

## Regulation R – 8: Classification of Assets and Provisioning Requirements

Guidelines for Classification and Provisioning of Microenterprise Loans

Classification	Determinant	Treatment of Income	Provisions to be made
<b>Other Assets Especially Mentioned (OAEM)</b>	Where mark- up/ interest or principal is overdue by 90 days or more but less than 180 days from the due date.	Unrealized interest / profit / mark-up to be kept in Memorandum Account and not to be credited to Income Account except when realized in cash. Unrealized interest / profit / mark-up already taken to income account to be reversed and kept in Memorandum Account.	Provision of 10% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of pledged stocks, plant & machinery under charge and mortgaged residential, commercial and industrial properties (land & building only) to the extent allowed in Annexure I-4.
<b>Substandard.</b>	Where mark- up/ interest or principal is overdue by 180 days or more but less than one year from the due date.	As above.	Provision of 25% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of pledged stocks, plant & machinery under charge and mortgaged residential, commercial and industrial properties (land & building only) to the extent allowed in Annexure I-4.
<b>Doubtful.</b>	Where mark-up/ interest or principal is overdue by one year or more but less than 18 months from the due date.	As above.	Provision of 50% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of pledged stocks, plant & machinery under charge and mortgaged residential, commercial and industrial properties (land & building only) to the extent allowed in Annexure I-4.

Classification	Determinant	Treatment of Income	Provisions to be made
<b>Loss</b>	<p>Where mark-up/ interest or principal is overdue by 18 months or more from the due date.</p> <p>Where Inland Trade Bills are not paid/ adjusted within 180 days of the due date.</p>	As above.	Provision of 100% of the difference resulting from the outstanding balance of principal net of liquid assets realizable without recourse to a court of law, and Forced Sale Value (FSV) of pledged stocks, plant & machinery under charge and mortgaged residential, commercial and industrial properties (land & building only) to the extent allowed in Annexure I-4.