INTRODUCTION

The Institution of Banking is in vogue in India from the ancient period onwards in one form or another. Banking was a part of our ancient village civilization and the village economy was very much depended up on the bankers. The bankers in the early stages were local money lenders and indigenous bankers. Their commercial and social outlook had undergone tremendous changes under different political setup which held the reign at the particular area at different times. The advent of Islam and the Mughal rule in India has made some significant changes in the structure of rural banking. However the credit of institutionalizing the banking Industry goes to the British rulers. It was under the British rule that the presidency banks were established and the concept of banking companies have evolved and developed.

Banking has influenced the economy to a great extent and also become popular even before the independence. In the post independence period the operation of banking has not only reached every walk of life of the people, but also started taking social responsibly too.

The role of banking has undergone major changes both in attitude and operation since independence. The abundance of social cause shouldered by them has no doubt weakened the health of the banks. Political reasons could be attributed to this situation. The situation just before the economic reforms and the formulation of new economic policy was alarming, if viewed from the point of banks healthy existences. The banks in India were by enlarging the business at one hand. On the other hand the fund deployed by them in loans and advances were locked up with the enormous amount of bad loans that posed a potential threat to their asset base.
'Asset' means the goods, property and other resources of an Individual or a corporate those are capable of meeting the financial obligation like payment of debts or liabilities. Assets can be tangible and in tangible and constitute source of wealth. In the banking parlance 'asset' means and includes cash in hand, cash reserve with the Reserve Bank of India money at call and short notice, investment in securities, bill purchase, furniture and fixtures, owned premises, loans and advances granted to customers. The major portion asset of the banks and financial Institution is constituted by the loans and advances to customers.

Assets generate income. The progress of the Banks and Financial Institutions depends on the income generated by these Assets. The asset which does not generate income is called as a Non-Performing Asset (NPAs). A loan asset will become NPA if the installment or interests remain unpaid. The Non-Performing Asset further classified into Substandard Assets, Doubtful Assets and Loss Assets.

The administration of resources and Financial Security of a nation is dependent on the strength on the banks. When the circulation of the money is blocked, it would adversary effect the health of banks and financial Institutions. The recoveries of loans are very much essential for redeployment of funds. When difficulties are experienced in recovering the assets, the banks must be in a position to enforce the security charged to them. Unfortunately in India we do not find an encouraging picture. Therefore, a comprehensive approach towards NPA has to be adopted. The problems of NPAs have to aspects one related to reduction of existing NPAs by way of recovery and other related to minimizing the future NPAs. The present study has covered both this aspects and it has also made an enquiry into various measures available for Recovering the NPA.
The first and foremost task should be to identify the causes of NPAs. The following major causes are identified during the course of the study by the researcher:

01. Non viability of project
02. Poor project evolution by bankers or leaders
03. Delay in implementation and commencement of project
04. Delay in realizing loan installment
05. Misappropriation and misutilisation of funds
06. Diversion of funds by the units
07. Higher cost of borrowings
08. Changes of policy by Government
09. Unhealthy competition in the industry
10. Poor capital market conditions
11. Lack of follow up
12. Willful default
13. Delay in initiating recovery proceedings and legal action

This thesis is prepared on the basis of secondary data available in the text books, Law reports and Directions given by RBI for settlement of NPAs from time to time and also on the basis on primary data collected on the basis of field survey; opinion of bankers layers etc. The researcher being a person directly associated with the Recovery of NPAs himself has certain insight into the subject and objective analysis is made on the prospects of Recovery on the basis of such insights. Based on the available material and data, research inferences have been drawn up and suggestion are made which the researcher thinks would be helpful to tackle the menace of NPAs at least to a comfortable extent.
The entire work has been divided into 9 chapters. The First Chapter is an attempt to trace the historical background of banking in India as well as in the International context and goes to evolution of Joint Stock Banks, the establishment of Reserve Bank of India, the development of social control of banks. This chapter also puts a bird’s eye view on the development of Banking Law in India.

The Chapter II is an attempt to have an analysis of credit Management by Banks. The general principles of advance, different kinds of loans and special banking services are dealt with herein.

Securing a Credit Facility is very much important from the point of view of recovery. The various methods by which the banks would secure the credit facilities have been the subject matter of Chapter III.

Chapter IV deals with the Introduction of prudential Norms of asset classification and the income recognition. The effect of prudential norms on the profitability of banks and the commitment of the banks towards a better system of Asset Liability Management are also discussed. The prudential norms are introduced on the recommendation of Narsimham Committee. Therefore much weight age is given to the recommendations of the Narsimham Committee in this Chapter.

Chapter V deals with the recovery of NPAs through conventional methods of Civil Suit and new methods like the out of court settlement, Lok Adalat, one time settlement etc.

Chapter VI deals with recovery of Debt through The DRTs. The constitution, functions and the operational aspects of the Tribunals find place in this chapter.
Chapter VII is exclusively set out for the Recovery through Securitization. It is a critical appraisal of working of the SARFAESI Act of 2002.

Chapter VIII deals with the factors which contribute to the birth of NPAs both at the pre lending and a post lending stages and also suggests some preventive measures for arresting the growth of NPA in future.

Chapter IX is exclusively dealing with conclusion. It is the summing of the thesis on the basis of the research inferences that has been arrived at during the course of the research. The problem of NPAs can not be eliminated over night. However, it can be minimized and steps can be taken to see that further NPAs are not created in future. The NPAs can be recovered by the timely Legal action and with the Co-operation of the borrowers. This work would be a success if it can contribute at least a little in addressing the problem of NPAs and the suggesting some meaningful measures in arresting in growth as well as in getting it recovered effectively.

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