



Grants-in-Aid and Loans

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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.

Who are eligible?

- **Grants-in-aid including scholarships** may be sanctioned by an authority competent to do so under the Delegation of Financial Powers Rules to:
 - **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.
 - **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.

Who are eligible?

- **Educational and other institutions** by way of scholarships or stipends to the students.
- **Urban and Rural** local self- government institutions
- **Co-operative societies.**
- **Societies or clubs** set up by Government servants to promote amongst themselves social, cultural and sports activities as recreational avenues.

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

- **No new autonomous institutions should be created by Ministries or Departments** without the approval of the Cabinet.
- **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.
- **Stringent criteria should be followed** for setting up of new autonomous organisations and the type of activities to be undertaken by them.

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

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

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

- 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.
- **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.

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

- 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.
- 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.

Principles and Procedure for award of Grants-in-aid

Rule 230 (4)

- **Recurring Grant** is defined as one which is released periodically to the same organization for the same purpose.
- **Non- recurring Grant** is one time release to an organization 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.

Principles and Procedure for award of Grants-in-aid

- **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.

Unspent Balance of Grant

- 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.
- **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.

Condition to dispose Assets

- **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 **quantum 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.

Ownership of Government

- **Rule 230 (13)** 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 **suitable 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.

Refund of unutilized Grant

- **Rule 230 (15)** Grants-in-aid may be sanctioned to meet the bonafide expenditure incurred **not earlier than two years prior** to the date of issue of the sanction.
- **Rule 230(16)** The stipulation in regard to **refund of the unutilized amount of Grant-in-aid with interest** thereon should be brought out clearly in the letter sanctioning the Grant as well as in the bond so required to be executed.

Grants to Voluntary Organisations

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 organizations to ensure a certain minimum staff structure and qualified personnel to improve their effectiveness and expand their activities under the following conditions:
 - **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;
 - **Grants-in-aid to meet administrative expenditure** to any private institutions other than the voluntary organizations should not ordinarily be sanctioned. In exceptional cases such Grants can be considered for sanction in consultation with Internal Finance Wing.

Grantee to submit Executive bond

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

GIA to CSS

- **Rule 232 - General Principles for award of Grants-in-aid for Centrally Sponsored Schemes**
- 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.
- 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.
- **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.
- The release of funds to State Governments and monitoring further utilisation should be **undertaken through PFMS**.

Accounts and Audit

- **Rule 235 Accounts of Grantee Institutions:**

Institutions or Organisations receiving Grants should, 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,

Audit of Accounts

- 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 the 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.

Submission of annual accounts -Time Schedule

- **Rule 237** 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:-
 - **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**
 - **Issue of the final SAR** in English version with audit certificate to Autonomous Body/ Government concerned-**31st October**
 - **Submission of the Annual Report and Audited Accounts** to the Nodal for it to be laid on the Table of the Parliament-**31st December**

Utilization Certificates – Time limit

- **Rule 238 (1)**
- 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.

Utilization Certificates – Recurring Grants

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 utilisation 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.

Utilization Certificates –Central Grants

- **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.
- 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.

Utilization Certificates - DBT

- **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.

Discretionary Grants

- **Rule 243**
- 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.

Recurring Grants - Associations

- **Rule 245(1)**-Regulation of recurring Grants-in-aid for Government employees' welfare :
- 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 Grant in aid will be admissible on the basis of the total strength borne on the regular strength of an organization

What is a Loan?

- A loan is a form of debt incurred by an individual or other entity.
- The lender—usually a corporation, financial institution, or government—advances a sum of money to the borrower.
- In return, the borrower agrees to a certain set of terms including any finance charges, interest, repayment date, and other conditions.

Loans

Rule 246 These rules in respect of **all loans 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.

Loans

- **Rule 250 (1) General conditions for regulating all loans** : All loans shall be regulated by the following general conditions :-
 - 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.
 - The **term is to be calculated from the date** on which the loan is completely drawn or declared by competent authority to be closed.
 - The **repayment of loans shall be effected by instalments**, which shall ordinarily be fixed on annual basis, and with due dates of payment being specially prescribed.

Loans

- **Rule 250 (3) Loan Applications from parties**

- (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 materials 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.

Loans

- **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.
- **Number of days X Yearly rate of interest / 365 (366 in case of a leap year)**

Loans

- **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, Statutory Corporations, financial, industrial and commercial undertakings in the Public Sector shall be strictly followed.
- **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.**

Loans

- **Rule 256 (1) Submission of Utilization Certificate, Reports, Statements, etc.**
- **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 be agreed to between the Audit Officer and/or the Accounts Officer, as the case may be, and the Ministry or Department concerned.
- **(ii) A Certificate of Utilization of the loan** shall be furnished to the Accounts Officer in every case of loan made for specific purposes, even if of the any conditions is not specifically attached to the grant.

Loans

- **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 instalments 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**
- **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 on overdue instalments of interest or principal and interest.**

Loans

- **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.
- **Rule 259 Irrecoverable Loans.**

A competent authority, after prior approval of the Ministry of Finance may remit or write off any loans owing to their irrecoverability or otherwise.

Thank you

The text "Thank you" is written in a dark blue, elegant cursive font. The letters are fluid and connected, with a prominent loop on the 'T'. Below the text is a soft, light blue reflection that mirrors the shape of the letters, creating a sense of depth and a polished, professional appearance.

Moratorium:

an authorized period of delay
or temporary suspension in the
performance of an obligation

