

A BUDGET FOR BHARAT

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IF I WERE FM

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ABHJIT BHATLEKAR/MINT



If you had three wishes?

I would like to talk about just one wish—emphasis on capital market reforms as they have the potential to create at least 10 million direct and indirect jobs over the next five years. Our aim should be to channelize at least 10% of estimated annual domestic savings of \$305 billion (Rs14.8 trillion) to multiple investment options by expanding reach of the fixed income

secondary markets for government and corporate bonds and creating SME (small and medium enterprises) exchanges, based on a hub and spoke model, for high national penetration.

Competition

Competition in financial services sector will play a vital role as it did for the banking and telecom sectors. Today, there are 100 banks, more than 25 insurance and 50 telecom companies providing best of services to 300 million customers. Similarly, capital markets should target at least 100 million customers versus 15 million today within a predefined time frame.

India model

The India model for capital market reforms should follow an approach similar to the mandatory social obligation guidelines by RBI (Reserve Bank of India) and Trai (Telecom Regulatory Authority of India) to banks and Telcos with respect to rural development and penetration. Sebi (Securities and Exchange Board of India) could issue similar guidelines by putting responsibility on multiple competing exchanges to develop SME market, bond market, and interest rate derivatives.

For true financial inclusion, products for masses across multi-asset classes should be made available across the country and this should increase penetration of the capital markets from 1,500 cities and towns to at least 15,000 cities, towns and *tehsils*.

Abolish transaction tax

Transaction tax for derivative trade in all asset classes should be removed totally to bring it on par with global markets and to make India the global financial hub from the eastern part of the world. Transaction tax, in fact, is a turnover tax and hence is a cost, irrespective of whether one makes a profit or loss.

Retail investors

To win back investors' confidence, a reservation of 10-25% for retail investors in all PSU (public sector unit) divestments and a guarantee of quick turnaround time for all IPOs (initial public offerings) to listing would go a long way.

The financial markets in India can grow manifold by just rightly deploying the country's key strength of human capital, and international capital will always follow the growth.