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Effectiveness of the Debt Recovery Laws in Sri Lanka with Special Reference to Recovery of the Non-Performing Assets (NPL) of the Banking Industry

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Abstract

Debt recovery is an area where delays in the law have become acute. Lacunas are seen especially when these laws are implemented. In Sri Lanka, it is quite common to see the complete judicial process of debt recovery taking one or two decades in deciding a case from the date of filing of the case in the original court until the decision of the final appeal by the Supreme Court. As a result of these delays and inefficiencies banks struggle to recover what is lent, and the non-performing assets increases, causing the non-performing ratios in the bank to increase which result in the bank being compelled to restrict and limit its credit supply to borrowers, finally resulting in credit supply contraction. Stemming at the macroeconomic level, high none performing levels are seen in countries that are experiencing slow economic growth, less market confidence, disturbance of credit allocation, higher demand for loans from borrowers, and a large reduction in available credit supply. Therefore, it is important to have a stable banking sector with low non-performing loans where banks have the ability to recover their lending in a timely manner resulting in improved performance and a positive impact on the economy. The object of this study is to therefore examine the legislative provisions currently available for debt recovery in the banking industry and the existing judicial process pertaining to debt recovery and assess the impediments, legal and extra-legal, for the efficient recovery of a non-performing debt thereby suggest recommendations for law and operational framework. In order to accomplish the above objectives of this study, the secondary information is used in the methodology and the qualitative approach is pursued to gather the secondary information. The qualitative analysis on available sources will help to answer the research questions. Existing legislative measures in Sri Lanka, judicial decisions, published and unpublished scholarly articles, journal articles, news reports and web-based data would be gathered through desk research which will be utilized in achieving the objectives of this

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study. Such data will be critically evaluated for the purpose of finding answers for research questions. The conclusion will be drawn through a systematic comparative analytical method and recommendations will be made accordingly.

Keywords: *Debt Recovery Laws, Nonperforming Loans, Banking industry, Court Decisions and Credit cycle*

Introduction

The Sri Lankan banking industry comprises 24 licensed commercial banks and 6 licensed specialized banks The essential role of a bank's credit as an input to produce goods and services places a bank in an influential position in the economy. This means that any inefficiencies of credit allocation or recovery are significantly felt in the economy[2]. Therefore, the lending function of a bank plays a vital role in the development of a country's economy. Banks are financial intermediaries, an institution that operates between a saver who deposits money and a borrower who obtains a loan. Unless the financial institutions can recover the amount lent with interest, the institutions would not be able to continue carrying on their duties. This makes debt recovery an important area in banking and finance.

When banks are unable to recover the money lent to their customers which is referred to as a loan default, credit cycle[3] of the bank is disturbed. Loan default results in reducing the quality of assets held by the bank, a customer loan is considered an asset of a bank however when defaulted the loan becomes a liability to the bank resulting in reduction of assets held by the bank. When a loan is defaulted it's classified as a non-performing loan (NPL). A non-performing loan means a loan where the payment is delayed and unlikely to be paid by the borrower. A bank must maintain adequate provisioning according to the applicable accounting standards to ensure the future repayment of depositors. This results in an increase in the cost of funds for the bank.

The lending function is one of the most important financial services provided by a bank which helps the country's economic growth and stability. Banks suffer losses due to high NPL ratios[4]. When banks struggle to recover what is

[2] Shaffer 2004 journal of money, credit and Banking 36(3) page 585-592
[3] A credit cycle describes the phases of access to credit by borrowers.
[4] Eric Jing " Impact of high non-performing loan ratios on bank lending trends and profitability" (2020) page 10

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lent, the non-performing assets increases, causing the non-performing ratios (NPL ratios) in the bank to increase and the bank to restrict and limit their credit supply to borrowers, resulting in credit supply contraction. Stemming at the macroeconomic level, high NPL levels are seen in countries that are experiencing slow economic growth, less market confidence, disturbance of credit allocation, higher demand for loans from borrowers and a large reduction in available credit supply. Therefore, it is important to have a stable banking sector with low non-performing loans where banks have the ability to recover their lending in a timely manner resulting in improved performance and a positive impact on the economy[5].

Debt recovery is an area where delays in the law have become acute. Further, there are several areas where lacunas are seen especially when these laws are implemented. In Sri Lanka, it's quite common to see the complete judicial process on debt recovery taking one or two decades in deciding a case from the date of filing of the case in the original court until the decision on the final appeal of the Supreme Court. In the research carried out by qualitative analysis of the existing legislative measures in Sri Lanka, judicial decisions, published and unpublished scholarly articles, journal articles, news reports and web-based data the author is made to understood the main contributor to the delays is the lack of knowledge of the judiciary in understanding the scope of the law relating to debt recovery, lack of the judiciary in taking bold decisions to overlook the technicalities to achieve the objective of the statute, unavailability of punishment for a legal professional who intentionally acts in a manner to defeat the object of the statute by delaying the litigation. Infrastructure inadequacies such as unavailability of a specific courtroom allocation for these forms of legal action, shortcomings of court record rooms resulting in misplacement of court records, attitudes of court officials (court registrars/fiscals) as well as the dishonorable behavior in court officials and legal professionals have contributed to the efficient application of the debt recovery laws and mechanism in Sri Lankan courts.

The delays and inefficiencies result in banks and other lending institutions having to spend additional money as well as time in recovering the debts. At times the borrowers who are honestly struggling to pay due to loss of

[5] Supra foot note no 4

income are also affected as they are forced to engage in long legal battles while spending additional money on lawyers and law firms, as there is very limited legal infrastructure available in Sri Lanka for quasi-judicial settlements through tribunals or alternate settlement methodologies. This finally impacts the economy of the country as debt recovery inefficiencies result in the bank's struggling to recover the lending resulting in higher non-performing loans (NPL), lower credit availability and lower profitability which negatively impact the country's economy.

Debt recovery laws in Sri Lanka

In the early days, the Common Law of Sri Lanka was Roman-Dutch Law, but English Law applies to all maritime and commercial matters. Consequently, much confusion and delays have arisen as to the applicable law in commercial disputes including debt recovery.

In the early part of 1980's many representations were made to the authorities that the delays in procedures caused the cost of borrowing to go up, it was argued the delays resulted from outdated legislation as well as procedural deficiencies. The borrowers on the other hand used to take undue advantage of these legal systems and procedures to deliberately evade payment of their dues. The impact of this situation on the demand for loanable funds was grave.

By about 1983, there had been further representations made to the government regarding the acute slowness of debt recovery procedure in the country. Against this background, the Minister of Justice in 1983 has appointed a committee for the specific purposes of inquiring into the delays in the debt recovery process and its adverse effects. Accordingly, the Wimalaratne Committee named after Justice Wimalaratne who was the head of the Committee (which was also known as the DRC-Debt Recovery Commission) has handed over its report to the Minister in 1985[6].

There was widespread opposition to the recommendations made by the committee especially coming from the BAR association which resulted in a delay in implementing the recommendations made by the committee. However, by that time the International Bank for Reconstruction and

[6] B. P. Gamarachchi "Patate Execution ; Its impacts on the debt recovery by banks and recent developments" (2008) 237

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Rehabilitation (IBRD-the World Bank) and the Asian Development Bank (ADB) started exerting pressure on the Government of Sri Lanka through their long-term loan negotiations to ensure that the debt recovery procedures be strengthened and modernized. As a result, fourteen statutes relating to debt recovery were in principle approved by the cabinet in the early part of 1990. The main statues are mentioned below.

I. *Regular action under the Civil Procedure Code (CPC)*

Currently, District courts[7] have original jurisdiction to decide cases that arise out of monetary transactions. The only exception is when the amount outstanding is over Rs 5 million in which event the jurisdiction to decide such cases are vested in the Commercial High court.[8] The procedure for the recovery of a debt where the debtor makes default is laid down in the Civil Procedure Code hereinafter referred to as CPC.

II. *Debt Recovery (Special Provisions) Act No. 2 of 1990.*

This Act was enacted to facilitate the acceleration of recovery of debts by banks. In its long title, the law states "An Act to provide for the regulation of the procedure relating to debt recovery by lending institutions and for matters connected therewith or incidental thereto." Debt Recovery Act introduced a non-summary procedure as an expedited process with the issuing of Decree Nisi in the first instance. The defendant is required to furnish reasonable and sufficient security for satisfying the decree to continue with the defense. This is to avoid law delays due to the defense wanting to delay the judgments for technical reasons and taking advantage to delay a settlement.

III. *Recovery of loans by banks (Special Provision) Act No 4 of 1990 Also known as the Parate Act*

This Act gave the right of Parate Execution which was earlier limited to Peoples Bank, Bank of Ceylon and other state owners to all commercial banks and extends this right in respect of both

[7] Judicature Act 2 of 1978 s.19 discusses the jurisdiction of the District Court. "Every District Court have unlimited original jurisdiction in all civil…. matters. Monitory transactions fall under civil action therefore the original jurisdiction for monitory transactions fall under District Courts.

[8] High Court of the provinces (special provision) Act No 10 of 1996 states "It has jurisdiction to hear civil actions where the cause of action has arisen out of a commercial transaction in which the debt, damage or demand exceeds five million Sri Lankan rupees."

immovable and movable property. It gives the right to the board of directors of any commercial or other specified banks by resolution in writing to authorize any person to sell by auction any property mortgaged to the said bank and to take possession of such property and thereafter, to manage and maintain such property until all monies due to the bank have been fully paid.[9]

IV. Mortgage Act No 6 of 1949

The current law and procedure under which a financial institution holding a mortgage can realize its security as specified in this Act. This Act reflects principles of Roman-Dutch Law. It specifies the procedure a mortgage bond requires to be executed in relation to movable and immovable property and spells out the recovery action that can be instituted for the enforcement of security by financial institutions. Registration of the mortgage bond, issuing of Lis pendance, auctioning process are few areas included in the Act.

Limitations of a few Debt Recovery Laws and infrastructure.

Some provisions of the substantive and procedural laws as well as the infrastructure for the recovery of debt currently applicable mentioned above require amendments and further clarity for the fulfillment of its objective, few areas of the debt recovery law which contribute to delays and judicial interpretations of its applicability are discussed below.

The Civil Procedure Code (CPC) is one of the main legislations that requires amendment.

Serving of summons to execution of the writ requires to be re-looked at and amended to be in line with modern-day needs. One clear example of same is the Sec 218(f) of the CPC which allows the Garnishee order to be served in seizing the salary only allowing Rs500/- for the expenses. During the time CPC was enacted even though the amount was adequate for day-to-day living, looking at the current cost of living this is an insignificant amount and not sufficient to survive at least for one day. There are occasions when the defendants leave the employment due to same resulting in lending institutions failing to recover the debt after a lengthy legal process.

[9] Dr Wickramaweerasoriya "the Development of Banking Law in Sri Lanka A Critical Assessment" Economic review April/May 2011 page 25

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The Section. 6(2) of the Debt Recovery Act states the conditions which are needed to be fulfilled prior to courts granting of leave however we see judges in lower courts tending to grant leave to defendants allowing to appear and defend the case simply when an affidavit is filed seeking leave to defend. Clarity on prima facie sustainable defenses needs to be mentioned in the statue to avoid such defenses.

Higher court Judicial decisions have always addressed this concern, especially in the cases ***Kiran Atapattu* V *Pan Asia Bank Limited*** [10] It was held that "Section 6(2) does not permit unconditional leave to defend the action. The minimum requirement is the furnishing of security."

Further in the case ***Metal Packing Ltd and Another* V *Sampath Bank Limited***[11] it was held inter alia the defendants have merely denied Plaintiff's case. Mere denial is not sufficient when they have failed to respond to the letter of demand sent by plaintiff demanding the said sum. In business matters, in certain circumstances, the failure to reply to a letter amounts to an admission of a claim made therein"

In ***Sunil Ramanayake* V. *Sampath Bank Ltd***.[12], Wijeyaratne J discussed the ambit of the section 6 of DRA. As; "(1) the defendant shall not appear or show cause against the order unless he obtains leave from the court. Leave to appear and defend must be granted upon the defendant paying into court the sum mentioned in the decree or furnishing reasonable and sufficient security for satisfying the decree. Plaintiffs claim on its merits but merely set out objections of a technical nature. If a defendant is granted leave unconditionally on this type of technicality and evasive denial, then the purpose of this Act will be brought to naught".

In ***Zubair* V. *Bank of Ceylon***[13]...Court held: 'In Debt Recovery matters, it would not be correct for the courts to hold against the intention of the legislature on technicalities

Also, according to the Debt Recovery Act, a final decree is also treated as a Writ of Execution; however courts tend to follow the execution procedure of a regular action using the special forms provided in the Civil Procedure Code.

[10] SLR 2005 Vol 2 Page 276
[11] SLR 2008 Vol 0I page 356
[12] SLR 1993 Vol 1 page146
[13] [2000] 2 SLR page 187

This requires to be further elaborated in the Act itself.

Parate Act it is a clear deviation from the Common Law, the exercise of judicial powers, equal protection of the law, the law relating to the procedures and the principles of natural justice. Any debt recovery procedure should seek to balance the interest of both lenders as well as the borrowers· Accordingly, the mortgagee becomes the claimant as well as the judge which empowers and strengthens one party to a transaction, which primarily involves at least two. the Act clearly lacks any provision relating to decision making, there are no restrictions or limitations placed on the financial institution which results in wide discretion for the lending institution in passing the resolution by its board of directors. This is an area that needs to be expanded and amended in the statute to achieve a just and fair outcome.

In an early case, ***Mendis* V *The Ceylon State Mortgage bank***[14] Parate Execution was described as 'deplorable and harsh remedy'"by the Supreme Court. However, both judges who heard and decided the appeal (Basnayake CJ and Pulle J.) stated 'the fact that a legislative measure intended to benefit the subject had in its operation, in that case, produced a result which, though not illegal, was revolting to one's sense of justice and fair play.' Basnayake CJ, observed: 'The plaintiff has suffered a cruel fate at the hands of the State lending institution whose aid he sought. No private moneylender would have been permitted by the courts to act in the way the defendant bank had done.'

The recent amendment to the Act by Recovery of Loans by Banks (special provision) Amendment Act No 1 of 2011 brought in a requirement of Rs 5 million as the minimum lending limit to qualify for the board resolution. If the amount of the loan granted is below 5 million, Parate execution is not available to the financial institution. This is considered to be a limitation for the speedy recovery through Parate Action and requires a further amendment to the law.

Further another area where additional amendments to the Act are required is the applicability of the law relating to a mortgagor of the property. The mortgaged property could be seized and sold in terms of the provisions of the Act only where such properties are mortgaged by the persons to whom the loan is granted, it is seen that in instances where the mortgagor has not benefited

[14] (1959) Volume LXI NLR page 385

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from the loan but merely guaranteed the loans and provided the mortgage only to secure the guarantees, courts have decided that banks have no recourse to the Act. This limits the financial institution's ability in granting facilities by accepting mortgagors as there is no recourse according to the act on the mortgagors.

In the more recent past courts have interpreted the provisions of the Act in line with the complexity of lending institutions on the modern needs of its debtors. Four landmark cases were decided by the Supreme Court in interpreting the provisions of the Parate Execution Powers.[15] In the **HNB case** the ruling of the Supreme court states as 'These appeals are from orders of the Court of Appeal refusing interim relief in applications for writs of certiorari to quash resolutions of the Boards of Directors of banks authorizing the sale of property mortgaged by guarantors not being to whom loans have been granted that come within the purview of Act No 4 of 1990. Since the impugned resolutions have been made in excess of statutory power the petitioners would be entitled to writs of certiorari to quash the resolutions. The order made by the Court of Appeal refusing interim relief is set aside. Interim relief is granted as prayed for and the Court of Appeal will enter judgment based on proceedings findings.' Majority judgment permitted granting of interim relief as prayed for in the petition of relief and directed the Court of Appeal to enter judgment accordingly.

However, Justice Shirani A Bandaranayake a member of the five bench panel dissented and gave a dissenting judgment. Justice Bandaranayaka referred to the judgment of the Court of Appeal dated 29.10.2003 where it refused to grant interim relief as prayed by the applicant, restraining the respondent banks from taking any step to 'parate execute' the properties connected and staying the sale by the third party (the auctioneer) by public auction. The dissenting judgment was in favor of granting special leave to appeal to the Supreme Court.

There were developments subsequent to this case and in one decided case[16] the first and second respondents who were the managing director and director respectively of Nalin Enterprises Private Limited had mortgaged some of their personal properties with the bank in order to obtain certain banking facilities to

[15] *Chellaiah Ramachandran and another* V *Hatton National Bank (HNB) & 3 others* (S.C. Appeal No 5), *V Anandasiva and 12 others as Petitioners* V *Hatton National Bank & 3 others* (S.C Appeal No 5),C. Ukwatte and another as Petitioners Vs DFCC Bank (S.C.Spl.LA No 31/2004), *M. Karunawathie and 5 others* V *DFCC Bank and another* (S.C.Spl.LA No 32/2004)

[16] *Hatton National Bank* V *Samathapala Jayawardene, Peththa Thantrige Ariyawathie Jayawardene and another* -SLR (2007) Vol 1 page 181

the said company. The company has failed in making payments to the bank as per the agreements. The bank has adopted a resolution to sell the properties in terms of Section 04 of the Act. At this stage, the plaintiffs–respondents urged that in terms of the judgment in the case of ***Ramachandra and others* V *Hatton National Bank***[17]" property mortgaged by a third party who is not a borrower cannot be sold by way of Parate execution.

The Supreme Court lifting the corporate veil, in this case, stated that the first and second respondents, being the managing directors and a director of the said company could not distance themselves from the company as they have benefited from the facilities made available to the company. Directors will not be able to seek compensation under the aforesaid landmark case.

Lack of provision in the Mortgage Act in relation to interim action relating to perishable movable assets such as stocks is an area that requires amendments to the Act. Even if the lending institution is made aware of the debtor misusing the stocks and changing its form the lending institutions are not able to bring in an interim relief.

Also, Mortgage (Amendment) Act No 3 of 1990 deals with the renunciation of the mortgagor which in effect the mortgagor agrees with the lending institution to hold other property and make them liable to be sold in execution of a decree in an action upon the mortgage (he renounces benefits given by s.46) There is confusion arising out of the above provision as it has not elaborated whether the other properties of the mortgagor can be held and created more complication in law. Thus, it is another section of the Act that requires further clarification.

Practical difficulties in applying the Debt recovery laws in Sri Lanka

Sri Lanka has enacted several legislations on debt recovery and has taken steps in amending the legislation to suit the needs of the country from time to time. Amidst these enactments and amendments still, debt recovery is an area where delay in laws has become acute. There are lacunas seen especially when these laws are implemented. This results in the judicial process relating to debt recovery taking over a decade for a conclusion via the judicial system. The inadequacy of the provisions of laws and the lack of knowledge of the judiciary

[17] (2006) 1 Sri L.R. 393 at page 399,

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in understanding the scope of the law relating to debt recovery law are the main contributors to these delays, Further reluctance of the judiciary in taking bold decisions in overlooking the technicalities to achieve the objective of the statutes mainly contributes to the law delays in lower courts.

Insufficient remuneration for the court staff resulting in them engaging in bribery and corruption and intentionally delaying the court procedure and no proper disciplinary code to punish those who are found guilty of such acts also contribute to the delays. The unavailability of punishment for a legal professional who intentionally acts in a manner to defeat the object of the statute by delaying the litigation is evident. Infrastructure inadequacies such as legal loopholes in enacted legislature, limited courtroom with no special allocation for this form of debt recovery action, shortcomings of court record rooms resulting in misplacement of court records, no proper code of ethics for court officials are a few other reasons for the court delays.

As aforementioned delays and inefficiencies negatively impact the banks and other lending institutions as they are compelled to incur high costs in recovering the debts. Borrowers at times intentionally delay the legal process as a measure of delaying the repayment. Some other borrowers who are honestly struggling to pay due to loss of income are also affected as they are forced to engage in long legal battles while spending additional money on lawyers and law firms as there is very limited legal infrastructure available in Sri Lanka for quasi-judicial settlements through tribunals or alternate settlement methodologies.

Finally, the economy of the country is impacted as the debt recovery inefficiencies result in banks struggling to recover the lending resulting in higher non-performing loans (NPL) lower credit availability, and lower profitability, which negatively impacts the country's economy. In the current financial environment, the stability of the banking industry is vital for the economic development of the country and recovering debts and reducing non-performing loans is of utmost importance. Therefore, improving this situation is vital and urgent for the banking industry and the economy.

Recommendations to enhance the effectiveness of Debt Recovery laws and their infrastructure.

It is imperative that there be a substantial improvement in the effectiveness

and delays in the litigation process relating to debt recovery in this respect amendments to the current substantive and procedural laws as well as infrastructural changes are e affected as an urgent need. A few common recommendations for the same are mentioned below.

Summons to be served by the postman and acknowledgment in form of a postcard to be filled and given to the postman. The office of Fiscal is one of the most corrupt institutions in the administration of justice which causes significant delays for the court system, therefore serving of summons/ notice to be made using other means abolishing the fiscal intervention during the debt recovery process.

Better disciplinary measures to be introduced for court officials (for example fiscals, record keepers, registrars and other administrative staff). Along with a Code of Ethics introduced which outlaws the acceptance of bribes and corruption**.** Gifts and Entertainment policies should be implemented to record all benefits received by the court officials and checked by superiors.

Incentive schemes for court officials should be implemented so that these officials will refrain from accepting bribes and other unlawful payments as a quid pro quo for implementing the court process.

In relation to claims up to Rs. 1,000,000/- it may be appropriate to consider an alternative dispute resolution process. At present times Sri Lanka has a system of mediation boards[18]. For the more effective resolutions of small claims up to Rs. 1,000,000/= it may be worth exploring implementing a system of mediation which have been quite effective in jurisdictions such as USA[19],Singapore [20]and Hong Kong[21] It may also be appropriate to have a system of Small Claims Tribunals [22] similar to such tribunal's operating in Hong Kong.

To overcome the long delays in deciding cases it is recommended that in the District Courts there should be two court sittings, one in the morning and the

[18] Mediation Board Act no 72 of 1988 amended by Act No 9 of 2016.

[19] U.S.A has established court ordered and court sponsored mediation systems under some of it mediation is mandatory Ten states of Columbia have adopted uniform Mediation Act and each state has made its own laws for mediation. Some US jurisdiction have had procedures that allow for the conversion of a settlement agreement in to an arbitral award.

[20] Singapore set up the mediation centre in 1997.

[21] HK SAR has done judicial procedure reforms emphasizing use of mediation for settlement of disputes. The mediation centre of HK

[22] Small claims tribunal rules Honk Kong (Cap 338 S.36)

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other in the afternoon presided over by two different judges. The long delay in the backlog of cases can also be reduced if the Judicial Service Commission gives a direction to the District judges not to give long dates when re-fixing cases.

Training, especially for judges deciding debt recovery cases, could be undertaken by the Judges'Institute[23] experts and specialists in both commercial transactions and debt recovery can be invited to give lectures to enhance the knowledge of the judicial officers.

The substantive law was drafted to eliminate the delays of the law and prevent the debtors from using the loopholes in the law to create delays in court. The amendments to the initial enactment have clarified most of the unclear areas and reduced the minimum value for filing an action. Judiciary has also in certain cases stood by the essence of the law and made judgments accordingly. This is more seen in decisions of the higher court. A recommendation would be to educate all judicial officers on the importance of this law and its applications and to train the court officials in the practical application of the law. This would reduce the cases filed under this action being routed to the regular activities such as the defendant being allowed to answer the plaint without showing proper cause or on a technical defect of the plaint being used as a ground to grant leave to proceed.

Conclusion

Debt recovery remains a major concern faced by the Banking industry. Due to the inefficiencies of the legal systems, the resolution of disputes takes many years, sometimes over two decades. This results in banks struggling to recover the dues it owes from their customers, which in turn disturbs the credit cycle in a bank Sri Lanka being a developing country that is also classified as a lower-middle-income country has a gross domestic product (GDP) of USD 80.71[24] in 2020 according to World Bank data. Moreover, Sri Lankan NPL Ratio[25] stood at 4.9% in Dec 2020, compared to 4.7% in the

[23] Judges Institute in Sri Lanka was established by Act 46 of 1985.The management consists of 5 members including the Hon. Chief justice and two supreme court judges appointed by the President. The provisions to this institute are allocated by the ministry.

[24] Central Bank of Sri Lanka "National Accounts"< www.cbsl.lk>accessed on 20 March 2022

[25] Non-performing loan is a bank loan that is subject to late repayment or is unlikely to be repaid by the borrower in full.

previous year. This shows the importance of the stability of the banking industry and the need for the control of the NPLs.

Proper credit evaluation and an efficient debt recovery process are the main tools in controlling the NPL ratios of the banking industry and thus this paper was done to discuss in detail the legal reforms required for the effective operation of the Debt recovery in Sri Lanka in the form of substantive as well as procedural law reforms along with the change of infrastructure, the mindset of the organizations as well as practitioners of law. These changes are paramount in achieving proper control of the none performing loans (NPL) of the banking industry which enables the positive development of the country's economy.