

CONSUMER EDUCATION LITERATURE

The Concepts on Date of Overdue, SMA and NPA Classification and Upgradation



In reference to RBI/2021-2022/125 DOR.STR.REC.68/21.04.048/2021-22 - *Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances - Clarifications*, the Asirvad Micro Finance Limited is required to immediately classify the defaulter account as special mention account (SMA). The company is obliged to share the information of borrower or customer who committed default with Credit bureau and other financial institutions/authorities.

The manner of SMA classification is given below:

Case (a): Loans with EMI Structure

SMA Sub-categories	Loans other than revolving facilities	Loans in the nature of revolving facilities like cash credit/overdraft
		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 up to 60 days	More than 30 days and up to 60 days
SMA-2	More than 60 days and up to 90 days	More than 60 days and up to 90 days

Case (b): Loan availed by pledging Gold

SMA Sub-categories	Basis for classification - Principal or interest payment or any other amount wholly or partly overdue	For Example: A customer takes a loan on 1st Jan 2021 with maturity date as on 29th Jun 2021 (6-month scheme) and if the principal or interest payment or any other amount wholly or partly overdue in such loan on 29th Jun 2021, then the loan will fall in.
SMA-0	Up to 30 days	SMA 0 on 29th June 2021
SMA-1	More than 30 days and up to 60 days	SMA 1 on 29th July 2021
SMA-2	More than 60 days and up to 90 days	SMA 2 on 28th August 2021

It is further clarified that borrower accounts shall be flagged as overdue by Asirvad Micro Finance Limited as part of their day-end processes for the due date, irrespective of the time of running such processes.

Classification of borrower accounts as SMA as well as NPA shall be done as part of day-end process for the relevant date and the SMA or NPA classification date shall be the calendar date for which the day end process is run. In other words, the date of SMA/NPA shall reflect the asset classification status of an account at the day-end of that calendar date.

It is further clarified that the instructions on SMA classification of borrower accounts are applicable to all loans, including retail loans, irrespective of size of exposure of Asirvad Micro Finance Limited.

In case of interest payments in respect of term loans, an account will be classified as NPA if the interest applied at specified rests remains overdue for more than 90 days.

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.

Example:

If due date of a loan account is March 31, 2021, and full dues are not received by AMFL (lender) before it closes the day-end process for the said date, the date of overdue shall be 31st March 2021. If it continues to remain overdue and AMFL doesn't receive the amount by the end process on April 30th 2021 i.e. upon completion of 30 days of being continuously overdue, then the account will be tagged as SMA-1. That means, the date of SMA-1 classification for that account shall be April 30, 2021.

Similarly, if the account continues to remain overdue, it shall get tagged as SMA 2 upon closing the day-end process on May 30, 2021, and if continues to remain overdue further, it shall get classified as NPA upon closing day-end process on June 29, 2021