

Budget On Financial Sector Fy2019-fy2026

Dhruv - [Notebook Link](#)

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Questions

1. Summarize financial sector emphasis in Union Budget speeches FY2019-FY2026

Financial Sector Evolution in Union Budgets (FY2019-FY2026) - Consolidated Analysis

FISCAL YEAR	PRIMARY STRATEGIC FOCUS	KEY FINANCIAL SECTOR INITIATIVES	INSTITUTIONAL INNOVATIONS	CAPITAL ALLOCATION (₹ CRORE)
FY2019	Banking Recapitalization & Regulatory Reforms	Bank recapitalization, EASE programme, Gold Policy, Cryptocurrency stance	Enhanced Access and Service Excellence (EASE), Unified IFSC Authority	80,000 (recapitalization bonds)
FY2020	NPA Resolution & NBFC Support	Bank consolidation, Deposit insurance (₹1L to ₹5L), NBFC liquidity support, DDT removal	Credit Guarantee Enhancement Corporation, NIRVIK export credit scheme	70,000 (PSB capital), 100,000 (NBFC support)
FY2021	COVID Response & Privatization	Bank consolidation (10 to 4), LIC IPO, Insurance FDI (49% to 74%), MSME subordinate debt	Universal Pension with auto-enrolment, GIFT IFSC Bullion Exchange	22,000 (infrastructure equity), 350,000 (cumulative PSB capital)
FY2022	Digital Transformation & Climate Finance	75 Digital Banking Units, Climate finance, NaBFID, Infrastructure financing architecture	Digital Banking Units, Sovereign Green Bonds (announced), GIFT City arbitration	750,000 (public investment)
FY2023	Implementation & Regulatory Simplification	MSME credit guarantee (₹9,000 Cr corpus), Post office digitization, Green Bonds launch, GIFT IFSC expansion	National Financial Information Registry, Entity DigiLocker, GIFT IFSC universities	9,000 (MSME guarantee corpus), 1,068,000 (effective capex)

FISCAL YEAR	PRIMARY STRATEGIC FOCUS	KEY FINANCIAL SECTOR INITIATIVES	INSTITUTIONAL INNOVATIONS	CAPITAL ALLOCATION (₹ CRORE)
FY2024	Fintech Ecosystem & Global Integration	Entity DigiLocker for MSMEs, Fintech regulatory dialogue, Cross-border payments, G20 crypto framework	Monthly regulator-fintech meetings, FSDC action monitoring, Unclaimed deposits drive	Not separately disclosed
FY2025	Structural Transformation & Climate Finance	Climate finance taxonomy, Variable Capital Company, NPS Vatsalya, MSME digital credit assessment	Economic Policy Framework, Financial Sector Vision Document, Grameen Credit Score	1,111,111 (capital expenditure)
FY2026	Regulatory Responsiveness & Maritime Finance	FSDC regulatory evaluation mechanism, AIF taxation certainty, Sovereign fund timeline extension	Sagarmala Maritime Finance Company (₹25,000 Cr MDF), Investment Friendliness Index	25,000 (Maritime Development Fund), 100,000 (Urban Challenge Fund)

Key Insights

Evolution of Financial Sector Priorities (FY2019-FY2026)

The Union Government's approach to financial sector development evolved through distinct phases over eight fiscal years, moving from crisis management and recapitalization to digital transformation, and ultimately to structural reforms and regulatory responsiveness.

Phase 1: Crisis Resolution and Recapitalization (FY2019-FY2020)

- FY2019 focused on **bank recapitalization with ₹80,000 crore bonds** and comprehensive regulatory framework reforms including amendments to RBI Act, SEBI Act, and National Housing Bank Act
- FY2020 addressed NPA resolution with **NPAs reduced by over ₹1 lakh crore** and record recovery of **₹4 lakh crore over four years** through IBC and other measures
- Deposit insurance coverage increased from **₹1 lakh to ₹5 lakh per depositor** to enhance depositor protection
- NBFC sector received targeted support with **₹1 lakh crore partial credit guarantee scheme** for purchasing pooled assets

Phase 2: Consolidation and COVID Response (FY2021)

- Banking sector consolidation reduced number of PSBs through **merger of 10 banks into 4**, with cumulative capital infusion of **₹3,50,000 crore** over preceding years
- Landmark privatization initiatives including **IDBI Bank disinvestment** and **LIC IPO announcement**
- Insurance sector FDI limit increased from **49% to 74%** with safeguards for Indian management control
- COVID-19 response included **Emergency Credit Line Guarantee Scheme with sanctions crossing ₹79,000 crore** benefiting 19 lakh MSMEs
- Infrastructure financing architecture strengthened with **₹22,000 crore equity support** to create financing pipeline exceeding ₹1,00,000 crore

Phase 3: Digital Transformation and Climate Finance (FY2022-FY2023)

- FY2022 introduced **75 Digital Banking Units in 75 districts** and emphasized climate finance with sovereign green bonds
- Public investment scaled to **₹7.50 lakh crore** with multiplier effect of 3-4 times to crowd-in private investment
- FY2023 operationalized digital infrastructure with **100% of 1.5 lakh post offices on core banking system** enabling financial inclusion in rural areas
- MSME credit guarantee scheme revamped with **₹9,000 crore corpus infusion** to enable **additional ₹2 lakh crore collateral-free credit**
- Institutional innovation with **National Financial Information Registry** as central repository for financial information to facilitate credit flow
- GIFT IFSC expanded with **world-class foreign universities** and **International Arbitration Centre**

Phase 4: Fintech Ecosystem and Global Integration (FY2024)

- India emerged as **3rd largest fintech ecosystem globally with 10,244 entities**
- Digital payments revolution with **every second digital transaction worldwide taking place in India** in FY25
- Fintech market penetration showed **93% share of UPI transaction value** and **36% share of new-to-credit customers**
- Regulatory engagement enhanced with **monthly virtual meetings between regulators and fintech companies**
- Cross-border payments prioritized under India's G20 presidency with focus on **interoperability of national fast payment systems**
- Financial inclusion metrics improved with **Demat accounts increasing 2.5 times from 4.1 crore to 10 crore** between FY20 and FY23

Phase 5: Structural Transformation and Climate Finance (FY2025)

- Introduction of **climate finance taxonomy** to facilitate capital availability for climate adaptation and mitigation
- Legislative approval sought for **Variable Capital Company structure** for aircraft/ship leasing and private equity funds

- NPS Vatsalya launched allowing **parents to contribute to minors' pension accounts**, extending coverage to next generation
- MSME credit assessment revolutionized with **PSBs building in-house capability based on digital footprints**, with **98,995 applications sanctioned** within one day between April-July 2025
- MUDRA loan limit under Tarun category **increased from ₹10 lakh to ₹20 lakh**
- Capital expenditure reached **₹11,11,111 crore (3.4% of GDP)**

Phase 6: Regulatory Responsiveness and Maritime Finance (FY2026)

- Establishment of **FSDC mechanism to evaluate regulatory impact** and formulate framework for enhanced responsiveness
- Creation of **Sagarmala Maritime Finance Company Limited** as nodal agency for **₹25,000 crore Maritime Development Fund**
- AIF taxation certainty provided for **Category I and II AIFs on gains from securities**
- Investment timeline for sovereign and pension funds **extended by five years to March 31, 2030**
- **Urban Challenge Fund of ₹1 lakh crore** with requirement for 50% funding from bonds, bank loans, and PPPs
- Jan Vishwas Bill 2.0 to **decriminalize more than 100 provisions** following earlier decriminalization of 180+ provisions

Banking Sector Transformation

The banking sector underwent comprehensive transformation from crisis management to performance excellence over the eight-year period.

- Bad loans reduced from **19% to 2.5%** through the government's 4-R policy (Recognize, Recover, Recapitalize, and Reforms)
- Net Non-Performing Assets declined to **multi-year low of 0.52%** in FY2025
- Public Sector Banks posted **record net profit of ₹1.78 lakh crore** in FY2025
- Number of PSBs reduced from 27 to 12 through strategic consolidation between FY2019 and FY2021
- Cumulative capital infusion of **₹3,50,000 crore** strengthened capital adequacy and lending capacity
- Digital banking infrastructure expanded with 75 Digital Banking Units and complete digitization of postal banking network

Financial Inclusion and Digital Payments Revolution

India achieved remarkable progress in financial inclusion and digital payments infrastructure, becoming a global leader in digital financial services.

- Digital payments scaled to **7,400 crore transactions worth ₹126 lakh crore through UPI in 2022**
- By FY25, **every second digital transaction worldwide took place in India**
- Demat accounts increased from **4.1 crore in FY20 to 10 crore in FY23**, representing 2.5x growth
- Mutual fund AUM grew from **₹10 lakh crore in May 2014 to ₹46.37 lakh crore in July 2023**, a four-fold increase

- Share of cities beyond Top-30 in mutual fund assets increased from 15% to 26% in four years, demonstrating geographic democratization
- EPFO membership more than doubled to 27 crore, reflecting formalization of economy
- Per capita income more than doubled from ₹1.97 lakh since 2014

MSME Financing Evolution

MSME financing underwent systematic strengthening through multiple interventions across budgets.

- FY2019 introduced Interest Subvention Scheme with ₹350 crore for 2% interest subvention for GST registered MSMEs
- FY2020 abolished Dividend Distribution Tax providing ₹25,000 crore for reinvestment
- FY2021 introduced subordinate debt scheme for entrepreneurs with CGTMSE guarantee and app-based invoice financing
- FY2023 revamped credit guarantee scheme with ₹9,000 crore corpus infusion enabling ₹2 lakh crore additional collateral-free credit
- FY2025 revolutionized credit assessment with digital footprint-based scoring, resulting in 98,995 sanctions within one day
- MUDRA loan limit increased from ₹10 lakh to ₹20 lakh under Tarun category
- Presumptive taxation limits enhanced from ₹2 crore to ₹3

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