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Impact of Securitization Act 2002 on the Recovery of NPAs in Public Sector Banks

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Abstract:
The strength and soundness of the banking system primarily depend on the quality and performance of the loan portfolio, i.e. the fulfillment of obligations by borrowers promptly. The level of NPAs is an indicator of the efficiency of banker's credit risk management and efficiency of resource allocation to productive sectors. The alarming level of NPAs is recognized as one of the major explanations for implementing structural changes and reform measures in the banking sector during this period. The curative measures are reactionary in nature and focused on recovering from NPA accounts. It includes measures initiated by RBI such as setting up Asset Reconstruction Companies (ARCs), Debt Recovery Tribunals (DRTs), Securitization Act, Compromise Settlement Schemes, etc. For the first time Banks management were equipped with sharp result orienting tools of the Securitization Act to realize long term NPA's. Under the Act Banks were authorized to attach immovable properties of the defaulting borrowers and sale through auction of such property, the proceeds of which were directly receivable by the Bank for appropriation in borrowers NPA's account. In this present research paper an attempt to evaluate the impact of enactment of Securitization Act 2002 on the performance and recovery of the NPAs in public sector Banks. Statistical techniques like arithmetic mean, standard deviation and ANOVA have been employed for the analyses of data. The result of the study found that NPAs significantly improved after the enactment of the Act and with the help of enforcement of security interest aspect of the Act Delays in recovery of loans are removed.

Keywords: NPAs, Securitization Act 2002, Performance, Effectiveness, PSBs.

1. Introduction

Non-performing assets indicate an advance for which interest or repayment of principal or both remains overdue for a period of 90 days or more. An advance/loan is treated as non-performing when it fails to satisfy its repayment obligations. Thus, non-performing assets are loans in jeopardy of default. The level of NPAs is an indicator of the efficiency of banker's credit risk management and efficiency of resource allocation to productive sectors. The Basel Committee on Banking Supervision defines credit risk as "potential default of a borrower to meet the obligation in accordance with the agreed terms" (BIS, 2005). NPAs represent a real economic cost in modern days as they reflect the application of scarce capital and credit funds to unproductive use. It also affects the lending capacity since funds are blocked and repayment is disturbed and has also resulted in additional cost for intermediation and realizing the NPAs.

The banking sector reforms in India during the post-liberalization period, mostly focused on improving the efficiency of the banking sector by incorporating prudential norms for income recognition, asset classification and provisioning and through integrating international standards. The alarming level of NPAs is recognized as one of the major explanations for implementing structural changes and reform measures in the banking sector during this period. RBI issued guidelines in 1993 based on the recommendations of the Narasimham Committee that mandated identification and reduction of NPA to be treated as 'National Priority'. The level of the NPA indicates the efficiency of banker's credit risk management and allocation of resource. The measures incorporate to manage NPA can be classified into precautionary measures and curative measures. Precautionary measures focus strengthening credit risk management system and continuous risk assessment systems of the bank. This will reduce the instances of fresh NPA that have been generated. The curative measures are reactionary in nature and focused on recovering from NPA accounts. It includes measures initiated by RBI such as setting up Asset Reconstruction Companies (ARCs), Debt Recovery Tribunals (DRTs), Securitization Act, Compromise Settlement Schemes, etc.

1.1. Securitisation Act 2002

The Securitization and Reconstruction of Financial Assets and Enforcement of Securities Act, 2002 [SARFAESI] Act, 2002 was enacted to regulate securitization and reconstruction of financial assets and enforcement of security interest and for matters connected

therewith or incidental thereto. The Act encompasses the areas of: securitization of financial assets; reconstruction of financial assets; recognition to any security interest created for due repayment of a loan as security interest under the Securitization Act, irrespective of its form; banks and financial institutions have the power to enforce the security without intervention of the courts; setting up the Central Registry for registration of the transaction of securitization, reconstruction and creation of security interests.

The need for the setting up an asset reconstruction company for acquiring distressed assets from Banks and FIs with a view to develop market for such assets was being felt, since long. Narasimham Committee 1 &2 and the Verma Committee on restructuring of weak Banks has strongly recommended the setting up of Asset Reconstruction Companies (ARCs) The business of Securitisation and Reconstruction is primarily meant for more than one purpose:

- To regulate the business of securitization and reconstruction of the financial interest
- To regulate enforcement of the security interest and for the matters connected therewith or the matters incidental thereto.

2. Review of Literature

- Shakuntalamani(2001) highlighted the magnitude of NPAs in banks, reasons for mounting NPAs, the impact and the measures adopted for reducing NPAs in the banking system so far. The study was based on the secondary data. The information had been retrieved from Report on the trend and progress of banking in India, various books and journals. The study found that the percentage of NPAs to gross advances had a downward trend over the year of study (1993 to 1999) which indicated better credit management techniques in banks. Further, legal framework, political interference, competition and liberalization were identified as reasons for mounting of NPAs.The study concluded that recovery efforts had been redoubled upon within the framework of the guidelines.

- Rajaraman Indira and Vasishtha (2002) this paper was an attempt to study the relationship between non-performing loan and inefficiency of the borrowers. The study was based on the secondary data. In their empirical study proved that significant bivariate relationship exists between non performing loans of public sector banks and the inefficiency on the side of the borrowers. This study makes more sense for India as India suffers from inefficiency problems. Being a closed economy for so long, India still lacks the operating efficiency to push its manufacturing sector like China has done so successfully. High inflation is also one of the aspects related to the Indian economy, which affects its banks overall performance, especially NPAs. This is because when RBI takes some steps related to interest rates to control inflation, the defaulters list also grows longer for banks with rising interest rates.

- Awasthi and Singh(2008)examined the position of NPAs in Indian public sector banks during recent years and found that at the end of March2007, net NPAs in relation to net advances for a majority of public sector banks were below the level of 2 percent. Further the study pointed out that lok adalats, debt recovery tribunals(DRT) and scheme of corporate debt restructuring have provided special thrust to banks to contain their NPAs. Also Securitization and Reconstruction of financial assets and enforcement of security interest (SARFAESI) act has been able to reduce the NPAs with full vigor

- Hawa Singh and Neelam rani (2010) found that the banks under study are not successful in restricting the level of NPAs.The two banks differ significantly in managing their doubtful assets as well as loan assets. On the whole, the performance of SCCBL is better in managing their NPAs as compared to JCCBL during the study period. Objectives of the study was to make comparative analysis of loan assets of the banks, according to the prudential norms of RBI and to compare the performance of the banks through trend analysis of gross NPAs.The study was based on secondary data and information provided by the banks. The data had been collected from the annual report of the SCCBL and JCCBL. To critically analyze the NPA management of the banks, 'T'test had been applied. As the level of NPAs increase, the liquidity risk of the banks also increases. Therefore, it was the one of the foremost tasks of the banks to manage their NPAs more efficiently and effectively so that they can change from non-performing assets to performing assets

- Seema Mahlawat and Sumanjeet (2010) in their study outlined that the enactment securitization Act 2002, Indian banks and financial institutions had been scrutinizing some of their distressed assets. The mechanism thus far had been selling banks to trade in their assets for Security Receipts (SRs) issued by SPV set up for holding theses assets. The recovery and workout process was managed by the Assets Reconstruction Company (ARC) set up under the SARFAESI Act 2002.The Act had paved the way of several out-of-court settlements. The act confers power on secured creditors to take possession and sell assets kept as security if a default is committed by the borrower in repaying secured debt. Prior to 2002 there was no provision for facilitating securitization of financial assets and the power to take possession of securitized assets and selling them off. The study was based on secondary data. Data collected from Global Financial Stability Report 200. SARFAESI Act 2002 has been positive and has helped the Indian banking sector reduce, to an extent, the problem of NPA assets.

- Need and importance of the study
  Non-performing assets are adverse effects on the functioning of the banks. It's high in public sector banks and the various mechanisms available for recovery of the NPAs with special reference to the recently enacted Securitization Act. Securitization is a process in which pools of individual loans or receivables or actionable claims are packaged, under written and distributed to investors in the form of securities. It is a process of liquidizing assets appearing in the balance sheet of a bank or financial institution. Keeping in mind the above views & importance of Act this study intends to examine the impact of SARFAESI Act 2002 on the NPAs of Indian public sector banks.

3. Research Methodology
Research methodology is a way to solve the research problem systematically. While designing the research work the following methodology will be adopted.

3.1. Sample Selection
The present study concentrates to identify the role and effectiveness of the enactment of the SARFAESI Act2002 on NPAs in public sector banks. The selection of the Bank has been made on the basis of high percentage of NPAs covered by these Banks.

3.2. Profile of Selected Public Sector Banks for Primary Data
Punjab National Bank   State Bank of India
State Bank of Patiala   Oriental Bank of Commerce
Central Bank of India

3.3. Data Used
The present study based on the primary data in order to identify the role and effectiveness of the enactment of the SARFAESI Act2002 in public sector banks.

3.4. Sampling Unit
For primary data the sampling unit will constitute all the Assistant managers, NPA department manager and credit officers of public sector banks in Haryana State.

3.5. Sample Size
The total Sample size is 200 respondents for the questionnaire. The target respondents are the officers working in the various capacities (like Assistant manager, NPA department manager, credit officers) in public sector banks.4O respondents of each selected bank have been taken from Haryana State.

3.5.1. Statistical Techniques
The statistical tools which have been employed in this study are presented as follows:
  i. Mean or average value
  ii. Standard deviation
  iii. ANOVA

3.5.2. Objectives of the Study
The objectives of the study are:
1. To know the Banker's perception regarding effectiveness of the enactment of SARFAESI Act 2002 in recovering dues from borrowers.
2. To know the Banker's perception towards role-played by the SARFAESI Act 2002 in Indian public sector banks.

3.6. Hypothesis
H_o: (There is no significant difference between Banks regarding impact of the SARFAESI Act 2002 in recovering dues from borrowers.)
H_1: (There is significant difference between Banks regarding impact of the SARFAESI Act 2002 in recovering dues from borrowers.)

3.7. Analysis and Interpretation

3.7.1. To What Extent Has the NPAs Recovery Improved after Enactment of SARFAESI Act 2002?

			Banks					
			SBI	SBOP	PNB	OBC	CBOI	Total
Q1	Significantly Improved	No. of respondents	13	19	19	18	23	92
		% of respondents within Banks	32.5%	47.5%	47.5%	45.0%	57.5%	46.0%
	Improved to some extent	No. of respondents	7	11	15	12	11	56
		% of respondents within Banks	17.5%	27.5%	37.5%	30.0%	27.5%	28.0%
	Not Improved	No. of respondents	5	3	2	5	2	17
		% of respondents within Banks	12.5%	7.5%	5.0%	12.5%	5.0%	8.5%
	Can't Say	No. of respondents	15	7	4	5	4	35
		% of respondents within Banks	37.5%	17.5%	10.0%	12.5%	10.0%	17.5%
Total		No. of respondents	40	40	40	40	40	200
		% of respondents within Banks	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean			2.5500	1.9500	1.7750	1.9250	1.6750	1.9750
Standard Deviation			1.29990	1.13114	.94699	1.04728	.97106	1.11831

Table 1

1	ANOVA	Sum of Squares	df	Mean Square	F	Sig.
	Between Groups	18.550	4	4.638	3.926	.004
	Within Groups	230.325	195	1.181		
	Total	**248.875**	**199**			

Table 1(a)

- Interpretation

The result of the table 1 showed that 46% of the respondents say that recovery of the NPAs significantly improved after the enactment of the Act, 28% of the respondents say improved to some extent, 8.5% of the respondents say not improved and 17.5% of the respondents can't say about the recovery of the NPAs improved after the enactment of the Act. The mean value 1.9750 indicated that majority of the respondents of all the banks say that recovery of the NPAs improved after the enactment of the Act except SBI bank. In SBI majority of the respondents can't say about the recovery of the NPAs improved after the enactment of the Act. ANOVA table highlighted that there is difference between mean squares (4.638v/s1.181, f-value 3.926) is significant at 5percent which concluding that there is significant difference between Banks regarding improvement in the recovery of NPAs after enactment of the Act. Respondents of different Banks give different responses regarding recovery of the NPAs. The result of the table concluded that recovery of the NPAs improved after the enactment of the Act.

3.7.2. Do You Think That NPA Recovery of the Bank Has Improved with Selling of NPAs to Asset Reconstruction/Securitization Companies under?

			Banks					Total
			SBI	SBOP	PNB	OBC	CBOI	
2	Yes	No. of respondents	22	32	32	27	26	139
		% of respondents within Banks	55.0%	80.0%	80.0%	67.5%	65.0%	69.5%
	No	No. of respondents	18	8	8	13	14	61
		% of respondents within Banks	45.0%	20.0%	20.0%	32.5%	35.0%	30.5%
Total		No. of respondents	40	40	40	40	40	200
		% of respondents within Banks	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean			1.4500	1.2000	1.2000	1.3250	1.3500	1.3050
Standard Deviation			.50383	.40510	.40510	.47434	.48305	.46156

Table 2

2	ANOVA	Sum of Squares	df	Mean Square	F	Sig.
	Between Groups	1.820	4	.455	2.187	.072
	Within Groups	40.575	195	.208		
	Total	42.395	199			

Table 2(a)

- Interpretation

The result of the table 2 showed that 69.5% of the respondents say yes and 30.5% of the respondents say no that recovery of the NPAs increasing by selling the NPAs to Asset Reconstruction Company. In all the banks majority of the respondents say yes and minority of the respondents say no. The mean value 1.3050 also indicated that majority of the respondents in all the Banks say yes that recovery of the NPAs increasing by selling the NPAs to Asset Reconstruction Company. ANOVA table exhibited that the difference between the mean squares (.455v/s.208,f-value 2.187) is insignificant at 5 percent thereby concluding that no difference between the responses given by the respondents in all the banks regarding recovery of the NPAs increased by selling NPAs to Asset Reconstruction Company.

3.7.3. Do You Think Enforcement of Security Interest Aspect of the Act Results in the Following Benefits?

(a) Delays in recovery of their loans are removed.

3 (a)			Banks					Total
			SBI	SBOP	PNB	OBC	CBOI	
	Yes	No. of respondents	21	22	23	25	23	114
		% of respondents within Banks	52.5%	55.0%	57.5%	62.5%	57.5%	57.0%
	No	No. of respondents	18	10	14	12	14	68
		% of respondents within Banks	45.0%	25.0%	35.0%	30.0%	35.0%	34.0%
	Can't say	No. of respondents	1	8	3	3	3	18
		% of respondents within Banks	2.5%	20.0%	7.5%	7.5%	7.5%	9.0%
Total		No. of respondents	40	40	40	40	40	200
		% of respondents within Banks	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean			1.5000	1.6500	1.5000	1.4500	1.5000	1.5200
Standard Deviation			.55470	.80224	.64051	.63851	.64051	.65708

Table 3 (a)

3 (a)	ANOVA	Sum of Squares	Df	Mean Square	F	Sig.
	Between Groups	.920	4	.230	.528	.716
	Within Groups	85.000	195	.436		
	Total	85.920	199			

Table 3 (a) (i)

- Interpretation

The result of the table 3(a) showed that 57% of the respondents say yes that with the help of enforcement of security interest aspect of the Act Delays in recovery of loans are removed and 34% of the respondents say no and 9% of the respondents can't say about this aspect. In all the Banks majority of the respondents say yes. The mean value 1.5200 also indicated that majority of the respondents in all the banks say yes that with the help of enforcement of security interest aspect of the Act Delays in recovery of loans are removed. ANOVA table highlighted that the difference between the mean squares (.230v/s.436, f-value0.528) is insignificant at 5 percent thereby concluding that there is no difference between the responses given by the respondents in all the Banks regarding to enforcement of security interest aspect of the Act in recovery of loans.

(b) Creation of better understanding between lenders and borrowers to find effective solutions for debt servicing.

3 (b)			Banks					Total
			SBI	SBOP	PNB	OBC	CBOI	
3 (b)	Yes	No. of respondents	21	21	21	23	20	106
		% of respondents within Banks	52.5%	52.5%	52.5%	57.5%	50.0%	53.0%
	No	No. of respondents	14	10	16	14	17	71
		% of respondents within Banks	35.0%	25.0%	40.0%	35.0%	42.5%	35.5%
	Can't say	No. of respondents	5	9	3	3	3	23
		% of respondents within Banks	12.5%	22.5%	7.5%	7.5%	7.5%	11.5%
Total		No. of respondents	40	40	40	40	40	200
		% of respondents within Banks	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean			1.6000	1.7000	1.5500	1.5000	1.5750	1.5850
Standard Deviation			.70892	.82275	.63851	.64051	.63599	.68931

Table 3 (b)

3(b)	ANOVA	Sum of Squares	df	Mean Square	F	Sig.
	Between Groups	.880	4	.220	.458	.767
	Within Groups	93.675	195	.480		
	Total	94.555	199			

Table 3(b)(i)

- Interpretation

The result of the table highlighted that 53% of the respondents say yes that Enforcement of security interest aspect of the Act create understanding between lenders and borrowers to find effective solutions for debt servicing, 35.5% of the respondents say no and 11.5% of the respondents can't say about the relationship between lenders and borrowers. In all the Banks majority of the respondents say yes. The mean value 1.5850 also indicated that majority of the respondents in all the Banks say yes that Enforcement of security interest aspect of the Act create understanding between lenders and borrowers to find effective solutions for debt servicing. ANOVA table exhibited that the difference between mean squares (.220v/s.480, f-vlaue0.458) is insignificant at 5 percent which concluding that there is no difference between the responses given by the respondents in all the Banks regarding relationship between lenders and

borrowers. The result of the table concluded that Enforcement of security interest aspect of the Act create understanding between lenders and borrowers to find effective solutions for debt servicing.
(c) Minimized cost of funding for borrowers.

			Banks					Total
			SBI	SBOP	PNB	OBC	CBOI	
3(c)	Yes	No. of respondents	26	17	25	20	19	107
		% of respondents within Banks	65.0%	42.5%	62.5%	50.0%	47.5%	53.5%
	No	No. of respondents	9	12	10	18	15	64
		% of respondents within Banks	22.5%	30.0%	25.0%	45.0%	37.5%	32.0%
	Can't say	No. of respondents	5	11	5	2	6	29
		% of respondents within Banks	12.5%	27.5%	12.5%	5.0%	15.0%	14.5%
Total		No. of respondents	40	40	40	40	40	200
		% of respondents within Banks	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean			1.4750	1.8500	1.5000	1.5500	1.6750	1.6100
Standard Deviation			.71567	.83359	.71611	.59700	.72986	.72839

Table 3(C)

3(c)	ANOVA	Sum of Squares	df	Mean Square	F	Sig.
	Between Groups	3.830	4	.958	1.835	.124
	Within Groups	101.750	195	.522		
	Total	105.580	199			

Table 3

- Interpretation

The result of the above graph showed that 53.5% of the respondents say yes that Enforcement of security interest aspect of the Act minimize the cost of the funding for borrowers, 32% of the respondents say no and 14.55 of the respondents can't say about minimize the cost of funding for borrowers. In all the Banks majority of the respondents say yes. the mean value 1.6100 also indicated that majority of the respondents in all the banks say yes that Enforcement of security interest aspect of the Act minimize the cost of the funding for borrowers. According to the ANOVA table the difference between the Mean squares (.958v/s.522, f-value1.835) is insignificant at 5 percent thereby concluding that there is no difference between the Banks give responses regarding minimize the cost of funding for borrowers.

3.7.4. Is Asset Securitization Likely to Play a Major Role within the Indian Banking Industry?

			Banks					Total
			SBI	SBOP	PNB	OBC	CBOI	
4.	Strongly Agree	No. of respondents	12	14	8	6	16	56
		% of respondents within Banks	30.0%	35.0%	20.0%	15.0%	40.0%	28.0%
	Agree	No. of respondents	11	13	8	17	14	63
		% of respondents within Banks	27.5%	32.5%	20.0%	42.5%	35.0%	31.5%
	Netural	No. of respondents	5	8	10	5	5	33
		% of respondents within Banks	12.5%	20.0%	25.0%	12.5%	12.5%	16.5%
	Disagree	No. of respondents	3	3	6	3	1	16
		% of respondents within Banks	7.5%	7.5%	15.0%	7.5%	2.5%	8.0%
	Strongly Disagree	No. of respondents	9	2	8	9	4	32
		% of respondents within Banks	22.5%	5.0%	20.0%	22.5%	10.0%	16.0%
Total		No. of respondents	40	40	40	40	40	200
		% of respondents within Banks	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean			2.6500	2.1500	2.9500	2.8000	2.0750	2.5250
Standard Deviation			1.54505	1.14466	1.41331	1.41784	1.24833	1.39251

Table 4

4.	ANOVA	Sum of Squares	df	Mean Square	F	Sig.
	Between Groups	24.600	4	6.150	3.319	.012
	Within Groups	361.275	195	1.853		
	Total	385.875	199			

Table 4(a)

- Interpretation

The result of the above table highlighted that 28% of the respondents strongly agree, 31.5% of the respondents agree, 16.5% of the respondents give neutral response, 8% of the respondents Disagree and 16% of the respondents strongly disagree with the statement that Asset securitization likely to play a major role within the Indian banking industry. In SBI, SBOP and CBOI majority of the respondents strongly agree with the statement. But in case of OBC majority of the respondents are Agree with the statement. In PNB 25% of the respondents give neutral response. ANOVA table exhibited that there is difference between the mean squares (6.150v/s1.853,f-value3.319) is significant at 5 percent thereby concluding that there is difference between the responses given by the respondents in all the Banks regarding that Asset securitization likely to play a major role within the Indian banking industry.

3.7.5. Please Indicate How Important You Believe the Impact of the Following Potential Benefit of Asset Securitization Are Likely to Be in Stimulating the Growth of This Financing Technique in Indian Public Sector Banks:
(a) Reduce Regulatory Capital Requirement for banks

			Banks					Total
			SBI	SBOP	PNB	OBC	CBOI	
5(a)	Very Important	No. of respondents	10	14	8	12	14	58
		% of respondents within Banks	25.0%	35.0%	20.0%	30.0%	35.0%	29.0%
	Important	No. of respondents	19	15	12	14	20	80
		% of respondents within Banks	47.5%	37.5%	30.0%	35.0%	50.0%	40.0%
	Somewhat Important	No. of respondents	6	10	10	8	2	36
		% of respondents within Banks	15.0%	25.0%	25.0%	20.0%	5.0%	18.0%
	Unimportant	No. of respondents	1	0	4	0	0	5
		% of respondents within Banks	2.5%	.0%	10.0%	.0%	.0%	2.5%
	Very Unimportant	No. of respondents	2	1	5	4	3	15
		% of respondents within Banks	5.0%	2.5%	12.5%	10.0%	7.5%	7.5%
	Unknown	No. of respondents	2	0	1	2	1	6
		% of respondents within Banks	5.0%	.0%	2.5%	5.0%	2.5%	3.0%
Total		No. of respondents	40	40	40	40	40	200
		% of respondents within Banks	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean			2.3000	1.9750	2.7250	2.4000	2.0250	2.2850
Standard Deviation			1.30482	.91952	1.37724	1.44648	1.22971	1.28532

Table 5 (a)

5(a)	ANOVA	Sum of Squares	df	Mean Square	F	Sig.
	Between Groups	14.830	4	3.708	2.303	.060
	Within Groups	313.925	195	1.610		
	Total	328.755	199			

Table 5(a) (i)

- Interpretation

The result of the above graph showed that 29% of the respondents say that Securitization Act is very important, 40% of the respondents say important, 18% of the respondents say somewhat important, 2.5% of the respondents say unimportant, 7.5% of the respondents say very unimportant and 3% of the respondents are unknown about the importance of Securitization Act in Reducing Regulatory Capital Requirement for banks. The mean value 2.2850 is also indicated that majority of the respondents in all the Banks say that Securitization Act is important in Reducing Regulatory Capital Requirement for banks. ANOVA table highlighted that the difference between the mean scores (3.708v/s1.610,f-value2.303) is insignificant thereby concluding that there is no difference between the responses given by the respondents in all the Banks regarding importance of the Securitization Act in Reducing Regulatory Capital Requirement for banks.
(b) The capacity to increase the return on asset ratios of the banks.

5(b)			Banks					Total
			SBI	SBOP	PNB	OBC	CBOI	
5(b)	Very Important	No. of respondents	5	15	7	5	15	47
		% of respondents within Banks	12.5%	37.5%	17.5%	12.5%	37.5%	23.5%
	Important	No. of respondents	18	16	14	20	14	82
		% of respondents within Banks	45.0%	40.0%	35.0%	50.0%	35.0%	41.0%
	Somewhat Important	No. of respondents	11	6	9	8	6	40
		% of respondents within Banks	27.5%	15.0%	22.5%	20.0%	15.0%	20.0%
	Unimportant	No. of respondents	1	3	1	2	2	9
		% of respondents within Banks	2.5%	7.5%	2.5%	5.0%	5.0%	4.5%
	Very Unimportant	No. of respondents	4	0	7	3	1	15
		% of respondents within Banks	10.0%	.0%	17.5%	7.5%	2.5%	7.5%
	Unknown	No. of respondents	1	0	2	2	2	7
		% of respondents within Banks	2.5%	.0%	5.0%	5.0%	5.0%	3.5%
Total		No. of respondents	40	40	40	40	40	200
		% of respondents within Banks	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean			2.6000	1.9250	2.8250	2.6000	2.1500	2.4200
Standard Deviation			1.21529	.91672	1.50021	1.29694	1.33109	1.29692

Table 5 (b)

5(b)	ANOVA	Sum of Squares	df	Mean Square	F	Sig.
	Between Groups	21.870	4	5.468	3.408	.010
	Within Groups	312.850	195	1.604		
	Total	334.720	199			

Table v (b) (i)

- Interpretation

The result of the above graph showed that 23.5% of the respondents say that Securitization Act is very important, 41% of the respondents say important, 20% of the respondents say somewhat important, 4.5% of the respondents say unimportant, 7.5% of the respondents say very unimportant and 3.5% of the respondents are unknown about importance of the Act to increase the return on asset ratios of the banks. In all the Banks except CBOI majority of the respondents say that Securitization Act is important to increase the return on asset ratios of the banks but in case of CBOI majority of the respondents say that Securitization Act is very important to increase the return on asset ratios of the banks. According to ANOVA table the difference between the mean Squares (5.468v/s1.604,f-value3.408) is significant at 5 percent which concluding that there is difference between the responses given by the respondents in all the Banks regarding importance of the Securitization to increase the return on asset ratios of the banks.

(c) The potential to increase the non interest income earned by banks.

5(C)			Banks					Total
			SBI	SBOP	PNB	OBC	CBOI	
5(C)	Very Important	No. of respondents	18	15	14	15	8	70
		% of respondents within Banks	45.0%	37.5%	35.0%	37.5%	20.0%	35.0%
	Important	No. of respondents	13	13	18	7	10	61
		% of respondents within Banks	32.5%	32.5%	45.0%	17.5%	25.0%	30.5%
	Somewhat Important	No. of respondents	0	9	6	12	6	33
		% of respondents within Banks	.0%	22.5%	15.0%	30.0%	15.0%	16.5%
	Unimportant	No. of respondents	6	1	1	1	9	18
		% of respondents within Banks	15.0%	2.5%	2.5%	2.5%	22.5%	9.0%
	Very Unimportant	No. of respondents	2	2	0	3	5	12
		% of respondents within Banks	5.0%	5.0%	.0%	7.5%	12.5%	6.0%
	Unknown	No. of respondents	1	0	1	2	2	6
		% of respondents within Banks	2.5%	.0%	2.5%	5.0%	5.0%	3.0%
Total		No. of respondents	40	40	40	40	40	200
		% of respondents within Banks	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean			2.1000	2.0500	1.9500	2.4000	2.9750	2.2950
Standard Deviation			1.39229	1.08486	1.01147	1.46410	1.51043	1.34798

Table 5(c)

5(c)	ANOVA	Sum of Squares	df	Mean Square	F	Sig.
	Between Groups	27.620	4	6.905	4.032	.004
	Within Groups	333.975	195	1.713		
	Total	361.595	199			

Table 5(C) (i)

- Interpretation

The result of the above graph showed that 35% of the respondents say that Securitization Act is very important, 30.5% of the respondents say important, 16.5% of the respondents say somewhat important, 9% of the respondents say unimportant, 6% of the respondents say very important and 3% of the respondents are unknown about the importance of the Act regarding the potential to increase the non interest income earned by banks. The mean value 2.2950 indicated that majority of the respondents say that Securitization Act is important in the potential to increase the non interest income earned by banks. According to the ANOVA table the difference between the mean squares (6.905v/s1.713, f-value4.032) is significant at 5 percent thereby concluding that there is difference between the responses given the respondents in all the Banks regarding the potential to increase the non interest income earned by banks.

3.7.6. Do You Consider Court Route Is Better Than the Direct under Securitization Act 2002?

				Banks					Total
			SBI	SBOP	PNB	OBC	CBOI		
6.	Yes	No. of respondents	8	16	13	8	8		53
		% of respondents within Banks	20.0%	40.0%	32.5%	20.0%	20.0%		26.5%
	No	No. of respondents	26	18	17	24	28		113
		% of respondents within Banks	65.0%	45.0%	42.5%	60.0%	70.0%		56.5%
	Can't say	No. of respondents	6	6	10	8	4		34
		% of respondents within Banks	15.0%	15.0%	25.0%	20.0%	10.0%		17.0%
Total		No. of respondents	40	40	40	40	40		200
		% of respondents within Banks	100.0%	100.0%	100.0%	100.0%	100.0%		100.0%
Mean			1.9500	1.7500	1.9250	2.0000	1.9000		1.9050
Standard Deviation			.59700	.70711	.76418	.64051	.54538		.65431

Table 6

6.	ANOVA	Sum of Squares	df	Mean Square	F	Sig.
	Between Groups	1.420	4	.355	.826	.510
	Within Groups	83.775	195	.430		
	Total	85.195	199			

Table 6 (a)

- Interpretation

The result of the above graph showed that 26.5% of the respondents say yes that court route is better than the direct under Securitization Act 2002, 56.5% of the respondents say no that court route is not better than the direct under Securitization Act 2002 and 17% of the respondents can't say about the court route is better than Act. In all the Banks majority of the respondents say no that court route is not better than the direct under Securitization Act 2002. The mean value 1.9050 also indicated that majority of the respondents in all the Banks say no that court route is not better than the direct under Securitization Act 2002. ANOVA table highlighted that the difference between the Mean squares (.355v/s.430,f-value.826) is insignificant at 5 percent thereby concluding that there is no difference between the responses given by the respondents in all the Banks regarding that court route is not better than the direct under Securitization Act 2002.

3.7.7. In Most Cases, What Portion of Dues of Borrower Has the Bank Been Able to Recover under the Provisions of Securitization Act?

				Banks					Total
			SBI	SBOP	PNB	OBC	CBOI		
7.	0-20%	No. of respondents	2	4	9	2	7		24
		% of respondents within Banks	5.0%	10.0%	22.5%	5.0%	17.5%		12.0%
	20%-50%	No. of respondents	8	9	9	12	9		47
		% of respondents within Banks	20.0%	22.5%	22.5%	30.0%	22.5%		23.5%
	50%-70%	No. of respondents	21	16	12	10	16		75
		% of respondents within Banks	52.5%	40.0%	30.0%	25.0%	40.0%		37.5%

70%-90%	**No. of respondents**	6	9	8	9	7	39
	% of respondents within Banks	15.0%	22.5%	20.0%	22.5%	17.5%	19.5%
90%-100%	**No. of respondents**	3	2	2	7	1	15
	% of respondents within Banks	7.5%	5.0%	5.0%	17.5%	2.5%	7.5%
Total	**No. of respondents**	40	40	40	40	40	200
	% of respondents within Banks	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean		3.0000	2.9000	2.6250	3.1750	2.6500	2.8700
Standard Deviation		.93370	1.03280	1.19158	1.19588	1.05125	1.09503

Table 7

7.	**ANOVA**	**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
	Between Groups	8.770	4	2.193	1.860	.119
	Within Groups	229.850	195	1.179		
	Total	238.620	199			

Table 7(a)

- Interpretation

The result of the above graph highlighted that 12% of the respondents say 0- 20% portion of the dues recovered, 23.5% of the respondents say 20-50% portion of the dues recovered, 37.5% of the respondents say 50-70% portion of the dues recovered, 19.5% of the respondents say 70-90% portion of the dues recovered and 7.5% of the respondents say 90-100% portion of the dues recovered through Securitization Act. The mean value 2.8700 also indicated that majority of the respondents in all the banks say that 50-70% portion of dues of borrower has the bank been able to recover under the provisions of Securitization Act. According to ANOVA table the difference between the mean squares (2.193v/s1.179, f-value1.860) is insignificant at 5 percent thereby concluding that there is difference between the responses given by the respondents in all the banks regarding how much portion of dues of borrower the bank has been able to recover under the provisions of Securitization Act.

4. Conclusion

The present study analyzed the Impact of Securitization Act 2002 on NPAs of public sector Banks in Haryana. The result of the study concluded that NPAs significantly improved after the enactment of the Act and with the help of enforcement of security interest aspect of the Act Delays in recovery of loans are removed. It creates understanding between lenders and borrowers to find effective solutions for debt servicing and minimize the cost of the funding for borrowers. Majority of the respondents in all the Banks are Agee with the statement that Asset securitization likely to play a major role within the Indian banking industry. Securitization Act is important in Reducing Regulatory Capital Requirement for banks. It also increases the return on asset ratios of the banks. The result of the study found that court route is not better than the direct under Securitization Act 2002. The result of the study concluded that Securitization Act 2002 has significant impact in the NPAs and performance of the Banks.

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