

Financial (1895) Department.

ORDINARY PRINTED.

G.O., No. 952.

DATED 4th Dec. 1895.

INDEXED. 6/7

[Despatch Abstract.]

LOANS AND ADVANCES.—

Recording Resolution of the Government of India passing orders on the question of extending to municipalities and other debtors to Government the relief obtained by Government in the matter of interest by conversion of 4 percent. loans into $3\frac{1}{2}$ per cent.

BACK PAPERS.

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

FURTHER PAPERS.

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

Gobi. of {1895} Madras.

FINANCIAL.

Issued

Recd.

Encl.

G.O., No. 952, 4th December 1895.

DECEMBER.

Loans and Advances.

Recording Resolution of the Government of India passing orders on the question of extending to municipalities and other debtors to Government the relief obtained by Government in the matter of interest by the conversion of 4 per cent. loans into $3\frac{1}{2}$ per cents.

GOVERNMENT OF MADRAS.

FINANCIAL DEPARTMENT.

READ—again the following paper:—

G.O., No. 151, Financial, dated 14th February 1895.

ABSTRACT.—Directing that the Government of India be addressed in view to the rate of interest payable by Provincial Governments to Imperial revenues on the mean outstanding balances of their advance and loan accounts being reduced from 4 to $3\frac{1}{2}$ per cent. with effect from the 1st August 1895.

READ—also the following paper:—

Resolution of the Government of India, Finance and Commerce Department (Accounts and Finance—Loans, &c.), dated Simla, the 5th November 1895, No. 5274-A.

The Governor-General in Council had recently under consideration the question whether, and to what extent, Government can extend to municipalities and other debtors the relief that they have themselves obtained in the matter of rate of interest by the conversion of the 4 per cent. loans into $3\frac{1}{2}$ per cents.; and it has been decided that it is too soon now to make any concession in the matter. Before the Government can decide whether any concession should be made, there ought to be much more assurance than at present exists that the present state of the money market is not altogether exceptional (as in some respects it undoubtedly is), and that when the depletion of their balances causes them to resume the practice of occasional borrowing, they will be able to raise money on as favourable terms as the present state of the market shows them to be.

2. The Government of India take the present opportunity to remove certain misconceptions that appear to exist in regard to the actual burden that Government have to bear at present on account of their public loans and in regard to the measure of concession that can in ordinary course be made to local bodies in respect of loans by Government.

3. In the first place it is assumed in some quarters that the Government now pay only $3\frac{1}{2}$ per cent. on their present rupee debt. But it should be understood that a great part of the present debt has been raised at a discount, and the Government have—

- (1) to pay $3\frac{1}{2}$ per cent. on the nominal value;
- (2) to undertake the obligation of repaying the nominal value and not the amount they actually received.

The Government have also to pay a considerable amount in respect of the management of the debt. The Government are not willing to admit that when they pay $3\frac{1}{2}$ per cent. interest on the nominal value of their loans they pay less than $3\frac{3}{4}$ per cent. upon the actual amount of money they raise; or that they can lend even on equal terms unless they charge $3\frac{3}{4}$ per cent. upon the amount they lend.

4. In the second place it should be borne in mind in connection with this subject that the Government cannot be called on to depart from the usual business practice of adhering to the terms of a formal engagement already entered into and from the usual practice in connection with State loans of requiring a margin over and above the burden borne by the State. When the matter comes up again for consideration, the Government do not expect that they will be able to agree to reduce the rate of interest settled in the engagements regarding past loans; and, in respect of loans to be granted in the future, they will find it necessary to require the payment of a rate of interest higher than that paid by them on the public debt. Whatever the measure of the credit of the State may be there is no doubt that it is diminished to some extent, however small, by being placed at the disposal of local bodies, and this diminution justifies the additional charge made to the local bodies which borrow from it.

Order.—Ordered that this Resolution be communicated to all Local Governments and Administrations for information and guidance, in continuation of circular order, No. 636-A., dated the 6th February 1895.

Ordered also that copies of the Resolution be forwarded to the Comptroller and Auditor General and to all Accountants-General and Comptrollers,* for information.

(Signed) J. F. FINLAY,
Secretary to the Government of India.

ORDER—No. 952, Financial, dated 4th December 1895.

Recorded.

(True Extract.)

J. F. PRICE,
Chief Secretary.

To the Local and Municipal Department.
" Revenue Department.
" Accountant-General.

Exd. A. Raitt,

GOVERNMENT OF MADRAS.

FINANCIAL DEPARTMENT.

READ—the following paper:—

Memorandum, dated 30th November 1894, No. 1375, from the Local and Municipal Department, transferring letter from the Chairman, Municipal Council, Tuticorin, dated 25th September 1894, No. 383, submitting report on the water-supply scheme of Tuticorin.

ORDER—dated 14th February 1895, No. 151, Financial.

The Government of India will be addressed.

(True Extract.)

Chief Secretary.

To the Local and Municipal Department.

Exd. A. Raitt.

Govt. of {1895} Madras.
FINANCIAL.

Issued

Recd.

Encl.

G.O., 14th February 1895, No. 151.

FEBRUARY.

Rate of Interest on Provincial
Loans and Advances.

Directing that the Government of India be addressed in view to the rate of interest payable by Provincial Governments to Imperial revenues on the mean outstanding balances of their advance and loan accounts being reduced from 4 to 3½ per cent. with effect from the 1st August 1895.

Had. also referring paper

No. 5274-A.

GOVERNMENT OF INDIA,
FINANCE AND COMMERCE DEPARTMENT,

ACCOUNTS AND FINANCE.
Loans, &c.

RESOLUTION. of the

Simla, the 5th November 1895.

The Governor General in Council had recently under consideration the question whether and to what extent Government can extend to Municipalities and other debtors the relief that they have themselves obtained in the matter of rate of interest by the conversion of the 4 per cent. loans into 3½ per cents; and it has been decided that it is too soon now to make any concession in the matter. Before the Government can decide whether any concession should be made there ought to be much more assurance than at present exists that the present state of the money market is not altogether exceptional (as in some respects it undoubtedly is), and that when the depletion of their balances causes them to resume the practice of occasional borrowing, they will be able to raise money on as favourable terms as the present state of the market shows them to be.

2. The Government of India take the present opportunity to remove certain misconceptions that appear to exist in regard to the actual burden that Government have to bear at present on account of their public loans and in regard to the measure of concession that can in ordinary course be made to local bodies in respect of loans by Government.

3. In the first place it is assumed in some quarters that the Government now pay only 3½ per cent. on their present rupee debt. But it should be understood that a great part of the present debt has been raised at a discount, and the Government have—

- (1) to pay 3½ per cent. on the nominal value;
- (2) to undertake the obligation of repaying the nominal value and not the amount they actually received.

The Government have also to pay a considerable amount in respect of the management of the debt. The Government are not willing to admit that when they pay 3½ per cent. interest on the nominal value of their loans they pay less than 3¼ per cent. upon the actual amount of money they raise; or that they can lend even on equal terms unless they charge 3¼ per cent. upon the amount they lend.

4. In the second place it should be borne in mind in connection with this subject that the Government cannot be called on to depart from the usual business practice of adhering to the terms of a formal engagement already entered into and from the usual practice in connection with State loans of requiring a margin over and above the burden borne by the State. When the matter comes up again for consideration, the Government do not expect that they will be able to agree to reduce the rate of interest settled in the engagements regarding past loans; and, in respect of loans to be granted in the future, they will find it necessary to require the payment of a rate of interest higher than that paid by them on the public debt. Whatever the measure of the credit of the State may be there is no doubt that it is diminished to some extent, however small, by being placed at the disposal of local bodies, and this diminution justifies the additional charge made to the local bodies which borrow from it.

ORDER.—Ordered, that this Resolution be communicated to all Local Governments and Administrations for information and guidance in continuation of circular order No. 636-A., dated the 6th February 1895.

Ordered also that copies of the Resolution be forwarded to the Comptroller and Auditor General and to all Accountants General and Comptrollers,* for information.

* Except Comptroller, Post Office.

V. F. M. L.

Secretary to the Government of India.

11 16/1: 18. 2. 95
 15/12: 14. 2. 95
 Madras mail 19. 11. 95

From

The Govt. of India.
 Finance & Commerce Dept

No 5274-A

Dated. 5. 11. 95
 Recd. 11. 11. 95
 Rep. 12. 11. 95

Subject

3056 *Final*
 GOVERNMENT OF INDIA.
 FINANCE AND COMMERCE
 DEPARTMENT.
 ACCOUNTS AND FINANCE.
 Loans, &c.
 RESOLUTION.
 TO
 ALL LOCAL GOVERNMENTS AND
 ADMINISTRATIONS.

No. 5274-A.
 Dated Simla, the 5th November 1895.
 Recd. 11/11/95
 Rep. 12/11/95
 Rep. in final 21/11/95
 Encl. 7. se.



Ref
Where a m. letter
to Simla on this subject
and going on 7th Nov 95
CS
22/11
Memorandum
15/11/95
order of C.O.
15/11/95
to be made
the 19th
proposed
15/11

Orders on the question of extending to Municipalities and other debtors to Government the relief obtained by Government in the matter of interest by the conversion of 4 per cent. loans into 3½ per cents.

Read again C.O. 15/12
 14. 2. 95 (P)

Int. Dept.

C. No. 3080 - (A)

38

Order. 12/12/95
 12/12/95
 Recorded

C.S.
 29. 11. 95

20
 29/11/95

Int. Dept. 6
 Rec. Dept. 7
 Act. Genl. 6

dupd
 14/11/95

Dept
Spare copy to "Loan Advances"
File
CS
Suppose so -

India inter as if some
 one had asked them to reduce
 the rate of interest on loans already
 granted. That would be
 unreasonable - but we
 only asked as to future loans
 M

No This must, it is presumed, be
 taken, as a reply to letter No. 152 Int.
 7/14. 2. 95. Indian arguments are
 not very convincing as shown in
 the extract from the "Statesman"
 marked in the copy of the "Madras
 Mail" in the file.
 CS

Interest on Loan & Advance

Acc

NM

PL

First copy sent to Press.

Returned for signature.

Despatched in print.

READ AGAIN G.O. No.
189

DATED

CURRENT No.

ENCLOSURES TO G. No.

ORDER OF GOVERNMENT

LETTER OF GOVERNMENT

STATEMENT WITH DITTO.

PAPERS NOT FILED UP, BEING MEANT FOR DESPATCH
IN ORIGINAL.

N.B.—

A = Print in full.
B = Not to be printed.
P = Print abstract only.
Q = Print heading only.

NUMBER OF COPIES
REQUIRED.

Order complete.

Letter only.

Order complete with Index.

2/12

23/12

Financial (1895) Department.

[Ref
3,000-1-4-04.]

File DEPARTMENT.

Paper taken out of the Records from the charge of the Referencer.

Press
Miscellaneous No. *953* dated *4/12/95*
Routine

Date taken out.	FOR WHAT PURPOSE.			Initials of clerk taking the paper or of attender.	Date returned.	Initials of attender
	Department.	C. No.	Year.			
<i>18/3/05</i>	<i>Pub</i>	<i>801</i>	<i>95</i>	<i>W</i>	<i>28/3/05</i>	<i>W</i>
<i>6-6-08</i>	<i>Pub</i>	<i>2093</i>	<i>08</i>	<i>W</i>	<i>11-6-06</i>	<i>W</i>
<i>16/6/05</i>	<i>Pub</i>	<i>3450</i>	<i>05</i>	<i>W</i>	<i>12-2-07</i>	<i>W</i>
<i>12-5-19</i>	<i>WPA</i>	<i>1428</i>	<i>19</i>	<i>W</i>	<i>28-5-19</i>	<i>W</i>