

**BUDGET 2023: KEY 'TECH'AWAYS FOR THE INDUSTRY****1. INTRODUCTION**

As India celebrates *Azadi ka Amrit Mahotsav* and marches closer towards its centenary year from independence, the central government is making its best efforts to ensure that no stone remains unturned as it hopes to deliver on the India@100 roadmap that the Economic Advisory Council to the Prime Minister had issued in August 2022, which set out the objective of making India a high income country by 2047. The Finance Minister of India, Ms. Nirmala Sitharaman presented what she called '*the first budget in Amrit Kaal*' on February 01, 2023 ("**Budget 2023**"). While outlining her vision under the Budget 2023, she stressed on the focus being on seven priority actions, which would complement each other and serve as '*Saptarishi*', to guide India in achieving the visions set out for Amrit Kaal. They are:

- Priority 1: Boosting inclusive development;
- Priority 2: Reaching the last mile;
- Priority 3: Encouraging infrastructure and investment;
- Priority 4: Unleashing the potential;
- Priority 5: Promoting green growth;
- Priority 6: Enhancing the youth power; and
- Priority 7: Focusing on the financial sector.

As is evident above, a lot of the focus is on growth and development by enhancing youth, unleashing potential, and boosting inclusiveness, infrastructure, and investment with a focus on the financial sector, all of which bode well for the tech industry. A reading of the Budget 2023 validates that 'technology' is meant to play a key role in achieving the visions set out in Amrit Kaal. Measures announced in the past few Union Budgets have served as a catalyst for the introduction of several key initiatives that have changed the landscape of technology in India. Some key measures announced in the past include the introduction of the Central Bank Digital Currency (also called 'Digital Rupee'), establishment of digital banking units, granting of infrastructure status to Data Centers, setting up a fintech hub at GIFT city and the allocation of INR 1,500 crores towards incentivizing and developing digital payments infrastructure in India. These and many more measures adopted by the government in the recent past have led to the innovative development and use of technologies that has stimulated inclusion amongst stakeholders in the market, provided better, faster, and secure service performance and delivery, and most importantly, led to ease of access to services and doing business in India. The technology developments coupled with sound regulatory reforms including but not limited to the Digital Lending Guidelines, amendments to the Information Technology Act and the Intermediary Guidelines and the release of the draft Digital Personal Data Protection bill indicate the strong intent of the government to move towards a digital India. The Budget 2023 proposes to further enhance the ongoing development in the technology space with the announcement of several key measures. In this article, we lay out our preliminary thoughts on some of the key announcements made in the technology space and decode the impact that these measures are likely to have on India Inc.

## 2. HIGHLIGHTS AND ANALYSIS

### 2.1. Agri-Tech:

#### (a) *Digital Public Infrastructure for Agriculture:*

Digital public infrastructure for agriculture is proposed to be set up, that will be built as an open source, open standard and inter operable public good that is meant to enable inclusive, farmer-centric solutions through relevant information services for crop planning and health, improved access to farm inputs, credit, and insurance, help for crop estimation, market intelligence, and support for growth of Agri-Tech industry and start-ups.

#### (b) *Agriculture Accelerator Fund:*

An Agriculture Accelerator Fund will be set-up to encourage agri startups by young entrepreneurs in rural areas. The Fund will aim at bringing innovative and affordable solutions for challenges faced by farmers. It will also bring in modern technologies to transform agricultural practices, increase productivity and profitability.

#### (c) *Credit Increase:*

The agriculture credit target is proposed to be increased to INR 20 lakh crore with focus on animal husbandry, dairy, and fisheries.

#### ➤ *Analysis:*

The digital public infrastructure will allow farmers to access for free, all information that they may require to aid with crop planning and its health. The infrastructure that is proposed to be set up as an open source, will also enable farmers with improved access to credit and insurance and assist with marketing and sale of agriculture produce. This measure also ties in well with the Digital Agriculture Mission that was initiated by the government last year to assist and connect farmers with technology with a view to increase the farmers' income. It appears that the digital public infrastructure aims to achieve for Agri-Tech, what the Open Network for Digital Commerce ("ONDC") was introduced to achieve for technology and ecommerce. While ONDC is still being implemented across the country, the initial success shown by it is likely to give stakeholders in the Agri-Tech sector optimism that such digital public infrastructure set up, specifically with a focus of promoting open networks for exchange of goods that is farmer-centric, achieves the same level of success. The initiation of an accelerator fund will boost the growth of Agri-Tech in India as it will not only encourage entrepreneurs but will also strengthen the agriculture supply chain. Separately, the hike in credit will serve as a boost to all stakeholders in the agriculture market including Agri-Tech companies as such extended credit is likely to provide necessary financial aid to farmers to invest in technology.

### 2.2. Health-Tech:

#### (a) *Medical Research Facilities:*

Research facilities will be made available in selected Indian Council of Medical Research ("ICMR") Labs for research to be undertaken by public and private medical college faculty and private sector research and development teams as a step to encourage collaborative research and innovation.

(b) *Pharmaceutical Innovations:*

A new programme is proposed to be introduced through centres of excellence, to promote research and innovation in pharmaceuticals and to encourage industry to invest in research and development in specific priority areas.

(c) *Multidisciplinary Courses For Medical Devices:*

Introduction of dedicated multidisciplinary courses for medical devices in existing institutions to ensure availability of skilled manpower for futuristic medical technologies, high-end manufacturing, and research.

➤ *Analysis:*

With respect to the healthcare sector, the Budget 2023 focusses on enhancing India's capabilities through increased skilled manpower, research and development and public private partnership in healthcare sector. The dedicated multidisciplinary courses for medical devices in existing institutions to ensure availability of skilled manpower for futuristic medical technologies and high-end medical devices will play a pivotal role in strengthening the healthcare sector as a whole. Additionally, extending ICMR labs to medical colleges and private sector research and development teams for research purposes, will lead to better research outcomes and offer innovative solutions. With the proliferation of medical schools, India will have adequate number of physicians as well as nursing staff and paramedics in future years. Having said that, the Budget 2023 fails to address inclusivity and mass availability of healthcare and medicine, which could have been introduced by bringing more clarity to existing regulations on e-pharmacies and enable more private and foreign investment in the sector, as well as in distribution and logistics in the healthcare and pharma sector. The industry had envisaged to move closer towards universal health coverage and a significant increase in budget expenditure towards healthcare which hasn't been delivered. That said, currently, the healthcare sector needs to abide by the Information Technology Act and rules made thereunder, and several other laws such as the Electronic Health Record Standards, 2016, Telemedicine Practice Guidelines, 2020, while the Draft Health Data Management Policy, 2022 is in the pipeline as well. Given the withdrawal of the proposed Digital Information Security in Healthcare Act ("**DISHA**") (*which intended to provide for electronic health data privacy; confidentiality, security and standardization*), the budget allocations and announcements can only boost the sector, once adequate clarity is brought into the current Indian data protection laws in relation to processing and treatment of digital health data, and accordingly, the need of the hour is robust laws to protect digital health data in India. Overall, the Budget 2023 can still be viewed as more of a positive than a negative for players in the Health-Tech sector as better access to research facilities, introduction of programmes and multidisciplinary courses with a focus on ensuring availability of skilled manpower for futuristic medical technologies and high-end medical devices should give comfort to stakeholders in the sector.

2.3. Edu-Tech:

(a) *Skill India Digital Platform:*

The Budget 2023 targets to upskill the youth and accordingly, proposes to introduce a digital ecosystem and launch a unified Skill India Digital Platform for (i) enabling demand-based formal skilling; (ii) linking with employers including MSMEs; and (iii) facilitating access to entrepreneurship schemes.

(b) *National Data Governance Policy:*

To unleash innovation and research by startups and academia, a National Data Governance Policy is also proposed to be framed, which intends to enable access to startups and academia, with anonymized data for research and development purposes.

(c) *National Digital Library for Children and Adolescents:*

It is also proposed to establish a National Digital Library to facilitate availability of quality books across geographies, languages, genres and levels, and device agnostic accessibility for children and adolescents. Further, to inculcate financial literacy, financial sector regulators and organizations will now be encouraged to supply age-appropriate reading materials to such libraries.

(d) *Capacity Building in Securities Market:*

To build capacity of functionaries and professionals in the securities market, it is proposed that Securities Exchange Board of India (“SEBI”) will be empowered to develop, regulate, maintain and enforce norms and standards for educational purpose in the National Institute of Securities Markets and recognize award of degrees, diplomas, and certificates in the given sector.

➤ **Analysis:**

The announcements are holistic and well-balanced as it supports higher education and aims to promote an equitable and inclusive education system across India. The Budget 2023 places a strong emphasis on deploying digital infrastructures to ensure that all students, in urban and rural areas, are given access to online learning experiences. The proposal to establish a National Digital Library, will democratise access to learning materials across geographies, languages, genres and levels to shape up a skilled human resource. The proposal to establish new research and teaching institutions, new digital infrastructures, and scholarships for economically disadvantaged students, will expand access to higher education in India, allowing more people to benefit from the increased opportunities. Further, given that in India unemployment remains to be an issue and skill development continues to be in demand, the proposed skill India digital platform will be a welcome step in terms of availability of skilled manpower in near future. However, the implementation of the above vision may pose a challenge, as it would involve investing in high-speed internet especially in rural and remote locations and assisting the educational institutions in upgrading their existing technology systems to integrate the above visions. Further, it will also be crucial to see how the National Data Governance Policy will interplay with the Non-Personal Data Governance Framework, that is envisioned and been in the pipeline for the past few years. Overall, the Budget 2023 aims to make India a knowledge and technology-based powerhouse in the coming years and the measures taken will be seen as a welcome move to the ed-tech industry.

2.4. **Fin-Tech:**

(a) *Fintech Services:*

In India, fintech services are facilitated by digital public infrastructure including Aadhaar, PM Jan Dhan Yojana, Video KYC, India Stack and Unified Payment Interface. To enable and encourage innovation in the field of fintech services, the scope of documents available in DigiLocker, for individuals, is proposed to be expanded.

(b) *GIFT IFSC:*

Easing the registration hassles, a single window approach will be adopted for registration and approvals of the IFSC units by the IFSC authorities, SEZ authorities, Goods and Services Tax authorities, Reserve Bank of India, SEBI, and Insurance Regulatory and Development Authority of India. Further, the International Financial Services Centres Authority Act, 2019 (“**IFSC Act**”) will be amended to introduce statutory provisions for arbitration, ancillary services, and provisions in relation to avoid dual regulation under the IFSC Act and the Special Economic Zones Act, 2005. The proposal for GIFT IFSC also includes: (a) Allowing IFSC banking units to undertake acquisition financing of foreign banks; (b) Recognizing offshore

derivative instruments as valid contracts in IFSC; and (c) Setting up a subsidiary of EXIM Bank for trade re-financing.

(c) *Data Embassy:*

It is proposed that the countries looking for digital continuity solutions, will be allowed to set up data embassies in GIFT IFSC.

➤ *Analysis:*

With the aforementioned announcement it appears that focus for the fintech sector is to attract new investment, both from domestic and foreign, while also ensuring better access to individual customers accessing fintech applications to seamless and efficient services by increasing the scope of documents available on DigiLocker, which acts as a one stop solution for KYC verification to almost every large fintech player in the market today. Streamlining the registration process in GIFT IFSC through establishment of a single-window clearance system for inter-regulatory approvals and providing a solution to dual legislation issue, will certainly encourage domestic as well as foreign players to consider GIFT IFSC as an option, with renewed enthusiasm. Further, given the presence of the Singapore International Arbitration Center in GIFT City and the proposed amendment to IFSC Act to introduce statutory provisions for arbitration, the measures announced will boost ease of doing business while also ensuring faster resolution of disputes.

2.5. Centers of Excellence for Artificial Intelligence:

For recognizing the vision of “*Make AI in India and Make AI work for India*”, centers of excellence in top educational institutions are proposed to be set up by partnering with leading industry players. This proposal aims to stimulate an effective Artificial Intelligence (“AI”) ecosystem and offer solutions in the areas of agriculture, health, and sustainable cities. It aims at nurturing quality human resources in the field of AI innovation and development.

➤ *Analysis:*

The Budget 2023 has rightly laid emphasis on new age technologies and skill-building programs. The announcement of the centres of excellence for AI and active industry collaborations, is a huge positive step towards boosting the development and application of AI in the country with the aim to ‘make AI in India’ and ‘make AI work for India’. By partnering with leading industry players and conducting interdisciplinary research, the centers of excellence will help develop cutting-edge AI application and solution in key areas such as agriculture, health, and sustainable cities, which will accelerate the development of new-age, technology-driven solutions to encourage start-ups to innovate with new-aged solutions in such sectors. This will holistically develop robotics, AI and machine learning which will subsequently contribute towards innovation of high-quality technologies in the country. The beneficiaries to this development will include players from all technology sectors including Fin-Tech, Agri-Tech, Health-Tech, and Edu-Tech.

2.6. Simplification of Business and Good Governance Measures:

(a) *KYC Process:*

The KYC process is proposed to be simplified to adopt a ‘risk-based’ approach instead of a ‘one process fits all’ approach. Financial sector regulators will be encouraged to adopt an appropriate KYC system that is suitable for this purpose.

(b) *Common Business Identifier:*

For ease of identification of business establishments, the Budget 2023 proposes to use Permanent Account Number (PAN) as a common identifier across all digital systems of government agencies. It is also proposed to accept Aadhaar as foundational identity.

(c) *One Stop Solution:*

To reduce the compliance burden on general public (*need of periodic updation of KYC*), a one-stop solution is envisaged, wherein individuals can reconcile and update their identity proof and address details that are already available with government agencies, regulators, and regulated entities. This solution will possibly be enabled by DigiLocker. A version of DigiLocker will also be made available for MSMEs, large business and charitable trusts as well.

(d) *Entity DigiLocker:*

A dedicated DigiLocker is proposed to be set up for use by MSMEs, large business and charitable trusts for storage and sharing of documents securely through an online medium with various authorities, regulators, banks, and other business entities.

(e) *National Financial Information Registry:*

To facilitate efficient flow of financial and ancillary information, promote financial inclusion and foster financial stability, a national financial information registry is contemplated to be set up, which will serve as a central repository.

(f) *Unified Filing Process:*

To avoid duplication of information sharing with various government authorities, a system of 'Unified Filing Process' is envisaged to be set-up wherein simplified forms will be available on a common portal and information can be shared with any government authorities, as per the filer's choice.

(g) *Regulation of Financial Sector:*

To facilitate optimal regulations in the financial sector, the process of regulation-making and issuance of subsidiary directions, will now include public consultation, as necessary and feasible. Stressing on trust based governance and stakeholder participation, financial sector regulators will now be required to carry out a comprehensive review of existing regulations to ease and reduce the cost of compliances.

(h) *Central Data Processing Centre:*

Under the Companies Act, a Central Processing Centre is proposed to be set up to provide faster response to companies and to handle the process of filing various forms centrally.

(i) *Reclaiming of shares and dividends:*

To ease up the process of reclaiming the unclaimed shares and unpaid dividends from the Investor Education and Protection Fund Authority, it is proposed to establish an integrated IT portal for the investors.

➤ **Analysis:**

Fintech entities typically target to digitize the entire customer onboarding process and do away with any manual or physical interaction with the customers. By adopting a risk based approach for KYC, it appears that the KYC process will certainly be simplified. Allowing individuals to reconcile and update their KYC details using a single window for all financial sector regulators, will also streamline the need of periodic updation of KYC for all their relationships with various financial sector regulators. Adoption of Aadhaar as an introductory identity document for individuals and PAN as a common identifier for business establishment, will make the process of KYC a lot smoother. DigiLocker will be more widespread and be used more extensively. Interoperable use of information amongst the financial sector regulators and reduction in compliance will positively impact new aged fintech entities, who can now harmoniously focus on innovation and development. Further, taking into account considerations of industry and public opinions in draft regulations is likely to solve many challenges faced by the industry. All of the measures are much needed welcome ease of doing business measures will most certainly boost business in the fintech and other tech spaces while also ensuring that the same is not done at the risk of non-compliance at the end of the service provider or the customer.

### 3. **INDUSLAW VIEW AND CONCLUSION**

India is clearly moving towards a Digital India and the Budget 2023 is a testament to that. The focus on data, technology and related infrastructure development measures will continue to encourage innovation, entrepreneurship and increase in trade while at the same time boosting new investments and easing the nerves of existing stakeholders in the Tech market. Initiatives to reduce compliance by promoting trust based governance, liberalising GIFT IFSC, upskilling the human resource, creation of centers of excellences, etc., are moves in the right direction having focus on creating opportunities for the future generations and unleashing the country's potential. While the announcements are progressive and undeniably bears the potential for development of a stronger economy, it will be interesting to see the manner in which these proposals will be implemented. Any progress on the digital front will only be possible if the current information technology laws in India are amended and the propositioned Digital India Act sees the light of the day. For now, it is safe to conclude that we are slowly but surely heading towards Amrit Kaal.

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