

Income Recognition, Asset Classification, Provisioning - 90 days Norm for recognition of loan impairment - exemptions

BPD.CIR.48/13.04.00/2002-03

May 22, 2003

All Primary (Urban) Co-operative Banks

Dear Sirs,

Income Recognition, Asset Classification, Provisioning - 90 days Norm for recognition of loan impairment - exemptions

Please refer to paragraph 2.1.2 of the Master Circular No.BSD.IP.30/12.05.05/ 2002-03 dated December 26, 2002 on income recognition, asset classification, provisioning and related matters. It advised UCBs to classify an asset as non-performing if the interest and/or installment of principal remain overdue for a period of more than 90 days, with effect from the year ending March 31, 2004.

2. As announced in Governor's Statement on Monetary and Credit Policy for the year 2003-04 (paragraph 110, copy enclosed), it has been decided to exempt both gold loans and small loans upto Rs.1 lakh from the 90 days norm for recognition of loan impairment. These loans would therefore continue to be governed by the 180 days norm for classification as NPA even after March 31, 2004.

3. All other instructions contained in our aforesaid Circular remain unchanged.

4. Please acknowledge receipt of the Circular to our concerned Regional Office.

Yours faithfully,

(K.V. Rajan)
Chief General Manager

110. With a view to moving towards international best practices and to ensure greater transparency, commercial banks (including RRBs) and UCBs were advised to adopt 90 days norm for recognition of loan impairment from the year ending March 31, 2004. In response to the difficulties expressed by the UCBs and their federations in adopting this norm in respect of the large number of small loans and gold loans granted by them, it is proposed:

- To exempt both gold loans and small loans up to Rs.1 lakh from the 90 days norm for recognition of loan impairment. These loans would continue to be governed by the 180 days norm for classification as NPA.