

Consumer Education Literature on SMA/NPA

Pursuant to “Master Direction – Reserve Bank of India (Non-Banking Financial Company –Scale Based Regulation) Directions, 2023 dated October 19, 2023 updated from time to time, RBI has clarified certain aspects of Overdue dates and SMA/NPA classification dates etc., to ensure uniformity across all lending institutions.

1. What is Due date/repayment date?

It is the date on which the principal / interest / any charges levied on the loan account are payable as mentioned in sanction terms/loan agreement.

2. What is an Overdue (default) account?

An account shall be overdue in default when principal including arrears of interest and any other amount due is not paid in full as seen on the respective due date mentioned in sanction terms/loan agreement, such account shall be specified as overdue loan account. The Company shall flag the Loan account as overdue as part of the day-end processes for the due date, irrespective of the time of running such processes.

3. What does Non-Performing Asset (NPA) mean?

NPA is an account in which there is an overdue (as per Question No.2) of more than 90 days.

4. What is a Special Mention Account (SMA)?

As per RBI regulation, an account has to be classified into four buckets namely SMA-0, SMA-1, SMA-2 and SMA-3 based on the number of overdue days before an account becoming NPA.

(Refer question no. 5 for more clarification)

5. How is an account classified as SMA or NPA?

Classification of loan account in to regular, Special Mention Account (SMA) and non-performing Assets is governed by extant RBI guidelines. All these categories are calculated at customer level for all loans/facilities extended by the Company. A Borrower is classified as overdue if EMI due is not paid fully on fixed due date. Classification in to regular, various categories of SMA and NPA is given below in the table.

Principal/Interest overdue days	Classification
No Overdue	Regular
1 day to 30 Days	SMA-0
31 days to 60 Days	SMA-1
61 days to 90 Days	SMA-2
More than 90 Days	NPA

6. What is Customer/Borrower level classification?

Classification of SMA and NPA are at borrower level for all loan facilities. i.e. if borrower is having 3 loan accounts out of which first loan is not having any overdue and 2nd account is having 2 EMI overdue and 3rd account is having 4 EMIs overdue (120 Days past due- NPA), so all 3 accounts will be classified as “NPA” due to 3rd account having 4 EMIs Due.

Example for classification of loan and borrower in to various categories:

If EMI due date of a loan account is 11, March 2021, and full dues are not received on the same date, the account will become overdue on 11, March 2021. If it continues to remain overdue, then this account shall be classified as “SMA-1” on April 9, 2021. Similarly, if the account continues to remain overdue, this account shall be classified as “SMA-2” on 9, May 2021. If the account continues to remain overdue further, then this account shall be classified as “NPA” on 9 June, 2021.

7. How an account shall get upgraded from NPA to Standard?

Upgradation from NPA to standard is possible when customer level loan overdue amount is less than 90 days past due. i.e. in above example, if customer repays partial overdue amount (i.e. repays 3 EMI) of 3rd account, then this customer is classified as “SMA-2” on the date of repayment of all overdues to 2nd account customer is classified as SMA-1. If customer repays all overdues of 2nd and 3rd account, then this customer will be classified as ‘Regular’ on the date of repayment.