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A Pre-Implementation Assessment for Indian Banks**

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ABSTRACT

The Reserve Bank of India's proposed transition from the incurred-loss regime to an expected credit loss (ECL) framework, aligned with IFRS 9, marks a significant shift in provisioning practices for Indian banks. This paper evaluates the potential impact of the ECL framework on provisioning levels and capital buffers of Indian banks. Using a top-down approach, key risk parameters—probability of default, loss given default, and exposure at default—are estimated for major bank groups over FY2019–FY2025 and applied to derive stage-wise ECL provisions as of FY 2025. The results indicate a rise in total provisions across all bank groups, driven by expanded coverage, higher values of risk parameters, and regulatory floors on Stage 2 assets. Capital ratios are expected to decline modestly but remain above regulatory thresholds. The study also highlights implementation challenges relating to data, modelling, and governance, with implications for financial resilience and bank preparedness ahead of the 2027 transition.

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1. Introduction

The global financial crisis (2007–09) exposed serious deficiencies in the incurred-loss model of loan loss provisioning that banks and financial institutions (FI) had been following under the prevalent accounting and regulatory norms (BCBS, 2016). Under this framework, prescriptive provisioning made loss buffers impervious to the credit risk of financial assets and were accounted for only after objective evidence of impairment emerged. This resulted in delayed recognition of risks and procyclical amplification of financial stress. In response, international accounting and regulatory bodies introduced forward-looking provisioning frameworks, most notably under IFRS 9, which operationalized the Expected Credit Loss (ECL) approach beginning in 2018.

In India, the IFRS-converged Ind AS (Indian Accounting Standards) became applicable to non-financial companies and Non-Bank Financial Companies (NBFCs) from April 1, 2018. However, for commercial banks, the transition to Ind AS was deferred by the Reserve Bank of India (RBI). As such, Indian banks continued to make loan loss provisions as per the incurred-loss approach specified in RBI's Income Recognition, Asset Classification and Provisioning (IRACP) norms. India's banking sector is now poised for a structural shift. Without mandating a full adoption of IFRS, the RBI has proposed to replace the IRACP norms with an IFRS 9-aligned ECL framework through draft directions (RBI, 2025). The ECL framework becomes effective for scheduled commercial banks (SCBs) and other financial institutions (FIs), excluding small finance banks and regional rural banks, from April 1, 2027. The reform represents not merely an accounting transition to global best practice, but a paradigm shift in risk measurement, capital planning, and macroprudential oversight.

A large body of international literature has examined the implications of IFRS 9 for banks. Some of the early pre-implementation studies provide conceptual clarity for ECL (BCBS, 2015; Cohen and Edwards, 2017); anticipate implementation challenges and underscore managerial discretion and model risk concerns (Novotny-Farkas, 2016); and, predict changes in provisioning and capital buffers for banks (EBA, 2016; EBA, 2017) and bond portfolios (Krüger et al, 2018). Studies on first-time adoption of IFRS 9, particularly by banks in Europe, quantify the actual incremental provisions and reduction of capital buffers due to ECL (Gomaa et al., 2019; Boscia et al., 2022). Post-implementation research spans multiple aspects of ECL, like its influence on earnings management (Nnadi et al., 2023; Behn and Couaillier,), repercussions on procyclicality (Buesa et al., 2023), predictability of bank risks (Lopez-Espinosa, 2021) and its bearing on banks' cost of funds and credit management (Fotouh et al, 2022; Li et al., 2022). The Indian research till date, is limited to IFRS adoption by NBFCs. An Ernst & Young study (2020) observes an increase in ECL provisions by 19.44% for NBFCs transitioning to IFRS as compared with the earlier standards. Chherawala and Krishnakumar (2024) also show that the overall ECL provisioning rate for NBFCs is generally higher than IRACP provisions, with the difference narrowing from 1.77% percentage points in FY 2021 to 1.28% in FY 2023, the

variance being the largest for impaired assets. There is a clear gap in the extant literature pertaining to the impact assessment of ECL transition by commercial banks in India.

This paper discusses the RBI's ECL guidelines in comparison with IFRS 9 requirements (Section 2); derives simple estimates of ECL parameters and analyses the impact of ECL transition loan loss provisions and capital adequacy at bank-group level for India (Section 3); discusses the challenges banks will face in implementing the ECL guidelines (Section 4); and, concludes (Section 5) with the policy implications for financial stability, capital adequacy, and credit growth that such a transition will entail.

2. Backdrop of ECL Provisioning by Banks

2.1 The Incurred-Loss Framework in India

Under the extant IRACP norms applicable to Indian commercial banks, provisioning rates are regulatory constants applied across standard and non-performing assets (NPAs). Standard assets are subject to small prescriptive provisions ranging from 0.25% to 1.00% of outstanding amounts of credit exposures, based on regulatory credit segments. Substantial provisioning (15% and higher) is triggered only after loans become non-performing—typically when payments are 90 days past due. This creates a cliff-effect in accounting provisions where loss buffers increase abruptly only after confirmed impairment and are not aligned with the gradual deterioration in loan credit quality. In this sense, the IRACP norms resemble the incurred-loss framework and carry the same shortcomings.

2.2 IFRS 9 and the Global Move to ECL

IFRS 9 advocates a forward-looking impairment identification and loss provisioning model based on expected credit losses. Both on-balance sheet financial assets, as well as off-balance sheet exposures like guarantees and loan commitments, except for those that are fair valued through profit & loss (FVTPL), are subject to ECL. In the general ECL approach, exposures are classified into one of three stages, linked to their credit performance (Table 1). Depending upon the stage, loss allowances increase commensurately with the assets' risk profile and effective lifetime. Assets that are credit-impaired or have become 90 days past due are in Stage 3, with a lifetime ECL allowance. Assets that are 30 days past due or exhibit a significant increase in credit risk (SICR) since origination are in Stage 2 and also require a lifetime ECL allowance. The Stage 2 categorisation ensures timely recognition of worsening credit quality, and the higher loss estimates associated with this category attenuate the cliff-effect of incurred loss approaches. Finally, assets with low credit risk or that have not faced SICR are in the Stage 1 category and subject to 12-month ECL.

[Table 1]

ECL is estimated as unbiased, probability-weighted future credit losses, using forecasted macroeconomic scenarios. The methodologies for estimating ECL and its component credit risk parameters are not prescribed but left to individual entities to interpret and formulate as per best practices and IFRS guidance. Banks often predicate their ECL on models that estimate the following:

- Probability of Default (PD) – quantifies the risk of default over 12-months or the effective lifetime of a financial asset, as per its stage.
- Loss Given Default (LGD) – measures the proportion of exposure that may not be recovered upon default.
- Exposure at Default (EAD) – determines the nominal amounts that the obligor may owe at the time of default.
- Discounting of forecasted losses via the Effective Interest Rate (EIR)

A World Bank survey (Caruso et al., 2021) of prudential financial supervisors indicated that IFRS 9 was being used in 53 countries out of 91 respondent countries. In another 25 countries, IFRS 9 applied only to certain financial institutions, depending on factors such as size, listing status and whether financial reporting was at a standalone or consolidated basis. India figured in the survey only to the extent that IFRS was mandated for NBFCs.

2.3 RBI’s ECL Framework

RBI’s ECL framework (2025) is a delayed but prudently calibrated adoption of global norms. It broadly adheres to IFRS 9 in terms of the financial instruments to which it applies, the 3-stage asset classification based on credit performance, the definition of ECL, and the incorporation of forward-looking macroeconomic scenarios in predicting credit losses. However, there are some aspects in which the RBI’s framework diverges from that of IFRS 9, as discussed in Table 2.

[Table 2]

Most of the comparative points in Table 2 suggest that RBI has advocated a more conservative ECL approach vis-à-vis IFRS 9. It is thus expected to increase the overall provisioning requirements for banks and financial institutions in India, for several reasons. First, both fund and non-fund-based credit exposures are subject to ECL as compared to only outstanding amounts of funded facilities under IRACP. Thus, the scope of provisions coverage is wider under ECL. Secondly, higher ECL is expected to be associated with Stage 2 assets due to their heightened risk and lifetime considerations. Under IRACP, such assets fall within the standard assets category with low provisioning rates. Thirdly, portfolio asset quality and internal credit risk parameters may translate into higher loss buffers than the standardised prescriptions under IRACP. Even if internal loss estimates are low, they will be overridden by the RBI’s conservative parameterisation and stricter ECL thresholds. A pre-implementation estimation of the ECL for Indian Banks, therefore, becomes imperative to gauge its impact.

3. Analysis of ECL Provisioning Impact on Indian Banks

3.1 Methodology and Data

Using historical data (from FY 2019 to FY 2025) of movement of non-performing assets (NPAs) sourced from the RBI database, the PD and LGD of Scheduled Commercial Banks in India is estimated for three banking groups – Public Sector Banks (PSBs), Private Sector Banks (PVBs) and Small Finance Banks (SFBs). Although the RBI’s ECL framework

does not currently apply to SFBs, this group is included in the analysis to capture the potential impact.

The annual point-in-time default probability (1_yr PIT PD) for the overall credit portfolio of each bank group is proxied by the observed annual default rates (ODR_t), which are estimated as follows:

$$1_{yr}PIT PD_t = ODR_t = \frac{\text{Additions to NPAs in year } t}{\text{Average Standard Advances for years } t \text{ and } t - 1}$$

The bank-group level Loss Given Default (LGD) for a given year is estimated as

$$LGD_t = 1 - \frac{\text{Reduction of NPAs in year } t}{\text{Gross NPA at the start of year } t}$$

To smooth out the yearly volatility of LGD, without losing the point-in-time values, we consider a simple average of LGD for the latest 3 years.

For Stage 1 exposures, the 12-Month ECL rate is measured as

$$12 - \text{Month } ECL_{S1} = 1_{yr}PIT PD \times LGD_t$$

The lifetime of financial assets is proxied by the average maturity (T) of the loan book for each bank group. Using the standard exponential function, the Lifetime PD is estimated as

$$\text{Lifetime PD} = 1 - (1 - 1_{yr}PIT PD)^T$$

The lifetime ECL rate for Stage 2 accounts is measured by

$$\text{Lifetime } ECL_{S2} = \text{Lifetime PD} \times LGD_t$$

For Stage 3 accounts, which are already credit impaired, the PD = 100%. Thus, the lifetime ECL rate for Stage 3 is equivalent to the LGD.

$$\text{Lifetime } ECL_{S3} = LGD_t$$

On and off-balance sheet credit and investments for each bank group, as of FY 2025, are categorised into the ECL stages. All NPA accounts, by virtue of being credit-impaired, are classified as Stage 3. Restructured standard advances are considered in Stage 2. RBI's ECL framework requires accounts that are 30 or more days past due (but below 90 days) to be in Stage 2. However, in the absence of granular delinquency data, only 1% of gross advances (which, as per RBI FSR Dec 2025, are the 60+ days past due accounts for SCBs) are considered as Stage 2. All other exposures are considered Stage 1.

The EAD for on-balance sheet items is taken as outstanding amounts. Basel credit conversion factors of 100% and 20% are used to measure the EAD for guarantees and acceptances & endorsements, respectively. It is important to note that ECL also applies to irrevocable credit commitments like undrawn limits, but they have not been considered due to the absence of data. The ECL for each stage is estimated by applying

the derived ECL rates to the EAD, subject to the regulatory floors specified in the RBI guidelines.

3.1 Results

Figures 1 and 2 depict the bank-group-wise 1_yr PD and LGD. Both PSBs and PVBs have seen a downward trend in PD over the years. The decline has been much sharper for PSBs, such that they have the lowest 1_yr PD (0.82%) as of 2025. The 1_yr PD for SFBs has been volatile over the years, and is the highest at 5.93% among the bank groups. The LGD for PVBs has reduced significantly over time, but has remained sticky at much higher levels for PSBs. The LGD for SFBs has fluctuated widely and has a negative correlation of -0.42 with PD.

[Figure 1]

[Figure 2]

Figure 3 captures the trend in the estimated 12-month ECL rate. For PSBs and PVBs, the ECL has declined over time and stands at 0.71% and 0.92%, respectively, in 2025. The ECL rate for SFBs reflects the volatility of their PD and LGD, but converges to the level of PVBs in 2025.

[Figure 3]

Table 3 summarises the classification of banks' portfolios as of FY 2025 into ECL stages. The on-balance sheet Stage 1 category has the highest share of total exposure for each bank group. This segment is typically subject to standard asset provisioning under the IRACP norms. The share of off-balance sheet exposures is substantial for PVBs (12.22%) and PSBs (8.20%). The share of the estimated Stage 2 ranges from 1.06% to 1.49% across bank groups, and the share of Stage 3 (NPA accounts) is lowest for PVBs (1.50%) and highest for SFBs (3.46%). From the exposure distribution, it is clear that ECL buffers are expected to be much higher due to the inclusion of off-balance-sheet exposures for ECL provisioning, as well as lifetime ECL requirements for Stage 2 and 3.

[Table 3]

Table 4 depicts the estimated ECL parameters for each bank group as of FY 2025. While PSBs have the lowest 1_yr PD, their higher LGD penalises provisions across stages, and the longer average maturity of their assets burdens their Stage 2 portfolio. PVBs and SFBs have higher PDs, but lower LGDs and shorter average loan tenors.

[Table 4]

Table 5 shows the stage-wise ECL requirements for each bank group, estimated using the ECL parameters in Table 4 and after applying the regulatory floors specified in the RBI guidelines. The Stage 1 ECL for all bank groups is higher than the 0.40% general standard asset provisioning under the IRACP norms, which is also the floor ECL specified by RBI. This implies that Stage 1 accounts, including off-balance sheet exposures, will have a significant impact on increasing provisions in the ECL regime. The model-based ECL for Stage 2 accounts is 2.39%, 2.32% and 4.94% for PVBs, PSBs and SFBs, respectively, but gets constrained at the regulatory floor of 5.00% for all bank groups.

This suggests that, despite managing the maturity and credit risk of their Stage 2 accounts, banks may be by regulatory thresholds. Finally, the ECL for Stage 3 accounts is equal to the LGD for PSBs, and is marginally higher than the LGD for PSBs and SFBs due to the application of regulatory minima on ageing NPAs. Overall, the ECL percentage is lowest for PVBs (1.75%) and highest for SFBs (3.62%).

[Table 5]

In Table 6, a comparison is made between actual provisions held by each bank group for FY 2025 and the estimated ECL. Post-ECL provisions are higher for all three bank groups - the most for SFBs (by 48.9%), followed by PSBs (12.9%) and PVBs (11.0%).

[Table 6]

In Table 7, the incremental ECL provisions are decomposed in terms of the source of the impact. For PVBs, the biggest impact is from the higher ECL rate applicable to Stage 1 accounts, including off-balance sheet exposures. However, the release of provisions for Stage 3, due to lower LGD, offsets the increase. PSBs, on the other hand, are most adversely impacted by a spike in Stage 3 provisions, due to their high LGD. Furthermore, the Stage 2 assets have a relatively larger share in PSBs portfolios and also exacerbate ECL requirements. Stage 1 ECL rates, being the highest for SFBs, contribute substantially to their incremental provisions, the effect being partially countered by a reduction in Stage 3 requirements.

[Table 7]

Finally, Figure 4 captures the fully-loaded (that is, without taking into consideration any prudential transitional arrangements) effect of higher ECL provisions for first-time application (assumed to be FY 2025) on the common equity Tier 1 (CET1) capital ratios of the bank groups. The impact is most severe for SFBs (CET1 ratio falls by 50 basis points), followed by PSBs (CET1 ratio falls by 40 percentage points), and least for PVBs (20 basis points). However, for none of the bank groups, the regulatory minimum CET1 ratio of 8.00% is breached. Furthermore, the CET1 ratio will not reduce as sharply as the fully-loaded estimate, given that RBI has indicated a 5-year glide path to allow banks to gradually absorb the negative impact of the first-time transition to ECL on regulatory capital.

[Figure 4]

In this analysis, the capital impact of the ECL transition of Indian banks appears similar to that of a survey-based exercise carried out for European banks (EBA, 2017) in which it was estimated that the CET1 ratio would decrease, on average, by 45 basis points. It should, however, be noted that our analysis most likely underestimates the true ECL of Indian banks for a number of reasons. First, loss estimates of undrawn commitments are excluded due to the lack of data. Secondly, banks' actual Stage 2 would be larger, since it would include 30+ days past due accounts and also other exposures that have breached internal SICR triggers. Third, forward-looking adjustments to ECL based on forecasted macroeconomic scenarios have not been incorporated. Thus, realised ECL impacts on banks' profitability and capital may likely be higher than what our analysis indicates. It is important to note that, in deriving the top-down ECL estimates

in this study, several assumptions and simplifications have been made that may not necessarily represent banks' own portfolio segmentation and credit risk methodologies. Also, its final impact would stem from how banks' credit business and risk profile evolve till the effective implementation date in 2027.

4. Challenges in the Implementation of ECL

While RBI's ECL framework is a desired advance in forward-looking and risk-sensitive loss recognition, its implementation will give rise to several implementation challenges. This section discusses the key issues that Indian banks will need to resolve to ensure effective and reliable ECL estimates and highlights business concerns that will need to be addressed at the time of transition to ECL-based provisioning.

The first critical challenge revolves around data management and aggregation. Availability of historical data on credit ratings, loan drawdowns, defaults and recovery, along with various macroeconomic variables, is essential for modelling PD, LGD and EAD, building forward-looking macro-linkages and assessment of SICR. Detailed obligor, facility and collateral-level data are required to create granular portfolio segments with shared risk characteristics and bucket them into stages for ECL estimation. Banks will have to harmonise disparate internal and external data sources and legacy or manual systems to build a comprehensive data repository for ECL inputs and outputs, while addressing issues of data quality, data lineage and data governance. The IT systems architecture of banks will also need to be redesigned to integrate risk and ECL computation engines and create additional reporting layers.

The second crucial element of ECL is modelling the plethora of risk parameters for different portfolios and managing model risk. In this context, similar to European banks (EBA, 2017), Indian banks that are ready with the Basel Internal Ratings Based (IRB) approaches for regulatory capital will have an advantage. They will be able to leverage existing through-the-cycle models for PD, LGD, EAD and stress testing, after adapting them to align with point-in-time ECL estimation. On the other hand, building risk models from scratch will be a significant task for banks that are purely compliant with Basel Standardised Approach. Even for IRB-ready banks, important model adjustments will be linking macro-variables to risk parameters and creating term structures for risk parameters for lifetime ECL. Additional methodologies will have to be developed to estimate the behavioural lifetime for revolving credit facilities, measure the risk for low default portfolios and construct quantitative SICR triggers. All models will need to be rigorously validated, documented and inventoried.

The third concern pertains to the ECL governance framework. As set out in BCBS, 2015, RBI's ECL guidelines also cast the responsibility on banks' boards for ensuring the appropriate implementation and functioning of a robust ECL system, including transparent and relevant disclosures. Board and audit committees will need to drive ECL from top-down and will thus require technical expertise to understand the nuances of ECL, challenge management overlays in an objective manner and assess business implications of the ECL numbers. At the organizational level, ownership of various aspects of ECL will have to be defined across multiple departments like Risk, Finance, Business and Internal Audit. Risk and audit resources will need to be enhanced substantially to address the quantum and complexity of ECL requirements.

Finally, it is clear that ECL provisions will fluctuate with credit risk, leading to greater earnings volatility, especially during economic downturns. Banks have to prepare now to tackle the potential earnings volatility and capital impacts of ECL transition. This will include reassessment of their business strategies, capital plans and earnings guidance. Furthermore, since ECL numbers will be guided by bank-specific risks, heterogeneity of resultant credit costs will require banks to rethink their loan pricing strategies to remain competitive in credit markets.

5. Conclusion

The Reserve Bank of India's draft ECL Directions (2025) represent a fundamental shift from incurred-loss provisioning to a forward-looking ECL-based framework for Indian banks and financial institutions. The reform aligns India with global best practices under IFRS 9, while preserving a degree of regulatory conservatism. Although mandated for implementation in 2027, their expected impact needs to be assessed now to give banks an adequate window of time to prepare for the transition.

Our top-down quantitative analysis for Indian banks estimates that the switch to ECL will entail higher provisions for all bank groups at the point of first-time adoption. The extent of increase will be driven by the scope, staging and risk profile of credit portfolios of banks. There will also be a negative impact on the capital ratios of banks. However, in the last few years, Indian banks have seen a steady reduction in their non-performing loans, higher provisions coverage and strengthening capital buffers, which remain well above the minimum regulatory requirement. If this trend continues, Indian banks will be well-positioned to financially absorb the transition effects.

On the other hand, the implementation of ECL introduces complexity, model risk, and greater earnings volatility. The success of the framework will depend on banks building a robust data and systems infrastructure, sound risk models, strong governance and transparent financial reporting that will meet regulatory expectations and bolster investor confidence.

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Table 1
Staging and ECL Requirement under IFRS 9

<i>Stage</i>	<i>Stage 1: Performing</i>	<i>Stage 2: Under-performing</i>	<i>Stage 3: Impaired</i>
Description of Bucket	<ul style="list-style-type: none"> • Assets on initial recognition, • Assets which have “Low” credit risk on reporting date, • Assets which have not had a “SICR” since initial recognition 	<ul style="list-style-type: none"> • Assets which have had a “Significant Increase in Credit Risk” (SICR) since initial recognition • Backstop: 30 days or more past due on reporting date 	<ul style="list-style-type: none"> • Non-Performing Assets / Credit Impaired Assets / Assets with objective evidence of impairment at reporting date • Backstop: 90 days or more past due on reporting date
Recognition of ECL	12-month ECL Allowance	Life-time ECL Allowance	Life-time ECL Allowance

Table 2
Comparison of RBI ECL Framework and IFRS 9 ECL Framework

<i>Area</i>	<i>RBI ECL Framework</i>	<i>IFRS 9 ECL Framework</i>
Default and Credit Impairment	The regulatory NPA classification norms of IRACP are retained, and NPAs are mandatorily classified under Stage 3.	Default and credit impairment criteria for Stage 3 are based on banks’ internal definitions
Low Credit Risk Assets	“Low credit risk” assets are pre-specified. These include SLR eligible investments, direct claims on Central Government, and exposures to the extent guaranteed by Central Government or Central Government agencies. Furthermore, these exposures have nil ECL requirements.	“Low credit risk” criteria are based on banks’ own definitions and continue to require 12-month ECL provisions.
ECL Parameters	RBI explicitly specifies the use of PD, LGD and EAD for ECL estimation. It also highlights the broad principles and validations that banks need to follow to ensure that the models are robust and prudent.	IFRS 9 does not advocate use of PD, LGD and EAD. Risk of default and credit losses are defined generically and subject to banks’ own interpretation.

<i>Area</i>	<i>RBI ECL Framework</i>	<i>IFRS 9 ECL Framework</i>
Definition of Credit Loss and Lifetime of Instruments	Nuanced definitions of credit losses are provided for different financial instruments like loans, undrawn commitments and guarantees. Lifetime is also explicitly differentiated for different types of credit facilities.	A single, general definition of credit loss is provided. Lifetime is defined primarily from the perspective of contractual maturity, with guidance for certain revolving facilities.
Upgradation across Stages	A cooling period of at least six months in Stage 2 is specified before Stage 3 assets are upgraded to Stage 1.	No such cooling period is specified. Instruments can migrate across stages over reporting periods.
Prudential Floors for ECL and ECL Parameters	Based on different categories of credit exposures and their stage classification, RBI specifies prudential provisioning floors for ECL. The Stage 1 ECL floors are aligned to the IRACP Standard Asset provisioning requirements. ECL floors are introduced for Stage 2 Assets. Stage 3 Asset ECL floors are linked to the ageing of NPAs. PD estimates used to measure ECL are subject to a regulatory floor of 0.05%.	No provisioning floors are specified, and banks are free to estimate the ECL requirement as per their internal models.
LGD Benchmarks	RBI provides benchmarks for LGD based on whether the instrument is secured or unsecured and the type of security.	No LGD benchmarks are provided. Banks have to use their internal estimates.
Additional Provisioning Carve-outs	Certain asset segments are carved out and subject to prescriptive provisioning. These include stressed assets, unhedged foreign currency exposures, large exposures, country risk exposures, exposures on account of fraud, derivative exposures and wilful defaulters.	No further carve-outs of provisioning are specified.

Source: Author's own compilation from RBI (2025) and IFRS 9

Table 3
Bank-Group-Wise Staging of Credit Portfolios as of FY 2025

(Amounts in Rs. Lakh Crores)

	<i>Stage 1: On-Balance Sheet</i>	<i>Stage 1: Off-Balance Sheet</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total Exposure</i>
PVBs	75.42 (85.22%)	10.82 (12.22%)	0.94 (1.06%)	1.33 (1.50%)	88.50
PSBs	109.22 (88.03%)	10.17 (8.20%)	1.85 (1.49%)	2.84 (2.29%)	124.08
SFBs	2.71 (93.79%)	0.05 (1.62%)	0.03 (1.14%)	0.10 (3.46%)	2.89

Note: Figures in brackets represent the share of the segment in the total exposure of each bank group

Source: RBI data; Author's own calculations

Table 4
Bank-Group-Wise ECL parameters (FY 2025)

	<i>1-YR PIT PD</i>	<i>Avg. Maturity (in Years)</i>	<i>Lifetime PD</i>	<i>LGD (3-year Average)</i>
PVBs	1.71%	2.72	4.57%	52.33%
PSBs	0.82%	3.33	2.71%	85.44%
SFBs	5.93%	2.22	12.69%	38.96%

Source: RBI data; Author's own calculations

Table 5
Bank-Group-Wise Estimated ECL Provisions across Stages for FY 2025

(Amounts in Rs. Lakh Crores)

	<i>Stage 1 On Balance Sheet</i>	<i>Stage 1 Off Balance Sheet</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total ECL</i>
PVBs	0.67 (0.89%)	0.07 (0.68%)	0.05 (5.00%)	0.75 (56.40%)	1.54 (1.74%)
PSBs	0.77 (0.70%)	0.05 (0.52%)	0.09 (5.00%)	2.42 (85.44%)	3.34 (2.69%)
SFBs	0.06 (2.31%)	0.001 (2.21%)	0.002 (5.00%)	0.04 (39.36%)	0.10 (3.62%)

Note: Figures in brackets depict ECL as a percentage of the Exposure in each segment

Source: RBI data; author's own estimations

Table 6
Bank-Group-Wise IRACP versus ECL Provisions for FY 2025

(Amounts in Rs. Lakh Crores)

	<i>PVBs</i>	<i>PSBs</i>	<i>SFBs</i>
Actual Standard Asset Provisions	0.42	0.73	0.01
Estimated ECL Stage 1 & Stage 2 Provisions	0.79	0.91	0.07
Actual NPA Provisions	0.97	2.23	0.06
Estimated ECL Stage 3 Provisions	0.75	2.42	0.04
Total Actual Provisions	1.39	2.96	0.07
Total Estimated ECL Provisions	1.54	3.34	0.10
Est. % Increase in Total Provisions	11.0%	12.9%	48.9%

Source: RBI data and Annual Reports of Banks; Author's own estimations

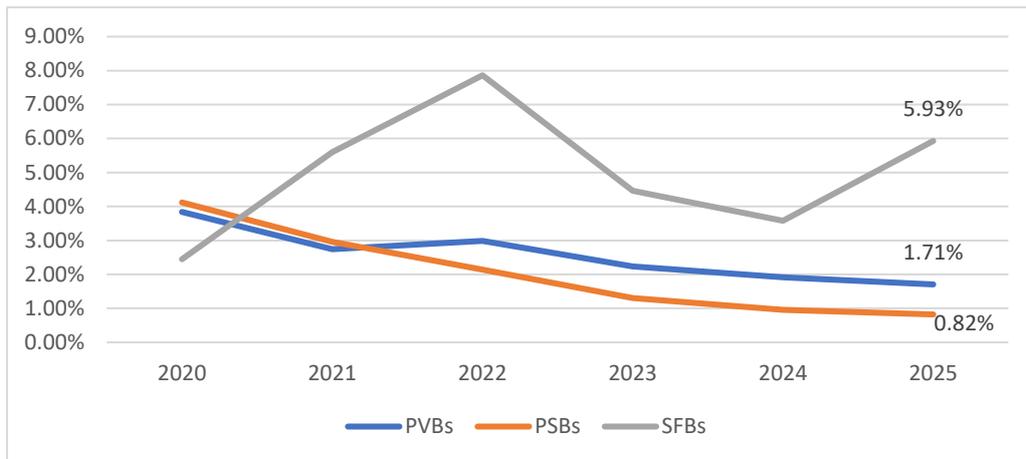
Table 7
Bank-Group-Wise Source of Impact of Incremental ECL Provisions

(Amount in Rs. Lakh Crores)

	<i>Off-Balance Sheet Exposure Impact</i>	<i>Stage 1 ECL Rate Impact</i>	<i>Stage 2 ECL Rate Impact</i>	<i>Stage 3 ECL Rate Impact</i>
PVBs	0.07	0.25	0.04	-0.22
PSBs	0.05	0.02	0.08	0.20
SFBs	0.00	0.05	0.00	-0.02

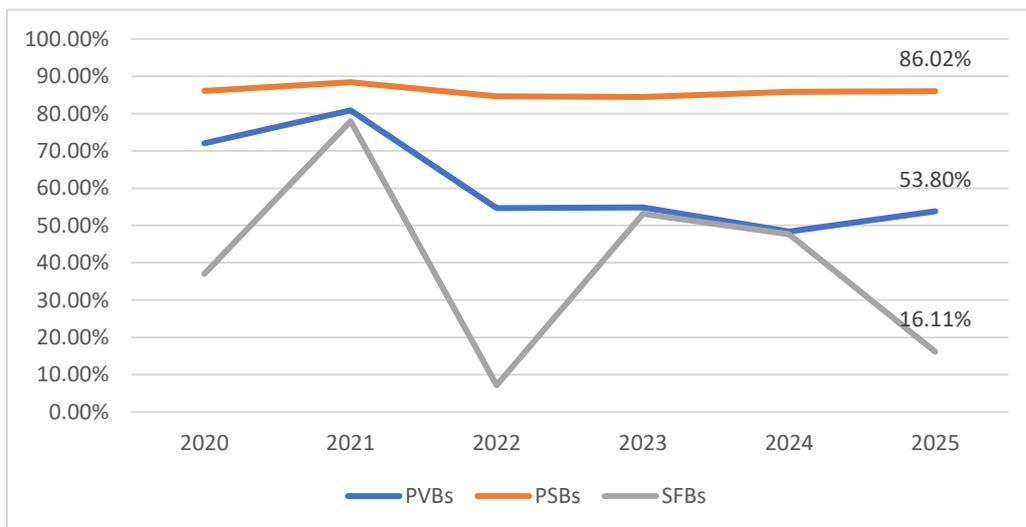
Source: Author's own estimations

Figure 1
Bank-group-wise 1-Yr PIT PD



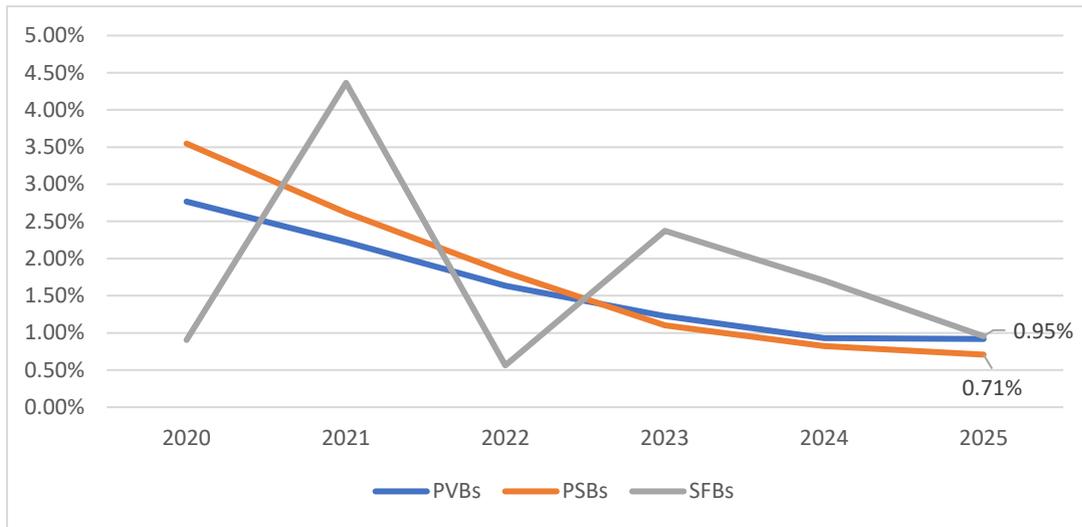
Source: RBI data; author's own derivations

Figure 2
Bank-Group-Wise LGD



Source: RBI data; author's own derivations

Figure 3
Bank-group-wise 12-month ECL



Source: RBI data; author's own derivations

Figure 4
Bank-Group-Wise ECL Adjusted CET1 Ratio

