

Section 4 - Group's Observations and Recommendations

Approach of the Group

4.1 The Group recognised the importance of transparency, that is, accurate and timely information dissemination with regular frequency and in a readily accessible manner. Such transparency is required not only in the context of the international financial system which is the central concern motivating the framers of the SDDS, but also, in the Group's view, for ensuring the healthy functioning of the domestic system. When such data dissemination is done by a large group of countries in a standardised format, there are advantages of cross-country comparisons and possible derivation of appropriate lessons. (para 1.5)

4.2 In the context of the above wider view of the data requirements, deliberations of the Group did not confine themselves to issues pertaining to SDDS alone. There exists scope for further improvement in regard to data gathering and data dissemination. Therefore, the Group has taken this opportunity to attempt a separate set of recommendations on India's financial sector statistics outside its terms of reference (para 1.10).

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Data Template on International Reserves and Foreign Currency Liquidity

4.3 After the south-east Asian crisis, the IMF felt that additional information on countries' international reserves and foreign currency liquidity were required to be disseminated on a timely basis (para 2.2).

4.4 The new data template established standards for the provision of information to the public on the amount and composition of official reserve assets, other foreign currency assets held by the monetary authorities and the central government, short-term foreign currency obligations, and related activities (such as financial derivatives positions and guarantees extended by the government for quasi-official and private sector borrowing) of the monetary authorities and the central government that can lead to short-term drains on reserves and other foreign currency assets (para 2.3).

Bulk of the Categories Observed

4.5 Thanks to its more advanced information base built over decades, there are a large number of data categories under which India has been disseminating information more frequently and with a shorter time-lag than those prescribed by the IMF under the SDDS. Thus, India's record of SDDS compliance based on original specifications for the coverage, periodicity and timeliness of the data, as also for the dissemination of advance release calendars, is truly commendable (para 3.1).

Four Grey Areas

4.6 However, India has chosen to exercise the flexibility option available under the SDDS in respect of the following two categories (para 3.2):

- i. Labour market (real sector) seeking data on employment/unemployment and wages/earnings, and
- ii. General government or public sector operations (fiscal sector).

In respect of the following two categories under the external sector, there is some gap in fulfilment (para 3.2):

- iii. International investment position (IIP)
- iv. Data template on international reserves and foreign currency liquidity.

Labour market

4.7 Considering the complex structural features of the Indian economy, data presently generated and disseminated by India on its employment-unemployment trends are sufficiently scientific and well received. But, the kind of quarterly data that the SDDS proposes on labour market (employment, unemployment and wages/earnings) using the ILO's sophisticated concepts,

definitions and classifications, are impossible of generation if only because of the large agricultural sector and also of sizeable unorganised segments in the non-farm sector. Therefore, the Group concurs with the position taken by the official agencies in this respect that India should opt for "flexibility" option (para 3.4).

General government or public sector corporations

4.8 At present, there are two sub-categories of this general government which would stand excluded; they are: non-departmental non-banking public sector undertakings both at the centre and states level as well as local bodies (para 3.5).

4.9 Local bodies would emerge as a growing segment of general government in the wake of decentralisation measures being undertaken in different parts of the country. Irrespective of its size, it is necessary for the policy-making bodies as well as the public at large to have an insight into the overall size of the local body finances. Therefore, the Group suggests that the CSO, Government of India, State Governments and the RBI co-ordinate their data gathering / compiling activities in these respects and agree to disseminate full sets of data in respect of general government including those for (i) public sector undertakings and (ii) local bodies. In this regard, the authorities may put forward a time-table for the dissemination of data for general government operations (or total public sector operations) including the data for these two sub-sectors (para 3.6).

International investment position (IIP)

4.10 The Group understands that the IIP data for the components prescribed by the SDDS are being compiled and that they will be disseminated not later than September 30, 2002, that is six months after the end of the financial year 2001-02. If the above is achieved, the data for the immediate next financial year ending March 31 2002 would be made available within six months after the end of that year (paras 3.7 & 3.8).

Data template on international reserves and foreign currency liquidity.

4.11 As explained earlier, this data template was a later development subsequent to the south-east Asian crisis. Until then India was fully complying with the dissemination guidelines regarding its international reserves position (para 3.9).

Sensitive Issues and Disclosure by Central Banks.

4.12 One of the major concerns of a central bank is to maintain the stability of the domestic currency's exchange rate. It is an established view that if central banks reveal their full position to the market in the name of transparency, the intervention will not be effective as the market will precisely know the striking power of the central bank (para 3.11).

4.13 Central banks in such circumstances have to operate both in the spot and forward markets to keep the volatility in the foreign exchange market under check as also to maintain the forward curve at a desirable level. Full transparency in forward liabilities of the central bank would reveal positions to the market players and in the process, reduce the effectiveness of intervention operations (para 3.12).

4.14 As brought out in the official position quoted in the Report, the question of disclosing certain aspects of foreign exchange reserves such as currency composition of RBI's foreign exchange assets or the maturity break-up of forward liabilities, is an extremely sensitive issue (para 3.16).

4.15 In view of the above considerations, it is better that India takes a view, which may go to support similar positions being taken by many other developing countries, that at this stage of the country's market depth and development, it is not possible for the country to comply with some of the sensitive details on currency composition of foreign exchange and the maturity break-up of forward liabilities (para 3.18).

Forward Looking Indicator

4.16 At present India has not disseminated any information under the data category 'Forward looking indicators' which is classified as 'encouraged' under the SDDS. However the Group suggests that forward looking indicators should be disseminated in certain sectors viz. the surveys of business expectations (para 3.20).

National Summary Data Page (NSDP) and Hyperlink to the Dissemination Standard Bulletin Board (DSBB)

4.17 At present, in the case of India, the Union Ministry of Finance disseminates SDDS data in respect of all sectors of the economy. However, there are two key lacunae which deserve immediate attention. First, The NSDP is updated only monthly. For some of the data categories appearing on the NSDP, information is available on weekly/ fortnightly basis also which deserve to be incorporated in the NSDP (para 3.22).

4.18 Secondly and more importantly, the site today establishes no hyper-link with the IMF's electronic bulletin board (DSBB). The Group recommends that hyperlink from the DSBB to the NSDP of India should be established (para 3.23).

4.19 Further, in order to facilitate wider use of data by the public at large, the system of hyper-link has to be further extended to take care of the links with more disaggregated information available in respect of the concerned sectors of the economy (para 3.23).

Summary Methodology

4.20 The SDDS prescribes that subscribing member will provide a summary description of methodology for each data category on the DSBB including statements of major differences from international guidelines. At present India has given summary methodology for the data category 'Producer prices' in the Real sector only. The Group suggests that summary methodologies should be presented by the country for all the data categories under the SDDS (para 3.24).

