FORM OF UTILIZATION CERTIFICATE
FOR AUTONOMOUS BODIES OF THE GRANTEE ORGANIZATION

UTILIZATION CERTIFICATE FOR THE YEAR ............................................ in respect
of recurring/non-recurring
GRANTS-IN-AID/SALARIES/CREATION OF CAPITAL ASSETS

1. Name of the Scheme ................................................................................
2. Whether recurring or non-recurring grants ..............................................
3. Grants position at the beginning of the Financial year:
   (i) Cash in Hand/Bank
   (ii) Unadjusted advances
   (iii) Total
4. Details of grants received, expenditure incurred and closing balances: (Actualler)

<table>
<thead>
<tr>
<th>Grant-in-aid - General</th>
<th>Grant-in-aid - Salary</th>
<th>Grant-in-aid - creation of capital assets</th>
<th>Total</th>
</tr>
</thead>
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Component wise utilization of grants:

Details of grants position at the end of the year
   (i) Cash in Hand/Bank
   (ii) Unadjusted Advances
   (iii) Total
# FORM OF UTILIZATION CERTIFICATE (FOR STATE GOVERNMENTS)
(Where expenditure incurred by Govt. bodies only)

| Sl. No. | Letter No. and date | Amount | Certified that out of Rs. .................................. Of grants sanctioned during the year .................. in favour of .................................................. under the Ministry/Department Letter No. given in the margin and Rs. .................................. on account of unspent balance of the previous year, a sum of Rs. .................................. has been utilized for the propose of .................................................. for which it was sanctioned and that the balance of Rs. .................................. remaining unutilized at the end of the year has been surrendered to Government (vde No. .................................. dated ..................................) will be adjusted towards the grants payable during the next year ..................................................
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</table>

2. Certified that I have satisfied myself that the conditions on which the grants-in-aid was sanctioned have been duly fulfilled/ are being fulfilled and that I have exercised the following checks to see that the money was actually utilized for the propose for which it was sanctioned.

Kinds of checks exercised
1. 
2. 
3. 
4. 
5. 

Signature ..................................................
Designation ..................................................
Date ..................................................

**PS:** The UC shall disclose separately the actual expenditure incurred and loans and advances given to suppliers of stores and assets, to construction agencies and alike in accordance with scheme guidelines and in furtherance to the scheme objectives, which do not constitute expenditure at the stage. These shall be treated as utilized grants but allowed to be carried forward.
Chapter – 9

GRANTS-IN-AID AND LOANS

I. GRANTS-IN-AID

Rule 228

As a general principle Grants-in-aid can be given to a person or a public body or an institution having a distinct legal entity. Thus Grants-in-aid including scholarships may be sanctioned by an authority competent to do so under the Delegation of Financial Powers Rules to:

(a) Institutions or Organizations set up as Autonomous Organisations, under a specific statute or as a society registered under the Societies Registration Act, 1860 or Indian Trusts Act, 1882 or other statutes.

(b) Voluntary organizations or Non-Government Organisations carrying out activities which promote the welfare schemes and programmes of the Government should be selected on the basis of well-defined criteria regarding financial and other resources, credibility and type of activities undertaken.

(c) Educational and other institutions by way of scholarships or stipends to the students.

(d) Urban and Rural local self-government institutions

(e) Co-operative societies.

(f) Societies or clubs set up by Government servants to promote amongst themselves social, cultural and sports activities as recreational avenues.

Rule 229

General Principles for setting up of Autonomous Organisations referred to under Rule 228(a):

(i) No new autonomous institutions should be created by Ministries or Departments without the approval of the Cabinet.

(ii) No new autonomous institution should be created by an Autonomous Body itself, the appraisal/approval process for creation of new autonomous bodies would apply in such cases too. However, Regional Centres/Offices/Sub-Stations of any autonomous body can be created with prior approval of the administrative ministry in consultation with Ministry of Finance.

(iii) Stringent criteria should be followed for setting up of new autonomous organisations and the type of activities to be undertaken by them. The Ministry or Department should examine in detail:

(a) whether the activities proposed to be taken up are necessary at all;

(b) whether these activities, if necessary, need to be undertaken by setting up an autonomous organisation only and whether these could be performed by the concerned Government agency or any other organisation already existing.

(iv) All autonomous organisations, new or already in existence should be encouraged to maximize generation of internal resources and eventually attain self-sufficiency.

(v) The Ministry or Department may consider creating a Corpus Fund for an Autonomous Body only with prior concurrence of Ministry of Finance if the corpus is created out of budgetary allocation. If the corpus is created out of internal accruals of the body, approval of the administrative Ministry must be obtained.

(vi) User Charges: Governing Body of the Autonomous Body shall review user charges/ sources of internal revenue generation at least once a year and inform the administrative Ministry. This exercise should preferably be completed before the formulation of Union Annual Budget.

(vii) All Autonomous Bodies should maintain database relating to grants, income, expenditure, investment assets and employee strength in the format prescribed by the Department of Expenditure, Ministry of Finance.

(viii) Financial advice for Autonomous Bodies: Every autonomous organisation should designate an officer at appropriate level to render financial advice whose concurrence should be obtained for sanction and incurring of expenditure. The financial limits up to which such concurrence is mandatory may be drawn up by each organisation. The Chief Executive Officer of the Autonomous body will be responsible for overall financial
management of the autonomous bodies.

(ix) Peer review of autonomous organisations: Ministry shall put in place a system of external or internal peer review of autonomous organisations every three or five years depending on the size and nature of activity. Such a review should be the responsibility of the concerned administrative division of the Ministry/Department and should focus, inter alia, on:

(a) the objective for which the autonomous organisation was set up and whether these objectives have been or are being achieved;
(b) whether the activities should be continued at all, either because they are no longer relevant or have been completed or if there has been a substantial failure in achievement of objectives;
(c) whether the nature of the activities is such that these need to be performed only by an autonomous organisation.
(d) whether similar functions are also being undertaken by other organisations, be it in the Central Government or State Governments or the Private Sector, and if so, whether there is scope for merging or winding up the organisations under review.
(e) whether the total staff complement, particularly at the support level, is kept at a minimum: whether the enormous strides in information technology and communication facilities as also facilities for outsourcing of work on a contract basis, have been taken into account in determining staff strength; and whether scientific or technical personnel are being deployed on functions which could well be carried out by non-scientific or non-technical personnel etc.
(f) whether user charges including overhead/ institutional charges / management fee in respect of sponsored projects, wherever the output or benefit of services are utilised by others, are levied at appropriate rates.
(g) the scope for maximizing internal resources generation in the organisation so that the dependence upon Government budgetary support is minimised.

(x) An organisation whose performance is found to be outstanding and internationally acclaimed as a result of the review envisaged under Para (v) above should be granted greater autonomy and increased flexibility in matters of recruitment and financial rules thereby enabling it to devise and adapt staff structures, procedures and rules suited to improving their productivity.

(xi) Autonomous organisations as also others with a budgetary support of more than Rupees five crores per annum, should be required to enter into a Memorandum of Understanding with the Administrative Ministry or Department, spelling out clearly performance parameters, output targets in terms of details of programme of work and qualitative improvement in output, along with commensurate input requirements. The output targets, given in measurable units of performance, should form the basis of budgetary support extended to these organisations. The roadmap for improved performance with clear milestones should form part of the MoU.

(xii) Findings of the peer review should be examined and put up for appropriate decision to the Secretary by the concerned programme division of the Administrative Department. Further releases of Grant (after three or five years, as the case may be), should be made conditional on conduct and decisions on the findings of such peer review.

**Rule 230**

1. **Principles and Procedure for award of Grants-in-aid.**

Any Institution or Organisation seeking Grants-in-aid from Government will be required to submit an application which includes all relevant information such as
Articles of Association, bye-laws, audited statement of accounts, sources and pattern of income and expenditure etc. enabling the sanctioning authority to assess the suitability of the Institution or Organisation seeking Grant. The application should clearly spell out the need for seeking Grant and should be submitted in such form as may be prescribed by the sanctioning authority. The Institution or Organisation seeking Grants-in-aid should also certify that it has not obtained or applied for grants for the same purpose or activity from any other Ministry or Department of the Government of India or State Government.

**Rule 230**

(2) In order to obviate duplication in Grants-in-aid, each Ministry or Department should maintain a list of institutions or organisations along with details of amount and purpose of Grants given to them. These details should also be made available on the website of the Ministry/Department.

**Rule 230**

(3) Award of Grants should be considered only on the basis of viable and specific schemes drawn up in sufficient detail by the institution or organisation. The budget for such schemes should disclose, inter alia, the specific quantified and qualitative targets likely to be attained against the outlay. In the cases of the schemes where Grants are given as part of the expenditure on reimbursement basis (i.e., the expenditure has already been incurred on approved project/scheme and reimbursement from the Government in the form of Grant/Subsidy etc. is due) the same will be treated as the Central Financial Assistance (CFA) and no Utilization Certificate shall be required in such cases of reimbursements.

**Rule 230**

(4) Recurring Grant is defined as one which is released periodically to the same organisation for the same purpose. Non-recurring Grant is one time release to an organisation for a special purpose (which could be released in instalments). Every order sanctioning a Grant shall indicate whether it is recurring or non-recurring and specify clearly the object for which it is being given and the general and special conditions, if any, attached to the Grant. In the case of non-recurring Grants for specified object, the order shall also specify the time limit within which the Grant or each instalment of it, is to be spent.

**Rule 230**

(5) Central Autonomous Organisations which receive Grants should account for capital and revenue expenditure separately. The Government of India, Ministry of Finance has formulated standard formats for presentation of final accounts, for all Central Autonomous Organisations. All Grant sanctioning authorities should enforce the condition of maintaining and presenting their annual accounts in the standard formats on all Central Autonomous Organisations.

**Rule 230**

(6) The Grants sanctioning authorities should not only take into account the internally generated resources while regulating the award of Grants but should consider laying down targets for internal resources generation by the Grantee Institutions or Organisations every financial year, particularly where Grants are given on recurring basis every year.

**Rule 230**

(7) Unspent Balances: When recurring Grants-in-aid are sanctioned to the same Institution or Organisation for the same purpose, the unspent balance of the previous Grant should be taken into account in sanctioning the subsequent Grant. For this purpose, the Programme Division of Ministries/Department shall take help of PFMS Portal to know the bank balance of the recipients before making each release. The instructions of Department of Expenditure regarding the use of PFMS Portal for Central Sector Schemes issued from time to time shall be strictly followed by all Ministries/Departments. The principles of ‘just in time release’ should be applied for releases in respect of all payments to the extent possible. The following broad principles shall be adhered to:

(i) Cash balance at a time should preferably not be more than 3 months of requirements

(ii) Funds should be released as per actual requirements and that sanction may precede the release of funds, though its validity may be limited to that financial year.

**Rule 230**

(8) All interest or other earnings against Grants in aid or advances (other than reimbursement) released to any Grantee institution should be mandatorily remitted.
Rule 230 (9) In making Grants to Non-Government or Quasi-Government Institutions or Organisations, a condition should be laid down that assets acquired wholly or substantially out of Government Grants, except those declared as obsolete and unserviceable or condemned in accordance with the procedure laid down in the General Financial Rules, shall not be disposed of without obtaining the prior approval of the authority which sanctioned the Grants-in-aid.

Rule 230 (10) The sanctioning authority may prescribe conditions regarding quantity and periodicity for release of Grants-in-aid in instalments in consultation with the Financial Adviser. However, the release of the last instalment of the Annual Grant must be conditional upon the Grantee Institutions providing reasonable evidence of proper utilization of instalments released earlier. In the cases where Central Financial Assistance (CFA) has been sanctioned, the grant will be released in one instalment upon the Grantee Institutions/Organization providing complete evidence of achieving the specified objectives and expenditure incurred supported by Audited Statement of Expenditure. In these cases, the grantees institutions will not be required to submit Utilisation Certificates.

Rule 230 (11) In order to finalize the Budgetary Estimates of Grants in aid to the Grantee Institutions, the Ministry or Department should impress upon Institution or Organisation desiring Grants from Government, to submit their requirement with supporting details by the end of September in the year preceding the year for which the Grants-in-aid is sought. The Ministry or Department should finalize their examination of the requests with the utmost expedition and make the necessary Budget provision where it is decided to sanction Grants. The Institution or Organisation should be informed of the result of their requests by April of the succeeding year.

Rule 230 (12) All Grantee Institutions or Organisations which receive more than fifty per cent of their recurring expenditure in the form of Grants-in-aid, should ordinarily formulate terms and conditions of service of their employees which are, by and large, not higher than those applicable to similar categories of employees in Central Government. In exceptional cases relaxation may be made in consultation with the Ministry of Finance.

Rule 230 (13) Grantee Institutions or Organisations should be encouraged to take advantage of the pension or gratuity schemes or Group Insurance Schemes or house buildings loans or vehicle loans schemes etc. available in the market for employees instead of undertaking liability on their own or Government account.

Rule 230 (14) The sanctioning authority, while laying down the pattern of assistance, may decide whether the ownership of buildings constructed with Grants-in-aid may vest with Government or the Grantee Institution or Organisation. Where the ownership is vested in the Government, the Grantee Institution or Organisation may be allowed to occupy the building as a lessee. In such cases, the record of details of location, cost, name of lessee and terms and conditions of lease must be maintained in the records of the granting Ministry or Department. In all cases of buildings constructed with Grants-in-aid, responsibility of maintenance of such buildings shall be of the Grantee Institution or Organisation.

Rule 230 (15) Any other special terms and conditions or procedures for transaction of business as Government may desire to be followed by the Grantee Institution or Organisation, shall be got incorporated in the Articles of Association or bye-laws of the Institution or Organisation concerned before release of Grants-in-aid.

Rule 230 (16) The stipulation in regard to refund of...
the unutilised amount of Grant-in-aid with interest thereon should be brought out clearly in the latter sanctioning the Grant as well as in the bond so required to be executed.

Rule 230. (17) (i) As a precondition to the sanction of Grants-in-aid to the agencies where:
(a) the recipient body employs more than twenty persons on a regular basis and at least fifty per cent of its recurring expenditure is met from Grants-in-aid from Central Government; and
(b) the body is a registered society or a co-operative institution and is in receipt of a general purpose annual Grants-in-aid of Rupees twenty lakhs and above from the Consolidated Fund of India;
the Grant sanctioning authority should ensure that a suitable clause is invariably included in the terms and conditions under which the Grants-in-aid are given, to provide for reservation for Scheduled Castes and Scheduled Tribes or OBC in posts and services under such organizations or agencies. The relative provision may be on the following lines:-

```
........................ (Name of Institution or Organization etc.)
agrees to make reservations for Scheduled Castes and Scheduled Tribes or OBC in the posts or services under its control on the lines indicated by the Government of India.
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(ii) While sanctioning Grants-in-aid to Institutions or Organisations referred to in (a) above, the Grant sanctioning authority should keep in view the progress made by such Institutions or Organisations in employing Scheduled Castes and Scheduled Tribes or OBC candidates in their services.

Rule 231 (1) Grants-in-aid to “Voluntary Organisations” Subject to the following terms and conditions, Grants-in-aid towards administrative expenditure may be sanctioned to voluntary organisations to ensure a certain minimum staff structure and qualified personnel to improve their effectiveness and expand their activities under the following conditions:

(i) The Grants-in-aid should not exceed twenty-five per cent of approved administrative expenditure on pay and allowances of the personnel of the voluntary organisation concerned;
(ii) Grants-in-aid to meet administrative expenditure to any private institutions other than the voluntary organisations should not ordinarily be sanctioned. In exceptional cases such Grants can be considered for sanction in consultation with Internal Finance Wing.

Rule 231 (2) Before a Grant is released, the members of the Executive Committee of the Grantee should be asked to execute Bonds in a prescribed format binding themselves jointly and severally to:

(i) abide by the conditions of the Grants-in-aid by the target dates, if any specified therein; and
(ii) not to divert the Grants or entrust execution of the scheme or work concerned to another Institution(s) or Organization(s); and
(iii) abide by any other conditions specified in the agreement governing the Grants-in-aid.

(iv) In the event of the Grantee failing to comply with the conditions or committing breach of the conditions of the Bond, the signatories to the Bond shall be jointly and severally liable to refund to the President of India, the whole or a part amount of the Grant with interest at ten per cent per annum thereon or the sum specified under the Bond. The stamp duty for this Bond shall be borne by the Government.

Rule 231 (3) Execution of Bond will not apply to Quasi-Government Institutions, Central Autonomous Organisations and Institutions whose budget is approved by the Government.

Rule 232 General Principles for award of Grants-in-aid for Centrally Sponsored Schemes: The following principles should be kept in view by Ministries/Departments at the Central Government at the time of designing Centrally Sponsored Schemes for implementation in State Governments or Union Territories and approving and releasing assistance to State Governments or Union Territories for such schemes:
(i) Every Centrally Sponsored Scheme should have a time-bound quantifiable and measurable outcome targets with provisions for periodic monitoring, mid-term evaluation and detailed impact studies.

(ii) The scheme should be designed in consultation with States and Union Territories. States should be delegated adequate powers to change the details of the schemes to suit local conditions, subject to reporting such changes to the concerned Ministry or Department.

(iii) Where schemes are in operation with similar objectives targeting the same population, the schemes should be converged.

(iv) To ensure monitoring and effective control over such schemes, the number of schemes should be restricted, so that the gain from the expenditure on such schemes is maximized. The role of the Central Ministries or Departments should be capacity building, inter-sectoral coordination and detailed monitoring.

(v) The release of funds to State Governments and monitoring further utilization should be undertaken through PFMIS. The Ministries or Departments should establish a mechanism to ensure that the funds earlier released have been effectively utilized and that the data and facts reported by the State Governments or Union Territories relating to physical and financial performance are correct. Before releasing further funds, it should also be ensured that the State Governments or Union Territories have the capacity to actually spend the balance from the previous years and the releases during the current year.

(vi) The Ministries or Departments should focus attention on the attainment of the objectives and not on expenditure only. A mechanism for avoiding release of large part of funds towards the end of the year should be devised and incorporated in the Scheme design itself.

(vii) A concurrent monitoring and evaluation mechanism should be built into the Scheme. A periodic review of every Centrally Sponsored Scheme should be undertaken for any required mid-course correction or changes in the scheme design.

(viii) A post-completion review of every Centrally Sponsored Scheme should be undertaken by the State Government(s) or Union Territories implementing the scheme, highlighting the time and cost overruns, if any, and suggestions for formulating and implementing future schemes. A copy of the review should be obtained by the Ministry concerned and kept in view while formulating new Centrally Sponsored Schemes.

**Rule 233** Funding of Sponsored Projects or Schemes.

(i) Ministries or Departments of Government sponsor projects or schemes to be undertaken by Universities, Indian Institute of Technology and other similar Autonomous Organisations such as ICAR, CSIR, ICMR etc., the results from which are expected to be in national interest. Normally the entire expenditure on such projects or schemes including capital expenditure, is funded by the Ministry or Department. The funds released for such projects or schemes in one or more installments are not treated as Grants-in-aid in the books of the implementing agency. Apart from the requirement of submission of technical and financial reports on completion of the project or scheme, a stipulation should be made in such cases that the ownership in the physical and intellectual assets created or acquired out of such funds shall vest in the sponsor. While the Project or Scheme is ongoing, the recipient should not treat such assets as their own assets in their Books of Accounts but should disclose their holding and using such assets in the Notes to Accounts specifically.

(ii) On completion of the Projects or Schemes and the receipt of technical and financial reports, the Ministries/Departments should decide and
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communicate to the implementing agencies whether the assets should be returned, sold or retained by them.

(iii) If the assets are to be sold, the proceeds thereof should be credited to the account of the sponsoring Department/Organization. If the assets are allowed to be retained by the Institution/ Organisation, the implementing agency should include the assets at the book value in their own accounts.

Rule 234 Register of Grants. A Register of Grants shall be maintained by the sanctioning authority in the format given in Form GFR-21.

(i) Columns (i) to (v) of the Register in format at Form GFR-21 should be filled in simultaneously with the issue of the order sanctioning each Grant. These columns should be attested by any Gazetted Officer nominated for the purpose by the sanctioning authority. The serial number should be recorded on the body of the sanction at the time the item is entered in the Register as under: “Noted at Serial No. ………….. in the Register of Grants”.

(ii) Such a record will guard against the possibility of double payment. Columns (vi) and (vii) should be filled in and attested by the Gazetted Officer concerned as soon as the bill is ready. The bill should then be submitted to the Gazetted Officer nominated to act as Drawing and Disbursing Officer with the register for signing the bill and to the sanctioning authority for giving dated initials in column (viii) of Register. It should also be the duty of the sanctioning authority to verify that the conditions, if any, attached to the Grant have been duly accepted by the Grantee without any reservation and that no other bill for the same purpose has already been paid before. No bill should be signed unless it has been noted in the Register of Grants against the relevant sanction. This will also facilitate watching of payments in instalments, partly, in the case of lump sum sanctions.

(iii) Information at column (vii) of the form GFR-21 above should be used also for regulating the subsequent Grants.

Rule 235 Accounts of Grantee Institutions. Institutions or Organisations receiving Grants shall, irrespective of the amount involved, be required to maintain subsidiary accounts of the Government grant and furnish to the Accounts Officer a set of audited statement of accounts. These audited statements of accounts should be required to be furnished after utilization of the Grants-in-aid or whenever called for.

Rule 236 (1) Audit of Accounts. The accounts of all Grantee Institutions or Organisations shall be open to inspection by the sanctioning authority and audit, both by the Comptroller and Auditor General of India under the provision of CAG(DPC) Act 1971 and internal audit by the Principal Accounts Office of the Ministry or Department, whenever the Institution or Organisation is called upon to do so and a provision to this effect should invariably be incorporated in all orders sanctioning Grants-in-aid.

Rule 236 (2)

(i) The accounts of the Grantee Institution or Organisation shall be audited by the Comptroller and Auditor General of India under Section 14 of the Comptroller and Auditor General of India (Duties, Powers and Conditions of Service) Act, 1971, if the Grants or loans to that Institution in a financial year are not less than Rupees twenty-five lakhs and also not less than seventy-five percent of the total expenditure of the Institution. The accounts may also be audited by the Comptroller and Auditor General of India if the Grants or loans in a financial year are not less than Rupees one crore. Where the accounts are so audited by the Comptroller and Auditor General of India in a financial year, he shall continue to audit the accounts for a further period of two years notwithstanding that the conditions outlined above are not fulfilled.

(ii) Where any Grant and/or loan is given for any specific purpose to any Institution or Organisation or
authority, not being a foreign State or international Body/Organization, the
Comptroller and Auditor General is competent under Section 15 (1) of the
CAG's (DPC) Act, 1971, to scrutinize the procedures by which the
sanctioning authority satisfies itself as to the fulfillment of the conditions
subject to which such Grants and/or
loans were given and shall, for this
purpose, have right of access to the
books and accounts of that Institute or
Organisation or authority.

Rule 236
(3) In all other cases, the Institution or
Organisation shall get its accounts audited
from Chartered Accountants of its own
choice.

Rule 236
(4) Where the Comptroller and Auditor
General of India is the sole auditor for a
local Body or Institution, auditing charges
will be payable by the auditee Institution in
full unless specifically waived by
Government.

Rule 237
Time Schedule for submission of
annual accounts. The dates prescribed
for submission of the annual accounts for
Audit leading to the issue of Audit
Certificate by the Comptroller and Auditor
General of India and for submission of
annual report and audited accounts to the
nodal Ministry for timely submission to the
Parliament are listed below-
(i) Approved and authenticated annual
accounts to be made available by the
Autonomous Body to the concerned
Audit Office and commencement of
audit of annual accounts-30th June
(ii) Issue of the final SARKin English
version with audit certificate to Autonomous
Body/ Government concerned
-31st October
(iii) Submission of the Annual Report and
Audited Accounts to the Nodal for it to
be laid on the Table of the Parliament
-31st December

Rule 238
(1) Utilization Certificates. In respect of
non-recurring Grants to an Institution or
Organisation, a certificate of actual
utilization of the Grants received for the
purpose for which it was sanctioned in
form GFR 12A should be insisted upon
in the order sanctioning the Grants-in-aid.
The Utilization Certificate in respect of
Grants referred to in Rule 230 (1) should
also disclose whether the specified
quantified and qualitative targets that
should have been reached against the
amount utilised, were in fact reached and
if not, the reasons therefor. They should
contain an output based performance
assessment instead of input based
performance assessment. The Utilization
Certificate should be submitted within
twelve months of the closure of the
financial year by the Institution or
Organisation concerned. Receipt of such
certificate shall be scrutinised by the
Ministry or Department concerned. Where
such certificate is not received from the
Grantee within the prescribed time, the
Ministry or Department will be at liberty to
blacklist such Institution or Organisation
from any future grant, subsidy or other type
of financial support from the Government.

Rule 238
(2) In respect of recurring Grants, Ministry
or Department concerned should release
any amount sanctioned for the subsequent
financial year only after Utilization
Certificate in respect of Grants of
preceding financial year is submitted.
Release of Grants-in-aid in excess of
seventy five per cent of the total amount
sanctioned for the subsequent financial
year shall be done only after Utilization
certificate and the annual audited
statement relating to Grants-in-aid
released in the preceding year are
submitted to the satisfaction of the
Ministry/Department concerned. Reports
submitted by the Internal Audit parties of
the Ministry or Department and Inspection
Reports received from Indian Audit and
Accounts Department and the
performance report if any received for the
third and fourth quarter in the year should
also be looked into while sanctioning
further Grants.

Rule 238
(3) Utilization certificates need not be
furnished in cases where the Grants-in-
aid / CFA are being made as
reimbursement of expenditure already
incurred on the basis of duly audited
accounts. In such cases the sanction
letters should specify clearly that the Utilization
Certificates will not be necessary.

Rule 238
(4) In respect of Central Autonomous
Organisations, the Utilization Certificate
shall disclose separately the annual
expenditure incurred and the funds given
to suppliers of stores and assets, to
construction agencies, to staff for (House
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Building and Purchase of conveyance which do not constitute expenditure at that stage but have been met out of Grants and are pending adjustments. These shall be treated as unutilized Grants allowed to be carried forward. While recording the Grants in the subsequent year the amount carried forward shall be taken into account.

Rule 238

(5) In the case of Private and Voluntary Organizations receiving recurring Grants-in-aid from Rupees ten lakhs to less than Rupees fifty lakhs, all the Ministries or Departments of Government of India should include in their Annual Report a statement showing the quantum of funds provided to each of those organizations and the purpose for which they were utilized, for the information of Parliament. The Annual Reports and accounts of Private and Voluntary Organizations receiving recurring Grants-in-aid to the tune of Rupees fifty lakhs and above should be laid on the Table of the House within nine months of the close of the succeeding financial year of the Grantee Organizations.

Rule 238

(6) In the case of organizations receiving one-time assistance or non-recurring Grants as Grants-in-aid from Rupees ten lakhs to Rupees fifty lakhs, all Ministries or Departments of Government of India should include in their Annual Reports, statements showing the quantum of funds provided to each of those organizations and the purpose for which the funds were utilized, for the information of Parliament. The Annual Reports and Audited Accounts of Private and Voluntary Organizations or societies registered under the Registration of Societies Act, 1860, receiving one-time assistance/non-recurring Grants of Rupees fifty lakhs and above should also be laid on the Table of the House, within nine months of the close of the succeeding financial year of the grantee Organizations.

Rule 239

State Government to submit Utilization Certificate for Grants-in-aid relating to Scheme: When Central Grants are given to State Governments for implementation of Central Scheme, Utilization Certificate in format GFR 12-C may be submitted by the State Government in respect of the Scheme. The UC should be counter-signed by the Administrative Secretary of the Division regulating the Scheme/Finance Secretary.

Rule 240

State Government to submit Utilization Certificate when expenditure incurred through local bodies. When Central Grants are given to State Governments for expenditure to be incurred by them through local bodies or private institutions, the Utilization Certificates should be furnished by the State Government concerned.

Rule 241

Utilisation Certificate in case of Direct Benefit Transfer (DBT) Scheme: In case of the schemes covered under Direct Benefit Transfers (DBT), where the fund flow is directly from the Central Government to the beneficiaries, the intimation from the bank/National Payments Corporation of India (Aadhaar Payment Bridge) regarding deposit of the funds in the beneficiaries' bank accounts, generated as per procedure prescribed by the Controller General of Accounts, may be treated as a Utilization Certificate. The Ministry/Department releasing the Grant should keep proper record and accounts relating to such direct releases under DBT to the beneficiaries' bank accounts.

Rule 242

(1) Performance parameters. Performance parameters should be clearly set to allow better oversight of the Autonomous Body.

Rule 242

(2) Submission of Achievement-cum-Performance Reports.

i. The Grantee Institutions or Organisations should be required to submit performance cum achievement reports soon after the end of the financial year, and in any case, not later than six months after the close of the financial year.

ii. In regard to non-recurring Grants such as those meant for celebration of anniversaries, conduct of special tours and maintenance Grants for education, performance-cum-achievement reports need not be obtained.

iii. In the case of recurring Grants, submission of achievement-cum-performance reports should usually be insisted upon in all cases. However, in the case of Grants-in-aid not
Rule 243 Discretionary Grants. When an allotment for Discretionary Grants is placed at the disposal of a particular authority, the expenditure from such Grants shall be regulated by general or special orders of the competent authority specifying the object for which the Grants can be made and any other condition(s) that shall apply to them. Such Discretionary Grants must be non-recurring and not involve any future commitment.

Rule 244 Other Grants. Grants, subventions, etc., including Grants to States other than those dealt with in the foregoing rules, shall be made under special orders of Government.

Rule 245 (i) Regulation of recurring Grants-in-aid for Government employees' welfare:--

(a) Grants-in-aid for provision of amenities or of recreational or welfare facilities to the staff of the offices of the Government are regulated under orders of the Ministry of Home Affairs issued from time to time. The admissibility of the Grants-in-aid for the welfare of the employees of the Government should be regulated in the following manner:--

(i) The Grant in aid will be admissible on the basis of the total strength borne on the regular strength of an organization, i.e., Ministry or Department, etc., and its Attached and Subordinate Offices and such statutory bodies whose budget forms part of Consolidated Fund of India, irrespective of the fact whether any individual is a member of the staff club, etc., or not. However, Grant-in-aid in respect of Gazetted Officers will be admissible only to that Ministry or Department or Office where membership of recreation club is open to such officers.

Staff paid from contingencies, work-charged staff etc., will not be taken into calculation for this purpose. Staff eligible for similar concession under some other rule or statutory provision, e.g., industrial workers will also not be covered by these orders.
ii) Amounts of Grants-in-aid. (a) The rate of the Grant-in-aid will be Rupees fifty per head per annum. In addition to this, an additional Grant-in-aid up to Rupees twenty-five per head per annum is payable to match the subscriptions collected during the previous financial year by the existing staff clubs which are started during the financial year in which Grant-in-aid is to be given, for the purpose of encouraging the membership. The total strength of the eligible staff will be that existing on the thirty-first March of the previous financial year or that on the date on which proposal for Grant is made in the case of new staff clubs above rates, as revised from time to time will apply.

iii) An illustrative list of items on which expenditure can be incurred out of Grants-in-aid sanctioned by Government for provision of amenities is given below:

i) Articles of sports — Outdoor and indoor games equipment

ii) Cost of uniforms, etc. supplied to teams of players.

iii) Magazines and periodicals.

iv) Entry fees for tournaments.

v) Hiring of playgrounds.

vi) Hiring and repair for furniture, etc.

vii) Purchase of furniture.

viii) Conveyance expenses incurred locally.

ix) Entertainments.

x) Prizes.

xi) Film shows.

xii) Hiring of accommodation for Club/Association, etc.

xiii) Cultural, Sports and Physical development programmes.

xiv) Inter-Ministerial meets.

xv) Inter-Departmental meets

2. A maximum onetime Grant of Rupees fifty thousand may be sanctioned for setting up of a Recreation Club.

3. Grants-in-aid to the Ministry or Departments of the Central Government and their Attached and Subordinate Offices will be allocated by the concerned Ministry or Department on receipt of formal requests in the prescribed manner. For the purposes of these Grants-in-aid, the Departments of the Central Government and their Attached and Subordinate Offices will be treated as a single unit. It will be the responsibility of the Ministry or Department to distribute the amount further to its Attached and Subordinate Offices and to the different departments. The accounts of these clubs for the preceding year duly audited by an Internal Auditor should be obtained immediately after the close of the financial year in any case by the thirtieth April by the Ministry or Department before allocating funds for the next financial year.

4. Grants-in-aid for the provision of amenities or recreational or welfare facilities to the staff of the Indian Audit and Accounts Department are regulated by separate orders.

II.

LOANS

Rule 246 The rules in this Section shall be observed by all authorities competent to sanction loans of public moneys to State Governments, Local Administrations of Union Territories, local bodies, foreign Government on specific recommendation of State Government, Government institutions and other Government bodies.

Rule 247 (1) Powers and Procedure for sanction of loans. The powers of Departments of the Central Government and Administrators as well as other subordinate authorities to sanction loans are given in the Delegation of Financial Powers Rules and other general and special orders issued under that rule.

Rule 247 (2) Nodal Division in Ministry of Finance. The Budget Division, Department of Economic Affairs, Ministry of Finance shall be the nodal division in the Ministry of Finance to finalise terms and conditions of loans by the Central Government.
Rule 248 All sanctions of loans issued by a Department of Central Government or an Administrator of Union Territory in exercise of their powers under the relevant provision of Delegation of Financial Powers Rules shall include a certificate to the effect that the same is in accordance with the rules or principles prescribed by the Ministry of Finance and that the rate of interest on the loan and the period of repayment thereof have been fixed with the approval of that Ministry.

Rule 249 (1) All sanctions to loans shall be subject to the Delegation of Financial Powers Rules and shall specify the terms and conditions relating to them including the terms and conditions of their repayment and payment of interest.

Rule 249 (2) Borrowers shall be required to adhere strictly to the terms settled for the loans made to them. Modifications of these terms can be made subsequently only for very special reasons and after seeking prior concurrence of Ministry of Finance.

Rule 250 (1) General conditions for regulating all loans: All loans shall be regulated by the following general conditions:

(i) A specific term shall be fixed which shall be as short as possible, within which each loan has to be fully repaid with interest due. The terms may, in very special cases, extend to thirty years.

(ii) The term is to be calculated from the date on which the loan is completely drawn or declared by competent authority to be closed.

(iii) The repayment of loans shall be effected by instalments, which shall ordinarily be fixed on an annual basis, and with due dates of payment being specially prescribed.

(iv) Any instalment paid before its due date may be taken entirely towards the principal, provided it is accompanied by payment toward interest due up-to-date of actual payment of instalment; if not, the amount of the instalment shall first be adjusted towards the interest due for preceding and current periods and the balance, if any, shall alone be applied towards the principal. If, however, the payment of the instalment is in advance of the due date by fourteen days or less, interest for the full period (half-year or full year, as the case may be) shall be payable.

(v) When the due date of repayment of any instalment of principal or interest falls on a Sunday or a public holiday, the payment made on the next working day following the Sunday or the public holiday, shall be regarded as payment on the due date and no interest shall be charged for the day or days by which the recovery is so postponed.

Exception. If an instalment of principal or interest is payable on the thirty-first March of a year, and if that day happens to be a public holiday the recoveries shall be made on the immediately preceding working day. In case, the due date for the repayment of a loan or payment of interest falls on a holiday observed by the Reserve Bank of India, at which the effective credit of the same is to take place this shall be shifted to the next working day, except when the due date is thirty-first March.

(vi) The payment of interest and the repayment of principal of a loan are always to be made with reference to the calendar date on which the loan in question is paid. However, where payment of instalment is in advance of the due date by fourteen days or less, interest for the full year or half year (depending on the prescribed mode of recovery) shall be charged thereon. In the case of a loan sanctioned by the Central Government to a State Government an or before thirty-first March of a year, which is adjusted in the books of the Reserve Bank of India in the month of April but in the accounts of the previous year the instalment of principal and/or interest shall fall due for payment on the thirty-first March of the succeeding year and not on the anniversary of the calendar date in April on which the inter-Governmental adjustment was carried out.

(vii) The date of withdrawal of a loan by a State Government shall be determined as indicated below:
(a) When monetary settlement is involved—normally the calendar date on which amount of a loan is actually credited to the account of the State Government by the Reserve Bank is to be treated as the date of its withdrawal. This position shall also hold in cases where adjustment in accounts is made in one month but date of adjustment in the books of the Reserve Bank of India falls in the following calendar month. The calendar date on which the credit is actually afforded to the State Government in the books of the Reserve Bank of India in such cases shall be treated as the date of its withdrawal.

**Exception.** An exception to this arrangement is in the case of loans for which credit is afforded to the recipient State Government in the month of April by the Reserve Bank of India but in the accounts of previous year. In such cases, a loan shall be deemed to have been paid on the thirty-first March of the financial year in the accounts for which the payment is adjusted. Consequently, payment of annual interest or also repayment of instalment of principal in respect of such loans shall fall due on the thirty-first March of the succeeding years and not on the anniversary of the calendar date in April on which inter-governmental adjustment on account of such loans was carried out in the books of the Reserve Bank of India.

(b) Where no monetary settlement is involved.—In regard to cases where adjustment in the books of the Accounts Officers are only involved and actual credit through the Reserve Bank of India is not necessary, the last date of the month of account in which the adjustment is effected shall be taken as the date of withdrawal of loan for purposes of repayment and charging interest.

(viii) In order to avoid any default in the payment of loan, the Principal Accounts Officers or Pay and Accounts Officers who maintain the detailed accounts of loans shall issue notices in form OFR-19 to the loanees (other than State and Union Territory Governments) i.e. Public Sector Undertakings, statutory bodies and Government institutions etc., say, a month in advance of the due date for the repayment of any instalment of the principal and/or interest thereon. However, omission to give notice does not give the loanees any claim to exemption from the consequences of default in the repayment of the principal and/or interest thereon.

**Rule 250**

(1) Before sanctioning a loan to private institutions the lending Ministry or Department shall examine the financial health and managerial ability of such institutes.

(2) Before sanctioning a loan to private institutions the lending Ministry or Department shall examine the financial health and managerial ability of such institutes.

(3) (i) Before considering a loan application from parties other than State Governments and Local Administrations of Union Territories, the following requirements shall be fulfilled:

(a) it shall be seen that there is adequate budget provision;

(b) it shall be seen whether the grant of the loan is in accordance with approved Government policy and accepted patterns of assistance.

(ii) Before approving the loan, the applicant shall be asked to furnish the following material and information:

(a) copies of profit and loss (or income and expenditure) accounts and balance sheets for the last 3 years;

(b) the main sources of income and how the loan is proposed to be repaid within the stipulated period;

(c) the security proposed to be offered for the loan together with a valuation of the security offered by an independent authority and a certificate to the effect that the asset offered as security is not already encumbered.

(d) Details of loan or loans taken from the Central Government or a State
Government in the past, indicating amount, purpose, rate of interest, stipulated period of repayment, date of original loan and amount outstanding against the loan(s) on the date of the application and the assets, if any, given as security;

(e) a complete list of all other loans, outstanding on the date of application and the assets given as security against them;

(f) the purpose for which the loan is proposed to be utilized and the economics of the scheme.

NOTE. Where the loan is to be given to Government institution on the strength of a guarantee given by the trust managing it, similar information should be called for in respect of the trust also.

(iii) On receipt of the information called for as mentioned in (ii) above, confidential enquiries shall be made from the other Departments of the Central Government or State Governments from which the party has taken loans, to judge the performance in regard to the previous loans. If the replies indicate that the performance was not satisfactory, the loan shall be refused. It must be analysed that the financial position of the party is sound. It shall also be ensured that the security offered is adequate and its value is at least thirty-three and one-third per cent. above the amount of the loan. If possible, an independent valuation of the security offered shall be obtained. The applicant for the loan must satisfy both the criteria for financial soundness and adequacy of security before a loan is sanctioned.

(iv) In the case of Institutions which receive Grants-in-aid from Government to meet a part of their deficits and the balance is met by the State Government and the Trustees of Management, it shall be ensured that in computing the deficit for purpose of the Grant-in-aid, the income from the scheme, if any, earmarked for servicing the loan and the instalment of repayment of the loan and interest (if any) is not included;

(b) that as far as possible, the scheme for which the loan is given is self-financing and does not throw an additional burden on the general income of the institutions, e.g., in the case of hostels for colleges that the rents proposed are adequate;

(c) the Institution produces an undertaking from the State Government or the Management that any shortfall towards repayment of the loan and interest shall be made good by it. In the latter case the financial position of the Management (Trust) shall be investigated after calling for information on the lines of Rule 250, (3)(i) above.

(v) Ministries or Departments of the Central Government shall by down a procedure for periodical review of the old loans so that prompt action can be taken. It necessary, for enforcing regular payments.

Rule 250. (4) The detailed procedure to be followed in connection with the Grant of loans to local bodies shall be regulated by the provisions of the Local Authorities Loans Act and other special Acts and by rules made thereunder.

Rule 251. (1) Interest on Loans.
Interest shall be charged at the rate prescribed by the Government for any particular loan or for the class of loans concerned.

Rule 251. (2) A loan shall bear interest for the day of payment but not for the day of repayment. Interest for any shorter period than a complete year shall be calculated as follows, unless any other method of calculation is prescribed in any particular case or class of cases.

\[
\text{Number of days} \times \text{Yearly rate of interest} = \text{Interest}
\]

365 (366 in case of a leap year)

Rule 252. (1) Procedure to be followed for recovery of loans and interest thereon and Grant of moratorium. The instructions issued by the Ministry of Finance from time to time prescribing the interest rates and other terms and conditions of loans to State and Union Territory Governments, Local Bodies,
Chapter – 9

GENERAL FINANCIAL RULES 2017
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Statutory Corporations, financial, industrial and commercial undertakings in the Public Sector shall be strictly followed.

Rule 252
(2) The recovery of loans shall ordinarily be effected in annual equal installments of principal together with interest due on the outstanding amount of principal from time to time. The repayment and interest instalments may be rounded off to the nearest rupee subject to final adjustment at the time of payment of last instalment of principal and/or interest.

Rule 252
(3) A suitable period of moratorium towards repayment might be agreed to in individual cases having regard to the projects for which the loans are to be utilized. However, no moratorium shall ordinarily be allowed in respect of interest payable on loans.

Rule 253
(1) Loans to State and Union Territory Governments, Local Bodies, Statutory Corporations, Public Sector Undertakings, etc. Loans shall ordinarily be sanctioned at the normal rates of interest prescribed by Government for the particular category of the loans. In cases where the normal rate is considered too high and a concession is justified, it shall take the form of direct subsidy debitable to the grants of the sanctioning authority. In such cases interest shall, however, be paid by the borrower in the first instance at the normal rates and subsidy shall be claimed separately.

Rule 253
(2) Agreements and other documentation.

(i) In the case of loans to parties other than State Governments and wholly owned Government Companies, a loan agreement specifying all the terms and conditions shall be executed. A clause shall invariably be inserted in all such agreements enabling Government at any time to call for accounts of the applicant relating to any accounting year with power to depute an officer specially authorized for this purpose to inspect the applicant’s books, if necessary.

(ii) A written undertaking in Form GFR 15 shall be obtained from a wholly Government-owned company at the time of sanctioning the loan. The sanction shall specifically state that such an undertaking would be obtained from the borrower before the drawal of the amount of loan and a certificate that the undertaking has been obtained, shall be recorded by the Drawing Officer of the office of the sanctioning authority in the bill for drawal of the amount of loan. The sanction in respect of loans to other organizations, where a formal agreement is required to be executed, shall also be issued in the same manner.

Rule 254
Undertaking to be obtained from wholly-owned Government Companies.

In the case of loans to wholly-owned Government Companies, a written undertaking to the effect that the fixed assets of the company shall not be hypothecated without prior approval of the Government shall be obtained in Form GFR 32. No stamp duty need be paid on these written undertakings.

Rule 255
Loans to parties other than State Governments, wholly owned Government Companies and Local Administration of Union Territories shall be sanctioned only against adequate security. The security to be taken shall ordinarily be at least thirty-three and one-third per cent. more than the amount of the loan. However, a competent authority may accept security of less value for adequate reasons to be recorded.

Rule 256
(1) Submission of Utilization Certificate, Reports, Statements, etc. In cases in which conditions are attached to the utilization of loan, either in the shape of the specification of the particular objects on or the time within which the money must be spent or otherwise, the authority competent to sanction the loan shall be primarily responsible for certifying to the Accounts Officer where necessary, the fulfillment of the conditions attaching to the loan, unless there is any special rule or order to the contrary. The loans sanctioned to the State Governments and the Local Administration of Union Territories shall not, however, come within the purview of this rule.

Rule 256
(2)
(i) The certificate referred to in Rule 256
(1) above shall be furnished as in form GFR 12-B and at such intervals as may
utilization certificates need not be furnished to the accounts officer. the certificate shall indicate the year-wise and object-wise break-up of loans disbursed and the loans for which utilization certificates are furnished. the utilization certificate shall also show the loans disbursed separately for each sub-head of account to facilitate verification by the accounts officer.

(v) the utilization certificates shall be furnished within a 'reasonable time' after the loan is paid to the institution. the department of central government shall prescribe, in consultation with the ministry of finance, target dates for the submission of the utilization certificates by the department concerned to the accounts officer. the target date shall, as far as possible, be not later than eighteen months from the date of sanction of the loan.

(vi) in respect of loans, the detailed accounts of which are maintained by departmental officers and where consolidated utilization certificates are to be furnished to accounts officer, the period of 18 months shall be reckoned from the expiry of the financial year in which the loans are disbursed. the consolidated utilization certificates in respect of such loans paid each year shall, therefore, be furnished not later than september of the second succeeding financial year.

(vii) the due dates for submission of the utilization certificates shall be specified in the letter of sanction for loan. the target date as specified shall be rigidly enforced and extension shall only be allowed in very exceptional circumstances in consultation with the ministry of finance under intimation to the audit officer and/or the accounts officer, as the case may be. no further loans shall be sanctioned unless the sanctioning authorities are satisfied about the proper utilization of the earlier loan sanctioned to an institution, etc.

rule 257

instalments of loans. when a loan of public money is taken out in instalments, each instalment of the loan so drawn shall
be treated as a separate loan for purposes of repayment of principal and payment of interest thereon except where the various installments drawn during a financial year are, for this purpose, allowed to be consolidated into a single loan as at the end of that particular financial year. In the latter event, simple interest at the prescribed rate on the various loan installments from the date of drawal of each installment to the date of their consolidation shall be separately payable by the borrower. Repayment of each loan or the consolidated loan, as the case may be, and the payment of interest thereon shall be arranged by the borrower annually on or before the anniversary date of drawal or consolidation of the loan in such number of installments as the sanctioning authority may prescribe. The sanctioning authority may allow, in deserving cases a moratorium towards repayment of principal but not for the payment of interest. Should it appear that there is an undue delay on the part of the debtor in taking out the last installment of a loan the authority sanctioning the loan may at any time declare that loan closed, and order repayment of capital to begin. The Accounts Officer shall bring to notice any delay that appears to him to require this remedy and he shall take this step whether or not there are any dates fixed for taking of installments.

NOTE 1. These instructions are applicable mutatis mutandis to loans, the repayments of which are made by other than annual installments.

NOTE 2. It must be remembered that the calculation fixing the amount of equal periodical installments, by which a loan is repaid with interest, presupposes punctual payment of the installment and that, if any installment is not punctually repaid, the interest amount shall need to be recalculated.

Rule 258  (1) Defaults in Payment. The loan sanctions in favour of State or Union Territory Governments and the loan sanctions or undertakings or agreements in case of wholly Government owned companies or Public Sector Undertakings shall invariably include provision for the levy of penal interest or overdue installments of interest or principal and interest. The loan sanctions and agreements in all other cases shall invariably stipulate a higher rate of interest and provide for lower rate of interest in the case of punctual payments. The penal or the higher rate of interest, as the case may be, shall not, except under special orders of Government, be less than two and half per cent per annum above the normal rate of interest prescribed by Government from time to time for the loans advanced.

Rule 258  (2) Any default in the payment of interest upon a loan or in the repayment of principal, shall be promptly reported by the Accounts Officer, to the authority which sanctioned the loan. The responsibility of the Accounts Officer, under this rule refers only to the loans, the detailed accounts for which are kept by him.

Rule 258  (3) Procedure to be followed in case of defaults in repayment of interest free loans or loans sanctioned at concessional rates of interest:

(i) In the case of grant of interest free loans e.g., loans to technical educational institutions for construction of hostels, prompt repayment shall be made a condition for the grant of interest free loans. The sanction letter in such cases shall 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.

(ii) In the case of loans sanctioned at concessional rates of interest the difference between the normal rate and concessional rate, shall be made conditional upon prompt repayments of principal and payment of interest thereon by the entity concerned.

(iii) In the cases where in addition to interest free loans, subsidy is also provided to meet running expenses the sanction letter shall provide that in the event of any default in repayment, the defaulted dues would be recovered out of the subsidy payable.

Rule 258  (4) On receipt of a report of default referred to in sub-rule (2) above, the authority concerned shall immediately take steps to get the default remedied and also consider enforcement of penal or higher rate of interest on the overdue amounts. Where the sanctioning authority