

STRATEGIC ROLE OF IFSC IN RESHAPING INDIA'S GLOBAL FINANCIAL FOOTPRINT

Abstract

India's International Financial Services Centre (IFSC) at GIFT City is poised to become a cornerstone of the country's financial future. With its unified regulatory framework under the International Financial Services Centres Authority (IFSCA), cutting-edge infrastructure, and forward-looking policy incentives, IFSC is strategically positioned to rival global financial hubs. Its rapid expansion in banking, asset management, and capital markets—highlighted by platforms like GIFT Nifty and the International Bullion Exchange—signals its growing influence. As India advances toward its Viksit Bharat 2047 vision, IFSC is expected to play a transformative role in attracting global capital and fostering innovation across fintech and sustainable finance. This essay explores how IFSC is set to redefine India's financial landscape, driving long-term growth, global collaboration, and economic leadership.

Genesis and Vision of IFSC

The concept of an International Financial Services Centre in India was born out of the need to bring back financial services and transactions that were being conducted outside India by Indian entities. GIFT City (Gujarat International Finance Tec-City), located near Gandhinagar, Gujarat, was chosen as the site for India's first IFSC. The vision was to create a world-class financial hub that could compete with global centers like London, New York, and Singapore.

GIFT City was developed as a smart city with integrated infrastructure, including commercial,



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residential, and social facilities. The IFSC within GIFT City was designed to provide a platform for international financial services such as banking, insurance, asset management, and capital markets.

◎ Example:

GIFT City's Smart Infrastructure Integration

GIFT City's infrastructure includes a district cooling system, automated waste collection, and a robust fiber-optic network. These smart city features not only support sustainability but also attract environmentally conscious financial institutions looking for green headquarters.

◎ Case Study:

Japanese Investment Bank Feasibility Study

In 2024, a leading Japanese investment bank conducted a feasibility study to establish a regional office in the IFSC. The study highlighted GIFT City's proximity to major Indian industrial corridors and its potential to serve as a gateway to South Asia.

◎ **Dubai International Financial Centre (DIFC)**

India's IFSC draws inspiration from

successful models like DIFC, which transformed Dubai into a regional financial hub. DIFC's integrated infrastructure, regulatory autonomy, and tax incentives helped attract over 2,000 firms. GIFT City aims to replicate and adapt this success to the Indian context.

Regulatory Framework and Governance

A key milestone in the development of IFSC was the establishment of the **International Financial Services Centres Authority (IFSCA)** in April 2020. IFSCA serves as a unified regulator for all financial services in IFSC, streamlining governance and reducing regulatory fragmentation.

IFSCA has introduced over 50 regulations since its inception, covering areas such as banking, insurance, capital markets, fintech, and fund management. These regulations are aligned with global best practices, ensuring transparency, investor protection, and ease of doing business.

The regulatory framework emphasizes innovation, flexibility, and global integration. For instance, IFSCA has launched a regulatory sandbox for fintech companies, allowing them to test new products and services in a controlled environment.

☉ Example:

Fintech Sandbox Success:

In 2023, a blockchain-based cross-border payment solution developed by a startup in the IFSCA sandbox successfully completed trials. The solution reduced transaction costs by 40% and processing time by 60%, showcasing the sandbox's potential to foster innovation.

☉ Case Study:

European Reg Tech Firm Collaboration:

A European Regulatory Technology (Reg Tech) firm partnered with IFSCA to deploy AI-based compliance monitoring tools. These tools helped IFSC entities reduce regulatory breaches by 35% in their first year of implementation.

Sectoral Growth and Expansion

(a) Banking Sector

The banking sector in IFSC has witnessed exponential growth. From total assets of \$14 billion in 2020, the sector grew to \$78 billion by December 2024. Several Indian and foreign banks have established operations in GIFT City, offering services such as offshore banking, trade finance, and treasury operations.

☉ Example:

Trade Finance for African Markets:

An Indian bank operating in IFSC launched a trade finance desk focused on African markets. It facilitated \$300 million in exports of pharmaceuticals and engineering goods from India to Africa in 2024.

☉ Case Study:

Blockchain-Based Letter of Credit:

A consortium of banks in IFSC piloted a blockchain-based letter of credit system for textile exports. The pilot reduced processing time from 7 days to under 24 hours and eliminated paperwork.

(b) Fund Management

The fund management ecosystem in IFSC has expanded significantly, with 148 entities operating by 2024. These include alternative investment funds (AIFs), portfolio managers, and mutual funds. The regulatory framework allows fund managers to raise capital globally and invest in Indian and international markets.

☉ Example:

Climate-Focused Investment Fund:

A newly launched fund in IFSC focuses exclusively on climate-resilient infrastructure in South Asia. It raised \$250 million from European pension funds and sovereign wealth funds.

☉ Case Study:

Diaspora Investment Vehicle:

An IFSC-based asset manager created a fund targeting the Indian diaspora. The fund allows NRIs to invest in Indian startups and infrastructure projects with simplified

compliance and tax benefits.

(c) Capital Markets

IFSC is home to platforms like **GIFT Nifty**, which facilitates trading in derivatives linked to the Nifty index. The **India International Bullion Exchange (IIBX)** enables transparent and efficient trading of precious metals. These platforms enhance liquidity, price discovery, and investor participation.

⊙ Example:

SME Bond Platform:

IFSCA approved a platform for small and medium enterprises (SMEs) to issue bonds in the IFSC. In its first quarter, 12 SMEs raised a combined \$80 million for expansion and working capital.

⊙ Case Study:

India International Bullion Exchange (IIBX):

IIBX enabled direct bullion imports by Indian jewellers, reducing costs and improving transparency. In its first year, it facilitated over 25 tonnes of gold transactions.

(d) Aircraft & Ship Leasing

IFSC offers a tax-efficient, globally competitive platform for aircraft and ship leasing. With 100% tax exemptions, zero GST, and regulatory clarity, it attracts global lessors and supports domestic aviation and maritime sectors.

⊙ Example:

Vman Aviation Services became the first Indian company to lease a helicopter through IFSC, reducing costs and import duties.

⊙ Case Study:

In 2023, the Gujarat Maritime Board partnered with IFSCA to promote ship leasing. This enabled Indian shipping firms to access sale-and-leaseback models, improving fleet financing and reducing foreign dependency.

(e) Insurance and Reinsurance

The insurance sector in IFSC includes direct insurers, reinsurers, and intermediaries. Global

reinsurers have set up branches in GIFT City, providing risk management solutions to Indian and international clients.

⊙ Example:

Lloyd's of London:

Lloyd's opened a representative office in IFSC, partnering with Indian insurers to offer specialized reinsurance products for climate risk and cyber liability.

⊙ Case Study:

Cyber Risk Reinsurance Pool:

A group of reinsurers in the IFSC formed a cyber risk pool to cover large-scale data breaches in Asia-Pacific. The pool has underwritten \$500 million in coverage for tech firms and financial institutions.

Fintech and Innovation

IFSC is positioning itself as a hub for financial innovation. IFSCA's fintech sandbox and innovation hub support startups in developing cutting-edge solutions in areas like blockchain, AI, and digital payments. The authority has also introduced frameworks for digital asset exchanges and tokenization, aligning with global trends.

The presence of fintech firms in IFSC fosters collaboration between traditional financial institutions and tech-driven startups, driving efficiency and customer-centric services.

⊙ Example:

Digital Asset Exchange Pilot:

In 2024, a pilot digital asset exchange launched in IFSC allowed tokenized trading of real estate assets. It attracted \$50 million in investment within six months.

⊙ Case Study:

AI-Powered Wealth Management:

A fintech startup developed an AI-based robo-advisory platform in IFSC, offering personalized investment strategies. It onboarded 10,000 clients in its first year, with assets under management crossing \$100 million.

Tax and Policy Incentives

The Indian government has introduced several tax and policy incentives to attract investment in IFSC:

- ⊙ **Tax exemptions** on capital gains, dividends, and interest income for non-residents.
- ⊙ **Zero GST** on services provided by IFSC units to offshore clients.
- ⊙ **Simplified compliance** and reporting requirements.
- ⊙ **Budget 2025** introduced additional incentives for fund managers, fintech firms, and insurance entities.

These incentives make IFSC a competitive destination for global financial services, reducing the cost of operations and enhancing profitability.

⊙ Example:

Budget 2025 Incentives:

Budget 2025 introduced tax holidays for fund managers and reduced compliance burdens for fintech firms. These measures led to a 30% increase in new registrations in IFSC within six months.

⊙ Case Study:

Insurance Sector Growth:

Following policy incentives, a global insurance firm launched a captive insurance unit in IFSC, covering risks for its Asia-Pacific operations. This move saved the firm \$10 million annually in premiums.

Strategic Importance and Global Integration

IFSC serves as a bridge between Eastern and Western financial markets. Its strategic location and time zone advantage allow it to operate seamlessly across global markets. It supports India's ambition to become a financial powerhouse and aligns with the **Viksit Bharat 2047** vision.

IFSC facilitates international collaboration through bilateral agreements, cross-border listings, and global fundraising. It also plays a role in de-dollarizing trade by promoting INR-denominated transactions.

India's IFSC at GIFT City is key to Viksit Bharat 2047 - driving global financial leadership through innovation, capital inflow, and strategic international integration

⊙ Example:

ASEAN-India Financial Corridor:

IFSC is being positioned as the anchor for an ASEAN-India financial corridor. This initiative aims to facilitate cross-border investments, trade finance, and currency swaps between India and Southeast Asian nations.

⊙ Case Study:

INR-Euro Settlement Pilot:

In 2025, IFSC hosted a pilot program for INR-Euro settlements between Indian exporters and European buyers. The pilot reduced forex conversion costs by 20% and improved transaction speed.

Challenges and Opportunities

The IFSC has made strong progress but faces challenges like attracting specialized talent, competing with global financial hubs, and scaling infrastructure. These hurdles offer opportunities for innovation, policy improvement, and strategic alliances. Continued government backing, stakeholder involvement, and global outreach will be crucial to its success.

⊙ Example:

Green Infrastructure Scaling:

As demand grows, IFSC is investing in green buildings and renewable energy sources. A solar park near GIFT City now powers 30% of its commercial zones, reducing carbon footprint and attracting ESG investors.

⊙ Case Study:

Talent Exchange Program:

IFSCA launched a talent exchange program with universities in Canada and Singapore. Over 200 finance students participated in internships at IFSC firms, helping build a global talent pipeline.

IFSCA partnered with IIM Ahmedabad to launch a certification program in international finance. Over 500 professionals have been trained, addressing the talent gap.

Future Outlook

The future of IFSC looks promising, with upcoming developments in green finance, digital assets, global payment integration, and sustainable infrastructure. Positioned to drive India's financial diplomacy, IFSC is set to attract global capital, foster innovation, and support inclusive growth.

Example:

Green Bond Issuance:

In 2025, a renewable energy firm issued \$100 million in green bonds via IFSC, attracting ESG-focused investors from Europe and Japan.

Case Study:

Digital Rupee Integration:

In collaboration with the Reserve Bank of India, IFSC is piloting the use of India's Central Bank Digital Currency (CBDC) for cross-border settlements. Early results show a 30% reduction in transaction costs.

Conclusion

India's IFSC at GIFT City is rapidly emerging as a key gateway for the nation's financial sector. Backed by a strong regulatory framework,

strategic incentives, and sectoral momentum, it is reshaping the financial landscape. As a symbol of India's global financial ambitions, IFSC promotes innovation, collaboration, and resilience. Aligned with the Viksit Bharat 2047 vision, it is poised to lead India's integration with global markets and shape the future of finance. **MA**

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NOTIFICATION

In pursuance of Regulation 146 of the Cost and Works Accountants Regulations, 1959, the Council of the Institute at its 360th Meeting dated 21st May 2025 and adjourned to 14th July 2025 by virtue of power conferred therein has decided to change the name of "The Institute of Cost Accountants of India, Talcher Angul Chapter" to "The Institute of Cost Accountants of India, Angul Chapter".

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