



NRI'S-The backbone of Indian economy

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ABSTRACT

NRI's plays crucial role in developing Indian economy. May be they are not been called the backbone of Indian economy but they are part of whole nervous system of it. NRI which stands for Non Resident Indian. In the age of economy slowdown, India is passing through a bad phase. Inflation rate is high and people are unable to manage their daily life. In this context Indian government has great expectations from millions of Non-resident Indians to resolve the crisis through making investments in India. NRIs generate earnings is estimated to be \$250 Billion and is one third of the GDP of India.

This clearly indicates that they contribute a lot to Indian economy and enhance its fiscal growth. The NRIs have come forward with several non-governmental organizations in India helping in array of development, educational and social projects and also contributed a lot in social service in India. They are also assisting in social and environmental problems in India. Indian government should encourage them for making investments and involve them in other developmental activities in India; NRIs contributions in the development of India cannot be ignored. Development in India is not based only on the NRI'S grown but it is us who can make the India grow more and develop more.

Key words: NRI's, Indian economy, GDP, investment schemes.

INTRODUCTION

Non-residential Indians are basically Indians but settled elsewhere in the world for one or another purpose. India has enough natural resource, much required for the economic development but has not enough capital to exploit them and progress the economy. For this, India depends, largely, on foreign investments. After Liberalizations Policies introduced in 1990's, many NRI has invested in Indian economy considering its huge potential of growth. It helps Indian economic to raise foreign currency funds, develops various sectors of industries, quality improvement through competition and creating new opportunities in India. Now the government could divert its finance towards infrastructure and basic social factors. Thus NRI's have been helpful in growth of Indian economy and development of Indian infrastructure apart from indirectly raising the standards of living of Indians.

The Reserve Bank of India has directed the Indian banks to attract NRI deposits and there is numerous short and long term investment plan option for them. Besides, NRIs are encouraged to establish business and educational institution in India. Many reports reveal that NRI's are major source of Direct Foreign Investment, market development (outsourcing), technology transfer, charity, tourism, political contributions and more substantial flows of knowledge, in India.

INDIANS IN GULF

The NRIs have come forward with several non-governmental organizations in India helping in array of developmental ,educational and social projects It has been observed that large number of NRIs is actively taking part in several welfare programs in India. They have registered many NGOs to encourage education, health care and developmental activities such as water management, rural development and self-help programs etc.

Good news is there are many NRI's who are returning to India and most of them are highly qualified and experienced persons. If their professional knowledge and monetary resources are joined together, it will be beneficial for the country's development.

NRI SERVICES IN INDIA

1. Investment in Real estate.

NRIs have been more comfortable investing in real estate in India. Real estate investment gave returns in the country at an average of about 14-17% in this decade. Sensex returned 19% in the decade and top performing diversified equity mutual funds have given returns in the range of 25-30%. Though past performance cannot be a pure indicator of future performance, but the pattern will stay true if the Indian economy grows in the 8-9% range in the next decade.

2. Investment in mutual funds.

Non Residents Indians and Persons of Indian Origin can invest in mutual fund schemes in India. In case of NRIs no special approval is to be sought from authorities such as the RBI. They can invest in mutual funds on repatriable basis or non-repatriable basis. To invest on a repatriable basis you must have an NRE account or FCNR account with a bank in India. In this case the investment money should be remitted through usual banking channels or from the NRE/FCNR account of the NRI investor. Investment can be made on a non-repatriation basis as well with investment funds being provided from NRO account or NRE/FCNR account of the investor.

3. Investment Opportunities in Infrastructure Sector .

Private Equity firms which are looking for stable returns on their investment can avail opportunities in the Indian Infrastructure sector. According to a recent analysis, India has been attracting huge amount of unlisted, close-ended fund, thereby making it a highly preferred choice among all other investment sectors.

The infrastructure sector of India will attract an investment of more than US\$1.1 trillion in the next five years. This also includes ambitious projects such as National Highway Development Project (NHDP). Investment opportunities for foreign investors mainly offered by NHAI for executing the upcoming phases of NHDP. Contracts will be offered to foreign companies

depending upon the sector being tendered. Over the next decade, more than 90 million jobs would be generated across different sectors in India, which would create a need for more than 8 million square feet of office space. This would be one of the key attractions for foreign players who are looking for opportunities to invest in industrial infrastructure sector.

Private participation in the infrastructure sector - policies and incentives

The Government of India has announced the following initiatives for infrastructure development

- Infrastructure Development Finance Company (IDFC) registered for innovative financing to address the needs of infrastructure projects.
- 5 year tax holiday available to companies developing, maintaining and operating infrastructure facilities.
- Income tax exemption on all income of any fund dedicated to specified infrastructure sectors.
- Long term capital gains cut by 10% to boost investments through the capital market route. These investments would be totally exempt from tax if reinvested in certain sectors.
- Increase in tenor of preference shares to enable structuring of senior subordinated debt in infrastructure companies.
- Enhancement of tax rebate limits to help channelize domestic savings into debentures and shares offered by infrastructure companies in specified sectors.
- For this purpose such investments in public offerings would be eligible for the rebate computation.

4. Investment Opportunities in Roads.

Indian Government invites private participation in development of road network. The Government will carry out all preparatory works for the projects identified for private investment and meet the cost of following items:

- Detailed Feasibility Study
- Land for Right of way and en-route facilities
- Relocation of utility services, resettlement and rehabilitation of the affected establishments.
- Environmental clearances - not necessary for existing routes

5. Investment Opportunities in Indian Railways

Recently, the Cabinet has given its approval for private investment in Indian Railways (state-run) for constructing new plants and lines with enhanced capacity. This reform will help foreign players to connect railways with industrial plant, mines and port by offering services at lower costs. The Government of India has also projected the Indian Railways Vision 2020 which targets to tackle the issues related with infrastructure, by opening up doors for NRIs to invest in Indian infrastructure sector. Foreign investment may be invited in order to make all the projects financially feasible.

6. Investment Opportunities in Ports.

The major ports are managed by Port Trusts which are under the overall control of the Central Government. The investment in this sector is required to add capacity and to upgrade the existing port infrastructure using modern technology. Initiatives for Private sector participation for enhancing port activities and modernization of port equipment, recently Government have announced guidelines for private sector participation in Major Ports.

7. Investment Opportunities in Power Sector.

Economic liberalization and the new received wisdom of reducing the role of the public sector warrant a greater participation of the private sector in the country's power sector. In response to the new economic realities, the government formulated a policy in 1991 to encourage greater investment by the private sector in the power sector and allowing private investors to set up generating companies which would supply power in bulk to the grid. These companies can also provide power directly to consumers with the consent of the State Governments. The new policy permits 100% foreign owned companies to set up power projects and repatriate profits without any export obligations. The policy allows liberal capital structuring and an attractive return on investment. The tariff structure has been broad-based allowing promoter's flexibility in determining tariff provided that the tariff structure proposed is lower compared to the two part tariff formula.

The policy of the Government of India offers virtually all areas of power production and supply to private entrepreneurs for investment, be it power generation, distribution, Renovation & Modernization or co-generation. Driven by the large demand for power in the country, the policy offers enormous opportunities for the investors.

Private participation in the power sector - policies and incentives

- * The Indian Electricity Act, 1910 and the Electricity (Supply) Act, 1948 have been amended to bring about a new legal, administrative and financial environment for private enterprises in the Electricity sector.
- * Private Sector can set up thermal projects (coal/gas/naphtha and other liquid fuel based), hydel projects and wind/solar energy project of any size.
- * All private companies entering the Electricity Sector hereafter will be allowed a debt-equity ratio up to 4:1.
- * Up to hundred per cent (100%) foreign equity participation can be permitted for projects set up by foreign private investors.

- * The rates for depreciation in respect of assets have been liberalized.
- * With the approval of the Government, import of equipment for power projects will also be permitted in cases where foreign suppliers or agency extend concessional credit.
- * The customs duty for import of power equipment has been reduced to 20% and this rate has also been extended to machinery required for renovation and modernization of power plants.
- * A five year tax holiday has been allowed.
- * The excise duty on a large number of capital goods and instruments in the power sector has been reduced.

project policy. The necessary support structure is made available to promote such projects.

- * State Governments have also been advised to consider setting up of barge mounted power plants
- * In order to encourage captive, including co-generation, power plants, guidelines have been issued to the state governments for creating institutional mechanism for early clearance of such proposals and also to ensure effective measures such as purchasing or wheeling surplus power from such plants.

8. Investment in print media sector.

The following FDI participation in Indian entities publishing News Papers and periodicals is permitted:

- FDI up to 100% subject to FIPB approval in publishing of scientific magazines, scientific journals, periodicals.
- FDI up to 26% in publishing News Papers and Periodicals dealing in News and Current Affairs subject to verification of antecedents of foreign investor, keeping editorial and management control in the hands of resident Indians and ensuring against dispersal of Indian equity.

9. Investment Opportunities in Software's.

STP scheme is a 100% Export Oriented Scheme (100% EoU) for the development and export of computer software using data communication links or in the form of physical media including export of professional services. STP can be a virtual software development unit or can be infrastructural complex set-up for providing necessary support for the STP units.

10. Investment Opportunities in Tourism.

The Central Government has declared the "Hotel and Tourism-related Industry" eligible for the automatic approval of foreign technological agreements and for 51% foreign equity holdings, subject to certain norms. NRIs are allowed to hold up to 100% equity. These approvals are given by the reserve Bank of India, Bombay. More than 51% equity is allowed on a case-by-case basis subject to a clearance by Foreign Investment Promotion Bank. Additionally, the Tourism Finance Corporation of India and the State Finance Corporations will extend loan facilities.

GOVERNING BODIES OF FOREIGN INVESTMENT IN INDUSTRIAL SECTOR

Secretarial for Industrial Assistance

SIA has been set up by Government of India in the Department of Industrial Policy & Promotion in the Ministry of Industry to provide a single window for entrepreneurial assistance, investor facilitation, processing all applications which require Government approval, assisting entrepreneurs and investors in setting up and in monitoring the implementation of projects.

Foreign Investment Promotion Board (FIPB)

To promote accelerated growth in the industrial sector and to increase inflows of Foreign Direct Investment into the country, also to provide appropriate institutional arrangements, transparent procedures and guidelines for investment promotion and to consider and recommend proposals for foreign investment the Government of India have constituted this Board chaired by the

Secretary, Department of Industrial Policy & Promotion, Government of India. The objective of the Board is to promote foreign direct investment into India:-

- 1) By undertaking investment promotion activities;
- 2) Facilitating investment in the country by international companies, Non Resident Indians (NRIs) and other foreign investors.

The Board considers all investment proposals with or without technical collaboration and/or industrial license. The Board has flexibility of purposeful negotiation with investors and considers project proposals in totality, free from parameters, with a view to maximizing foreign direct investment into the country.

Foreign Investment Implementation Authority (FIIA)

This has been set up to facilitate quick translation of FDI approvals into implementation as also to provide a one stop service to foreign investors by helping them to obtain necessary approvals, sort out operational problems and meet with Government agencies to find solutions to problems. The FIIA is headed by the Secretary Dept. Of Industrial Policy & Promotion and is serviced by the SIA.

The Investment Promotion and Infrastructure Development Cell

This is a specially created cell with the following main functions

- Dissemination of information about investment climate in India.
- Investment facilitation.
- Development and distribution of publicity material and information.
- Organizing meetings, symposiums, seminars on investment promotion.
- Match-making services for investment promotion.

- Coordination of progress of infrastructure projects such as in the power, telecom, ports & roads sector.
- Projects on Industrial model towns, Industrial Parks etc.
- Specific promotion of Investment including foreign direct investment in the infrastructure sector.
- Dissemination of specific information on sectorial policies and guidelines about the infrastructure sector.

Conclusion

From the overhead discussion, it can be noted that the India today boasts a large investments. The right potential grades for financial development of businesses in India, political stability of the territory, high asset grades, and favorable foreign investment principles have all conceived a flawless atmosphere for investors to invest in India. Investors need to take ample precautions while committing funds to India. NRIs as global citizens have done a great job in building good image for their Motherland in their respective countries. NRIs have worked behind the scene to create interest among companies to take interest in India. If right opportunities are created, NRIs could become solid and lifelong partners of India's development as well as those countries with large NRIs population. And in turn, NRIs are making their contributions to the world's development and peace, as it is said, "Vasudeva Kudumbakam", "World is one Family." As a result of all this there is greater involvement of NRIs in India. NRIs can play significant role in shaping India's monetary, social and economic conditions. Indian government should encourage them for making investments and involve them in other developmental activities in India. NRIs contributions in the development of India cannot be ignored.

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