiveness of Recovery Channels for NPA Management*, 56 **Mgmt. Accountant J. (ICMAI)** 94, 94-97 (2021).

Although DRT procedure rules were intended to be summary and swift, in practice many tribunals have adopted civil-court habits, frequent adjournments, multiple interlocutory applicants and reams of procedural paperwork. Parties exploit these procedural channels to stall proceedings. The result is that DRT timelines stretch into years, defeating the core purpose of the Act.

ii. Overuse of writ petitions and forum Shopping.

Even though the RDB Acts bars ordinary civil courts from hearing recovery matters, borrowers sometimes approach High Courts via writ petitions or file parallel suits in other forums to delay enforcement. Courts have cautioned against this practice, but it persists. The multiplicity of forums increases litigation costs, adds complexity and weakens the predictability of recovery efforts.

iii. Execution difficulties after a decree.

Passing a recovery order is only half the job, enforcing it is equally crucial. Recovery officers face practical obstacles such as locating encumbered assets, legal challenges by third parties, valuations disputes and administrative delays in auction conduct. Many recovery certificates remain partially executed for long durations because realizing the collateral value takes time and often yields less than expected. This gap erodes creditor confidence in the process.

• **Technological and Administrative Shortcomings:**

i. Underutilization of digitalization and e-tools.

Although recent amendments and government initiatives have introduced e-filing, e-auctions and online case management for DRTs, adoption has been patchy, in tribunals where digital systems are weak or staff are not trained case tracking, remote hearing and online assets-sale platforms remain underused.

ii. Lack of performance metrics and accountability.

There is no standardized, transparent performance evaluation for presiding

officers or recovery officers. Without measurable KPIs, systemic underperformance persists and there are limited incentives to clear backlogs quickly.

- **Jurisdictional Overlaps and Institutional Confusion:**

- i. **Conflicts with SARFAESI and concurrent remedies.**

The arrival of SARFEASI¹⁹ and later the IBC complicated the recovery landscape. Banks may file parallel remedies such as DRT suits, IBC applications etc. Sometimes on the same loan account. While courts have tried to rationalize these overlaps, uncertainty over the appropriate forum causes delays and tactical litigations.

- ii. **Priority disputes and coordination failures.**

When multiple creditors and statutory bodies claim rights over the same assets, coordination is weak. This is particularly troublesome in liquidation or when official liquidations and recovery officers both assert control.

- **Economic and Social Consequences:**

- i. **Reduced real recovery and rising provisioning needs.**

Slow tribunals and uncertain enforcement mean banks recover only a fraction of outstanding dues within expected timelines. This forces banks to set aside large provisions, lowering available capital for new lending and affecting profitability.

- ii. **Opportunity Costs and Value erosion of collateral**

Delayed enforcement reduces the market value of collateral such as building age, inventory depreciates, business goodwill deteriorates, so banks often realise less than book value.

¹⁹ Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, No. 54 of 2002, INDIA CODE (2002).

iii. Disproportionate impact on small borrowers and MSMEs.

Small businesses and individual borrowers are more vulnerable to prolonged litigation, legal fees, interruption of operations and reputational damage make recovery painful. DRT inefficiencies thus have regressive effect, hitting those with the least capacity to absorb shocks.

- **Why Reforms have Lagged:**

Reforming DRTs requires political will, Budgetary allocations and institutional coordination. Staffing tribunals, building digital platforms and setting up technical panels cost money and administrative bandwidth. Further reforms may temporarily disturb vested interests that benefit from delays. These real-world constraints explain why many sensible recommendations have not been fully implemented despite repeated calls in literature.

Policy and Legislative reforms:

The effectiveness of any legal institution depends not only on the quality of its design but also on its ability to evolve with time. The Debt Recovery Tribunals, established under RDB Act, 1993 were a pioneering reform in their era. However, three decades later, the financial landscape of India has changed drastically. The rapid rise in non-performing assets, the advent of digital banking and the creation of new recovery mechanisms like SARFAESI, IBC have made it necessary to rethink the structure and operation of DRTs.

- **Legislative Evolution: From Reform to Redundancy**

When Parliament enacted the RDB Act, 1993, it represented a breakthrough- separating debt recovery from civil litigation and creating a dedicated judicial mechanism. The act was drafted in the early 1990s banking environment, long before digitalization or large-scale corporate lending became dominant. Consequently, the law's structure still reflects a manual, file-based and court centric model.

Subsequent amendments specially those made through the Enforcement of Security Interest and Recovery of Debt Laws Act, 2016 attempted to address these limitations by:

- Allowing electronic filing of cases and cases and digital issuance of recovery certificates
- Permitting electronic auctions of secured assets.
- Increasing the number of DRT benches
- Streamlining working with the SARFAESI Act.

However, these reforms have remained largely on paper, the actual adoption of e-process, online hearing and integrated data systems across DRTs is inconsistent and incomplete. Many tribunals still depend on manual registers and physical hearings, making the reform more formal than functional.

- **Institutional and Procedural Reforms Needed.**

- i. **Filling Vacancies and Strengthening Infrastructure**

The first and most urgent reform is capacity building. A significant proportion of DRTs operate without permanent presiding officers or with insufficient recovery officers. As a result, hearings are delayed for months and recovery certificates remain unexecuted.

- ii. **Introducing Technical Expertise.**

Modern financial disputes are no longer purely legal, they involve accounting, valuation and business restructuring issues. The Tribunals therefore need multi-disciplinary benches that include financial analysts or accountants alongside judges.

- iii. **Implementing Strict Timelines and Accountability Mechanisms.**

Although the RDB Act prescribes six months for case disposal the law lacks a mechanism to enforce this target. There should be performance-linked evolution of tribunal officers based on disposal rates, case backlog reductions and recovery outcomes.

iv. Strengthening Recovery and Execution Mechanisms.

The weakest link in the DRT process is not adjudication but execution. Many recovery certificates remain unfulfilled due to procedural bottlenecks, resistance from defaulters and undervalues auctions. Legislative amendments must empower recovery officers with better enforcement tools. Allow interagency coordination with local administration and police and ensure time bound asset valuation and disposal.

- **Digital and Administrative Modernization.**

ICMAI (2021) emphasizes that technology can be a game changer for DRTs. A fully digital cases management system from filing to judgement to execution, would drastically reduce manual delays. These innovations would make the system transparent, efficient and less dependent on paper-based bureaucracy. Moreover, they would align DRTs with the broader goals of the Digital India initiative.

- **Harmonization with other Recovery Laws.**

Currently, DRTs coexist with SARFAESI and IBC, often leading to jurisdictional confusion and overlapping remedies. Policy reform should aim to create a tiered and complementary structure, rather than competitive systems.

- **Borrower Protection and Procedural Fairness.**

Another key area needing policy attention is borrower rights. While the purposed of DRTs is to expedite recovery, fairness and due process cannot be sacrificed, borrowers often lack legal representation or resources to contest large institution claims. Legislative reform should therefore:

- Ensure adequate notice and hearing before recovery actions.
- Strengthen appeal procedures to DRTs.
- Encourage pre-recovery meditations or settlement to reduce litigation
- Provide legal aid mechanisms for small borrowers.

- **Longterm Legislative Vision.**

India's financial environment is dynamic and so must be its recovery institutions, In the long-term, Parliament may consider consolidating the RDB Act, SARFAESI Act and parts of IBC into single comprehensive Debt Recovery Code, ensuring uniform procedures and consistent jurisprudence.

Findings and Discussion:

The review of literature, legislative history and judicial interpretation collectively demonstrates that DRTs were envisioned as the cornerstone of India's financial Justice system, but their actual performance has fallen short of their potential.

- **Foundational Strengths of the DRT framework.**

At the time of their establishment, DRTs were a path-breaking innovation. The RDB Act 1993 separated banking recovery from civil litigation, enabling faster adjudication through specialized forums, DRTs brought a level of procedural uniformity, specialization and legal clarity that had not existed before.

The creation of DRTs also added a layer of accountability and review, promoting fairness, Thus DRTs initially fulfilled their legislative promise, providing a structured, credible mechanism for financial institutions to recover dues.

- **Emerging gaps between intent and Implementation.**

Over time, however the institutional efficiency of DRTs began to erode. Study reveals that while filing before DRTs have continued to rise, the rate of case disposal has declined, with average pendency extending well beyond statutory timelines. Many tribunals now function with chronic vacancies, inadequate infrastructure and heavy administrative workloads. The data also show that even when DRTs issue recovery certificates, actual realization of dues remains low because execution proceedings are slow and cumbersome. These practical constraints have turned what was intended as "fast-track" mechanism into a system that mirrors the very delays it was designed to eliminate.

- **Comparative Findings: DRT V. SARFAESI and IBC.**

When viewed in comparison with the other recovery mechanisms, DRTs appear less effective in both speed and outcomes. The ICMAI Journal (2021) study presents striking data, DRTs accounted for less than 10% of total NPA recoveries between 2008 and 2020, whereas SARFAESI achieved around 26% and IBC led with 43%.

These numbers do not merely reflect institutional competence, they reflect the broader evolution of financial regulation in India, from state-driven enforcement to market driven resolution.

- **Systemic and Procedural Bottlenecks.**

Across all studies a consistent finding is that institutional weaknesses not legislative designs, are the main cause of inefficiency. The most significant bottlenecks include:

- Frequent vacancies in tribunal posts
- Manual case management instead of digital systems
- Execution delays caused by limited powers of Recovery Officers
- Jurisdictional overlaps leading to duplication of proceedings under multiple laws.

- **Economic and Social Dimensions.**

The weakening performance of DRTs has broader economic and social consequences. From an economic perspective, prolonged litigation ties up large sums of capital in under solved cases. Banks must make higher provisions for bad loans, limiting their ability to extend new credit. This in turn slows down economic activity and increase the cost of borrowing.

From a social perspective, DRT inefficiently disproportionately affects small borrowers and MSMEs, who lack resources for prolonged legal battles. While large corporate defaulters can shift to IBC process, smaller debtors must depend on the DRT system for relief or settlement. When that system is slow or inaccessible, it Effectively denies

them timely justice.

- **The Need for Institutional Renewal.**

The future DRTs depends on revitalizing their structure rather than replacing them. The core idea behind DRTs is to provide a fast, specialized forum for financial recovery, is still relevant but the system has suffered from administrative neglect and outdated procedures.

DRTs require stronger autonomy, Adequate staffing and financial independence to functional independence to function effectively. Introducing performance benchmarks and technical expertise in banking and finance would make decision making faster and more accurate. Similarly, the urgent need for digital modernization and better coordination with other recovery mechanisms like IBC and SARFAESI.

In short, DRTs do not need a new legal foundation, they need institutional renewal through better resources, technology adoption and structural accountability so they can fulfill the role they were originally designed for.

- **Integrative Discussion.**

The journey of the DRTs reflects India's broader transitions from traditional litigation to specialized financial adjudication. Their evolution can be viewed in three Phases such as Innovation, stagnation and relegation. The early years showed promises with faster case disposal and relief for banks. The next phase witnessed procedural slowdown and growing overlap with SARFAESI, while the post period (2016) saw major recoveries shifting toward the Insolvency and Bankruptcy Code.

This transformation does not signify the end of DRTs but underlines their underutilized potential. DRTs remain essential for small and medium-value recoveries, borrower protection and accessible financial justice. With modern infrastructure, digital integration and clear coordination among recovery laws, they can once again become a strong pillar in India's debt resolution ecosystem.

Some Key Recommendations:

- **Digital Upgradation:** Introduce complete digitalization of DRT process, including e-

filling, online hearing and automated tracking to reduce paperwork and ensure transparency.

- **Capacity Enhancement:** Fill all vacant positions of Presiding Officers and Recovery Officers promptly and provide specialized training in financial and legal procedures to improve efficiency.
- **Infrastructure Development:** Strengthen tribunal infrastructure by ensuring adequate staff, modern facilities and better administrative support for smooth and timely functioning.
- **Time bound Proceedings:** Strictly enforce the six-month time limit for case disposal with regular monitoring and performance-based accountability mechanisms.
- **Coordination Among Recovery Laws:** Establish clear boundaries and better coordination between DRTs, SARFAESI and IBC to avoid jurisdictional overlaps and duplication of efforts.
- **Transparency and Accountability:** Mandate regular publication of tribunal statistics, including case pendency, disposal rates and recovery outcomes to enhance public confidence.
- **Unified DRT framework:** Consider a Comprehensive DRT that consolidates the RDB Act, SARFAESI Act and relevant provisions of IBC into one cohesive law for consistency and efficiency.

Conclusion:

The establishment of DRT under RDB Act, 1993 was a major step toward improving the recovery bank dues in India. These tribunals were created to provide faster and more focused justice for disputes, reducing the pressure on civil courts. However, over time, their effectiveness has weakened due to staff shortages, outdated procedures and slow case disposals.

While new laws like SARFAESI and the IBC have taken a large role in debt recovery, DRTs are still important, especially for small and medium value cases. The real challenge now is to modernize and strengthen them through digitalization, better infrastructure and improved

coordination with other recovery laws.

If supported with the right reforms, DRTs can once again become efficient, transparent and fair institutions, fulfilling their original purpose of ensuring speedy and just financial recovery in India's banking system.

References

1. Goyal, M.H. & Vinod Kumar. *A Study on Debt-Recovery Tribunals: Structure and Processes with Respect to Loans*. 9 Anveshana's International Journal of Research in Regional Studies, Law, Social Sciences, Journalism & Management Practices.
2. Rajani Prabha Gupta. *DRTs: Gain or Pain for Banks?* International Journal of Banking, Finance & Commerce.
3. Vidush R. P. *Comparative Analysis of Debt Recovery Tribunal and Jurisdictional Conflicts*. 5 International Journal of Advanced Law & Research.
4. Damini M. *An Evaluation of the Effectiveness of the Remedies Available to Banks and Financial Institutions under the SARFAESI Act 2002 and the Recovery of Debts & Bankruptcy Act 1993*. 8 International Journal of Novel Research & Development 9.
5. Anish Malik. *The Evolution & Development of Recovery Laws in India: A Critical Analysis*. 3 International Journal of Law, Management & Humanities IV, 411.
6. Department of Financial Services, Ministry of Finance, Government of India. *Debts Recovery Tribunals / Debts Recovery Appellate Tribunals*.
7. Anjani Sawhney. *The Role of Debt Recovery Tribunals in Speedy Resolution of Financial Disputes*. 5 International Journal of Advanced Legal Research.
8. *The Recovery of Debts and Bankruptcy Act, 1993*, No. 51 of 1993 (India).
9. NPA Consultant Private Limited. *The Role of the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 in Modern Financial Management*.
10. Mariappan Govindarajan. *Recovery Certificate Issued by Debt Recovery Tribunal – A Financial Debt?* TaxTMI.
11. Dwivedi, M., & Raza, A. (2016). *Debt Recovery Tribunals in India: The Legal Framework*. Indian Journal of Law and Policy Review, Vol. 1, pp. 46–65. [SSRN No. 3066171].

12. Thakkar, H., Rami, G., & Sarmah, P. (2020). *Efficacy of Debt Recovery Legislation: An Indian Experience*. Artha Vijnana, Vol. 62(1), pp. 38–61.
13. Karanth, S., & Srinivas, K.T. (2021). *A Study on Effectiveness of Recovery Channels for NPA Management*. *The Management Accountant Journal*, Institute of Cost Accountants of India, Vol. 56(8), pp. 94–97.
14. *The Recovery of Debts and Bankruptcy Act, 1993*, as amended by the Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Act, 2016.
15. *Debt Recovery Tribunal (Procedure) Rules, 1993*.
16. *United Bank of India v. Satyawati Tondon*, (2010) 8 SCC 110.
17. *Union of India v. Delhi High Court Bar Association*, (2002) 4 SCC 275.
18. *Mardia Chemicals v. Union of India*, (2004) 4 SCC 311.
19. Reserve Bank of India (RBI). (2012). *Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning*.