

Revenue (1899) Department.

MISCELLANEOUS SERIES.

G.O., No. 1453

DATED 22 April 99

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[Despatch Abstract.]

Recording Procp of the Finl  
Dept. commg. with remarks to  
the Rev. and L & M Dept. Govt of  
India Resolution reviewing the  
Local Loans Estimates revised  
for 1898-99 and budget for  
1899-1900..

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Revenue (1878) Sept

# Government (1899) of Madras. FINANCIAL.

Current No 2376

Recd. 7 1/2  
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Enclosures

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G.O., No. 461, 29th March 1899.

Exp. mis 1453 & 22 April 99

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MARCH.

16/4/99



10-4-99  
16-4-99

# Local Loans Estimates.

Communicating, with remarks, to the Revenue and Local and Municipal Departments resolution of the Government of India reviewing the — revised for 1898-99 and budget for 1899-1900.

24/4/99

## GOVERNMENT OF MADRAS.

## FINANCIAL DEPARTMENT.

READ—again the following papers:—

G.O., Nos. 1256, 1257, Financial, dated 27th December 1898.

ABSTRACT.—Accepting the budget estimates for 1899–1900 of receipts under XII. INTEREST and Charges under 45. CIVIL WORKS—MUNICIPAL, and 13. INTEREST, and forwarding to the Government of India the statements of Provincial Loans and Advances.

G.O., Nos. 200 A, 200 B, Financial, dated 9th February 1899.

ABSTRACT.—Directing that the Government of India be requested, by telegram, to place Rs. 1,50,000 at the disposal of this Government during the current year for loans to certain district boards and municipal councils from Imperial funds under the Local Authorities Emergency Act XII of 1897 to enable those bodies to meet plague expenditure. Copy to the Government of India.

G.O., Nos. 355, 356, Financial, dated 10th March 1899.

ABSTRACT.—Communicating, with remarks, to the Local and Municipal Department letter from the Government of India sanctioning an additional allotment of Rs. 1,50,000 on account of loans to certain district boards and municipal councils to enable them to meet plague expenditure during 1898–99; and requesting the Government of India, by telegram, to state whether an application is now necessary for its formal sanction to each separate loan, and to place at this Government's disposal a further sum of four lakhs required by those bodies to meet plague expenditure next year. Copy to the Government of India.

READ—also the following paper:—

Resolution of the Government of India, Finance and Commerce Department (Accounts and Finance—Loans and Advances), dated Calcutta, 15th March 1899, No. 1216-A.

Read—

The undermentioned letters from Local Governments and Administrations furnishing the revised estimates for 1898–99 and the budget estimates for 1899–1900 of Provincial Loans and Advances:—

From the Government of Madras, No. 1257, dated the 7th December 1898.

Read also—

Telegram from the Government of Madras, No. 132, dated the 10th March 1899, proposing an addition of Rs. 4,00,000 under Class IV of the loans in 1899–1900.

Resolution.—The following table shows the figures which have been proposed by the Local Governments and Administrations for the revised estimates of Provincial Loans and Advances for 1898–99:—

(In thousands of rupees.)

|                | Class I. | Class II. | Class III. | Class IV. | Total. | Recoveries. | Net Outgoings. |
|----------------|----------|-----------|------------|-----------|--------|-------------|----------------|
| Madras .. .. . | 4.95     | ..        | ..         | ..        | 4.95   | 8.11        | — 3.16         |

2. On a consideration of the progress of actuals according to the latest available information, and of the probable requirements during the remainder of the year in the several Provinces, the Government of India adopt the following figures as the revised estimate of total recoveries and payments in 1898–99:—

(In thousands of rupees.)

|                | Recoveries. | Payments. | Net payments. |
|----------------|-------------|-----------|---------------|
| Madras .. .. . | 10.11       | 6.45      | — 3.66        |

3. The figures proposed by the Local Governments and Administrations for the year 1899–1900 are—

(In thousands of rupees.)

|                | Class I. | Class II. | Class III. | Class IV. | Total. | Recoveries. | Net payments. |
|----------------|----------|-----------|------------|-----------|--------|-------------|---------------|
| Madras .. .. . | 4.90     | ..        | ..         | 7.75      | 12.65  | 7.77        | 4.88          |

4. Although the estimates proposed by the Local Governments and Administrations give a total of Rs. 89,22,000 as the amount required for advances in the year 1899–1900, it is estimated that Rs. 62,47,000 out of the amount will be found by recoveries of outstanding advances, and the net demand upon the treasury is stated at the comparatively small amount of Rs. 26,75,000. The Government of India, therefore, accept the estimates, on the assumption that the recoveries estimated for will be duly made, subject to certain remarks and alterations stated below:—

\* \* \* \* \*

5. With the above alterations, the Budget Estimates of Provincial Loans and Advances, as passed by the Government of India, stand as follows:—

|                | Class I. | Class II. | Class III. | Class IV. | Total. | Recoveries. | Net payments. |
|----------------|----------|-----------|------------|-----------|--------|-------------|---------------|
| Madras .. .. . | 4.90     | ..        | ..         | 7.75      | 12.65  | 7.77        | 4.88          |

6. The Government of India take this opportunity to call the attention of the Local Governments to the orders contained in the following extract, both as an exposition of the general policy of lending to local authorities, and as especially applicable to a time when a considerable amount of assistance in the form of loans is not unlikely to be required for small mofussil Municipalities which have no means of borrowing except from the Government:—

Extract, paragraph 4, of letter to the Government of Bombay No. 4501 A., dated the 14th October 1898.

“At the present moment, apart from the general claims upon the Government balances, already referred to, the Government have been making, and must be prepared to continue to make, loans for plague expenditure to those Municipalities which have no other means of raising money for that class of requirements; and any attempt to finance the larger Municipalities will absorb at once the whole of the funds which the Government can make available for this kind of assistance. It is on this ground that the Government have been obliged to refuse to lend money to the Corporation of Bombay, and they are for the same reasons unwilling to lend money to the Municipality of Karachi. It is only by making the larger Municipalities, which have a credit of their own, borrow money in the open market, in addition to what is available for lending at the low rates which Government offers, that the Government sees its way to financing the combined requirements of plague expenditure of Municipalities and of Government.”

The Government of India request that the Local Governments will consider, even in some of the cases included in the present sanctioned estimates, whether the borrowing bodies may not be desired to take steps to raise funds independently of the Government. These bodies may not be able to raise the money at a low rate of interest, and they may have to pay more than 4 per cent. at which Government ordinarily lends money. But the practice of lending by Government at a low rate of interest was intended, as explained in the Resolution of January 1, 1889, as an aid to small Local authorities which otherwise would not be able to borrow at all, or whose transactions were on too small a scale to be adapted for public borrowing. It was not meant to be the means of giving an indirect grant-in-aid to those Municipalities which, although they have a public credit of their own, prefer to borrow money from the Government, only because they can do so at a lower rate of interest than they would have to pay in the open market.

7. The Government of India apprehend that unless the principles above explained are strictly followed, the funds they make available for lending to Local authorities may be swallowed up by a few large transactions, and it may thus be made impossible for them to extend the Local Loan Scheme over the wide area which it was originally intended to cover.

These remarks apply specially to the following cases included in the figures now submitted by the Local Governments:—

Ootacamund Municipality (Madras).

8. The following figures of municipal indebtedness for March 31, 1898 (excluding Presidency Corporations), would seem to indicate that, in other Provinces besides Bombay, borrowing from the public might be usefully made to take the place of borrowing from Government:—

Amount of Debt owed by Municipalities and Local Funds on 31st March 1898.

|              | To the Public.   |            | To Government.   |             |
|--------------|------------------|------------|------------------|-------------|
|              | Number of cases. | Amount.    | Number of cases. | Amount.     |
| Madras .. .. | 9                | rs. 18,700 | 31               | rs. 131,951 |

9. According to the estimates now sanctioned, the amounts payable by the Local Governments to the Imperial Government as interest on the Provincial Loan and Advance Account in 1898-99 and 1899-1900 are shown below:—

|              | 1898-99.         |                                 |                  |                                  |                                                                      | 1899-1900.                      |                  |                                  |                                                                      |  |
|--------------|------------------|---------------------------------|------------------|----------------------------------|----------------------------------------------------------------------|---------------------------------|------------------|----------------------------------|----------------------------------------------------------------------|--|
|              | Opening balance. | Net amount of loans to be made. | Closing balance. | Mean balance in columns 1 and 3. | Interest at 3½ per cent. on column 4 payable to Imperial Government. | Net amount of loans to be made. | Closing balance. | Mean balance in columns 3 and 7. | Interest at 3½ per cent. on column 8 payable to Imperial Government. |  |
|              | 1                | 2                               | 3                | 4                                | 5                                                                    | 6                               | 7                | 8                                | 9                                                                    |  |
| Madras .. .. | 60.83            | — 3.66                          | 57.17            | 59.00                            | 2.07                                                                 | + 4.88                          | 62.05            | 59.61                            | 2.08                                                                 |  |

10. The amounts of interest shown in columns 5 and 9 of the foregoing table, which are chargeable to Provincial Revenues, have been entered in the Provincial

Revised and Budget Estimates; and the Comptroller and Auditor General should show these amounts under the head "13.—Interest on Debt" by deduction from the Imperial, and addition to the Provincial, share.

11. The Comptroller and Auditor General should also enter in his Ways and Means Estimate the total figures of receipts and outgoings given in paragraphs 2 and 5.

Order.—Ordered, that this resolution be communicated to the Home and the Revenue and Agriculture Departments; to all Local Governments and Administrations (except Coorg, Ajmere, Hyderabad and Baluchistan); to the Comptroller and Auditor General, and to all Accountants General and Comptrollers (except Comptrollers, Hyderabad and Post Office).

(Signed) J. B. BRUNYATE,  
Under Secy. to the Govt. of India.

ORDER—No. 461, Financial, dated 29th March 1899.

Communicated to the Revenue and the Local and Municipal Departments.

2. The necessary orders will issue in the Local and Municipal Department with reference to the observations of the Government of India in paragraphs 6, 7 and 8 of the foregoing resolution.

3. The Board of Revenue (Revenue Settlement) will furnish, at an early date, a statement of the distribution by districts as finally settled of the allotment of 4.90 for loans under class I in 1899-1900, and will issue strict instructions that this allotment is not to be exceeded in any district without the orders of Government.

(True Extract.)

A. Edington  
for Chief Secretary.

To the Revenue Department.  
" Board of Revenue (Revenue Settlement).  
" Local and Municipal Department.  
" Accountant-General.

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