

Consumer Education – Classification of Borrower Accounts as SMA/ NPA

The bank recognizes incipient stress in borrower accounts by classifying them as Special Mention Account (SMA) / Non-Performing Asset (NPA) as per the norms given below:

Special Mention Account (SMA)¹

Special mention accounts shall be classified as per following categories:

Loans in the nature of Term Loans		Loans in the nature of 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

Non-Performing Asset (NPA)

A non-performing asset (NPA) is a loan or an advance where:

- interest and/ or instalment of principal remains overdue² for a period of more than 90 days in respect of a term loan,
- the account remains 'out of order' as indicated at paragraph below, in respect of an Overdraft/Cash Credit (OD/CC),
- the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
- the instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
- the instalment of principal or interest thereon remains overdue for one crop season for long duration crops,
- the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitization transaction undertaken in terms of the Reserve Bank of India (Securitization of Standard Assets) Directions, 2021.
- in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

¹ Agricultural advances governed by crop season-based asset classification norms shall be exempt from this instruction.

² Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.

‘Out of Order’ status

Cash credit/Overdraft (CC/OD) account is classified as NPA if it is ‘out of order’. An account should be treated as 'out of order' if:

- a) the outstanding balance remains continuously in excess of the sanctioned limit/drawing power for 90 days.
- b) In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts should be treated as 'out of order'.

NPA classification on account of non-renewal of CC/OD limits

An account where the regular/ ad hoc credit limits have not been reviewed/ renewed within 180 days from the due date/ date of ad hoc sanction will be treated as NPA.

NPA classification on non-submission of stock statements

In working capital borrowal account, Bank relies upon stock statements not older than three months for determination of drawing power. The outstanding in the account based on drawing power calculated from stock statements older than three months, would be deemed as irregular. Account will become NPA if such irregular drawings are permitted in the account for a continuous period of 90 days even though the unit may be working or the borrower's financial position is satisfactory.

Example of SMA/NPA

- If due date of a loan account is March 31, 2021, and full dues are not received before the lending institution runs 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, 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, 2021.
- Similarly, if the account continues to remain overdue, it shall get tagged as SMA-2 upon running day-end process on May 30, 2021.
- If it continues to remain overdue further, it shall get classified as NPA upon running day-end process on June 29, 2021.

For detailed guidelines in asset classification and provisioning, please refer to RBI's Master Circular- Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances dated April 1, 2025. The above asset / SMA classification norms are subject to changes as per regulatory instructions issued from time to time.
