



India's Future Economic and Financial Centre

Context

Gujarat International Finance Tech-City (GIFT City), which was once barren land along the Sabarmati River, has emerged as the country's first Greenfield integrated city. It is the country's first and only International Financial Services Centre (IFSC), where banks, stock exchanges, and financial services firms have established global operations.

Relevance

GS Paper – 3: Industrial Policy, Industrial Growth

Mains question

As more companies join to establish their businesses and operations in the rapidly developing city, the GIFT City is likely to grow in importance in the coming years. Comment. (250 Words)

Gift City

- GIFT City is a greenfield central business district and integrated hub in Gujarat with the promise of world-class infrastructure to attract top global players.
 - GIFT City is a multi-service Special Economic Zone (SEZ, 261 acres) in Gandhinagar that houses India's first IFSC and an exclusive Domestic Tariff Area (DTA, 625 acres).
- **Demarcation:** The plan is to develop 62 million square feet of built-up area, with commercial space accounting for 67%, residential space accounting for 22%, and social



space accounting for 11%.

- **Evolution:** As Chief Minister of Gujarat in 2007, Prime Minister Narendra Modi conceived of GIFT City.
- **Long-term vision:** PM's vision was to build a globally-recognized financial centre capable of competing with the world's leading financial centres in London, Tokyo, Shanghai, Paris, Singapore, and Dubai.
- **GIFT City services:** GIFT IFSC offers capital market, offshore insurance, offshore banking and asset management, aircraft and ship leasing, and ancillary services.
 - It also engages in cross-border merger and acquisition activities, risk management operations such as insurance and reinsurance, global tax management and cross-border tax liability optimization, and so on.
 - It is home to two international stock exchanges with a combined daily trading volume of more than \$11 billion.
- On July 29, 2022, an international bullion exchange will also be launched.
- **Smart infrastructure:** The city's social infrastructure consists of a school, medical facilities, a proposed hospital, and the GIFT City business club, which includes indoor and outdoor sports facilities.
- GIFT City is the country's primary functional smart city, with a sustainable master plan and world-class infrastructure.

Benefits of GIFT City

- The proactive support of the Central Government in developing the country as a hub of international financial services, the GIFT City, has emerged as the preferred location for national and multinational firms.
- Tax breaks make it more appealing to invest.
- There will be a massive increase in job creation. According to a 2007 study conducted by M/s McKinsey & Co, the GIFT City project will generate 10 lakh direct jobs by 2020.
- Infrastructure is critical to the success of GIFT City's business environment and quality of life. A careful blend of cutting-edge technology and global best practises in infrastructure service delivery is in place. All of this contributes to an international standard of working and living.

The International Bullion Exchange of India (IIBX)

- **Concerning bullion exchange:** Buyers and sellers can trade gold and silver, as well as related derivatives, on a bullion exchange.
- **IIBX description:** IIBX will enable efficient price discovery while also ensuring responsible sourcing and quality. It has not only registered jewellers to trade on the exchange, but it has also established the infrastructure required to store physical gold and silver.



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- **Import gateway:** The IIBX will serve as the gateway for gold imports into India.
 - **Regulator:** The International Financial Services Centres Authority (IFSCA) oversees IIBX.
 - **IIBX Importance:** It provides a diverse portfolio of products and technology services at a lower cost than Indian exchanges as well as other global exchanges in Hong Kong, Singapore, Dubai, London, and New York.
 - It will accelerate the financialization of gold across the country and enable India to reclaim its rightful place in the global bullion market.
 - With the launch of the IIBX, India will be able to influence international bullion prices as a major consumer.

GIFT CITY IS REQUIRED

- **Importance:** As one of the world's fastest-growing economies, India needs to expand its economic and strategic activities globally through GIFT City.
- **Develop Indian Financial Markets:** An IFSC in GIFT City would facilitate Indian corporations' access to global financial markets while also complementing and promoting further development of Indian financial markets.
 - It thus allows Indian corporate entities and overseas branches/subsidiaries of financial institutions (FIs) to return financial services and transactions that are currently carried out in offshore financial centres to India.
- **Encourage business sentiments:** GIFT City's pro-business regulatory regime and hospitable ecosystem have made it an ideal location for investment, with over 300 units already operational in the GIFT SEZ and DTA.
- **Foreign university entry:** The Union Budget 2022 established a new route for the establishment of foreign universities in India, freeing them from 'domestic regulations' via GIFT IFSC.
- Many universities in Australia, the United Kingdom, and the United States have expressed an interest in establishing a presence in GIFT IFSC. This will help India's 'internationalisation of higher education.'

GIFT City's regulatory standards

- **Unified regulator:** The International Financial Services Commission (IFSCA) has been established as a unified regulator with a holistic vision.
 - The IFSCA Act of 2019 established IFSCA.
 - Prior to the establishment of IFSCA, domestic financial regulators such as the RBI, SEBI, PFRDA, and IRDA regulated IFSC transactions.
 - IFSCA will also regulate/recommend any other financial products, financial services, or financial institutions in an IFSC that the central government may notify.



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- **Dispute Resolution:** Because GIFT City is a hub of international financial services, an International Arbitration Centre, similar to the Singapore International Arbitration Centre or the London Commercial Arbitration Centre, has been established for dispute resolution.
 - GIFT City continued to attract domestic and international players despite the global challenges posed by the Covid-19 pandemic. GIFT City will be a force to be reckoned with in the fields of financial technology, data security, and finance in the coming years.
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