



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

[www.rbi.org.in](http://www.rbi.org.in)

RBI/2025-26/14  
DOR.STR.REC.10/21.04.048/2025-26

April 01, 2025

The Chief Executive Officers  
All Primary (Urban) Co-operative Banks

Madam / Dear Sir,

**Master Circular - Income Recognition, Asset Classification, Provisioning and Other Related Matters - UCBs**

Please refer to our [Master Circular DOR.STR.REC.9/21.04.048/2024-25 dated April 02, 2024](#) consolidating instructions / guidelines issued to banks till March 31, 2024 on matters relating to prudential norms on income recognition, asset classification and provisioning pertaining to advances.

2. Attached is the revised [Master Circular](#), updated to reflect all instructions issued upto March 31, 2025 on the above matter, as listed in Annex 9. It may be noted that this Master Circular only consolidates all instructions on the above matter issued up to March 31, 2025 and does not contain any new instructions/guidelines.

Yours faithfully

(Vaibhav Chaturvedi)  
Chief General Manager

Encl: As above

**Master Circular**  
**Income Recognition, Asset Classification, Provisioning and Other Related Matters**

SI No	Contents Particulars	Page No
1.	GENERAL	3
2.	NON-PERFORMING ASSETS (NPA)	3
	2.1 Classification of assets as Non-Performing	3
	2.2 Treatment of Accounts as NPAs	6
	2.2.1 Record of Recovery	6
	2.2.2 Treatment of NPAs – Borrower – wise and not Facility-wise	7
	2.2.3 Agricultural Advances – default in repayment due to natural calamities	7
	2.2.4 Housing Loans to staff	7
	2.2.5 Credit Facilities guaranteed by Central/ State Government	7
	2.2.6 Project Financing	8
	2.2.7 Prudential Guidelines on Restructuring of Advances	8
	2.2.8 Other Advances	13
	2.2.9 Recognition of Income on Investment treated as NPA	13
	2.2.10 NPA Reporting to Reserve Bank	13
	2.2.11 Consumer Education	13
3.	ASSET CLASSIFICATION	14
	3.1 Classification	14
	3.2 Definitions	14
	3.3 Guidelines for Classification of Assets	14
	3.3.1 Basic Considerations	14
	3.3.2 Advances Granted under Rehabilitation Packages Approved by Term Lending Institutions	15
	3.3.3 Internal System for Classification of Assets as NPAs	15
4.	INCOME RECOGNITION	15
	4.1 Income Recognition – Policy	15
	4.2 Reversal of Income on Accounts Becoming NPAs	16
	4.3 Booking of Income on Investments in Shares & Bonds	16
	4.4 Partial Recovery of NPAs	16
	4.5 Interest Application	17
5.	PROVISIONING NORMS	17
	5.1 Norms for provisioning on Loans & Advances	17
	5.2 Provisioning for retirement benefits	19
	5.3 Provisioning pertaining to Fraud Accounts	19
	5.4 Guidelines for provisions in specific cases	20
6.	Transfer of Loan Exposures	21
7.	Frequently Asked Questions	21
	Annex 1: Direct Finance to Farmers for Agricultural Purposes	22
	Annex 2: Proforma	23
	Annex 3: Illustrative Accounting Entries to be passed in respect of Accrued Interest on both the Performing and NPAs	25
	Annex 4: Clarification on certain frequently asked questions	27
	Annex 5: Prudential Guidelines on Restructuring - key concepts	30
	Annex 6: Prudential Guidelines on Restructuring - report format	32
	Annex 7: Prudential Guidelines on Restructuring - illustrations	33
	Annex 8: Guidelines on asset classification of projects under implementation	35
	Annex 9: List of Circulars consolidated	38

## General

1.1 In order to reflect a bank's actual financial health in its balance sheet and as per the recommendations made by the Committee on Financial System (Chairman Shri M. Narasimham), the Reserve Bank has introduced, in a phased manner, prudential norms for income recognition, asset classification and provisioning for the advances portfolio of the banks.

1.2 Broadly, the policy of income recognition should be objective and based on record of recovery rather than on any subjective considerations. Likewise, the classification of assets of banks has to be done on the basis of objective criteria, which would ensure a uniform and consistent application of the norms. The provisioning should generally be made on the basis of the classification of assets into different categories.

1.3 The requirements of the State Co-operative Societies Acts and / or rules made thereunder or other statutory enactments may continue to be followed, if they are more stringent than those prescribed hereby.

## 2. Non-performing Assets (NPA)

### 2.1 Classification of Assets as Non-Performing

2.1.1 A non-performing asset is a loan or an advance where:

(i) Interest and / or installment of principal remain overdue<sup>1</sup> for a period of more than 90 days in respect of a Term Loan.

(ii) The account remains '**out of order**'<sup>2</sup>, in respect of an Overdraft / Cash Credit (OD/CC) and all other loan products being offered as an overdraft facility, including those not meant for business purposes and/or which entail interest repayments as the only credits.

(iii) The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.

(iv) In the case of direct agricultural advances as listed in Annex 1, the overdue norm specified at para 2.1.3 would be applicable. In respect of agricultural loans other than those specified in Annex 1, identification of NPAs would be done on the same basis as non-agricultural advances.

(v) Any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.

(vi) In addition, an account may also be classified as NPA in terms of certain specific provisions of this Master Circular, including *inter alia* paragraphs 2.2.7 and clarifications provided under the frequently asked questions (FAQs) in Annex-4.

---

<sup>1</sup> Any amount due to the bank under any credit facility, if not paid by the due date fixed by the bank, becomes overdue.

<sup>2</sup> An account should 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 period. The aforesaid 'previous 90 days period' is inclusive of the day for which the day-end process is being run.

2.1.2 (A) The exact due dates for repayment of a loan, frequency of repayment, breakup between principal and interest, examples of SMA/NPA classification dates, etc. should be clearly specified in the loan agreement and the borrower should be apprised of the same at the time of loan sanction and also at the time of subsequent changes, if any, to the sanction terms/loan agreement till full repayment of the loan.

#### 2.1.2 (B) **Credit Card Accounts**

- (i) In credit card accounts, the amount spent is billed to the card users through a monthly statement with a definite due date for repayment. Banks give an option to the card users to pay either the full amount or a fraction of it, i.e., minimum amount due, on the due date and roll-over the balance amount to the subsequent months' billing cycle.
- (ii) A credit card account will be treated as non-performing asset if the minimum amount due, as mentioned in the statement, is not paid fully within 90 days from the payment due date mentioned in the statement.
- (iii) Banks shall report a credit card account as 'past due' to credit information companies (CICs) or levy penal charges, viz. late payment charges, etc., if any, only when a credit card account remains 'past due' for more than three days. The number of 'days past due' and late payment charges shall, however, be computed from the payment due date mentioned in the credit card statement.

#### 2.1.3 **Agricultural Advance**

- (i) In respect of all direct agricultural advances, as specified in Annex 1:
  - a) A loan granted for short duration crops will be treated as NPA, if the installment of principal or interest thereon remains overdue for two crop seasons.
  - b) A loan granted for long duration crops will be treated as NPA, if the installment of principal or interest thereon remains overdue for one crop season.
- (ii) For the purpose of these guidelines, "long duration" crops would be crops with crop season longer than one year and crops, which are not "long duration" crops would be treated as "short duration" crops.
- (iii) The crop season for each crop, which means the period up to harvesting of the crops raised, would be as determined by the State Level Bankers' Committee in each state.
- (iv) Depending upon the duration of crops raised by an agriculturist, the above NPA norms would also be made applicable to agricultural term loans availed by him.
- (v) Banks should ensure that while granting loans and advances, realistic repayment schedules are fixed on the basis of cash flows / fluidity with the borrowers.

#### 2.1.4 **Identification of Assets as NPAs should be done on an ongoing basis**

- (i) The system should ensure that identification of NPAs is done on an on-going basis and accounts are classified as NPA immediately, as soon as they turn into NPA as per the guidelines contained in this circular, without waiting till the end of quarter/financial year. Banks should also make provisions for NPAs as at the end of each calendar quarter i.e. as at the end of March / June / September / December, so that the income and expenditure account for the respective quarters as well as the P&L account and balance sheet for the year end reflects the provision made for NPAs.
- (ii) The borrower accounts shall be flagged as overdue by banks as part of their day-end processes for the due date, irrespective of the time of running such processes. Similarly, classification of borrower accounts

as SMA<sup>3</sup> 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.

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.

(iii) UCBs having total assets of ₹2000 crore or above as on March 31, 2020 were required to implement system-based asset classification<sup>4</sup> with effect from June 30, 2021.

(iv) UCBs having total assets of ₹1000 crore or above but less than ₹2000 crore as on March 31, 2020 and having self-assessed themselves as being under Level III or Level IV in terms of the circular DoS.CO/CSITE/BC.4083/31.01.052/2019-20 dated December 31, 2019 on Comprehensive Cyber Security Framework for UCBs were required to implement system-based asset classification with effect from September 30, 2021.

(v) UCBs which meet the above criteria as at the end of the financial year 2020-2021 or subsequent financial years shall implement system-based asset classification within a period of six months from the end of the financial year concerned. For smooth implementation of the system, such UCBs may conduct pilot/parallel run and evaluate the results for accuracy/integrity of the asset classification in compliance with the applicable RBI instructions so as to ensure that they are ready for implementation of the system-based asset classification from the appointed date.

(vi) UCBs not meeting the above criteria are also encouraged to voluntarily implement the system-based asset classification in their own interest.

#### **2.1.5 Charging of Interest at monthly rests**

(i) Banks should charge interest at monthly rests in the context of adoption of 90 days norm for recognition of loan impairment w.e.f. from the year ended March 31, 2004 and consequential need for close monitoring of borrowers' accounts.

(ii) The charging / compounding of interest on agricultural advances would be linked to crop seasons and the instructions regarding charging of interest on monthly rests shall not be applicable to agricultural advances.

(iii) Banks should take into consideration due date/s fixed on the basis of fluidity with borrowers and harvesting / marketing season while charging interest and compound the same if the loan / installment becomes overdue in respect of short duration crops and allied agricultural activities.

---

<sup>3</sup> Refer paragraph 2.1.6

<sup>4</sup> 'System-based asset classification' would mean asset classification (downgrading as well as upgrading) carried out by the CBS / computerized systems of the bank in an automated manner on an ongoing basis, based on the relevant RBI instructions/guidelines.

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

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:

<b>SMA Sub-categories</b>	<b><u>Basis for classification</u> Principal or interest payment or any other amount wholly or partially overdue for</b>
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:

<b>SMA Sub-categories</b>	<b><u>Basis for classification</u> Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of</b>
SMA-1	More than 30 days and up to 60 days
SMA-2	More than 60 days and up to 90 days

(ii) The above-mentioned instructions on classification of borrower accounts into SMA categories are applicable for all loans, including retail loans, other than agricultural advances governed by crop season-based asset classification norms, irrespective of size of exposure.

(iii) Primary (Urban) Co-operative Banks (UCBs) having total assets of ₹500 crore and above shall report credit information, including classification of an account as Special Mention Account (SMA), on all borrowers having aggregate exposures of ₹5 crore and above with them to Central Repository of Information on Large Credits (CRILC) maintained by the Reserve Bank. Aggregate exposure shall include all fund-based and non-fund based exposure, including investment exposure on the borrower.

(iv) UCBs having total assets of ₹500 crore and above are required to submit CRILC Report on quarterly basis. Detailed operating instructions have been issued vide circular DoS.OSMOS.No.4633/33.05.018/2019-20 dated January 16, 2020 on 'Reporting of Large Exposures to Central Repository of Information on Large Credits (CRILC) – UCBs' by the Department of Supervision, Reserve Bank of India.

(v) UCBs should take utmost care about data accuracy and integrity while submitting the information /data on large credit to RBI, failing which penal action as per the provisions of the Banking Regulation Act, 1949 may be taken.

## 2.2 Treatment of Accounts as NPAs

### 2.2.1 Record of Recovery

(i) The treatment of an asset as NPA should be based on the record of recovery. Banks should not treat an advance as NPA merely due to existence of some deficiencies which are temporary in nature such as non-availability of adequate drawing power, balance outstanding exceeding the limit, non-submission of stock statements and the non-renewal of the limits on the due date, etc. Where there is a threat of loss, or the recoverability of the advances is in doubt, the asset should be treated as NPA.

(ii) A credit facility should be treated as NPA as per norms given in paragraph 2.1 above. However, where entire overdues pertaining to all the credit facilities availed by a borrower from a given bank have been regularised by repayment through genuine sources (not by sanction of additional facilities or transfer of funds between accounts), the accounts may be upgraded to 'standard' asset category. In such cases, it should, however, be ensured that the accounts remain in order subsequently and a solitary credit entry made in an account on or before the balance sheet date which extinguishes the overdue amount of interest or installment of principal is not reckoned as the sole criteria for treatment of the account as a standard asset.

### **2.2.2 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.

### **2.2.3 Agricultural Advances - Default in repayment due to Natural Calamities**

(i) Where natural calamities impair the repaying capacity of agricultural borrowers, as a relief measure, banks may decide on their own to :

(a) convert the short-term production loan into a term loan or re-schedule the repayment period, and

(b) sanction fresh short-term loans

(ii) In such cases of conversion or re-schedulement, the term loan as well as fresh short-term loan may be treated as current dues and need not be classified as non-performing asset (NPA). The asset classification of these loans would, therefore, be governed by the revised terms and conditions and these would be treated as NPA under the extant norms applicable for classifying agricultural advances as NPAs.

### **2.2.4 Housing Loan to Staff**

In the case of housing loan or similar advances granted to staff members where interest is payable after recovery of principal, interest need not be considered as overdue from the first month onwards. Such loans / advances should be classified as NPA only when there is a default in repayment of instalment of principal or payment of interest on the respective due dates.

### **2.2.5 Credit facilities Guaranteed by Central / State Government**

(i) The credit facilities backed by guarantee of the Central Government though overdue should not be treated as NPA.

(ii) This exemption from classification of government guaranteed advances as NPA is not for the purpose of recognition of income.

(iii) State Government guaranteed advance and investment in State Government guaranteed securities would attract asset classification and provisioning norms, if interest and / or principal or any other amount due to the bank remains overdue for more than 90 days, irrespective of the fact whether the guarantee have been invoked or not.

## 2.2.6 Project Financing

'Project Loan' would mean any term loan which has been extended for the purpose of setting up of an economic venture. Banks must fix a Date of Commencement of Commercial Operations (DCCO) for all project loans at the time of sanction of the loan / financial closure (in the case of multiple banking or consortium arrangements).

For the purpose of Income Recognition and Asset Classification norms, all project loans may be divided into the following two categories; (i) Project Loans for infrastructure sector (ii) Project Loans for non-infrastructure sector. Detailed guidelines are given in Annex 8.

In the case of bank finance given for industrial projects where moratorium is available for payment of interest, payment of interest becomes due only after the moratorium or gestation period is over. Therefore, such amounts of interest do not become overdue and hence NPA, with reference to the date of debit of interest. They become overdue after due date for payment of interest, if uncollected

## 2.2.7 Prudential Guidelines on Restructuring of Advances

The prudential guidelines on restructuring of advances are detailed as under:

### (a) Asset Classification Norms

2.2.7.1 Restructuring of advances could take place in the following stages:

- i. before commencement of commercial production / operation;
- ii. after commencement of commercial production / operation but before the asset has been classified as 'sub-standard';
- iii. after commencement of commercial production / operation and the asset has been classified as 'sub-standard' or 'doubtful'.

2.2.7.2 The accounts classified as 'standard assets' should be immediately re-classified as 'sub-standard assets' upon restructuring.

2.2.7.3 The non performing assets, upon restructuring, would slip into further lower asset classification category as per extant asset classification norms with reference to the pre-restructuring repayment schedule.

2.2.7.4 All restructured accounts which have been classified as non-performing assets upon restructuring, would be eligible for upgradation to the 'standard' category after observation of 'satisfactory performance' during the 'specified period' (Annex 5).

2.2.7.5 In case, however, satisfactory performance during the specified period is not evidenced, the asset classification of the restructured account would be governed as per the applicable prudential norms with reference to the **pre-restructuring payment schedule**.

2.2.7.6 Any additional finance may be treated as 'standard asset', up to a period of one year after the first interest / principal payment, whichever is earlier, falls due under the approved restructuring package. However, in the case of accounts where the pre-restructuring facilities were classified as 'sub-standard' and 'doubtful', interest income on the additional finance should be recognised only on cash basis. If the restructured asset does not qualify for upgradation at the end of the above specified one year period, the additional finance shall be placed in the same asset classification category as the restructured debt.



2.2.7.7 In respect of loan accounts which enjoy special regulatory treatment as per para 2.2.7.25, upon restructuring, such non-performing assets would continue to have the same asset classification as prior to restructuring. In case satisfactory performance of the account is not evidenced during the 'specified period', it would slip into further lower asset classification categories as per extant asset classification norms with reference to the **pre-restructuring repayment schedule**.

2.2.7.8 In case a restructured asset, which is a standard asset on restructuring, is subjected to restructuring on a subsequent occasion, it should be classified as substandard. If the restructured asset is a sub-standard or a doubtful asset and is subjected to restructuring, on a subsequent occasion, its asset classification will be reckoned from the date when it became NPA on the first occasion. However, such advances restructured on second or more occasion may be allowed to be upgraded to standard category after one year from the date of first payment of interest or repayment of principal whichever falls due earlier in terms of the current restructuring package subject to satisfactory performance.

#### (b) Income Recognition Norms

2.2.7.9 Subject to provisions of paragraphs 2.2.7.6 and 2.2.7.22 interest income in respect of restructured accounts classified as 'standard assets' will be recognized on accrual basis and that in respect of the account classified as 'non performing assets' will be recognized on cash basis.

#### (c) Provisioning Norms

##### 2.2.7.10 Normal Provisions

Banks will hold provision against the restructured advances on the basis of classification of assets into prescribed categories as detailed in paragraph 3 below .

##### 2.2.7.11 Provision for Diminution in the Fair Value of restructured Advances

The erosion in the fair value of the advance should be computed as the difference between the fair value of the loan before and after restructuring. Fair value of the loan before restructuring will be computed as the present value of cash flows representing the interest at the existing rate charged on the advance before restructuring and the principal, discounted at a rate equal to the bank's BPLR as on the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of restructuring". Fair value of the loan after restructuring will be computed as the present value of cash flows representing the interest at the rate charged on the advance on restructuring and the principal, discounted at a rate equal to the bank's BPLR as on the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of restructuring".

2.2.7.12 It may please be noted that the above formula moderates the swing in the diminution of present value of loans with the interest rate cycle and will have to be followed consistently in future.

2.2.7.13 Further, it is reiterated that the provisions required as above arise due to the action of the banks resulting in change in contractual terms of the loan upon restructuring which are in the nature of financial concessions. These provisions are distinct from the provisions which are linked to the asset classification of the account classified as NPA and reflect the impairment due to deterioration in the credit quality of the loan. Thus, the two types of the provisions are not substitute for each other.

2.2.7.14 It is also re-emphasised that the guidelines on restructuring of advances by RBI are aimed at providing an opportunity to banks and borrowers to preserve the economic value of the units and should not be looked at as a means to evergreen the advances.

2.2.7.15 In their published annual Balance Sheets, banks shall make disclosures as per Annex-6

2.2.7.16 In the case of working capital facilities, the diminution in the fair value of the cash credit / overdraft component may be computed as indicated in para 2.2.7.11 above, reckoning the higher of the outstanding amount or the limit sanctioned as the principal amount and taking the tenor of the advance as one year. The term premium in the discount factor would be as applicable for one year. The fair value of the term loan components (Working Capital Term Loan and Funded Interest Term Loan) would be computed as per actual cash flows and taking the term premium in the discount factor as applicable for the maturity of the respective term loan components.

2.2.7.17 In the event any security is taken in lieu of the diminution in the fair value of the advance, it should be valued at Re.1 This will ensure that the effect of charging off the economic sacrifice to the Profit & Loss account is not negated.

2.2.7.18 The diminution in the fair value may be re-computed on each balance sheet date till satisfactory completion of all repayment obligations and full repayment of the outstanding in the account, so as to capture the changes in the fair value on account of changes in BPLR, term premium and the credit category of the borrower. Consequently, banks may provide for the shortfall in provision or reverse the amount of excess provision held in the distinct account.

2.2.7.19 If due to lack of expertise / appropriate infrastructure, a bank finds it difficult to ensure computation of diminution in the fair value of advances extended by small branches, as an alternative to the methodology prescribed above for computing the amount of diminution in the fair value, banks will have the option of notionally computing the amount of diminution in the fair value and providing therefore, at five percent of the total exposure, in respect of all restructured accounts where the total dues to bank(s) are less than rupees one crore.

2.2.7.20 The total provisions required against an account (normal provisions plus provisions in lieu of diminution in the fair value of the advance) are capped at 100% of the outstanding debt amount.

(d) Prudential Norms for Conversion of Unpaid Interest into 'Funded Interest Term Loan' (FITL)

2.2.7.21 Asset Classification Norms

The FITL created by conversion of unpaid interest will be classified in the same asset classification category in which the restructured advance has been classified. Further movement in the asset classification of FITL would also be determined based on the subsequent asset classification of the restructured advance.

2.2.7.22 Income Recognition Norms

(i) The income, if any, generated may be recognised on accrual basis, if FITL is classified as 'standard', and on cash basis in the cases where the same has been classified as a non-performing asset.

(ii) The unrealised income represented by FITL should have a corresponding credit in an account styled as "Sundry Liabilities Account (Interest Capitalization)".

(iii) Only on repayment in case of FITL, the amount received will be recognized in the P&L Account, while simultaneously reducing the balance in the "Sundry Liabilities Account (Interest Capitalisation)".

(e) Special Regulatory Treatment for Asset Classification

2.2.7.23 The special regulatory treatment for asset classification, in modification to the provisions in this regard stipulated in para 2.2.7.1 to 2.2.7.8, will be available to the borrowers engaged in important business activities, subject to compliance with certain conditions as enumerated in para 2.2.7.28 below. Such treatment is not extended to the following categories of advances:

(i) Consumer and personal advances including advances to individuals against the securities of shares / bonds / debentures, etc.

(ii) Advances to traders

2.2.7.24 The asset classification of the above two categories of accounts as well as that of other accounts which do not comply with the conditions enumerated in para 2.2.7.28, will be governed by the prudential norms in this regard described in para 2.2.7.1 to 2.2.7.8 above.

(f) Elements of Special Regulatory Framework

2.2.7.25 The special regulatory treatment has the following two components:

(i) Incentive for quick implementation of the restructuring package.

(ii) Retention of the asset classification of the restructured account in the pre restructuring asset classification category

2.2.7.26 Incentive for Quick Implementation of the Restructuring Package

During the pendency of the application for restructuring of the advance with the bank, the usual asset classification norms would continue to apply. The process of reclassification of an asset should not stop merely because the application is under consideration. However, as an incentive for quick implementation of the package, if the approved package is implemented by the bank within 90 days from the date of receipt of application by the bank, the asset classification status may be restored to the position which existed when the restructuring application was received by the bank.

2.2.7.27 Asset Classification Benefits

Subject to the compliance with the undernoted conditions in addition to the adherence to the prudential framework laid down in para 2.2.7.1 to 2.2.7.8:

(i) In modification to para 2.2.7.2, an existing 'standard asset' will not be downgraded to the sub-standard category upon restructuring.

(ii) In modification to para 2.2.7.3, during the specified period, the asset classification of the sub-standard / doubtful accounts will not deteriorate upon restructuring, if satisfactory performance is demonstrated during the specified period.

2.2.7.28 However, these benefits will be available subject to compliance with the following conditions:

i) The dues to the bank are 'fully secured' as defined in Annex 5. The condition of being fully secured by tangible security will not be applicable in the following cases :

(a) SSI borrowers, where the outstanding is up to ₹25 lakh.

(b) infrastructure projects, provided the cash flows generated from these projects are adequate for repayment of the advance, the financing bank(s) have in place an appropriate mechanism to escrow the cash flows, and also have a clear and legal first claim on these cash flows.

(c) WCTL created by conversion of the irregular portion of principal dues over the drawing power, subject to the condition that provisions are made against the unsecured portion of the WCTL, as under :

- Standard Assets : 20%
- Substandard Assets : 20% during the first year and to be increased by 20% every year thereafter until the specified period (one year after the first payment is due under the terms of restructuring)
- If the account is not eligible for upgradation after the specified period, the unsecured portion will attract provision of 100%.

ii) The unit becomes viable in 10 years, if it is engaged in infrastructure activities, and in 7 years in the case of other units.

iii) The repayment period of the restructured advance including the moratorium, if any, does not exceed 15 years in the case of infrastructure advances and 10 years in the case of other advances. The Board of Directors of the banks should prescribe the maximum period not exceeding 15 years for restructured advances keeping in view the safety and soundness of advances.

iv) Promoters' sacrifice and additional funds brought by them should be a minimum of 15% of banks' sacrifice.

v) Personal guarantee is offered by the promoter except when the unit is affected by external factors pertaining to the economy and industry.

vi) The restructuring under consideration is not a 'repeated restructuring' as defined in para (iv) of Annex 5.

#### (g) Disclosures

2.2.7.29 Banks should disclose in their published annual Balance Sheets, under 'Notes on Accounts', information relating to number and amount of advances restructured and the amount of diminution in the fair value of the restructured advances in Annex 6.

#### (h) Illustrations

2.2.7.30 A few illustrations on the asset classification of restructured accounts are given in Annex 7.

2.2.7.31 Resolution of Covid-19 related stress implemented under the following circulars shall be subject to the specific requirements, including the prudential requirements, specified therein:

(i) DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020 on "Resolution Framework for COVID-19-related Stress" read with DOR.No.BP.BC/13/21.04.048/2020-21 dated September 7, 2020 on "Resolution Framework for COVID-19-related Stress – Financial Parameters";

(ii) DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020 on "Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances";

(iii) DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021 on "Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses" read with DOR.STR.REC.20/21.04.048/2021-22 dated June 4, 2021 on "Resolution Framework - 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses – Revision in the threshold for aggregate exposure";

(iv) DOR.STR.REC.12/21.04.048/2021-22 dated May 5, 2021 on 'Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)' read with DOR.STR.REC.21/21.04.048/2021-22 dated June 4, 2021 on 'Resolution Framework - 2.0: Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs) – Revision in the threshold for aggregate exposure'

(v) The above may be read alongwith the FAQs on Resolution Framework for Covid-19 related stress updated from time to time.

2.2.7.32 MSME accounts restructured under the circulars DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019 and DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020 shall be subject to the prudential requirements specified therein.

### **2.2.8 Other Advances**

(i) Advances against term deposits, NSCs eligible for surrender, KVPs and Life policies need not be treated as NPAs although interest thereon may not have been paid for more than 90 days, provided adequate margin is available in the accounts.

(ii) Banks should fix monthly / quarterly instalments for repayment of gold loans for non-agricultural purposes taking into account the pattern of income generation and repayment capacity of the borrowers and such gold loan accounts may be treated as NPAs if instalments of principal and / or interest thereon are overdue for more than 90 days.

(iii) As regards gold loans granted for agricultural purposes, interest is required to be charged as per Supreme Court judgment at yearly intervals and payment should coincide with the harvesting of crops. Accordingly, such advances will be treated as NPA only if instalments of principal and / or interest become overdue after due date.

### **2.2.9 Recognition of Income on Investment Treated as NPAs**

The investments are also subject to the prudential norms on income recognition. Banks should not book income on accrual basis in respect of any security, irrespective of the category in which it is included, where the interest / principal is in arrears for more than 90 days.

### **2.2.10 NPA Reporting to Reserve Bank**

Banks should report the figures of NPAs to the Regional Office of the Reserve Bank at the end of each year within two months from the close of the year in the prescribed proforma given in the Annex 2.

### **2.2.11 Consumer Education on SMA/NPA**

With a view to increasing awareness among the borrowers, banks should place consumer education literature on their websites, explaining with examples, the concepts of date of overdue, SMA and NPA classification and upgradation, with specific reference to day-end process. Banks should also consider displaying such consumer education literature in their branches by means of posters and/or other appropriate media. Further, it shall also be ensured that their front-line officers educate borrowers about all these concepts, with respect to loans availed by them, at the time of sanction/disbursal/renewal of loans.

### **3. Asset Classification**

#### **3.1 Classification**

3.1.1 Banks should classify their assets into the following broad groups, viz. -

- (i) Standard Assets
- (ii) Sub-standard Assets
- (iii) Doubtful Assets
- (iv) Loss Assets

#### **3.2 Definitions**

##### **3.2.1 Standard Assets**

Standard asset is one which does not disclose any problems and which does not carry more than normal risk attached to the business. Such an asset should not be an NPA.

##### **3.2.2 Sub-standard Assets**

An asset would be classified as sub-standard if it remained NPA for a period less than or equal to 12 months. In such cases, the current net worth of the borrowers / guarantors or the current market value of the security charged is not enough to ensure recovery of the dues to the banks in full. In other words, such assets will have well defined credit weaknesses that jeopardise the liquidation of the debt and are characterised by the distinct possibility that the banks will sustain some loss, if deficiencies are not corrected.

##### **3.2.3 Doubtful Assets**

An asset is required to be classified as doubtful, if it has remained NPA for more than 12 months. A loan classified as doubtful has all the weaknesses inherent as that classified as sub-standard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable.

##### **3.2.4 Loss Assets**

A loss asset is one where loss has been identified by the bank or internal or external auditors or by the Co-operation Department or by the Reserve Bank of India's inspection but the amount has not been written off, wholly or partly. In other words, such an asset is considered un-collectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

#### **3.3 Guidelines for Classification of Assets**

##### **3.3.1 Basic Considerations**

(i) Broadly speaking, classification of assets into above categories should be done taking into account the degree of well defined credit weaknesses.

(ii) In respect of accounts where there are potential threats to recovery on account of erosion in the value of security, it will not be prudent for the banks to classify them first as sub-standard and then as doubtful after expiry of 12 months from the date the account has become NPA. Such accounts should be straight away classified as doubtful asset or loss asset, as appropriate, irrespective of the period for which they have remained as NPA.

### **3.3.2 Advances Granted under Rehabilitation Packages Approved by Term Lending Institutions**

(i) Banks are not permitted to upgrade the classification of any advance in respect of which the terms have been re-negotiated unless the package of re-negotiated terms has worked satisfactorily for a period of one year. While the existing credit facilities sanctioned to a unit under rehabilitation packages approved by term lending institutions will continue to be classified as sub-standard or doubtful, as the case may be, in respect of additional facilities sanctioned under the rehabilitation packages, the income recognition and asset classification norms will become applicable after a period of one year from the date of disbursement.

(ii) A similar relaxation be made in respect of SSI units which are identified as sick by banks themselves and where rehabilitation packages / nursing programmes have been drawn by the banks themselves or under consortium arrangements.

### **3.3.3 Internal System for Classification of Assets as NPA**

(i) Banks may adhere to the timelines for implementation of system-based asset classification mentioned at paragraph 2.1.4 above.

(ii) Banks, which are not required to implement system-based asset classification in terms of the instructions at paragraph 2.1.4, should establish appropriate internal systems to eliminate the tendency to delay or postpone the identification of NPAs, especially in respect of high value accounts. The banks may fix a minimum cut-off point to decide what would constitute a high value account depending upon their respective business levels. The cut-off point should be valid for the entire accounting year.

(iii) Responsibility and validation levels for ensuring proper asset classification may be fixed by the bank.

(iv) The system should ensure that doubts in asset classification due to any reason are settled through specified internal channels within one month from the date on which the account would have been classified as NPA as per extant guidelines.

(v) Banks should ensure scrupulous compliance with the instructions for recognition of credit impairment and view aberrations by dealing officials seriously.

(vi) RBI would continue to identify the divergences arising due to non-compliance, for fixing accountability. Where there is wilful non-compliance by the official responsible for classification and is well documented, RBI would initiate deterrent action including imposition of monetary penalties.

## **4. Income Recognition**

### **4.1 Income Recognition - Policy**

4.1.1 The policy of income recognition has to be objective and based on the record of recovery. Income from non-performing assets (NPA) is not recognised on accrual basis but is booked as income only when it is actually received. Therefore, banks should not take interest on non-performing assets to their income account on accrual basis.

4.1.2 However, interest on advances against term deposits, NSCs, KVPs and life insurance policies may be taken to income account on the due date, provided adequate margin is available in the accounts.

4.1.3 Fees and commissions earned by the banks as a result of re-negotiations or rescheduling of outstanding debts should be recognised on an accrual basis over the period of time covered by the re-negotiated or rescheduled extension of credit.

4.1.4 If Government guaranteed advances remain 'overdue' for more than 90 days, the interest on such advances should not be taken to income account unless the interest has been realised. This shall be applicable in cases of both Central and State Government guaranteed accounts.

4.1.5 In cases of loans where moratorium has been granted for repayment of interest, banks may recognize interest income on accrual basis for accounts which continue to be classified as 'standard'. This shall be evaluated against the definition of 'restructured accounts' provided at sl.no. (iii) of Annex-5 to this Master Circular

#### **4.2 Reversal of Income on Accounts Becoming NPAs**

4.2.1 If any advance, including bills purchased and discounted, becomes NPA, interest accrued and credited to income account, should be reversed or provided for, if the same is not realised This will also apply to Government guaranteed accounts which remain overdue for more than 90 days .

4.2.2 However, if loans with moratorium on payment of interest (permitted at the time of sanction of the loan) become NPA after the moratorium period is over, the capitalized interest, if any, corresponding to the interest accrued during such moratorium period need not be reversed.

4.2.3 In respect of NPAs, fees, commission and similar income that have accrued should cease to accrue in the current period and should be reversed with respect to past periods, if uncollected.

4.2.4 Banks undertaking equipment leasing should follow prudential accounting standards. Lease rentals comprises of two elements - a finance charge (i.e. interest charge) and a charge towards recovery of the cost of the asset. The interest component alone should be taken to income account. Such interest component taken to income account, before the asset became NPA, if unrealised should be reversed or provided for.

#### **4.3 Booking of Income on Investments in Shares & Bonds**

4.3.1 As a prudent practice and in order to bring about uniform accounting practice among banks for booking of income on units of UTI and equity of All India Financial Institutions, such income should be booked on cash basis and not on accrual basis.

4.3.2 However, in respect of income from Government securities / bonds of public sector undertakings and All India Financial Institutions, where interest rates on the instruments are predetermined, income may be booked on accrual basis, provided interest is serviced regularly and is not in arrears.

#### **4.4 Partial Recovery of NPAs**

Interest realised on NPAs may be taken to income account, provided the credits in the accounts towards interest are not out of fresh / additional credit facilities sanctioned to the borrower concerned.



## **4.5 Interest Application**

4.5.1 In case of NPAs, as a prudential norm, there is no use in debiting the said account by interest accrued in subsequent months and taking this accrued interest amount as income of the bank as the said interest is not being received. It is simultaneously desirable to show such accrued interest separately or park in a separate account so that interest receivable on such NPA account is computed and shown as such, though not accounted as income of the bank for the period.

4.5.2 The interest accrued in respect of performing assets may be taken to income account as the interest is reasonably expected to be received. However, if interest is not actually received for any reason in these cases and the account is to be treated as an NPA, then the amount of interest so taken to income should be reversed or should be provided for in full.

4.5.3 With a view to ensuring uniformity in accounting the accrued interest in respect of both the performing and non-performing assets, the following guidelines may be adopted notwithstanding the existing provisions in the respective State Co-operative Societies Act.

(i) Interest accrued in respect of non-performing advances should not be debited to borrowal accounts but shown separately under 'Interest Receivable Account' on the 'Property and Assets' side of the balance sheet and corresponding amount shown under 'Overdue Interest Reserve Account' on the 'Capital and Liabilities' side of the balance sheet.

(ii) In respect of borrowal accounts, which are treated as performing assets, accrued interest can alternatively be debited to the borrowal account and credited to Interest account and taken to income account. In case the accrued interest 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.

(iii) The illustrative accounting entries to be passed in respect of accrued interest on both the performing and non-performing advances are indicated in the Annex 3.

4.5.4 In the above context, it may be clarified that overdue interest reserve is not created out of the real or earned income received by the bank and as such, the amounts held in the Overdue Interest Reserve Account cannot be regarded as 'reserve' or a part of the owned funds of the banks. It will also be observed that the Balance Sheet format prescribed under the Third Schedule to the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) specifically requires the banks to show 'Overdue Interest Reserve' as a distinct item on the 'Capital and Liabilities' side vide item 8 thereof.

## **5. Provisioning Norms**

### **5.1 Norms for Provisioning on Loans & Advances**

5.1.1 In conformity with the prudential norms, provisions should be made on the non-performing assets on the basis of classification of assets into prescribed categories as detailed in paragraph 3 above. Further, in terms of circular - DOR.CAP.REC.No.27/09.18.201/2024-25 on "Prudential Treatment of Bad and Doubtful Debt Reserve by Co-operative Banks" dated August 02, 2024, all provisions required as per this Master Circular, whether accounted for under the head "Bad and Doubtful Debt Reserve (BDDR)" or any other head of account, shall be charged as an expense to the P&L account in the accounting period in which they are recognized. After charging all applicable provisions as per this Master Circular and other extant regulations to the Profit and Loss Account, banks may make any appropriations of net profits below the line to BDDR, if required as per the applicable statutes or otherwise.

5.1.2 Taking into account the time lag between an account becoming doubtful of recovery, its recognition as such, the realisation of the security and the erosion over time in the value of security charged to the bank, the banks should make provision against loss assets, doubtful assets and sub-standard assets as below:

**(i) Loss Assets**

The entire assets should be written off after obtaining necessary approval from the competent authority and as per the provisions of the Co-operative Societies Act / Rules. If the assets are permitted to remain in the books for any reason, 100 per cent of the outstanding should be provided for.

**(ii) Doubtful Assets**

(a) Provision should be 100 per cent of the extent to which the advance is not covered by the realisable value of the security to which the bank has a valid recourse. The realisable value should be estimated on a realistic basis.

(b) In regard to the **secured portion**, provision may be made on the following basis, at the rates ranging from 20 per cent to 100 per cent of the secured portion depending upon the period for which the asset has remained doubtful:

<b>All UCBs</b>	
<b>Period for which the advance has remained in 'doubtful' category</b>	<b>Provision Requirement</b>
Up to one year	20 per cent
One to three years	30 per cent
Advances classified as 'doubtful for more than three years' on or after April 1, 2010	100 percent

**(iii) Sub-standard Assets**

A general provision of 10 per cent on total outstanding should be made without making any allowance for ECGC guarantee cover and securities available.

**(iv) Provision on Standard Assets**

(a) The standard asset provisioning norms applicable to Tier I, Tier 2, Tier 3 and Tier 4 UCBs as categorized under the revised regulatory framework<sup>5</sup>, shall be as under:

- i. Direct advances to agriculture and SME sectors which are standard, shall attract a uniform provisioning requirement of 0.25 percent of the funded outstanding on a portfolio basis.
- ii. Advances to commercial real estate (CRE) sector which are standard shall attract a uniform provisioning requirement of 1.00 percent of the funded outstanding on a portfolio basis.
- iii. Advances to commercial real estate - residential housing (CRE-RH)<sup>6</sup> sector which are standard, provision requirement shall be 0.75 percent.

<sup>5</sup> As per circular DOR.REG.No.84/07.01.000/2022-23 dated December 01, 2022

<sup>6</sup> CRE-RH would consist of loans to builders/developers for residential housing projects (except for captive consumption) under CRE segment. Such projects should ordinarily not include non-residential commercial real estate. However, integrated housing projects comprising some commercial space (e.g. shopping complex, school, etc.) can also be classified under CRE-RH, provided that the commercial area in the residential housing project does not exceed 10% of the total Floor Space Index (FSI) of the project. In case the FSI of the commercial area in the predominantly residential housing complex exceeds the ceiling of 10%, the project loans should be classified as CRE and not CRE-RH.

- iv. For all other advances, banks shall maintain a uniform general standard asset provision of a minimum of 0.40 per cent of the funded outstanding on a portfolio basis.

(b) The standard asset provisioning requirements for all UCBs are summarized as under:

<b>Category of Standard Asset</b>	<b>Rate of Provisioning</b>
Direct advances to Agriculture and SME sectors	0.25%
Commercial Real Estate (CRE) sector	1.00%
Commercial Real Estate-Residential Housing Sector (CRE-RH)	0.75%
All other loans and advances not included above	0.40%

(c) The erstwhile Tier I UCBs, which are currently maintaining standard asset provision of 0.25% on 'all other loans and advances not included above' are permitted to achieve the provisioning requirement of 0.40% on such advances in a staggered manner by March 31, 2025. Thus, provision on all such standard loans and advances outstanding as on March 31, 2023 shall be increased to 0.30% by March 31, 2024, to 0.35% by September 30, 2024 and to 0.40% by March 31, 2025.

(d) The provisions towards "standard assets" need not be netted from gross advances but shown separately as "Contingent Provision against Standard Assets" under "Other Funds and Reserves" (item.2 (viii) of Capital and Liabilities} in the Balance Sheet.

(e) In case banks are already maintaining excess provision than what is required / prescribed by Statutory Auditor / RBI Inspection for impaired credits under Bad and Doubtful Debt Reserve\* or any other head of account\* / provisions for NPA<sup>7</sup>, additional provision required for Standard Assets may be segregated and the same may be parked under the head "Contingent Provisions against Standard Assets" with the approval of their Board of Directors. Shortfall if any, on this account may be made good in the normal course.

\* Provisions created above the line i.e. by charging as an expense to the Profit and Loss account.

(f) The above contingent provision will be eligible for inclusion in Tier II capital.

**(v) Higher Provisions**

There is no objection if the banks create bad and doubtful debts reserve beyond the specified limits on their own or if provided in the respective State Co-operative Societies Acts.

**5.2 Provisioning for Retirement Benefits**

Banks may have retirement benefit schemes for their staff, viz. Provident Fund, Gratuity and Pension. It is necessary that such liabilities are estimated on actuarial basis and full provision should be made every year for the purpose in their Profit and Loss Account.

---

<sup>7</sup> Refer to para 3 c) ii of the circular DOR.CAP.REC.No.27/09.18.201/2024-25 dated August 02, 2024

### **5.3 Provisioning Pertaining to Fraud Accounts**

The provisioning norm in respect of all cases of fraud identified in terms of the Master Directions on Fraud Risk Management in Urban Cooperative Banks (UCBs) / State Cooperative Banks (StCBs) / Central Cooperative Banks (CCBs) dated July 15, 2024 , as updated from time to time, are as under:

5.3.1 The entire amount due to the bank (irrespective of quantum of security held against such assets), or for which the bank is liable (including in case of deposit accounts), is to be provided for over a period not exceeding four quarters commencing with the quarter in which the fraud has been detected;

5.3.2 However, where there has been delay beyond the prescribed period, in reporting the fraud to Reserve Bank, the entire provisioning is required to be made at once. In addition, Reserve Bank of India may also initiate appropriate supervisory action where there has been delay by the bank in reporting a fraud or provisioning there against.

### **5.4 Guidelines for Provisions in Specific Cases**

#### **(i) State Government guaranteed Advances**

State Government guaranteed advance and investment in State Government guaranteed securities would attract extant provisioning norms on the basis of classification of assets into prescribed categories as detailed in paragraph 3 above.

#### **(ii) Advances granted under Rehabilitation Packages approved by Term Lending Institutions**

(a) The existing credit facilities sanctioned to a unit under rehabilitation package approved by term lending institutions, should continue to be classified as sub-standard or doubtful asset as the case may be.

(b) However, the additional facilities sanctioned as per package finalised by term lending institutions, the income recognition and asset classification norms will become applicable after a period of one year from the date of disbursement.

(c) In respect of additional credit facilities granted to SSI units which are identified as sick and where rehabilitation packages / nursing programmes have been drawn by the banks themselves or under consortium arrangements, no provision need be made for a period of one year.

(iii) Advances against fixed / term deposit, NSCs eligible for surrender, KVPs, and life policies are exempted from provisioning requirements.

(iv) Advances against gold ornaments, government securities and all other kinds of securities are not exempted from provisioning requirements.

#### **(v) Advances covered by ECGC Guarantee**

(a) In the case of doubtful assets which are guaranteed by ECGC, provision should be made only for the balance in excess of the amount guaranteed by the Corporation. Further, while arriving at the provisioning required, realisable value of the securities should first be deducted from the outstanding balance in respect of the amount guaranteed by the Corporation and then provision made as illustrated hereunder:

<b>Example</b>	
Outstanding Balance	₹4 lakhs
ECGC Cover	50 per cent
Period for which the advance has remained doubtful	More than 3 years
Value of security held (excludes worth of borrower / guarantor)	₹1.50 lakhs

<b>Provision required to be made</b>	
Outstanding balance	₹4.00 lakhs
Less : Value of security held	₹1.50 lakhs
Unrealised balance	₹2.50 lakhs
Less : ECGC Cover (50% of unrealisable balance)	₹1.25 lakhs
Net unsecured balance	₹1.25 lakhs
Provision for unsecured portion of advance	₹1.25 lakhs (@ 100 per cent of unsecured portion)
Provision for secured portion of advance (as on March 31 2005)	₹0.90 lakhs (@ 60 per cent of secured portion of ₹1.50 lakh).
Total provision required to be made	₹2.15 lakhs (as on March 31, 2005).

(b) Banks have the option of following more stringent method of provisioning in respect of advances covered by the guarantees of ECGC as compared to the method given above.

**(vi) Exposures guaranteed by Credit Guarantee Schemes**

In terms of circular DOR.STR.REC.67/21.06.201/2022-23 dated September 07, 2022, banks have been permitted to apply zero risk weight to advances guaranteed by Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), Credit Risk Guarantee Fund Trust for Low Income Housing (CRGFTLIH) and individual schemes under National Credit Guarantee Trustee Company Ltd (NCGTC), subject to certain conditions. In case such advances become non-performing, no provisions need to be made towards the guaranteed portion. The amount outstanding in excess of the guaranteed portion, should be provided for as per the extant guidelines on provisioning for non-performing assets.

**(vii) Interbank exposure of Primary (Urban) Co-operative Banks (UCBs) under All Inclusive Directions**

- a) The interbank exposures arising from deposits placed by UCBs with a UCB under AID and their non-performing exposures arising from discounted bills drawn under LCs issued by a UCB under AID shall be fully provided within five years at the rate of 20% annually. Further, the interest receivable on the deposits shall not be recognised as income by the UCBs.
- b) If the UCBs choose to convert such deposits into long term perpetual debt instruments (e.g. Innovative Perpetual Debt Instrument - IPDI) which may be recognised as capital instrument under a scheme of restructuring/ revival of a UCB under AID, provision on the portion of deposits converted into such instruments shall not be required.

**6. Transfer of Loan Exposures**

The asset classification and provisioning requirements in respect of transactions involving transfer of loans shall be as per the Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021.

**7. Government Debt Relief Schemes (DRS)**

Banks participating as lenders under Debt Relief Schemes (DRS) announced by State Governments shall comply with the guidelines contained in Annex-1 of the circular on Government Debt Relief Schemes (DRS) dated December 31, 2024,8. Clarification on certain frequently asked questions is given at Annex 4.

## **Direct Finance to Agriculture**

### **1.1 Finance to Individual Farmers for Agriculture and Allied Activities (Dairy, Fishery, Piggery, Poultry, Bee-keeping, etc.)**

Loans to individual farmers [including Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of individual farmers, provided banks maintain disaggregated data on such loans] engaged in Agriculture and Allied Activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture (up to cocoon stage).

### **1.2 Loans to others [such as corporates, partnership firms and institutions] for Agriculture and Allied Activities (dairy, fishery, piggery, poultry, bee-keeping, etc.) up to an aggregate limit of 4 crore per borrower for the following purposes:**

- (i) Short-term loans for raising crops, i.e. for crop loans. This will include traditional/non-traditional plantations, horticulture and allied activities.
- (ii) Medium & long-term loans for agriculture and allied activities (e.g. purchase of agricultural implements, technological solutions, machinery and developmental activities undertaken in the farm and development loans for allied activities).
- (iii) Loans for pre-harvest and post-harvest activities viz. spraying, harvesting, grading and transporting of their own farm produce.
- (iv) Loans to farmers up to ₹ 2.5 crore against pledge / hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months, irrespective of whether the farmers were given crop loans for raising the produce or not.
- (v) Loans to small and marginal farmers (SMFs) for purchase of land for agricultural purposes.
- (vi) Loans to distressed farmers indebted to non-institutional lenders, against appropriate collateral.
- (vii) Export credit for exporting their own farm produce.

**Proforma**

Name of the Bank

Category Tier 1 / Tier 2/Tier 3/Tier 4

**Classification of Assets and Provisioning made against Non-Performing Assets as on March 31, \_\_\_\_\_**

(₹ in lakh)									
Classification of Assets	No. of A/Cs	Amount Outstanding	Percentage of Col.3 to total loan outstanding	Provision required to be made % Amount		Existing provision at the beginning of the year	Provisioning made during the year under report	Total provisions as at the end of the year	Remarks
1	2	3	4	5	6	7	8	9	10
Total loans and advances									
Of which									
A Standard Assets									
B Non-performing Assets									
1 Sub-standard									
2 Doubtful									
i) Upto 1 year									
a) Secured									
b) Unsecured									
ii) Above 1 year & upto 3 years									
a) Secured									
b) Unsecured									
iii) Above 3 years Secured									
a) Outstanding stock of NPAs as on March 31, ....									



	b )	Advances classified as 'doubtful more than 3 years' on or after April 1,										
	b )	Unsecured										
		Total doubtful assets (i+ii+iii)										
	a )	Secured										
	b )	Unsecured										
3		Loss Assets										
Gross NPAs (B1 + B2 + B3)												
Note : Please indicate the manner in which the provision (item 8) has been made / proposed to be made out of the profit of the current year.												

#### Position of Net Advances / Net NPAs

		(₹ in lakh)	
Sr. No.	Particulars	Current Year	Previous Year
1.	Gross Advances		
2.	Gross NPAs		
3.	Gross NPAs as percentage to Gross Advances		
4.	Deductions		
	- Balance in interest suspense account / OIR*		
	- DICGC / ECGC claims received and held pending adjustment		
	- Part payment of NPA accounts received and kept in suspense account		
	Total Deductions		
5.	Total NPA provisions held (BDDR* or any other head of account* / provisions for NPA <sup>8</sup> )		
	* Provisions created above the line i.e. by charging as an expense to the Profit and Loss account.		
6.	Net Advances (1-4-5)		
7.	Net NPAs (2-4-5)		
8.	Net NPAs as percentage of Net Advances		
* i.e. accrued interest on NPA accounts if included (capitalised) in loans and advances			

<sup>8</sup> Refer to para 3 c) ii of the circular DOR.CAP.REC.No.27/09.18.201/2024-25 dated August 02, 2024

CERTIFIED that the non-performing assets have been worked out as per RBI instructions and provisions made accordingly.

Chief Executive Officer

Statutory Auditors

**Annex 3**  
(Vide para 4.5.3(iii))

### **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

#### **II. Accrued Interest on Non-Performing Advances**

i) 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

ii) 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

### III. Accounting of Overdue Interest in Loan Ledgers & Balance Sheet

i) With a view to facilitating the banks to work out the amount of interest receivable in respect of each non-performing borrowal account, banks can consider opening a separate column in the individual ledger accounts of such borrowers and interest receivable shown therein. This would enable the banks to determine at a particular point of time, the amount of interest actually to be recovered from the borrowers. Total of the amounts shown under the separate columns in the loan ledgers would be interest receivable in respect of non-performing advances and it would get reflected as such on the 'assets' side of balance sheet with a corresponding item on the liabilities side of the balance sheet as 'Overdue Interest Reserve'.

ii) Similarly, a separate column should be provided in the loan ledger in respect of performing advances for showing accrued interest taken to income account. If the accrued interest is not realised and the account becomes NPA, the amount has to be reversed or provided for.

**(Clarification on certain frequently asked questions)**  
(vide para 7)

**1. Whether a working capital account will become an NPA if the stock statements are not submitted regularly? What should be the period for which the stock statements can be in arrears before the account is treated as an NPA?**

Banks should ensure that drawings in the working capital accounts are covered by the adequacy of current assets, since current assets are first appropriated in times of distress. Considering the practical difficulties of large borrowers, stock statements relied upon by the banks for determining drawing power should not be older than three months. The outstanding in the account based on drawing power calculated from stock statements older than three months would be deemed as irregular. A working capital borrowal account will become NPA if such irregular drawings are permitted in the account for a continuous period of 90 days.

**2. Whether an account will become an NPA if the review / renewal of regular / ad-hoc credit limits are not done when due? What should be periodicity of review / renewal to decide the present status of an account?**

Banks shall adhere to the instructions contained in the Master Circular for Urban Cooperative Banks (UCBs) on Management of Advances – UCBs dated April 8, 2022, as updated from time to time, regarding the requirement of policy for periodic review of the working capital limits. Further, banks shall also adhere to the instructions issued vide circular DoS.CO.PPG.BC.1/11.01.005/2020-21 dated August 21, 2020 on 'Ad-hoc/Short Review/Renewal of Credit Facilities', including *inter alia* the requirement of a detailed Board approved policy on methodology and periodicity for review/renewal of credit facilities within the overall regulatory guidelines and strict adherence to the same. An account where the regular / ad-hoc credit limits have not been reviewed or have not been renewed within 90 days from the due date / date of ad-hoc sanction will be treated as NPA. In case of constraints such as non-availability of financial statements and other data from the borrowers, the branch should furnish evidence to show that renewal / review of credit limits is already on and would be completed soon.

**3. Regularisation of the account around the date of balance sheet - Whether it will be in order to treat a borrowal account as 'standard', if it has been irregular for a major part of the year, but has been regularised near the balance sheet date?**

The asset classification of borrowal accounts where a solitary or a few credits are recorded before the balance sheet date should be handled with care and without scope for subjectivity. Where the account indicates inherent weakness on the basis of the data available, the account should be deemed as a NPA. In other genuine cases, the banks must furnish satisfactory evidence to the Statutory Auditors / Inspecting Officers about the manner of regularisation of the account to eliminate doubts on their performing status.

**4. Classification of NPAs where there is a threat to recovery**

**How should the instructions on classification of NPAs straightaway as doubtful or a loss asset be interpreted and what can be termed as a 'significant credit impairment'?**

An NPA need not go through the various stages of classification in case of serious credit impairment and such assets should be straightway classified as a doubtful / loss asset as appropriate. Erosion in the value of security can be reckoned as significant when the realizable value of the security is less than 50 per cent of the value assessed by the bank or accepted by RBI at the time of last inspection, as the case may be. Such NPAs may be straightway classified under doubtful category and provisioning should be made as applicable to doubtful assets.

#### **5. Classification of credit facilities under consortium**

**In certain cases of consortium accounts, though the record of recovery in the account with a member bank may suggest that the account is a NPA, the banks submit that, at times, the borrower has deposited adequate funds with the consortium leader / member of the consortium and the bank's share is due for receipt. In such cases, will it be in order for the member bank to classify the account as 'standard' in its books?**

Asset classification of accounts under consortium should be based on the record of recovery of the individual member banks and other aspects having a bearing on the recoverability of the advances. Where the remittances by the borrower under consortium lending arrangements are pooled with one bank and / or where the bank receiving remittances is not parting with the share of other member banks, the account will be treated as not serviced in the books of the other member banks, and therefore, be treated as NPA. The banks participating in the consortium should, therefore, arrange to get their share of recovery transferred from the lead bank or get an express consent from the lead bank for the transfer of their share of recovery, to ensure proper asset classification in their respective books.

#### **6. Appropriation of recoveries - What is the practice to be adopted by banks regarding appropriation of recoveries in NPA accounts?**

In the absence of a clear agreement between the bank and the borrower for the purpose of appropriation of recoveries in NPAs (i.e. towards Principal or interest due) banks should adopt an accounting principle and exercise the right of appropriation of recoveries in a uniform and consistent manner.

#### **7. Overdues in other credit facilities - There are instances where banks park the dues from a borrower in respect of devolved letters of credit and invoked guarantees in a separate account, irrespective of whether the borrower's credit facilities are regular or not. How to determine when the account in which such dues are parked has become an NPA?**

A number of banks adopt the practice of parking the dues of the borrower in respect of devolved letters of credit and invoked guarantees in a separate account which is not a regular sanctioned facility. As a result these are not reflected in the principal operating account of the borrower. This renders application of the prudential norms for identification of NPAs difficult. It is, therefore, advised that if the debts arising out of devolvement of letters of credit or invoked guarantees are parked in a separate account, the balance outstanding in that account also should be treated as a part of the borrower's principal operating account for the purpose of application of prudential norms on income recognition, asset classification and provisioning.

#### **8. Treatment of loss assets - An NPA account will be classified as a loss asset only when there is no security in the account or where there is considerable erosion in the realisable value of the security in the account. What can be termed as a 'considerable' erosion for the account to be classified as a loss asset?**

If the realisable value of the security, as assessed by the bank / approved valuers / RBI is less than 10 per cent of the outstanding in the borrowal accounts, the existence of security should be ignored and the asset should be straightway classified as loss asset. It may be either written off after obtaining necessary

permission from the competent authority as per the Co-operative Societies Act / Rules, or fully provided for by the bank.

**9. Valuation of Security - A major source of divergence in provisioning requirement was the realisable value of the primary and collateral security. Can uniform guidelines be prescribed for adoption in this area, at least for large value accounts?**

With a view to bringing down divergence arising out of difference in assessment of the value of security it has been decided that in cases of NPAs with balance of ₹10 lakh and above :

a) The current assets and their valuation are looked into at the time of Statutory Audit / Concurrent audit. However, in order to enhance the reliability on stock valuations, stock audit at annual intervals by external agencies could be considered in case of larger advances. The cut off limit and the names of the external agencies may be finalised by the Board.

b) Collaterals such as immovable properties charged in favour of the bank should be got valued once in three years by valuers appointed as per the guidelines approved by the Board of Directors.

**10. Compromise settlements and technical write-offs - What are the guidelines to be complied by banks, for undertaking compromise settlements and technical write-offs?**

Please refer to the 'Framework for Compromise Settlements and Technical Write-offs' dated June 08, 2023 and the FAQs on the same, issued on June 20, 2023.

**Prudential Guidelines on Restructuring of Advances**

**Key Concepts**

**i) Advances**

The term 'Advances' will mean all kinds of credit facilities including cash credit, overdrafts, term loans, bills discounted / purchased, receivables, etc. and investments other than that in the nature of equity.

**ii) Fully Secured**

When the amounts due to a bank (present value of principal and interest receivable as per restructured loan terms) are fully covered by the value of security, duly charged in its favour in respect of those dues, the bank's dues are considered to be fully secured. While assessing the realisable value of security, primary as well as collateral securities would be reckoned, provided such securities are tangible securities and are not in intangible form like guarantee etc., of the promoter / others. However, for this purpose the bank guarantees, State Government Guarantees and Central Government Guarantees will be treated on par with tangible security.

**iii) Restructured Accounts**

A restructured account is one where the bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the bank would not otherwise consider. Restructuring would normally involve modification of terms of the advances / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of instalments / rate of interest (due to reasons other than competitive reasons).

**iv) Repeatedly Restructured Accounts**

When a bank restructures an account a second (or more) time(s), the account will be considered as a 'repeatedly restructured account'. However, if the second restructuring takes place after the period up to which the concessions were extended under the terms of the first restructuring, that account shall not be reckoned as a 'repeatedly restructured account'.

**v) SMEs**

Small and Medium Enterprises as defined in terms of the circular FIDD.MSME & NFS.BC.No.4/06.02.31/2020-21 dated August 21, 2020 on 'New Definition of Micro, Small and Medium Enterprises – clarifications' as updated from time to time.

**vi) Specified Period**

Specified Period means a period of one year from the date when the first payment of interest or installment of principal falls due under the terms of restructuring package.

## **vii) Satisfactory Performance**

Satisfactory performance during the specified period means adherence to the following conditions during that period.

### Non-Agricultural Cash Credit Accounts

In the case of non-agricultural cash credit accounts, the account should not be out of order any time during the specified period. In addition, there should not be any overdues at the end of the specified period.

### Non-Agricultural Term Loan Accounts

In the case of non-agricultural term loan accounts, no payment should remain overdue for a period of more than 90 days. In addition there should not be any overdues at the end of the specified period.

### All Agricultural Accounts

In the case of agricultural accounts, at the end of the specified period the account should be regular.



**Annex 6**  
(vide para 2.2.7.29)

**Prudential Guidelines on Restructuring of Advances**

<b>Particulars of Accounts Restructured</b>				
(₹ in lakh)				
		<b>Housing Loans</b>	<b>SME Debt Restructuring</b>	<b>Others</b>
Standard advances restructured	No. of Borrowers			
	Amount outstanding			
	Sacrifice (diminution in the fair value)			
Sub standard advances restructured	No. of Borrowers			
	Amount outstanding			
	Sacrifice (diminution in the fair value)			
Doubtful advances restructured	No. of Borrowers			
	Amount outstanding			
	Sacrifice (diminution in the fair value)			
Total	No. of Borrowers			
	Amount outstanding			
	Sacrifice (diminution in the fair value)			
Application for restructuring which are under process, package not approved	No. of borrowers			
	Amount outstanding			

**Prudential Guidelines on Restructuring of Advances**

<b>Asset Classification of Restructured Accounts under the Guidelines</b>						
<b>Particulars</b>		<b>Case 1</b>	<b>Case 2</b>	<b>Case 3</b>	<b>Case 4</b>	
<b>I.</b>	Assumed due date of payment	31.01.2007	31.01.2007			
	Assumed date of restructuring	31.03.2007	31.03.2007	31.03.2007	31.03.2007	
	Period of delinquency as on the date of restructuring	2 months	2 months	18 months	18 months	
	Asset Classification (AC) before restructuring	'Standard'	'Standard'	'Doubtful - less than one year'	'Doubtful - less than one year'	
	Date of NPA	NA	NA	31.12.05 (Assumed)	31.12.05 (Assumed)	
<b>II. Asset Classification (AC) on Restructuring</b>						
	Assumed status of the borrower	Eligible for special regulatory treatment	Not eligible for special regulatory treatment	Eligible for special regulatory treatment	Not eligible for special regulatory treatment	
	AC after restructuring	'Standard'	Downgraded to 'Substandard' w.e.f 31.03.07 (i.e., on the date of restructuring)	'Doubtful - less than one year'	'Doubtful - less than one year'	
	Assumed first payment due under the revised terms	31.12.07	31.12.07	31.12.07	31.12.07	
<b>III. Asset Classification after Restructuring</b>						
<b>A.</b>	The account performs satisfactorily as per restructured terms					
	<b>(a)</b>	AC during the specified one year period (i.e., from 31.12.07 to 31.12.08)	No change (i.e., remains 'Standard')	'Doubtful - less than one year' w.e.f. 31.03.08 (i.e. one year after classification as 'Substandard')	No change (i.e., remains 'Doubtful - less than one year')	'Doubtful - one to three years' w.e.f. 31.12.07 (i.e., one year after classification as 'Doubtful less than one year')
	<b>(b)</b>	AC after the specified one year period	Continues in 'Standard' category	Upgraded to 'Standard' category	Upgraded to 'Standard' category	Upgraded to 'Standard' category
	<b>B.</b> If performance not satisfactory vis-a-vis restructured terms					
<b>(a)</b>	AC during the specified one year period (in case the	Treated as substandard w.e.f	'Doubtful - less than one year' w.e.f.	'Doubtful one to three	'Doubtful - one to three years' w.e.f.	

		unsatisfactory performance is established before completion of one year period)	30.4.2007 and downgraded to 'Doubtful less than one year' with effect from 30.04.08.	31.03.08 (i.e. one year after classification	years' w.e.f. 31.12.07	31.12.07 (i.e., one year after classification as 'Doubtful less than one year' (on 31.12.06)
	(b)	AC after the specified one year period, if the unsatisfactory performance continues	Will migrate to 'Doubtful - one to three years' w.e.f. 30.04.09 and 'Doubtful more than three years' w.e.f. 30.04.2011.	Will migrate to 'Doubtful - one to three years' w.e.f. 31.03.09 and 'Doubtful more than three years' w.e.f. 31.03.2011.	Will migrate to 'Doubtful - more than three years' w.e.f. 31.12.09	Will migrate further to 'Doubtful more than three years' w.e.f. 31.12.09

## **Guidelines on Asset Classification of Projects under Implementation**

Banks must fix a Date of Commencement of Commercial Operations (DCCO) for all project loans at the time of sanction of the loan / financial closure<sup>9</sup> (in the case of multiple banking or consortium arrangements). For the purpose of IRAC norms, all project loans may be divided into the following two categories; (i) Project Loans for infrastructure sector (ii) Project Loans for non-infrastructure sector.

### **1. Project Loans for Infrastructure Sector**

1.1 A loan for an infrastructure project will be classified as NPA during any time before commencement of commercial operations as per record of recovery (90 days overdue), unless it is restructured and becomes eligible for classification as 'standard asset' in terms of paras.1.3 and 1.4 below.

1.2 A loan for an infrastructure project will be classified as NPA if it fails to commence commercial operations within two years from the original DCCO, even if it is regular as per record of recovery, unless it is restructured and becomes eligible for classification as 'standard asset' in terms of paras 1.3 and 1.4 below.

1.3 There may be occasions when completion of projects is delayed for legal and other extraneous reasons like delays in Government approvals etc. All these factors, which are beyond the control of the promoters, may lead to delay in project implementation and involve restructuring / rescheduling of loans by banks. If a project loan classified as 'standard asset' is restructured any time during the period up to two years from the original date of commencement of commercial operations (DCCO), in accordance with prudential guidelines on restructuring of advances at paragraph 2.2.7 above, it can be retained as a standard asset if the fresh DCCO is fixed within the following limits, and further provided the account continues to be serviced as per the restructured terms:

#### **a) Infrastructure Projects involving Court Cases**

Up to another 2 years (beyond the existing extended period of 2 years i.e total extension of 4 years), in case the reason for extension of date of commencement of production is arbitration proceedings or a court case.

#### **b) Infrastructure Projects delayed for other reasons beyond the Control of Promoters**

Up to another 1 year (beyond the existing extended period of 2 years i.e. total extension of 3 years), in other than court cases.

---

<sup>9</sup> For greenfield projects, financial closure is defined as a legally binding commitment of equity holders and debt financiers to provide or mobilise funding for the project. Such funding must account for a significant part of the project cost which should not be less than 90 per cent of the total project cost securing the construction of the facility.

1.4 The dispensation in para 1.3 is subject to the condition that the application for restructuring should be received before the expiry of period of two years from the original DCCO and when the account is still standard as per record of recovery. The other conditions applicable would be:

i. In cases where there is moratorium for payment of interest, banks should not book income on accrual basis beyond two years from the original DCCO, considering the high risk involved in such restructured accounts.

ii. Banks should maintain provisions on such accounts as long as these are classified as standard assets as under:

Until two years from the original DCCO	0.40%
During the third and the fourth years after the original DCCO.	1.00%

For the purpose of these guidelines, mere extension of DCCO will also be treated as restructuring even if all other terms and conditions remain the same.

## 2. Project Loans for Non-Infrastructure Sector

2.1 A loan for a non-infrastructure project will be classified as NPA during any time before commencement of commercial operations as per record of recovery (90 days overdue), unless it is restructured and becomes eligible for classification as 'standard asset' in terms of paras 2.3 and 2.4 below.

2.2 A loan for a non-infrastructure project will be classified as NPA if it fails to commence commercial operations within six months from the original DCCO, even if it is regular as per record of recovery, unless it is restructured and becomes eligible for classification as 'standard asset' in terms of paras 2.3 and 2.4 below.

2.3 In case of non-infrastructure projects, if the delay in commencement of commercial operations extends beyond the period of six months from the date of completion as determined at the time of financial closure, banks can prescribe a fresh DCCO, and retain the "standard" classification by undertaking restructuring of accounts in accordance with prudential guidelines on restructuring of advances at paragraph 2.2.7 above, provided the fresh DCCO does not extend beyond a period of twelve months from the original DCCO. This would among others also imply that the restructuring application is received before the expiry of six months from the original DCCO, and when the account is still "standard" as per the record of recovery.

The other conditions applicable would be:

a) In cases where there is moratorium for payment of interest, banks should not book income on accrual basis beyond six months from the original DCCO, considering the high risk involved in such restructured accounts.

b) Banks should maintain provisions on such accounts as long as these are classified as standard assets as under:

Until the first six months from the original DCCO	0.40%
During the next six months	1.00%

2.4 For this purpose, mere extension of DCCO will also be treated as restructuring even if all other terms and conditions remain the same.

3. These guidelines will however not be applicable to restructuring of commercial real estate and housing loans.

#### **4. Other Issues**

4.1 All other aspects of restructuring of project loans before commencement of commercial operations would be governed by the instructions on restructuring of advances as contained in this Master Circular.

4.2 Any change in the repayment schedule of a project loan caused due to an increase in the project outlay on account of increase in scope and size of the project, would not be treated as restructuring if:

i) The increase in scope and size of the project takes place before commencement of commercial operations of the existing project.

ii) The rise in cost excluding any cost-overrun in respect of the original project is 25% or more of the original outlay.

iii) The bank re-assesses the viability of the project before approving the enhancement of scope and fixing a fresh DCCP.

iv) On re-rating, (if already rated) the new rating is not below the previous rating by more than one notch.

#### **Definition of 'Infrastructure Lending'**

Any credit facility in whatever form extended by lenders (i.e. banks, FIs or NBFCs) to an infrastructure facility as specified below falls within the definition of "infrastructure lending". In other words, a credit facility provided to a borrower company engaged in developing or operating and maintaining, or developing, operating and maintaining any infrastructure facility that is a project in any of the following sectors, or any infrastructure facility of a similar nature

a road, including toll road, a bridge or a rail system; a highway project including other activities being an integral part of the highway project; a port, airport, inland waterway or inland port; a water supply project, irrigation project, water treatment system, sanitation and sewerage system or solid waste management system; telecommunication services whether basic or cellular, including radio paging, domestic satellite service (i.e., a satellite owned and operated by an Indian company for providing telecommunication service), network of trunking, broadband network and internet services; An industrial park or Special Economic Zone generation or generation and distribution of power; transmission or distribution of power by laying a network of new transmission or distribution lines; construction relating to projects involving agro-processing and supply of inputs to agriculture; construction for preservation and storage of processed agro-products, perishable goods such as fruits, vegetables and flowers including testing facilities for quality ; construction of educational institutions and hospitals; laying down and / or maintenance of gas, crude oil and petroleum pipelines, any other infrastructure facility of similar nature.

## A. List of Circulars consolidated in the Master Circular

Sr. No.	Circular No.	Date	Subject
1.	DOR.STR.REC.12/21.04.048/2023-24	24-04-2023	Provisioning for Standard Assets by primary (Urban) Co-operative banks- revised norms under four-tiered regulatory framework
2.	DOR.STR.REC.67/21.06.201/2022-23	07.09.2022	Review of Prudential Norms – Risk Weights for Exposures guaranteed by Credit Guarantee Schemes (CGS)
3.	DOR.STR.REC.85/21.04.048/2021-22	15.02.2022	Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications
4.	DOR.STR.REC.68/21.04.048/2021-22	12.11.2021	Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances - Clarifications
5.	DOR.(PCB).BPD.Cir.No.11/16.20.000/2019-20	20.08.2020	Provisioning on interbank exposure of Primary (Urban) Co-operative Banks (UCBs) under All

			Inclusive Directions
6.	DoR (PCB). BPD. Cir. No.1/13.05.001/2020-21	12.08.2020	System-based asset classification - UCBs
7.	DOR (PCB).BPD.Cir.No.7/13.05.000/2019-20	27.12.2019	Reporting of Large Exposures to Central Repository of Information on Large Credits (CRILC) - UCBs
8.	DBR.No.BP.BC.30/21.04.048/2015-16	16.07.2015	Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Credit Card Accounts
9.	DCBR.BPD.(PCB/RCB).Cir.No.35/12.05..001/2014-15	14.05.2015	Provisioning pertaining to Fraud Accounts
10.	UBD BPD(PCB) Cir No. 45/13.05.000/ 2013-14	28.01.2014	Housing Sector: New Sub-Sector CRE- Residential Housing (CRE- RH) Segment within CRE Sector & Rationalisation of Provisioning and Risk Weight
11.	UBD. BPD PCB Cir No. 37/09.22.010/2013-14	14.11.2013	Advances guaranteed by Credit Risk Guarantee Fund Trust for Low Income Housing (CRGFTLIH) – Risk Weights and Provisioning
12.	UBD.BPD.(PCB).CIR.No.49/09.14.000/2010-11	24.05.2011	Enhancement in Gratuity Limits - Prudential Regulatory Treatment



13.	UBD.BPD.Cir.No.59/09.14.000/2009-10	23.04.2010	IRAC norms for Projects under implementation
14.	UBD.BPD.Cir.No.29/09.11.600/2009-10	08.12.2009	Review of Monetary Policy - Provisioning requirement
15.	UBD.CO.LS.Cir.No.66/07.01.000/2008-09	06.05.2009	Annual Policy Statement for 2009-10- Extension of area of operation - Liberalisation
16.	UBD.PCB.BPD.53/13.05.000/2008-09	06.03.2009	Prudential Guidelines on Restructuring of Advances
17.	UBD.PCB.Cir.No.29/09.11.600/2008-09	01.12.2008	Provisioning for Standard Assets and Risk Weights for exposures
18.	UBD.PCB.Cir.No.47/09.11.600/07-08	26.05.2008	Provisioning Requirement for Standard Assets
19.	UBD.PCB.Cir.No.38/09.14.000/2007-08	02.04.2008	Income Recognition, Asset Classification & Provisioning Norms
20.	UBD.(PCB).Cir.No.35/09.20.001/07-08	07.03.2008	Classification of UCBs for Regulatory Purposes
21.	UBD.PCB.Cir.No.38/9.14.000/06-07	30.04.2007	Annual Policy Statement for the year 2007-08-Income recognition, asset classification and provisioning norms
22.	UBD.PCB.Cir.No.30/9.11.600/06-07	19.02.2007	3rdQuarter Review of Annual Statement on Monetary Policy for 2006-07-Provisioning for Standard Assets
23.	UBD.PCB.Cir.57/09.11.600/05-06	15.06.2006	Annual Policy Statement for

			the Year 2006-07-additional provisioning requirements for standard assets.
24.	UBD.PCB.Cir.20/09.11.600/05-06	24.11.2005	Mid Term Review of Annual Policy Statement for the year 2005-06-additional provisioning for standard assets
25.	UBD.PCB.Cir.1/09.140.00/05-06	04.07.2005	Income recognition and asset classification norms
26.	UBD.PCB.Cir.42/09.140.00/04-05	30.03.2005	Prudential Norm- IRAC and other related matters- procedure for accounting of accrued interest
27.	UBD.PCB.Cir.26/09.140.00/04-05	01.11.2004	Prudential Norms-State Govt Guaranteed Exposures.
28.	UBD.PCB.Cir.21/12.05.05/04-05	27.09.2004	Annual Policy Statement for the Year 2004-05 additional provisioning requirements for NPAs.
29.	UBD.PCB.cir.22/12.05.05/04-05	27.09.2004	Income recognition, asset classification, provisioning-26adoption of 90 days norms
30.	UBD.PCB.Cir.17/13.04.00/04-05	04.09.2004	Income recognition, asset classification, provisioning- adoption of 90 days norms
31.	UBD.PCB.Cir.9/13.04.00/04-05	04.08.2004	Income recognition, asset classification,

			provisioning- adoption of 90 days norms
32.	UBD.PCB.Cir.No.55/12.05.05/	30.06.2004	Annual Policy Statement for the year 2004- 05. Additional Provisioning requirement for NPAs.
33.	UBD.PCB.Cir.No.53/13.05.03/	30.06.2004	Annual Policy Statement for the year 2004- 05. Prudential Norms for Agricultural Advances
34.	UBD.PCB.No.49/12.05.03/2003-04	01.06.2004	Income recognition, asset classification, provisioning norms
35.	UBD.CIR.48/13.04.00/2002-03	22.05.2003	IRAC - 90 days norm for recognition of loan impairment - exemptions
36.	UBD.BSD-I.No.15/12.05.05/2002-03	11.09.2002	Income recognition, asset classification, provisioning and other related matters
37.	UBD.BSD.I.15/12.05.05/2002-03	11.09.2002	Income recognition, asset classification, provisioning - 12 months norms
38.	UBD.BSD.I.PCB.No.44/12.05.05/	21.05.2002	Classification of Agricultural Advances
39.	UBD.BSD.I.PCB.22/12.05.05/2001-02	12.11.2001	Treatment of restructured accounts
40.	UBD.No.BSD.I.PCB13/12.05.05/2001-02	06.10.2001	Divergence in asset classification and provisioning
41.	UBD.No.BSD.I.PCB.12/12.05.05/01-02	.5.10.2001	Income Recognition and asset classification -

			Adoption of 90 days norm
42.	UBD.No.BSD.I.16/12.05.05/2000-2001	8.12.2000	Income Recognition and asset classification, provisioning and related matters - "Past Due" concept.
43.	UBD.No.BSD.I.PCB/14/12.05.05/	20.11.2000	Income recognition, Asset Classification and Provisioning
44.	UBD.CO.BSD-I.PCB.34/12.05.05/99-2000	24.05.2000	Income Recognition, Asset Classification, Provisioning and Valuation of Investments
45.	UBD.No.BSD.PCB./25/12.05.05/99-00	28.02.2000	Income Recognition, Asset Classification, Provisioning and other related matters
46.	UBD.No.BSD.I/22/12.05.00/99-2000	08.02.2000	IRAC - Agricultural loans affected by natural calamities
47.	UBD.No.BSD.I/11/12.05.00/1999-2000	12.10.1999	Clarification on classification of gold loans into Non-performing Assets
48.	UBD.No.BSD.I/2/12.05.05/1999-2000	28.07.1999	Income Recognition, 45Asset Classification and Provisioning - Concept of Commencement of Commercial Production
49.	UBD.No.BSD-I.29/12.05.05/98-99	23.04.1999	Income recognition asset classification and other related matters

50.	UBD.No.BSD-I.2/12.05.01/98-99	17.07.1998	Prudential norms for Income Recognition, Asset classification and provisioning - Agricultural Advances
51.	UBD.No.I&L.(PCBs)42/12.05.00/	20.03.1997	Prudential norms - Income Recognition, Asset Classification, Provisioning and other related matters.
52.	UBD.No.I&L.(PCBs)68/12.05.00/	10.06.1996	Income Recognition, assets classification, provisioning and other related matters Clarifications
53.	UBD.No.I&L.(PCB)61/12.05.00/94-95	06.06.1995	Income recognition, asset classification, provisioning and other related matters Valuation of investment and others
54.	UBD.No.I&L(PCB)46/12.05.00/94-95	28.02.1995	IRAC and other related matters - Procedure for accounting accrued interest
55.	UBD.I&L(PCB)37/12.05.00/94-95	09.01.1995	Income recognition, assets classification, provisioning and other related matters
56.	UBD.No.I&L.86/12.05.00/93-94	28.06.1994	IRAC, provisioning and other related matters
57.	UBD.No.I&L.63/12.05.00/93-94	01.03.1994	Income recognition, assets classification,

			provisioning and other related matters
58.	UBD.No.48/12.05.00/93-94	14.01.1994	IRAC, provisioning and other related matters
59.	UBD.No.45/12.05.00/93-94	24.12.1993	IRAC and other related matters clarification regarding credit facilities backed by Government Guarantees
60.	UBD.I&L.71/J.1/92-93	17.06.1993	IRAC, Povisioning and other related matters - clarification
61.	UBD.No.I&L.63J-I/92-93	16.04.1993	IRAC, provisioning and other related matters
62.	UBD.No.I&L.38/J.1-92/93	09.02.1993	IRAC, provisioning and other related matters
63.	UBD.No.I&L 51/J.1-90/91	23.02.1991	Classification of Non-Performing Loans

**B. List of Other Circulars from which instructions have also been consolidated in the Master Circular**

No.	Circular No.	Date	Subject
1.	UBD.No.DS.PCB.Cir.3/13.04.00/2002-03	20.07.2002	Charging of interest at monthly rests
2.	UBD.No.POT.PCB.CIR.No.45/09.116.00/2000-01	25.04.2001	Application of CRAR Norms to PCBs
3.	UBD.No.DS.PCB.20/13.04.00/97-98	10.11.1997	Compounding of Interest on Agri Advance