



Consumer Education Literature on Guidelines on Income Recognition, Asset Classification and Provisioning

RBI has published its circular dated November 12, 2021 (RBI/2021-2022/125 DOR.STR.REC.68/21.04.048/2021-22) to ensure uniformity in implementation of Income Recognition, Asset Classification and Provision pertaining to Advances for the lending institutions. The circular is applicable for: -

- All Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks) excluding Payments Banks
- All Primary Co-operative Banks
- All-India Financial Institutions (Exim Bank, NABARD, NHB and SIDBI)
- All Non-Banking Financial Companies (including Housing Finance Companies)

The circular requires the lenders to recognize incipient stress in borrower accounts, immediately on default, by classifying them as special mention accounts (SMA).

In order to remove any ambiguity, SMA is classified into below categories.

Below is the detailed explanation on date of overdue, SMA and NPA classification and upgradation of NPA day-end process for better knowledge.

A. Concept of Overdue and Date of Overdue

Any amount due to the Moneyboxx Finance Limited (hereinafter referred to as the Company) under any credit facility shall be treated as overdue if it is not paid on the due date. Borrower accounts shall be flagged as an overdue account by the Company as a part of the day-end process for the due date, and the date of overdue shall be the calendar date for which the day-end process is run.

Example: If the due date of a loan account for making repayment is March 31, 2022, and full dues are not received before the Company runs the day-end process for this date, the date of overdue shall be March 31, 2022.

B. Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA)

Classification of the borrower account as SMA shall be done as part of day-end process for the relevant date and the SMA classification date shall be the calendar date for which the day- end process is run.

SMA's are classified under following sub-categories:

LOANS OTHER THAN REVOLVING FACILITIES	
SMA Sub-categories	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue
SMA-0	Up to 30 days
SMA-1	more than 30 days and upto 60 days



SMA-2	more than 60 days and upto 90 days
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Example:

If due date of a loan account is March 31, 2022, and full dues are not received before the day-end process for this date, the date of overdue shall be March 31, 2021. If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running day-end process on April 30, 2022 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, 2022.

Similarly, if the account continues to remain overdue, it shall get tagged as SMA-2 upon running day-end process on May 30, 2022 and if continues to remain overdue further, it shall get classified as NPA upon running day-end process on June 29, 2022.

C. Classification as Non-Performing Assets

Classification of borrower accounts as NPA shall be done as part of day-end process for the relevant date and NPA classification date shall be the calendar date for which the day-end process is run.

A Non-Performing Asset (NPA) is a loan where interest and/or instalment of principal remains overdue for a period of more than 90 days in respect of a loan.

Further, NPA classification is borrower wise and not account wise. Hence if one loan account of the borrower is classified as NPA, all other loan accounts of the borrower also will be classified as NPA.

D. Upgradation of accounts classified as NPA

NPA status of the loan shall change only when the entire arrear i.e., principal and interest is paid by the borrower. Asset classification shall be done borrower-wise and not facility – wise. It is clarified that loan accounts classified as NPAs may be upgraded as ‘standard’ asset only if entire arrears of interest and principal are paid by the borrower. With regard to upgradation of accounts classified as NPA due to restructuring, non-achievement of date of commencement of commercial operations (DCCO), etc., the instructions as specified for such cases shall continue to be applicable.

E. Impact to Borrower due to non-repayment of loan in time

Your missed payments / default will be recorded on your credit report which could affect your credit score and make it harder for you to access financial products in the future.

For detailed RBI circular, Please refer-

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12194&Mode=0>