

Details as per RBI circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances - Clarifications [RBI/2021-2022/125 DOR.STR.REC.68/21.04.048/2021-22] dated November 12, 2021:

➤ **OVERDUE/DELINQUENT/STRESS ACCOUNTS:**

The customers are required to pay Equated Monthly Instalments (EMIs) for the availed loans on the due date specified in the repayment schedule (part of the loan agreement). When any customer fails to make the repayments either principal or interest portion as per the demand EMI those clients are treated as Overdue/Delinquent/ Stress accounts.

The Pahal submit the data of such default customers to the credit information bureau. Instances of overdue/Delinquency in Credit Bureau data negatively impact the creditworthiness of customers thereby hampering the chances of getting loans in the future. The financial institutions treat such customers as risky customers.

➤ **SPECIAL MENTION ACCOUNT (SMA)**

As per the regulations, financial institutions are required to treat/flag loan accounts based on the evidence of stress. One such flagging category is called Special Mention Accounts

➤ **BASIS FOR CLASSIFICATION OF SMA CATEGORIES SHALL BE AS FOLLOWS:**

Loans other than revolving facilities			Loans in the nature of revolving facilities like cash credit/overdraft		
SMA Sub-categories	Basis for classification - Principal or interest payment or any other amount wholly or partly overdue		SMA Sub-categories	Basis for classification - Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of:	
SMA-0	Upto 30 days		SMA-1	More than 30 days and upto 60 days	
SMA-1	More than 30 days and upto 60 days		SMA-2	More than 60 days and upto 90 days	
SMA-2	More than 60 days and upto 90 days				

➤ **CLASSIFICATION OF CUSTOMER ACCOUNT AS SPECIAL MENTION ACCOUNT (SMA) AND NON-PERFORMING ASSET (NPA):**

The account shall be classified as Non-Performing Asset (NPA) as per the extant RBI Circulars/Regulations when the payment of Loan Instalment (principal and/or interest) remains overdue for more than 90 days, that is, the account will be marked as NPA on the 91st day of continuous default from the original due date.

To further clarify this following is an illustrative example of the way any account shall be classified as NPA:

If due date of a loan account is March 31, 2021, and full dues (Principal and Interest) are not received before running of the day-end process on 31 March 2021, the date of overdue shall be considered to be March 31, 2021.

If the account continues to remain overdue, then the account shall get tagged as SMA-1 upon running day-end process on April 30<sup>th</sup>, 2021, i.e., upon completion of 30 days of being continuously overdue. Accordingly, the date of SMA-1 classification for that account shall be April 30<sup>th</sup>, 2021.

Similarly, if the account continues to remain overdue, it shall get tagged as SMA-2 upon running day-end process on May 30<sup>th</sup>, 2021, and if it continues to remain overdue further, it shall get classified as NPA upon running day-end process on June 29<sup>th</sup>, 2021 i.e., upon completion of 90 days.

➤ **UPGRADATION OF NPA ACCOUNT TO REGULAR ACCOUNT:**

A loan account, classified as NPA can be upgraded to Standard Asset only upon payment of the entire arrears of interest and principal.