



THE IMPACT OF SARFAESI ACT 2002 IN REDUCING NON-PERFORMING ASSETS OF INDIAN SCHEDULED COMMERCIAL BANKS

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ABSTRACT

The banking sector in India is in catastrophe due to the raise in burden of bad loans, provisioning and the fall in the profitability of Indian scheduled commercial banks. The growth in economy predominantly depends on the smooth and profitable functioning of banking institutions. The RBI Statistics reveals that the annual growth of bank credit in India, had crossed 30% in 2004-2007 considered as the boom years, has declined to 9.7% in 2014-15 and further to 9.4% in the first half of 2015-16. This observed decline in credit growth has pretentious profit for scheduled commercial banks. Therefore it is necessary for bank management to trim down NPAs improving the financial health in the banking system. The SARFAESI ACT 2002 which was introduced by the recommendation of Narasimham Committee II has been instrumental, and it helped banks to recover the identified NPA without intervention of the court by allowing the bank to recover the loan by acquiring / possessing the financial assets pledged or mortgaged with the bankers at the time of availing of loans by borrowers. This research has been carried out to test the Impact of SARFAESI Act 2002 in reducing Non-Performing Assets of Indian scheduled commercial banks. The paired t-test has been used test whether there is significant change in level of Net NPAs after the enactment of SARFAESI Act 2002 or not.

Key Words: SARFAESI Act 2002, NPA, Recovery, Lending, Narsimham Committee.