

Digital Tools and Recovery

Retail NPA Diagnostic & ULI Solution

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Background → Bank Context → Recovery Setup → Traditional Strategy → Diagnosis → Digital Strategy (ULI) → Implementation → Outcomes

Industry Context and Problem Statement

Banks classify **NPAs** based on the **duration** the account remains in **default (>90 days)** and the severity of recovery risk into **three types**: **Substandard** (up to 12 months), **Doubtful** (over 12 months), and **Loss Assets** (uncollectible). These classifications dictate mandatory **provisioning** norms, impacting bank **profitability**.

Industry context

- Rising Non Performing Assets (NPAs) are a systemic challenge for retail portfolios.
- Retail loans: low ticket size per account but very high account volumes.
- Recovery cost per account often exceeds recoverable value for small NPAs.

Mandate / Objective

- Reduce total NPA amount while achieving a **20% reduction in NPA account count**.
- Maintain or lower cost of recovery; improve traceability and compliance.

ABC Bank NPA Snapshot

- **Total NPA accounts:** 2,16,065
- **Accounts below 25 lakh:** 2,06,170 (95.42% of accounts)
- **Outstanding from these accounts:** 6.72% of total NPA outstanding
- **Implication:** *High volume, low value* — operational burden is high.

Key diagnostic insight

A small number of large accounts drive most of the outstanding value; the bulk of accounts are low-value retail NPAs that inflate operational workload and recovery cost.

Recovery Actions Taken and Early Outcomes

Actions implemented

- **Right to set off** against FDRs / alternate accounts.
- **Recovery Task Forces** for field tracing and negotiation.
- **SARFAESI notices** for secured accounts. [Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest]
- **Lok Adalats** and compromise settlements for negotiated closures.
- Daily monitoring and escalation matrix.

Measured outcomes

- Immediate recoveries via set-off: **60 crore** realized.
- Speed of recovery: **slow** for large volumes; legal routes resource-intensive.
- Operational cost per recovered rupee: **high** for small-ticket accounts.

Root-Cause Analysis of Retail NPA Problem

Primary issues identified

- **Poor / fake KYC:** records leading to untraceable borrowers.
- **Data fragmentation:** fragmentation prevents a unified, holistic view of the borrower.
- **Borrower behavior:** many defaulters have capacity but avoid repayment.
- **High unit cost:** legal and field recovery costs exceed recoverable amounts for many accounts.

Operational consequences

- Low closure velocity for retail NPAs.
- Inefficient allocation of recovery resources.
- Compliance and audit trail gaps in manual processes.

Why a Digital-First Approach is Required

- Manual tracing and legal routes are not scalable for high-volume retail NPAs.
- Effective recovery requires **real-time data**, **automated verification**, and **standardized workflow** framework.
- A unified interface to external digital services can reduce time-to-contact, improve evidence quality, and lower per-account costs.

Strategic objective

Deploy a technology-enabled, compliance-first recovery pipeline that reduces account count rapidly while optimizing cost and preserving recoverable value.

Digital Tools as Game Changer

Strategy used

- Use digital footprint instead of physical address

Tools

- Social media
- PAN CIBIL data

Better ways

- Unified Lending Platform
- OSINET (Open Source Intelligence)

Unified Lending Interface (ULI) — Overview

What is ULI?

- A **single unified Platform** providing standardized access to multiple digital services (credit bureaus, identity, property records, bank account validation, GSTN, etc.).

Core capabilities relevant to recovery

- **Automated borrower tracing** using PAN/Aadhaar/property/GST linkages.
- **Real-time credit and account verification** (CIBIL, bank validations).
- **Consent management** and immutable audit trails for regulatory compliance.

Expected benefits

- **Faster contact rates** and reduced time-to-first-recovery.
- **Lower unit recovery cost** through automation and prioritization.
- **Improved compliance** via consented data and audit logs.
- **Better segmentation**: identify collectible vs. strategic write-off accounts.

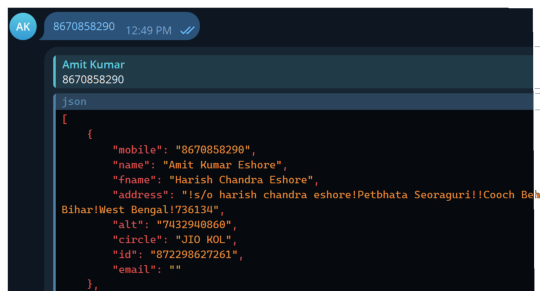
ULI Services Mapped to NPA Recovery

Service to recovery mapping

- **Land record services & Property search** — verify collateral ownership, locate encumbrances, support SARFAESI and repossession decisions.
- **ID / Document verification (PAN, Aadhaar) & Account validation** — trace borrowers, validate KYC, enable automated set-off against alternate accounts.
- **Credit bureau integration** — score and prioritise accounts for recovery effort; segment collectible vs strategic write-off.
- **Account aggregator / Bank validations** — detect available balances for immediate recovery; trigger automated set-off workflows.
- **Satellite imagery / Domain data** — corroborate asset existence and condition for secured loans (vehicles, farm assets).
- **Consent management & audit trails** — ensure regulatory compliance for data-driven recovery actions and provide immutable evidence for disputes.

Open Source Intelligence

OSINT Framework, is a structured collection and map of free tools, websites, and resources for gathering publicly available data, organizing it by category (social media, usernames, domains, etc), and converting it into actionable intelligence for cybersecurity, investigations, and research. It acts as a central starting point for finding leaked data, and exploring the internet's vast public information landscape.



Questions?