

## **PREFACE**

*During the year 1990 Govt. of India faced critical situation of balance of payment and it pledged gold in international bank. Non-transparency in financial account system in bank resulted in weak banking system. Political pressure & intervention in respect of sanctioning loans also started playing the role. The high level of NPA's become the serious problem. The RBI has initiated several measures to reduce NPA's over a period of time.*

*As per recommendations of NARSIMHAM COMMITTEE Commercial banks and then after Urban Co-op Banks Implemented the Income recognition, Asset classification, Provisioning & other related matters. The basic idea behind this was to classify the assets into income generating & non-income generating assets.*

*The RBI issued guidelines for recovery of dues under OTS scheme and through Lok Adalats. In 1993 Debt Recovery Tribunals were established for speedy recovery of overdues. Despite of all these measures taken by RBI & Govt. of India, the commercial banks could not succeed in reducing their NPA's. Due to poor credit appraisals & inadequate post credit monitoring & delays in legal system, heaps of NPA's have increased.*

*All these reasons prompted to enact a law which imparts justice to bank & FI's as well as borrowers. Thus SARFAESI ACT enacted in 2002. This act has been step in the right direction to reduce the NPA level. The wide powers to bank & FI's for enforcing its securities and Asset Reconstructions will definitely manage the NPA's in future.*

*Sangli :-*

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