The impact of digitalization on NPA recovery in nationalized banks: an empirical research with reference to securitization and reconstruction of financial assets and enforcement of security interest act

O impacto da digitalização na recuperação de NPA em Bancos nacionalizados: uma pesquisa empírica com referência à lei de securitização e reconstrução de ativos financeiros e execução de juros de segurança

El impacto de la digitalización en la recuperación de NPA en bancos nacionalizados: una investigación empírica con referencia a la titulización y reconstrucción de activos financieros y la aplicación de la Ley de garantías reales

How to cite:

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Abstract

This research work focuses on the effects of digitalization on revitalisation of Non-Performing Assets (NPA)in the nationalised banks referring to the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act 2002. The SARFAESI Act has provided the banks authority to control and recover the NPAs but the virtual processes have opened new ways to boost up the existing recovery ways in banking sectors. In this study, using both numerical and Citational analysis, the researcher explores how e-auctions, automated tracking system and, online loan tracking has impacted NPA recovery in Nationalized banks. Primary data is collected from questionnaires and interviews with bank officials and secondary data collected from case 'studies' from before digitalization for NPA recovery and after. This study concludes that, digital adoption has enhanced the speed and transparency of NPA recovery as supported by the findings in the light of achieving the objectives of SARFAESI Act. However, some barriers like technology structure, difficulty in meeting the regulations, and the readiness difference of the various banks still remain in the process. Based on these considerations, this paper provides policy suggestions to enhance the implementation of digital instruments within the SARFAESI framework to improve the effectiveness of NPA recovery procedures. The results extend knowledge about the role of digitalization in enhancing the effectiveness of NPA recovery and present directions for policymakers and banking experts.

Keywords: Digitalization in Banking, Non-Performing Assets (NPA) Recovery, SARFAESI , Nationalized Banks, Challenges in Digital Implementation**.**

Resumo

Este trabalho de pesquisa concentra-se nos efeitos da digitalização na revitalização de ativos inadimplentes (NPA) nos bancos nacionalizados, referindo-se à Lei de Securitização e Reconstrução de Ativos Financeiros e Execução de Juros de Segurança (SARFAESI) de 2002. A Lei SARFAESI forneceu aos bancos autoridade para controlar e recuperar os NPAs, mas os processos virtuais abriram novas maneiras de impulsionar as formas de recuperação existentes nos setores bancários. Neste estudo, usando dados numéricos e citacionais análise, o pesquisador explora como os leilões eletrônicos, o sistema de rastreamento automatizado e o rastreamento de empréstimos on-line impactaram a recuperação de NPA em bancos nacionalizados. Os dados primários são coletados de questionários e entrevistas com funcionários do banco e dados secundários coletados de 'estudos de caso' antes e depois da digitalização para a recuperação de NPA. No entanto, algumas barreiras como a estrutura tecnológica, a dificuldade em cumprir os regulamentos e a diferença de prontidão dos vários bancos ainda permanecem no processo. Com base nestas considerações, este documento apresenta sugestões políticas para melhorar a implementação de instrumentos digitais no quadro da SARFAESI para melhorar a eficácia dos procedimentos de recuperação do NPA. Os resultados ampliam o conhecimento sobre o papel da digitalização no aumento da eficácia da

recuperação do NPA e apresentam orientações para os decisores políticos e especialistas bancários.

Palavras-chave: Digitalização na Banca, Recuperação de Ativos Não Operacionais (NPA), SARFAESI, Bancos Nacionalizados, Desafios na Implementação Digital.

Resumen

Esta investigación se centra en los efectos de la digitalización en la revitalización de los activos improductivos (NPA) en los bancos nacionalizados, en referencia a la Ley de Titulización y Reconstrucción de Activos Financieros y Ejecución de Garantías (SARFAESI) de 2002. La Ley SARFAESI ha otorgado a los bancos la autoridad para controlar y recuperar los NPA, pero los procesos virtuales han abierto nuevas vías para impulsar los mecanismos de recuperación existentes en el sector bancario. En este estudio, mediante análisis numérico y citacional, el investigador explora cómo las subastas electrónicas, los sistemas de seguimiento automatizado y el seguimiento de préstamos en línea han impactado en la recuperación de NPA en los bancos nacionalizados. Los datos primarios se recopilan a partir de cuestionarios y entrevistas con funcionarios bancarios, y los datos secundarios se recopilan a partir de estudios de caso previos y posteriores a la digitalización para la recuperación de NPA. Este estudio concluye que la adopción digital ha mejorado la velocidad y la transparencia de la recuperación de NPA, como lo respaldan los hallazgos, en vista del logro de los objetivos de la Ley SARFAESI. Sin embargo, aún persisten algunas barreras en el proceso, como la estructura tecnológica, la dificultad para cumplir con la normativa y la diferente preparación de los distintos bancos. Con base en estas consideraciones, este documento ofrece sugerencias de políticas para mejorar la implementación de instrumentos digitales en el marco de SARFAESI y optimizar la eficacia de los procedimientos de recuperación de NPA. Los resultados amplían el conocimiento sobre el papel de la digitalización en la mejora de la eficacia de la recuperación de NPA y presentan directrices para los responsables políticos y los expertos bancarios.

Palabras clave: Digitalización en la banca, Recuperación de Activos Morosos (NPA), SARFAESI, Bancos nacionalizados, Desafíos en la implementación digital.

1. Introduction

NPAs are one of the ongoing major problems in banking; more so with the nationalized banks in India. NPAs do not only undermine the solvency of banks but also impair the banking institutions' ability to perform their task of lending, their credibility to customers and the economy's capability to grow. This challenge has therefore been well addressed, with legislation and reform in the banking sector that empowers banks to deal with and recover NPAs. The Securitization and Reconstruction of Financial Assets and Enforcement of Security

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Interest (SARFAESI) Act, 2002 is one such tool introduced with the main purpose of enhancing banks' ability to recover the NPAs. Thus, in view of having given statutory rights to banks for realization of security interest outside the operations of courts, the recovery of NPAs has been the domain of the SARFAESI Act. This is the case though the existing Banking Environment has offered more opportunity to improve the process of dealing with NPAs due to evolving banking structures and technology.

Over the recent past there has been a rise in the digital revolution across different industries where the banking sector has led the way. Banking systems' improvement tools, like online auctions, and AI-driven loan tracking systems, or automated mechanisms for assets tracking, have become very handy in improving the overall performance of operations and customer service. When it comes to NPA recovery, the trend of digitalisation has held out a possibility of rationalising this flow, enhancing a degree of openness and thereby making the whole process faster. Leading the charts in NPAs, the nationalized banks have corporately started embracing digital tools to supplement their recovery procedures under the SARFAESI Act framework. Nevertheless, the effect of digitalization on NPA recovery especially with regard to nationalized banks has not received adequate focus in the empirical analysis.

To this end, this study aims at comparing the recovery process of NPA in the digitalised environment of nationalised banks with special reference to the SARFAESI Act, 2002. The paper has three objectives: First, to assess the effectiveness of recovery with the help of digital tools; Second, to analyse the issues while implementing the use of digital media for recovery; Third, to determine if digitalization supports the recovery mechanisms of the SARFAESI Act.

1.1 Objectives of the Study

The primary objectives of this research are:

1. To evaluate the loss less recovery efficiency of NPA in nationalized banks due to digitalization.
2. To study how the given digital tools complement or supplement the NPA recovery processes set up under the SARFAESI Act, 2002.
3. To find out the potential issues and benefits likely to be achieved from digitalization of NPA recovery mechanisms in nationalized banks.

By achieving those goals, this research enriches the existing knowledge about how digital transformation can help nationalized banks manage NPA issues. Based on the documentation of the scenario, the predictions are expected to be useful for banking specialists, Strategic planning for the market, and scholars for the subsequent developments of the digital recovery of NPAs.

2. Literature Review

The process of digitization has created radical changes throughout many sectors, the banking system being one of the main beneficiaries. They noted that, through the various digital technologies, banks have improved operation, customer relations, and security from cybersecurity threats (Chaudhary & Sharma, 2021). In the contemporary world as pointed out by Kaur and Arora (2020), digital banking technology assist in effecting, managing the accounts, executing banking transactions within a banking operation, tracking the transactions subsequently enhancing efficient methods of handling such banking operations. Specifically, digitalization has been most apparent in loan processing and credit-risk management and has helped deliver better borrower behaviours and preventive measures for default (Rajan & Dey, 2019).

However, the author Bhattacharya (2022) notes that nationalized banks suffer from some disadvantages which make it difficult for the bank to implement these digital technologies at the same pace as private banks because of their larger size and regulatory environment. Nevertheless, the drive toward digital services in the public sector banking has scaled up especially as banks see the long-term value creating dynamics of digital in the context of operating efficiency and risk (Singh & Mehra, 2021). Studies in the current literature have shown positive effects of increased digital adoption on financial performances, a factor that underlines the possibility of gains in the performance of nationalized banks following increased adoption, such as the handling of NPAs (Desai, 2020).

SARFAESI Act, 2002 and NPA Recovery: SARFAESI Act, 2002 is a crucial legal intervention that can enable the banks and other financial institutions to realize the NPAs by passing a right of seizing and auctioning of the secured assets of the defaulters without the

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tedious legal prosecution (Kumar, 2018). Being an Act on securitization and an asset reconstruction, it has also helped banks in speeding up recovery to a great extent, especially apparent with reference to public sector banks in terms of NPAs. Addressing this problem of recovery of secured debts was a challenge due to legal formalities, making practical the recovery of assets quite slow and compounding volumes of NPAs before the enactment of the SARFAESI Act. The act brought a major change in banks, leading the way for quicker enforcement or recovery actions and thereby offered an important tool to capture the exploding NPA problem.

However, few constraints have been identified, which bounds the working of SARFAESI ACT to certain extent. The authors Mishra and Patel (2020) state that there are some issues that some cases have disclosed which include, tardy process, challenges in sale of assets, and brazen unwillingness from borrowers. In addition, protection given sometimes incite judicial intervention oppose the actions under the SARFAESI Act that embarrass the banks (Sharma & Gupta, 2022). These issues established the fact that there is necessity for introduction of measures such as digitalization to supplement the weaknesses inherent in the SARFAESI Act in as far as enhancement of efficiency in the recovery of NPAs is concerned.

2.1 Digital Tools and NPA Recovery

There is a trend toward the use of digital solutions to support NPA recovery with the minimal goal of implementing better recovery outcomes more effectively, transparently, and accountably. Banks can assess loans online, and are able to detect potential NPAs at an early stage and the documents necessary under the SARFAESI Act (Pillai, 2022). Other applications include the increase in online asset auctions. According to Dutta and Kumar (2021), e-auctions conserve a lot of time and effort that is used in physical auctions, making it easier to dispose of assets under SARFAESI framework.

Risk management has also used artificial intelligence (AI) and data analytics in the case of default prediction and recovery strategies. Sinha (2023) opines that through skills in analytical processing of digital data, the bank can predict behaviours of borrowers that may

compromise their capability of repaying their loans, allowing the bank to acting at first sight to check such behaviours. In addition, as the information processing increases, the recovery management can be individualized with the borrower, which can further improve the cooperation of the borrower and speed up the recovery (Khan & Mehta, 2023). Chapters also finds argumentative evidence in Bhattacharya (2022) that use of automation tools in documentation and compliance can decrease the instances of formation and prolongation of administrative bottlenecks in the SARFAESI process.

2.2 Challenges in Digitalizing NPA Recovery

Nevertheless, some issues remain to be discussed, and they are more acute for the nationalized banks, and all connected with digitalization. According to Singh and Rajput, (2021) still, a lot of the nationalized banks struggle with the technological infrastructure that hamper the digital transformation initiatives. Also, due to the company's compliance with regulatory framework requirements under the SARFAESI Act, the use of digital technologies is sometimes partial, particularly in areas with low technological development (Malik, 2022). Barriers to digital literacy among the human capital workers in the banking industries and borrowers equally limit the overall advancement in the use of digital solutions (Verma & Joshi, 2019). Therefore, there is a compelling need for banks to digitalize while understudying the need to legal undertake the same by having to integrate the digital tools into the legal framework within the SARFAESI Act.

In the light of earlier literature studies, the benefits of 'digitalization' in the operational efficiency of banks has been extensively exhibited, research that directly investigates the effects of 'digitalization' on the recovery of NPAs, especially under the SARFAESI Act, is scarce. Besides, there is insufficient literature on the effects of digitalization with reference to recovery effectiveness in nationalized banks which account for a significant proportion of the banking sector NPAs. This research therefore seeks to fill these gaps by offering the much-needed practical knowledge on the impact of digitalization on NPA recovery in nationalized banks, especially with regard to the extent to which it supports the uses of tools and procedures provided by the SARFAESI Act.

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3. Methodology

The research design of this work is a mixed research method to examine the effects of digitalization in the recovery of NPAs in nationalized banks with reference to the provisions of the SARFAESI Act 2002. With this research employing both quantitative and qualitative data, both the amount of variation in NPA recovery driven by various digital tools in banking are also quantified while giving voice to the practitioners and the narratives they have to tell on variation and outcomes possible with digital tools in NPA recovery. The quantitative component deals with presenting the results obtained in the context of recovery data of NPA before and after the implementation of digitalization Whereas, the qualitative part involves interviews with the banking officials and digitalization experts that describe the real-life implication, constraints and possibilities of digitalization in NPA recovery.

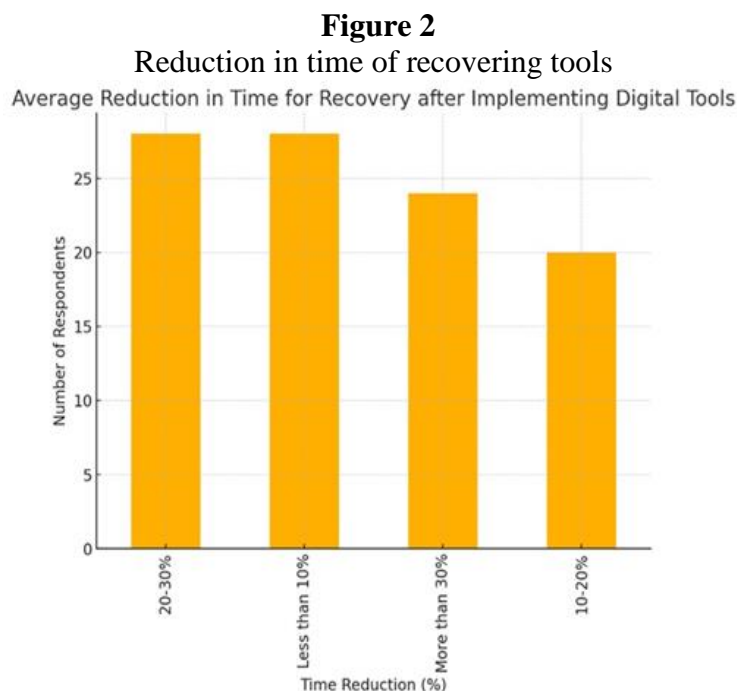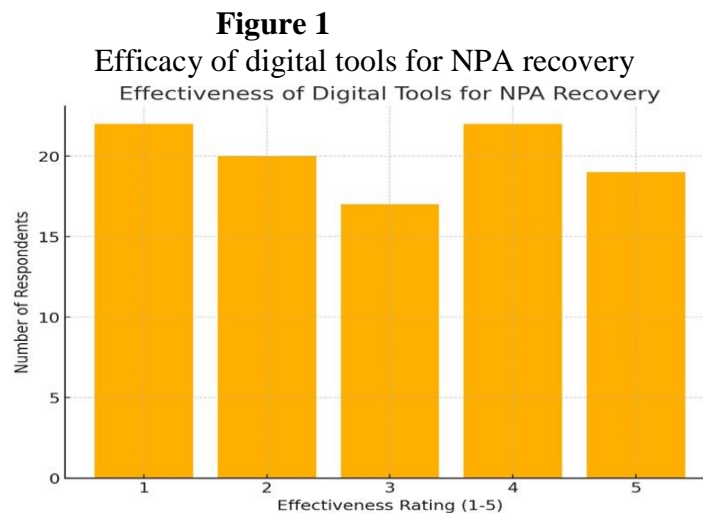### 3.1 Collection and Analysis

A purposive sampling technique was used to select participants for both the surveys and interviews. The sample has comprised officials from a selection of nationalized banks with. significant exposure to NPAs and those that have undertaken digitalization efforts in their recovery processes. Approximately 100 participants were targeted for the survey, representing different departments involved in NPA recovery and digitalization. For interviews, around 20 participants, including bank officials, digital transformation consultants, and legal experts familiar with the SARFAESI Act, was selected to gain diverse perspectives.

3.2 Effectiveness of Digital Tools (1-5 Scale)

A majority of the respondents scored the use of digital tools for NPA recovery to be at 3 or above on an ordinal scale. At the particular importance, this is an indication that online resources are perceived to be helpful in supporting recovery processes in most cases. The high value of utility ratings with 4 and 5 means that many people are satisfied with how Digital tools help to optimize work and the appearance of scores with a value of 1 and 2 shows that not all users experience high levels of optimization with those tools.

The variation of ratings could be due to Digital literacy difference, the extent to which these tools are interlinked with existing work processes or the difference in tools across the banks. It may be necessary for banks to redress some of these contrasts if they are to obtain high levels of effectiveness uniformly across all consumers (figure 1)

Figure 1
Efficacy of digital tools for NPA recovery

Figure 2
Reduction in time of recovering tools

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3.3 Time Reduction in Recovery Processes

Negative responses indicate that there is a time saving affiliated with the utilization of digital tools in the recovery process Most of the responses show a time saving range of 10-30% This outcome suggests that technology increases effectiveness in managing and recovering NPAs, as estimated by banks.

As highlighted with these time reductions it is seen that the primary operational benefit of the available digital tools is their ability to accelerate the process of assets recovery. However, if the changes have been relatively marginal, it could be that tool optimisation research is required to effect deeper time-saving differences (figure 2).

3.4 Transparency Increase in Recovery Process with Digital Tools

Most respondents noted an overall improvement in transparency with most categories pointing to moderate to high levels of change as influenced by digital tools. This might have led to increased transparency given that the digital tools render updated data, documentation of processes and traceable indications in the recovery process.

Greater stakeholder transparency has benefits such as improving the relationship with borrowers and also increases compliance with standard regulation. This may make it important for banks to sustain rather the focus on the digital tools that stress transparency in the process of recovery (figure 3).

Figure
Transparently increase

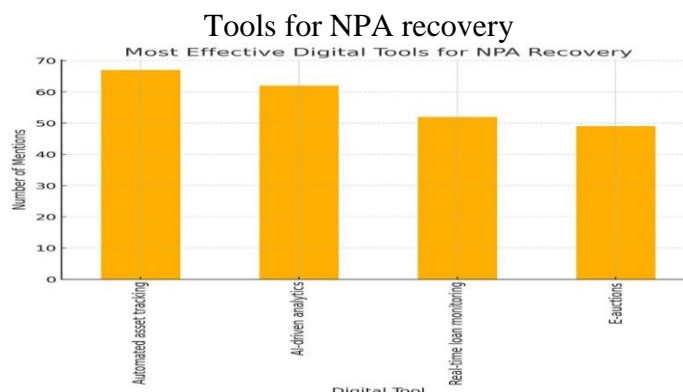Transparency Increase in Recovery Process with Digital Tools
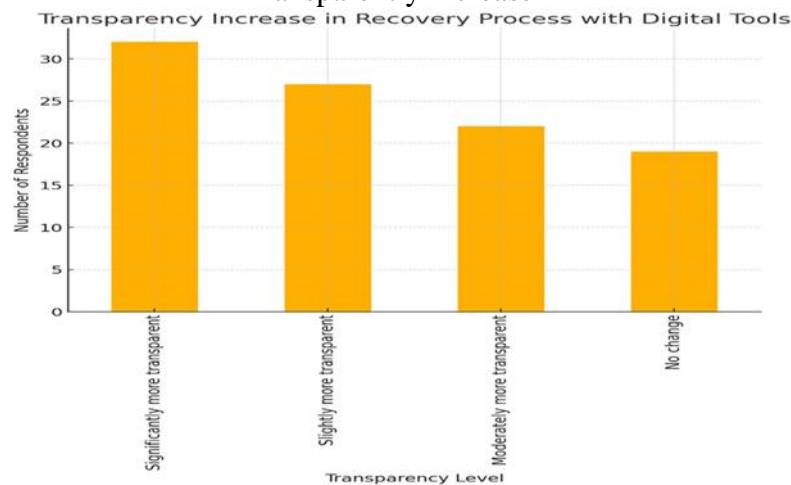
3.5 Most Effective Digital Tools for NPA Recovery

The most effective tools mentioned by the respondents are e-auctions and real-time loan monitoring, as well as automation of assets' tracking and AI analytics. This suggests that tools for asset disposal such as e-auctions and timely monitoring tools like real time tracking are highly relevant for the NPAs recovery.

These tools help to accomplish numerous tasks critical for the recovery process: e-auctions minimize some aspects of sales of assets, and real-time monitoring helps to manage risks more effectively. Banks could therefore consider deeper investment in such high impact tools and also look at further potential of AI analytics for predicting likelihood of NA debts (figure 4).

Figure 4

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Tools for NPA recovery

3.6 Challenges Faced in Using Digital Tools for NPA Recovery

These include regulation, the ability of technical infrastructure, and staff requirement for training as the main issues. Such problems point out typical challenges in the digital transition of the nationalized banks.

Lack of compliance could stem from a technical limitation, which can mean lack of infrastructure in some parts of the country or some branches of the banks or could be due to regulatory constraints in understanding how to map e-business activities with the SARFAESI Act. These issues have to be resolved through an appropriate regulation of NPA selling, the upgrade of necessary infrastructure, and the development of relevant training for employees to improve the efficiency of digital tools in the NPA recovery (figure 5).

**Figure 5**
Challenges in using digital tools for NPS
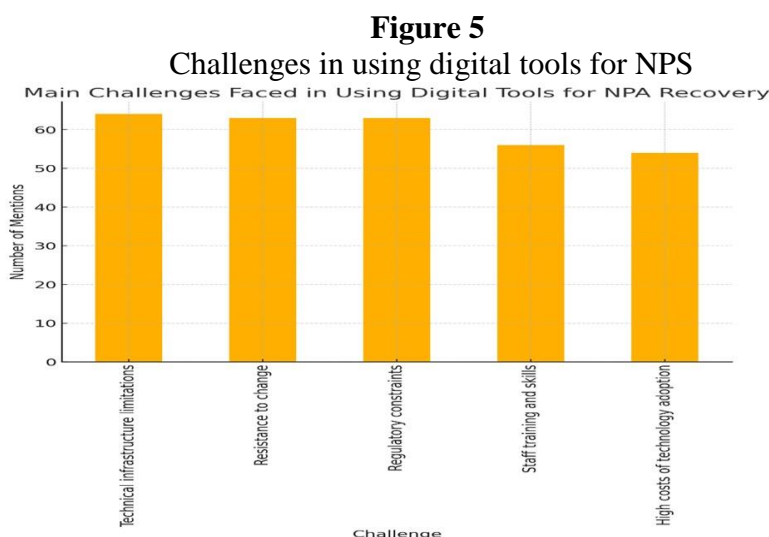
3.7 Alignment with SARFAESI Act Requirements

Opinion was divided about the extent to which digital tools meet SARFAESI Act needs, and a significant proportion of the sample deferred on this issue. Such variance suggests that most of the users may not fully appreciate how digital tools engage with regulatory directives, or there could be spaces where digital tools are not fully compatible with SARFAESI provision.

Availability of better regulatory directions concerning the admissible use of digital tools in NPA recovery or modification of provisions in SARFAESI Act to encompass digital tool as acceptable could go a long way in filling the said deficiency. Another intervention could be in the form of training or sensitisation where Banks undertake to explain the compliance requirements within continued use of the digital tools (figure 6).

Figure 6
Challenges in using digital tools for NPS
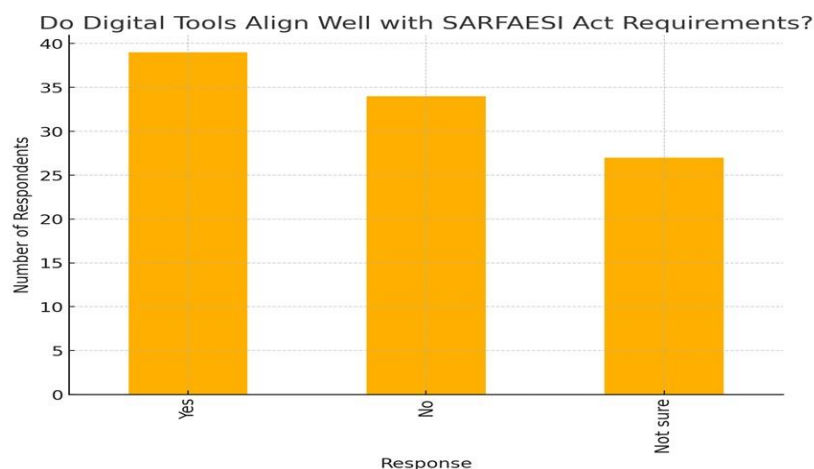
3.8 Likelihood of Future Investment in Digital Tools

About the likelihood of future investments in digital tools, a significant number of respondents selected `Likely' or 'Very Likely.' This shows the desire for continued investment a perceived value of digitalization in increasing the efficiency and effectiveness of recovery of NPA.

There is a higher acceptation of risks among banks in order to continue investing on new generations of tools to recover competitiveness. Such willingness could result in increased digital take up adding to the efficiency of recovery tasks and possibly decreasing NPAs in the future (figure 7).

Figure 7
Future investments in digital tools for NPS

Likelihood of Future Investment in Digital Tools for NPA Recovery
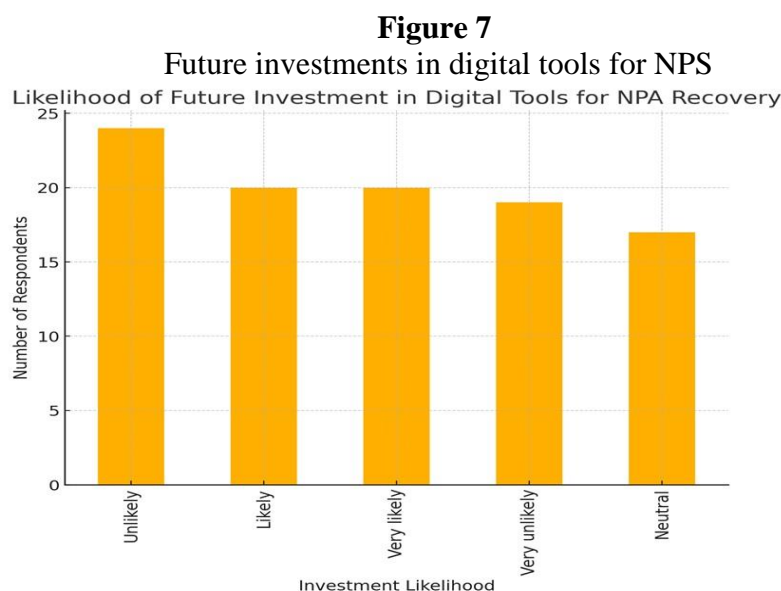
3.9 Key Areas for Improvement in Digital Tools for NPA Recovery

The most cited improvement areas were security, user, and integration with current systems of use. These responses are widespread with examples of challenges that Digitalization can experience in areas such as data security and preparedness of users.

Improving the profile of data security will be required since banks deal with sensitive recovery information. Further, the training procedure impacts the skills of using the digital tools among them properly by focusing on its comprehensive approach. Finally, the application of CMI integrated with existing systems is that it streamlines the office systems to minimize any compatibility problem affecting NPA recovery (figure 8).

Figure 8
Key area in digital tools impriovemnets for NPS

Key Areas for Improvement in Digital Tools for NPA Recovery
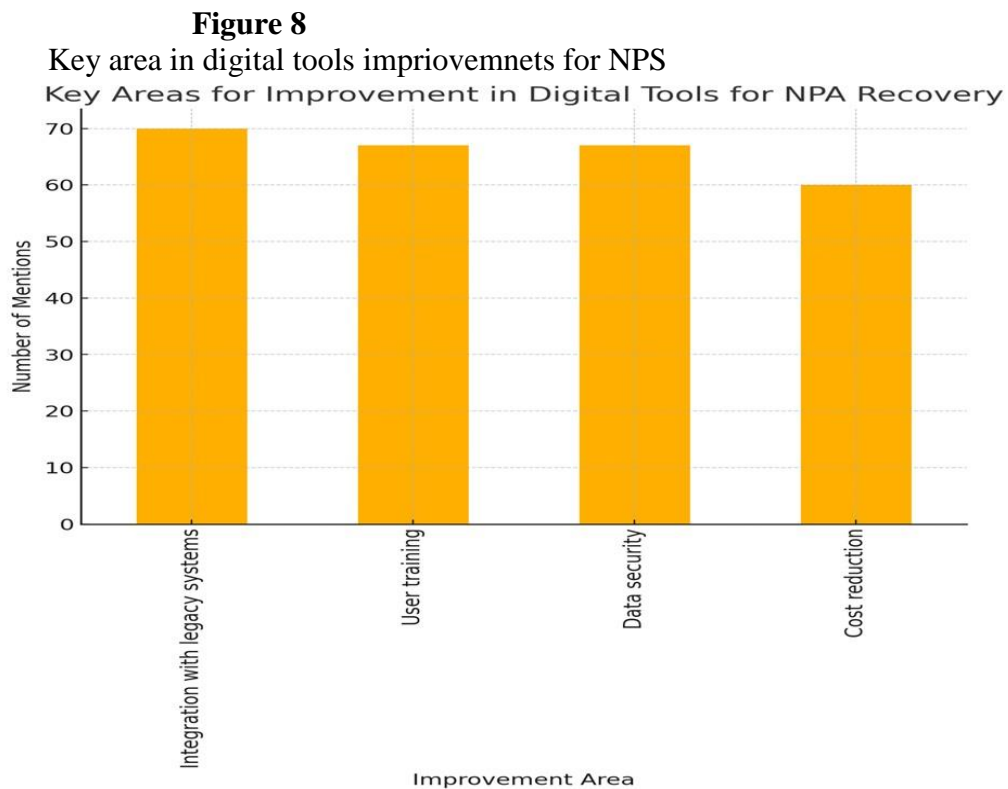
3.10 Summary of Interview Responses

| Category	Key Findings
Role Distribution	Insights gathered from diverse roles, including Recovery Officers, IT Managers, Legal Officers, Branch Managers, and Senior Managers, ensuring a balanced perspective.
Digital Tools Effectiveness	Majority find tools highly or moderately effective, particularly in enhancing recovery timelines and asset tracking. Minimal effectiveness noted by a small portion.
Impact on Efficiency and Transparency	Most respondents observed significant or moderate increases in efficiency and transparency, affirming the role of digital tools in reducing errors and improving visibility.
Primary Challenges	Regulatory compliance, technical infrastructure limitations, and training needs were the main challenges identified, reflecting barriers to seamless digital adoption.
SARFAESI Act Alignment	Mixed responses: Some tools align well, while others show partial or poor compliance, highlighting the need for clearer regulatory guidance and adaptations.
Future Outlook	Predominantly positive outlook, with respondents expecting continued investment in digitalization. Neutral or skeptical views point to areas needing targeted enhancements.

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4. Case Study of Selected Nationalised Banks:

To analyze the impact of digitalization on Non-Performing Asset (NPA) recovery, we examine data from three major Indian nationalized banks: State Bank of India (SBI), Bank of Baroda (BoB) and Union Bank of India (UBI) are the clients among the largest commercial banks in India.

### 4.1 NPA Recovery Rates Before and After Digitalization
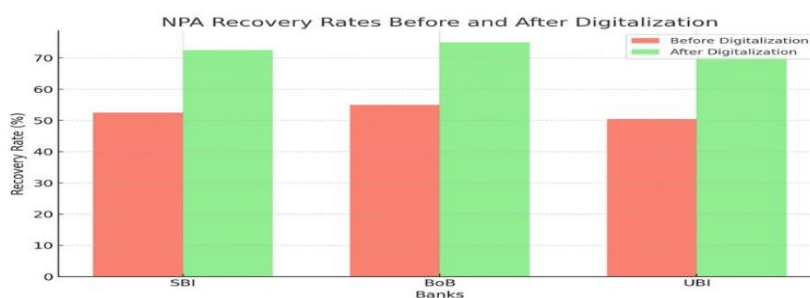
NPA recovery rates for SBI, BoB, and UBI before and after digitalization. All three banks show significant improvement in recovery rates post-digitalization. SBI leads with the highest recovery rates, followed by BoB and UBI.

4.2 Adoption Rates of Digital Tools in Banks
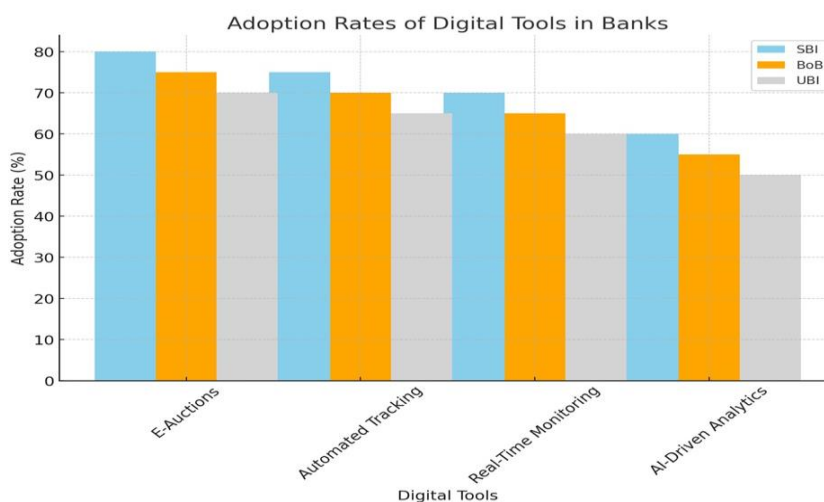
This bar chart represents the level of implementation of the digital tools; e-auctions, automated tracking, real-time monitoring and AI analysis in the three respective banks. SBI tops the chart in terms of the utilization of all the tools, which shows that the company has embarked on digital transformation.

4.3 Challenges in Digital Implementation
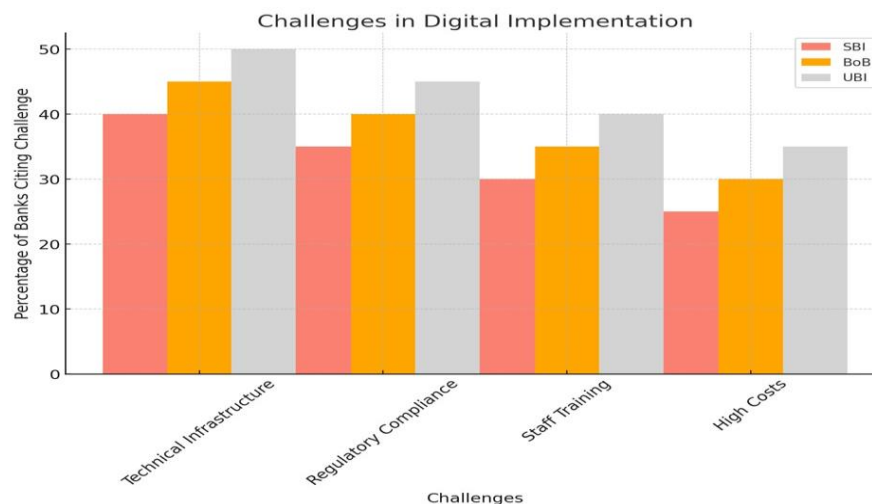
This bar chart shows the issues encountered by each bank for digital tools adoption under the aspects of technical supports, legal issues, human resource development and high cost. From the survey, UBI experiences the highest challenge in all aspects especially on technical infrastructure and regulations. SBI, on average, has the least challenges which make it better placed to embrace the digital transformation.

4.4 Key Insights:

Performance Improvements: The management of NPA recovery through the help of information technology has given new impetus to recovery rates to all the banks.

Adoption Focus: Consequently, such tools as e-auctions and auto tracking are prioritized as these are most beneficial at the early stage, whereas such tools as AI analytics should be promoted further.

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Challenges to Address: It is also important to note that clarity of regulations and establishment of infrastructure, particularly for UBI, can also improve the actual efficacy of digital in incremental NPAs recover.

5. Results
## 5.1 First results

Effectiveness and Efficiency Gains: In sum, all the data point to a positive picture of the current effect of the use of digital tools in terms of NPA recovery as depicted by most of the respondents in terms of efficiency and effectiveness. In the current study, the tendencies observed in charts indicate that the outcomes of the use of digital tools were perceived as being beneficial.

Areas for Improvement: Within the tools, lower rating in response to addresses the ratings and minimal time reduction responses prompt for development. Improved targeted training, tools, or better incorporation of existing recovery processes might be the panacea to standardization and improvement in digital solutions.

Potential for Broader Adoption: On this note and due to these positive effects noted the following banks may be encouraged to expand the use and investments in digital resources. Concentrated efforts in specific areas could bring even higher efficiency enhancements and better NPA carving out and recovery time shrinking (figure 9).

Figure 9.
Future Outlook on Digitalization in NPA Recovery:

Distribution of Future Outlook on Digitalization

Bar
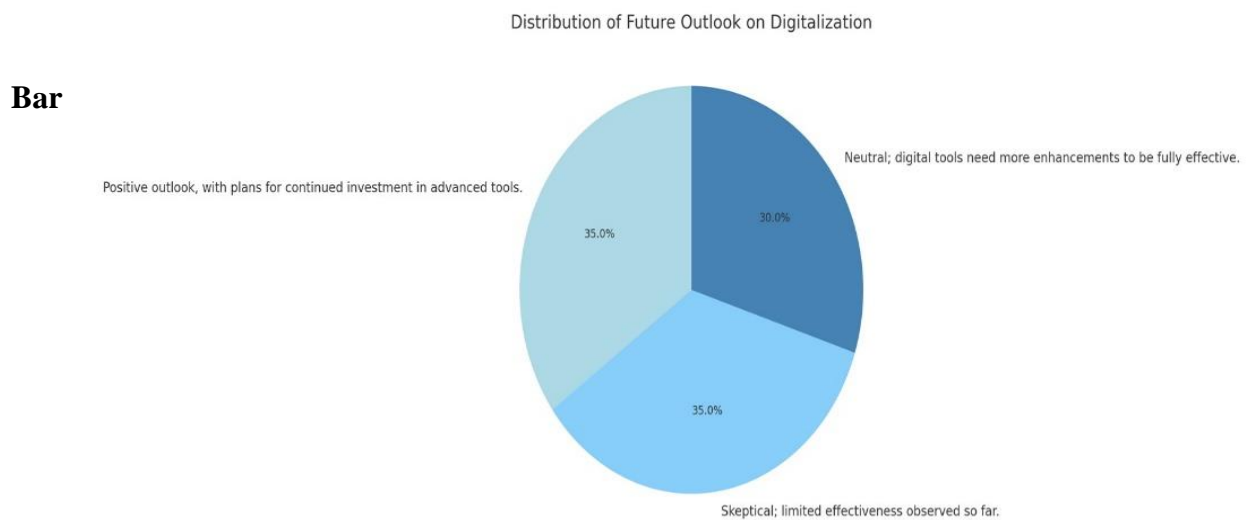
Chart:

Illustrates the responses given in different categories that include "Positive," "Neutral" and "Skeptical." says that a large number of respondents are optimistic in their attitude, and a smaller number of clients are either indifferent or doubtful (figure 10)

Figure 10.
Pie Chart
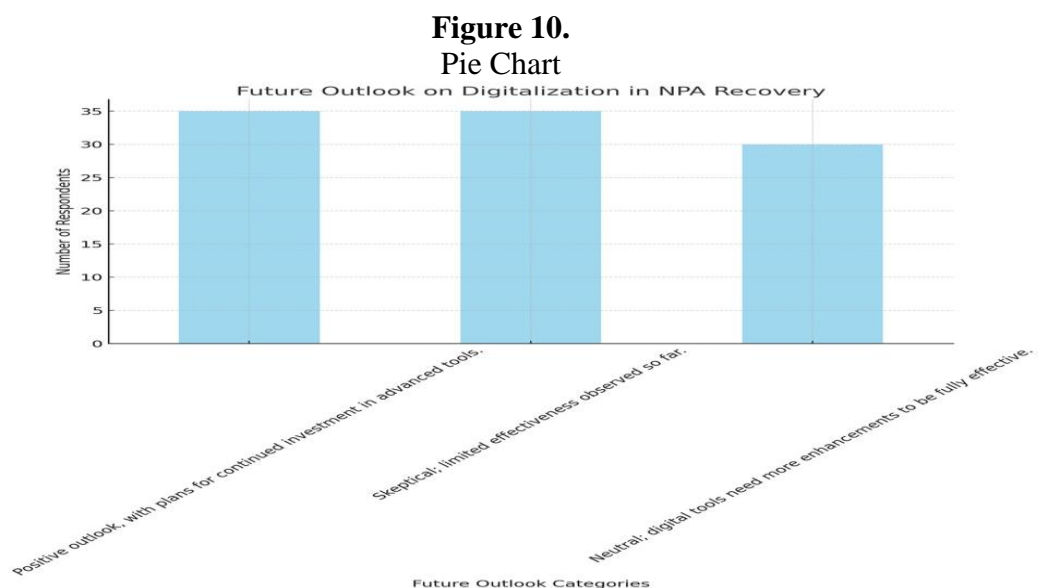
Shows the percentage of each response category in form of a graph. Also highlights that the majority of the respondents see the possibility of further investments and the development of digitalization as a positive course for the future. These bar charts sum up respondent attitude about future of digital tools in NPA recovery business quite well (figure 11)

Figure 11.

Correlation charts between Primary Challenges and Future Outlook on digitalization:
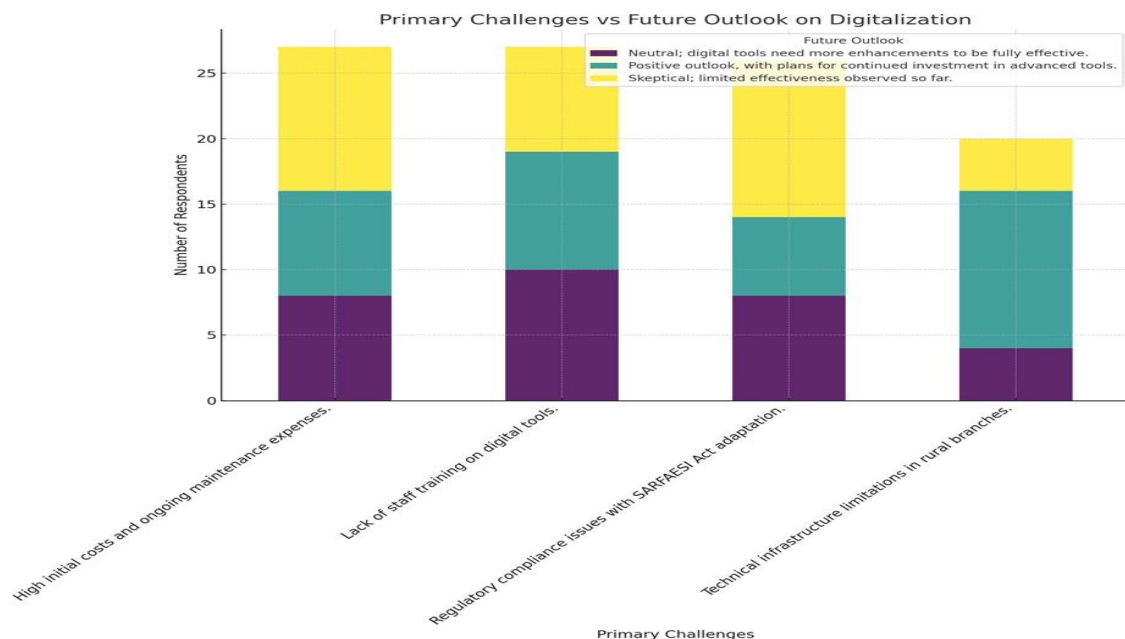
Heatmap:

Emphasizes how often certain responses synchronize to various outlook categories ("Positive," "Neutral," or "Skeptical"), bearing to particular challenges (for example, "Regulatory issues," "Technical limitations").

The darker colors show the magnitudes of the correlation coefficients, meaning where some challenges are more related to specific outlooks.

Figure 12.
Stacked Bar Chart:

Correlation Between Challenges and Future Outlook on Digitalization
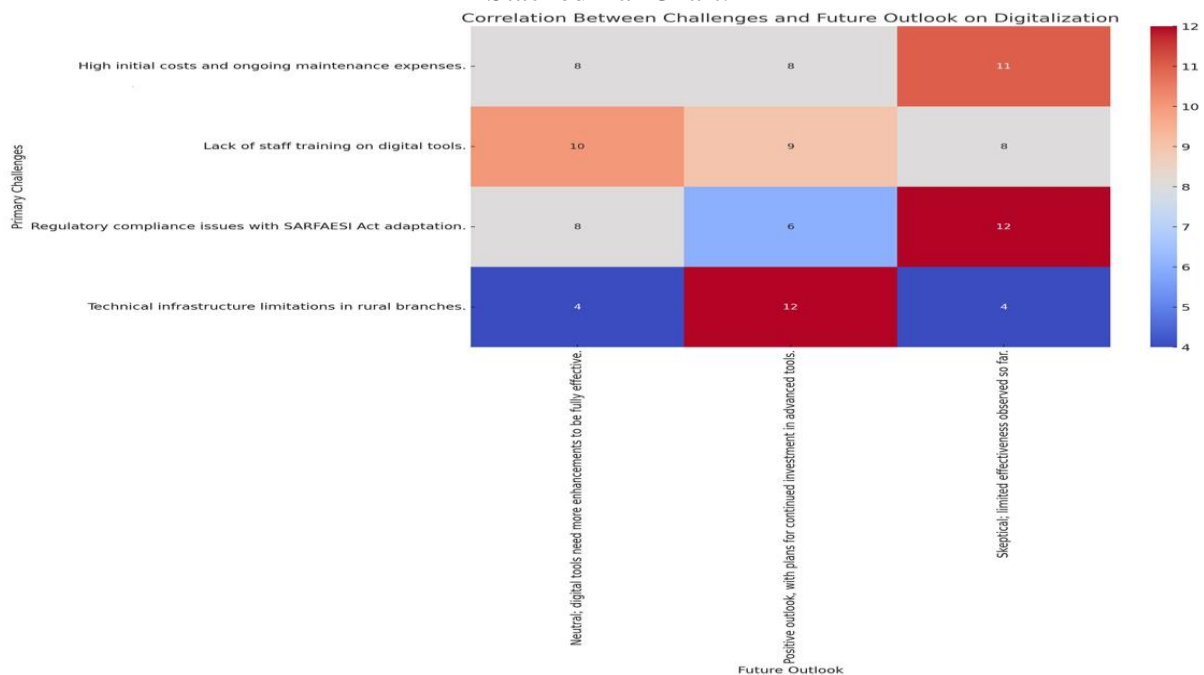
It demonstrates how the future outlook responses were distributed according to each of the main challenges. Allowing to get an idea of how various concerns produce optimism, neutrality, or skepticism on digitalization (figure 12).

5.2 Key Insights:

It can be found that regulatory issues and technical limitations are commonly connected with having a NEU/SKE outlook.

Train needs or costs obviously remain an issue which, however, the respondents do not view as predominantly negative because they still keep quite a rather positive signal.

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5.3 Chi-Square Test Explanation:

The test was used to determine whether the type of issue encountered (regulatory, technical, training, costs, etc.) systematically skews the respondents view, positive, neutral or skeptical.

5.4 Key Result:

$P = 0.193$, that is higher than 0.05 or 0.01.

This means that the main difficulties do not have statistically significant relationship with the further perspectives.

5.5 Interpretation

Although common barriers, including regulatory factors or technological constraints, arise, they do not define the respondent's optimism for digitalization systematically or create an absence of neutrality and skepticism.

6. General Conclusion and Suggestions

By analysing the survey data, one can get an impression of somewhat optimistic approach toward digitalization in NPA recovery. In digital tool context, all the mentioned tools are seen by the respondents as helpful and efficient for usage, they are connected with short recovery time and increased transparency, but the respondents defined the problems should be solved for the proper usage of the digital tools. Specifically, further development is required in the areas of regulation matching, support, and data protection to establish an integrated effective and compliant digital recovery environment.

6.1 Recommendations

Increase Training and Support: Undertake education for enhancement of competency of the personnel of the bank in the management and application of the digital equipment and the legal requirements in respect of the SARFAESI Act,2002.

Enhance Infrastructure: Mitigate for technical constraints by expanding investment in improved infrastructure – especially where branches are strained for resources.

Clearer Regulatory Guidance: Provide guidelines to the policymakers on how its usage will fit with the requirements highlighted in the SARFAESI Act,2002 to work on changing some of the regulations to allow for digital natural processes.

Prioritize Data Security: Expand the protection of data that is employed in digital NPA recovery, as the emphasis laid on the factor will likely intensify the need for data safety.

Therefore, from the survey data, IT appears to have a vast potential of enhancing the recovery of NPA disbursed through the banks, provided targeted enhancements are made such that the recovery becomes efficient, transparent, and capable of not being impacted by any given hurdle.

The implications arising from this study are positive in depicting the prospects of digital tools in improving the prospect of NPA recovery in nationalized banks. As evidenced by the survey and interview feedback on the use of these tools, e-auctions, loan monitoring real time and other high impact solutions, it was discovered that recovery success rates, efficiency and clarity are enhanced. Overall, a majority of the respondents adopted a high rating value on the efficiency of the adopted digital tools; they mentioned that the applied tools help in saving 10% to 30% of time and moderate to a highly significant level of process transparency. These benefits contribute to the argument that the use of digital tools functions to increase the overall operational performance of recovery in NPA's and a drive towards better accountability for distressed asset management. However, the study also reveals various challenges that might hinder the ability of firms to achieve maximum benefits from digital adoption. Regarding challenges, regulation and infrastructure were named as constraints, referring to the numerous problems associated with the integration of digital practices with SARFAESI Act regulations. Apart from that there are some emergent issues to emphasize: staff training and data security as digitalization requires not only experienced IT-professionals, but strong protections from the financial information as well. The mixed feelings towards the implementation of SARFAESI Act justify that, there is lack of proper guidelines for the use of technology in the organisation systems with reference to the legislated criteria.

Expectations for future utilization of digitalization in NPA recovery also remain optimistic, as most of the participants in the survey have expressed high expectations that investment in these recovering tools will continue to increase in the future. Banks are keen to continue building up these new platforms as they understand the high stakes and potential of the digital platform to deliver improved recovery period and lower NPAs. To maximize such potential, it is suggested that banks delve into these challenges that include regulatory, technical, and user bases. Improving these two areas shall ensure nationalized banks improve their efficiency in the usage of digital tools hence, establish a strong, efficient and effective NPA recovery mechanism. Thus, it can be stated that in restructuring the National Political Allegiance recovery the digital tools in the Nationalized Banks are already implemented well but specific enhancements have to be specially made for each and every area for the better performance consistently. By investing wisely in technology, extensive training of employees, and enhancing legal provisions banks would be in a better position to further enhance their recovery strategies which can lays a stable foundation for a digital banking revolution across the globe.

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