

# Significance of IFSC & its Role

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## INTRODUCTION

### INTERNATIONAL FINANCIAL SERVICE CENTRE (IFSC)

It is a grandchild of EPZ 1965 and a child of Special Economic Zone (SEZ) 2005. The policy of EPZ Kandala Port was created by Govt. of India for promotion of Export, as measure to facilitate and sensitize the exporters to improve the export, by giving incentives and subsidies. There was hardly any systematically developed Port on Indian Seashore which could give the specified services to exporter of goods. Therefore, Kandala Port was specified marked territory within the border of India, to boost the export activities. A separate Authority was appointed to administer, control and regulate the functioning of the Kandala Port.

When the Indian Govt. relaxed its policy of Socialistic Economy to partially Private economy, it became necessary that the economic growth with industrial activity process should spread not only to a few places, solely handled by Government, but must spread over to all states of the country. First priority was to select those areas where resources were available by Nature. For example, where the land was suitable for growing of Cotton, that area was earmarked for textile industry. The other considerations were the availability of man power and willing and potential entrepreneurs. This was the time when Govt. had permitted foreign investment in India. As per the norms of Liberal Policy of 1990.

The Govt. started the search of some lands in the various states, which were barren or not of much utility as agricultural land. In the area close by cotton growing in West Bengal, declared that land SEZ for Textile industry. By this policy, the cost of development was reduced. The Govt. allotted land at notional price, made infrastructure needed for that specific industry, gave subsidy and concessions by way of sales tax, income tax and property tax for few years, to lure the people to come forward. Government made various types of cooperatives to pool the resources. In the same pattern, many SEZ were allocated land in India, spread over many states. It is learnt that as on date there are 280 SEZ functioning in India.

This implies that each SEZ was marked for specific type of industries. These SEZ became the hub of development, trade and business, and housing for the labour.

This means that creating any SEZ would give fillip to economic growth by way of increasing the employment, creating of opportunities of education and gaining of skills. These SEZ increase the demand of services - banking, insurance, leasing, transportation, professional, and marketing and many more.

The area where any SEZ is created with any name, that becomes the focus or hub of futuristic township or epitome of Economic Growth. In this context, it would not be surprise to say that IFSC, Gift city, which is the subject of this article is aimed at accelerating the economic growth and giving wings to the financial sector of India. It would become one point hub of all people of world, who would like to make investment in India, establish their enterprise, collaborate with any other financial company or enter into financial contract with any Indian entity, of any financial nature.

### EMPOWERMENT OF AUTHORITY

The Authority will regulate financial products such as securities, deposits or contracts of insurance which have already been approved by any appropriate Authority or regulator such as RBI, IREDA, SEBI etc.

It may recommend to Central Government any other financial product, financial service, or financial institution to be included in IFSC and if approved may be notified by the Central Govt.



The banks domestic and international, capital markets and insurance sector companies or entities which are already in IFSC, Gift City, Gandhinagar, though currently are being regulated by multiple regulators - the RBI, SEBI and IRDAI will be unified under IFSC Authority.

The single window regulatory Authority would accelerate the development of India's first IFSC at Gift City Gandhinagar.

Both national and international institutions dealing with international financial services would utilise this platform for inbound and outbound investments with improved ease of doing business, thereby making Gift IFSC a global financial hub.

It will also provide Indian corporates with easier access to global financial markets and to promote further development of financial business in India.

Primarily the dynamic nature of business in the IFSC requires a high degree of inter regulatory coordination within the financial sector. It is established as a unified regulator with a holistic vision in order to promote ease of doing business in IFSC and provide world class regulatory environment, The main objective is to develop a strong global connect and focus on the needs of the Indian economy as well as an international platform for the entire world.

The function of this Authority would be to promote and develop:

Alternative investment fund, Ancillary service providers, Banks, Brokers/dealers, Bullion trading, Clearing corporation, Clearing members custodian, Debenture trustees, Depositories, Depository participants, Finance companies, Fund management entities, Fintech entities, Global administrative office Global in-house centre Insurance, insurance and reinsurance companies, investment advisers, Investment bankers, portfolio managers, Qualified jeweller, Registered Distributors,

Stock exchanges valid India, UAE, CEPA, TRQ holders, Vault managers and other numerous financial entrepreneurs.

The constituted Authority shall function as recommendatory Authority or an Executive Authority for admitting new centres and new facilities and to take action to execute the approved schemes. This Authority shall assess the further demand of infrastructural services, ancillary services, housing, markets, hotels, entertainment facilities etc., which would be required for growth and sustainability of Gift City, IFSC.

### GIFT CITY IFSC

IFSC, is going to be a part of IFSC Gift City of Gandhinagar (which stands for Gujrat, International, Financial and Technology based SEZ). This Gift city has already 23 multinational banks, including HSBC, JP Morgan, Barclay. This city has about 35 Fin tech entities. This has two international stock exchanges, Bullion Exchange with 75 on board jewellers.

This city has already two international universities in place. One Australian Deakin university has 4.13 lacs students on rolls. These students will get a globally recognised degree without travelling to different countries. These will infuse dynamicism in Indian education and international collaboration and creating of capacity building in Indian education system .

In view of this already growing progressive city, the coming of another IFSC centre will make a remarkable difference in the business growth of domestic and foreign, financial services, comprising of banking, insurance, leasing, finance, and professionals, and many more. More and more, new financial service companies will get listed in stock exchange of Gandhinagar. This place shall win over the financial exchanges of New York, London, Singapore and Dubai. New IPO's shall be launched from the Gift City Stock Exchange in July 24. Thus, this Stock

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Exchange shall be on the map of International Stock Exchanges and Bullion Market.

This city already houses, some of top most companies of Accounts, Audit and Taxation. These companies have well versed and expert staff, to look after the business laws of India and foreign countries, taxation, accounting practices and financial consultancy. They know how the transactions and disputes of various kinds and nature are to be resolved. As envisaged, if another centre of IFSC is developed, then that would further strengthen the network of professionals and the financial activities.

### WHY A SEPARATE IFSC SERVICES?

We are well aware of the concept of having Anaj Mandi, Subji Mandi, Sarafa bazar, in the city like Delhi. All the buyers and sellers of any kind of interest will visit that Mandi, instead of roaming here and there, and wasting the time. If the dealers are disbursed at different places then their rates will be different and no one will be able to judge whether the rate is fair or not. On the contrary if many dealers are at a small fixed area, there will be competition and so prices will be fair and the quality would be better.

*With this intention of creating facility of easy doing business, the concept of creating Hubs for different goods and services has become popular and useful for buyers and sellers.*

In the past, Bombay was called the financial hub of India. It housed all the international bankers, financiers, industrialists, audit firms, import and export markets, and what more. Whereas, in current situation, Bombay has become so congested that it cannot allocate big land area for exclusive use as a big financial and technological hub. Therefore, the Government created the new township of Gandhinagar, Gujarat as the appropriate place to establish financial and technological hub. This city has been made a Green Smart City free from pollution and is very much impressive for doing business and residing with comforts.

Currently, the world has squeezed and the world looks like a city. The whole business has become global. On one side, all the products produced by the manufactured are demanded everywhere. The entities, domestic and foreign have shown their presence in many cities of India. The shares of those product producing companies are traded on the stock exchanges of India. Most of the companies are listed. Many companies of India are listed on foreign exchanges and likewise the shares of some popular foreign companies are listed in India. Globalization has revealed that markets are not limited by geographical boundaries. The sky is the only limit on the head.

Keeping this situation in mind, the idea of creating a hub of non-financial services is not to be lightly taken, as constituent of economic growth. This implies IFSC will become the epitome of all round growth of futuristic India.

Business and Technology have become common output and input of all nations. These have no specified market so far. The creation of IFSC at Gandhi Nagar is a noble idea. These have great potential for boosting the economic growth and fulfilling the objective of creating environment of friendship and doing fast business transactions. Doing away with red tapism practice and giving one window clearances would not be a surprise in IFSC, Gift City .

### HISTORICAL AND HOLISTIC PERSPECTIVE

The advancement of technologies and shrinking of boundaries of countries have made all countries close to each other. The trade activities which were bounded in four walls of villages, towns, states and country, have jumped over to neighbouring countries. The needs of people of all countries are alike. All countries are on their march to economic growth and prosperity.

All the entities registered with the IFSC Authority must be governed by the uniformed rules and regulations made by the Authority. All the entities must have their accounts audited by auditors, on the basis of approved standard, meaning that a domestic and multinational company must be on same measuring scale. Therefore, all entities must fulfill conditions of global business practices.

### LEASING BUSINESS

The practice of procuring land, building, plant and machinery, vehicles after taking loan from a financier or Sahukar is very old. The repayment of principle and the interest there on was made by the borrower in installment. Another alternative was to take the material on rent from the manufacturer or other leasing company, and pay rent. The ownership remained in the hands of the lessor / lender. Well known leasing companies in India are First leasing, Tata Motors, Mahindra & Mahindra Motors, Bajaj Allianz and many others. These NBFC were filling the gap of demand of direct borrowing from banks. It is desired that all these should run in uniform system, preferably close to the system in foreign countries. Leasing business



has been instrumental in economic growth and capital formation.

There are big companies in the world which cater to the demand of lease of Ports, ships or other warehousing facilities. There is insignificant cost but return is substantial.

The lessor uses the earning in capital formation, adding more machinery to the previous holding and/or stretch his business. The leasing business contributes in economic growth and keeps the business sustainable.

## INSURANCE BUSINESS

The micro level risk of individual to the macro level risk of business and industries, are truth of life and business is the integral part. Insurance plays crucial role in giving safety and also fosters economic growth as well as acts as stabilizing force and catalyst for development.

The insurance company is connected with challenges of life, natural disasters, health, economic uncertainties and unpredictable events. Thus, insurance deals with life and non-life risks. The role of insurance companies in life risk business is much regulated as on date LIC, which has established good practices for the last many years and has been giving the lease. Nevertheless, there is lot of scope for improvement and make the policy note terms and claim settlement terms consistent with the practices followed by life insurance company abroad. All the insurance company must have competitive rate of premium, but they must compete in giving services. Insurance companies should not work like Sarkari companies, but on the contrary compete in giving reliable and quick services. The quality of service should be the criterion of their comparison rating.

In Non-life insurance business, which include medical insurance, fire insurance and other perils insurance, vehicle insurance, agriculture, environmental risks insurance, there is much diversity which give rise differentiation in premiums and terms of the policy. The Authority must bring uniformity so that the individual is not cheated at the time of settlement. The role played by IRDAI must be reviewed.

The insurance business has become global. Indian companies share risk with foreign companies and make investment in equity of public companies or treasury notes etc. This helps the economy at micro and macro level, in investment and capital formation.

At present, IRDAI is regulating the insurance business. It is thought to amend the basics of nonlife insurance policies, so that the same become akin and comparable to that of other international companies. The base product will be defined and then the rest of the product structure will be decided by the insured. It will open for the insured to select period, types of risks, he wants cover, and also giving freedom to cancel the policy anytime or extending the policy for longer period. It is suggested that insurance company not complying with the direction of Ombudsman will be liable to penalty depending on consequences or impact due to noncompliance. The company shall fix eligibility criteria for appointment of surveyors. In the policy note, it will be clear how the claim would be registered and how the claim settlement will be done.

These reforms will not only increase the revenue but will also make the concept of nonlife insurance very, very popular. The flexi nature of terms will attract every family to take insurance of any product and for as much time, depending upon his capacity to pay.

At present, some companies dealing with health insurance policies have the provisions of compensating for in-house treatment, medicines, pre hospitalisation period loss or the age limits. In India, being the country of less literate category people just choose the cheapest without seeing the aggregate benefit and coverage from risks. This trend is very dangerous and loses the advantages of insurance coverage. The people are losing faith in the integrity of the insurance executives, who cheat the customers with their sweet words.

Settlement of claims in time ensures the business to have continuity and stability. Insurance business has been revolutionised in process and in fore closure due to the advantages of advanced technology and application of Artificial intelligence. There is a lot of scope in improving the norms of insurance business, by analysing the huge data available to us.

## BANKING BUSINESS

Banking services include accepting deposits, lending money, transacting various financial products. In product and service industry, through cheques, debit cards, credit cards, mobile phones, NEFT etc. It is instrumental in accelerating economic growth to the country, by helping in capital formation and increase the circulation of money. It also facilitates the transactions of payments and transfer of funds from one account to other many banks offer foreign exchange services. Some banks also deal in gold's and creation of wealth.

Our specific stress is on banks which are listed and those which have permission to do foreign transactions. Here those banks which shall have operational activities in Gift City Gandhinagar and which get registration with IFSC will be regulated and controlled by Authority.

The banks give service to small investors in keeping safe their money and serve business men in setting up and growing of business. All transactions of transfer of money in and out of country is through banks only.

In the global economy, there should be competitive services at all banks, so that transparency and accuracy continue to prevail, The Authority therefore must bring all banks, serving in Gift city at par. These banks should work alike in Indian market and international market.

## DEPOSITORIES PARTICIPANTS

Right from the day the government made rule of keeping the share certificates of listing companies in paperless mode, the concept of depositories has appeared. The share scripts are deposited and the entry of those handing over is recorded in depositories account. All transactions of sale and purchase at any stock exchange of the country, are passed through the DP's. They are part and parcel of financial system.

Authority must constitute committees to streamline procedures and establish some code and conditions

of their working. This process would be successful in mitigating the frauds and thefts of physical certificates, and avoidance of cumbersome process, lacking safety and security.

## MUTUAL FUNDS

A mutual fund is an investment vehicle in which a pool of investors collectively put forward funds to an investment manager to make investment on their behalf. The fund is regulated by SEBI or SEC. Now as per the notification in respect of IFSC 2022, all mutual funds listed in Gift City shall be administered and regulated by governance rules of Authority. The mutual funds are good for small investors who cannot keep constant vigil on market, therefore, they should prefer to assign the job of managing their fund to investment mutual fund, instead of tossing in high and low tides of market.

Now, all the mutual funds will be administered and regulated by the rules and regulations framed by the Authority. The Authority must ensure that rules of all funds are on uniform basis and domestic & international do not create a big gap between them.

## BOOK KEEPING AND ACCOUNTANCY REPORTS

In order to have seamlessly and smooth march to achieve our objectives, the Authority must prescribe the accounting standards which must be followed. In the current situation, IFSC must follow the rules of International Financial Reporting System (IFRS) as per notification of 2024, so that the financials are understandable, transparent and transferrable, by all stake holders.

## AMENDMENT IN THE GOVERNING BODY

If the new law brings forth fast growth in establishment of Gift City IFSC, then the constitution of governing body (authority) should be amended to give respectable place to representatives of banks, insurance companies, mutual funds and depositories etc.

## CONCLUSION

Gift City IFSC had its grandfather (1965), and father of Indian origin (2005) but it has grown mature in the open world of international environment - which has no geographical boundaries of education, knowledge and technology. This Indian child is full of passion to compete with the richest and the finest IFSC's of the world, under the direction of the unified Authority, and its own talent with the help of latest technology and Artificial intelligence.

This IFSC shall be free of all deficiencies and weaknesses, which had prevailed in the present financial systems of India. Wishing healthy and prosperous life to GIFT CITY IFSC.

