

Union Budget implications on Services Export

Services Export Promotion Council welcomes the Union Budget which lays down the foundations and much needed steps forward towards making India a developed country by 2047. The provisions in budget announcements aims to bolster India's position in the global market. Honourable Finance Minister Ms Nirmala Sitharaman, during her Union Budget 2025-26 address, announced a series of targeted measures aimed at enhancing the competitiveness and growth of exports.

Following specific measures will provide immense impetus to growth-oriented exports objectives:

Export Promotion Mission:

The establishment of an **Export Promotion Mission**, collaboratively led by the Ministries of Commerce, MSME, and Ministry of Finance. This mission is designed to set sector-specific and ministerial targets to invigorate India's export ecosystem. Key components include:

- **Facilitating Access to Export Credit:** Streamlining financial avenues to ensure exporters, especially MSMEs, have the necessary capital to expand into global markets.
- **Cross-Border Factoring Support:** Providing mechanisms to manage international receivables, thereby mitigating risks associated with global trade.
- **Assisting MSMEs in Navigating Non-Tariff Barriers:** Offering guidance and resources to help small and medium enterprises comply with international standards and regulations, enhancing their global competitiveness.

These initiatives aim to create a more conducive environment for services exports, recognizing the sector's significant contribution to the nation's GDP and employment.

Bharat Trade Net:

To further streamline trade processes, the government will launch **Bharat Trade Net (BTN)**, a unified digital public infrastructure platform. BTN is envisioned to:

- **Simplify Trade Documentation:** Acting as a one-stop solution for all trade-related paperwork, reducing administrative burdens on exporters.
- **Enhance Financing Solutions:** Integrating financial services to provide exporters with easier access to necessary funds.

By adopting global best practices, BTN aims to make international trade more accessible and efficient for Indian service providers.

Revamping Bilateral Investment Treaties:

In a bid to attract more foreign investment, the Finance Minister announced plans to revamp the **Model Bilateral Investment Treaty (BIT)** to make it more investor-friendly. This overhaul seeks to:

- **Enhance Investor Confidence:** Providing a more predictable and secure investment environment.
- **Promote Sustainable Investments:** Aligning treaties with contemporary economic realities to foster long-term growth in the services sector.

This initiative underscores the government's commitment to creating a favourable climate for both domestic and international investors in the services domain.

Support for MSMEs:

Recognizing that Micro, Small, and Medium Enterprises (MSMEs) constitute a significant portion of India's services exports, the budget proposes:

- **Enhanced Investment and Turnover Limits:** Increasing the thresholds for MSME classification to 2.5 and 2 times, respectively, allowing more enterprises to benefit from MSME-specific schemes.
- **Improved Access to Credit:** Implementing measures to ensure MSMEs have better access to financing, facilitating their expansion into international markets.

These steps are anticipated to empower MSMEs to scale operations and enhance their presence in the global services market.

Maritime Development Fund:

To develop the shipping industry, the government will set up a **250-billion-rupee (\$2.9 billion) Maritime Development Fund**. The fund aims to provide long-term financing for the country's shipbuilding and repair sectors. The government will contribute 49% to the fund, with the remaining amount mobilized from ports and private investments. This initiative seeks to enhance India's infrastructure and manufacturing capabilities in the maritime sector.

Tourism being key sector, the budget announcements reflected on following key initiatives:

1. **Development of Top 50 Tourist Destinations:** The government plans to develop the top 50 tourist sites in collaboration with state governments. This initiative aims to enhance infrastructure, amenities, and overall visitor experience at these locations, making them more attractive to both domestic and international tourists.
2. **Support for Homestays through MUDRA Loans:** To promote local entrepreneurship and provide authentic cultural experiences for tourists, the government will extend MUDRA loans to individuals and small businesses for developing homestays. This move is expected to boost rural tourism and provide livelihood opportunities in various regions.
3. **Promotion of Medical Tourism:** In partnership with the private sector, the government will promote medical tourism under the "Heal in India" initiative. Efforts will include capacity building, easing visa norms, and enhancing healthcare infrastructure to attract international patients seeking medical treatments in India.
4. **Focus on Spiritual and Religious Tourism:** Building on previous initiatives, there will be a special focus on developing destinations related to the life and times of Lord Buddha. This is expected to attract pilgrims and tourists interested in spiritual journeys, thereby boosting niche tourism segments.

These initiatives are poised to significantly enhance India's appeal as a tourist destination:

- **Enhanced Infrastructure:** Improved facilities at major tourist sites will likely lead to increased tourist satisfaction and higher footfalls.
- **Diverse Accommodation Options:** Support for homestays will provide tourists with a wider range of lodging choices, catering to various preferences and budgets, while also offering immersive cultural experiences.
- **Streamlined Processes:** Easing visa norms and enhancing connectivity are expected to simplify travel procedures, making India a more accessible destination for international travellers.
- **Niche Tourism Growth:** Focused development of spiritual and medical tourism will attract specific traveller segments, contributing to the diversification and resilience of the tourism industry.

Collectively, these measures are anticipated to boost inbound tourism, generate employment opportunities, and contribute to India's economic growth.

Likewise several as follows aimed at enhancing Medical Value Tourism (MVT) and strengthening the healthcare sector in India.

1. **Promotion of Medical Tourism under 'Heal in India':** The government, in collaboration with the private sector, will promote medical tourism through the 'Heal in India' initiative. This includes capacity building and simplifying visa processes to attract international patients seeking medical treatments in India.
2. **Expansion of Medical Education:** An additional 10,000 medical seats will be added in the next year, contributing to a total of 75,000 new seats over the next five years. This expansion aims to address the shortage of healthcare professionals and improve the quality of medical services.
3. **Establishment of Day Care Cancer Centres:** The government plans to set up 200 day care cancer centres in district hospitals during 2025-26, with a goal to establish such centres in all districts over the next three years. This initiative seeks to enhance accessibility to cancer treatment across the country.
4. **Exemption of Basic Customs Duty on Life-Saving Drugs:** To make treatments more affordable, 36 life-saving drugs used in the treatment of cancer and rare diseases will be exempted from basic customs duty.

Collectively, these measures are poised to strengthen India's position as a leading destination for medical value tourism, attracting more international patients and contributing to the growth of the healthcare sector. The impact would be as follows:

- **Enhanced Attractiveness for International Patients:** The 'Heal in India' initiative, coupled with streamlined visa processes, is expected to make India a more appealing destination for patients worldwide seeking quality and affordable medical care.
- **Improved Healthcare Infrastructure:** The establishment of additional medical seats and day care cancer centres will bolster India's healthcare capacity, ensuring better service delivery to both domestic and international patients.
- **Cost Reduction in Treatments:** The exemption of customs duty on essential life-saving drugs will lower treatment costs, making healthcare services in India more affordable and competitive globally.

In the Union Budget 2025-26 presented today, Finance Minister Nirmala Sitharaman announced several initiatives aimed at fostering the growth of startups, with a focus on enhancing the services sector and boosting exports. These initiatives are poised to have a significant impact on the services sector exports:

- **Enhanced Competitiveness:** By focusing on ease of doing business and technology availability, startups in the services sector can operate more efficiently, making them more competitive in the global market.
- **Skill Development:** The emphasis on creating a future-ready workforce will ensure that startups have access to skilled professionals, enhancing service quality and innovation.
- **Market Expansion:** Support for sectors like footwear, leather, and toys opens new avenues for startups to explore international markets, thereby increasing services related to design, marketing, and distribution.
- **Policy Support:** The National Manufacturing Mission's policy support and execution roadmaps will provide a conducive environment for startups to scale operations and tap into export opportunities.

Collectively, these measures are expected to strengthen the services sector, foster innovation, and significantly boost India's exports by empowering startups to thrive in the global marketplace.

Finance Minister Nirmala Sitharaman announced several initiatives to establish Centres of Excellence (CoEs) aimed at bolstering innovation and enhancing the services sector, thereby boosting exports.

1. **Centre of Excellence in Artificial Intelligence for Education:** The government plans to set up a Centre of Excellence in Artificial Intelligence (AI) dedicated to the education sector, with a total outlay of ₹500 crore. This initiative aims to integrate AI into educational frameworks, fostering innovative learning solutions and research.
2. **National Institute of Food Technology, Entrepreneurship, and Management:** A new institute will be established in Bihar to provide a significant boost to food processing activities in the Eastern region. This center will focus on skilling, entrepreneurship, and employment opportunities for the youth, thereby enhancing value addition in the food processing sector.

These initiatives underscore the government's commitment to leveraging technology and specialized education to drive growth in the services sector, thereby enhancing India's export potential. The following points assess the impact:

- **Innovation and Skill Development:** The establishment of these CoEs is expected to foster innovation and skill development in critical areas such as AI and food technology. This will enhance the quality and competitiveness of services offered by Indian enterprises, making them more attractive in the global market.
- **Entrepreneurship and Employment:** By promoting entrepreneurship and providing specialized training, these centers will equip individuals with the necessary skills to excel in service-oriented industries. This, in turn, can lead to the creation of startups and businesses that cater to international markets, thereby increasing service exports.
- **Enhanced Global Competitiveness:** The focus on integrating advanced technologies like AI into education and other sectors will position India as a leader in innovative service solutions. This strategic advantage is likely to attract global clients and partners, further boosting exports in the services sector.

SEPC will be organising series of sectoral interactions on Budget Announcements and will be submitting a detailed analysis along with challenges and concern.