

[7]
1,000-55-7-02

Financial (1895). Department.

ORDINARY MS.

G.O., No. 161.

DATED 15th Feb. 1895.

INDEXED. 5/6

[Despatch Abstract.]

REDUCTION IN THE RATE OF INTEREST.--

Recording endorsement of the Government of India forwarding copy of the question asked by the Honourable Maharaja Partab Narayana Singh of Adjudhia at the meeting of the Viceregal Legislative Council held on the 24th January 1895 regarding the ---from 4 to 5½ per cent. on advances made or to be made by Government to the municipalities and other local bodies in the North-Western Provinces and Oudh and other provinces in India and the answer given thereto.

BACK PAPERS.

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.

FURTHER PAPERS.

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.
	3056		1895				

D.O.
 GOVERNMENT OF
 MADRAS
 OOTACAMUND,
 Oct. 4th 1895.
 Dear Sir,
 I send you the papers
 regarding the question of lowering rate
 of interest. From the reply to the
 question asked in the Supreme Leg Council
 (in Q O N 101 dated 15/2/95.) that
 was put up with the draft letter
 in Q O No 101 dated 14.2.95 which
 did not issue until the 20th when
 it would appear that for the

present at any rate India will not
lower the rate. This account for their
not having replied to our letter on
the subject.

Yours very sincerely
Friedrich Schlegel

Madam Doke sends part for the
Madam Leght.

NOTICE OF QUESTION

to be asked at the Meeting of the Governor General's Council for the purpose of making Laws and Regulations to be held on Thursday, the 24th January, 1895.

By the Hon'ble MAHARAJA PARTAB NARAYAN SINGH OF AJUDHIA :—

Will the Government be pleased to consider the advisability of, and adopt measures for, reducing the rate of interest from 4 to $3\frac{1}{2}$ per cent. on loans already advanced, or to be advanced in future, by Government to the municipalities and other local bodies in the North-Western Provinces and Oudh and other provinces of India for the construction of water-works, drainage and other local works of public utility?

CALCUTTA;
The 22nd January, 1895. }

J. M. MACPHERSON,
Offg. Secretary to the Govt. of India,
Legislative Department.

(Answer.)

The ordinary practice of Government is to lend to Municipalities at a rate which is $\frac{1}{2}$ per cent. higher than that at which it can itself borrow, that $\frac{1}{2}$ per cent. being intended to cover risk of irrecoverable loans, and to meet other margins. In certain cases in the North-Western Provinces, the loans were for special reasons made without the $\frac{1}{2}$ per cent. margin and stand at 4 per cent. only.

The Government of India has never yet obtained money on a rupee loan at so low a rate as $3\frac{1}{2}$ per cent., and up to August 1st next, at any rate, it is paying 4 per cent. upon the greater part of its outstanding debt, most of which, moreover, was raised at a discount.

It would, therefore, if it were to lend money now at $3\frac{1}{2}$ per cent., recover less interest than it pays, quite independently of the risk attaching to the loan.

So far as outstanding loans to Municipalities are concerned, their terms are regulated by agreements between the lender and the borrower, and these terms are not affected by the mere fact that the lender may afterwards find himself able to obtain money on more favourable conditions.

The question to what extent and when the Government will extend to its debtors any advantages which it may itself obtain in the matter of rate of interest is one which it will consider in due time, but it is of opinion that it is premature at present to take it up.

1895
Fint. Dept.
Encl. No. 1
371

Government of India
Finance and Commerce Department
Calcutta, the 6th February 1895.

Read.

The question asked by the Honorable Maharaja Partab Narayan Singh of Mysore at the meeting of the Council of the Governor General for the purpose of making Laws and Regulations held on the 24th January 1895, regarding the reduction in the rate of interest from 4 to 3½ per cent on advances made or to be made by Government to the Municipalities and other local bodies in the North Western Provinces and Cutch and other provinces of India and the answer given thereto.

Ordered, that copies of the question and answer be forwarded to all Local Governments and Administrations for information.

G. M. H. S.
Off. Secy. to the Govt. of India.

UNDER SECRETARY
10 FEB 95
PUBLIC TR. DEPT.

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READ AGAIN G.O., No. _____
189 , DATED _____

CURRENT No. _____

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LETTER OF GOVERNMENT.

STATEMENT WITH DITTO.

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Finl
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From
The Govt of India
(Fin + com)

CB
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ORDER 15 Feb 195 No 161

Recorded

14/2/95

no 636 A

Dated 6.2.95
Recd 10/2
Recd 11/2
encls 2.

Note Copy of the question + answer
were put up with the ^{draft} ~~revised~~
letter re reduction in rate of
interest when it circd.

CB
12.2.95

Subject.

Forward copy of the question asked
by the Hon. Maharajah Partab
Narayana Singh of Ajudhia at the
meeting of the Govt's Council
for the purpose of making laws
& Regs held on 24/1/95 re:
the reduction in the rate of int.
from 4 to 3 1/2 p.c on advances made
or to be made by Govt to the muni-
cipalities & other local bodies in
N.W.P & Oudh & other provinces in
India & the answer given thereto.

WITH ORDER