Chapter 7: Policy Recommendation

Introduction
The aim of this chapter is to analyse the full potential of the Indian diasporic entrepreneurs in the UAE and how their contributions could be optimally utilized by their home (India) and host (UAE) countries. The chapter will also try and analyse how appropriate measures taken by policy makers can combat poverty, reduce regional disparities and generate growth. Diasporic entrepreneurs in the UAE can play a major role in this process.

At present, there is a lot of literature available on diaspora and entrepreneurship. Studies regarding diasporic entrepreneurs have grown tremendously in quantity over the last few years; with many highlighting the significant gaps in our understanding of the diasporic entrepreneurs in the UAE. Furthermore, no similar study could be traced among the available literature on UAE, although some migration studies on the Gulf have been conducted. Literature available on the Indian diaspora largely concentrates on Indians in the UK, USA, Canada, etc., but has paid scant attention to the incipient Indian diaspora in the UAE. This thesis has been attempting to shed some light on the otherwise unexplored realities of the Indian diaspora in the UAE. As discussed earlier in this thesis, the Indian government is not well positioned to capitalize fully on the Indian entrepreneurs in the UAE. Hence an attempt has been made here to create awareness of the roles that the Indian entrepreneurs in the UAE could play and suggestions have been made regarding what measures the Indian government can take to fully utilize them.

Before discussing policy recommendations, it is necessary to have a clear view of the various resources possessed by this diaspora. Though the main focus of this study has been the economic contribution made by these diasporic entrepreneurs, in order to better understand this aspect the study also discusses in brief their associated resources and contributions. There is a consensus of opinion that the individual and collective resources of the diaspora can contribute a lot in various fields such as economic growth, poverty reduction, social development, human empowerment, and socio-economic equality. According to Orozco, “The economic
contribution of diaspora can be summarized under the ‘Five T’s’, ‘Tourism, Transportation, Telecommunication, Trade and Transmission of money remittance.’

**Diasporic Entrepreneurial Capital**

A) Human Capital

Human capital refers to the productive attributes of a person from the point of view of the economy. According to Dina Ionescu, “Interest in human capital should involve movements of both skilled and unskilled migrants, notwithstanding the current policy bias on highly qualified migrants, whose number have greatly increased and given rise to what is generally referred to as Brain Drain.” The contribution made by the educated diaspora are seldom appreciated, instead, they are listed under the category of “brain drain” and criticized as negative to economic development. Critics argue that the significant resources spent towards their education cannot be compensated alone by what they contribute to their homeland.

Nowadays the “brain drain” concept is being replaced by a new concept—“brain circulation”. The IT sector in Bangalore, India, has been credited for their contribution towards developing a networking linkage with the Indian workers in Silicon Valley. Such activities create positivity in the minds of the policy makers in developing countries towards their expatriate communities, thereafter the diasporas are regarded as assets. There is no solid evidence, however, that this highly educated group of individuals, who are considered to constitute a brain drain, do indeed mobilize their resources towards their home country on a regular basis. According to Deepak Nayyar, “There is little that is addressed to the low-skill, low-income, temporary migrant, mostly workers in the Middle East who provide the substantial amount of foreign exchange in the form of unrequired transfer and reenter the labour market in search of employment on their return. The asymmetry is worth noting.”

The focus on the highly educated class while assessing diaspora impedes the assessment of the potentials of the other sections of diaspora who belong to the unskilled and semi-skilled group. The contributions of these unskilled workers are immense. World Wide Remittance data supports the arguments. In the context of UAE, it can be stated that their contribution towards their homeland can be increased if their potentials are assessed properly by the home country.
B) Financial and Entrepreneurial Capital of the Diaspora

The financial contribution by the diaspora includes Foreign Direct Investment (FDI), creation of trade and investment, remittances, savings, investment in real estate and various kinds of charitable activities. Remittances made by migrant workers have received much attention from the international communities. Information on the contributions of the diaspora in the UAE is limited; however, the global trend shows that the contributions, in terms of FDIs and remittances, made by diasporic entrepreneurs have increased over the years. FDIs have been increasing at the global level, for example from $106 billion in 1995 to $143 billion in 2002. However, compared to the FDIs, the global flow of remittances observed over the same period of time show a higher increment, from $48 billion to $80 billion. Many scholars have argued that the Indian contribution in terms of FDIs has been far less compared to that in China. “In 2002, about half of the $48 billion FDI in China was contributed by the Chinese diasporas, but in comparison, only 10 percent of India’s $4.43 billion FDI in 2002 was generated by the Indian diasporas.” It must be stated that the Chinese diasporas mainly comprise business groups, whereas the Indian diasporas are largely professionals, causing the disparity in comparison. Investments made by the diasporas is an economic decision dependent on factors such as self-interest, profit or altruistic motives that lead them to invest in either business ventures or social projects. This study would like to argue that if the right incentives are provided by the Indian government to the Indian diasporas to motivate their decision to invest, the flow of FDIs into India too will rise.

C) Social Capital

Social capital refers to the “network together with shared norms, value and understanding that facilitate cooperation within and among groups.” Trust and shared confidence is the basis for the development of social capital. According to Zachariah, Mathew and Rajan, “network connection can be considered as a form of social capital which people can draw upon to gain information as well as material or psychological support”. This concept of social capital is very important in the context of contribution by the diasporas towards their home and host countries. The social capital among the diaspora enables the individuals to retain contact with their hometown and interact with their host society. Mutual trust and social ties enhance investment and foreign trade, and play a key role in reducing transaction costs. In the
words of Dina Ionescu, “two main types of social capital influence what may be referred to as either bonding or bridging in relation to diaspora: families and friends—bonding; and communities and institutions in the host country—bridging. These may be mutually supportive or may work against each other and influence individual attitude towards home and host communities.”

D) Affective Capital
Every diaspora possesses affective capital which is reflected in their interest in their home country, a sense of responsibility for bringing about betterment in their motherland. This feeling may be triggered by various emotional factors among those staying away from their homelands. Affective capital can be utilized productively towards both the host region and home country and an overall sense of goodwill can be created. The High Level Committee on Indian Diaspora was set up in 2001 with the intention of exploring ways to negotiate with them in the best possible way. This committee noticed that there were “deep and binding ties with a commitment to India’s welfare and a reserve of goodwill amongst the Indian diaspora deeply entrenched and waiting to be tapped.”

Their sentimental link with their home country is strong enough to create a nostalgic market in the host country. The demand for various home-country products could facilitate investment in the home country either by the diaspora/diasporic entrepreneurs or by the homegrown manufacturers. This in turn would generate employment opportunities in the home as well as the host countries and could become another source of revenue generation.

A good trade relation between the two countries can bring about desired results. For example, at the Dubai Shopping Festival, the Indian Pavilion attracts many customers of different nationalities and acts as a network builder in this process. However, to further succeed in this area, productive capacity and quality control maintaining the standard of the product need to be strengthened.

E) Local Capital
According to Dina Ionescu, “The notion of local capital attracts attention to the fact that diasporas are often inclined to make investment at the local level, usually in a region or locality of origin, where they still have family ties and are familiar with the local context.” The studies conducted by various organizations—the survey of
Lusophone Diaspora Networks and Associations undertaken in 2006 by IOM, Lisbon; the MIDA Italy Program targeting African diasporas; etc.—revealed that diasporas are mostly interested in investing in their own locality. The motivation towards investing in their own region can be attributed to the following factors:

Firstly, a constant tie with their own region helps them access the various environmental variables easily.
Secondly, they can observe the direct impact of their contribution and investment frequently, as and when they visit their own region.

China has been utilizing the potentials of its diaspora for the development of the country through Chinese and overseas centres. Chinese diasporic professionals have been providing teaching and various forms of training support back home to help enrich the specific regions they come from. Similarly, the knowledge and talent base possessed by the Indian entrepreneurs in the UAE can be utilized to create business back home. For example, the diaspora belonging to Kerala has been investing in the betterment of their respective hometowns.

**Remittance**
Remittances are a stable source of external finance compared to private capital flow. Remittances sent to India by the working diasporas have increased. Ratha opined that “remittances are less volatile and may even rise—in response to economic cycles in the recipient country”. Capital flows increase during favourable economic condition and decrease during recession, whereas remittances remain more or less stable across time. According to the UAE exchange data the amount of remittances sent through the UAE exchange was Rs 193,322,082,896 in 2009, and a transfer of Rs 56,320,970,622 was recorded by the first quarter of 2010, which goes to show that despite recession, remittances have increased. The Indian diaspora in the UAE, owing to the temporary nature of their stay in the host country, are more willing to invest in their home country than foreign investors, “an effect that is similar to the home-bias in investment”. Even during recession, when they are forced to return to their homeland, as was seen especially in the case of the Indian migrants returning home from Dubai, they bring along their entire earnings and savings.
The role of remittance in poverty reduction has been supported by many authors. Richard Adams in his renowned work on remittance and poverty reduction stated that there is a statistical relationship between remittance and poverty trends. His analysis represents the fact that a 10 percent increase in remittance received from each individual could help reduce poverty up to 3.5 percent. He conducted a survey on households in Guatemala and analysed the data to infer that International remittances reduced poverty here by 1.65 percent and the depth of poverty by 12.6 percent.16

The above discussion suggests that remittances made by the diasporas benefit all its recipients irrespective of their income groups. If this group could gain access to financial services, it could lead to further income generation.17

**Impact of Remittance**

Remittances are the main source of income for the families back home of the lower-as well as middle-income groups of the diaspora. It is a hard fact that many families are solely dependent on remittances for their basic needs and a major portion of these remittances is utilized for consumption alone.

This study emphasizes that remittance from the diaspora is a powerful economic resource, many labour-exporting countries have benefited through remittances in various ways. In 2002, $80 billion as remittance came into developing countries’ funds which was used either to help poor families to sustain themselves or was paid as education or health expenses. In some cases it was spent on micro enterprises.18 A number of studies19 have acknowledged the fact that remittances were not only used for consumption but also in developing human capital, e.g. education, health and better nutrition. From an economic standpoint, the impact of remittance can be shown as follows:

Firstly, remittances from UAE to India have substantially increased the foreign exchange reserve.

Secondly, the number of blue-collar workers is higher in the UAE than skilled and semi-skilled workers. Most of these workers came to the UAE to escape from unemployment back home in India, since blue-collar workers are abundant in India.
Most of the Kerala migrants during their interviews commented that due to the geographical linkages with the UAE they preferred to come to the UAE than to the other neighbouring states. Remittances sent in by the Keralite diaspora in the UAE have played an important role in poverty reduction back home. “The larger the remittance, the higher is the percentage decline in poverty.”\(^{20}\) The multiplier effect of remittance cannot be denied. In fact it could stimulate demand for local production and services, thus generating employment and output, and a way out of poverty.\(^{21}\)

Remittance has a positive impact on growth and investments as well. Most of the individuals interviewed during the course of this study had expressed their plans to start their own businesses back home. Though it was pointed out earlier that a major portion of remittances are not used for savings or investment, the remittances from the unskilled workers in the UAE have improved the standard of living for their families back home. In Kerala, nearly 70 percent of the remittances received is used either for home renovations or to buy new houses/plots of land besides other investments such as upgradation to household electricity (nearly 90%), LPG, consumer durables, etc. A major share of the remittance is spent on education. Reduced levels of poverty and insecurities have also boosted investments. Some studies have argued that these remittances have been widening urban-rural disparity as most of the investment is in real estate and takes place in the cities. McCormick and Wahbn stated that migrants returning to the Arab Republic of Egypt in 1988, had mostly invested in Greater Cairo.\(^{22}\) “This may have been due to distortion in the economy that discouraged investments in rural areas.”\(^{23}\)

However, owing to the risks and uncertainties involved with investments, the diasporic Indian entrepreneurs have not taken much initiative towards investing in India.

**Policy Recommendations for Remittance**

A poor financial system discourages the remitter from investing and saving. As Johnson and Sedaca state, “One practical way to address poor access to financial services, while tapping into developmental potentials of remittances is to link remittances transfer services to financial services as a means to ‘bank the un-banked’ recipients. This process involves one-stop financial institutions that provide an easy and low-cost venue for migrants.”\(^{24}\) They pointed out that transfer operators like Western Union, Forex, Currency Bureau, etc., who engage only in cash transfers or
exchange functions, cannot play a greater role compared to banks, credit union and micro finance institutions (MFIs). Banks and MFIs can provide other financial services such as savings accounts and loan accounts alongside transfer services. At the start, the recipients of remittances share a formal relationship with the banks but with time start opening bank accounts to keep the savings they make from the remittances. According to Johnson and Sedaca, “Financial institutions are more comfortable lending to remittance recipients who use their services since a regular stream of remittance payment can represent a form of future earning. In some cases, remittances could be used as collateral for lower lending rate.” Orozco believes that this banking relationship can result in “financial democracy” whereby people of the lower income group can gain access to financial services. This will mean further income generation opportunities for many people. Due to their close ties with the lower income group, MFIs are better placed to provide assistance to people belonging to the lower income group at a one-to-one level. Thus, strengthening the MFI capacity will bring about better results from remittance. In order to strengthen the MFI capacity, it is necessary to look at the following points:

a) There must be reduced transaction cost.

b) Financial services should be targeted towards unskilled and semi-skilled sections of workers through customized service.

c) Diasporic entrepreneurs should be encouraged to invest in Micro Finance.

Channelizing Remittances towards the Growth of Enterprises
In most countries growth in the private sector is constrained by lack of financial resources. Small- and medium-scale enterprises suffer from lack of seed capital and working capital. Remittances sent in by the diasporas and temporary labourers could help reduce these financial constraints if the accumulated savings could be invested properly. As we know, many migrants who do not stay permanently in the host country send a substantial amount of their income to their families back home. A majority, especially the Gujaratis and Keralites, want to invest in enterprises that will pay them back a good dividend, securing their futures for when they will have to return to their homes. Most of the migrants who have returned to Kerala have started their own businesses with their savings. Channelling remittances towards
investments, irrespective of the size of the enterprise, will also generate employment opportunities.

“Nostalgic trade” refers to the export of traditional home/country products, such as fruits, coffee, pickles, sweets, etc., to meet the growing demand for these items among the immigrants settled overseas.26 Production of such “nostalgic goods” in the home country for the diaspora overseas, a market many diasporic investors are interested to invest in, will bring about a social equilibrium in the overseas markets by meeting the demands. Motivating the diasporic entrepreneurs to invest in marketing these nostalgic goods will also increase the export earnings for the home country besides generating more employment opportunities. Al Maya Group, The LULU Department Stores run by Yusuf Ali, Al Adil Trading Co., etc., are examples of traders catering to the specific needs of the Indian diaspora in the UAE which show that the demand for Indian nostalgic goods have already motivated many entrepreneurs to invest in the UAE. An interesting aspect worthy of noting is that besides the target Indian diaspora, many fascinated foreigners are also regularly consuming these Indian items, and thereby creating more demand in the UAE market. The Indian entrepreneurs in the UAE are making the most of this market opportunity. Given the profitability in this market, these entrepreneurs should be proactively encouraged to invest in India by giving them better incentives. Finally, a “long-standing governmental diaspora outreach strategy” can further attract potential investors to the trade in nostalgic goods, especially from among the low- and semi-skilled diaspora group. Provided the level of awareness is increased among the potential investors, better results can be achieved.

**Diasporic Entrepreneurs as a Source of Business Knowledge and Skill**

The business diaspora could also contribute by:

a) being a role model for others to follow

b) transferring their various skills such as management, productive techniques, etc., which will bring efficiency and productivity.

c) facilitating the introduction of new products and technologies in the market; they can act as the “push factor” for bringing about various market reforms, provided their advice is taken into consideration.
In order to develop the link with diasporic entrepreneurs, various professional and business organizations need to be created. Through the presence of such networks, interested investors in the home as well as the host countries could gain knowledge about the prevalent business environment and other relevant information from the other side. The Indian Business Professional Group (IBPG), in Dubai, is busy creating such networks between various sections, with the intention of increasing the business traffic.

Role of Chambers of Commerce in Enhancing Diasporic Entrepreneurial Activities
The Chambers of Commerce can play a key role in enhancing trade, investments and other commercial activities. The Federation of Indian Chambers of Commerce and Industry (FICCI) has initiated an action plan to increase FDI inflow, whereby it has created a special division—the Diaspora Division—to serve NRIs (Non Resident Indians) and PIOs (Persons of Indian Origin). The main aim of the division is to leverage the diasporic trends towards India’s growth.

“Pravasi Bharatiya Divas” is an annual convention held around January 9 each year, where Indian diasporas from various countries come together to discover and discuss various issues related to the diasporas. Though quite a few Indian entrepreneurs from the UAE—B.R. Shetty, J.R. Gangaramani, Mohan Jashanmal and Yusuf Ali M.A.—were honoured with the Padma Shree Award at this annual convention, few interviewees commented that the small- and medium-scale entrepreneurs in the UAE get less attention and preference compared to the renowned ones. Such issues can only be addressed through proper dialogue.

Other than FICCI, Indian Investment Centre (IIC)—the governing body of India’s Single Window Agencies—is engaged in attracting investments from NRIs and PIOs. IIC’s main role is to provide guidance related to investments, joint ventures, technical collaborations, getting approval from government authorities, etc. In spite of such attempts, a major section of the diaspora in the UAE has expressed their dissatisfaction with the bureaucratic hassles they face from India. In order to enhance its role, the IIC should communicate with registered Indian associations like the IBPG, Indian Social Centre, Malayalee Samajam, etc., in the UAE to better handle diaspora-related problems.
Suggestions Regarding Investment Mechanism and Incentives for the Diaspora

James Rauch in his paper commented that membership of diaspora associations possibly increases diasporic contribution towards the homeland. These associations initially begin as social clubs. Later on these clubs form into professional associations that are capable of acting as a medium or link for international business activities. Such associations might ultimately benefit India. Diasporic bonds and foreign accounts can attract more investment to the home country.

The role played by the diaspora in poverty reduction and economic growth has been the subject of interest among researchers recently. However, as previously mentioned, Indian policy makers have not been able to capitalize on the valuable resources in the possession of the diasporic entrepreneurs in the UAE and have failed to align them with the ongoing developmental programmes in India. The superlative achievements of the Indian entrepreneurs in UAE deserve due attention. Their contribution to the fields of business creation, simultaneous development of trade links, and the strengthening of bilateral ties between UAE and India cannot be ignored. Other than the financial impact through remittances and investments, the socio-cultural impact which they exert on their home country is also substantial. The Indian government has bestowed the Pravasi Bharatiya Award to many prominent Indian diasporic entrepreneurs in the UAE, in support of their unique capabilities as successful entrepreneurs, thus acknowledging the importance they are held in by their home country.

The subsequent suggestions propose various ways through which the resources in possession of the Indian entrepreneurs in the UAE can be utilized for further development by India. These suggestions are mainly based on knowledge gained from fieldwork and direct interviews conducted with a sample group of Indian entrepreneurs in the UAE. One of the main aims of this study is to narrow the information gap about the UAE and its economic environment amongst Indian policy makers. Looking from the perspective of UAE’s economic potential, appropriate policy formulation targeted towards the diasporic Indian entrepreneurs in the UAE can yield highly favourable results. Most of the interviewees felt that the government of India formulated developmental strategies without any feedback from the overseas Indian entrepreneurs, rendering these strategies ineffective.

Development, in a broad sense, refers to economic growth, reduction of poverty, socio-economic equality and human empowerment. The greater Indian
diaspora as well as the Indian entrepreneurs in the UAE can provide immeasurable support for various developmental activities in India. The geographic proximity between these two countries and the regular visits and contact shared by the diasporic entrepreneurs with their homeland makes it all the more easy. Also, the inherent sense of patriotism amongst the Indian diaspora in the UAE can trigger their motivation to associate themselves with various activities in India, if given due recognition.

However, despite the geographic proximity and age-old commercial relationship shared by the two countries, Indians have failed to fully penetrate the UAE market. The situation started to change after the oil boom with the Indo-UAE trade valued at around $180 million per annum during the 1970s. The valuation today stands at around $29,023.68 million. The UAE’s emergence as a re-export centre has helped increase the scope of the Indian entrepreneurs. The commercial ties between the two countries can be enhanced if these entrepreneurs are utilized as agents for re-export. The Chamber of Commerce, IBPG Dubai, NORKA (Non-Resident Keralites Affairs, created by Government of India as a Special Department to overcome problems faced by the NRIs of Kerala) and all such institutions involved in the process should try to tap into the valuable resources of these Indian entrepreneurs. Appropriate programmes should be deployed to facilitate the participation of the Indian entrepreneurs in UAE in the re-exporting of Indian goods. The $30 billion transshipment centre in Dubai with state-of-the-art facilities has attracted many investors to UAE. Dubai played a major role providing various goods to primarily three markets: Pakistan, Afghanistan and Iran. India should focus more on fostering the economic growth between India and UAE and availing the opportunities prevalent in this region. Our Ambassador to the UAE, Talmiz Ahmed, has rightly pointed out that Indian entrepreneurs in the UAE can act as the “lubricant in this field”.

Indian policy makers should have a clear conception of their own preferential developmental needs and should try to find and utilize resources that are prevalent amongst the diasporic entrepreneurs in the UAE to that effect. Small- and medium-sized industries play a key role towards the equal distribution of wealth and economic growth. SMEs in India formed through funding and direct investment from Indian entrepreneurs in the UAE can act as a poverty-reduction engine for India. The
Poverty Reduction Scheme initiated by the government of Ghana, which empowers the SMEs in the agro industry, can be cited as an example.²⁸

Despite their various strengths, the SMEs face various crippling challenges such as poor finances, low levels of research and development, incapacity to adapt to changing circumstances, lack of trained human resources, lack of management skills and networking facilities, etc. Formation of SME clusters is necessary to minimize such difficulties; these could be linked to the Indian entrepreneurs in the UAE who can provide valuable guidance in the aforementioned weak areas. “Innovation and entrepreneurship hold the key to enhancing the role of SMEs in improving the Indian economy. As their importance is not well recognized, a country-wise program on entrepreneurship and innovation should be launched in the shape of national movement.”²⁹ Entrepreneurs in the UAE should be encouraged to invest in SMEs. Their financial strength and international experience can be utilized for further growth in this sector. The Indian government has to take the initiative to create awareness among the UAE based Indian entrepreneurs about various policies related to this area.

According to Jayanta Roy and Pritam Banerjee, it is necessary to allow 100 percent FDI in small and medium industries.³⁰ Most of the successful entrepreneurs in the UAE are in the retailing business. By harnessing their expertise in this sector, a beneficial result can be achieved. The Indian government should focus more on the role of diasporic entrepreneurs rather than remittance and skill transfer. Looking at the future prospects in the UAE, an urgent action plan should be introduced so that the Indian entrepreneurs based there can play a bigger role. Any developmental programme is highly dependent upon popular participation from the people of the nation.

Critics have often claimed that the numbers and the size of Technological Business Incubators (TBIs) in India need to increase. The role of incubators is to support and nurture young firms. There are only about twenty incubators in India today as opposed to over a thousand in the US, three hundred in Korea and a hundred in Finland.³¹ Engineering colleges and B-schools should launch programmes wherein the UAE-based Indian entrepreneurs can contribute. During their visits to their home country, they can offer technical support at the TICs (Technology Innovation Centres). These TICs which are normally located within the clusters of SMEs can generate an impetus to invest in their home country. According to Devesh Kapoor,
the decision to invest in their homeland by the diasporic entrepreneurs is generated by non-pecuniary and emotional factors. Such factors motivate them to take higher risks to invest in their motherland. The Indian government has to channel these resources towards the cause by providing various supportive programmes. The success stories of Indian entrepreneurs in the UAE can help nurture an entrepreneurial culture in India.

There are over 500 TICs which provide various kinds of support to SMEs in India. The UAE-based Indian entrepreneurs who are highly skilled can contribute towards business development and management through these centres. Multidisciplinary approaches should be initiated by the policy makers to utilize the resources possessed by the Indian entrepreneurs in the UAE.

Most of the Indian entrepreneurs in the UAE, especially the female entrepreneurs expressed their willingness to support the women’s self help groups in India. Appropriate policy measures coupled with various incentive schemes and recognition programs can attract interest from entrepreneurs to invest in micro credit schemes. Kerala’s Global Support Network (KGSN), comprising eminent entrepreneurs, corporate executives and academics, can be cited as an example of a support network which should ideally be replicated in the other states of India too.

Policies regarding remittances should focus on channelling them from consumption towards investment in other fields. Remittances are private funds, so only by initiating various innovative programs in consultation with the diaspora/diasporic entrepreneurs can the government provide proper guidance. Recent history shows that remittances, if channelled into micro credit schemes, help reduce poverty levels. According to Mohammad Yunus, the founder of Grameen Bank in Bangladesh and the father of micro finance, micro credit should target those facing problems with startup capital. He said that 5% of the micro finance bank clients manage to overcome poverty each year with help derived from micro credit services. However, there remains one caveat—the bank should carefully judge the credit-worthiness of its clients.

The Indian Consulate and Embassy also has to play a crucial role in facilitating the link between the diasporic entrepreneurs and their home country. By collecting data on Indian diaspora/diasporic entrepreneurs, a quantitative appraisal can be assessed, which in turn will facilitate the matching of various needs of the UAE-based Indian entrepreneurs as well as their families back in their home country.
Such a databank does not exist yet, but could be a valuable source of information for many sectors, if one is compiled eventually.

It has been pointed out earlier that compared to China, India has managed to attract significantly lower levels of FDI from its diaspora. China owes its success with FDIs to the strong network that exists among the diasporic entrepreneurial community that has effectively helped them reduce capital and marketing costs to boost the FDI inflow. In turn, these effects have also helped in minimizing transaction costs, thus enhancing cross-border trade. The reasons behind a rather modest inflow of diasporic FDI towards India are, but not restricted to, factors such as the below-par economic linkage and scarcity of small scale non-MNC entrepreneurs. Other than these, the primary defect expressed by the interviewees is the policy of reservation for several products for small- and medium-sized businesses. The Indian government should try to attract more FDI through a diasporic entrepreneurship program which will enable entrepreneurs in the UAE to invest in various productive sectors. The personal and social networks a few of these entrepreneurs belong to have greatly contributed towards this process.36

The Indian government has to collaborate with the entrepreneurs in the area of “social capital formation”. The Dubai Shopping Festival is a good setting where the Indian government, in cooperation with the Indian diaspora, can create a better image of India. The knowledge possessed by the local entrepreneurs can be beneficial in strengthening the ties between the two countries. The Indian entrepreneurs can act as an engine for participatory growth provided they are given favourable conditions. While designing policies for diasporic entrepreneurship, policy makers should aim at removing the prevalent negative perceptions and stigmas about diasporic entrepreneurs and non residential Indians. As has been pointed out by Ram Buxani, such negative perceptions demoralize entrepreneurs and keep them from getting involved in programmes initiated by the Indian government.37 As a result, they opt for humanitarian support such as foreign charities instead of contributing towards their homeland. In this aspect, the role played by the media could be paramount. In their interviews, the third generation Indian entrepreneurs in the UAE expressed their interest towards investing more in the home economy. Keeping them in mind, the Indian government has to identify and acknowledge the differences in the areas of interest, and deploy specific policies to remove barriers that may keep them from engaging in the Indian economy. Instead of
pursuing a unified policy, the policy makers should initiate different approaches, empowering them to opt where they can contribute better.

To avoid unrealistic planning, it is necessary for a country to identify its own developmental needs and priorities, and accordingly ask the diasporic entrepreneurs in the UAE as well as local Indian entrepreneurs for their cooperation. A constant dialogue across the divide that exists between these entrepreneurs will help the Indian government identify the contribution each can make in terms of trade share, business creation and investment. The Indian government should also encourage regional and local projects where local agents can act as mediums providing supportive information. As Rao and Murthy pointed out, “Foreign investors have used the services of local agents for communication and for doing the initial ‘spadework’”.

Through these agents the investing entrepreneurs can gather information regarding the potential markets in other states, thus encouraging economic equality amongst the different regions in India.

Indian entrepreneurs in the UAE have historically been more successful than their counterparts of other nationalities. In order to attract more FDI and make the most of that resource, India should implement trade facilitation reforms. According to a recent WTO discussion, “trade facilitation” is “the simplification and harmonization of international trade procedure” covering the “activities, practices and formalities involved in collecting, presenting, communicating and processing the data required for the movement of goods in international trade.” The role of trade facilitation is being given greater importance for attracting FDI and the resultant developmental growth. According to Jayanta Ray, “Trade Facilitation as an issue assumes added significance for Indian policy maker.”

Meaningful trade facilitation will also motivate the UAE entrepreneurs to invest in small and medium enterprises based in India.

Various Indian entrepreneurs in the UAE have stated in their interviews that developed states are getting preferences for various investments. Though the responsibilities lie on the respective state governments to create a proper business environment, the central government can play an advisory role. According to Ogutcu, appropriate domestic policies will maximize the benefits from FDI which can help reduce impediments to local businesses. According to Kundra, India’s FDI policy is not decentralized like that in China; the policy is acting as a hindrance for
effective competition among states, thus causing the urgent need for policy revision.41

The presence of several investment and trade promotion bodies may create inconsistencies in policy. Other than this, the barrier to investment in India, as stated by the interviewees, are as follows: lack of proper infrastructure, bureaucratic burden, lack of strong partnership, corruption, lack of appropriate support networks, unclear interlocutors at various governmental levels, and poor consular service. The Indian government must take appropriate measures to remove such impediments and match the resources of the entrepreneurs to the developmental needs of India.

Critics have pointed out that the Indian higher education system is not at par with the global levels, with the exceptions of IITs and IIMs. UAE-based Indian entrepreneurs who are engaged in the field of education, can be encouraged to invest in the education sector. Joint ventures in the education sector will benefit their home country as well as themselves. There is an urgent need for creating a favourable mechanism which will try to link similar kinds of entrepreneurs in India and in the UAE who can undertake partnerships and joint ventures.

The formation of an Overseas Indian Facilitation centre is a big step in the right direction that will help identify “the vast reserve of entrepreneurial talent” in the UAE. The primary roles it can play are:

a) Removing reservation policies for the small scale sector.

b) Focus on creating Freeport Zones for SMEs in India, like Dubai and Abu Dhabi.

c) Focus on retail sector where most of the UAE-based Indian entrepreneurs are successful.

Roy and Banerjee have recommended trade facilitation reforms in the following areas: port logistics, harmonizing standards, promoting business mobility and administrative transparency, professionalism, trade information, and e-business facilities. Unfortunately, all these activities are in a gestation phase. Speeding up the implementation of such policies will definitely yield positive results. Instead of projecting themselves as mere “talk shops”, such institutions should employ a professional approach and prompt introduction of policies which will enable the
Indian entrepreneurs in the UAE to become catalysts to the growth of their home economy.

Endnotes


3 Orozco, as cited by Dina Ionescu, in *Engaging Diaspora as Developmental Partners for Home and Destination Countries: Challenges for Policymakers* (Geneva: IOM, 2001), 23.


7 Ionescu, *Engaging Diaspora*, 44.


11 Ionescu, *Engaging Diaspora*, 49.

12 Ibid., 50.

13 Ibid., 52.


15 Ibid.


20 Zachariah, *Dynamics of Migration*, 257.

21 Ibid., 268.
33 Report of the Working Group on Science and Technology for SMEs.
36 In an interview with Mohan Jashanmal.
37 In an interview with Ram Buxani.
39 Roy and Banerjee, “Trade Facilitation.”