



# India Interim Budget 2024

## Point of view

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## Financial Services

India is the world's most populous nation, accounting for over 17 per cent<sup>1</sup> of the global population with more than 1.4 billion<sup>1</sup> people. Our economy is the fifth largest in the world, with a nominal GDP of USD3.73 trillion<sup>2</sup> registered in FY23. Despite the difficulties posed by the Covid-19 pandemic and the global slowdown, India's economy attained a strong 7.6<sup>3</sup> per cent growth in the GDP in the second quarter of FY24, exceeding the projections of the RBI and the IMF. This growth was mainly fueled by private consumption, capital investment, credit growth, and export performance. Moreover, with the declaration of FY24 union budget, the government is advancing the long-term vision for achieving a USD7 trillion<sup>4</sup> economy by 2030 and to make India a 'Viksit Bharat' by 2047; while emphasising various sectoral achievements accomplished so far.

## Key announcements for the sector

- Scheme to be introduced for waiver of following outstanding petty tax demands:
  - up to INR25,000 till FY 2009-10
  - up to INR10,000 between FY 2010-11 to FY 2014-15.
- Extension of sunset date from 31 March 2024 to 31 March 2025 for tax incentives in the case of:
  - Offshore banking units in IFSC
  - Non-residents that lease aircrafts/ships to units in IFSC
  - Sovereign wealth funds, pension funds and related category of investors
  - Eligible startups.

This would provide a boost to the businesses/investors eligible for the incentives.

- Extension of time limit from 31 March 2024 to 31 March 2025 for introduction of faceless schemes for:
  - transfer pricing assessment
  - cases before the dispute resolution panel (DRP) and Tribunal

The extension would allow additional time to the government to introduce these schemes.

### Sources:

1. India Population (2024) - Worldometer (worldometers.info)
2. World GDP Rankings 2024 | Top 10 Countries Ranked By GDP - Forbes India
3. India GDP growth in Q2 FY24 beats estimates at 7.6% - Times of India (indiatimes.com)
4. India "Can Aspire" To Reach \$7 Trillion Economy By 2030: Finance Ministry (ndtv.com)

# Implications for the sector

- Growing formalisation of the economy, rising incomes, higher tax filings, GST data and digital payments are key enablers for banks, financial institutions and capital markets.
- The government has given due impetus to the International Financial Services Centre (IFSC) framework through regulatory and tax measures from time to time, thus empowering the Gujarat International Finance Tec-City IFSC to attract global capital flows and become a world class financial services hub.
- Reduction in government borrowing programme due to higher tax collections will increase credit availability and boost demand for financial services.
- Infrastructure programmes focused on upliftment of poor, women empowerment, agriculture, rural and affordable housing, tourism will help the lower to middle class segments to contribute towards broader economic growth.
  - Inclusive finance - Implementation of various government schemes such as direct benefit transfers of INR34 lakh crore using PM Jan Dhan accounts, credit assistance to 78 lakh street vendors under PM SVANidhi scheme, financial assistance to 11.8 crore small and marginal farmers under PM-KISAN SAMMAN Yojana, crop insurance to four crore farmers under PM Fasal Bima Yojana has deepened financial inclusion, formalised the unorganised segments and generated potential expansion opportunities to already growing non-banking finance companies and microfinance institutions.
  - Housing finance, under PM Awas Yojana (Grameen), in line with current target of three crore rural houses, government plans to extend reaching rural housing target of two crore in the next five years. Additionally, the government plans to launch a dedicated scheme to support deserving section of middle class to buy or build their own house. This would result in higher demand for affordable credit and corresponding multiplier effect across the economy.
  - MSME financing - Government's policy priority to empower MSME segment through relevant technologies, training, supportive regulatory environment and digital public infrastructure would accelerate economic activity and propel demand for financial services. It will also support 'Make in India' campaign.
  - The government plans to have a separate corpus of INR1 lakh crore with fifty-year interest free loan for providing long term financing for technological research, innovation and advancements to facilitate high-quality services at affordable prices for all; thereby promoting young tech savvy talent in the country.

With various government schemes as above, while enabling new economic opportunities, technological advancements coupled with data generated across various platforms can be leveraged to create and validate data driven operating models within the financial service industry such as credit underwriting, digital lending, risk assessment, supply chain, alternative finance, fraud control, etc. These will assist banking and financial institutions to bring appropriate risk and fraud management to ensure appropriate beneficiary identification, credit disbursement and assist in achieving higher growth.

- The government aims to enable financial services sector meet the country's massive capital investment needs. In this regard, the government's future programmes to build scale, skill and capacity along with enabling appropriate regulatory framework will be much awaited.

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