

## Chapter – 5

### COMPUTERISATION OF GOVERNMENT TRANSACTIONS

#### 5.1 Introduction

5.1.1 During the last two years, the Reserve Bank of India, Government Departments and agency banks doing Government business have initiated several steps for computerisation of Government transactions. The RBI has upgraded the computer systems at its Central Accounts Section (CAS), Nagpur, and has started supplying data electronically to the circle offices of several Central Government Ministries. The Public Accounts Departments of the Reserve Bank are also at advanced stage of computerisation. The State Bank of India has also computerised its Government Accounts Division (GAD), Navi Mumbai and other banks have computerised their Link Cells at Nagpur, using 'Stand alone' Personal Computers (PCs).

5.1.2 There are as many as four committees at the Central Government level addressing the issue of computerisation of Government transactions :

- The Working Group on expeditious transmission of tax payment/ challans. information from banks  
(Chaired by the Principal Chief Controller of Accounts, CBDT)
- The Committee for the improvement of tax collection system for quicker remittance of funds to Government Accounts  
(Chaired by the Principal Chief Controller of Accounts, CBDT)
- The Committee to review existing format of receipt and payment scrolls of RBI and public sector banks  
(Chaired by the Joint Controller General of Accounts)
- Joint working Group to study the delinking of Fund Settlement from the submission of scrolls/challans  
(Chaired by the Deputy Controller General of Accounts)

5.1.3 The Committee took note of these developments and took the view that the basic approach should now be on re-engineering the process flow taking advantage of the electronic technology rather than improving the paper-based reporting systems.

At present, the flow of data from the dealing branch of a bank to CAS, Nagpur is as below:

#### Central Government Transactions :

Dealing Branch ⇒ Focal Point Branch (FPB) ⇒ Govt. Link Offices ⇒ CAS, Nagpur  
(----- of the bank -----) (---of RBI---)

#### State Government Transactions :

Dealing Branch ⇒ Govt. Link Branch ⇒ PAD ⇒ CAS, Nagpur

(----- of the bank -----)

(-- of RBI --)

This cycle takes at present over 4 days to complete. With the migration from paper based reporting system to an electronic system, the cycle could be reduced by one-half of the duration of the present cycle.

## **5.2 Activities requiring technology upgradation**

### *5.2.1 Computerisation of branches dealing with Government Transactions*

All branches of banks dealing with Government transactions would need to be computerised. This would not have any significant cost implications considering that banks have already drawn plans for computerisation of at least 70 percent of banking business by January 1, 2001. Branches dealing with Government transactions (Focal Point Branches as well as the Dealing Branches) are generally large branch offices of banks and such a target is likely to cover such branch offices. Accordingly, the Committee suggests the implementation of computerisation in two phases :

#### **Phase I:**

Computerisation of all Focal Point Branches - **By March 31, 2000**  
and State Government Link Cells (SGLC)

#### **Phase II :**

Computerisation of all branches dealing with - **on completion of Phase I Government transactions or simultaneously with Phase I on an expeditious basis**

Efforts would also have to be made to inter-connect the computerised branches dealing in Government accounts with the Link offices / branches, and the Reserve Bank's Public Accounts Department and CAS, Nagpur.

### *5.2.2 Computerisation of offices of PAO and DDO/ TOs*

Computerisation of Government transactions would require computerisation of the respective Government Departments as well. This has already been achieved at the apex level of the Central Government - i.e. at the level of Circle offices and the office of the Controller General of Accounts. They are now obtaining data from CAS, Nagpur for preparation of various accounting statements. They envisage that shortly they would be able to receive data directly from the Circle offices / Pay & Accounts Offices (PAOs). While appreciating this initiative, the Committee recommends that the efforts need be taken to forward scrolls and other data to all PAOs and treasury offices, Drawing and Disbursement Officers (DDOs) and to Finance Departments of State Governments and Accountant General on floppy / cartridge and thereafter on-line. The Committee further recommends that computerisation of Government Departments should be synchronized with the computerisation of the bank branches with a view to achieving the following connectivities :

Bank Branches with their FPBs

Bank Branches with the DDOs  
FPBs with the PAOs/ Circle offices / Treasury offices  
FPBs with their Link Cells/GAD(SBI)  
GAD/Link Cells with CAS, Nagpur  
CAS, Nagpur with Circle offices, Principal Accounts officer, Controller General of Accounts and Finance Departments of State Departments

The PADs of the Reserve Bank should be connected to CAS, Nagpur so that each day's transactions at PAD are reported the same day for booking to Government accounts on the same day.

As regards the time frame for implementation, it is suggested that all PAOs/ Circle offices are computerised not later than March 31, 2001 and the DDOs/ Treasury Offices well before March 31, 2002 in alignment with the computerisation of FPBs and dealing branches (as recommended in para 5.2.1 above).

### *5.2.3 Committee for monitoring the progress of computerisation*

Computerisation of Government transaction at the banks level (para 5.2.1) and at Government Departments level (5.2.2) should proceed in a coordinated manner. For this, a blue print may be prepared indicating the standardized data formats, security procedure and well supported procedural and operational guidelines. The Committee recommends constitution of a working committee on an urgent basis with members drawn from the office of the Controller General of Accounts, a few State Governments, the Reserve Bank and two or three public sector banks (including State Bank of India) with the Reserve Bank as the convenor. Such a working committee may prepare a blue print for computerisation, monitor the standards of message formats, system and application software developed and thereafter review the progress of implementation. If it is so felt that the tasks of the working committee should be looked into on a continuing basis, it may be made into a standing committee.

### *5.2.2 Electronic Reporting of transactions*

Once transactions are captured on computing platforms at the dealing branches of banks, reporting thereof to the FPBs and thereafter to GAD/Link Cells at Nagpur can easily take an electronic form. With such an approach, it would be possible to complete the settlement cycle (transaction at branch level till its settlement at the Reserve Bank's CAS, Nagpur in just two days (Day1 to Day-2). The procedure may be broadly as under:

#### **Central Government Transactions**

**Day-1** : Branches capture the transactions on computer and send the details to the Focal Point Branch the same day evening.

**Day-2** : Focal Point Branches to consolidate and report the transactions to GAD/ Link Cell at Nagpur by 12.00 Noon and GAD/Link Cell, in turn, redirecting

#### **State Government Transactions**

**Day-1** : Branches capture the transactions on computer and send the details to the State Government Link Cell the same evening.

**Day-2** : The State Government Link Cell consolidates and transmits the data to Local Public Accounts Department(PAD) by 1.00 p.m. by next day.

the transactions to CAS, Nagpur by 2.00 p.m.

Such a system, to start with, may, however, begin with a three day cycle ( Day-1 at Dealing Branch, Day-2 at FPB and Link Cell and Day-3 at CAS Nagpur). Once the system stabilizes, it can be compressed to two days as suggested above.

#### *5.2.5 Delinking of submission of scrolls from funds settlement at CAS, Nagpur*

Under the current procedure, the funds settlement at CAS, Nagpur in respect of central Government transactions follows the submission of scrolls by the Focal Point Branches with the relative receipted challans and paid cheques to the Pay & Accounts Office (PAO) /Zonal Accounts Office (ZAO). Similarly, in the case of State Government transactions, the State Government Link Cell (SGLC) reports the transactions to local PAD for funds settlement after forwarding the scrolls to the Pay & Accounts Office/ Treasury Office of the concerned State Government. Since physical movement of scrolls from the dealing branches to the Focal Point Branches (which often takes place through Registered Post) takes time, funds remain in the pipeline as float at the cost of the Government Departments. Often, banks are also denied of the funds due to delayed settlement of the cheques paid by the banks.

5.2.6 With the computerisation of transactions both at the bank branches and the Government Departments, it would be possible to re-engineer the process. Forwarding of paper scrolls, receipted challans and paid cheques to the Government offices would take place at a later stage than electronic transmission of transactions, which would otherwise mean that the Focal Point Branch would transmit the transactions to GAD/CAS Nagpur without waiting for the scrolls received from branches to be consolidated and verified. This would help in quicker finalisation of Government accounts and funds settlement at CAS, Nagpur or the local PAD (for State Government transactions), as indicated at para 5.2.4 above, on Day-2 itself. Verification of transactions at the Focal Point Branches and the PAO with reference to the receipted challans and paid cheques which has been the core of accounting would continue as usual. Error Scrolls, if any, may also be reported as usual.

#### *5.2.7 Linking CAS Nagpur with DGBA, IDMC, Controller General of Accounts and Finance Departments of State Governments.*

For close monitoring of the balances of the Central Government and the State Governments with the Reserve Bank and for timely action in the matter, it is necessary to establish connectivity between the CAS, Nagpur and the Reserve Bank's departments (Department of Government and Bank Accounts, Internal Debt Management Cell), Controller General of Accounts and Finance Departments of the State Governments. The Reserve Bank should develop the necessary software package for information exchange using INFINET.

#### *5.2.8 Electronic Clearing Services*

For bulk and repetitive payment transactions like salary, pension, income tax refund orders etc. Government Departments may consider using the Electronic Clearing Service

(ECS) mechanism. Department of Telecommunication may use ECS-Debit Clearing system for collection of telephone bills. The Government of India may also examine the feasibility of introducing a variant of the Electronic Funds Transfer system to facilitate collection of taxes. Such an experiment could start preferably with collection of direct taxes.

#### 5.2.9 *Relief Bonds*

Relief bonds issued by the Government as an activity has been gaining considerable importance. The quantum of subscriptions to Relief Bonds has been growing and the importance ascribed to the issue of these instruments, their servicing etc., have all to be completed in a time bound manner. To aid this, computerisation of the Relief Bonds Scheme has already been introduced, with the issue of post-dated interest warrants being part of the software package. With the availability of facilities such as ECS, the need for affording interest credit to bond holders through ECS has to be made a workable reality. This would necessitate changes to be made in the work processing flow at the PDOs. In the long run, collection of subscriptions to the Relief Bonds Scheme could also be routed through the ECS mode and with the linking of banks/branches through the INFINET.

#### 5.2.10 *Dematerialisation of securities*

Perhaps the greatest impact of technological upgradation in the Government business area would be on migrating to dematerialisation of Government Securities. The Government of India have already moved over to dematerialisation of the 9% Relief Bonds Scheme effective May 3, 1999. The need for upgradation of the existing technology stems from the need to maintain data pertaining to dematerialised environment, to gain access to dematerialised data and exchange of DEMAT-based information, and to have settlement in a dematerialised environment, conversion from DEMAT to scrip form and vice-versa. Such upgradation holds high promise for the future and should, therefore, be suitably worked out with scalability as an essential feature.

### 5.3 **Recommendations**

5.3.1 There is a need to computerise all branches of banks dealing with Government transactions. In the first phase computerisation of all focal point branches and State Government Link Cells should be completed by March 31, 2000 to be followed by the second phase of computerisation of all branches dealing with Government transactions on an expeditious basis.

5.3.2 Efforts should be made to forward scrolls and other data in respect of Government transactions to all PAOs, treasury offices, Drawing and Disbursing offices, and to Finance departments of State Governments and Accountant General on magnetic media in the initial phase and in an on-line manner subsequently.

5.3.3 The computerisation of Government departments should be synchronised with the computerisation of bank branches dealing with Government transactions.

5.3.4 The Public Accounts Departments of the RBI should be connected to CAS, Nagpur to enable same day reporting and booking of Government transactions.

5.3.5 All PAOs / Circle offices should be computerised not later than March 31, 2001 and DDOs / Treasury offices before March 31, 2002 in alignment with the computerisation of FPBs and dealing branches.

5.3.6 A Working Committee may be constituted for monitoring the progress of computerisation of branches of banks dealing in Government transactions. Such a Working Committee may prepare a blue print for computerisation and monitor the usage of standardised message formats, system and application software developed and progress of implementation. The Working Committee may be made into a Standing Committee over the medium term, if felt necessary.

5.3.7 Electronic reporting of transactions to GAD of SBI / Link Cell of banks should be resorted to, with an initial three day cycle to be compressed into two days after stabilisation.

5.3.8 There is a need to delink the submission of scrolls from the funds settlement by the payee branch.

5.3.9 Establishment of connectivity between the CAS, Nagpur and the Reserve Bank's departments (DGBA, IDMC) and the Controller General of Accounts and the Finance departments of State Governments is necessary. The RBI should develop the necessary software package for information exchange using the INFINET.

5.3.10 The Government may examine the feasibility of introducing a variant of the EFT system to facilitate the collection of taxes which could start preferably with collection of direct taxes.

5.3.11 The need for affording interest credit in respect of Relief Bonds to the accounts of Bond Holders through ECS has to be made a workable reality. In the long run, collection of subscriptions to the Relief Bonds Scheme could also be routed through ECS mode and with the linking of banks / branches through the INFINET.

5.3.12 The migration to dematerialisation of Government securities requires upgradation of existing technology so as to facilitate maintenance of data pertaining to a dematerialised environment, to gain access to dematerialised data and exchange of DEMAT – based information and to have settlement in a dematerialised environment, conversion from DEMAT to scrip form and vice-versa. Such upgradation should be suitably worked out with scalability as an essential feature.

5.3.13 All the above would also require a process re-engineering to be made on the entire process of Government accounting / funding.