

## **Appendix V - Working/Technical/Sub Group' Reports and SDDS**

Among the working groups constituted by the RBI in recent years the reports of three working groups pertaining to financial sector and external sector viz. Working Group on Money Supply (Chairman Dr. Y.V. Reddy), Technical Group on External Debt(Chairman: Shri M.R. Nair), Sub-Group on Reporting of Foreign Exchange Transactions by Authorised Dealers (Chairman Shri S.P. Paniyadi) have relevance to the SDDS as discussed below:

### **5.1 Working Group on Money Supply:**

The SDDS prescribes under the data category 'analytical accounts of the central bank' in the financial sector among other items that components should include: reserve money, base money, or the monetary base. A working group on 'Money Supply: Analytics and Methodology of Compilation' (Chairman Dr. Y.V. Reddy) was set up in December 1997 to relook into the methodology of compilation of monetary aggregates in India to ensure proximity of Indian standards in this regard to the international ones. The group defined four monetary aggregates including the monetary base or reserve money that is to be compiled from the balance sheet of the central bank i.e. the Reserve Bank of India. The monetary base or reserve money denoted by  $M_0$  was defined by the group as

$M_0 = \text{Currency in circulation} + \text{Bankers' Deposits with the RBI} + \text{'Other' Deposits with the RBI.}$

The report was submitted in June 1998. Major recommendations of the group include (Source: RBI Annual Report, 1997-98):

- i) The report makes a number of suggestions to strengthen the statistical system in order to enlarge the coverage of financial statistics beyond the traditional confines of the banking sector. Accordingly, the Report proposes compilation of comprehensive analytical surveys of the RBI, commercial and co-operative banks and the organised financial sector at regular intervals.
- ii) Proposes compilation of four monetary aggregates in conformity with the norm of progressivity in terms of liquidity:  $M_0$  (Monetary base),  $M_1$  (narrow money),  $M_2$  and  $M_3$  (broad money).

- iii) Introduction of three liquidity aggregates in order of progressivity -  $L_1$ ,  $L_2$ ,  $L_3$  - incorporating deposits with post office savings bank, term deposits, term borrowings and certificates of deposits of term lending and refinancing institutions (FIs) and public deposits of NBFCs.
- iv) Definition of bank credit to the commercial sector to be broadened by including items not reflected in the conventional bank credit, viz. banks' investments in securities, such as commercial paper, shares, debentures and bonds issued by the commercial sector.
- v) Net foreign currency assets of the banking system redefined to comprise the banks' holdings of foreign currency assets net of (a) their holdings of FCNR(B) deposits and (b) foreign currency borrowings.
- vi) The reporting delays as regards co-operative banks to be reduced to one month for the larger co-operative banks and to three months for the other co-operative banks; and data of a sample of major co-operative banks for only the items of liabilities and assets having a direct bearing on the monetary survey may be reported on a monthly frequency followed by a population survey.
- vii) Preparation of a comprehensive quarterly financial sector survey to provide estimates of credit to the (a) government and (b) non-financial commercial sector; the financial sector would comprise of DFIs (term lending institutions and refinancing institutions), investment institutions (insurance corporations), mutual funds and NBFCs.
- viii) Publication of deseasonalised monetary aggregates in the Weekly Statistical Supplement (WSS) of the RBI on a regular month-end basis.
- ix) The data gathering work relating to monetary/financial aggregates to be completely computerised in the Department of Economic Analysis and Policy (DEAP) of the RBI on user friendly and versatile information technology platforms.

## **5.2 Technical Group on External Debt:**

A technical group on external debt (Chairman: Shri M.R. Nair) was appointed in March 1998 to examine the need to redefine the coverage, compilation and presentation of India's external debt statistics. The major recommendations of the report of the group submitted in May 1998 included publication of External debt statistics on a quarterly basis within a quarter of the reference date. It may be noted here that IMF staff has also proposed that the SDDS prescribes

dissemination of quarterly external debt statistics within one quarter of the reference period (see sub-section 2.8.2 of Appendix II). The Technical Group also recommended compilation and presentation of external debt initially both on original and residual maturity basis, and finally only on residual maturity basis. The Group also made few recommendations on International Investment Position (IIP) of India [suggestions are also made on IIP in the draft of the Report of the Sub-Group (Volume I) on Financial and External Sector Statistics for National Statistics Commission]. The major recommendations of the report of the group are mentioned below (Source RBI Annual Report, 1997-98):

- i) External debt statistics may include NRNR deposits, lease transactions, borrowings by commercial banks including nostro debits, vostro credits, balances of exchange houses held in India, overseas lines of credit and trade related credits of maturity less than six months.
- ii) FIIs' investments in debt instruments may be shown separately in the debt statistics under a new head 'foreign investment in debt securities' further disaggregated into government and non government.
- iii) Compilation and presentation of external debt initially both on original and residual maturity basis, and finally only on residual maturity basis.
- iv) External debt statistics may be published on a quarterly basis within a quarter of the reference date.
- v) The RBI may be empowered with legal authority to collect information from entities with external liabilities and assets.
- vi) A monitoring group on external debt may be set up, with compilation and monitoring of external debt statistics centralised in the RBI.
- vii) A broader measure of the debt-service ratio may be developed to include the principal repayments (including roll-overs) of short term debt and NRI deposits.

### **5.3 Sub-Group on Reporting of Foreign Exchange Transactions by Authorised Dealers:**

With a view to expediting the compilation of quarterly BoP statistics (with the lag not to exceed one quarter) in the context of meeting the provisions of the SDDS by end December 1998, the RBI constituted a sub group (Chairman Shri S.P. Paniyadi) in December 1996 on the

reporting of foreign exchange transactions by the Authorised Dealers (ADs) under the aegis of the Standing Committee on BoP statistics. The group submitted its report in February 1997. The subgroup, inter alia, recommended, and subsequently implemented by the RBI, that purpose wise details of foreign exchange transactions may be collected in floppy diskettes from 421 critical branches of ADs covering about 85 percent of total foreign exchange business, with a view to expediting the compilation of BoP statistics. Implementation of the same helped the RBI to meet the provisions of the SDDS in respect of BoP statistics.