

सहकार पर्व

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**Practical Approach to Loan Management &
NPA norms in Co-operation Institutions**

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What can be a Regulatory Violation?

Illustrative examples

- A] Violation of Applicable Laws and Regulations
- B] Powers under Banking Regulation Act, 1949 to RBI
- C] Non-Compliance with Master Direction / Master Circular

Circular References

Date	Circular
28.Nov.2025	Reserve Bank of India (UCB – Income Recognition, Asset Classification and Provisioning) Directions, 2025 (Updated as on January 01, 2026)
28.Nov.2025	Reserve Bank of India (UCB – Resolution of Stressed Assets) Directions, 2025 (Includes Resolution of Accounts Impacted by Natural Calamities)
28.Nov.2025	Reserve Bank of India (UCBs - Interest Rates on Advances) Directions, 2025
28.Nov.2025	Reserve Bank of India (UCBs – Credit Facilities) Directions, 2025
28.Nov.2025	Reserve Bank of India (UCBs – Credit Risk Management) Directions, 2025

Automation of Income Recognition, Asset Classification and Provisioning processes in banks

w.e.f. 30.Sep.2021: UCBs with assets above Rs. 1000 Crores or Tier 3 / 4 Banks

A] Coverage

- i) All borrowal accounts, including TODs, irrespective of size, sector, type of limits & Investments
- ii) IRAC norms w.r.t.
 - a) Asset classification – Downgradation / Upgradation
 - b) Provisioning
 - c) Income recognition / reversal

Can PCR be more than 100%?

Need for BDDR correlation with NPA?

Automation of Income Recognition, Asset Classification and Provisioning processes in banks

B] Expectation

- i) STP: Straight Through Process
- ii) Pre-set rules configured in the system
- iii) Ongoing exercise of upgradation & downgradation
- iv) Frequency: Part of EoD process
- v) **Board Approved policy for manual intervention** & requisite to maintain the trail

Concepts relevant to IRAC Norms

‘Overdue’ status – any amount due to a bank under any credit facility shall be treated as ‘overdue’ if it is not paid on the due date fixed by the bank.

‘Reversal of Income’

- *Applicability only upon ‘classification as NPA’*
- *Accounting concept of realisation*
- *Reversal of unrealised concept*

Key Fact Statement (KFA)

a statement of key facts of a loan agreement, in simple and easier to understand language

IRAC Norms related with TL

A] Term Loan

Interest and/or installment remains overdue for a period of more than 90 days in respect of a term loan

1. Specification of due date / repayment date (KFS)
2. Concept of 'Overdue'
3. Accounting vis-à-vis treatment of advance installments
4. Possibility of change in components of EMIs
5. Accounting vis-à-vis order of recovery for PAs
6. Demand satisfaction / Overdue since date
7. Reversal of Income / Charges incl Penal Charges
8. Charges recoverable subsequent to date of NPA
9. Moratorium period / Staff Loans / PACs

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Examples of NPA TL

Advance Installments Paid

Rol	12%	Advance Installments paid by borrower		Unrealised Interest								
Tenor	12 Months			8	Month in which A/C turns NPA							
Limit	10,000	Calculation of Drawing Power		11	Month in which account is upgraded							
EMI	₹ 888											
Ideal Repayment Calender				Ledger Account				Overdue = Actual - Ideal	Overdue EMI	Classification		
Month	EMI	Prin	Int	Balance	Month	EMI	Prin				Int	Balance
0				10,000	0				10,000			
1	→ 888	788	100	9,212	1	3,552	3,452	→ 100	6,548	(2,664)	(3.00)	PA
2	→ 888	796	92	8,416	2	-	-	→ 65	6,613	(1,803)	(2.03)	PA
3	→ 888	804	84	7,612	3	-	-	→ 66	6,679	(933)	(1.05)	PA
4	→ 888	812	76	6,800	4	-	-	→ 67	6,746	(54)	(0.06)	PA
5	888	820	68	5,980	5	-	-	67	6,813	833	0.94	SMA 0
6	888	828	60	5,152	6	-	-	68	6,881	1,729	1.95	SMA 1
7	888	836	52	4,316	7	-	-	69	6,950	2,634	2.97	SMA 2
8	888	845	43	3,471	8	-	-	70	7,020	3,549	4.00	SSA
9	888	853	35	2,618	9	-	-	70	7,090	4,472	5.04	SSA
10	888	862	26	1,756	10	4,000	3,929	71	3,161	1,405	1.58	SSA
11	888	870	18	886	11	2,500	2,468	32	693	(193)	(0.22)	PA
12	888	879	9	7	12	-	-	7	700	693	0.78	SMA 0

IRAC Norms related with TL

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Examples of NPA TL

Dynamically changing EMI composition

Rol	12%		EMI Dynamic nature										Postponement of Prin. Repayment
Tenor	12 Months									8			Month in which A/C turns NPA
Limit	10,000		Overdue changes							11			Month in which account is upgraded
EMI	₹ 888												
Ideal Repayment Calender					Revised EMI / Repayment Calender					System Overdue	Actual Overdue		
Month	EMI	Prin	Int	Balance	Month	EMI	Prin	Int	Balance				
0				10,000	0				10,000				
1	888	788	100	9,212	1	888	768	120	9,232	-	20		
2	888	796	92	8,416	2	888	778	110	8,454	-	38		
3	888	804	84	7,612	3	888	787	101	7,667	-	55		
4	888	812	76	6,800	4	888	797	91	6,870	-	70		
5	888	820	68	5,980	5	888	806	82	6,064	-	84		
6	888	828	60	5,152	6	888	816	72	5,248	-	96		
7	888	836	52	4,316	7	888	826	62	4,422	-	106		
8	888	845	43	3,471	8	888	836	52	3,586	-	115		
9	888	853	35	2,618	9	888	846	42	2,740	-	122		
10	888	862	26	1,756	10	888	857	31	1,883	-	127		
11	888	870	18	886	11	888	866	22	1,017	-	131		
12	888	879	9	7	12	888	877	11	140		133		

IRAC Norms related with TL

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Examples of NPA TL

Order of Recovery Vs Interest Realization

Ideal Repayment Calender		Ledger Account				Overdue = Actual - Ideal	Overdue EMI	Classification					
Month	EMI	Prin	Int	Balance	Month				EMI	Prin	Int	Balance	
0				10,000	0				10,000				
1	888	788	100	9,212	1	888	788	100	9,212	-	-	PA	
2	888	796	92	8,416	2	-	-	92	9,304	888	1.00	SMA 1	
3	888	804	84	7,612	3	-	-	93	9,397	1,785	2.01	SMA 2	
4	888	812	76	6,800	4	-	-	94	9,491	2,691	3.03	SSA	
5	888	820	68	5,980	5	-	-	95	9,586	3,606	4.06	SSA	
6	888	828	60	5,152	6	184	-	96	9,498	4,346	4.89	SSA	
7	888	836	52	4,316	7	500	-	95	9,093	4,777	5.38	SSA	
8	888	845	43	3,471	8	-	-	91	9,184	5,713	6.43	SSA	
9	888	853	35	2,618	9	-	-	92	9,276	6,658	7.50	SSA	
10	888	862	26	1,756	10	4,000	3,907	93	5,369	3,613	4.07	SSA	
11	888	870	18	886	11	-	-	54	5,423	4,537	5.11	SSA	
12	888	879	9	7	12	-	-	54	5,477	5,470	6.16	SSA	

IRAC Master Direction dated 28.Nov.2025

IRAC Norms related with CCOD & LCBD

B] CC / OD (out of order)

1. EoD process for out of order
2. Effective date of stock statement
3. Reversal of Income / Charges
4. Validity of DP (Large Borrower)
5. No credits in the account for last 90 days wherein account is in credit balance for larger portion

Examples of NPA CC/OD

Effective date of Drawing Power w.r.t. Stock Statement

CC / OD Accounts			Month	Stock Statement		
				Submitted on	Drawing Power	
Effective date of Stock Statement			Nov'25	04-Dec-25	11,000	
			Dec'25	03-Jan-26	10,500	
Limit	10,000		Jan'26	20-Feb-26	8,000	
			Feb'26	08-Mar-26	10,000	
Ideal Repayment Calender			Drawing Power		Status	
Date	EoD O/S	Limit	System	Stock St	System	Actual
31-Dec-25	10,600	10,000	10,000	10,000	Overdrawn	Overdrawn
01-Jan-26	10,800	10,000	10,000	10,000	Overdrawn	Overdrawn
08-Jan-26	10,300	10,000	10,000	10,000	Overdrawn	Overdrawn
31-Jan-26	10,600	10,000	10,000	10,000	Overdrawn	Overdrawn
01-Feb-26	10,200	10,000	10,000	8,000	Overdrawn	Overdrawn
04-Feb-26	9,000	10,000	10,000	8,000	Regularised	Overdrawn
08-Feb-26	9,500	10,000	10,000	8,000	Regularised	Overdrawn
20-Feb-26	10,100	10,000	10,000	8,000	Overdrawn	Overdrawn
28-Feb-26	10,300	10,000	10,000	8,000	Overdrawn	Overdrawn
01-Mar-26	10,500	10,000	10,000	10,000	Overdrawn	Overdrawn
20-Mar-26	10,300	10,000	10,000	10,000	Overdrawn	Overdrawn
30-Mar-26	10,700	10,000	10,000	10,000	Overdrawn	Overdrawn
31-Mar-26	10,900	10,000	10,000	10,000	Overdrawn	Overdrawn

IRAC Master Direction dated 28.Nov.2025

IRAC Norms related with CCOD & LCBD

B] CC / OD (out of order)

6. 'Coverage of interest' vis-à-vis 'realization of interest'
7. Drop-line OD – Housing Loan
8. Comparison of Audited FS (March) vis-à-vis March stock statement
9. Whether Trade creditors are required to be reduced in calculation of DP?

Examples of NPA CC/OD

Date of NPA on 31.Mar.2023 - Unrealized interest should be Rs. 3,000/- and not Rs. 1,000/- (look-back period)

Date	Narration	Dr	Cr	Balance
01.Jan.2023	Disbursal	1,00,000.00		1,00,000.00
03.Jan.2023	Receipt		2,000.00	98,000.00
31.Jan.2023	Interest	1,000.00		99,000.00
28.Feb.2023	Interest	1,000.00		1,00,000.00
31.Mar.2023	Interest	1,000.00		1,01,000.00

IRAC Norms related to LCBD

C] Bill Discounting / LCBD Exposures

Bill remains overdue for a Discounted period of more than 90 days

LCBD Exposures ~ Master Data availability in CBS

1. Exposure on borrowers vis-à-vis on bank
2. CBS data availability / **Inter-bank exposure impact**
3. **FLC** / Domestic LC

IRAC Norms related with Agricultural Advances

D] Agricultural advances - basis for Asset classification

Interest or installment remains overdue for two crop seasons for short duration crop, one crop season for long duration crop.

**Definitions (1) Farm Credit*

(2) Crop season – ‘period up to harvesting of crops raised’ as determined by SLBC

(3) Long duration crop – Crops wherein crop season is more than 12 months

IRAC Master Direction dated 28.Nov.2025

IRAC Norms related with Agricultural Advances

D] Agricultural advances – Vital Aspects

1. Master Data updation and completeness
2. Interest calculation methodology
3. Relief Measures by Banks in Areas Affected by Natural Calamities
 - A. Convert short term production loan into term loan
 - B. Reschedule repayment schedule
 - C. Sanction fresh short-term loans

Interest Rates on Advances Master Direction

Interest on agricultural advances and advance to farmers

- 1] Total interest debited in short term loan should not exceed the principal amount for advances to small and marginal farmers
- 2] A bank may charge interest on agricultural advances at annual rests for long duration crop only
- 3] other agricultural advances in respect of short duration crops and allied activities:
 - (a) **Due date/s fixed** based on fluidity of borrower
 - (b) **Charging Interest**: harvesting / marketing season
 - (c) **Compound** if the loan / instalment becomes overdue

IRAC Norms related with Gold Loans

E] Gold Loans (New norms applicable not later than 01.Apr.2026)

1. LTV of 85/80/75% (throughout tenor – 2.5/5L)
2. Multiple loans in the name of borrower
3. Loans closed and new loans opened on same date
4. Income sufficiency – Loans above Rs. 2.5L
5. End-use of Gold Loan
6. Precautions to be taken while roll-over / renewals
 - a) Sealed Gold packets
 - b) Gold Valuer

IRAC Master Direction dated 28.Nov.2025

IRAC Norms – Exemptions / Income Reversal

F] Exemptions

1. **Central Government Guaranteed Accounts** - date validation & **income recognition**
2. Advance against FDR / IVP / KVP / LIP / NSC – income recognition

G] Fees / commission on renegotiation / reschedulement

1. Staggered over period covered under renegotiation

H] Reversal of Income

1. To be reversed if the same is not realised
2. Fees / commission accrued but uncollected

IRAC Master Direction dated 28.Nov.2025

Appropriation of Recoveries / IR OIR Accounting

I] Appropriation of Recoveries (system driven)

1. Uniform and consistent manner

J] Interest Application

1. Not be debited to borrowal accounts but shown separately under 'Interest Receivable Account' and correspondingly to be shown under 'Overdue Interest Reserve Account'

K] Technical Write off (Board Policy) ~ (minimum ageing, deterioration in collateral value, etc. & staff accountability)

Resolution of Stressed Assets Master Direction

Technical w/off

'technical write-off' shall refer to cases where the non-performing assets remain outstanding at borrowers' loan account level, but are written-off (fully or partially) by a bank only for accounting purposes

- 1] Accounting perspective
- 2] Accounting of subsequent interest / charges, etc.
- 3] CRILC / CIC Reporting
- 4] Rule 49 Applicability (is it bad debt / irrecoverable loss?)

Resolution of Stressed Assets Master Direction

Technical w/off

Technical write-off is an accounting procedure undertaken by a bank to cleanse the balance sheets of bad debts which are either considered unrecoverable or whose recovery is likely to consume disproportionate resources of the lenders.

- 1] Considered unrecoverable = Loss Asset?
- 2] Likely to consume disproportionate resources – How to substantiate (by banks) & test (by auditors)?
- 3] Can such account be written back?

IRAC Master Direction dated 28.Nov.2025

IRAC – Security Value / Non-financial parameters

L] Availability of security and valuation (realisability)

(*Rs. 10 lakhs and above exposures*)

1. Mandatory valuation – Stock & Book Debts / Immovable Properties
2. Other assets (movable assets and others below mandatory threshold)

M] Accounts with temporary deficiency

1. Non-submission of stock statements (*large borrower accounts*) – Validity of Drawing Power
2. Non-renewal / TODs / Adhocs / Short Reviews – 90 days criteria

IRAC – Inherent Weakness

N] Accounts with inherent weakness

- a) Inherent weakness is a subjective concept
- b) Test source of fund for regularization of an account – whether only at year end?
- c) Infusion of funds by promoters
- d) Sale of Fixed Assets / collateral security
- e) Liquidation of FDRs

IRAC – Upgradation of Accounts

O] Upgradation of accounts

1. Entire arrears of all credit facilities to be repaid
2. Reversal of (unrealized) income to be restored
3. Ever-greening of accounts / Round-tripping of funds

NFB / Inter-changeable limits

P] Devolvement of LCs / BGs

1. Parking in separate accounts
2. Provisioning of NFB of NPAs

Q] M2M Derivatives receivable position (Trade Finance package linkage with CBS)

R] Inter-changeable limits (Limit tree concept)

S] Straightaway classification norms

1. 50% erosion in value – SAs / SSAs
2. Security value less than 10%

IRAC Master Direction dated 28.Nov.2025

Miscellaneous aspects

T] Advances to PACS / FSS

U] Loans with moratorium period for interest payment

V] Provisioning norms - ECGC / CGTMSE / CRGFTLIH

W] FITL

X] Accounting of NBA / SRs

Y] Projects under implementation (DCCO) – Repeated restructuring / Deemed date of DCCO

IRAC Norms – Project Loans

Z] Projects Loans – Deferment of DCCO

- Deferment of DCCO (wef 01.Oct.2025)
 1. Infrastructure Loans – 3 Years
 2. Non-Infrastructure Projects (including CRE and CRE-RH) – 2 Years
- Cost Over-run (10%)
- Change in size and scope beyond 25%

Miscellaneous aspects

AA] Availability of granular data in CBS

AB] Resolution Plan – Special Regulatory Treatment
(Quick implementation within 90 days)

AC] Linkage with Treasury / Trade Finance Modules /
Packages

AD] **Co-borrowers / Joint Borrowers**

1. Relational Accounts
2. Exposure Norms
3. Reporting to CIC
4. Capital Adequacy Calculation

Miscellaneous aspects

AE] Identification of restructuring / Additional Finance

1. Provisioning & asset classification
2. Sacrifice calculation (PV based) required
3. Satisfactory performance and upgradation
 1. Non-Agri CC A/C: Should not be out of order for more than 90 days (+) No overdue at the end
 2. Non-Agri Term Loan A/C: No overdues for more than 90 days (+) No overdue at the end
 3. Agricultural Loans: No overdue at the end of specified period

Miscellaneous aspects

AF] Willful defaulters / Red flag account

AG] Adverse balance in deposit accounts / outstanding assets other than advances

Comparison with Credit Societies

Conceptual and regulatory comparison

- A] CC / OD – Out of Order concept: 180 days
1. Overdue Interest (Unpaid Vs Overdue)
 2. Non-renewal
 3. Continuously overdrawn
 4. If turnover in account is less than 4 times the limit
- B] Similar norms:
1. Borrower wise classification norms
 2. Reversal of unrealized interest
- C] SA provision at flat 0.25%

Comparison with Credit Societies

Conceptual and regulatory comparison

D] Asset Classification Norms

Asset Classification	Period	Provisioning (secured + Unsecured portion) (FY: 2025-26 / 26-27 / 27-28)
SSA	12 months	06 / 08
DA-1	12-36 months	20 / 25 / 30 + 70 / 80 / 100
DA-2	36-48 months	25 / 30 / 40 + 80 / 90 / 100
DA-3	More than 48 months	30 / 40 / 50 + 90 / 100 / 100
Loss	Any time	100

Comparison with Credit Societies

Conceptual and regulatory comparison

E] Exemption from NPA norms – NSC / LIC / IVP / KVP / Gold except when:

1. If the security value is less than outstanding balance
2. Margin maintained but overdue period is more than 12 months

F] IR / OIR and shadow balances of charges to be maintained as contra

G] Upgradation: Only if nil overdues

Comparison with Credit Societies

Conceptual and regulatory comparison

H] Stock Statement

1. Frequency: Monthly
2. Upto 10 L: Verification by Sr. Officials / Clerk
3. 10-25L: Verification by BM / Officer
4. Above 25L: Additional verification by external CA

I] Exposure to Banks under AID: NPI / 10 years staggering provision

J] Entries outstanding for more than 180 days in BRS: 100% provision

Comparison with Credit Societies

Conceptual and regulatory comparison

K] Torn / mutilated Notes: 100% provision

L] GL / SL difference: 100% provision

L] NPI: 100% provision

M] Advance to contractor o/s for more than 90 days

N] System based NPA & bi-monthly audit by Chartered Accountant



Thank you !!!

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