



**Consumer Education: Understanding SMA & NPA**

**SEEDS FINCAP PRIVATE LIMITED**

For Seeds Fincap Private Limited  
*[Signature]*  
Managing Director & CEO

## **Consumer Education: Understanding SMA & NPA**

Banks and financial institutions, including NBFCs, regularly monitor loan accounts to ensure timely repayment. Based on repayment behaviour, loan accounts are categorised into different stages of stress.

### **Objective**

The Reserve Bank of India vide Master Direction – Reserve Bank of India (Non-Banking Finance Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023, has stipulated that with a view to increasing awareness among its borrowers, NBFCs should place consumer education literature on their websites, explaining with examples, the concepts of date of overdue, SMA and NPA classification and upgradation.

### **Key Definitions**

#### **Due Date / Repayment Date**

The date on which the principal, interest, or any charges levied on the loan account are payable, as per the sanction terms or loan agreement.

#### **Overdue**

An amount is considered **overdue** if it is not paid on the due date specified by the NBFC.

- The loan agreement specifies the repayment schedule, frequency, and breakup of principal and interest.
- Borrower accounts are flagged as overdue as part of the NBFC's day-end process for that due date.

#### **1. Special Mention Accounts (SMA)**

An account is classified as **SMA** when there is a delay in repayment, but it has **not yet become a Non-Performing Asset (NPA)**.

<b>SMA Category</b>	<b>Overdue Days</b>	<b>Meaning</b>
<b>SMA-0</b>	Up to 30 days	Early warning stage – payment missed but delay is less than 31 days.
<b>SMA-1</b>	31–60 days	Indicates financial stress – immediate action needed to avoid further downgrade.
<b>SMA-2</b>	61–90 days	High risk – if not regularised, the account may become an NPA.

#### **2. Non-Performing Asset (NPA)**

A Loan becomes an NPA if interest and/or principal remain overdue for more than 90 days in respect of a loan.

A glide path is provided to NBFCs in Base Layer to adhere to the 90 days NPA norm as under-

<b>NPA Norms</b>	<b>Timelines</b>
>90 days overdue	By March 31, 2026
>120 days overdue	By March 31, 2025
>150 days overdue	By March 31, 2024

#### Effects of NPA classification:

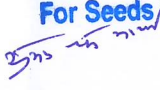
- Loan is considered in **default**.
- Borrower's **credit score and history** are negatively impacted.
- **Recovery actions** may be initiated as per applicable laws.

#### Why This Matters to Borrowers

- **Act Early** – Even SMA-0 delays are reported to credit bureaus and can affect future loan eligibility.
- **Avoid Escalation** – Settle overdue amounts before reaching 90 days to prevent NPA status.
- **Stay in Touch** – If facing temporary financial difficulty, contact the lender promptly to explore restructuring or repayment options.

#### Key Takeaways

1. Pay EMIs on time to avoid SMA or NPA classification.
2. Even short delays can impact your credit profile.
3. Once an account becomes NPA, recovery and legal proceedings may follow.

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