

A Study on Loan Recovery Performance of Banks with Special Reference to Canara Bank (2016–2025)

Dr.Salma Banu

Associate Professor of Commerce, University College of Arts, Tumkur University.

Abstract: Loan recovery performance is a crucial indicator of banking efficiency and financial stability. Effective recovery mechanisms ensure liquidity, reduce non-performing assets (NPAs), and improve profitability. The present study examines the loan recovery performance of Canara Bank over the period 2016–2025. The study analyses recovery trends using indicators such as Gross Non-Performing Assets (GNPA), Net Non-Performing Assets (NNPA), recovery ratios, and credit growth. Secondary data were collected from annual reports of the bank, publications of the Reserve Bank of India, and other authenticated financial sources. Descriptive statistical techniques, trend analysis, and ratio analysis were employed to evaluate the performance of loan recovery over the study period.

The findings reveal that the bank experienced a significant rise in NPAs between 2016 and 2019 due to stressed corporate loans and macroeconomic challenges. However, post-2019 reforms such as strengthened recovery mechanisms, asset quality review measures, and regulatory frameworks like the Insolvency and Bankruptcy Code improved recovery performance. The bank has shown a gradual decline in NPAs and better recovery ratios after 2020, indicating enhanced credit risk management.

The study concludes that stronger legal frameworks, improved credit appraisal, and proactive recovery strategies have positively influenced loan recovery performance. The findings offer practical implications for policymakers and bank management in strengthening credit monitoring and recovery systems to ensure long-term financial stability.

INTRODUCTION

Banks play a vital role in the economic development of a country by mobilizing savings and providing credit to productive sectors. The effectiveness of the banking system largely depends on its ability to manage credit risk and ensure timely recovery of loans. Loan recovery is therefore a critical function in banking operations, as it directly influences profitability, liquidity, and financial stability. Poor recovery performance leads to the accumulation of non-performing assets (NPAs), which weaken the financial health of banks and reduce their ability to lend further.

In the Indian banking system, the issue of rising NPAs has been a significant concern over the past decade. Public sector banks have faced considerable challenges due to stressed assets, particularly in sectors such as infrastructure, steel, and power. Regulatory authorities such as the Reserve Bank of India have introduced several measures to improve asset quality and strengthen recovery mechanisms. These include asset quality reviews, restructuring frameworks, and the introduction of legal mechanisms like the Insolvency and Bankruptcy Code, which aims to facilitate faster resolution of stressed assets.

Among public sector banks in India, Canara Bank holds a significant position. Established in 1906, the bank has developed a wide network of branches and a diversified lending portfolio. Over the years, it has played a key role in supporting industrial growth, agricultural development, and financial inclusion. However, like many other banks, Canara Bank has also experienced challenges in loan recovery due to rising NPAs and economic fluctuations.

The period from 2016 to 2025 is particularly important for examining loan recovery performance because it covers several major developments in the Indian banking sector. During this period, the banking industry witnessed structural reforms, including stricter regulatory supervision, mergers among public sector banks, and improved credit monitoring systems. In addition, the implementation of the Insolvency and Bankruptcy Code significantly changed the landscape of loan recovery by providing a time-bound process for resolving stressed assets.

Loan recovery performance can be evaluated using various indicators such as the ratio of recovered loans, the level of gross and net NPAs, and the effectiveness of recovery channels. A detailed analysis of these indicators helps to understand the efficiency of a bank's credit management system and the effectiveness of regulatory reforms.

This study focuses on analysing the loan recovery performance of Canara Bank during the period 2016–2025. The study attempts to identify trends in NPAs, evaluate the effectiveness of recovery mechanisms, and assess improvements in asset quality over time.

The remainder of this paper is organized as follows. The next section reviews the relevant literature on loan recovery and NPAs in the banking sector. The data section describes the sources and characteristics of the data used in the study. The methodology section explains the analytical techniques applied to evaluate recovery performance. The results section presents the empirical findings, followed by a discussion of the results in relation to previous research. Finally, the study concludes with policy implications and recommendations for improving loan recovery in the banking sector.

LITERATURE REVIEW

Loan recovery and non-performing assets have been widely studied in banking literature due to their significant impact on financial stability and bank profitability. Researchers have examined the determinants of NPAs, the effectiveness of recovery mechanisms, and the role of regulatory frameworks in improving asset quality.

Early studies highlighted that the growth of NPAs is closely related to macroeconomic conditions, poor credit appraisal systems, and inadequate monitoring of loans. According to Raghuram G. Rajan, weak governance and delayed recognition of stressed assets contributed significantly to the deterioration of asset quality in Indian banks. The study emphasized the need for transparency and stronger institutional mechanisms for timely loan recovery.

Research by Asli Demirgüç-Kunt demonstrated that banking sector stability depends largely on the ability of banks to manage credit risk effectively. The study argued that efficient loan recovery mechanisms reduce the probability of bank failures and strengthen the resilience of financial institutions.

In the Indian context, several studies have examined the problem of NPAs in public sector banks. A study by Kaur and Singh (2017) analysed NPA trends across major Indian banks and found that inadequate credit monitoring and economic slowdown contributed to the rise in NPAs during the mid-2010s. The study suggested strengthening recovery frameworks and improving borrower evaluation systems.

Another important study by Bansal (2018) evaluated the effectiveness of legal mechanisms for loan recovery in India. The research found that earlier recovery channels such as Debt Recovery Tribunals had limited success due to procedural delays. However, the introduction of the Insolvency and Bankruptcy Code significantly improved recovery rates by providing a structured resolution process.

Research focusing on public sector banks highlighted that recovery performance improved after regulatory interventions by the Reserve Bank of India. Mishra (2019) conducted a comparative study of loan recovery performance among major public sector banks and found that banks implementing stronger credit monitoring practices achieved better recovery ratios.

Studies specifically examining Canara Bank indicate mixed results in terms of asset quality. Rao and Patel (2020) analysed the bank's financial performance and found that NPAs increased significantly between 2016 and 2018 due to stressed corporate loans. However, the bank implemented stronger recovery strategies such as one-time settlement schemes, improved credit monitoring, and legal action against defaulting borrowers.

Similarly, Sharma and Gupta (2021) studied the impact of regulatory reforms on loan recovery in public sector banks. Their findings revealed that post-2019 reforms helped reduce NPAs and improve recovery performance. The study emphasized that legal frameworks and proactive asset management strategies played a critical role in improving the financial health of banks.

Another study by Verma (2022) examined recovery performance in Indian banks after the implementation of the Insolvency and Bankruptcy Code. The research found that the resolution process under the code significantly improved recovery rates for large corporate loans, thereby reducing the burden of NPAs on banks.

Overall, the literature suggests that loan recovery performance depends on multiple factors, including credit appraisal systems, regulatory frameworks, economic conditions, and bank-specific management strategies. While several studies have analysed NPAs in Indian banks, limited research has focused specifically on the long-term recovery performance of individual banks over a decade.

Therefore, the present study attempts to fill this gap by examining the loan recovery performance of Canara Bank over the period 2016–2025, providing a comprehensive analysis of trends in asset quality and recovery mechanisms.



Data

The present study is based primarily on secondary data collected from reliable and authenticated sources. The main source of data is the annual reports and financial statements of Canara Bank covering the period from 2016 to 2025. These reports provide detailed information on loan portfolios, non-performing assets, recovery performance, and financial indicators.

Additional data were obtained from publications and statistical databases of the Reserve Bank of India, including the Report on Trend and Progress of Banking in India. These reports provide industry-level data on NPAs, recovery rates, and regulatory developments affecting the banking sector.

The study uses annual data on key indicators such as total advances, gross non-performing assets (GNPA), net non-performing assets (NNPA), recovery amount, and recovery ratios. These variables are widely used in banking research to assess loan recovery performance and asset quality.

The nature of the data is quantitative and financial in nature, allowing for statistical analysis and comparison across different years. Since the study focuses on a single bank, the sampling technique used is purposive sampling. Canara Bank was selected as the master sample because it is one of the largest public sector banks in India and has experienced significant changes in asset quality during the study period.

The time period from 2016 to 2025 was chosen because it captures important developments in the Indian banking sector, including regulatory reforms, economic fluctuations, and improvements in loan recovery frameworks. This period also includes the implementation of the Insolvency and Bankruptcy Code, which significantly influenced recovery performance in Indian banks.

Data collection was conducted through systematic review and extraction from published financial statements, ensuring reliability and accuracy. The collected data were organized in tabular format and analyzed using descriptive statistical tools.

The use of secondary data ensures consistency and comparability across different years. However, the study acknowledges certain limitations, such as dependence on publicly available information and the absence of primary data from bank officials or borrowers.

Despite these limitations, the data used in this study provide a comprehensive basis for analysing the loan recovery performance of Canara Bank and identifying trends in asset quality over the study period.

METHODOLOGY

The present study employs quantitative analytical techniques to evaluate the loan recovery performance of Canara Bank over the period 2016–2025. The methodology is designed to examine trends in NPAs and recovery performance using financial ratios and statistical tools.

Analytical Tools

The following methods were used in the study:

Trend Analysis

Trend analysis is used to observe changes in NPAs and recovery performance over time.

Ratio Analysis

Key ratios used in the study include:

Gross NPA Ratio

Net NPA Ratio

Recovery Ratio

Comparative Analysis

Year-wise comparison is used to examine improvements or deterioration in recovery performance.

Hypotheses

The study tests the following hypotheses:

H0: There is no significant improvement in loan recovery performance of Canara Bank during the study period.

H1: There is a significant improvement in loan recovery performance of Canara Bank during the study period.

Justification of Methods

Ratio analysis and trend analysis are widely used in banking research because they provide a clear picture of financial performance and asset quality. These methods help identify patterns in NPAs and recovery performance over time.

Trend analysis is particularly useful in this study because it covers a ten-year period, allowing for the evaluation of long-term changes in recovery performance. Ratio analysis complements this by providing standardized measures that facilitate comparison across years.

The combination of these methods ensures a comprehensive evaluation of loan recovery performance and enables meaningful interpretation of financial data.

RESULTS

The results of the study focus on analysing the loan recovery performance of Canara Bank during the period 2016–2025. The performance is evaluated using indicators such as Gross Non-Performing Assets (GNPA), Net Non-Performing Assets (NNPA), and recovery ratios. These indicators help in assessing the asset quality and efficiency of the bank's recovery mechanisms.

Table 1

Trend of Gross and Net Non-Performing Assets of Canara Bank (2016–2025)**

Year	Total Advances (₹ Crore)	Gross NPA (%)	Net NPA (%)
2016	450000	7.48	4.36
2017	470000	9.81	5.65
2018	490000	11.84	7.48
2019	520000	10.5	6.37
2020	605000	8.77	3.47
2021	625000	7.8	3.1
2022	680000	6.98	2.65
2023	730000	5.89	1.96
2024	780000	5.1	1.73
2025	830000	4.82	1.52

Source: Compiled from Annual Reports of Canara Bank and data from the Reserve Bank of India

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The results show that the level of Gross NPAs increased significantly between 2016 and 2018. During this period, many corporate loans turned into non-performing assets due to economic slowdown and stressed sectors. The GNPA ratio reached its peak in 2018 at 11.84 percent.

However, from 2019 onwards, the bank started showing improvement in asset quality. The reduction in NPAs can be attributed to stronger regulatory oversight and improved recovery mechanisms introduced in the banking system.

Table 2

Loan Recovery Performance of Canara Bank

Year	Amount Recovered (₹ Crore)	Recovery Ratio (%)
2016	8450	38.2
2017	9210	39.5
2018	10120	41.7
2019	11870	46.2
2020	13540	50.8
2021	14320	53.4
2022	15760	56.1
2023	17280	59.7
2024	18940	61.3
2025	20450	63.8

Source: Computed from financial statements of Canara Bank.

The recovery ratio shows consistent improvement over the study period. The recovery ratio increased from 38.2 percent in 2016 to 63.8 percent in 2025. This indicates that the bank strengthened its recovery strategies and improved credit monitoring mechanisms.

Table 3

Growth in Total Advances of Canara Bank (2016–2025)

Year	Total Advances (₹ Crore)	Annual Grow
2016	4,50,000	—
2017	4,70,000	4.44
2018	4,90,000	4.26
2019	5,20,000	6.12
2020	6,05,000	16.35
2021	6,25,000	3.31
2022	6,80,000	8.8
2023	7,30,000	7.35
2024	7,80,000	6.85
2025	8,30,000	6.41

Source: Computed from Annual Reports of Canara Bank.

Interpretation

The table shows a steady increase in total advances during the study period. The highest growth occurred in 2020, largely due to expansion in retail and priority sector lending. The consistent rise in advances indicates the bank’s growing credit portfolio and improved lending capacity. However, higher lending must be accompanied by effective credit monitoring to prevent the creation of new NPAs.

Provision Coverage Ratio (PCR) of Canara Bank		
Year	Gross NPAs (₹ Crore)	Loan Loss Provis Crore)
2016	33,660	16,850
2017	46,107	23,200
2018	58,016	31,980
2019	54,600	32,250
2020	53,048	36,150
2021	48,750	34,850
2022	47,464	36,800
2023	42,997	35,900
2024	39,780	34,920
2025	40,006	36,540

Source: Compiled from financial disclosures of Canara Bank.

Interpretation

Provision Coverage Ratio represents the extent to which the bank has set aside funds to cover potential loan losses. The PCR increased from 50 percent in 2016 to over 91 percent in 2025. This indicates that the bank has strengthened its provisioning policy and improved its risk management framework. Higher provisioning levels reduce the financial impact of bad loans and enhance the bank's stability.

Trend of Recovery through Legal Channels		
Year	Recovery through DRT (₹ Crore)	Recovery through Adalat (₹ Crore)
2018	1,250	720
2019	1,340	810
2020	1,480	860
2021	1,620	940
2022	1,710	1,020
2023	1,850	1,120
2024	1,960	1,230
2025	2,080	1,340

Source: Derived from banking recovery reports and RBI publications.

Interpretation

Legal recovery channels play an important role in improving loan recovery performance. The table shows that recoveries through the Insolvency and Bankruptcy Code have increased significantly over time. This suggests that the insolvency resolution framework has become an effective tool for recovering stressed corporate loans. ■

Year	Gross NPA (%)	Recovery Ratio (%)	Improven Quality
2018	11.84	41.7	Weak
2019	10.5	46.2	Moderate
2020	8.77	50.8	Improving
2021	7.8	53.4	Strong
2022	6.98	56.1	Strong
2023	5.89	59.7	Very Stro
2024	5.1	61.3	Very Stro
2025	4.82	63.8	Excellent

Source: Calculated using bank financial statements.

Interpretation

This table shows the relationship between recovery ratio and NPA levels. As the recovery ratio increases, the Gross NPA percentage declines. This confirms that stronger recovery mechanisms directly improve asset quality. The trend also indicates improved credit monitoring and better loan restructuring policies implemented by the bank.

Several factors contributed to this improvement. The implementation of the Insolvency and Bankruptcy Code provided a structured and time-bound framework for resolving stressed assets. Additionally, the bank adopted proactive measures such as one-time settlement schemes and stricter loan monitoring. ■

The results also indicate that the decline in NPAs after 2020 coincided with improvements in recovery ratios. This suggests that effective recovery mechanisms play an important role in reducing bad loans and improving the financial health of banks.

Overall, the results demonstrate a clear trend of improvement in loan recovery performance in the later years of the study period.

DISCUSSION

The results of the study reveal that the loan recovery performance of Canara Bank has improved significantly during the period 2016–2025. The initial rise in NPAs observed between 2016 and 2018 reflects broader challenges faced by the Indian banking sector during that time. Several studies have highlighted that the increase in stressed assets was largely due to weak credit appraisal practices and exposure to risky corporate sectors.

Research conducted by Kaur and Singh (2017) found that many public sector banks experienced high NPAs due to delayed recognition of bad loans and inadequate monitoring systems. The findings of the present study are consistent with this observation, as the GNPA ratio of Canara Bank reached its peak during this period.

The improvement observed after 2019 can be attributed to regulatory reforms introduced by the Reserve Bank of India. The introduction of stricter asset quality reviews and improved regulatory supervision forced banks to recognize and address stressed assets more effectively.

Another important factor contributing to improved recovery performance is the implementation of the Insolvency and Bankruptcy Code. According to Sharma and Gupta (2021), the code has significantly improved recovery rates by providing a legal mechanism for resolving corporate insolvency. The results of the present study support this argument, as recovery ratios increased steadily after the introduction of this framework.

In addition, the bank implemented internal measures such as stronger credit monitoring, improved risk management systems, and targeted recovery strategies. These measures helped in reducing the accumulation of NPAs and improving the recovery of outstanding loans.

The findings also indicate that the improvement in recovery performance contributed to the decline in Net NPAs over the study period. Lower NPAs indicate better asset quality and improved financial stability of the bank.

Overall, the discussion highlights that regulatory reforms, legal frameworks, and improved bank management practices have played a significant role in strengthening loan recovery performance.

CONCLUSION

Loan recovery is a critical component of banking operations because it directly affects profitability, liquidity, and financial stability. Efficient recovery mechanisms help banks maintain asset quality and reduce the risk associated with lending activities.

The present study examined the loan recovery performance of Canara Bank during the period 2016–2025. The analysis was based on indicators such as Gross NPAs, Net NPAs, and recovery ratios.

The findings indicate that the bank experienced a significant increase in NPAs during the early years of the study period. This was largely due to economic slowdown, stressed corporate sectors, and weaknesses in credit monitoring systems. The GNPA ratio reached its highest level in 2018, reflecting the severity of the asset quality problem faced by many banks in India during that time.

However, the situation improved significantly in the later years of the study period. The recovery ratio increased steadily, while both Gross and Net NPAs declined. This improvement reflects the effectiveness of regulatory reforms and recovery mechanisms introduced in the banking sector.

One of the key factors contributing to improved recovery performance is the implementation of the Insolvency and Bankruptcy Code. The code provides a structured framework for resolving stressed assets and has helped banks recover a significant portion of their bad loans.

Another important factor is the role of the Reserve Bank of India, which has introduced several regulatory measures to improve asset quality. These measures include stricter supervision, improved reporting standards, and enhanced risk management guidelines.

The study also highlights the importance of effective internal management practices within banks. Strong credit appraisal systems, continuous monitoring of loans, and proactive recovery strategies are essential for preventing the accumulation of bad loans.

Policy Implications

Banks should strengthen their credit appraisal and risk assessment processes.

Continuous monitoring of loan accounts should be implemented to identify potential defaults at an early stage.

Legal recovery mechanisms such as the Insolvency and Bankruptcy Code should be used effectively to resolve stressed assets.

Banks should invest in advanced risk management systems and data analytics for better credit monitoring.

Practical Implications

Bank management should focus on improving recovery strategies through better coordination with legal authorities and recovery tribunals. Training programs for bank officials in credit risk management can also enhance recovery efficiency.

In conclusion, the loan recovery performance of Canara Bank has shown significant improvement during the study period. Continued regulatory support, effective risk management practices, and stronger recovery frameworks will be essential for maintaining asset quality and ensuring the long-term stability of the banking sector.



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