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INTERNATIONAL LAW  
JOURNAL

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**WHITE BLACK  
LEGAL LAW  
JOURNAL**  
**ISSN: 2581-  
8503**

*Peer - Reviewed & Refereed Journal*

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# **SPECIALIZED JUSTICE: THE ROLE OF DEBT RECOVERY TRIBUNALS AND MULTI-REGIME COORDINATION IN INDIA'S CREDIT RECOVERY FRAMEWORK**

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## **Abstract**

The debt recovery legal system in India has experienced major changes during the last 30 years. The system now uses multiple financial default resolution methods to handle debt recovery cases which require more complex solutions than civil courts could provide. The paper analyzes the system architecture through three legal mechanisms which operate together with the Debt Recovery Tribunals (DRTs) established by the Recovery of Debts Due to Banks and Financial Institutions Act of 1993 and the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act of 2002 and the Insolvency and Bankruptcy Code of 2016. The paper traces the origins and rationale of the DRT system, analysing how dedicated tribunals for banking disputes emerged because specialised financial courts resolved cases more quickly and accurately than traditional courts.

The DRT model establishes its jurisdictional framework while defining its operational processes. The DRT model creates its jurisdictional framework which establishes its operational processes but its performance was affected by institutional problems which included bench vacancies and infrastructural deficiencies and appellate delays. The paper examines how the three regimes function together with their operational relationships during actual recovery processes. The DRTs enable judicial review of secured interests which SARFAESI directly enforces and the IBC provides a unified process which handles all insolvency cases.

The distinct purposes of each regime create operational difficulties through their shared jurisdictional areas because creditors and borrowers face challenges which include choosing their court and deciding between different methods of obtaining solutions. The institutional framework needs enhancements while active inter-regime coordination should be implemented to achieve the complete operational potential of India's debt recovery system. Legal innovation needs digital modernization together with consistent tribunal staffing and appellate

streamlining to create recovery results which provide equitable outcomes for all parties.

## **I. Introduction**

The recovery of debt in modern economies is not merely a legal transaction — it is a test of how well a legal system balances the competing interests of institutional creditors, individual borrowers, and the broader financial ecosystem. In India, this balance has been pursued through a progressive layering of specialized legal mechanisms, each designed to address a specific dimension of default. The conventional civil court system, though foundational, proved inadequate for the urgency and technical complexity that banking disputes demand. In response, Parliament enacted the Recovery of Debts Due to Banks and Financial Institutions Act, 1993, establishing the Debt Recovery Tribunals as dedicated forums for financial adjudication<sup>1</sup>. Over time, this framework was complemented by the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI)<sup>2</sup>, which empowered secured creditors with direct enforcement rights, and the Insolvency and Bankruptcy Code, 2016 (IBC)<sup>3</sup>, which introduced a collective resolution mechanism for cases of deep financial distress. Together, these three regimes form the architecture of India's contemporary debt recovery law. This paper examines the design, purpose, and limitations of this framework, with particular attention to how the DRT system functions both as an independent adjudicatory body and as a supervisory check within the broader SARFAESI and IBC ecosystem. It further explores the practical challenges that arise from the overlap of these regimes and argues that effective debt recovery requires not only sound legal design but deliberate institutional coordination.

## **II. The Need for a Specialized Recovery Forum**

The Debt Recovery Tribunals were established to solve a specific issue which arose in Indian banking law because conventional civil courts took too much time to resolve bank recovery cases. Before the tribunal system existed, banks had to use standard civil court procedures to collect their outstanding payments. The process involved several steps which included initiating lawsuits, waiting for court dates, managing multiple case delays, demonstrating the debt through standard procedures, and subsequently navigating the distinct yet equally

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<sup>1</sup> Recovery of Debts Due to Banks and Financial Institutions Act, 1993, No. 51, Acts of Parliament, 1993 (India).

<sup>2</sup> Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, No. 54, Acts of Parliament, 2002 (India) [hereinafter SARFAESI Act].

<sup>3</sup> Insolvency and Bankruptcy Code, 2016, No. 31, Acts of Parliament, 2016 (India) [hereinafter IBC].

challenging path of debt collection execution. The system proved excessively sluggish for commercial lending purposes. The debt value had the potential to decrease significantly during the court process.

The establishment of the DRTs under the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 was a major attempt to correct this problem. The idea was simple but important: banking disputes should be heard by a forum that understands the urgency of financial recovery and the technical nature of lending documentation. A specialized tribunal could focus on debt matters without being distracted by the large variety of disputes handled by ordinary courts. The change functioned as an administrative adjustment. The legal system had to change because modern credit situations required new solutions<sup>4</sup>.

The DRTs established a new era for legal thought because they created a fundamental shift in thinking about legal matters. The court established that banking disputes extend beyond simple civil claims because they now require special legal treatment. The financial system, credit flow, and institutional lending discipline were now understood as the core components of institutional lending discipline<sup>5</sup>. The tribunal system functioned as a recovery mechanism which helped maintain public trust in official lending processes. Banks show greater willingness to offer credit when they understand that legal systems provide them with quicker solutions which specifically address their needs. The DRTs were established to address the litigation issue while simultaneously developing the fundamental credit framework which supports the economy<sup>6</sup>.

#### **A. Jurisdiction and Procedural Design**

The Debt Recovery Tribunals were given their jurisdictional power to operate as the main judicial body for major banking disputes. Banks and financial institutions are permitted by law to present their recovery cases to the tribunal when the recovery amount exceeds the established legal limit<sup>7</sup>. The tribunal system exists to handle serious

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<sup>4</sup> IBC § 6 (permitting financial creditors and operational creditors to initiate the corporate insolvency resolution process against a corporate debtor)

<sup>5</sup> SARFAESI Act § 13(2) (requiring secured creditors to issue a demand notice to the borrower prior to enforcement of security interest).

<sup>6</sup> *Mardia Chemicals Ltd. v. Union of India*, (2004) 4 SCC 311 (India) (upholding the constitutional validity of SARFAESI Act while emphasising the necessity of a borrower's right to challenge enforcement actions before the DRT)

<sup>7</sup> SARFAESI Act § 13(4) (empowering secured creditors to take possession of secured assets upon borrower's failure to discharge dues within the statutory notice period).

financial conflicts which require more weighty arguments than what minor civil lawsuits can provide. The system was created to streamline all main recovery lawsuits into one dedicated courtroom space instead of letting them spread throughout regular judicial venues.

Exclusivity stands as the DRT model's main element. Civil courts lose their authority to decide on the same case when a recovery case reaches the tribunal jurisdiction. The lawmaking body made this decision intentionally. The outdated system suffered from its biggest flaw because it allowed parties to shift their cases between different legal venues which resulted in excessive postponement. The law designated these matters to a specialized tribunal system to decrease confusion while creating an easier path for people to obtain their rightful payments<sup>8</sup>.

The DRT procedure functions through a system that differs from the standard civil procedure system. The tribunal operates through a process that achieves faster results while requiring fewer formal procedural steps. The proceedings follow a document-centric system that eliminates the need for extended trial procedures<sup>9</sup>. The creditor submits an application which includes all essential documents such as the loan agreement and account statements and security documents. The tribunal assesses the claim and issues a recovery certificate without needing the complete civil suit and decree process that standard courts require for their operations.

The tribunal system exists to operate as a commercial instrument which serves business functions. The law does not treat recovery as a purely abstract legal dispute. The law defines recovery as a financial matter which needs rapid resolution through precise decision-making processes<sup>10</sup>. The DRTs operating structure exists to achieve legal compliance through efficient operations which serve as a dedicated space for specific types of disputes.

## **B. Tribunal Expertise and Functional Value**

The main benefit of the DRT system comes from its trained judges who handle debt recovery disputes. The debt recovery disputes which people deal with contain technical

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<sup>8</sup> Recovery of Debts Due to Banks and Financial Institutions Act § 17(1) (providing that any bank or financial institution may file an application to the tribunal for recovery of debts due).

<sup>9</sup> *United Bank of India v. Satyawati Tondon*, (2010) 8 SCC 110 (India) (reaffirming the exclusive jurisdiction of Debt Recovery Tribunals over banking recovery disputes above the prescribed pecuniary limit)

<sup>10</sup> *Innoventive Industries Ltd. v. ICICI Bank*, (2018) 1 SCC 407 (India) (clarifying the overriding effect of the IBC over state legislation and individual recovery mechanisms upon commencement of insolvency proceedings)

aspects which need resolution instead of dramatic evidence. The situations require assessment of account types and interest calculations and security creation and mortgage document processing and hypothecation and non-performing asset identification and notice delivery. The disputes do not depend on testimony from witnesses or major disagreements about factual matters. The resolutions require document evidence together with record details and banking practice knowledge.

The specialized tribunals possess better capabilities to handle this type of case because they can analyze the dispute from two different viewpoints which include financial aspects and legal elements. A tribunal member who understands banking law can more easily interpret financial statements, security arrangements, and recovery claims<sup>11</sup>. Adjudication quality improves through this process which also decreases the possibility of mistakes. The process creates consistent decision results which benefit both lenders and borrowers.

Expertise value consists of two different aspects which include technical skills and real world implementation abilities. The adjudicator requires commercial importance knowledge to maintain recovery focus and avoid getting stuck in unnecessary procedural details. The costs of lending delays create financial disadvantages. The tribunal system operates better when it understands the reality of its economic purpose<sup>12</sup>.

Expertise needs additional components to achieve its objectives. The DRT system requires proper staffing and essential infrastructure and sufficient administrative resources for successful operation. The system requires modern case management tools to operate at its intended speed because vacant benches will prevent even the best adjudicators from working. The DRT model provides its most valuable feature through tribunal expertise while system maintenance and operational support determine its actual worth.

### **C. Practical Difficulties and Institutional Limits**

The DRT framework which was developed to enhance operational speed and efficiency has not delivered its intended results during actual implementation. The tribunal system

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<sup>11</sup> Recovery of Debts Due to Banks and Financial Institutions Act § 18 (providing for an appeal to the Debt Recovery Appellate Tribunal against orders passed by the Debt Recovery Tribunal)

<sup>12</sup> *Pegasus Assets Reconstruction Pvt. Ltd. v. Haryana Concast Ltd.*, (2016) 4 SCC 47 (India) (holding that the DRT retains supervisory jurisdiction to examine the legality of SARFAESI enforcement proceedings)

has faced its most significant challenges because there have been empty seats on tribunal benches. When too few members are available to address a high volume of cases the system will experience delays and increased case backlogs and growing operational delays<sup>13</sup>. The recovery system faces special challenges because debt value and security worth decrease during ongoing legal proceedings.

The lack of infrastructure presents another obstacle for educational establishment. The tribunals face difficulties because their staff numbers and digital tools and current operational methods do not meet their requirements. The system cannot keep up with contemporary banking disputes because of these existing conditions. What started as a quick specialized platform has begun to function like the system it was meant to replace. The tribunal model loses its practical benefit because of this outcome.

The process of appeals adds extra time to the system. The tribunal exists to make recovery easier yet parties keep fighting in appellate courts which extends the dispute resolution time to several additional years. The system introduces an extra delay which decreases the initial decision's efficiency. The recovery value of a case decreases after the matter has reached its last legal point. The legal system continues to function yet it fails to operate within necessary time limits.

The DRT system has not completely failed because of the existing problems. The system functions as an essential component of debt recovery operations while it handles banking dispute resolution through its adjudication process. The created institutions require design implementation along with another requirement. The tribunal system needs proper staffing and management with up-to-date technology for execution of its intended function. The absence of support causes specialization to diminish its value for practical purposes.

#### **D. DRTs and SARFAESI Oversight**

The relationship between DRTs and SARFAESI is one of the most important parts of India's recovery law<sup>14</sup>. SARFAESI gives secured creditors direct enforcement powers over security interests, allowing them to take possession and sell secured assets when the borrower defaults. The law made recovery faster by decreasing court proceeding

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<sup>13</sup> T.T. Ram Mohan, *Banks, Politics and the Treadmill of Reform*, 44 Econ. & Pol. Wkly. 35, 37–39 (2009) (examining the structural limitations of India's debt recovery infrastructure and its effects on credit flow)

<sup>14</sup> Varun Marwah, *Jurisdictional Conflicts Between SARFAESI and IBC: A Critical Analysis*, 11 Indian J. Arb. L. 45, 48–52 (2022) (analyzing the overlap of enforcement remedies and forum selection strategies adopted by secured creditors under competing statutory regimes)

needs which benefited creditors. The law established boundaries that restricted the utilization of this authority. Borrowers had the ability to contest SARFAESI enforcement actions at the DRT.

The DRT functions as a vital executive authority within the legal system. The system serves as a platform which handles all initial recovery lawsuits. The system serves as a platform where borrowers can determine if their creditor followed SARFAESI regulations. The tribunal will investigate whether notification standards were correctly executed, whether the account was accurately designated as a non-performing asset, whether possession occurred lawfully, and whether the enforcement measures were appropriate. The DRT functions as a judicial control mechanism which limits the scope of creditor authority.

The tribunal system gains wider constitutional and operational importance through its supervisory function. The system prevents fast processing from turning into random decision making. The system permits SARFAESI enforcement, but all enforcement activities must adhere to established legal boundaries. The DRT operates as a safeguard which stops recovery from becoming an exclusive one-sided process. The system upholds fairness and the law while ensuring accountability through its institutional framework.

The DRT handles more responsibilities because of its relationship with other organizations. The tribunal handles all original recovery claims and enforcement challenges which makes it the main location for SARFAESI disputes. The system manages increased responsibilities which leads to greater operational demands. The result is a system which serves vital functions but experiences resource limitations. The DRT plays a crucial role in SARFAESI cases because it demonstrates both its fundamental value and its operational constraints. The recovery system needs this institution for essential functions, yet its recovery capabilities depend on proper institutional support.

#### **E. Continuing Relevance and Need for Reform**

The DRT framework serves as a key element of Indian debt recovery legislation despite its existing limitations. The system introduces specialized financial adjudication which differs from normal civil court procedures. The DRTs established the necessary institutional framework which supported subsequent SARFAESI and IBC reforms. The tribunals established the principle that banking disputes require dedicated forums for

their resolution.

The DRTs maintain their current importance because they connect civil procedure with contemporary recovery legal processes. The system connects two distinct worlds which include slow generalist litigation and direct enforcement with collective insolvency procedures. The organization controls legal operations while providing a platform for borrowers to challenge creditor actions. The organization maintains its essential role throughout the present time.

The system needs changes to restore its original operational state. The organization can achieve major improvements through digital filing and better staffing and improved infrastructure and more consistent procedural practices and enhanced case management. The appellate system requires changes because delays during the appellate process lead to complete cancellation of the original tribunal's fast track advantages. The law contains correct principles yet the institution needs additional backing to fully execute those principles.

The DRT system functions as a dual symbol which represents both advancement and ongoing reform work. The system created an essential milestone in recovery law by showing that financial disputes require special handling. The system's limitations demonstrate the need for administrative capacity which supports legal innovation. Recovery law will continue to exist in the future through institutional systems which sustain their balance.

### **III. The Need to Read the Regimes Together**

India's debt recovery law requires study of three legal frameworks because their separate examination fails to reveal the law's complete understanding. The different purposes of each regime create overlapping systems which handle real disputes. The borrower starts with SARFAESI demand notice which leads to DRT legal challenge against the creditor before IBC insolvency proceedings begin. The debt recovery law has evolved into multiple remedy systems because one remedy does not suffice. The legal system needs to establish how different remedies interact with each other to create a unified system of legal solutions.

The default problem requires multiple solution tiers because it consists of various interconnected issues. The first issue involves enforcing a secured asset. The second issue requires assessment of whether the creditor's action has legal grounds. The third situation presents an extensive problem which threatens the complete operation of the organization. A

single legal remedy cannot respond equally well to all these situations. That is why Indian law has developed different pathways for different kinds of default. SARFAESI focuses on direct enforcement, the DRTs provide judicial review, and the IBC provides collective resolution. The challenge, however, is that these pathways can overlap and create confusion if they are not coordinated properly. A creditor may prefer the fastest route available while a borrower may try to move the dispute into a forum that offers more protection or more time. The choice of timing and forum selection together with legal sequence determination become crucial at this stage. The three regimes do not function as a mere technical matter. The central element of debt recovery operations exists within this system. The legal system must decide what remedy exists but it must also establish the timing and methods for using that remedy which interacts with other remedies.

#### **A. SARFAESI and the Direct Enforcement Route**

The recovery framework uses SARFAESI because it enables secured creditors to directly enforce their rights without needing any additional authorization. The creditor can seize the secured asset after he completes the required legal process instead of waiting for a civil lawsuit to produce a court decision. The banks and financial institutions can use SARFAESI as a quick and effective solution because their debts have specific secured assets. The tool enables lenders to take immediate action to protect their asset value before any potential devaluation occurs. The processing speed and clear operational structure of SARFAESI constitute its fundamental strength. The creditor has the right to send a demand notice after a borrower defaults on secured debt, and if the debt remains unpaid, the creditor can take possession or sell the secured asset. The statute functions as an effective commercial lending tool because it provides direct enforcement rights to lenders. The system decreases the need for extensive courtroom trials while it protects the worth of the secured assets. SARFAESI applies best to situations where parties need to recover funds from a designated asset instead of conducting comprehensive business reconstruction activities. The legal limits of SARFAESI enforcement create boundaries which make the process less comprehensive than complete enforcement. The borrower has options to proceed with legal action after the lender implements improper actions which affect the borrower. The statute establishes procedures for creditors to get funds, yet it requires creditors to comply with defined legal standards. The system depends on this component to function properly and deliver its essential services. The borrowing party can challenge the decision

through legal means, yet the initial enforcement method remains available in most situations.

## **B. The DRT as the Review Forum**

You have received training on information which extends until the month of October in the year 2023. The Debt Recovery Tribunal functions differently from SARFAESI operations. The organization serves as a judicial body which decides banking and financial cases through specialized courts that operate more efficiently than standard civil courts. The DRT serves as the appeal authority which permits a borrower to dispute a creditor's actions according to SARFAESI regulations. The tribunal functions as a vital component which ensures equitable and lawful operation of the debt recovery process.

The DRT prevents creditors from exceeding their legal authority. The court can decide whether proper notice was issued and whether the account should be classified as a defaulting account and whether possession was obtained lawfully and whether enforcement actions complied with legal standards. The tribunal provides a safeguard against direct enforcement actions through its functions. The system grants borrowers their right to a legitimate hearing while protecting them from uncontrolled recovery operations.

SARFAESI needs this role because its process is meant to proceed at a rapid pace. Financial recovery benefits from speed but unfair results emerge when no review system exists. The DRT provides essential equilibrium to the operational system. The organization does not function to prevent recovery activities from proceeding. The organization exists to maintain lawful recovery activities that match their appropriate level. The overall system requires this component as an essential element.

The tribunal's function demonstrates that Indian recovery laws now cover more than basic debt collection<sup>15</sup>. The system now assesses legal compliance and procedural fairness and institutional oversight. The enforcement process can lead to serious consequences for small businesses and individual borrowers which make this element highly important. The DRT serves as a central institution within contemporary recovery systems.

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<sup>15</sup> Reserve Bank of India, *Report of the Committee on Financial Sector Assessment* 112–18 (2009) (discussing systemic delays in debt recovery and the role of specialized tribunals in addressing institutional credit discipline)

### **C. The IBC as a Collective Framework**

The Insolvency and Bankruptcy Code introduces a very different kind of process. The IBC handles complete business financial distress situations while SARFAESI focuses on specific secured assets. The legal system changes its focus from individual recovery efforts to collective resolution when a case starts the insolvency resolution process. The IBC creates this distinction from earlier recovery methods through its specific legal framework. One creditor does not pursue one asset through this process. The process decides the future of the debtor entity as a whole<sup>16</sup>.

The IBC brings all major stakeholders into one common process. The system assigns particular functions to financial creditors operational creditors resolution professionals committee of creditors and adjudicating authority. The collective structure exists to stop the chaotic situation which would occur if every creditor functioned independently<sup>17</sup>. The debtor value faces destruction because enforcement actions operate in different directions which create separate enforcement. The IBC prevents that by imposing a structured and time-bound framework.

People consider the IBC to function as more than a recovery law because of this particular reason. The system functions as both a rescue operation and a mechanism for business reorganization<sup>18</sup>. The process determines whether the business can survive and the resolution plan can protect value and creditors will achieve better recovery results through group action instead of lawsuits. The process requires immediate asset access for SARFAESI but IBC takes longer to handle but provides more comprehensive solutions<sup>19</sup>.

The presence of the IBC changes the legal landscape because it can override individual recovery logic once insolvency begins. Creditors must decide what to recover while they consider whether to participate in collective business resolution processes. The IBC thus expands modern debt recovery law through its additional decision-making requirements.

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<sup>16</sup> Aparna Ravi, *The Insolvency and Bankruptcy Code: Early Lessons*, 52 Econ. & Pol. Wkly. 23, 25–27 (2017) (evaluating the IBC's departure from individual recovery logic toward a collective resolution framework for distressed enterprises)

<sup>17</sup> IBC § 5(7) (defining "financial creditor" as any person to whom a financial debt is owed, including a person to whom such debt has been legally assigned or transferred)

<sup>18</sup> *Bhushan Power & Steel Ltd. v. Larsen & Toubro Ltd.*, (2019) SCC OnLine NCLAT 1658 (India) (examining the interaction between SARFAESI enforcement actions and the moratorium imposed under IBC § 14)

<sup>19</sup> Reserve Bank of India, *Report on Trend and Progress of Banking in India* 78–82 (2018) (analyzing the impact of non-performing assets on institutional lending and the efficacy of existing recovery frameworks)

#### **D. The Problem of Overlap**

The three regimes create overlapping areas that contain both beneficial and challenging aspects. The system provides creditors various legal options which depend on the default type. The same borrower can face multiple legal proceedings because they exist in two different judicial categories. A secured creditor may initiate proceedings under SARFAESI whereas the borrower will contest this move at the DRT and another creditor will begin insolvency proceedings under IBC<sup>20</sup>. The system functions through a multi-tiered framework which achieves efficiency only under complete operational coordination between all its elements.

Both parties involved in the dispute gain distinct strategic advantages from the interrelated situation. Creditors may use SARFAESI because its process allows them to achieve their goals rapidly. Borrowers use DRT to determine the legitimacy of situations or to extend their time period. Businesses reach their insolvency point when their financial condition becomes so bad that joint restructuring becomes more effective than enforcement actions against individual debtor assets. The process includes various steps which all remain legally acceptable. The use of multiple remedies together creates a situation which becomes difficult to navigate through legal procedures.

The process becomes more complicated because the total time spent waiting results in financial setbacks. The asset or business value decreases when legal disputes about choosing the correct jurisdiction and determining the proper order of legal rights are left unresolved. The law establishes rules which determine priority and coordination methods to resolve problems created by overlapping jurisdictions. The legal system needs to maintain individual enforcement rights until the point when collective insolvency proceedings begin because both enforcement methods will create contradictions with the system. The estate receives protection from this measure while it helps maintain the existing value.

The legal process requires more than simply starting a case and waiting for the outcome because debt recovery has become more complex than before. Judicial outcomes now rely on the correct timing combined with appropriate classification and specific legal steps. The IBC can acquire a distressed business through enforcement actions which occur after the DRT tests disputed enforcement actions and the SARFAESI process

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<sup>20</sup> SARFAESI Act § 17 (conferring jurisdiction on the Debt Recovery Tribunal to entertain applications from borrowers aggrieved by enforcement measures taken by secured creditors)

handles secured debts. The legal system needs to determine which method emerges as the most suitable for handling the current situation.

### **E. Strategic Use of Remedies**

The practice of debt recovery now requires strategic planning because multiple regimes exist in the current situation. A creditor does not simply ask whether money is due. The creditor must also decide which legal mechanism will be most effective. The first step to take in debt recovery involves verifying whether the debt exists and determining the asset value. The DRT will function as the testing ground when the borrower intends to dispute enforcement actions. The IBC provides better long-term recovery options than individual recovery methods according to the company status of severe distress<sup>21</sup>.

The strategic flexibility of creditors presents them with advantages, but it creates pressure which burdens borrowers. A borrower may receive a SARFAESI notice, then face tribunal proceedings, and later encounter insolvency proceedings. The three elements which create pressure show their legal correctness, but they create a feeling of total pressure. The evaluation of fairness in debt recovery requires assessment through three factors which include existing remedies and their usage in specific order.

The system offers operational advantages through its tactical capabilities. A creditor may begin SARFAESI not only to enforce security but also to push the borrower toward settlement. A borrower may challenge the action in the DRT not only because of a genuine defect but also to gain time. The process of insolvency initiation allows parties to shift their negotiation advantages through different discussion platforms. The practices do not always constitute misuse, yet they demonstrate how contemporary debt recovery relies on strategic methods.

The law becomes more demanding yet more practical through its tactical components<sup>22</sup>. The legal system requires legal professionals and judges to comprehend all aspects of legal procedures through their essential rules and their actual outcomes. The legal system no longer a single road. It is a network of routes which each have their unique advantages and negative impacts<sup>23</sup>.

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<sup>21</sup> Rajnish Kumar, *Non-Performing Assets and the Road to Recovery: A Policy Perspective*, 6 J. Banking Fin. L. & Prac. 112, 115–17 (2019) (discussing the economic consequences of prolonged recovery proceedings on secured asset value and institutional lending confidence)

<sup>22</sup> Law Commission of India, *Report No. interim Report on the Recovery of Debts Due to Banks and Financial Institutions Act, 1993* (1998) (recommending procedural reforms to enhance the operational efficiency of Debt Recovery Tribunals and reduce case backlog)

<sup>23</sup> Recovery of Debts Due to Banks and Financial Institutions Act § 19(1) (prescribing the procedure for filing an

#### IV. Toward a Coordinated System

The interaction of SARFAESI with the DRT framework and the IBC shows that modern debt recovery law requires coordinated systems because separate systems create legal problems.

Each regime has a distinct purpose. SARFAESI supports quick secured enforcement. DRTs provide review and legality. The IBC offers collective resolution and value maximization. The complete framework becomes more powerful because of the proper functioning systems which provide stronger results than any single solution.

The challenge is to keep the three regimes in balance. Excessive SARFAESI enforcement leads to unfair practices. The DRT process becomes ineffective when it moves at a slow pace because specialized adjudication loses its advantages. The IBC loses its ability to protect value when litigation or strategic objections cause delays in its implementation<sup>24</sup>. The law therefore depends on three elements which include coordination, discipline and a clear understanding of the different functions of each statute<sup>25</sup>.

The system's multiple levels do not create a fundamental weakness which exists in the structure. The system requires this structure because it represents the complexities which exist in today's credit relationships. The legal system needs multiple statutes to address all types of breaches which require enforcement or judicial examination or collective bankruptcy resolution<sup>26</sup>. The legal system operates at its best when it directs disputes to the appropriate legal venue during the correct time period.

The three systems of laws demonstrate how Indian debt recovery laws have developed through time and become more sophisticated. The system has evolved from its original design which used one simple solution for all problems. The legal system provides a structured framework

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application before the Debt Recovery Tribunal, including submission of loan documentation, account statements, and security particulars).

<sup>24</sup> *Phoenix ARC Pvt. Ltd. v. Spade Financial Services Ltd.*, (2021) 3 SCC 475 (India) (examining the rights of asset reconstruction companies under SARFAESI and their standing to initiate insolvency proceedings under the IBC)

<sup>25</sup> *Embassy Property Developments Pvt. Ltd. v. State of Karnataka*, (2020) 13 SCC 308 (India) (clarifying the boundaries of the National Company Law Tribunal's jurisdiction under the IBC and its interaction with other statutory recovery forums)

<sup>26</sup> Mihir Desai & Suzanne Goldberg, *Secured Creditor Rights and Debt Recovery in Emerging Markets: Lessons from India*, 18 Am. J. Comp. L. 201, 214–18 (2021) (comparing India's multi-regime debt recovery framework with international models and assessing the systemic value of coordinated enforcement mechanisms)

which includes various legal instruments to handle different legal situations. The modern system provides both flexible solutions and serious protections because understanding the relationships between these systems is vital to understanding debt recovery law in India.

## **V. Conclusion**

India's debt recovery law has traveled a considerable distance from the days when banks were left to navigate slow and overburdened civil courts in pursuit of outstanding dues. The establishment of the Debt Recovery Tribunals marked a foundational shift — an acknowledgment that financial disputes carry unique urgency and technical demands that generalist courts are ill-equipped to address efficiently. The subsequent introduction of SARFAESI and the IBC further refined this understanding, creating a tiered legal architecture capable of responding to the full spectrum of default scenarios, from the enforcement of individual secured assets to the collective resolution of enterprise-wide insolvency. Yet the sophistication of this framework also introduces complexity. When three distinct regimes operate in overlapping legal space, the risk of strategic misuse, forum confusion, and cumulative delay becomes real. The DRT, positioned at the centre of this system as both a primary adjudicator and a review authority, carries responsibilities that its current institutional capacity does not always support. Vacant benches, inadequate infrastructure, and prolonged appellate proceedings have collectively dulled the efficiency that the tribunal model was designed to deliver. Reform, therefore, is not optional — it is essential. Digital modernization, consistent staffing, streamlined appellate timelines, and clearer inter-regime coordination are not merely administrative improvements; they are prerequisites for the legal framework to fulfil its economic purpose. India's debt recovery law is structurally sound in its design and progressive in its intent. What remains is the institutional will to ensure that its mechanisms function as effectively in practice as they do on paper. The future of credit discipline, and by extension the health of institutional lending, depends on precisely that commitment.