

**Banking Regulation & Policy Department
Bangladesh Bank
Head Office
Dhaka-1000**

BRPD Circular No- 16

**Date : -----
21 July 2020
06 Srabon 1427**

Managing Director/Chief Executives
All Scheduled Banks in Bangladesh

Dear Sir,

**Loan Classification and Provisioning for
Cottage, Micro and Small Credits under CMSME.**

Please refer to BRPD Circular No. 14 dated 23 September 2012, BRPD Circular No. 05 dated 29 May 2013 and BRPD Circular No. 03 dated 21 April 2019 on the captioned subject.

2. Cottage, Micro and Small credits have been defined in SMESPD Circular No. 02 dated 05 September 2019 under Master Circular on Cottage, Micro, Small and Medium Enterprise (CMSME) Financing. Banks are required to classify and maintain provisions against their CMSME loans as per BRPD Circular No-14/2012, BRPD Circular No-05/2013 and BRPD Circular No-03/2019. It has now been decided that to facilitate Cottage, Micro and Small industries of the country and to encourage participation of the banks in disbursing Cottage, Micro and Small credits, banks are hereby instructed to classify and maintain provisions against such credits in the following manner:

3. Loan Classification of Cottage, Micro and Small credits under CMSME:

3.1. The criteria for past due/overdue and Special Mention Account (SMA) of any Continuous/Demand/Fixed Term Loan under this category will be same as illustrated in BRPD Circular No.03/2019 and BRPD Circular No. 14/2012 respectively.

3.2. If a Continuous Loan, Demand Loan, Fixed Term Loan or any installment(s)/part of installment(s) of a Fixed Term Loan remain(s) past due/overdue for a period of 06 (six) months or beyond but less than 18 (eighteen) months, the entire loan will be classified as "Sub-standard (SS)".

3.3. If a Continuous Loan, Demand Loan, Fixed Term Loan or any installment(s)/part of installment(s) of a Fixed Term Loan remain(s) past due/overdue for a period of 18 (eighteen) months or beyond but less than 30 (thirty) months, the entire loan will be classified as "Doubtful (DF)".

3.4. If a Continuous loan, Demand loan, Fixed Term Loan or any installment(s)/part of installment(s) of a Fixed Term Loan remain(s) past due/overdue for a period of 30 (thirty) months or beyond, the entire loan will be classified as "Bad/Loss (B/L)".

4. Provision for Cottage, Micro and Small credits under CMSME:

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|---------------------------------|---------|
| a) All unclassified credits | : 0.25% |
| b) Classified as 'Sub-standard' | : 5% |
| c) Classified as 'Doubtful' | : 20% |
| d) Classified as 'Bad/Loss' | : 100%. |

5. Cottage, Micro and Small credits under CMSME shall have to be reported in CL-2, CL-3 and CL-4 depending upon their loans and advances category. Whereas, Short-term Micro-Credit will include micro-credits not exceeding the amount determined by the Agricultural Credit Department of Bangladesh Bank from time to time and repayable within 12 (twelve) months and have to be reported in CL-5 accordingly.

6. All other instructions of the above mentioned circulars will remain unchanged.

This circular will come into force with immediate effect.

Yours faithfully,



(Md. Nazrul Islam)
General Manager
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