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Research Paper

ROLE OF INDIAN DIASPORA IN THE ERA OF GLOBALIZATION

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ABSTRACT

The Indian Diaspora can be an important variable in India's global policy calculus. It is a potent untapped source in advancing India's development strategy through Globalization. India has become the promise of tomorrow and could become the next economic powerhouse with the help of millions who left India but have still maintained close ties with their motherland and want it to succeed. Expatriates could provide the business firms powerful support abroad as they are capable of influencing the policies of their adopted countries. The New Economic Policy (NEP) of Government of India regarding globalization, privatization and liberalization is set to fully leverage this accomplished group by motivating them to become stake-holders in the country's economic activity. The paper highlights the point as to how the challenge of "brain drain" of yesteryears can be an opportunity for today.

Prior to the NEP the Indian Diaspora was viewed as a distinct entity, unrelated to the core Indian interest. This attitude had continued for a major part of India's economic policy. As a result India had in its pre-reform era limited its engagement with the Diaspora to humanitarian, legal and other narrow arenas. Post reform policy of India's strategic model represents a clear break from the policies of the past and underscores the value on the overseas community

KEYWORDS: *Diaspora, New Economic Policy, Globalization, non-resident*

INTRODUCTION

India is in the midst of two important trends: a) Globalization of Economy b) Revival of the market with privatization as main point. The New Economic Policy (NEP) ushered by the Government of India in 1991 initiated a series of policy and structural reforms. This policy spells out short term, medium term and long term policy and structured changes needed in all sectors. Prior to the NEP the Indian Diaspora was viewed as a distinct entity, unrelated to the core Indian interest. India had in its pre-reform era limited its engagement with the Diaspora, humanitarian, legal and other narrow arenas.

Post reform policy of India's strategic model represents a clear break from the policies of the past and underscores the value on the overseas community. As per UN department of economic and social affairs survey, India has the largest Diaspora population in the world.

The term refers to non-resident Indian (NRI), a citizen of India who holds an Indian passport and temporarily emigrated to another country for six months or more for employment, residents, education or any other purpose and Persons Of Indian Origin (PIO) or ancestry but who is not a citizen of India.

The Indian Diaspora comprising of 25 million is a small number as compared to the country's population, yet, it can be termed as its global asset which is highly skilled, educated and wealthy. As part of its globalization strategy, the proportion of these highly skilled migrants tends to increase.The new economic policy of government of India regarding globalization, privatization and liberalization is set to fully leverage this accomplished group by motivating them to become stake holders in the country's economic activity. The challenge of "brain drain" of yester years can be an opportunity for today.

The Indian Diaspora can scale up its contribution to the mission of remaking India through enthusiastic participation in *Swatchh Bharat, Clean Ganga, Make in India, Skill India.* As per government of India, MADAD- an online grievance monitoring system for the Diaspora has been launched which is now operational across all missions and posts. There is also merger of OCI and PIO cards.

TheLaunch of "Bharat Ko Jaano And Bharat Ko Maano" programs to make the youth aware of the rich cultural past of India and the current achievements. Large number of students study abroad since the country's growing university capacity is far smaller than the required numbers needed to meet the demand for higher education.

India can provide a low cost, educated labour force in an attractive, easy to do business environment to domestic and foreign entrants. Globalization strategy for making the "Indian Connect" wants to ensure that Indian business and foreign investors work together in the country.

The country's transition to a modern industrialized economy will require support of all its assets, domestic and foreign. As Chris Wright has reported in the Asia edition of Global Capital, "A high proportion of NRI's are rich and the world's private banks have created teams to serve their investment preferences. Finding investments with a homeland bias is preferred."

OBSERVATIONS

Studies conducted have shown that NRI'S are generally very financially astute and invest globally across all major asset classes. They may have a bias towards the home country because of the understanding of local situations, issues and markets.

- As the case may be those because of the roots all people tend to feel to their place of origin. The wealth management needs of NRI's have evolved in terms of breadth and sophistication as they have become more affluent and more actively involved in investment.
- The business community of the Indian Diaspora has established itself as a globally successful and upwardly mobile group of professionals, senior executives and entrepreneurs. Their offspring are increasingly earning professional degrees at tap tier institutions or are rapidly raising executives. The future looks promising and challenging
- The dimensions of globalization include a National State system, World capitalist economy, World military order and International division of labour. These interact with each other and affect the globalization process that involves production and distribution of production and services of homogeneous type, quality on a worldwide basis.
- The globalization process signifies the fact that the world is shrinking in all major respects. Global business is the buzzword of most of the present economy activities that transcend national boundaries, stateless boundary less firm which is not committed to a single home country.
- The Indian Diaspora can rightly become the stakeholders. Domestically the 25 million member overseas community can help in fulfilling of the macroeconomic goals at home. They can invest in modernizing India's aging infrastructure and help finance.
- About 400 million middle class population in India are the biggest consumers of everything from apples to automobiles, macroeconomic fundamentals as seen from its capital market, foreign exchange reserves, foreign direct investment flows, well developed commercial and banking systems etc.
- There are factors that compel firms to compete on a global scale (Pitts & Lei). One such factor is homogeneity of demand where irrespective of the physical location of the customers, they are likely to prefer the same kind of product or service with similar characteristics. Manufacturers find a great opportunity to come out with products meeting expectations of customers world-wide.
- Higher capital flows enhance investments, which leads to an improvement in the infrastructure and the productive capacity of the economy. Exposure to the ways business is done elsewhere other than the domestic economy, benefits the domestic producers through new technology, new marketing skills, new business practices. They also benefit from higher competition.
- Availability of foreign currency is enhanced which can help in stabilization of the exchange rate and building up of the foreign exchange reserves. This builds up the confidence of the investors and traders. A higher reputation of the country and better credit rating creates a harmonic environment for growth.

India vision- 2020

- A vision statement that is forward looking, liberal and open to the world outside, authored by Mr. S.P. Gupta, former member of Planning Commission along with K.C. Pant had envisioned that in 2020 India's 1.35 billion people will be better fed, dressed, housed, healthier, more educated and longer living than any previous generation of Indians.
- Illiteracy and major contagious diseases will have disappeared; school enrollment in the age group of 6-14 will be almost 100%; urban air pollution will probably be brought under control by strict enforcement motor vehicle emission standards and widespread use of ethanol-blended motor fuels. People have to be equipped to adapt constantly to change in technology, trade, jobs and skills. The country will have an annual economic growth at 9% and a per capita income that would have quadrupled. This would put India among the world's upper middle class on par with Chile, Hungary and Malaysia.
- Economists generally believe that as a country progresses economically, its cumulative wealth increases over a period of time, the benefits of which eventually reach all sections of the society. This is based on the assumption that benefits of growth "trickled down" to the poor.
- However, it is now believed that this does happen not through the trickle down process but when middle class and poor try to seek and find new avenues in order to derive benefits of growth.

Role of Foreign Capital

- Everywhere in the world, including the developed countries, there is a belief that foreign capital plays a constructive role in the country's economic development. In countries like ours, domestic capital is inadequate for the purpose of economic growth.
- An inflow of private foreign capital helps in removing the deficit in the balance of payments overtime. It also helps to fill the gap between governmental tax revenue and locally raced taxes.
- By taxing the profits of the foreign enterprises, the governments of developed countries are able to mobilize funds for projects (like energy, infrastructure) that are badly needed for economic development. The gap in management, entrepreneurship, technology and skill is also met by it. The package of these much needed resources is transferred to the local country through training

programmes and process of learning by doing.

- Foreign companies bring with them sophisticated technological knowledge about production processes while transferring modern machinery and equipment to the capital-poor developing countries.
- In this era of globalization, there is a great belief that foreign capital transforms the productive structures of the developing economies leading to high rates of growth. Creation of new productive assets contributes to generation of employment - a prime need of a country like India.
- To attract foreign capital and investments from NRIs, the present Central Government has in recent years announced a number of tax concessions, lower rates of taxation for certain designated priority industries, tax holiday on profits for a certain period on new industrial undertakings etc.
- The NRIs investing in India are now magnanimously allowed higher investment limits, priority allotment of items in short supply, permission to buy shares in Indian companies etc. NRIs and Overseas Corporate Bodies (OCB) predominantly owned by them have been permitted to invest up to 100% equity in high priority industries with repatriability of capital and income.
- Importantly, NRI investments up to 100% have been allowed in export houses, trading houses, star trading houses, hospitals, sick industries, hotels and tourism related industries and without the right of repatriation in the previously excluded areas of real estate, housing and infrastructure.
- The Foreign Exchange Regulations Act (FERA) 1973 was replaced by FEMA (Foreign Exchange Management Act). The foreign institutional investors were allowed to invest in unlisted companies in the same manner as they were allowed to invest in guilt-edged government securities.
- The Indian corporate sector was encouraged to access global capital markets through the Global Deposit Receipts (GDRs) mechanism. A Resurgent India Born (RIB) scheme denominated in foreign currencies and launched by state bank of India was open to both NRIs / OCBs.
- At the beginning of the century, the Reserve Bank issued notification granting general permission to mutual fund for issuing to NRIs/PIOs/OCBs. In addition approval procedures were simplified by granting general permission in lieu of a case by case approval procedure. These included acceptance of deposits by Indian companies, investment in air taxi operations, sale of shares and stock operations, transfer of shares or bonds or debentures and immovable property to charitable trusts or organizations in India as gift, raising of loans by resident individuals or proprietorship concerns on non-repatriable basis, issue of commercial papers by Indian companies to NRIs etc.
- In August 1999, a Foreign Investment Implementation Authority (FIIA) was established within the Ministry of Industry in order to ensure that approval for foreign investments (including NRI investments) are quickly translated into actual investment inflows and that proposals fructify into projects. Ministry of Finance through its notification permitted Indian software companies listed in foreign exchanges and already floated ADR/GDR issues, to acquire foreign software companies up to a certain value limit.
- The Insurance Regulatory and Development Authority (IRDA) Act, 1999 sought to promote private sector participation in the insurance sector, permitted foreign equity stake in domestic private insurance companies. The government placed major items under the automatic route for FDI/NRI/OCB investment. As a sop to NRI investors, all investments made by them in foreign exchange were made fully repatriable subsequently

Investment by Non-Resident Indians:-

- With the twin objectives of developing the Indian economy and also providing for a reasonable rate of return on investments by non-resident Indians, the government has extended certain special facilities to non-resident Indians on repatriable as well as non-repatriable basis. According to this scheme, Non-Resident Indians can invest up to 74% of the equity capital with full benefits repatriation, in priority industries.
- In other industries investment can be provided 60% of output is exported (75% in the case of industries reserved for small-scale sector). Capital equipment is allowed imported against foreign exchange brought by non-resident investors. The non-resident Indians have been allowed special facilities for import of capital goods into India.

Non resident Indians: Investment Opportunities in India

- The Government of India allows special facilities for investment in India by Non-Residents of India origin in various forms. These facilities have been recently liberalized.
- The finance minister, in his budget speech on 27th February, 1982, had announced that any investment, without right of repatriation by non-residents of Indian origin, so long as it was not for transaction in commercial property and land would be treated on the same footing as investments of resident Indian nationals. Such investments could be in the form of bank deposits, company shares, government securities, units and industries.
- Additionally, non-residents of Indian origin can open accounts in Indian banks authorized to deal in foreign exchange, provided the initial deposit is received by remittances from abroad through normal banking channels. Those who bring foreign currency notes, coins, travelers' cheques, postal orders, money orders and other foreign currency instruments during their temporary visit to India can also open accounts by selling these to authorized dealers.
- Non-resident accounts are of two types: i) ordinary non-resident accounts; and ii) non-resident external account.

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