

RBI /2004-05/98

UBD..PCB.Cir 9 /13.04.00/2004-05

August 4, 2004

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

Dear Sir/Madam,

Income Recognition, Asset Classification and  
Provisioning - Adoption of 90 days Norm

Please refer to our circular UBD.No. BPD. 48/13.04.00/02-03 dated May 22, 2003 advising the banks to classify an asset as non-performing if the interest and/or installment of principal remained overdue for a period of more than 90 days with effect from the year ended March 31, 2004. However, both gold loans and small loans upto Rs 1 lakh were exempted from the 90 day norm for loan impairment and continued to be governed by the 180 days norm for classification as NPA even after March 31, 2004

2. With a view to strengthening the financial health of the UCBs and achieving regulatory convergence of the prudential norms applicable to various players in the financial sector, it has been decided that the 90 days loan impairment norm will also be applicable to gold loans and small loans upto Rs 1 lakh with effect from the year ending March 31, 2005. In other words, with effect from the year ending March 31, 2005, UCBs will be required to classify an asset as non-performing if interest and /or installment of principal remain overdue for a period of more than 90 days, without any exception.

3. Please acknowledge receipt to the concerned Regional Office.

Yours faithfully,

(N.S. Vishwanathan)  
Chief General Manager