

Consumer Education on SMA/NPA

Classification as Special Mention Account (SMA) and Reporting of Large Exposures to Central Repository of Information on Large Credits (CRILC) - UCBs

RBI Circular No: RBI/2024-25/13 DOR.STR.REC.9/21.04.048/2024-25

April 02, 2024

SMA is an account which is exhibiting signs of incipient stress resulting in the borrower defaulting in timely servicing of her debt obligations, though the account has not yet been classified as NPA. As early recognition of such accounts enables banks to initiate timely remedial actions to prevent their potential slippages into NPAs, all UCBs shall classify loans/advances accounts as SMA, as under:

SMA Sub-categories	Basis for classification Principal or interest payment or any other amount wholly or partially overdue for
SMA-0	Up to 30 days
SMA-1	More than 30 days and up to 60 days
SMA-2	More than 60 days and up to 90 days

In case of revolving credit facilities like cash credit, the SMA sub-categories will be as follows:

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-1	More than 30 days and up to 60 days
SMA-2	More than 60 days and up to 90 days

CC/OD account shall be treated as 'out of order' if:

- i) The outstanding balance in the CC/OD account remains continuously in excess of the sanctioned limit/drawing power for 90 days, or
- ii) The outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but there are no credits continuously for 90 days, or the outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but credits are not enough to cover the interest debited during the previous 90 days period¹.

Treatment of NPAs - Borrower-wise and not Facility-wise

(i) In respect of a borrower having more than one facility with a bank, all the facilities granted by the bank will have to be treated as NPA and not the particular facility or part thereof which has become irregular/NPA.

(ii) However, in respect of consortium advances or financing under multiple banking arrangements, each bank may classify the borrowal accounts according to its own record of recovery and other aspects having a bearing on the recoverability of the advances. Each bank shall follow the principle at (i) above for NPA classification of a borrower.

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

Illustrative Accounting Entries to be passed in respect of Accrued Interest on both the Performing and Non-performing Advances

I. Accrued Interest on Performing Advances

i) It has been clarified in paragraph 4.5.2 and 4.5.3 (ii) of the Master Circular that accrued interest in respect of performing advances may be charged to borrowal accounts and taken to income account. Illustratively, if the accrued interest is ₹10,000/- in respect of performing advances of a borrower 'X' (cash credit, overdraft, loan account, etc.) the following entries can be passed in the Books of Account.

(Dr) Borrower's account (CC, OD loan)	₹10,000.00
(Cr) Interest account	₹10,000.00

ii) In case the accrued interest of ₹10,000/- in respect of the borrowal account is not actually realised and the account has become NPA, interest accrued and credited to income account should be reversed or provided for if the same is not realised by passing the following entries :

(Dr) P&La/c)	₹10,000.00
(Cr) Overdue Interest Reserve Account	₹10,000.00

iii) In case accrued interest is realised subsequently, the following entries may be passed:

(Dr) Cash / Bank account	₹10,000.00
(Cr) Borrower's Account (CC, OD, Loan)	₹10,000.00
(Dr) Overdue Interest Reserve Account	₹10,000.00
(Cr) Interest account	₹10,000.00

I. Accrued Interest on Non-Performing Advances

iv) Accrued interest in respect of non-performing advances may be debited to 'Interest Receivable Account' and corresponding amount credited to 'Overdue Interest Reserve Account'. For example, if the interest accrued in respect of Cash Credit / OD / Loan etc. account of a borrower 'Y' is ₹20,000/- the accounting entries may be passed as under :

(Dr) Interest Receivable Account	₹20,000.00
(Cr) Overdue Interest Reserve Account	₹20,000.00

i) Subsequently, if interest is actually realised, the following accounting entries may be passed :

(Dr) Cash / Bank Account	₹20,000.00
(Cr) Interest account	₹20,000.00
(Dr) Overdue Interest Reserve Account	₹20,000.00
(Cr) Interest Receivable Account	₹20,000.00

