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***Government Business And Banking Sector- Strengthening Partnerships To Promote Accountability****Vandana Sharma*

The first session on the second day of deliberations in the International Seminar on “Accounting for Results” was on the partnership between the Government and the banking sector and the strategies required to strengthen this partnership. The session was chaired by *Mr. Abdullah-Al-Mamun*, Controller General of Accounts (Bangladesh). The panellists were *Mr. Arun Kumar Purwar*, Chairman, State Bank of India and *Mr. Aditya Puri*, Managing Director, HDFC Bank Limited.

Public expenditure plays an important role in the growth of the economy and to the extent Government transacts business through the banks, whether in the public sector or the private sector, the nature of the partnership between the two would have an effect on the outcome of public spending. The Chairman in his opening remarks highlighted the need for constant interaction between the partners as well as the need for the two partners to work in tandem.

The discussion initiated by the Chairman, State Bank of India brought out the importance of the public expenditure as the major contributor to growth in economy. He stated that contrary to the common view, experience of East Asian countries had shown that increased public sector expenditure was not detrimental to economy and in fact would bring about accelerated growth - what matters more is the efficiency with which this money is spent.

The most important role of any Government would be to have a vision for the country and then facilitate the desired change. Therefore, while the Government expenditure should be focused in areas of education and health, development of infrastructure of the country, the country should use its I.T. supremacy to its advantage and aim at being a global health care centre, back office service provider, education centre and biotech hub. There was also a need for the Government to lay emphasis on improving the tax collection system, making effective use of allocated resources, retooling/changing mindset of employees and improving cost recovery from major projects. A strong and stable banking could facilitate the Government by speedy revenue collection and timely disbursement thus facilitating timely and effective utilisation of planned expenditure and consequent achievement of growth targets.

*Arun K. Purwar* further stated that on a rough estimate the Central and State Government transactions put together were Rs.12, 000 billion. Most of the revenue was on account of tax collection and Government borrowings, which gives the banking sector ample opportunity to affect Government business. There are, at present, more than 20,000 branches of Public Sector Banks handling Government business with the State Bank of India holding a major share in

Government business with a network of over 14000 branches of the State Bank group. In its attempt to facilitate Government business, the bank planned widespread use of technology. It was anticipated that by March 2005, there would be 2000 branches of State Bank of India offering the Core Banking Solution for improving tax collection. Under the Universal Computerisation Project by 2004 all branches would be computerised. The other projects envisaged for providing better service to the Government sector were the Single Window System for all Government business, the EDI Project for Port authorities and an online tax collection and deposit system for the Metros. The Andhra Pradesh Government has already implemented a scheme for centralised disbursement of salary and the SBI was prepared to set up special branches for handling this work for Central Government Employees.

He, however, felt that for optimum benefits to flow it was necessary that the Government should also simultaneously upgrade technology to the same level as that being attempted by the banks. Some suggestions offered were electronic freight handling terminals for the Railways and tax collection and refunds based on debit/credit cards, etc. He also suggested that a sustained programme of Human Resource Development to upgrade skills of operating staff, improved reporting of financial and physical parameters full computerisation of the entire process, simplification in the mode of tax collection and improved reporting of administrative data would go a long way in this endeavour. These measures would provide greater transparency and accountability. Chairman, SBI visualised SBI as a financial conglomerate providing a complete value change to a collective online government accounting and customer convenience system through its vast network of 14000 branches in the country and 51 offshore offices.

*Aditya Puri* stated that there was widespread change in all areas in the world be it political, economic or technical. Restricting the discussion to the technological aspects he stated that with the convergence of telecommunication, computing and media coupled with the exponential reduction in cost of communication and computing and the advent of outsourcing institutions, a substantial opportunity has been created both for the Government and for the financial institutions. The cost efficiency plus better business information, which these changes in technology brought about, could be used in a multiplicity of ways. The objective, however, was better customer service where customer could be defined as an individual or the Government in the case of the banking sector.

Similar changes would be required both in the Government and the private sector simultaneously. Also, it was critical that the change was a comprehensive one covering data, data collection and processing since piecemeal conversions would not bring about the desired results. Only such radical changes could bring about reduced cost and increased efficiency right across. Both in the Government and the private sector there was an opportunity and the need to move data and applications to a centralised environment. There was an urgent need also to consolidate all I.T. operations. Giving an example of the advantages accruing from a Single Tax Payer database he explained how this could result in all round benefits with substantial reduction in

cost and computing, ease in managing the database, optimum utilisation of hardware as well as human resources and ease in building up expertise.

For greater operational efficiency, it is equally necessary to centralise and consolidate systems. For instance a centralised database connecting a number of organisations for electronic data interchange could be used for a more effective tax estimation and collection system which could track down expenses incurred by income tax assesses. This could reduce leakage and substantially improve efficiency. A number of suggestions were offered by him under the Government to Common Man initiatives for disbursement of pensions, salary, grants, refunds and bulk printing of financial instruments etc. With this, the workload of the Government could be eased substantially by the right technological infrastructure on both sides. This would, however, require a change in the mindset and most important of all the will to bring about such changes. With such initiatives using technology with right architecture, the banking sector could help reduce the government's workload and improve service to customers. Straight through processing is important as it helps reduce everything connected to human frailty be it mistake or greed.

The presentation was followed by a lively discussion with the audience where an assurance was given that both private and public sector banks are aggressively strengthening and consolidating partnerships with the Government. However, this was being done in a spirit of healthy competition. On a query, from the audience, *V.S. Das*, Chief General Manager, Reserve Bank of India stated that a wider issue leading from technology was that of an urgent need of work-process-reengineering at both ends. This would require a fresh look at outdated rules and procedures like the Government Treasury Rules, to facilitate for instance, the direct transfer of data to the central database of the Government without too many intermediaries. On account of the proliferation of over 30,000 paying branches of the Public Sector Banks, RBI also needed to curtail its retail operations with the Central Government. Also there was pressure on the Government as well as the RBI to permit private sector banks to conduct business with the Government in competition with the public sector banks.

#### **Conclusions & Recommendations:**

- ❖ Greater emphasis should be placed on the use of Information Technology to strengthen Government-Banking partnership and for increased transparency, efficiency and operational effectiveness.
- ❖ To derive optimum benefits technological upgradations and work process reengineering should be done simultaneously at both ends, i.e. Banks and Government.
- ❖ To benefit from cost savings and enhanced efficiency, centralization should be aimed at for data collection, processing and consolidation.

- ❖ Banking sector should perform its role relating to government transactions in an environment, which is competitive. This will, in turn, promote efficiency.