

## Chapter 6

### Debt Information System, Debt Servicing and Debt Reporting

#### 6.1 Debt Information System

Debt management activities should be supported by an accurate and comprehensive information system with proper safeguards. The information system should comprise of components that capture, monitor, analyse and report debt information of a country. The system may be a combination of software, hardware, people that support data input, processing, storage and report generation. While the importance of the system for effective public debt management cannot be overemphasized, it should be ensured that the costs and complexities of the system are appropriate to the needs of the organization. A Public Debt Information System should support the following functions:

- **Recording Function:** To record debt and debt related information including basic details and terms of contractual debt instruments such as loans and debt securities in addition to actual transactions of disbursements and debt service and forecast for debt service schedules.
- **Reporting Function:** To generate reports that meet internal and external reporting requirements.
- **Analytical Function:** To obtain debt indicators and develop ‘what-if’ scenario analysis resulting from hypothetical changes in financial variables, which linked with market information and key macroeconomic information, assists in analysing the public debt portfolio and the debt strategy.

In respect of internal debt, RBI used E-Kuber for primary auctions of dated securities and treasury bills, debt service payments and generating various reports. In respect of external debt, CAAA used Integrated Computerised System (ICS) for maintaining various ledgers and registers relating to each loan/grant, debt servicing and generating various reports.

##### 6.1.1 Analytical Functions

Audit observed that E-Kuber and ICS did not have the provision for analytical functions as mentioned in previous paragraphs.

RBI replied (September 2015) that they were using Excel based tools for debt management strategy and added that going forward, they would consider incorporating such analytical tools in E-Kuber.

DEA replied (September 2015) that there existed no such software at their end. It was, however, added that the relevant debt and cash related information was collated in spreadsheets and maintained in W&M Section and MO.

In the Exit Conference, DEA stated that a system would be developed to support analytical functions.

### **6.1.2 Deficient / Inaccurate report generation**

The report generation in E-Kuber did not appear to be accurate as indicated by the following instances:

- All the loans (dated securities and treasury bills) floated during the period 01 April 2009 to 31 March 2014 did not appear in the report generated from E-Kuber.
- The list of interest payment generated from E-Kuber did not indicate interest payment during 01 April 2009 to 31 March 2014 in respect of all of the securities outstanding during the aforesaid period.
- The list on redemptions generated from E-Kuber did not indicate all the loans that had matured and been repaid during the period from 01 April 2009 to 31 March 2014.

In the absence of complete and correct lists, interest payments and redemptions made against dated securities during the period 2009-10 to 2013-14 could not be verified.

In the Exit conference, RBI stated that all data was available as system of maintaining physical registers also existed in parallel and there was no risk of data loss and accepted that there might be issues with the report generation.

### **6.1.3 Centralised Database**

It was observed that a centralized database of all internal and external liabilities of the Government was not available. It was seen that this issue was considered over four years ago when the Working Group on Debt Management (WG) had in its meeting suggested (December 2011) that steps be initiated to develop MO's own database with the help of National Informatics Centre (NIC). It was also suggested that the Commonwealth Secretariat's Debt Recording and Management System (CS-DRMS) be adopted as a temporary arrangement. Audit observed that the requisite amount for conducting a System Requirement Study (SRS) could not be released to NIC due to delayed processing of invoice. CS-DRMS had not been adopted as a temporary measure in line with suggestion of the WG.

DEA in their reply (September 2015) stated that development of debt database was a desirable outcome and not a necessity. DEA further stated that though adoption of the CS-DRMS would have involved an expenditure of ₹ 1.92 lakh only, its implementation would require significant human resources and also physical space. It was added that in the meanwhile, NIC initiated the process and started working on the project in association with the MO and hence committing MO's limited human and physical resource to the temporary measure such as the CS-DRMS was felt unfeasible.

In the Exit Conference, DEA agreed with the audit observation and stated that efforts would be made to put in place a centralised database.

## 6.2 Debt Servicing

Debt Servicing refers to payments made to creditor(s) towards interest and matured principal amount. It usually includes service charges, commitment charges etc.

### 6.2.1 Payment of Commitment Charges

Commitment Charges on undrawn balance of external loans are paid on principal amount rescheduled for drawal on later dates. During the period from 2009-10 to 2014-15, commitment charges to the extent of ₹ 602.66 crore were paid. The year-wise total undrawn balance (loans) from various sources and payment of commitment charges are shown in **Table 6.1**.

**Table 6.1: Undrawn Balance (Loans) and Payment of Commitment Charges**

(₹ in crore)

Year	Undrawn Balance (loans)	Commitment charges
2009-10	1,05,668	86.11
2010-11	1,10,872	112.57
2011-12	1,48,182	83.29
2012-13	1,89,197	92.95
2013-14	2,16,900	117.21
2014-15	2,10,099	110.53
<b>Total</b>		<b>602.66</b>

(Source: External Assistance (2013-14), CAAA, GOI)

The need for payment of commitment charges points towards inadequate planning of the loans/credits without proper linkages with the requirement leading to avoidable payment of commitment charges.

### **6.3 Debt Reporting**

#### **6.3.1 Delay in Publication of Status Paper**

In the Union Budget for 2010-11, it was announced that a Status Paper would be brought out giving detailed analysis of the Government's debt situation. Consequently, DEA published the Status Paper as indicated in the **Table 6.2** below:

**Table 6.2: Month of Publication of Status Paper**

<b>S. No.</b>	<b>Year to which pertaining</b>	<b>Month of publication</b>
<b>1</b>	2009 – 10	November 2010
<b>2</b>	2010 – 11	March 2012
<b>3</b>	2011 – 12	Not published
<b>4</b>	2012 – 13	July 2013
<b>5</b>	2013 – 14	December 2014
<b>6</b>	2014 – 15	January 2016

The above table reveals that:

- Status Paper was not brought out for the year 2011–12.
- Four of the five editions of the Status Paper were published with a lag of more than six months from the close of the financial year.
- One edition was brought out within four months of the close of the financial year.

In the Exit Conference, DEA stated that it was difficult to decide a precise date for the publication of the Status Paper as it was dependent upon the availability of the Finance Accounts and other State – wise statistics. It further added that it was their endeavour to bring the Status Paper as quickly as possible after the required statistics become available. It was added that Budget Division would explore to decide a timeline for publication of this document to infuse elements of certainty and discipline.

Delay in publishing the status paper may impact the usefulness of the analysis of debt presented in the Status Paper. The Government may decide to bring out the Status Paper at a particular time every year or within a fixed time after receipt of all information.

### 6.3.2 Variations in Figures of Internal Debt in different Reports

The details of internal debt are shown in 'Statement 14: Statement of debts and other interest bearing obligations of Government' of the Finance Accounts of GOI. The figures of internal debt are also presented in other documents/publications like the Status Paper and the Indian Public Finance Statistics (IPFS) published by the MOF and the Handbook of Statistics on the Indian Economy brought out by the RBI. The figure of internal debt presented in these publications is shown in **Table 6.3** below:

**Table 6.3: Internal Debt of Central Government**

(₹ in crore)

Year	Finance Accounts	Status Paper January 2016 Budget Division	IPFS, Economic Division	Handbook of Statistics on the Indian Economy, RBI
2009-10	23,28,339	23,34,310	33,95,877	23,28,339
2010-11	26,67,115	26,67,115	37,81,135	26,67,115
2011-12	32,30,622	32,30,622	43,33,165	32,30,622
2012-13	37,64,566	37,64,566	48,72,409	37,64,566
2013-14	42,40,767	42,40,767 (Provisional)	53,83,827 (RE)	42,40,767

(Source: Status Paper, IPFS, RBI's Handbook and Finance Accounts, GoI for the year)

From the above, it can be seen that the figure of internal debt presented in the IPFS varied from the figure of internal debt presented in the Finance Accounts in all the five years while the figure in the Status Paper varied from the figure in the Finance Accounts in 2009-10. It was further noted that the figures of outstanding debt which were presented in the IPFS and the Status Paper, which are both published by the MOF, differed from each other in all the five years.

Further, Audit observed that the figures of outstanding amounts against individual government securities as on 31 March 2014 presented in the Status Paper did not match with the corresponding figures in the Finance Accounts in respect of 19 outstanding securities as shown in **Annexure-II**.

DEA in their reply (March 2016) stated that the data provided by the Budget Division and the DMO was the right source of information and requested not to consider the figures given in the IPFS of the Economic Division. In respect of the differences in the outstanding amounts against individual outstanding securities, it was stated that they were either due to typographical errors in the nomenclature of the stock or due to non-inclusion of the amount of debt under the head conversion of bonds in marketable securities and that they were compensatory errors.

Though the DEA accepted that the figures as shown in the IPFS did not match with their figures and stated that the same should not be considered, it needs to be noted that the IPFS is also brought out by the MOF and therefore it should be in consonance with the figures presented in the other documents. Government needs to ensure that all reports published by them are reconciled and reflect the accurate figures.

### **6.3.3 Publication of Security-wise Interest Payment**

Audit observed that the amount of interest paid against each security during a year was not reflected in any of the reports published by RBI/DEA. The depiction of this information would make the reports more informative and transparent and might also be helpful in the verification and accounting of the interest payment details at the government accounting units.

In the Exit Conference, DEA stated that they would explore the feasibility of compiling such data and take necessary action accordingly.

#### **Recommendations:**

- 3. A centralized database of internal debt, external debt and other liabilities may be developed.*
- 4. Steps may be taken to ensure that the public debt information systems used (E-Kuber and ICS) support analytical functions.*
- 5. Mechanism may be developed to ensure consistency in the reporting of public debt by RBI and DEA and amongst the various divisions of DEA.*