04 JANUARY 2023 → DAILY QUESTIONS & MODEL ANSWERS:

Q1. Local governments' use of e-governance will improve local service delivery while simultaneously advancing the fulfilment of larger socioeconomic goals. Elaborate. (250 words)

Paper & Topic: GS II → E – Governance related issues

- **Model Answer:**

- # Introduction:

- Indians' well-being is increasingly dependent on city governments' ability to provide effective governance and quality services as their nation becomes more urbanised. We want to live in "smart cities," where technological breakthroughs enable continuous city operations improvement by utilising data generated by residents and employees. E-government is being actively promoted all around the nation and has the potential to improve local governance.

- **Body:**

- **Background on the adoption of e-governance by municipal governments:**

- If the Panchayats and municipal bodies are to efficiently and successfully carry out the necessary responsibilities, which are expanding constantly, they must heavily utilise information and communication technology (ICT).
- A "digital inclusive society" must be established in order for major portions of the rural population to use new technology, freely access and share information and services, and participate actively in development.
- Cities must provide easy access to citizen services. The BBMP in Karnataka will soon start supplying digitally signed khata certificates in Bengaluru to facilitate property registration. It is called e-Aasthi.

- **E-government usage by local self-governments:**

- Transparency: The Indian government created the E-Panchayat Mission Mode Project in order to e-enable all Panchayats and enhance the effectiveness and transparency of their operations.
- Processes for internal workflow automation in Panchayats: PRIASoft, an online cash-based double entry accounting programme that uses the Model Accounting System for PRIs, has been a major success, with 1.2 lakh Panchayats currently using it. About 65,000 Panchayats will be entering voucher entries online in 2011–2012.
- Budgeting: As cities like Bangalore and Pune experiment with citizen budgeting, a large number of online budgets have been submitted. This demonstrates the urgent issues in need of support from local organisations.

- **Improving the delivery of citizen services:**

- People can be involved in government.
- enhancing the capabilities of municipal and panchayat leaders and officials: Online tools and training for Panchayat representatives may be very beneficial for completing the Social Audit. Social auditing will be considerably easier if information on all the aspects of development is made public.
- Accountability, efficiency, and compliance with RTI by Panchayats: E-governance in local self-government will enhance financial management and reduce discretionary authority. hence reducing the likelihood of any theft.

- **Conclusion:**

- To realise all the benefits we associate with e-governance, such as the ease of interaction, efficiency gains through performance management and process reform, and the potential for data-driven preventive maintenance of infrastructure, local government employees and the citizens themselves must adopt the system.

Q2. The RBI's Account Aggregator structure has the potential to ease credit flow throughout the economy, especially for the MSME sector. Comment (250 Words)

Paper & Topic: GS II → Indian Economy

- **Model Answer:**

- # Introduction:

- The Account Aggregator (AA) architecture, which was first introduced by the Reserve Bank of India (RBI) back in 2016, is now available to users for use in accessing account aggregation services. Account aggregation services (AAs) are a new class of for-profit non-banking financial firms (NBFCs) according to the RBI. These services comprise locating or compiling data regarding its clients' financial assets, then organising, consolidating, and presenting it to the client or any other individual in accordance with the client's instructions. It might be simpler for MSMEs to obtain financing as a result.

- **Body:**

- **Account Aggregators Framework:**

- The AA network was created with the basic premise that consumer data is often fragmented and kept in silos in the systems of banks, lenders, insurance companies, governments, and other organisations.
- The AA network was created to provide an institutional framework for seamless and secure digital data sharing between, say, a borrower and a bank for credit access. Instead of spending time gathering information, such as scanned copies of bank statements, documents with notary stamps, bank statements, GST returns, cash flow, etc., and then sharing it with the lender.
- Financial assets in this context could include bank deposits such as fixed deposits, savings deposits, recurring deposits, current deposits, deposits with NBFCs, SIPs, government securities, equity shares, bonds, and debentures, exchange-traded funds (ETFs), insurance policies, NPS balances, etc.
- Users of AA services are not required to physically trade hard copies of documents from other organisations or private login details for their documents, nor are they expected to comb through numerous websites in search of information necessary by financial service providers.

- **Possibility of facilitating MSMEs' access to financing:**

- Formal credit: With the use of this information-collateral-based credit underwriting, a small formal credit could be granted to the company in place of the physical security that is frequently needed for an MSME loan.
- With AA now allowing the transmission of other credit-worthiness indicators like digital invoices, tax returns, etc., it will help companies switch from the present physical collateral-based lending model to cash-flow based lending, bringing more people and companies into the official credit system.
- Availability of credit based on information If data sharing is increased to broaden the range of financial services accessible for better goods and services, micro, small, and medium-sized firms (MSMEs) may find it simpler and more reliable to acquire loans. This might eventually aid in easing the loan crunch MSMEs are now dealing with.
- Simple credit: Due to the lack of organised records of financial accounts, MSMEs are forced to get financing through unofficial means. The Wider Circle report, published in November 2019 by PwC and FICCI, revealed that only 10% of India's 6.33 crore MSMEs had access to formal financing. The AA framework can be used to treat this issue.
- Faster loans: The AA system has the potential to revolutionise financing to MSMEs by enabling significantly speedier access to financial data of businesses by lenders and reducing the loan application process to a few minutes.
- Customized services offered by banks It is interesting to note that the inclusion of account aggregators in India's digital infrastructure would grant banks access to verified data and consented data flows. Because of this decrease in transaction costs, banks will be able to provide our customers with loans with smaller ticket sizes and more specialised goods and services.
- Additionally, it will help us abide by upcoming privacy regulations and reduce fraud.
- Additional options for msme's The greater benefit for the institutions adopting the framework might be access to alternative data.

- **Conclusion:**

- In addition to maybe reaching out to a bigger set of consumers for loans that they may have previously rejected, this would give banks the chance to make loans with smaller ticket amounts. The Account Aggregator structure developed by the RBI is thus a step in the right direction, but more work needs to be done to make it secure and effective.