

Stamp duty going digital is like demat of shares: NeSL MD & CEO S Ramann

NeSL has set up a secured digital document execution (DDE) platform which will facilitate MSMEs and individuals to avail contactless loans on remote basis, says S Ramann

The Union finance ministry has advised state governments that as banks adopt a mass scale of paperless transactions from this month for all their loans for retail and micro as well as small and medium enterprise (MSME) customers, the stamp duty regime in all states have to go digital. As a result, small-ticket loans can expand massively with the paperless documents being treated as valid legal documents. The entity, which will interface with states and banks is the National e-Governance Services (NeSL), promoted by leading banks and has the status of a government company. At an interaction with Subhomoy Bhattacharjee, Managing Director (MD) and Chief Executive Officer (CEO) of NeSL, S Ramann, says the scale of change is comparable to the demat of shares which had radically transformed the Indian equity market. Edited excerpts:

What does the finance ministry's advice to state governments mean?

To revive the economy and facilitate MSMEs and individuals to avail contactless loans on remote basis, NeSL has set up a secured digital document execution (DDE) platform. Here, banks can push out several thousands of loan documents without any physical signature or paperwork and affixing only paperless e-stamping. This digital workflow has been endorsed by the department of financial services (DFS) in the finance ministry in its letter to all chief secretaries. It says the states should issue orders that digital e-stamping will be permitted on the NeSL platform and be a valid mode of stamping of documents. The DFS also directed banks to join the platform to help citizens in this pandemic.

Why should the states be interested? How does it help them?

There are several reasons. A digital system leads to a quantum jump in credit flows, resulting in additional stamp duty revenue for the states since the system is available for loan documentation, 24x7. It could be a huge source of additional revenue which is now slipping past them as parties often avoid the tedium of having to stamp their contracts. So, once the states are on board, they can offer bulk processing of stamp certificates for documents just by transmitting those through the NeSL platform. It can also lead to a reduction in administrative costs for non-registrable instruments by adopting a digital system; also better MIS and control. They also get a real-time monitoring dashboard for transactions which NeSL will provide them.

What does the NeSL do?

The NeSL is an information utility in the financial sector. It is a repository of legal evidence for financial credit contracts set up under the IBC, 2016. The Reserve Bank of India (RBI) mandates that all banks and other institutions under its purview will have to keep a digital record of its credit business with us. So, when a loan is made out, all the documents of the transactions are uploaded on our platform. The borrower also certifies those as valid. Consequently, they act as legally valid evidence of debt and makes it easy for the IBC or courts not to waste time figuring out validity of the documents. Any document sourced from us is by definition a recognised evidence by both parties to the transaction. Till now, 235 credit institutions have uploaded data to the tune of ~95 trillion in respect of borrowings by companies across loans, debentures, CPs and bonds, among others. The IU is the repository of evidence of debt and its outstanding balance. The raison d'etre of the IU is its authentication and dispute resolution service.

So, will this facility now be available to the retail and MSME universe also?

Yes, it is like the dematerialisation of shares that took place in the late 1990s. The financial architecture in the country is set to undergo a digital transformation with this step. Section 5 of the IT Act gives electronic signatures their legal character and Section 10A of the IT Act provides for validity of contracts formed through electronic means. Section 65B of the Evidence Act provides that any information contained in an electronic record will be admissible as evidence. It may be considered an appropriate moment for different repositories, existing and proposed, to inter-operate and improve efficiencies in the financial system.

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