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Fintech Seeks a Budget Boost as eModes Take Off

ON TARGET Experts say pandemic has shored up the need for a more focused approach

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Mumbai: The fintech industry is hoping for a favourable budget ahead of a crucial year for India's burgeoning digital economy, where a bulk of the country's consumers and small businesses are expected to adopt digital modes to access payments and financial services for the first time.

According to chief executives and founders of fintech companies, the disruptive growth seen by the fintech ecosystem in 2020 has shored up the need for a more focused approach towards sustaining the growth and protecting customer confidence.

Exemptions on procurement of point-of-sale terminals and GST rates for rural banking agents re-

mitting funds among households, and subsidies to compensate for merchant discount rate (MDR) waiver are among some of the measures industry executives are keeping an eye out for. "Given the surging prominence of digital initiatives in multiple facets, further attention needs to be given in the budget, towards enhancing its application and effectiveness," said Madhusudan Ekambaram, co-founder of the Fintech Association for Consumer Empowerment, an industry body.

"The multipronged implications of the same could be tax and policy reforms for the startups and tech-centric firms, and a prominent support towards strengthening the digital infrastructure," said Ekambaram, who is also the chief executive of digital lender KreditBee.

On Monday, finance minister Nirmala Sitharaman is expected to present a budget that addresses the needs to bolster an economy ravaged by the pandemic. Industry experts said reforms to further the country's financial inclusion mandate through effective use of technology could be expected from the budget.

According to Shilpa Mankar Ahluwalia, partner and head of FinTech at Shardul Amarchand Mangaldas, the sector is looking to this budget to lay out the road

FUELLING GROWTH

INDUSTRY DEMANDS:
Exemptions on procurement of POS terminals | GST exemptions for rural banking agents

Subsidies to compensate for Merchant Discount Rate waiver

EXPERTS SAY...

- Reforms to further financial inclusion via effective use of tech can be expected
- Hoping for lower GST rates on financial services which will lower costs

map for recovery and growth in 2021. "There is an expectation that the government will emphasise the role of technology in accessing financial services and renew its commitment to invest in Internet infrastructure, particularly in Tier-II and Tier-III cities," she said.

Furthermore, credit support schemes for small non-bank finance companies and fintech lenders can boost support for small businesses. "The industry is also hoping for lower GST rates on financial services which

will lower costs of distributing financial products," Ahluwalia added. Executives pointed out that exemptions on taxes for financial intermediaries catering to underbanked segments of the population could help reduce the cost to access digital modes and push adoption in small towns and villages.

According to Dilip Modi, founder of Splice Money, a reduced goods and services tax and tax deductible at source for banks' business correspondents (BC) in rural areas could help reduce cost of domestic money transfers among households. India's domestic remittance volume had plunged to multi-decade lows amid the migrant crisis during lockdown months.

"The government should consider providing some GST relief on smaller transactions conducted on the BC network," said Modi.



