

**GOVERNMENT OF INDIA  
FINANCE AND COMPANY AFFAIRS  
LOK SABHA**

UNSTARRED QUESTION NO:5912  
ANSWERED ON:02.05.2003  
COOPERATIVE BANKS DEALING WITH NBFC  
UMMAREDDY VENKATESWARLU

**Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:**

- (a) whether Reserve Bank of India has banned cooperative banks from entering ready forward contracts with non-banking financial companies;
- (b) if so, the reasons therefor;
- (c) whether cooperative banks have not heeded to this and many other directives of the RBI; and
- (d) if so, the punitive action initiated against cooperative banks who have repeatedly violated rules?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL):

- (a) and (b) Under the extant instructions of Reserve Bank of India (RBI) on ready forward contracts, co-operative banks are not permitted to enter into Ready Forward Contracts (RFCs) with Non-Banking Financial Companies (NBFCs). They are prohibited from providing any financial accommodation to NBFCs. However, only the scheduled urban co-operative banks are permitted to provide finance to NBFCs in respect of the finance made by them to small truck operators and agro-based industries, which is reckoned as indirect finance to the priority sector. RFCs are collateralized borrowings and allowing the co-operative banks to enter into RFC with NBFCs would allow the NBFCs to have access to the funds of the cooperatives under the guise of Ready Forward Contracts, which could be detrimental to the interests of depositors of these banks.
- (c) RBI has reported that no instances of violation of its guidelines have come to their notice.
- (d) Do not arise in view of above.