

The State Government hereby makes the following rules for regulating the manner of giving guarantee by Government, namely :-

RULES

1. (i) These rules may be called the **Chhattisgarh State Government Guarantee Rules, 2003**.
(ii) They shall come into force at once.
(iii) They shall apply in all case where the State Government stands guarantee for repayment of loans and interest thereon under article 293 of the Constitution of India.
2. **Ceiling of Government Guarantees-** The total outstanding Government guarantees in a financial year shall not exceed seventy percent of the State revenue receipts in the preceding year as in the book of the Accountant General.
3. **Application for loans** – (i) The borrowing institution shall apply to its administrative department for grant/sanction of a guarantee.
(ii) The application shall contain the following particulars, namely:-
 - (a) Name of the borrowing institution;
 - (b) Name of the lending institution;
 - (c) The amount proposed to be borrowed for which guarantee is sought;
 - (d) Rate of interest;
 - (e) Public interest proposed to be served by the loan;
 - (f) Period and schedule of repayment;
 - (g) Whether the guarantee is needed only for the payment of principal or both for principal and interest;
 - (h) Currently outstanding loans of the institution wherefrom the proposed loan is applied for, and also currently outstanding loans of other institution/govt against the borrowing institution, and their schedule of repayment;
 - (i) Details of default, if any, in repayment of existing loans;

- (j) A cash flow statement indicating how the existing loans and the proposed loans are to be repaid;
- (k) Financial status of the borrowing institution as indicated by its trading accounts, profit and loss accounts, balance sheet for the previous 3 years.
- (iii) On the basis of the particulars furnished in the application, or otherwise, the administrative department shall satisfy itself from an examination of latest balance sheet or other record of the borrowing institution whether the loan should be guaranteed or not and after such satisfaction, will forward the case to the Finance Department for scrutiny and concurrence.
- (iv) On receipt of the case from the administrative department, the Finance Department shall examine it and if it is satisfied that the borrowing institution is financially sound and there is no risk involved in giving guarantee, it may agree to the proposal.
- (v) After financial concurrence, the administrative department shall obtain order of the Council of Ministers and issue Government order in this behalf. A copy of the order shall be endorsed to the Accountant General, Chhattisgarh, Raipur through the Finance Department.
- (vi) Simultaneously, the concurrence of Reserve Bank of India, Mumbai may be obtained prior to State Government giving guarantee except in the case when guarantee is given to a Co-operative/Commercial Bank and such a reference be routed through Finance Department.

4. Particulars to be included in the order – The Government order referred to in rule 2 above shall specify clearly the amount guaranteed, the period of guarantee, rate of interest, whether interest payment is also guaranteed, and the rate of guarantee fee.

5. Guarantee Fee – Unless exempted specifically, in consultation with the Finance Department, guarantee fees shall be charged from the borrowing institution at a rate, in a manner and within a time period specified by the Government from time to time. The fees shall be credited to the Government account under the head "0075 – Other General Economic Services- Other Receipts – Guarantee Fees"

- 6. Execution of agreement – (i)** In order to safeguard the Government's financial interest, in all cases in which loans are guaranteed by the Government, the administrative department should enter into a separate agreement both with the principal debtor and the creditor, provided that no such agreement shall be necessary in cases where the guarantee is given under statutory provisions. A copy of such agreement be sent to Accountant General, Chhattisgarh under intimation to Finance Department.
- (ii) The agreement so executed should as far as possible include the following conditions, namely :-
- (a) representation of Government in the management of the borrowing institution ;
 - (b) securing of the Government interest by creating a charge in favour of the government on the immovable properties of the borrowing institution;
 - (c) calling periodical reports from the borrowing institution;
 - (d) power of inspection of accounts of the borrowing institution by officers to be nominated by the Government;
 - (e) the guarantee shall be entitled to all rights available to the guarantor under chapter VIII of the Indian Contract Act, 1872;
- 7. Maintenance of Record in the Administrative Department –** The concerned administrative department shall maintain a complete record of all guarantees given by it showing the due dates of repayment, the date on which repayments is actually made and such other particulars as may be considered necessary for securing Government interest.
- 8. Periodical Reports -** In order to enable it to keep a watch on the repayments the administrative department may prescribe periodical reports to be furnished by the borrowing institution.
- 9. Repayment - (i)** It shall be the responsibility of the administrative department to ensure that repayments are made punctually and if the borrowing institution makes a default in

payment, the administrative department shall repay the installments due without any delay and shall also institute steps to recover the amount together with interest from borrowing institution.

- (ii) The rate of interest to be charged by the Government from a defaulting institution shall be 2% higher than the rate at which Government had to pay interest to the creditor on the defaulted installment.

10. Report to Finance Department in case of Default – All cases where the borrowing institution had defaulted in making repayments and Government have had to make payments on its behalf shall forthwith be reported to the Finance Department by the Administrative Department.

11. Guarantee to Private Institution – No State Government guarantee shall normally be given in favour of a private institution.
