

All Sponsor Banks of RRBs

Dear Sir,

Financial Assistance to NBFCs - Surplus Non-SLR Funds by NBFCs

Some of the sponsor banks have sought clarification on whether RRBs can extend financial assistance/loans and advances to Non-Banking Financial Companies (NBFCs) engaged, inter alia, in hire purchase and leasing operations.

2. As you are aware that RRBs have been set up with the primary objective of developing the rural economy by providing credit facility for various productive activities within the notified area of their operations. However, with a view to improve the viability and profitability of RRBs, certain relaxations have been made for investment of their surplus non-SLR funds vide our circular No. RPCD.RRB.BC.76/05.03.34/96-97 dated 13 December 1996, subject to compliance with single exposure norms as prescribed in paragraph 2(iii) *ibid*.

3. In view of the increased investment opportunities already made available to RRBs vide our circular dated 13 December 1996 and considering their overall financial position, we are not in favour of permitting RRBs to extend any financial assistance (including working capital funds) to NBFCs. You may please bring the contents of this circular immediately to the notice of the RRBs sponsored by your bank.

4. You may also furnish to us the full address of the RRB Division of your bank together with the name, designation, telephone and fax number of the official in-charge of such division of our record.

Yours faithfully,

Sd/-

(T.K.E. DAS)
General Manager