

F.No.TA-2-01001/4/2021-TA-II/393  
Government of India  
Ministry of Finance  
Department of Expenditure  
Office of Controller General of Accounts  
Mahalekha Niyantarak Bhawan,  
GPO Complex, E-Block, INA, New Delhi-110023

...

Dated, the 7<sup>th</sup> May, 2021

**Subject: Amendment in Civil Accounts Manual Revised Second Edition -2007 Volume- I & II (Reprinted in 2012)**

**Correction Slip No. 16**

- (i) **Para 10.1.2:**  
The O.M. No. “**F.14 (17)-B(SE)/79 dated 28-6-1980**” appear in this para may be replaced with OM. No.” **F.5(3)-B(PD)/2016 dated 6<sup>th</sup> January, 2017**” .
- (ii) **Annexure A (referred to in para 10.1.2) to this Chapter:**  
The Annexure A to this Chapter 10 is substituted with the **new Annexure A**.
- (iii) **Para 10.1.2 (ii):**  
The words “ **Rule 220 (1) of General Financial Rules, 2005**” in this para may be substituted with “**Rule 250(1) General Financial Rules, 2017**”.
- (iv) **Para 10.4.3:**  
The words “**Rule 222 of GFR 2005**” in this para may be replaced with “**Rule 252 of GFR, 2017**”.
- (v) **Para 10.4.4:**  
The words “**Rules 221 and 222 of GFR 2005**” in this para may be replaced with “**Rules 251 and 252 of GFR, 2017**”.
- (vi) **Para 10.5.1:**  
The words “**Rule 228(2) of GFR 2005**” in this para may be replaced with “**Rule 258(2) of GFR, 2017**”.
- (vii) **Para 10.6.1:**  
The word “**Form 19-B**” in this para may be replaced with “**Form 12-B**”.
- (viii) **Para 10.9.2:**  
The number “**2005**” in this para may be replaced with “**2017**”.
- (ix) **Para 10.9.3:**  
**The existing sentence in this para** “ Normally, grants in aid are required to be utilised within one year after the date of issue of the sanction, and therefore, the

utilization certificate should also ordinarily be due after a period of 12 months from the date of sanction of the grant.” shall be substituted with the following sentence:-

**“In respect of non-recurring Grants to an Institution or Organisation, the Utilization Certificate should be submitted within twelve months of the closure of the financial year by the Institution or Organisation concerned in terms of Rule 238 (1) of GFR, 2017.”**

- (x) The following may be inserted as a **new** sub-para 10.9.8 in terms of provisions contained in Rule 230(8) of GFR, 2017 and General Directions (2.5) to LMMHA inserted vide CS No931 on 29.5.2019:

**Para 10.9.8 (new): In accordance with Rule 230(8) of GFR,2017 all interests or other earnings against Grants in aid or advances (other than reimbursement) released to any Grantee institution should be mandatorily remitted to the Consolidated Fund of India immediately after finalisation of the accounts. Such advances should not be allowed to be adjusted against future releases. The minor head “Interest or other earnings fro Grantee on unspent balances” (code “801”) may be opened wherever necessary under the functional major/sub-major heads in the Section Receipt Heads (Revenue Account) for classification of interest or other earnings received from Grantee or unspent balances of Grants-in-Aid. The nature of the receipts ie. Interest or other earnings may be classified at sub-head level. (Authority: CS NO.931 of LMHHA)**

- (xi) **Paras 10.12.1 and 10.12.3 :**

The words “**Rule 291 of GFR 2005**” in this para may be replaced with “**Rule 322 of GFR, 2017**”.

This issues with the approval of Controller General of Accounts.



**(Neelakantan.R)**  
**Sr. Accounts Officer(TA-II)**

To

1. All Pr.CCAs/ CCAs/ CAs(ic) of Ministries/ Departments
2. DG(Govt. Accounts), O/o Comptroller & Auditor General of India, Bahadur Zafar Marg, New Delhi
3. Addl. DG (B&A), Prasar Bharati, New Delhi.
4. Director of Accounts, UTs Administration- Andaman & Nicobar Islands/ Dadra and Nagar Haveli and Daman & Diu/ Lakshadweep/Ladakh.
5. The AG(A&E), UT of Chandigarh Administration.
6. PAOs, Lok Sabha Secretariat/ Rajya Sabha Secretariat/ President Secretariat/Election Commission, Delhi
7. PAO (Audit), O/o AG (Audit), AGCR Building, IP Estate, New Delhi-2
8. All Sections in CGA Office.
9. Sr. A.O. (ITD), O/o CGA for uploading the correction slip on the website of CGA.

*F.No.5(3)-B(PD)/2016*  
Government of India  
Ministry of Finance  
Department of Economic Affairs

New Delhi, the 6<sup>th</sup> January, 2017

**OFFICE MEMORANDUM**

**Subject:-** *Loans and advances by the Central Government-Interest rates and other terms and conditions.*

Reference this Ministry's Office Memorandum No. F.5(3)-B(PD)/2015 dated the 3<sup>rd</sup> February, 2016 on the captioned subject.

2. The lending rates, categories and conditions prescribed in the aforesaid Office Memorandum have been reviewed. The revised rates of interest, categories and conditions as given in the Table below, would be applicable from 1<sup>st</sup> April, 2016 and till the time these are reviewed:

.....Table is not printed.....

*The terms and condition and conditions regarding eligibility of loan would remain the same as that of last year. If any specific request comes in future from any other financial institution/CPSE/Autonomous Body/Cooperative, it would be examined by the Budget Division, DEA on merits of that case.*

3. The terms including interest rate of loans to Foreign Governments may be settled in consultation with Budget Division. Terms for on-lending of funds under externally aided projects should be in accordance with the prescribed pattern. In case, deviation is considered necessary, Budget Division should be consulted.

4. The interest rates prescribed above assume timely repayments and interest payments and hence no further rebate in rates is to be allowed for timely payments.

**5. OTHER TERMS AND CONDITIONS**

- (a) The loan sanctioning authority should meticulously follow the instructions contained in General Financial Rules, 2005 (GFR 2005), particularly, rules framed under Chapter 9 (II-LOANS) of GFR, 2005, while sanctioning loans to various entities as stipulated therein.
- (b) The instructions issued from time to time have been reviewed and are set out in the following paragraphs for facility of reference.

**6. STATE GOVERNMENTS**

In the case of loans to **State Governments**, the arrangements for payment of annual installment of principal and interest will be as under:-

- (a) **Block loans for State Plan Schemes and other Plan loans for Centrally Sponsored Schemes.:-** These loans when drawn in installments, will be consolidated and deemed to have been drawn as on 1st October in each year. The maturity period of the loans sanctioned for State Plans is 20 years, repayments being made in 20 annual equal installments together with interest on the outstanding balance commencing from the following year, *subject to consolidation under the award of Twelfth Finance Commission (TFC).*

However, *fifty per cent* of these loans will enjoy a five year initial grace period , after which repayments of these loans will be effected in 15 annual equal instalments. The amounts annually payable (by way of principal and interest) would be recovered in 10 equal monthly installments commencing 15<sup>th</sup> June, *subject to debt waiver under the award of TFC.*

- (b) **Other Loans:-**The terms of repayment of these loans will be as laid down from time to time.

## 7. PUBLIC SECTOR PROJECTS

### (A) For new installations or expansion of existing institutions:

- (a) The terms and conditions of loans should be fixed with reference to financial picture presented in the approved Project Report. (Once the pattern is settled, there should be no change excepted with the specific concurrence of this Department for reasons to be stated in writing).
- (b) The capital requirements of a project should include adequate provisions for interest payment on borrowings during the period of constructions (as specified in the Project Report). The interest on loans due during the period of construction will be allowed to be capitalised to the extent of the provisions made for this purpose in the approved Project Report. In other words, while interest on loans advanced to an undertaking during the period of construction will be notionally recovered by allowing its capitalisation, the payment of interest should effectively commence after the construction period is over.
- (c) The repayment of principal should ordinarily commence one year after the project commences production, the number of installments being determined with reference to the financial projections and repaying capacity specified in the Project Report. Requests for further moratorium will be considered *only in exceptional cases* where the Project Report has specified any special circumstances that may necessitate a longer period of moratorium and has indicated clearly what staggering of repayment would be needed over the necessary break period. *The period of loans sanctioned against capitalised interest during the period of construction may also be on the same terms and conditions as are applicable to loans provided for financing the project costs.*
- (d) A suitable period of moratorium subject to a maximum of five years from the date of drawal of the loans may be allowed for the repayment of installments of principal, having regard to the nature of the project, the stage of construction etc. The period of moratorium should not, however, extend in any case, beyond two years from the date of project going into production, or in the case of programmes of expansion, beyond two years from the date of expanded project coming into operation.

**(B) For meeting working capital requirements:** The undertakings are expected to obtain their cash credit requirements from the State Bank of India/Nationalised Banks by hypothecating their current assets (such as, stock of stores, raw materials, finished goods, work in progress, etc) and where the entire working capital requirements cannot be raised in this manner by seeking a guarantee from Government. Accordingly, *requests from Public Sector Undertakings for funds for meeting working capital requirements should be considered only to the extent the same cannot be had from the State Bank of India/Nationalized Banks.*

## 8. GENERAL

### REPAYMENT PERIOD

- (A) (i) The period for repayment of loans for all parties other than State Governments should be fixed with due regard to the purpose for which they are advanced and it should be

restricted to the minimum possible. Normally no loan should be granted for a period exceeding 10 years. *Where a longer period for repayment is sought, prior concurrence of the Budget Division in this Department will be necessary for fixing the period.*

(ii) The repayment of a loan should normally commence from the first anniversary date of its drawal or on expiry of the period of moratorium, as the case may be. The recovery should ordinarily be effected in annual *equal* instalments of principal.

(iii) The period of repayment of working capital loans should preferably be restricted to two or three years. In no case, however, the period of these loans should exceed 5 years.

**(B) Moratorium:-** Subject to exceptions made in respect of public sector projects, a suitable period of

moratorium towards repayment might be agreed to in individual cases having regard to the project which the loans are to be utilized. However, no moratorium should ordinarily be allowed in respect of interest payments on loans. Ministries/Departments may with the approval of their Financial Advisers allow moratorium on repayment of principal wherever considered necessary upto a maximum period of 2 years.

**(C) (i) Repayment before due date:** Any instalment paid before its due date may be taken entirely towards the principal provided it is accompanied towards interest due upto date of actual payment of instalment; if not, the amount of the instalment will first be adjusted towards the interest due for the preceding and current periods and the balance if any, will alone be applied towards the principal. Where the payment of the instalment is in advance of the date by 14 days or less, interest for the full period (half year or full year as the case may be) will be payable. If any State Government repays an instalment of a loan which is consolidated as on 1<sup>st</sup> October, in advance of the due date by more than 14 days the interest will be payable with reference to the actual date of repayment.

**(ii) Pre-payment premium:-** Prepayment premium of 0.25% on the loans with residual maturity of less than 10 years and 0.50% for the loans with residual maturity of 10 years and above, shall be charged. The provision does not apply to the loans to State/UT Governments.

**(D). Penalty Clause:** The loan sanctions/agreements should invariably include a penalty clause providing for levy of a penal rate of interest in the event of default in repayment of instalment(s) of principal and/or interest. The penal rate of interest should *not be less than* 2.50% above the normal rate of interest at which a loan is sanctioned.

**(E) Defaults in repayment/Interest payment:**

(i) *In the event of a default in repayment of loan/interest payment, the recovery of interest at penal rate may not be waived unless there are special reasons justifying a waiver. However, a decision in the regard will be taken by the Ministry of Finance (Budget Division) on the advice of Financial Adviser. Even in such cases, a minimum of 0.25% should be recovered from the defaulting party as penalty.*

(ii) The penal rate of interest is chargeable on the overdue instalments of principal and/or interest from the due date of their payment to the date preceding the date of actual payment.

(iii) Whenever a fresh loan is to be sanctioned to a borrower who has earlier defaulted, the loan sanctioning authority must consider the question of recovery of defaulted dues. All releases to Public Sector Undertakings against budgeted outlays should be made only after adjusting the defaults, if any, pertaining to repayment of loans and interest. If for special and exceptional reasons, such adjustments are not possible, specific orders of Secretary(Expenditure) should be obtained through Budget Division, before release of fresh

loans, in relaxation of extant orders, in conformity with this Division circular No.F.2(190)-B(SD)/91 dated 15.10.1991.

- (iv) Any defaults should ab-initio serve as a warning signal to the Ministries/ Departments for which curative action has to be taken immediately.
- (v) Ministries/Departments need to critically review the financial position of the borrower, including defaulting CPSUs and wherever possible, should take immediate action to recover the money due to the Government.
- (vi) In the case of defaulting CPSUs, there has to be a clear road map for restructuring of these CPSUs, as prolonged approval results in burgeoning of defaults.
- (vii) Ministries/Departments are to ensure that these defaults do not become fiscally unsustainable.
- (viii) Wherever Ministries/Departments are considering restructuring of a CPSU, it must be ensured that besides equity infusion, funds mobilisation, rescheduling of loans/interest payments, write off of dues, etc. should be formulated holistically.

However, no request for waiver/postponement of instalments on any ground whatsoever will be accepted, except in cases of companies referred to BIFR or in respect of those companies which have incurred cash losses for last three years, in conformity with this Division circular No.F2(165)-B(SD)/94 dated 06.10.1994.

**(F) Requests for modification of terms of loans:-**

- (i) Borrowers are required to adhere strictly to the terms settled for loans made to them and modifications of these terms in their favour can be made subsequently only for very special reasons. Requests for modification of terms may relate to increase in the period of a loan or of an initial moratorium period towards repayment, or waiver of penal interest or reduction in or waiver of normal rate of interest. The procedure of dealing with requests for waiver of penal interest has already been dealt with in paragraph 8. Cases involving other modification in repayment terms should be considered in consultation with the Budget Division in this Ministry. *In referring such cases, the impact of the modifications on the estimates of repayment/interest which have gone into the Budget and Government's resources position should be succinctly brought out by the administrative Ministry.*
- (ii) In examining proposals for modification of the period of the loan, the interest rate at which the loan was sanctioned should also be reviewed.  
In the case of a loan of which repayment has already commenced the revised rate of interest should be applied ad initio only to the residuary portion of the loan outstanding on the date of extension of its period.
- (iii) Requests for waiver of recovery of normal interest (either for a specified period or for the entire period) on a loan which was originally sanctioned at normal rate of interest, will attract the provisions of Rule 223(1) of GFR, 2005, and should be dealt with accordingly.

**(G) Loans sanctioned at concessional rates:-**

- (i) In cases where loans are to be sanctioned at a concessional rate, the instructions contained in GFR 223(1) of GFR, 2005 have to be observed. In such cases, payment of subsidy (to cover the concession viz, differences between normal rate and concessional rate) should be made conditional upon prompt repayment of principal and payment of interest thereon by the borrower.

- (ii) In cases where loans are sanctioned interest free (e.g. loans to technical educational institutions for construction of hostels) prompt repayment should be made a condition for the grant of interest free loans. That is to say, the sanction letter in such cases should provide that in the event of any default in repayment, interest at rates prescribed by Government from time to time will be chargeable on the loans.
- (iii) Similarly in the case of interest free loans to departmental canteens where subsidy is also provided to meet running expenses, the sanction letter should stipulate that in the event of any default in repayment, the defaulted due would be recovered out of the subsidy payable.

**(H). Miscellaneous:** A standard form prescribed for issue of loan sanctions (Appendix-I) should ordinarily be followed.

- (i) The date of drawal of loan by the borrower will be date on which he received cash, cheque or bank draft from the Drawing and Disbursing Officer. It should be ensured that the time lag between the date of obtaining the cash/cheque/bank draft and its disbursement/delivery/despatch to the payee is reduced to the minimum. Where the cheque or bank draft is sent through post, the date of posting should be treated as the date of disbursement of the loan. The Drawing and Disbursing Officer should invariably intimate the date of payment to his Accounts Office to enable the latter to make a suitable note in his records.
- (ii) In the case of loans sanctioned to parties other than State and Union Territory and Foreign Governments and Government servants, the borrower should tender the amounts due on or before the due date, at the New Delhi Office/Main Office of the public sector bank accredited to the Ministry/Department which sanctions the loan, in cash or by cheque or draft drawn on any scheduled bank in Delhi/New Delhi in favour of the said PSB branch. The payment should be accompanied by a memorandum or challan in duplicate indicating (a) name of the loan sanctioning Ministry/Department; (b) No. and date of the loan sanction letter and the loan amount sanctioned; (c) amount due for payment separately for interest and principal and the head(s) of account to which the dues are to be credited in the Government Accounts; and (d) due date of payment. The borrowers should be asked to tender separate cheque/drafts and challans for payment of principal and interest.

Outstation loanees are required to arrange the dues through their bank ensuring that the memorandum/challan and the cheque/draft reaches the aforesaid PSB branch in New Delhi by the due date.

- (iii) Ministries/Departments are required to keep close watch on timely repayments of loans advanced by them and recovery of interest thereon. Rule 220(1) (viii) of GFR 2005 provides for a notice to be given to the borrowers a month in advance of the due date of payment of instalment of the principal and/or interest thereon. Such notices may be sent in the form given in (Appendix II). The borrower should not, however, be given any advantage in the event of non-receipt of such a notice.

Repayments/interest payments due from the loanees should also be reviewed, at least quarterly, and, where any default has occurred, a fresh notice should be served on the borrower to arrange payment with penal/higher rate of interest in the form set out in Appendix III.

- (iv) Individual cases relating to terms and conditions of loans need not be referred to the Department of Economic Affairs (Budget Division) unless it is proposed to deviate from those laid down in this Office Memorandum.

This issues with the approval of Finance Minister.

Sd/-  
(Vyasaan R )  
Deputy Secretary (Budget)  
Tel No.: 23092326

To  
All Ministries, etc....



**FORM OF SANCTION LETTER**

To

(In case of State and Union Territory Government to be addressed to

- i) Chief Controller of Accounts/Controller of Accounts concerned
  - ii) Secretary of the Administration Department of the State/UT Government)
- (in other cases to be addressed to :

- i) The borrower
- ii) Controller of Accounts of the Ministry/Department of.....)

**Subject:-**

Sir,

I am directed to convey the sanction of the President to the payment of loan of Rs.....(in figures).....(in words) to

- 2. The essential details are given in the Annexure to this letter.
- 3. (Conditions of fulfilment of which loan is to be sanctioned e.g., those given in Rules 220(3) and 225 of G.F.R. 2005 to be inserted, if necessary).
- 4. This sanction has been accorded in accordance with the rules/principles laid down with the previous consent of the Ministry of Finance and that the rate of interest on the loan and period of repayment thereof have been fixed in accordance with the existing instruction issued by them.

Yours faithfully,

(.....)

No. .... dated .....

Copy to the Accountant General concerned (in the case of State and UT Governments only).

Annexure to the Ministry/Department of ..... letter No.  
..... dated .....

### LOANS AND ADVANCES BY CENTRAL GOVERNMENT

1. Name of the Borrower .....
2. Amount sanctioned (in words & figures)  
  
Rs. ....(in figures)  
Rupees ....(in words).
3. Sanction valid upto .....
4. The purpose of loan .....
5. Payable in cash or by adjustment .....
6. Plan/Non-Plan (in the case of Plan, category of Plan) .....
7. Grant & Sub-head under which amount sanctioned is debitabe .....
8. Progressive amount of loan sanctioned to the borrower to date in the financial year .....
9. Period of loan .....
10. Moratorium to words repayment, if any .....
11. Date and year from which repayment to commence .....
12. Mode of repayment .....
13. Interest:
  - (I) For loans to State Government, Union Territory Government & Public sector enterprises:
    - a) normal rate .....
    - b) Penal rate of interest in events of defaults in repayment/interest payments .....
    - c) Mode of recovery of interest .....
  - (ii) For parties other than State Government, Union Territory Governments and Public Sector Undertakings:  
  
Mode of recovery of interest .....

Signature .....  
(Seal of the Sanctioning  
Authority)

No.-----  
**OFFICE OF THE CHIEF CONTROLLER OF ACCOUNTS**  
MINISTRY/DEPARTMENT OF -----

New Delhi, dated the -----

To

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**Subject:-** *Repayment of loan and payment of interest thereon.*

Dear Sir,

According to the terms of the loan of Rs.-----sanctioned to you vide  
Ministry/Department of -----letter No.-----  
----dated -----the annual repayment instalment and/or interest their on, detailed  
below, will become due on -----

(i) Repayment Rs.----- (in words and  
figures)

(ii) Interest Rs.----- (in words and  
figures)

2. Please arrange the payment by the due . It should be noted that the amount of interest has  
been calculated on the assumption that payment will be arranged promptly, otherwise it will be  
revised upwards in accordance with the terms of the loans.

3. The amount due should be tendered, on or before the due date at the -----  
----- (New Delhi head office/main office of the PSB)-----  
----- accredited to the Ministry/ Department) -----  
----- in cash or by cheque or draft drawn of any scheduled  
bank/New Delhi in favour of the aforesaid PSB Branch. The payment should be accompanied by  
a memorandum or challan, in duplicate, giving the following details;-

(i) Name of the Ministry/Department ----- (ii) Name of the Borrower  
-----

(iii) No. and date of the loan sanction letter with the loan amount sanctioned -----  
--

(iv) Amount due for payment, separately for interest and repayment -----

(v) Due date of payment -----

(vi) The head of the account indicated below, to which the amounts will be adjustable in  
Government accounts, should, be included in the challan;-

**Head of Account**

(i) Instalment of Principal

(ii) Interest

4. Separate cheque/draft and challans should be submitted for payment of principal and interest.
5. For outstation loanees, payment of dues together with memorandum/challan is to be arranged through their bank to the aforesaid authorised bank in new Delhi by the due date.

Yours faithfully

**Accounts Officer**

**IMPORTANT NOTICE**

No.-----

**OFFICE OF THE CHIEF CONTROLLER OF ACCOUNTS  
MINISTRY/DEPARTMENT-----**

New Delhi, dated.....

To

-----  
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Subject;- Repayment of loan and payment of interest thereon.

Dear Sir,

I am to state that the payment of Rs.-----and Rs.-----

-----  
--(as detailed below) representing principal and interest respectively, which fell due on -----  
---- in respect of loans mentioned thereagainst, has not so far been arranged by you.

Loan sanction No. & Date

(i) Principal-----

(ii) Interest-----

2. Please arrange to deposit the aforesaid amount to the account of the Government of India within

10 days of the issue of this letter, failing which other measures would be initiated.

3. In case of the payment in question has already been made to the Government, particulars of the cheque/demand draft and the date of deposit at the .....(Name of PSB branch) may be indicated immediately.

Yours faithfully,

**Accounts Officer**