

**Monetary and Credit Policy Measures – Prudential Norms on Income Recognition,
Asset Classification, Provisioning, etc.**

Ref DBS.FID No.C. 7 /01.03.00/2000-2001

October 11, 2000

The Chairmen / Chief Executive Officers
All India Term Lending & Refinancing Institutions

Dear Sir,

**Monetary and Credit Policy Measures – Prudential Norms on Income Recognition,
Asset Classification, Provisioning, etc.**

Please refer to the “Mid Term Review of Monetary and Credit Policy” for the year 2000-2001 forwarded to you vide our Circular Letter DBS.FID.No.H6/02.01.00/2000-2001 dated October 10, 2000. The guidelines in regard to the policy measures stated in paragraph 44(d) of the statement are given below:

Asset Classification – ‘Past Due’ Concept

In terms of instructions contained in paragraph 3(A) of our Circular FIC.No.841/01.02.00/93-94 dated March 28, 1994 issued to All India Term Lending Institutions and paragraph 2(A) of our circular FIC.No.640/01.10.00/95-96 dated March 7, 1996 issued to the Refinancing Institutions, an amount should be considered “Past Due” when it remains outstanding for 30 days beyond due date. The concept of “Past Due” was incorporated into the two quarters delinquency norm on income recognition, asset classification and provisioning. Due to the improvements in the payment and settlement systems, the recovery climate, upgradation of technology in the banking system, etc., it has been decided to dispense with “Past Due” concept, with effect from March 31, 2001. Accordingly, as from that date a Non Performing Asset (NPA) shall be an advance where:

- i) Interest remains overdue for a period of more than 180 days and / or instalment of principal remains overdue for a period of 365 days or more in respect of a term loan,
- ii) The bill remains overdue and unpaid for a period of more than 180 days in the case of bills purchased and discounted; and
- iii) Any amount to be received remains overdue for a period of more than 180 days in respect of other accounts.

2. Please acknowledge receipt.

Yours faithfully,

(K. C. Bandyopadhyay
Chief General Manager