O.F. 73

Paper taken out of the Records from the charge of the Reference

Press / Miscellaneous / Routine No. [illegible] dated [illegible] 192 .

Date taken out.	For what purpose.			Initials of clerk taking the paper or of attender	Date returned.	Initials of attender.
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Dec. 5-21	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Revenue (1897) Department.

MISCELLANEOUS SERIES.

G.O., No. 1791

DATED 2nd April 97

[Despatch Abstract.]

Recording Price: From Accts. Recording Govt. of India's Resolution reducing to 3½ per cent the interest charged to Provincial Revenues on account of advances under the Provincial & Local Loans Scheme.

O.F. 73

BACK PAPERS.

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

FURTHER PAPERS.

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

Government {1897} of Madras.

FINANCIAL.

Recd. } 1897. *Enclosures*

Regd. *Spare copies*

G.O., No. 238, 18th March 1897.

MARCH.

Advances under the Provincial and Local Loans Scheme.

Recording Government of India's resolution reducing to 3½ per cent. the interest charged to Provincial Revenues on account of —; and stating that the necessary instructions will issue in the Local and Municipal Department on the remarks of that Government that, without its previous sanction, no loans should be made in the future, save in certain cases, at a lower rate of interest than 4 per cent., nor should any reduction be effected in the rate of interest settled as regards loans already granted.

L.

GOVERNMENT OF MADRAS.

FINANCIAL DEPARTMENT.

READ—the following paper :—

Resolution of the Government of India, Finance and Commerce Department (Accounts and Finance—Loans, Advances, &c.), dated Calcutta, the 20th February 1897, No. 852-A.

Read—the following :—

Resolution of the Government of India in this department, No. 13, dated the 1st January 1889.

Resolution of the Government of India in this department, No. 5274-A., dated the 5th November 1895.

Letter from the Government of India in this department, No. 3040-A., dated the 13th July 1896.

In paragraph 7 of the Resolution of January 1889, read in the preamble, introducing the system under which local loans are made from resources placed at the disposal of Local Governments, and prescribing rules for giving effect to it, 4 per cent. per annum was prescribed as the rate of interest to be charged to Local Governments on their outstanding balances. As the bulk of the rupee debt of the Government of India now bears interest at the rate of $3\frac{1}{2}$ per cent. and the revision of the quinquennial settlements regarding Provincial revenues and expenditure offers a convenient opportunity for making a change in the rate charged to Local Governments under the Local Loans scheme, the Governor-General in Council has decided to reduce that rate to $3\frac{1}{2}$ per cent. per annum with effect from the 1st April 1897.

2. Under the Local Loans scheme the rate of interest to be charged on any loan was left to the discretion of the Local Government. But, as explained in the letter of July 1896, read in the preamble, it was intended that the rate charged, even when the security is of the best, should be somewhat higher than that payable to the Government of India. In some cases this intention has not been carried out, and loans have been made at the rate of 4 per cent. In ordering the reduction of the rate stated in paragraph 1, His Excellency the Governor-General in Council thinks it well at the same time to direct that no loan shall be made in future, without the previous assent of the Government of India, at a lower rate of interest than 4 per cent. except in the case of advances made under rules sanctioned by the Government of India in which lower rates are allowed.

3. His Excellency in Council is also pleased to direct that Local Governments shall not, in consideration of the reduction now made in the interest charged to them, reduce the rate of interest settled in the engagement regarding any loan granted in the past, without a previous reference to the Government of India. As stated in paragraph 4 of the Resolution of November 1895, the Government cannot be called upon to depart from the usual business practice of adhering to the terms of a formal engagement already made.

4. The present orders will involve an alteration in the figures proposed under the head "13. Interest" in the letters of October 1896, regarding the relations of the Government of India and the several Local Governments with reference to the Provincial revenue and expenditure for the five years commencing on the 1st April 1897. The portion of those figures, or of those which on further consideration have been

GOVERNMENT OF MADRAS 30 MAR 97

substituted for them, relating to the Local Loans account will in all cases be reduced by one-eighth, so that they may allow for a charge of $3\frac{1}{2}$ per cent. instead of 4 per cent. as assumed in the letters mentioned.

Order.—Ordered, that copies of this Resolution be communicated to Local Governments and Administrations, in continuation of No. 3040-A., dated the 13th July 1896, and to the Home Department, in continuation of No. 1939-A., dated the 30th April 1896.

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

* Except Comptroller, Hyderabad, and Comptroller, Post Office.

(Signed) R. A. GAMBLE,
Under Secy. to the Govt. of India.

ORDER—No. 238, Financial, dated 18th March 1897.

Recorded.

2. The necessary instructions will issue on paragraphs 2 and 3 in the Local and Municipal Department.

(True Extract.)

for Chief Secretary.

To the Local and Municipal Department.
„ Revenue Department.
„ Accountant-General.
Editors' Table.

Exd. A Raitt