Chapter - IX

Summary of Findings, Suggestions and Conclusion
CHAPTER-IX

SUMMARY OF FINDINGS, SUGGESTIONS
AND CONCLUSION

India is a tiger caged. This tiger, if set free, can be as healthy and vigorous as any in Asia. India is now poised for dramatic economic changes with the ushering in of an era of bold liberalisation and economic freedom making it competitive globally. It is set to claim its rightful place in the front rank of prosperous nations of the world as it moves into the 21st century.

Comparatively, India is well endowed with natural resources. The World Bank has ranked India as the fifth largest economy in the world just behind the U.S.A., Japan, China and Germany. India has a burgeoning middle class population of about 300 million people which forms an effective and expanding market for a range of consumer goods. It has a globally acknowledged strong industrial base. India has developed a vibrant capital market and a strong financial network. It has skilled and trained manpower, enterprising private sector, a time tested democracy, established legal system, fairly expanding infrastructural base and so forth. All these make India a wonderland for foreign investment, more so, for NRI investment.

BACKGROUND OF THE STUDY

It is estimated that 15 million persons of Indian origin are spread around the world in about 150 foreign countries and understood to be saving over 100 billion dollars a year. It has been well demonstrated that the NRIs are anxious to participate in the development of their motherland. If the country mops up a fraction of their savings for investment here in the country, it would go a long way in the economic development of the country. Besides, their skills in the field of science,
technology, finance and management can be utilised for the overall economic development of the country.

It is estimated that nearly eighty per cent of NRI fund inflows into India is by bank deposits. On the other hand, in China, nearly eighty five per cent of inflows by overseas Chinese is by way of direct investment. The ratios are, thus almost reverse.

NRI investments in industries in India is very much low when compared with the potential of investible funds with the NRIs. Mobilisation of their savings against the vast investment avenues available in the country is posing a big challenge.

If only the right environment is created there will be a flood of NRI industrial investment in India, changing the face of India. There are a few major factors inhibiting more enthusiastic NRI response to liberalisation policies. These are:

(i) inadequate information and lack of transparency about recent economic reforms and absence of categorical information relating to profitable investment opportunities in India

(ii) lack of congruence between Central and State Governments’ policies in attracting investments

(iii) continuing procedural complexities, red-tapism and corruption affecting various stages of project implementation and

(iv) deficient infrastructure and communication facilities. It is in this context, the present study has been taken up.
The main objectives of the study are:

(i) to study the evolution of NRI investment policy in India,

(ii) to examine the various investment opportunities and incentive schemes offered to NRIs by the Governments,

(iii) to study the trends in NRI investments in India and the impact of the new economic policies on them,

(iv) to identify the factors influencing NRI investors decision to invest in India,

(v) to ascertain the attitudes of NRIs towards new liberalised economic policies of the Government of India,

(vi) to find out the operational problems faced by NRI industrialists in Tamil Nadu State and

(vii) finally, to offer suggestions for the promotion of NRI investment climate in India.

I FINDINGS OF THE STUDY

The main findings of the study recorded in various chapters of the present report are consolidated and presented in this section.

The second chapter of the present report deals with the evolution of NRI investment policy. There are six phases in the evolution of the said policy. In the first phase during the pre-independence period, the British Government adopted the laissez-faire policy. Foreign investment in India was not actively encouraged
by the Government. During the second phase spanning from 1947-48 to 1962-63, in the post independence Nehruvian period, the Government recognized the role of foreign capital in supplementing national savings and also in making available to the country, the scientific, technical and industrial knowledge which foreign capital would bring with it. The foreign exchange regulations were not very much restrictive and sizable amount of foreign investment poured into the country. The Indian Investment Centre was set up in 1961 in New Delhi with a branch office in New York to facilitate foreign investment.

In the third phase, during 1963-64 to 1979-80, the Foreign Exchange Regulation Act, 1973 was introduced which brought in rigid control as to foreign investments. However, several concessions were announced for NRI investment. The Finance Act, 1965 brought down the tax rate on NRIs with those applicable to income of residents. The tax rate deductible at source was also reduced. In February 1970, the NRE A/C scheme was introduced and FCNR A/c scheme was introduced in November 1975. In October 1976, the NRIs were permitted to make equity investment upto 74% in the priority sector.

During 1980-81 to 1984-85 in the fourth phase, new investment avenues were opened to NRIs. They were allowed to invest in new star hotels, hospital projects and export oriented units. The Finance Bill 1982-83 was a landmark in the area of liberalisation of investment facilities for NRIs. They were allowed to make portfolio investment upto a ceiling of 1% of a company’s paid up share capital. The ceiling was made applicable to convertible debentures also. Later, OCBs were allowed to invest in various NRI investment schemes. External deposit accounts secured 2% higher interest rate than that of domestic deposits. Concessions as to wealth-tax, gift-tax and capital gains were provided. A special cell in the Secretariat for Industrial Approvals was established to process NRI investment proposals.
In phase V, during 1985-86 to 1990-91, the Estate Duty was abolished. Surcharge on income-tax for NRIs for income arising from financial assets was removed. Foreign Exchange Entitlement scheme was raised from 25% to 50%; wealth-tax exemption was given for assets brought into India for seven years. In 1986-87, investment upto 100% in sick industrial units was permitted for NRIs subject to some conditions. 74% scheme was extended to shipping industries and diagnostic Centres. The Indian Investment Centre was made the Nodal Centre for NRI investments. India Fund and India Growth Fund were launched in July 1986, and August 1988 respectively. NRI Bonds were issued in November, 1988. The financial Bill 1990 facilitated the visits of NRIs to India for longer period upto 149 days from the earlier period of 89 days without losing NRI status.

Phase VI covers the period after the introduction of the New Industrial Policy 1991. The New Industrial Policy liberalised the foreign investment policy including that of NRI investments to a great extent. The 74% scheme was repealed and in its place 100% scheme was introduced. Full convertibility of rupee on current account has been introduced. Import of gold and silver subject to certain limits are permitted for NRIs. Returning NRIs can open Resident Foreign Currency Account with banks in India. NRIs are exempted from declaring their foreign currency assets to RBI. Wealth-tax has been virtually abolished excepting for a few specified assets. NRIs are allowed to invest in housing and real estate development activities.

The third chapter has brought to light the various investment avenues for NRIs in India. They have been studied under the following broad categories, viz.,

(i) Bank accounts.
(ii) Direct investment in firms/companies.
(iii) Portfolio investment.
(iv) Government securities/company deposits/mutual funds.
(v) Immovable properties.
(vi) Other facilities.

Resident Indians if they become non-residents, their bank account in India will be designated as NRO Account. The funds in the account are non-repatriable. NRI can open NRE and FCNR(B) Accounts. The funds in these accounts are repatriable and interest on these accounts are tax free. These deposits are exempt from wealth-tax and gift-tax liabilities. Returning Indians after a minimum continuous stay abroad of one year can now open RFC A/c. It can be freely utilised by the account holder for any bonafide remittance outside India through normal banking channel.

Overseas Indians and persons of Indian origin are permitted, to invest in proprietary and partnership concerns up to 100 per cent on non-repatriation basis. NRIs can subscribe to Memorandum and Articles of Association of any Indian company to be engaged in industrial activity and take up shares up to Rs. 10,000 on non-repatriation basis.

NRIS can invest in new issues of shares and debentures of any Indian company up to 100% on non-repatriation basis. Under 40% Schemes, they can invest in Indian companies engaged in industrial activity up to 40% on repatriation basis. They can invest up to 100% in high priority industries, hospital projects, hotel industry, (Three star hotels and above) shipping companies, computer software and oil exploration on repatriation basis. They are also allowed to invest in sick industrial units up to 100% on repatriation basis subject to a lock in period of 5 Years.

NRIS are allowed to make portfolio investment in shares and debentures with or without repatriation benefit through designated authorised dealers.
Investments made by them together cannot exceed 5% of the total paid up equity capital in the case of equity shares and each series of convertible debentures. It can be increased to 24% if the company so resolved through a resolution. In the case of portfolio investment on repatriation basis, an individual NRI cannot invest more than 1% of the total paid up value of equity/ preference/ each series of convertible debentures.

Indian companies can issue commercial papers to NRIS for short term borrowing on non-repatriation basis. NRIS can invest in mutual fund schemes floated by public sector/ private sector institutions on repatriation basis. Overseas Indians and persons of Indian origin can invest in government securities on repatriation basis.

They can acquire residential property in India for their bonafide use. Now the RBI has allowed repatriation of original investment subject to a maximum of two houses and a lock in period of 3 years. NRIS are allowed to invest in companies engaged in real estate development upto 100%. However, OCBs are not given the repatriation facility.

NRIS are permitted to invest upto 100% in export houses, 100% export oriented units and in power sector. They are also allowed to invest in service sector such as merchant banking, underwriting, portfolio management services, financial consultancy, stock broking, mutual funds, venture capital, custodial service, factoring, leasing and so forth subject to certain limits and conditions. They are also offered NRI bonds from time to time.

Chapter IV of the present report discusses the tax and non-tax incentives provided by the Central Government and selected few State Governments for encouraging NRI investment in India. Various tax concessions are given to NRIs which make India a tax haven for NRI investments. External Bank Deposits are
exempt from wealth-tax and interest thereon are free from income-tax. Similar tax concessions are given for investment in Unit Trust of India and National Savings Certificate VI and VII issues and other government securities and NRI bonds. Investment in financial assets like shares and debentures are exempt from wealth-tax and income thereon are subject to a concessional tax rate of 20%. Long term capital gains are subject to a tax at concessional rate of 30 per cent. Wealth-tax has virtually been abolished on all assets except a few specified assets like guest house, and residential properties with certain exemptions, car, urban land, jewellery, bullion and cash in hand above Rs.50,000. The basic exemption limit has been raised to Rs.15 lakhs and a flat rate of 1% on net wealth will apply.

Gift-tax liability is exempt for gifts made by NRIs out of the External Bank Deposit Accounts, foreign exchange remittances, specified foreign exchange assets and NRI bonds.

NRI industrialists are entitled to avail of financial assitances from various financial institutions established by the Government of India and State Governments. Commercial banks also offer a range of schemes to NRIs such as loans abroad against securities provided in India, loans in India against shares/securities/properties held in India. Loan/ overdraft to NRI account holders in India and outside India.

Returning NRIs are allowed to bring gold and silver subject to certain limits and payment of nominal customs duty. NRI industrialists are allotted telephone, telex and fax on priority basis.

The Indian Investment Centre set up by the Central Government is the nodal agency for NRIs. It provides information on investment opportunities and necessary assistance for establishing industries, and escort agencies.
All the State Governments in India invariably are vying with each other to woo the NRIs to make investment in their respective region by providing incentives and facilities. They provide capital investment subsidy, land at concessional rate, power subsidy, sales tax exemption /deferment, project feasibility report, escort services and so forth. The State Governments have also established, nodal agencies for attracting NRI investment. “ANRICH” established by the State of Andhra Pradesh is a telling example.

The fifth chapter has highlighted the impact of new economic policies on NRI investments. The annual compound growth rate and least square method of time series trend analysis have been applied to find out the annual rate of changes in NRI investment in the pre and post-NEP periods. It is evident from the Table given below that significant growth in NRI repatriation investments has resulted in the post-NEP period.
## TABLE 9.1

### COMPARATIVE GROWTH OF NRI INVESTMENTS IN THE PRE AND POST-NEP PERIODS

<table>
<thead>
<tr>
<th>Investment Scheme</th>
<th>PRE-NEP PERIOD</th>
<th>POST-NEP PERIOD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Annual Compound Regression</td>
<td>Annual Compound Regression</td>
</tr>
<tr>
<td></td>
<td>Growth Rate %</td>
<td>Equation $y=$</td>
</tr>
<tr>
<td>1. BANK DEPOSIT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NRE A/c</td>
<td>14.5</td>
<td>4796.3 + 344.13x</td>
</tr>
<tr>
<td>FCNR A/c</td>
<td>46</td>
<td>6369.30 + 2155.95x</td>
</tr>
<tr>
<td>2. DIRECT INVESTMENT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Repatriable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>40% Scheme</td>
<td>48</td>
<td>832.27 + 112.03x</td>
</tr>
<tr>
<td>74% / 100 Scheme</td>
<td>23</td>
<td>61.93 + 5.92x</td>
</tr>
<tr>
<td>B. Non - Repatriable</td>
<td>50</td>
<td>169.05 + 23.884x</td>
</tr>
<tr>
<td>3. PORTFOLIO INVESTMENT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Repatriable</td>
<td>9.5</td>
<td>60.91 + 2.65x</td>
</tr>
<tr>
<td>B. Non - Repatriable</td>
<td>60</td>
<td>1.915 + 0.376x</td>
</tr>
<tr>
<td>4. COMPANY DEPOSITS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Repatriable</td>
<td>34</td>
<td>14.89 + 3.03x</td>
</tr>
<tr>
<td>B. Non - Repatriable</td>
<td>14.5</td>
<td>7.98 + 1.075x</td>
</tr>
<tr>
<td>5. NRI INVESTMENT APPROVALS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Repatriable</td>
<td>3.52</td>
<td>513.76 - 39.58x</td>
</tr>
<tr>
<td>B. Non - Repatriable</td>
<td>13.5</td>
<td>237.15 - 32.23x</td>
</tr>
</tbody>
</table>

The following conclusions can be arrived from the particulars of the above Table. It is heartening to note that there is significant growth in NRE deposits in the post-NEP period. However, there is a small reduction in the annual compound growth rate. As regards FCNR deposits, the trend equation and annual compound growth rate indicate declining trend during the post-NEP period. The reduction in the interest rate of these deposits below LIBOR, the RBI relinquishing the burden to bear exchange rate and withdrawal of certain other privileges have resulted in this temporary declining trend.

It is clear from the above Table that there is a significant positive impact of NEP on the 40% direct investment schemes. Similarly, the rate of increase in 74%/100% scheme is of very high order in the post-NEP period. The annual compound growth rate has increased from 23 per cent in the pre-NEP period to 167 per cent in the post-NEP period.

Non-repatriable direct investment in the post-NEP period is on the decline. It is evident that the repatriable portfolio investment has increased quite significantly in the post-NEP period indicating a positive impact of NEP on it. The trend equation of non-repatriable portfolio investment shows some increase in the post-NEP period. However, the annual compound growth rate has declined from 60 per cent to 22.5 per cent signifying not much of positive impact of NEP on non-repatriable portfolio investment.

The trend equation and annual compound growth rate for the company deposits both repatriable, and non-repatriable indicate a rise in the post-NEP period. However, in absolute terms, they are still at meagre level only.

The trend equation for repatriable NRI investment approvals shows annual decrease in the pre-NEP period but a tremendous increase can be witnessed in the post-NEP period. The annual compound growth rate also has increased from
3.52% to an astronomical figure of 248%. It signifies the great impact of NEP on repatriable investment approvals. However, the trend equation and annual compound growth rate show that the non-repatriable NRI investment approvals are showing a clear declining trend in the post-NEP period.

The trend in NRI investment approvals and the impact of New Economic Policies on them have been analysed Region/Countrywise, Statewise and Industrywise as well.

REGIONWISE NRI INVESTMENT APPROVALS

NRIs from South East Asian countries have ranked first in committing repatriation investment in the post-NEP period followed by those based in the U.K., the U.S.A. and Canada, Middle East, Far East Asian countries and Europe. As regards NRI non-repatriation investments, NRIs based in the U.S.A. and Canada have occupied the premier position followed by those in the U.K., Middle East, Europe, South East Asia, and Far East Asia. NRI repatriation investment approvals from various countries have appreciably increased; however, the non-repatriation investment approvals show a declining trend.

STATEWISE NRI INVESTMENT APPROVALS

The study has revealed that NRI repatriation investment approval concentration has been high in the industrialised States, namely, Maharashtra, Gujarat, Haryana, Andhra Pradesh, Tamil Nadu, Karnataka and Delhi. The backward States like Bihar, Himachal Pradesh have lesser amount of NRI repatriation investment approvals. Concentration of NRI repatriation investment in industries has been confined to Western India and Southern India; Northern India and Eastern India have lesser amount of NRI investment approvals.
Even as regards non-repatriation investment approvals, the State of Maharashtra stands first both in the pre-NEP and post-NEP period followed by Gujarat; Delhi retains the third position. It is noteworthy to see that Himachal Pradesh, a backward State, which could get non-repatriation investment approvals of Rs. 22.07 million in the pre-NEP period got Rs. 38.25 million worth of approvals in the post-NEP period. Excepting this State, all other States have showed declining trend as regards non-repatriation investment approvals in the post-NEP period.

**INDUSTRYWSE INVESTMENT APPROVALS**

It is a revelation of the study that metal industry secured the maximum NRI repatriation investment approvals both in the pre-NEP and the post-NEP periods. Food processing industry has registered a significant growth in attracting NRI repatriation investment approvals in the post-NEP period followed by chemical industry, plastic industry, hotel industry and glass industry. Automobile, mechanical and print industries have secured no repatriation investment approvals in the post-NEP period. NRI repatriation investment approvals in other industries are not impressive enough.

NRI non-repatriation investment approvals for food processing industry has increased substantially in the post-NEP period. Likewise, print industry also has attracted sizable NRI non-repatriation investment approvals in the post-NEP period. All other industries have shown significant declining trend as regards NRI non-repatriation investment approvals in the post-NEP period.

Chapter VI has made an overview of the study area. Tamil Nadu is one of the premier industrialised States in India with a population of 56 million. It has a land area of nearly 1,30,000 square kms. The State Capital, Madras city is the fourth largest city in the Indian sub-continent. It has an equatorial climate and a 1,000 kms., coast lines. Tamil Nadu occupies a premier position in terms of
infrastructure development. The manufacturing sector in Tamil Nadu has made rapid strides. It has emerged as the most vibrant segment of Tamil Nadu's economy contributing well over 33.5% of the State's domestic product. Tamil Nadu is accounting for 11% of India's industrial output with about 12.9% of factories and 10% of value addition. The share of Tamil Nadu in exports from southern region of India is 57%. Tamil Nadu accounts for 7.11% of the total number of banks in India. It occupies third position as regards the loan sanctioned and disbursed by public financial institutions in India. To assist domestic and overseas entrepreneurs including NRI industrialists, Tamil Nadu Government has established several industrial promotion agencies. They render various kinds of service such as helping in project identification, availing of incentives from the Government and so forth. They assist in the acquisition of land, water and power connection besides providing financial assistance and marketing facility. They help industrialists in complying with the procedural formalities for starting industries in Tamil Nadu. The various industrial promotion agencies in Tamil Nadu are:

(i) Tamil Nadu Industrial Guidance and Export Promotion Bureau.
(ii) State Industries Promotion Corporation of Tamil Nadu.
(iii) Tamil Nadu Industrial Development Corporation Limited.
(iv) Tamil Nadu Industrial Investment Corporation Limited.
(v) Electronics Corporation of Tamil Nadu.
(vi) Tamil Nadu Corporation for Industrial Infrastructure Development Limited.
(vii) Tamil Nadu Small Industries Development Corporation Limited.
(viii) Directorate of Industries and Commerce.

In the seventh chapter of the present research report, besides giving the resume of NRI respondents and profile of NRI industrial units, the survey indicates factors causing slow down of commencement of units, information sources relied by NRIs, and the like.
FACTORS SLOWING DOWN COMMENCEMENT OF UNITS

The survey has revealed that delay in obtaining licence is the most important factor slowing down the process of commencement of production. Earlier, it took two to four years to get various licences from the Government. Now after the introduction of liberalisation policies and even in the case of projects which are entitled to automatic approval, 6 months to one year is required to get various approvals. Inadequate financial assistance is the second important factor delaying commencement of production. Delay in getting communication facilities and power supply, inadequate technical consultancy, delay in registration under Companies Act, slackness of market, shortage of raw material, delay in acquiring land are other causative factors ranked in that order, delaying the commencement of business.

SOURCES OF INFORMATION OF INVESTMENT OPPORTUNITIES

The survey has brought to light the lack of proper dissemination of information on investment opportunities available in India for NRIs by the Government / Non Government agencies. Only 23.6% of the respondents express that Indian Investment Centre is useful in providing investment information. The role of other agencies in helping NRIs with investment information is even more deplorable. Only 9.72%, 12.5%, 2.78%, 15.28%, 16.67%, 20.83%, 23.61%, 6.94% of the respondents hold the view that the Indian embassy, visits by ministers / leading personalities, chamber of commerce in India, seminars/conferences, trade fairs/exhibitions, consultancy firm in India/outside India, advertisement in newspapers and other media, stock brokers/banks, respectively are helpful in providing investment information. As many as 70.83% of the respondents rely upon their friends and relatives as source of investment information, still more number of respondents state to have depended mainly on their personal initiative to obtain investment information.
FACTORS INFLUENCING NRI INVESTMENT DECISION MAKING

The survey throws light on the factors influencing NRI investment decision making. Availability of cheap and skilled manpower has been accorded the highest importance with a mean score of 2.44 on a 3 point scale. It is heartening to find that patriotic feeling is running high in NRIs and is ranked as second important influencing factor. Market potential ranks third, followed by own technical skill/background which occupies the fourth position securing the mean score of 2.21 and so forth. Infrastructural facilities and repatriation facility secure twelfth and thirteenth position respectively. Surprisingly, economic liberalisation occupies the last position. It indicates the implementation of the liberalisation policies is not up to the expectation of NRI industrialists.

DIFFERENCE AMONG NRI GROUPS AS TO LEVEL OF INFLUENCE OF EACH FACTOR ON INVESTMENT DECISIONS

Anova test has been applied to find out whether the different groups of NRIs, Viz., overseas Indians, persons of Indian origin and erstwhile expatriates differ in their opinions as to the level of influence of the various factors influencing investment decision. It is found that at 10% significance level, in respect of availability of raw material, economic liberalisation and political stability, the three groups of investors differ, while in respect of the other factors they have exhibited no significant difference.

DIFFERENCE AMONG NRIS CLASSIFIED BY INDUSTRY TYPES AS TO LEVEL OF INFLUENCE OF EACH FACTOR ON INVESTMENT DECISION

The ANOVA test has indicated that in respect of availability of raw materials, availability of skilled manpower, market potential and patriotic feeling, the respondents belonging to the four categories of industries differ in their opinions.
as to their influence in their investment decision making. In respect of the other factors, there is no significant difference among them. As regards high rate of return, economic liberalisation and own technical skill/ background, all NRI industrialists have expressed almost similar views.

SATISFACTION LEVEL OF RESPONDENTS ON INFRASTRUCTURAL FACILITIES

An attempt has been made to measure the extent of satisfaction of the respondents as to infrastructural facilities available in the location of their industrial undertakings.

'Insurance facility' has got the highest score with the mean score of 3.26 on the 5 point scales. 'Road transport' is ranked second with a mean score of 3.15. This is followed by 'storage and warehousing 'with a mean score of 3.08 and so forth. The lowest satisfaction is in respect of 'communication facilities' which has got the least mean score of 2.57.

The average mean score for all infrastructural facilities comes to 2.93 points indicating the satisfaction level is miles away from excellent. The level of development of infrastructural facilities in the country is much low for NRIs who are accustomed to international standards.

The Chi-square test indicates that the respondents classified by type of industry they belong to, differ in their level of satisfaction over the infrastructural facilities in the country. Respondents who have set up manufacturing units in industrial estates have expressed lower level of satisfaction for the infrastructural facilities.
INCENTIVES AND ASSISTANCE FROM THE CENTRAL AND THE STATE GOVERNMENTS

The study unfolds that 91.67% of the respondents have availed of loans from banks and other financial institutions. This is followed by capital subsidy and interest rate concessions, each availed of by 61.11% of the respondents. However, allocation of land at concessional price, water supply facility, power tariff concession, reliefs on excise duty, customs duty, income-tax and sales tax are availed of by 35 to 50 per cent of the respondents. Project feasibility report, technical assistance and single window clearance and market/export assistance are availed of by less than 25% of the respondents only. As to the reason for not availing of the incentives and facilities, lack of awareness seems to be the reason for a majority of the respondents, procedural delays have deterred only a very few industrialists from availing of certain facilities and concessions.

In respect of land at concessional price, water supply, technical assistance, customs duty, income-tax and sales tax concession, a majority of those who have availed of these facilities have considered that these facilities are adequate or more than adequate. As regards capital subsidy, institutional loans, interest rate concession, project feasibility report, power tariff concessions, excise duty concession, marketing support and single window clearance facility, a majority of those who have availed of these facilities have expressed that the concessions and facilities extended are negligible.

INVESTMENT PREFERENCE

The study unveils the investment preferences of the NRI respondents in respect of their surplus resources.
Real estate is ranked first as a vehicle for the placement of surplus resources with the mean score of 2.17 on a 3 point scale. Bank deposits and repatriable direct investment come in the second and third places with the mean scores of 2.07 and 2.04 respectively. Repatriable portfolio investment occupies the fourth position with the mean score of 1.82. Investment in UTI and other mutual funds secures the fifth position. Non-repatriable direct investments and portfolio investments occupy lower rungs of ladder with the mean scores of 1.42 and 1.26 respectively. Company deposits are not the favoured instruments of investment for the respondents as their mean score being only 1.25 and public sector securities have also not fascinated the NRIs. The respondents have shown least preference for the Government bonds and securities, perhaps due to the low rate of return offered on these securities. The application of Kruskal Wallis test lays open that the three groups of NRIs, namely, overseas Indians, persons of Indian origin and erstwhile expatriates do not significantly differ in their preference for the different investment schemes.

Chapter VIII deals with NRI investment promotion policies and measures of the Government of India and operational problems faced by NRI industrial units in Tamil Nadu.

**NRIS' VIEWS ON THE NEW MEASURES INTRODUCED BY THE GOVERNMENT**

Under the new economic policy, the Government of India has introduced many innovative measures for the promotion of NRI investment climate in India.

The study has disclosed that measures such as increase in investment limit upto 100 per cent in high priority industries, full convertibility of rupee in current account, single window clearance of projects and Resident Foreign Currency Account have been very well perceived to be useful by the respondents in improving
the investment climate with mean scores of 2.78, 2.89, 2.58 and 2.43 respectively, on a 3 point scale. Though introduction of single window clearance of project will be of great help for the industrialists if practised in real spirit, many have expressed that the various State Governments are offering only lip service in this regard. A majority of the respondents want the full convertibility of rupee in capital account also to be introduced at the earliest possible time. Many of the respondents desire the NRI bonds to be issued periodically by the Government, State Bank of India or any other public financial institutions.

However, the policy measures of the Government permitting gold and silver imports by the returning NRIs according to the respondents have not that much contributed to improve the NRI investment climate with the mean scores low at 1.88 and 1.76, respectively. The overall average mean score for all these measures comes to 2.3 which shows that the respondents on the whole have favourable opinion on the influence of these measures for the promotion of NRI investment climate in India.

NRI CATEGORIES AND THEIR OPINIONS ON NEW MEASURES FOR THE PROMOTION OF NRI INVESTMENT CLIMATE

Kruskal Wallis test has been applied to find out whether the three groups of the respondents expressed different opinions on the usefulness of the new measures for the promotion of NRI investment climate. The result reveals that there is a significant difference among NRI groups in their opinions on the usefulness of the new measures in the promotion of NRI investment climate.
NRIS VIEWS ON THE USEFULNESS OR OTHERWISE OF THE PROPOSED MEASURES

The study has brought to limelight that long term policy on NRIs, dual nationality for NRIs, issue of non voting shares, simplification of residential status rules and increase in ceiling limit for portfolio investment are considered by the respondents to be highly useful in promoting NRI investment climate. The mean scores being higher at 2.88, 2.67, 2.60 2.44 and 2.40 on a 3 point scale respectively.

Measures such as reopening of Indian Investment Centre’s overseas branches, listing of Indian companies shares in foreign stock exchanges, NRI Gold Account, separate ministry for NRIs will also fairly contribute towards the promotion of NRI investment climate, as these measures have obtained mean scores of 2.21, 2.19, 2.08 and 2.07 in that order.

However, public deposits and debentures designated in foreign currencies, setting up of free ports, exclusive mutual fund for NRIs and representation in Parliament have been considered by NRIs as less useful in promoting NRI investment climate, the mean score of these measures being less than 2. The overall average mean score for all these proposed measures comes to 2.23 which indicates that the respondents on the whole perceive that the introduction of these proposed measures will produce a favourable impact in promoting NRI investment climate in India.

NRI CATEGORY AND THEIR VIEWS REGARDING PROPOSED MEASURES FOR THE PROMOTION OF NRI INVESTMENT CLIMATE

Kruskal Wallis Test has been applied to find out whether the three categories of NRI investors have expressed different opinions as to the usefulness of the
proposed measures. It indicates that the three groups of NRIs do not significantly differ in their opinion on the usefulness of the proposed measures in promoting NRI investment climate in India.

RESPONDENTS’ VIEWS ON NEW ECONOMIC POLICIES

Since 1991, sweeping changes have been made in the various economic policies of the government. The views of the respondents as to whether these policies are favourable, neutral or restrictive and the extent of their favourableness or restrictiveness are brought to focus by the study. Licensing policies, foreign technology policy, foreign exchange policy, repatriation policy and remittance policy are considered favourable. While exit policy, labour policy, baggage rules policy, income-tax policy, wealth-tax policy, gift-tax policy, excise duty policy customs duty policy and sales tax policy, are considered somewhat restrictive still. It is evident from the survey result that as to labour policies and taxation policies, the respondents want more radical reforms to be introduced.

NRI CATEGORY AND THEIR VIEWS ON FAVOURABLENESS OF NEW ECONOMIC POLICIES

Kruskal Wallis test has been applied to ascertain whether the three groups of NRI investors have different opinions on the favourableness of the new economic policies of the government. The result shows that the NRI categories do not significantly differ in their views on the favourableness of the new economic policies.

FACTORS DISCOURAGING NRI INVESTMENT

The study has thrown light on the factors discouraging NRI investment. The most discouraging factor topping the list is red-tapism, with a mean score of 4.8 on a 5 point scale. Next on the ladder comes corrupt practices with a mean
score of 4.36. Documentation / paper works occupies the third position with a mean score of 4.35. Multiplicity of authorities, communication gap and stringent laws and rules are the other discouraging factors with mean score values exceeding 4 points, indicating the very high discouraging effect caused by them. The remaining factors, namely, higher taxation, exchange rate fluctuation, repatriation problem, unstable policies, penal provisions are some what less severe, but still with a high level of discouraging effect, their mean score ranging between 3 and 4.

To ascertain whether the three groups of NRI investors have different views on the seriousness of the factors discouraging NRI investment, Chi-square test has been applied. The result shows that the NRI groups do not differ in their views on the level of seriousness of the factors discouraging NRI investment.

To ascertain again whether the opinions of NRIs depend on the industry category, they belong to, Chi-square test has been applied. The result shows that there is a significant difference among NRIs classified on the basis of industry in their opinions on the level of seriousness of the factors discouraging NRI investment.

INDIRECT INVESTMENT IN CORPORATE SECURITIES

The study has brought to focus the satisfaction level of the respondents on some of the important aspects of the direct investment in corporate securities. In respect of availability of information and preferential allotment, the level of satisfaction is high with mean score being 3.26 and 3.07 respectively on a 5 point scale. Whereas in respect of other factors, namely, pricing of issues, sending of allotment letters / share certificate in time and dividend payment, the satisfaction level is low, the mean scores secured by these factors being 2.47, 2.75 and 2.96, respectively.
To ascertain the relationship between NRI categories and their opinions on the favourableness of the primary market for corporate securities, Chi-square test has been applied, which indicates that the NRI categories differ in their opinions on the favourableness of the conditions prevailing in the primary market.

PORTFOLIO INVESTMENT IN CORPORATE SECURITIES

The study lays open the intensity of the problems faced by NRIs in making portfolio investment. Among the various problems, lack of transparency ranks first with a mean score of 4.08, Volatility of secondary market gets the second position with a mean score of 3.94, insider trading secures third position with a mean score of 3.94; stock scam comes next with a mean score of 3.69; delay in payment settlement and name transfer, poor services of stock brokers, problems, in getting the RBI permission for purchase or sale of shares and high price-earning ratio of Indian companies have posed problems for the respondents, the factors coming with mean scores of 3.64, 3.60, 3.58 and 3.51 respectively.

To find out the relationship between NRI categories and their opinions on the seriousness of the problem in portfolio investment in India, Chi-square test has been applied which reveals that the NRI categories do not differ in their opinions as to the seriousness of the problems in portfolio investment in India.

OPERATIONAL PROBLEMS FACED BY NRI INDUSTRIAL UNITS

The operational problems confronted by the NRI industrial units are classified as production, financial and marketing problems. The major production problems relate to raw materials, labour, power and technical knowhow.
PROBLEM AS TO RAW MATERIAL

On the whole, 38.89% of the units surveyed have faced inadequate supply of raw materials, 36.11% of the units have experienced irregular supply of raw materials; 12.5% of the units have suffered from poor quality of raw materials and 25% of the units from high cost. It is heartening to note that 9.72% of the units have faced none of these problems at all.

As to the kinds of labour problem, it is found that while 16.67% of the units have faced inadequate supply of labour; 38.89% of the units have suffered from irregular supply of labour and 41.67% of the units have complained of the low productivity of the workers. Only 6.94% of the units have felt that the labour cost is high and 5.5% of the units have experienced none of the labour problems.

The survey has revealed that 16.67% of the units have the problem of the inadequate supply of power, 52.78% of the units have suffered from irregular supply of power and 16.67% of the units have faced poor quality of service, and 13.89% of the units have felt that the charges are high. For 8.33% of the units, power supply do not pose any problem at all.

The survey has noted that 20.83% of the units have the problem of inadequate supply of technical knowhow and 11.11% of units have complained of irregular supply of technical knowhow. As many as 41.67% of the units have found the quality of technical assistance to be poor while 22.22% of the units consider that the cost is high and 6.94% of the units have no problem at all as to technical assistance.

The study has brought to limelight that for 76.39% of the NRI industrial units, owner’s funds form the main source of finance 63.89% of the units have availed of loans from the commercial banks; 38.89% of the units have obtained
funds from TIIC 44.44% of the units have got financial assistance from SIPCOT; 2.78%, 4.17% and 1.39% of the units have obtained financial assistance from DIC, SIDCO and TIDCO respectively and 12.5% of the units have borrowed loans from other public financial institutions.

Cumbersome procedure tops the list of problems as to finance with 68.05% of the units complaining. Delay in disbursement of loans is faced by 66.67% of the units; 61.11% of the units have charged that the interest rate have charged is high; 56.94% of the units have found the amount of loan is quite inadequate. Poor service has been reported by 37.72% of the units. Short initial moratorium, heavy service charges and high margin are reported by 25%, 23.61% and 20.83% of the units respectively.

PROBLEM AS TO MARKETING

The survey indicates that for 63.89% of the units severe competition is the major problem. For 23.61% of units limited demand is the serious problem; 18.05% of the units have faced lack of infrastructural facilities in marketing; 9.72% and 5.56% of the units respectively, have reported price control and export control as their marketing problems. Happily, 16.67% of the units have no marketing problem at all.

II SUGGESTIONS

The suggestions that emanate from the findings of the survey and the responses elicited from the study participants through elaborate discussions are presented hereunder:

The survey clearly indicates that the NRIs do not get adequate information about investment opportunities in India. Information containing details of investment
schemes facilities, concessions, regulations and formalities to be complied with should be provided to NRIs promptly. The following suggestions are made in this regard:

(i) Special cells /focal points for NRIs should be created in Indian banks having branches abroad. Overseas banks like Grindlays, City bank, American Express and the like should be encouraged to actively participate in management of various investment schemes for NRIs. The Indian Investment Centre should have an investment adviser in all Indian Embassies to help NRIs in their effort to invest in India by providing information, application forms and so forth. The Indian Investment Centre should open overseas branches in the capitals of important countries where NRIs are concentrated.

(ii) Seminars and conferences should be organised frequently in India and abroad to spread the message. Small delegations of experts may be sent abroad to disseminate details of the reforms and liberalisation taking place in Indian economy. The cultural and social ties between NRIs and the home country should be strengthened.

(iii) To facilitate NRI investment and to provide one-stop escort services to NRIs and so forth, a nodal agency with autonomous powers, good infrastructure and dynamic, efficient and professional people to run it like that of Andhra Pradesh State Non-resident Indian Investment Corporation Limited (ANRICH) should be established in each State to attract NRI investment.

(iv) The State nodal agencies for NRI investments and industrial development should organise visits of high-power delegations, authorised to take on the spot decisions, to countries with sizable NRI population to present the State Government. Such delegation should elicit views of prospective NRI investors about their expectations of the type of industrial climate to motivate them to invest.
in the State. Similar exercise could also be undertaken to identify the constraints/problems faced by the NRIs who have already set up projects in the State. In this context, identifying clusters of NRI households with linguistic / specific affinity to the State and approaching them through Indian Investment Centre and news media such as India Abroad magazines will be useful.

(v) The nodal agency for NRIs in the State should prepare brief proposals of various profitable avenues like new projects, investments in existing companies, and take overs of weak firms and tourism related projects, highlighting local market conditions which will greatly help NRIs in making their decisions.

(vi) The nodal agency can also help identify local entrepreneurs who have viable investment proposals and are looking for NRI investments, so that information can be disseminated to interested NRIs. It can thus arrange strategic alliance among various classes of entrepreneurs to support overall industrial development.

(vii) Countrywise profile of NRIs should be studied. Merchant bankers should be given licences to open offices abroad in potential areas exclusively to garner NRI funds.

(viii) To mobilise NRI funds for Indian industries, an investment company may be started owned by Government (to inspire confidence) but managed by professionals (to ensure efficiency). The infrastructure facilities for industries in India are far from satisfactory. Lack of good infrastructural facilities is one of the major impediments for economic growth. By improving facilities at port, air cargo centres, rail stations and the overall transport system, major savings in inventory levels and improvement in product delivery can be achieved. It is also essential to develop transparent and stable environmental regulations.
(ix) It is suggested that just like in power sector, NRIs should be allowed to invest in transport, telecommunications oil and other infrastructure development activities with a guarantee of reasonable return on their investment.

(x) The Government should develop Industrial Model Towns where infrastructural facilities of high standard and global connectivity are assured.

(xi) The State Governments should establish industrial estates exclusively for NRIs. Associated infrastructure facilities such as transport, water, power, communication system, educational and housing facilities should be made available to NRI resources.

(xii) It is estimated that Indians form 15% of all technical manpower in the U.S., research laboratories. Technology cities should be established in various parts of the country with necessary infrastructure, incentives and tax concession which will actively engage in applying science and technology to industry. They can seek association of NRIs who have acquired specialised knowledge in specified fields. Many may even offer to spend a few months in the technology city and could make valuable contribution.

(xiii) Development of metro cities like Madras and Bombay as major financial centres will have to be a major concomitant of globally oriented industrial development. Suitable infrastructure such as wide-spread availability of modern telecommunication links such as E.Mail, data network, video-conferencing and the like and high quality offices, hotel accommodation will encourage investors to have access to these cities as financial centres.
Specific projects in large, medium and small scale sector should be identified for being set up in the industrial estates and offered to prospective NRI investors after a minimum necessary amount of spade work has been done on these in terms of market survey, obtaining letter of intent/registration certificate and so forth.

NRI respondents have given top rank for ‘real estate’ in their investment preference for surplus resources. The Sodhani Committee on NRI investments, in respect of NRI investment in housing and real estate has recommended free repatriability of principal and profit along with dismantling of the three year lock-in-period and the 16 per cent ceiling on remittance of profit. However, it is suggested that the Government must move with caution in this vital aspect. There is already a complaint that after the NRIs have been allowed to invest in real estates, the cost of land in the four metropolitan cities are sky rocketing. There is also scope for high speculation and large outflow of foreign exchange. Hence the existing restrictions as to lock in period and remittance of profit should continue, and NRIs should be encouraged to invest in real estates outside the city limits.

It is suggested that NRIs may be allowed to invest in agricultural/plantation sector subject to State laws. Repatriation facility may be given subject to a lock in period of 5 years and a ceiling on remittance of profit. As regards investment in agricultural sector, there is need to develop wasteland which requires heavy capital investment; 41 million hectares of land have been earmarked under National Wasteland Development Plan. Government could pick out such areas where there is a possibility of using modern technology and allow NRIs to bring in such technology and resources to convert such lands into crop growing areas. If sufficient incentives are given, there could be considerable response which in turn would greatly benefit the economy. Through modern technology and expertise brought in by NRIs, development of plantation and farms can be accelerated and diversified. This would generate new agro-based industries whose products would find ready export market through NRI contact worldwide.
Japan's tremendous success in the export front is mainly due to its international marketing network. It is suggested that NRIs should be allowed 100% investment facility in trading companies. Many NRIs are highly successful in trading in their countries of residence. Their association will be of immense value for establishing international marketing network for Indian products.

It is recommended that banks may be allowed to maintain FCNR (Bank) Accounts in all the major, stable and convertible currencies. It is also recommended that freedom should be given for transfer of funds from one NRE account to NRE account of another person for any purpose.

It is suggested that the interest rate on NRI deposits should be kept at around LIBOR (London Inter Bank Offer Rate). The fancy interest rate offered to NRI deposits may lead the country fall into debt trap. The focus should be on NRI direct investment rather than on getting bank deposits.

It is suggested that in the disinvestment of public sector companies' shares, NRIs may be given due share and may be given berth in the Board of Directors against their stake.

The analysis of the impact of new economic policies on NRI investment clearly indicates that 100% direct investment in priority sector scheme is more popular than 40% scheme. It is suggested to scrap the 40% direct investment in manufacturing industries scheme and merge it with the 100% scheme, thereby 100% direct investment facility with repatriation benefits is provided to NRIs in all industrial undertakings.

The Government of India and the State Government instead of announcing incentives and concessions on a piece meal basis as a hasty response to balance of payment crisis, should state a reasonably long-term package of investment opportunities and concessions and that should be published widely in India and abroad.
Dual nationality is one of the major demands of NRIs. Most people take foreign citizenship because of host country’s laws regarding Visas, work permits and business ownership. Dual nationality provides NRIs with a legitimate and permanent link with the motherland and make the emotional bond very secure. Affinity to India is positively related to recency of migration, physical proximity, citizenship and negatively related to the generation numbers after migration. To attract and retain capital flows become more and more difficult as the affinity index declines. Provision of dual citizenship will help us to keep strong contact with second and third generation expatriates. Many countries have provided this facility to their people. It is strongly suggested to provide dual nationality to NRIs. The government can even charge some fee for this purpose which would bring in large amount of foreign exchange. Further, as in the U.S.A., the government may even tax their global income, though at a minimum rate. It would also fetch enormous revenue in foreign exchange for the country.

It is strongly suggested that Indian Companies Act should be amended to enable companies to issue non-voting shares which may carry a bit higher dividend than ordinary shares. This will garner huge funds from many NRIs who are interested mainly on the adequate return and capital appreciation and least bothered on exercising control over the management of companies.

Many of the respondents wanted the residential status rules should be simplified. A unified definition of non-resident under Income-Tax Act and Foreign Exchange Regulation Act is not feasible as their purposes are different. However, as a simplification process, it is suggested that definition for resident under Income-Tax Act may be modified. Presently, it consists of two formulations, one dependent upon the period of stay in India in a particular given year, viz., 182 days and second the period of 60 days in that year plus 365 days in the preceding four years. The alternate condition could be done away with. Thus, a person who stays in India for 182 days or more in that year may be considered resident for that year and non-resident otherwise.
(xxvi) It is suggested to create a separate ministry exclusively to look after the interest of NRIs. For instance, Pakistan has already done so and the ministry there also takes care of any problems that Pakistan workers have overseas.

(xxvii) Under new industrial policy, only 15 industries are now covered by compulsory licensing requirement and only six industries are reserved for public sector. This may further be curtailed to two or three industries in which security and strategic concerns predominate, since licensing system has outlived its utility now. Though it is essential to protect the small scale industry from the competition of large scale industry, the number of items of products reserved for small scale industry is unreasonably large at 832. Many of the items of products reserved cannot be produced by the small scale industry. It is suggested to prune the item of products reserved for small scale industry. This may be reduced by half without any damage to small scale industry.

(xxviii) Exit has more significance than entry and is more difficult to administer. The non-viable units should be allowed to close down. The country needs a speedy mechanism for defreezing frozen land, labour and capital. A State financed re-training scheme, over and above, unemployment compensation should be introduced by the Government. It is suggested that the Government should spell out clearly the exit policy atleast in the first instance for foreign and NRI industries as has been done in China.

(xxix) Indian labour laws should be modified suitable to a modern economy. The country has based the labour laws on the old British labour tradition and also on those with the socialist philosophy. These countries have drastically changed their labour laws long ago. Even China has different labour laws for free-trade zones. Similarly, suitably altered labour laws must atleast first be made applicable to NRI industrial undertakings.
It is suggested to set up a separate NRI Investment Promotion Board to expeditiously grant approvals for industrial projects. As a logical extension, NRI Investment Promotion Board at the State level should also be established which could be headed by appropriate authority and comprise secretaries of all important departments. It should serve as a clearing house for fast track approvals of NRI projects. This should be backed by a single window agency which should accord all approvals relating to land, power, water, telecommunications, sales tax, pollution control and so forth under one-roof.

Matters connected with the RBI permission could be expeditiously dealt with, if the authorised dealers are vested with the authority to grant necessary approvals within the broad framework of regulations without reference to the RBI.

It is suggested that reservation for NRIs desirous of establishing industries should be made in the National Institute of Small Scale Industry Extension Training (NISIET). This will give a thrust to new industries and the chances of new industries falling sick will be minimised.

To facilitate remittance of funds quickly from abroad by NRIs, banking infrastructure should be improved. Indian banks take 20 days or more to credit telex transfer from abroad. This delay can considerably be reduced in the satellite age by using modern technology.

Though the recent financial budgets have considerably reduced the individual and corporate income-tax, there is still scope for further reduction. The Chelliah Committee Report on corporate taxation should be implemented fully. The fiscal concession of 20% tax both on dividend and long-term capital gains extended to individual non-resident Indians (Tax on long-term capital gains for FII is only 10%) is not extended to OCBs. This discrimination should be removed. The Government should provide a uniform tax rate for both NRIs and OCBs at the level prescribed for FII.
In order to encourage small investors, there is no tax deduction at source upto an income of Rs.2,500 from one company in respect of dividend/interest from companies for the resident Indians whereas there is a tax deduction of 20% to 30% at source even on small income by way of dividend/interest earned by NRIs. This anomaly should be removed.

At present, 7 year wealth-tax exemption is available to NRIs in respect of property acquired by them within one year prior to their return to India for permanent settlement. This poses lot of difficulties for returning NRIs. It is suggested to extend the wealth-tax concession to cover all properties acquired for bonafide personal use by the NRIs at any time prior to their return to India for permanent settlement.

It is suggested to make further reduction in the excise duty and customs duty to enable Indian industries to face global competition.

There is an absence of Government backed financial instruments designed for NRIs. It is suggested that financial products such as India Development Bonds with tax incentives should be devised.

Red-tapism, inefficiency and corruption provide real cultural shock to the NRIs who are used to convenient and efficient working atmosphere abroad. Many of the NRIs went back disillusioned, dissatisfied and dismayed at the callous behavior of the bureaucracy. It is suggested that young officials still untainted by old habits be given basic training, then posted in strategic areas. The bureaucracy dealing with NRI investors should be given training to keep up appointment timing, to be courteous and to adopt investor friendly approach.
(xli) Most of the procedures covering exchange control and taxation are unnecessarily complicated and cumbersome leading to delays. To obviate these problems, it is suggested that policies related to NRIs should be made in consultation with NRI representatives. A permanent consultative body may be set up for the purpose.

(xlii) It is not possible to root out corruption fully. It is the unrestricted discretion and authority given especially at the subordinate level which tempts the bureaucrats. It is suggested that the country should go in for less legal procedures and for more clear cut executive directions, defining precisely the authority and responsibility of various authorities.

(xliii) While rules and regulations are made very complex, the interpretations create innumerable difficulties and give large discretion to bureaucrats. It is suggested that rules and regulations should be made simple and transparent and their implementation should be accountable by bureaucrats. Expert non-officials should be associated when framing rules and regulations.

(xliv) It is suggested that the documentation and paper work should be considerably reduced at the Government offices and agencies. This will go a long way in saving the time, cost and effort. The various application forms to be filed by NRIs should be made simple, unnecessary questions eliminated and number of copies to be filed should be drastically reduced.

(xlv) It is suggested to consolidate all foreign exchange laws which are eleven in number at present, including the FERA. A unified foreign exchange code encompassing a simple, clear and logically arranged law dealing with all facets of foreign exchange will greatly facilitate NRIs.
Majority NRI respondents have complained of inadequacy of financial assistance, high interest rate, delay, cumbersome procedures and host of other problems in availing of finance from banks and other financial institutions. While comprehensive financial sector reforms are overdue, the expected reduction in interest rate has been very cautious and slow. The Centre should announce a more drastic reduction in interest rate to make Indian projects more competitive. It is strongly suggested that a separate financial institution should be established to cater exclusively to the financial requirements of NRI industries, with branches in all State Capitals.

Capital market reforms should be implemented expeditiously. There is a need to replace the existing clearing and settlement system which involves physical movement of scrip with scripless trading through 'Depository system'. Screen based trading should be introduced in all the stock exchanges to ensure transparency. To effectively tap the savings, the Indian stock market will have to sustain and develop investor confidence. The capital market should create the necessary infrastructure to bring in line with international practices. It is suggested that RBI should grant general permission to NRIs for sale of shares/debentures through a recognised stock exchange in India. Indian stock brokers should be allowed to operate in foreign countries.

It is suggested that Government should organise workshops/training sessions for potential returning NRIs through Indian Investment Centre and State nodal agencies. Entrepreneurial Development Programmes should be conducted to assist returning NRIs to enhance their skills. They should be encouraged to set up their own business, industries and agricultural projects for which they have aptitude and skills which would spear new enterprises. Such NRIs should be allowed to bring with them free of duty the tools and equipment of their trade or profession. Appropriate amendments to Baggage Rules and Transfer of Residence Rules should be made.
(xlviii) It is suggested to establish a skill pool from the returning NRIs in each State and their expertise and experience may best be made use of by the industrialists and businessmen.

(xlix) Since many of the returning NRIs never claimed the immigration deposits paid by them before leaving the country, it is said to have accumulated to several crores of rupees. It is suggested to create a Non-resident Rehabilitation and Development Fund with this amount. NRIs may be requested to liberally contribute to this Fund. Various schemes for rehabilitation of returning NRIs could be conceived and implemented all over the country with this Fund. The Fund could also be used for infrastructural development for business and industry, provision of consultancy services for project formulations, and market studies.

(L) It is suggested to allow NRIs to open schools, colleges and Universities in which children of NRIs could be easily accommodated. For children of NRIs who want to pursue technical education, sufficient provisions should be made in IITs / Medical Colleges / other Technical and Research Institutions, of course, charging certain extra fee.

III CONCLUSION

Non-resident-Indians can be described as a substantial national asset, the dimensions of which have been neither fully comprehended nor completely utilised. The Government should treat NRIs as partners in our progress, in the great and monumental task of building India as a truly great industrial power. India is a slumbering giant, when it wakes up it will forge ahead of many nations by taking giant strides. The IMF and World Bank’s reports put India as the fifth largest nation by GDP now, as per purchasing power parity formula, and forecast that by 2020 it will be the 3rd largest the world over by GDP. It is now the time that the country wakes up, sheds the shackles of archaic rules and regulations still stifling the economic growth and claims its rightful place in the front rank of prosperous nations as it moves into the 21st Century. Capital and with it the scarce resource inputs of technology, management and trained manpower will only go where
opportunities are commensurate with risks and are competitive with alternative options. While attracting NRI investments, one must not think in terms of 'permissions' and 'concessions', but in terms of 'invitations' and 'opportunities' which reflect warmth and match the alternatives available elsewhere. Instead of painting NRIs as prodigal sons and cribbing about brain-drain, the Government should encourage them with meaningful incentives to invest in India. Let NRIs repatriate foreign currency to the nation's need, let them acquire new technical skills, sharpen their professional competence and come back to India to participate in the industrial development of their motherland. A concerted and holistic approach to NRIs will alone give an impetus to the desire for attracting NRI investment into India. It is essential to create an environment of confidence. Results and not rhetoric can create confidence. If this is done, the caged tiger, the Indian economy will then be poised for a giant leap forward.