

# Loans & Advances

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By

**G.V.V.SUBBA RAO,**

Finance Manager, TUFIDC Ltd., Hyderabad

# LOANS & ADVANCES

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- *Articles 226 to 244 of T.S. Financial Code Volume-1 deals with Loans and Advances.*

# LOANS & ADVANCES

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- **Articles 226:-** The following interest bearing advances are included under this head.
  - A) Advances for purchase of Motor Cars
  - B) Advances for the purchases of other conveyance
  - C) Passage Advances
  - D) Advances for the purchase and construction of houses
  - E) Advances for the purchase of horses and Saddlery, and
  - F) Other Advances

# LOANS & ADVANCES

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- ***Articles 227:-*** Discuss General Principles.
  - 1) Adhere strictly to Standard of Financial Propriety (**Article 3**)
  - 2) Permanent Government Servant
  - 3) Interest:- Simple Interest
  - 4) Repayment

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- *Articles 228:-* Sanctioning Authority
- *Articles 229:-* Procedure for sanction
- *Articles 230:-* Advances for purchase of Motor Car
- *Articles 231:-* Purchase of Motor Cycle

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- *Articles 232:-* Other than Car and Motor Cycle
- *Articles 233-A:-* Advances for purchase and construction of Houses
- *Articles 239:-* Advances on Transfer ( Advance of Pay/ Transfer TA)
- *Articles 242-B:-* Festival Advances

# LOANS & ADVANCES

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- ***Articles 242-C:-*** Ex-Gratia payment to the Families of Government Servants who die while in service
- ***Articles 244:-*** Advances to Junior IAS and IPS Officers.

# LOANS AND ADVANCES

## GENERAL PRINCIPLES TO KEPT IN VIEW FOR SANCTIONING LOANS AND ADVANCES

1. Where both wife and husband are employees, only one among them is entitled.
2. Repaying capacity of the Govt. Servant should be assessed before sanctioning by the competent Authority.



# LOANS AND ADVANCES

## GENERAL PRINCIPLES TO KEPT IN VIEW FOR SANCTIONING LOANS AND ADVANCES

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3. Sufficient budget provision must be there for the advance.
4. To safe guard the interests of Govt. necessary documents should be obtained from the Govt. Servant before sanction of the loan, and even after sanction of the loan amount.

## GENERAL PRINCIPLES TO KEPT IN VIEW FOR SANCTIONING LOANS AND ADVANCES:

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### 5. Article-3 (Standards of Financial Propriety) of T. S. Financial Code Volume-I should be adhered

**Articles 3:-** No Government Servant may incur any item of expenditure from public funds unless the following two conditions are both satisfied.

- *(a) the expenditure must have been sanctioned by a general or special order of the authority competent to sanction such expenditure ; and*
- *(b) sufficient funds must have been provided for the expenditure in the Appropriation Act(s) for the current financial year or by a reappropriation of funds sanctioned by the authority competent to sanction such a reappropriation.*

## GENERAL PRINCIPLES TO BE KEPT IN VIEW FOR SANCTIONING LOANS AND ADVANCES:

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- *Articles 3 Contd...*

Every Government servant who incurs or authorises the incurring of any expenditure from public funds should see that it does not contravene the following principles, which are known as the **Standards of Financial Propriety**:

(1) The expenditure should not be prima facie more than the occasion demands

(2) No Government servant should exercise his powers of sanctioning expenditure so as to pass an order directly to his own advantage

## GENERAL PRINCIPLES TO BE KEPT IN VIEW FOR SANCTIONING LOANS AND ADVANCES:

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- ***Articles 3 Contd...***

(3) Public moneys should not be utilised for the benefit of a particular person or section of the community unless ...

- i) the amount of expenditure involved is insignificant, or
- ii) a claim for the amount would be enforced in a court of law,  
or
- iii) the expenditure is in pursuance of a recognised policy or custom

(4) The amount of any allowance, such as a village allowance, granted to meet expenditure of a particular type, should be so regulated that it is not, on the whole, a source of profit to the recipient.

## **GENERAL PRINCIPLES TO KEPT IN VIEW FOR SANCTIONING LOANS AND ADVANCES:**

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6. Advances should not be sanctioned for clearance of personal loans.
7. Marriage advance can be sanctioned even after the event, if the application was made prior to the event.

## GENERAL PRINCIPLES TO KEPT IN VIEW FOR SANCTIONING LOANS AND ADVANCES:

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8. With the permission of the Head of the department, second Mortgage may be created for loans under House Building advances for meeting balance cost of house by recognised financial institutions like Banks, Co-operative Societies & other Public companies formed for the purpose.
9. In respect of purchase of Motor Cycle/Scooter, **50% of the budget allocation** shall be utilised for purchase of **Electric Vehicles**.

# GUIDELINES FOR BUDGET ALLOCATIONS

- 1.The Head of the Department must allocate at least 70% for District offices
- 2.The Head of office must be set apart at least 1/6<sup>th</sup> for Last Grade Employees
- 3.Seniority Register must be maintained and applications must be considered on seniority basis
- 4.No piecemeal sanctions for site, ready built house and repairs

# DEFECTIVE APPLICATIONS

1. The defective applications should be returned *within 3 days* from the date of receipt.
2. The applicants may be given *15 days time* to resubmit the applications duly rectifying the omissions/defects etc.
3. In case the applicant resubmits the application within the stipulated time, the **original date of receipt of application** may be reckoned for the purpose of seniority.



# Surety

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(a) should be Permanent Government Servant

- (b) must be drawing not less than the pay of the applicant
- (c) should have at least 3 years of service left for superannuation on the date of execution of Bond.
- (d) should not be a loanee.
- (e) should not have stood as surety in any other case.

- TYPES OF LOANS

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- I. INTEREST BEARING LOANS:-

- II. NON-INTEREST BEARING LOANS;-

# I. INTEREST BEARING LOANS

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4 TYPES:- 1) House Building purposes

2) Conveyance purposes

3) Celebration of Marriages

4) Purchase of Computers

# 1) HOUSE BUILDING PURPOSE

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- i) Purchase of site.
- ii) Purchase of site and construction of house.
- iii) Construction of house on the site already owned.
- iv) Ready built house/ flat.
- v) Repairs, extensions & additions.

# Eligibility for House Building Advance

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- i) Permanent Employee with regular service of 8 years.
- ii) When the Employees Spouse/ minor child does not own a house at the same place.
- iii) A Govt. Servant whose Spouse/ minor child owning a house site is eligible for construction
- iv) Employees not on deputation.
- v) Either spouse only one Govt. servant is eligible.

# Eligibility for House Building Advance

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- vi) If a Govt. Servant owns a house jointly with relatives and desires to build a separate house for his *bona fide* residential purpose.
- vii) No 2<sup>nd</sup> advance is sanctioned for purchase of ready built house/ construction/ site.
- viii) AIS Officers who are not on deputation to the Central Govt. permanently or not on deputation for more than 5 years continuously.

# PROCESS OF APPLICATION

Nature of Item	Site	Construction on Site owned	Site cum Construction	Ready Built House/ Flat	Repairs
Form No.	II	I	I	I	III
Documents required	Agreement	1.Copy of Sale Deed  2.House Plan  3. Detailed Estimates  4.Declaration	1.House Plan  2. Detailed Estimates  3.Declaration	1.Valuation Certification  2.House Plan  3.Declaration	1.Certificate by EE cadre  2.Detailed Plan + Estimates by Competent Authority  3.Approved House Plan
Submission of U.C	2 Months	18 Months	Site : 2 Months Constr.: 16 Months	3 Months	6Months

# SANCTIONING AUTHORITIES

- i) NGOs
  - HEAD OF OFFICE
- ii) HEAD OF OFFICE
  - NEXT SUPERIOR OFFICER/  
HoD
- iii) ALL INDIA SERVICE OFFICERS & HoDs
  - GOVERNMENT



# Quantum of Advance for House Building

*G.O. Ms. No. 59 Fin (HRM.IV) Dept., Dt.22-06-2023 came in to force w.e.f. 22.06.2023.*

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1. Purchase of House Site:- **15 times** of basic pay or **Rs.10.00 lakhs** whichever is less.
2. Repairs, Extensions and Improvement:- **20 times** of basic pay or **Rs.6.00 lakhs** whichever is less.
3. Ready built house/ flat, site cum construction of new house/ flat and for construction of new house/ flat on the site already owned by the Employee:
  - Basic pay up to **Rs.38,890**      **20.00 lakhs** or **72 times** of basic whichever is less
  - Above Rs.38,890 up to **Rs.62,110**      **25.00 lakhs** or **72 times** of basic whichever is less
  - Above **Rs.62,110**      **30.00 lakhs** or **72 times** of basic whichever is less
4. For AIS officers working in the State: **35 lakhs** or **50 times** of Basic Pay which ever is less.

# Mode of Payment- HBA

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- For purchase of site.
  - Repairs/extension/improvement
  - Ready Built House/Flat.
  - Construction on owned site.
  - Site cum Construction.
- Lump sum
  - Lump sum
  - 10% in cash to the loanee and 90% through a/c payee cheque in f/o the vendor.
  - 1/3<sup>rd</sup> at each stage.  
*(At each stage of i) mortgaging the land in f/o Govt., ii) walls reaches lintel level and iii) construction reaches roof level)*
  - 25% for purchase of land
  - 50% on mortgaging the land along with house to be built.
  - 25% when construction reaches roof level.

# Recovery of H.B.A

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•Purchase of site	•72 Instl.(60 Prl.+12 Int.)
•Ready built House/Flat	•300 ,, (240 Prl.+60Int.)
•Const. on own site	•300 ,, (240 Prl.+60Int.)
•Site cum construction	•300 ,, (240 Prl.+60Int.)
•Repairs/Extension/Improvement	• 90 ,, (75 Prl.+15Int.)

# Penal Interest at 1 ½ times the normal rate

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Penal Interest will be charged at **1 ½ times the normal rates** for non-compliance with formalities

- i) Non-observance of HBA Rules.
- ii) Willful delay in complying various formalities.
- iii) Over due monthly installments.
- iv) Failure to utilize the loan within the stipulated period.

# Penal Interest at double the normal rate

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Penal Interest will be charged at **double the rate of normal interest** in case the advance is misutilised or not utilized at all

- i) In case the advances are misutilised or not utilised at all
- ii) If the house is rented out for locating the shops etc.

When the HBA rules are not complied, the loan amount together with interest thereon should be recovered in **Lumpsum under Revenue Recovery Act** and also **disciplinary action** under **CCA rules** shall be taken.

# H .B. ADVANCE - CREATION OF SECOND MORTGAGE ON THE PROPERTY

**As per G.O.MS.NO. 356 Fin & Plg (FW:A&L) DEPT., DT. 18.10.94,**  
*TO MEET THE BALANCE COST OF HOUSE/FLAT BY RECOGNISED PUBLIC COMPANIES FORMED AND REGISTERED  
IN INDIA SECOND MORTGAGE IS ALLOWED BY THE GOVERNMENT.*

- 1) FINANCIAL INSTITUTIONS, BANKING INSTITUTIONS, INCLUDING COOPERATIVE BANKS.
- II) FINANCIAL CORPORATIONS SET UP BY THE STATE GOVT.S WHICH PROVIDE LOANS FOR HOUSE CONSTRUCTION.
- III) APEX CO-OPERATIVE HOUSING FINANCE INSTITUTIONS SUCH AS DELHI CO-OPERATIVE HOUSING FIN. SOCIETY
- IV) PUBLIC COMPANIES FORMED AND REGISTERED IN INDIA

## 2) Purchase of Conveyance

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- **2 TYPES:-**
- i) For purchase of **motor car**
- ii) For purchase of **motor cycle/ scooter**

# Eligibility for Sanction of Conveyance Advances

*PERMANENT GOVT. SERVANT OR APPROVED PROBATIONER ON EXECUTION OF SURETY BOND*

*(G.O. Ms. No. 60 Fin (HRM.IV) Dept., Dt.22-06-2023 came in to force w.e.f. 22.06.2023)*

ELIGIBILITY	MOTOR CAR	MOTOR CYCLE / SCOOTER
Pay Eligibility	Basic Pay of Rs.54,220/- and above	Basic Pay of Rs.32,810/- and above
Quantum	15 Months of Basic Pay or Actual cost of Vehicle or Rs.9 lakhs whichever is less	7 times of Basic Pay or or Actual cost of Vehicle or Rs.1,00,000/- whichever is less
Drawal	2 Months from Date of sanctioning	2 Months from Date of sanctioning
Submission of UC	Within 1 Month from the date of drawal	Within 1 Month from the date of drawal
Interest Recovery	Prl. 135 Int. 65	Prl. 80 Int. 16
Rate of Interest	Class IV 5.00% Others 5.50%	Class IV 5.00% Others 5.50%



### 3. MARRIAGE ADVANCE:-

Regular Employees with 5 years of service including temporary service preceding Regular appointment are eligible.

*(G.O. Ms. No. 60 Fin (HRM.IV) Dept., Dt.22-06-2023 came in to force w.e.f. 22.06.2023)*

	Male	Female
Quantum	For Marriage of male employees themselves <b>or</b> for the marriage of sons of the male/female employees  - 15 months pay or <b>Rs.2,00,000/-</b> whichever is less for <b>Class.IV</b> - 15 months pay or <b>Rs.3,00,000/-</b> whichever is less for <b>others</b>	For Marriage of female employees themselves <b>or</b> for the marriage of daughters of the male/female employees  -15 months pay or <b>Rs.2,50,000/-</b> whichever is less for <b>Class.IV</b> -15 months pay or <b>Rs.4,00,000/-</b> whichever is less for <b>others</b>
Drawal	3 months from the date of Advance	
Utilisation	Within (1) month from the date of marriage or (3) months from drawal	
Rate of Int.	For <b>Class.IV-5.00%</b> ; For <b>others-5.50%</b>	
Recovery	Principal – <b>70</b> ; Interest - <b>10</b>	

## 4. PERSONAL COMPUTER ADVANCE:-

*(G.O. Ms. No. 60 Fin (HRM.IV) Dept., Dt.22-06-2023 came in to force w.e.f. 22.06.2023)*

Eligibility	: Employees drawing basic pay of Rs.24,280/-and above. (Judicial Officers are not eligible)
Quantum	: Actual cost of the Personal Computer or Rs.50,000/-, whichever is less.
Utilisation	: One month
Rate of Interest	: For Class.IV-5.00% ; For others-5.50%
Recovery	: Principal –135 ; Interest – 65

## II. NON-INTEREST BEARING LOANS:-

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- 1) Festival Advance
- 2) Special Festival Advance
- 3) Education Advance

# NON-INTEREST BEARING LOANS

Nature of Item	Festival Advance	Special Festival Advance	Education Advance
Eligibility	All Employees including temporary with (1) year of service, once in a financial year	All Employees including class-IV, once in a financial year	Non-Gazetted Officers including class-IV, once in the Academic year
Quantum of Amount	Rs.6,000/- for class IV Employees; Rs.8,500/- for others whose Scale of Pay is Rs.38,890 - Rs.1,12,510 or below	For G.Os: Rs.8,500/-;  For N.G.Os: 7,000/- ;  For Class-IV: 5,500/-	Rs.15,500/-
Recovery	(10) Equal Monthly installments	(10) Equal Monthly installments	(10) Equal Monthly installments

# Rate of Interest

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For class-IV employees – 5.00%

For others – 5.50%

# Formula for Calculation of Interest

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$$\text{Interest} = A \times \frac{1}{12} \times \frac{r}{100}$$

**A** = Total diminishing balance

**r** = rate of interest

# Interest Calculation

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A Government servant was sanctioned a loan of Rs.1,00,000/- in February 2024 and it is repayable in 10 equal monthly installments commencing recovery from the pay of March 2024 payable on 1<sup>st</sup> April, 2024. He was on EOL during May & June 2024. The rate of interest is 5.5% P.A.

Calculate the interest payable by him?

Interest Calculation (Amount in Rupees)				
Sl. No	Month & Year	Loan amount	Recovery	Balance
1	February 2024	100000	0	100000
2	March 2024	0	0	100000
3	April 2024	0	10000	90000
4	May 2024	0	10000	80000
5	June 2024	0	0	80000
6	July 2024	0	0	80000
7	August 2024	0	10000	70000
8	September 2024	0	10000	60000
9	October 2024	0	10000	50000
10	November 2024	0	10000	40000
11	December 2024	0	10000	30000
12	January 2025	0	10000	20000
13	February 2025	0	10000	10000
14	March 2025	0	10000	0
Total		1,00,000	1,00,000	8,10,000



# Waiver of outstanding dues in respect of deceased Govt. Servant

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- 1) *As per G.O.Ms.No.388 F&P (FW A&L) Dept. Dt:27.11.93, the M.A./Bicycle/ Spl. Festival Advance/ Educational advances including interest will be waived.*
- 2) *As per G.O.Ms.No.311 F&P (FW A&L) Dept. Dt:06.11.96, the HBA including the additional loan together with interest will be waived.*
- 3) *As per G.O.Ms.No.167 F&P(FW A&L)Dept.Dt:4-10-99, Interest part of motor car/ motor cycle/ moped/ computer will be waived. But, principle amount will be Recovered.*
- 4) *As per G.O. Ms.No.154F&P(FW:A&L) Dept.Dt:9-11-2000, Even principle amount of motor car/motor cycle/moped/computer will be waived.*

- Any questions?
- Thank you for your attentiveness