

Government of West Bengal
Finance Department
Budget Branch

No. 3173 - F.B.

Kolkata, the 30th March, 2012

From : A.R. Chakraborty
Special Secretary
Government of West Bengal.

To : The Accountant General (A&E), West Bengal,
(Book II Section), Treasury Buildings, Kolkata – 700 001

Subject : Loans and Advances of the State Govt - Interest rates and other terms and conditions for the year 2011-2012

Sir,

In continuation of this Deptt. Order No. 643 - F.B. dated the 31st March, 2011, I am directed to say that the Governor has been pleased to fix the following rates of interest for the year 2011-2012 in respect of different categories of loans mentioned below along with other terms and conditions :

<u>I. Category of borrower and type of loan</u>	<u>Rate of interest per annum</u>
1. Loans to Local Bodies - Municipal Corporations, Municipalities, Improvement Trusts, Development Authorities, Zilla Parishads, Anchalic Parishads, Panchayat Samities, Housing Boards etc.	13.00
2. Loans to Co-operative Societies (excluding Loans financed by the NABARD, NCDC etc.)	10.00
3. Industrial & Commercial Undertakings of the State Government	
(a) State Electricity Corporations / State Transport Corporations	
(i) Working Capital Loans / Loans for Meeting Cash deficit	13.50
(ii) Loans for other purposes	11.50
(b) Other Public Undertakings :	
(i) Working Capital Loans / Loans for Meeting Cash Deficit	13.50
(ii) Loans to WBREDC under RE (MNP)	10.00
(iii) Loans to WBREDC under REC	5.50
(iv) Loans for other purposes	11.50
4. Loans for Payment of Sales Tax Arrear to the Sick Units	9.25
5. Industrial and Commercial Undertakings in the Private Sector	12.00
6. Ways & Means Advances / Short term Loans (Recoverable within the year)	6.75
7. Other Miscellaneous Loans	11.50

II. Terms and conditions applicable to loans under categories 1 to 7 above as follows :-

1. Recovery of Loan

(a) Rebate : The interest rates prescribed above assume timely repayments and interest payments and hence no further rebate in rates is to be allowed for timely payments.

(b) Recovery of Principal

- (i) Recoverable within the period to be specified in each case of sanction of loan in equal annual instalments commencing from the first anniversary date of drawal of loan unless a moratorium is allowed.
- (ii) The period for repayment of loans for all parties should be restricted to the minimum possible. Normally, no loan should be granted for a period exceeding 10 years.
- (iii) The period of repayment of working capital loans should preferably be restricted to 2 or 3 years. In no case, however, the period of these loans should exceed 5 years.

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- (i) Unless otherwise specified in each case of sanction of loan, interest will be payable annually on the principal amount outstanding from time to time. Moratorium on the payment of interest will not be allowed except under special circumstances of any case. The payment of interest will start from the first anniversary date of drawal of loan.
 - (ii) The rate of interest will be 1% lower than the prescribed rate in case of the loans sanctioned for the period not exceeding 5 years.
 - (iii) The rate of interest on loans sanctioned in respect of Externally Aided Project including Back to Back out of the loan assistance from World Bank/A.D.B etc. will be same at which it is received. Repayment period of such loans shall be not more than 10 years.
- (d) Penalty Clause : The loan sanctions/agreements should invariably include a penalty clause providing for levy of a penal rate of interest in the event of default in repayment of instalment(s) of principal and/or interest. The penal rate of interest should not be less than 2.50% above the normal rate of interest at which the loan is sanctioned.
2. This order will not, however, supersede the rates already fixed for the year 2010-2011 in any individual case of loan. This order will not also affect the special rates, which have been fixed under special circumstances of any case.
 3. This order will not affect the rate of interest and terms and conditions fixed for the loan under different housing schemes of the State Govt. viz. MIGHS, LIGHS, etc. which are financed by loans from the lending institutions like the LIC, GIC, HUDCO, etc. as well as for the loans to Co-operative Societies financed out of funds provided by NABARD and loans from the NCDC, IDC, etc. In these cases, rate of interest will continue to be fixed separately in consultation with this Department on the basis of the interest rates of the lending institutions and the proposal of the Administrative departments concerned (viz. Housing Department, Co-operation Department, Animal Resource Development Department etc.).
 4. The rate of interest and terms and conditions of repayment of loans and advances by the State Government fixed in this Order will not apply in the case of loans and advances to the Closed and Sick Industries for which terms and conditions should be settled by the Admn. Departments in individual case, if not already done, in consultation with this Department.
 5. I am further to state that the flat rate of interest for all capital expenditure whether financed from loans or not, for the year, 2011 - 2012 has been fixed at 6% per annum.
 6. The Departments are required to keep a close watch on timely repayment of loans advanced by them and recovery of interest thereon. The Departments must consider the question of adjustment of defaulted dues while sanctioning a fresh loan to a borrower who has earlier defaulted.
 7. Individual cases relating to terms and conditions of loan need not be referred to Finance (Budget) Department unless it is proposed to deviate from those laid down in this order or a moratorium on repayment of principal/interest is proposed.
 8. As regards rates of interest on loans and advances to Government servants etc., separate Government orders are being issued.

Yours faithfully



Special Secretary

No. 3173 / 1 (79) - F.B.

Kolkata, the 30th March, 2012

Copy forwarded for information and necessary action to:-

- 1) The Principal Accountant General (Audit), West Bengal, Treasury Buildings, Kolkata - 700 001
- 2) The Accountant General, (RW & LBA), West Bengal, C.G.O. Complex, 3rd M. S.O. Buildings, 5th Floor, DF-Block, Salt Lake, Sector-I, Kolkata-700 064.
- 3) The Pr. Secretary / Secretary,Department.

sd/-

Special Secretary