

# CHAPTER I

## 1.1 INTRODUCTION

Chapter one describes the overview of NRI and the Concepts, Option and Avenues of Investment for NRIs and also brief the Pondicherry Economy with the France Relations and sketch out the structure of thesis of the study like, Declaration of the Issue of the study, Immensity of the Study, Degree and Extent of the Study, Area of Study, Significance of the Study, Statement of the Problem, Objective of the Study and the finally end with chapterisation of the study.

Global economy and international growth is showing mixed trends it established to advanced economies are picking up and emerging economies are somewhat slowing. India has poised to become the world fastest growing economy in 2020 as projected by the developed Nations, it will overtake China (Kinra, 2010). Its stabilizing fundamentals and improved sentiments have enhanced India's prospects in the global picture of developing economies, even as growth in China has slowed. India also has a demographic advantage, with 18 per cent of its population in the 15 to 24 age group. In the next 30 to 40 years, these young people will provide a very dynamic and productive workforce, enabling the nation to faster growth.<sup>1</sup>

In this perspective, Mr. Mark Otty, Area Managing Partner for Europe, Middle East, India and Africa (EMEIA), were EY states that, "Think about what India might add to your global business." They further states that international business maniac's eyes have turned towards India. The interest on Indian market has increased. In this way is due to challenges in some of the other BRICS and high-growth markets. More significantly, investors are increasingly realizing the potential and understand the fundamentals. The new government has given an impression globally and exposed the

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<sup>1</sup>Jitendra Mohan Mishra, South Asian Journal of Tourism and Heritage (2010), Vol. 3, No. 2

fields resulting in both generating international interest and improved investment opinion towards India.

The prime cause for this trend is due to the economic policies are shaped out India to the global stage. The Indian economic fundamentals have strongly improved in this scenario. The inflation comes under control with the forecast-planning of one of the most influential economic bodies as “Reserve Bank of India”. It has effect in triggering the monetary policy easing. India’s foresightedness of its need and requirement has aptly implemented various policies for India<sup>2</sup> now to welcome all the possible ways to substantiate the inflow and outflow of the investments (Srivastava, 2003).

Reformations in the business environment will shoot up India’s current position in global ranking to the enriched outlook of international interests. India’s new, pro-reform Government has launched a slew of initiatives designed to encourage investment, including FDI. Prime Minister Narendra Modi aims to transform that India’s ranking in the World Bank’s ease of doing business ranking from 142 out of 183 economies expected to place 50<sup>th</sup> within three years. The Government also aims to reduce the time taken to register a business to 1 day - from 27 days today.<sup>3</sup>

In almost all countries of the world there are sizeable populations of Indians. Many had migrated a generations ago and well settled down, there as nationality of the country of their adoption. In recent years, there has been a revival of migration. Some have taken up short-term assignments, while others have taken up long-term residence abroad. Although many of them have become citizens of other countries, their social, cultural, and emotional ties with India and Indians have continued to be strong. As a result of their hard work and initiative, they have accumulated large resources of investible funds. On the other hand, it may be difficult to some of the NRIs to play a

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<sup>2</sup>EY’s attractiveness survey India 2015 Ready, set, grow

<sup>3</sup>“Govt. sets deadline of six months for rolling out Direct Tax Code and GST,” India in Business, Government of India website, 22 October 2014, [indiainbusiness.nic.in](http://indiainbusiness.nic.in), accessed 3 September 2015.

vital role in the development of their homeland, as they have already decided to settle abroad permanently, but there are quite a number of them who are uncertain whether they would like to make the foreign country their permanent home (Walton-Roberts, 2004).

Today, Indians inhabit an undebatable position in the global market. Indians presence around the world has drastically influenced the domestic and far-off countries' economies. Indian's contribution to the overall aspects of financial behaviour of any emerging society has given a vital involvement making impacts on individuals, both Indian and Non-Indian Origin. Indians, some of whom migrated long generations ago from their motherland; some settled and some migrated recently converting themselves to land in a point stand as an influencing agent in economy of both emigrant and immigrant land (Agrawal et al, 1989).

Though Indians have adopted a remarkable varied nationalities traits on the land they live in, still the elementary level of socio-cultural and emotional knots with their mother land remain, especially the people of India are well celebrated for this charisma globally. They prefer continuously to be attached strongly to their native land. The peculiarity of their till and toil mind-set at wherever they are, has given a well-recognition they being called globally as hard working elites. The skilled-Indians who are settled around the globe with their toiling traits have generated huge earnings and wealth (Gopalakrishnan, 1985).

People with excess of money above the met-expenses always opt to invest and to create wealth from the extra pennies. As Indians are also acclaimed peers for their saving strength for the future, they look out for the whereabouts of discovering a place of investments. In the menu of choosing the particular sector, their motherland is always preferred. These traits of Indians inculcated in them dates back not just of today but about 1500 years ago, as the Tamil poet Avvaiyar said to the younger generation: "Go across many seas and seek the wealth of human achievements." The enduring maritime, commercial and cultural contacts that Indians forged with South East nations have led to a strong Indian presence there (Jerry Rao, 1988). Accordingly Indians attitude in

hardworking and venturing into new commercial and cultural adaptability evolved their presence in many South East nations and developed countries.

It is an indisputable verity of its need for the inflow of capital resources are expectantly projected with the venture of our *Prime Minister Narender Modi* who aims for developing the infrastructure and all round societal developments of all people of India. He is known for his vision and he is going around the countries with this prospect for making people realize and especially the Indians to realize their reflection over the venue of diverting their funds. Prime Minister Modi has realized the diversion of Indian's investments to India and also the business sector of people to whom he has revealed that Indian is a growing, booming and future guaranteed market for all the business and infrastructural growth. The exposing of the market trends and its new venturing demands has forecasted the business giants and leads' eye towards the Indian market. The inflow of the funds and investments from the abroad is idealized to develop the nation (Chaulia, 2002).

It is an urge for Indian economy that it is in great need of capital investment from abroad. It is to substantiate and support the domestic savings, and discourage the deficiency in trades and payments' balance (Kalvan Banerji, 1988).

The difference rate of exchange from current consumption (present Indian currency value) to the tomorrow's consumption (future value of rupee) is the pure income from the generated interest. People's necessity and demand has given rise to their willingness to pay high rate of interests in their savings tuned to the duration of money value for the time allotted. The interest rate is determined by the capital market by a difference of the supply of extra money rendered on (savings) to be invested in the capital market and at the same time demand for the excess of consumption (borrowing) at a prompt time.

Today's investment by an investor at a rate of rupee during the current period hoping to rise in the future to generate extra funds basically compensate the following:

- a) The duration of funds committed for,

- b) The predictable note of inflations,
- c) The unstability of future incomes,

Thus there is a need for understanding who is the real 'investor'. The "investor" in understanding varies from an individual to a group. They may be classified into different sector in reference to where belong as to,

- a) A government,
- b) A pensioned fund,
- c) A corporation,
- d) A private sector,
- e) A non-governmental sector, etc.

Therefore, the definition of 'investment' also includes various types of investments, especially in reference to various sectors' investments by:

- a) Corporations in infrastructure and equipment,
- b) Individuals in stocks, bonds, commodities, or real estate.

The real concern of study, is the investments by individual investors in various sectors. In all these investments, a unique feature was analysed; it is that the investor is exchanging a known rupee amount today hoping to get some expected future regularized returns for his payments that his returns comes greater than the present exchange value. Having this in interest an individual trades his money basically for the following outcomes:

- a) It is greater in value
- b) It is greater to current output value
- c) It is expected to be rewarding
- d) It is expected to be on regular basis

From the above interests of an individual, the needs of the investor is understood. But to understand it fully first of all we need to understand who an investor is.

## **1.2 Definition of NRI**

Under Foreign Exchange Management Act, 1999 (FEMA), an NRI is a person, Who is an Indian Citizen has gone out of India or residing outside India, in either case for or on taking up employment outside India for carrying on a business or vacation outside India, or for any other purpose, in such circumstances as would indicate an intention to stay outside India for an uncertain period.

*In other words by (RBI), an NRI is a person who is not a person resident in India but who is a citizen of India.*

## **1.3 Definition of ‘Indian Origin’**

An individual ought to be respected to be of Indian origin if,

- a. He, at whatever point, held an Indian Travel allow; or,
- b. He or either of his parent or any of his grandparents was an Indian and an immutable tenant of bound together India at whatever point.
- c. A wife of a subject of India, or of a man of Indian source ought to in like manner be regarded to be of Indian reason in spite of the way that she may be of non-Indian starting. (Regardless, Pakistani or Bangladesh nationals of Indian root can advantage of these workplaces entirely while obtaining prior assent of the RBI).
- d. Indian who perpetually live outside India and get remote citizenship, or the relatives of an Indian who moved out of India, are in like manner considered persons of Indian source.

#### **1.4 Individual Investor**

“An individual investor is a person with the motive of expecting some returns over his committed and given money buys small amounts of securities for himself, as opposed to an institutional investor, also called as Small Investor or Retail Investor” (Kennickell, 1996).

Investment can be defined as “a commitment of funds on regular basis made in the expectation of some positive rate of return (Donald)”. “The allocation of the available resources with an individual, corporate sector and within a nation is a basic economic problem. They face a confused situation compensatively to an individual who with a mass of opportunities for the allocation of his available resources within a circle. With the emergence of five year plan by the Indian government’s planning commission brought an awareness concerning individuals’ behaviour in savings and investments. Since then there is a prime focus on studies on economic behaviour and financial investment strategies like the private research organization and government agencies. An increased significance of remittance has facilitated to boost up the studies and research by various individuals, agencies both governmental and non-governmental and other regularized bodies to study the statistics of remittances from foreign nations i.e. outside the country and the patterns of the funds utilised in our country affecting to the trends in migration, and the impacts of emigrating people on Puducherry’s economy.

In general, investment is employing the funds with the motive of gaining assured returns on it. Investment utilizes money to generate more money upon the invested money, i.e. it hopes to make more money. In financial terms investing is buying an investable product or other financially related valued items with a growth and expecting returns from it. Investing one’s money is investing oneself long termed toil, it is in fact very crucial matter of concern. Investments gives hope that investing or purchasing a financial product would assuredly bring beneficial returns to the investor. Accordingly it is also a long awaited reward of the money. People invest in various saving schemes via various assets depending on the high returns of an individual’s return expectation and their rich

land (Chen, 1991). There are two types of investment for NRIs are economic and financial investment as they are,

### **1.5 The Two Concepts of Investment:**

**1.5.1 Economic Investment:** The economic investment is the additional investment to the capital stock of the society. These capital stocks of the society are those services and goods which are utilized in the production of other goods. The very term 'investment' means here the creation of new and constructive capital in the form of new developments and producer's utility instruments like machineries, plants and other industrial products, the stock of inventories, and investments of human workforce are also involved in this idea. Thus, investing in something implies both in economic and financial terms a great, development and huge increase in building infrastructure, mechanism, plants, equipment's and inventories (De Long, 1990).

**1.5.2. Financial Investment:** The concept of financial investment is allotting the prime monetary resources to the substantial assets that are expected to generate and yield growth and extra interest in return over a stipulated time and period. These are in the forms of shares, bond, real estate, etc., which are used as an instrument in financial claims, investments, and declarations in printed bond papers such as shares and debentures. The individuals invest their money in various financial such as shares, FDs, debentures, National Savings Schemes, Life Insurance, Employee's Provident Fund, etc., to an individual investment is just commitment of funds invested to derive future income in various form such as interest, dividends, pension benefits, payments from rents, premiums, and a financial valued recognition of their value of their invested capital amount. In the modern economies the investment can be done by the variety of financial products whereas in the ancient economies most of their investments were of the real variety (Beck, 1999).

The individuals divert their funds to the capital market either directly by purchasing financial products or through savings which has source from capital market which is related either directly or through some institutions. The decisions in concepts vary from

financial investments and investment decision, both depending on form a decision making by an investor.

Savings through investments have been a success story in India, where there is general mind-sets for saving alike other residents of other nationals. To understand these differences; first of all there need a categorization and classification of the characteristics of the various investments and matching them with the requirements and choice made by the individuals. Every individual investing is result oriented and it has great motive on the invested returns. It intends to obtain certain achievable objectives. These intentions can be classified into tangible and intangible. The tangible objectives may be like an individual intending to purchase a car, property, house, etc., and the intangible objectives for instance like social status upliftment, financial security, etc. Accordingly these classifications of objectives point to an individual's financial needs and these categorization or the objectives are purely an individual's intentions of getting one thing that is 'the profitability' by all the expected ways. Human beings dream to build his own financial safety via achieving his financial goals of security, profitability and liquidity. At times, the financial objectives vary from individuals to individuals according to their personal commitments, family commitments, and the number of dependent and also members in the family, their educational requirements, their income and the total necessary and provisional expenses and their amount of savings for themselves and for the future of their family, individuals and their health insurances. In all these concerns there is a point of consideration about an individual's speculation of returns on the principal invested. Therefore a huge connectivity is needed in order to understand the speculation aspect of these financial activities (Beck, 1999).

**1.6 An Investment Option:** To define, "Speculation is an activity, quite contrary to its literal meaning, in which a person assumes high risks, often without regard for the safety of their invested principal, to achieve large capital gains." The duration of the period of profitability on the funds invested by an individual is usually a short span of time. An individual expects quick returns generally. That's the real greed part of it. The notable

feature is that the expectation of profitability is too short in these sorts of investments (Géczy, 2007).

Speculation also involves all the general financial activities like the buying, selling, holding and short selling of bonds, stocks, currencies, commodities, derivatives real estate collectibles, or any valuable financial instrument. It is contrary to buying because one wishes to utilize them for daily needs or to generate regular income from them in the form of steady dividends or interests (Ghosh, 2009).

Investment sector once opted by an individual for his requirements and according to his investable capacity, it should be adaptable for both acquiring the financial and the personally aspired objectives. The drawbacks and the advantages in the other investment sectors should also be in consideration in investment objectives in the context of these selections.

- 1) Duration of Investment: It is a prime concern for an investor to keep in view the duration of investment as one of the criteria to for an investment. The different duration of investments basing on different investing sectors may be classified as,
  - a. Short Term: The usual duration of these investments types are up to one year. In order to meet these sort of returns from an investments, investable sectors that bring minimum or no risk factor covers are opted.
  - b. Medium Term: these investments usually extend from one year and termed up to 3 years. The investment sectors which render better outputs but may slightly have more risk that can be considered
  - c. Long Term: these sorts of investments occur between 3 years and more duration of invested periods. According to the duration feasible of an investor, the investment which gives the best returns and output are usually considered as highly risked and these sort of investment is opted by the investors themselves.

## **1.7 Investment Avenues**

Investment avenues are the different options or the variety of financial products that are available in the financial sector for an investor. These baffling investment variety of investment products broadly fall into two main classification, they are real assets and financial assets (Portes, 2011).

*1.7.1 Financial Assets* are paper or electronic claim issued by a private sector or public i.e. government sector. The important assets in financial sectors are corporate debentures, equity shares, and deposit with banks, government securities, post office schemes, insurance policies, mutual fund shares, derivative instruments and insurance policies.

*1.7.2 Real Assets* are represented by tangible assets like commercial properties, residential houses, agricultural farms, golds, precious metals and stones, and also art objects. Advancement in financial status only brings an upliftment in the decisions for other investment and financial schemes or options.

Depending on the needs of an individual, an investor freely chooses one or more other available spots.

## **1.8 Public Deposits**

The Companies Act gives that organizations can acknowledge deposits straightforwardly from people in general. This method of raising assets has ended up famous in the 1990s, on the grounds that the bank credit had gotten to be costlier. According to procurements of the Companies Act, an organization can't acknowledge deposits for a time of under 6 months and over 36 months. In any case, deposits up to 10 per cent of the paid up capital and free holds can be acknowledged for a base time of three months for meeting fleeting prerequisites. Once more, an organization can't acknowledge or restore deposits in abundance of 35 per cent of its paid up capital and free saves (Chen, 1991).

So as to meet, transitory money related necessities, organizations acknowledge deposits from the speculators. Such deposits are called open deposits or organization altered

deposits and are prominent especially among the white collar class financial specialists. All most all organizations gather crores of rupees through such deposits. Organizations were putting forth appealing loan fees already. On the other hand, the financing costs are presently diminished impressively.

On development, the investor needs to give back the store receipt (appropriately released) to the organization and the organization pays back the store sum. The investor can recharge his store for further time of one to three years at his alternative. Numerous organizations are currently supplementing their settled store plan by total time store plan under which the kept sum alongside hobby is paid back in single amount on development. Organizations, now, choose supervisors (gathering operators) to their altered store plans. The chiefs are generally presumed offer intermediaries. They help organizations in gathering the deposits furthermore take care of the managerial work regarding such deposits (Chen, 1991).

At present, alongside private segment organizations, even open part organizations and open utilities additionally acknowledge such deposits with a specific end goal to meet their working capital needs. This source is well known and utilized widely by the organizations. The ubiquity of open deposits is because of the accompanying Advantages:

- a) Public deposits are accessible effectively and immediately, given the organization appreciates open certainty.
- b) This technique for financing is straightforward and less expensive than getting advances from business banks. This makes open deposits appealing and pleasing to organizations furthermore to investors.
- c) Public deposits empower the organizations to exchange on value and pay higher profits on value offers.

- d) The investors get enthusiasm on their deposits. This rate is higher than the loan cost offered by banks. The hobby is likewise paid routinely by rumoured organizations.
- e) The conventions to be finished for storing cash are simple and straightforward. There is no derivation of expense at source where interest does not surpass a specific point of confinement.
- f) The danger included is al so restricted especially when cash is kept with a presumed organization.

## **1.9 Bank Deposits**

Invested amount of surplus cash in bank deposits is entirely prominent among the financial specialists (Particularly among salaried individuals). Banks (Co-agent and Commercial) gather working capital for their business through deposits called bank deposits. The deposits are given by the clients for particular period and the bank pays enthusiasm on them. In India, a wide range of banks acknowledge deposits by offering premium. The deposits can be acknowledged from people, organizations and even business endeavours, the business and gainfulness of banks rely on upon store gathering. For keeping cash in the bank, a financial specialist/investor needs to open a record in a bank (Beck, 1999).

### ***1.9.1 Diverse sorts of store records are:***

1. Current Account
2. Savings Bank Account
3. Fixed Deposit Account, and
4. Recurring Deposit Account

The rate of enthusiasm for Fixed Deposits (FD) contrasts from bank to bank not at all like already when the same were directed by RBI and all banks used to have the same loan cost structure. The present patterns demonstrate that private part and outside banks offer

higher rate of premium. Normally a bank FD is paid in single amount on the date of development.

On the other hand, a few banks have options to pay enthusiasm toward the end of each quarter. On the off chance that one longings to get interest paid each month, then the interest paid will be at a marked down rate. The Interest payable on Fixed Deposit can likewise be exchanged to Savings Bank or Current Account of the client.

This demonstrates the utilization of bank store as a boulevard of venture by Indian speculators. NRIs and NREs can keep cash in nationalized and different banks as reserve funds or altered deposits. The instance of NRI and NRE Account, the bank premium is not assessable (Beck, 1999). A few banks offer one percent higher financing cost on NRI/NRE accounts. Vital components of bank store record are as per the following:

- a) Any person (of real age) can open a financial balance by taking after straightforward system. An accountholder is dealt with as bank client and all typical keeping money options and administrations are offered to him. A ledger might be single or joint Nomination options is additionally given to accountholders.
- b) Deposits in the banks are sheltered and secured. They can be pulled back according to the terms and states of the financial balance. The advantage of store protection plan is additionally accessible to bank contributors.
- c) Money can be saved whenever on account of current and reserve funds financial balances. On account of settled store account, it is kept just once and cash is saved each month on account of repeating store account.
- d) Interest is paid on bank deposits (with the exception of current deposits). The loan fee is chosen by the RBI occasionally according to the currency market circumstance. The agreeable banks offer almost one for every penny higher financing cost when

contrasted with business banks. Indeed, even senior subjects are offered somewhat higher loan fee (regularly one for each penny).

- e) Interest is paid on quarterly or six month to month premise. Be that as it may, if the store period is under 90 days, the hobby is paid on development.
- f) Bank deposits have high liquidity. Banks even give advance on the security of altered store receipts.

### **1.9.2 Favourable circumstances of Bank Deposits:**

1. Venture is sensibly protected and secured with satisfactory Liquidity.
2. Banks offer sensible profit for the venture made and that too in a consistent way.
3. Banks offer advance options against the ventures made.
4. Techniques and conventions included in bank invested amount are restricted, basic and brisk.
5. Banks offer different administrations and options to their clients.

### **1.9.3 Restrictions of Bank Deposits:**

1. The rate of return on account of bank invested amount is low when contrasted with different streets of venture.
2. The financial growth on invested amount is not satisfactory even to give assurance against the present expansion rate in the nation.
3. Capital gratefulness is unrealistic in bank invested amount.

### **1.10 Post Office Savings**

Post Office works as a budgetary establishment. It gathers little investment funds of the general population through reserve funds financial balances options. Likewise, time deposits and government advances are additionally gathered through post workplaces. Certain administration securities, for example, Kisan Vikas Patras, National Saving Certificates, and so on are sold through post workplaces. New plans are routinely presented by the Postal Department keeping in mind the end goal to gather investment

funds of the general population. This incorporates repeating deposits, month to month wage plan (Kinra, 2010).

Postal investment funds bank plans were well known in India for a long stretch as keeping money options were constrained and were accessible basically in the urban ranges up to 1950s. The notoriety of postal funds plans is presently diminishing because of the development of keeping money and other venture options all through the nation. Be that as it may, even at present, little financial specialists use postal reserve funds options for contributing their investment funds/surplus cash for short term/long haul because of specific advantages such as steady return, security and well-being of invested amount and credit options against postal deposits. Indeed, even tax reduction is one fascination for interest in mail station. Interest in postal plans is on a par with offering cash to the legislature for monetary improvement alongside sensible return and tax reductions. Post Office Savings Bank (POSB) has a client base of more than 11 crores accountholders with yearly deposits surpassing Rs.70,000 crores and a system of 1,55,000 branches. The remarkable parity under every single national sparing plans in post workplaces remained at Rs.2, 18,695.15 crore by March 2001 (Chaulia, 2002).

***1.10.1 Postal investment funds plans incorporate the followings:***

- (1) Savings Bank Account: Simple financing cost 3.5 per cent with impact from March 1, 2003 (The rate was 3.50 from March 1, 2002). Most extreme store up to 150,000 individual record and Rs.1 lakh in shared service. Premium earned is absolutely charge free.
- (2) Monthly Income Scheme: Period: 6 years. Loan fee is 8.00 for each penny p.a. payable month to month. Furthermore reward at 10 for every penny at development with impact from March 1, 2003. (The rate was 9 for every penny from March 1, 2002). There will be no assessment derivation at source.
- (3) Recurring Deposits: Period: 5 years. Loan fee 7.5 with impact from March 1, 2003. The hobby is intensified on quarterly premise. Development quality is advised and paid as needs be.

(4) Time Deposits: Period: 1 year to 5 years. No maximum breaking point of store in a record. The loan costs on time deposits change every once in a while however it is higher than different deposits because of long development period.

Hence, postal offices saving options gives different plans to safe invested amount of surplus assets. Be that as it may, the financial growth on invested amount is somewhat low. The financing costs are lessened significantly as of late. Such pattern of bringing down of financing cost is appropriate to a wide range of reserve funds plans in India. The postal tenets and strategies are long. In addition, snappy administration and individual consideration are not offered because of deficient staff, utilization of old techniques and methods, and so on.

### **1.11 Public Provident Fund (PPF)**

PPF is one alluring assessment protected venture plan for white collar class and salaried persons. It is even helpful to businesspeople and higher wage gaining individuals. The PPF plan is extremely prevalent among the minor pay citizens. The plan was presented in 1969 (Srivastava, 2003).

#### ***1.11.1 The elements of PPF plan are as noted beneath:***

1. PPF record might be opened at any branch of the SBI or its auxiliaries or at Specified branches of nationalized banks. PPF record can be opened even in a mail station on the same terms and conditions. Such record can be opened by any person.
2. Stand out record can be opened for the sake of a man.
3. The PPF record is for a time of 15 years yet can be reached out for more years (five years on end) at the yearning of the investor.
4. The contributor is required to make a base store of Rs.500 consistently. What's more, cash can be kept once in consistently. (A base store in a year is Rs. 500 and most extreme is Rs. 70,000/ -).
5. The PPF record is not transferable, but rather assignment options is accessible.
6. Advance is permissible from the third year. Advance sum is constrained to 25 per cent of toward the end of two years going before.

7. New advance is not permitted when past advance or intrigue thereof is remarkable.
8. Hobby is charged at the rate of 1 per cent if paid ahead of time inside 36 months and at 6 per cent on the exceptional advance following 36 months.
9. Withdrawal is allowable from seventh money related year from the year of opening, restricted to one in a budgetary year.
10. Measure of withdrawal is restricted to 50 per cent of parity toward the end of the fourth going before year less measure of extraordinary credit or half of equalization toward the end of quick going before year of withdrawal less measure of exceptional advance, if any whichever is less.
11. The deposits in a PPF record are met all requirements for expense exclusion under the Income-charge Act (Section 80 - C). The parity sum in a PPF record is completely exempted from the Wealth Tax. The PPF record is likewise exempted from connection from the court.
12. A self-multiplying dividends at 8 per cent for every annum is paid on account of PPF record with impact from 1-3-2003. The interest gathered in the PPF record is likewise impose free.
13. On development, the credit parity in the PPF record can be pulled back.

Be that as it may, at the alternative of the supporter, the record can be proceeded for three progressive piece times of five years each, with or without deposits. Amid the augmentations the record holder can make one withdrawals for every year, subject to the condition that the aggregate sum pulled back amid a 5 year piece does not surpass 60 percent of the equalization to the credit of the record toward the starting.

#### **1.11.2 Extraordinary Advantages of PPF Account:**

- 1) Reasonably alluring loan fee notwithstanding when it is lessened by one for every penny with impact from 1-3-2003.
- 2) Income from PPF A/C (interest instalment) is exempted from wage charge and riches charge.
- 3) Tax exception on invested amount made in PPF.

- 4) Withdrawal options at specific interims which additionally maintains a strategic distance from incessant withdrawals.
- 5) It is helpful as a procurement for seniority, or as procurement for specific costs, for example, marriage of a child/girl, buy of level, and so forth.
- 6) PPF record is exempted from connection from the court. This offers security to relatives/wards.

### **1.11.3 Confinements of PPF Account:**

- 1) Low liquidity as one withdrawal is permitted in a year.
- 2) The PPF record is for a time of 15 years which is a long stretch.

Disregarding restrictions, PPF is an alluring parkway for interest on account of Tax payers/Salaried class/Businessmen/Professionals.

### **1.12 Money Market Instruments**

Currency business sector is an inside in which money related establishments join together with the end goal of managing in budgetary or financial resources, which might be of transient development. The transient by and large means a period up to one year and the term close substitutes to cash indicates any monetary resource which might be immediately changed over into cash with least exchange cost. In this manner, currency business sector is a business opportunity for fleeting budgetary instruments, development time of which is not exactly a year. The arrangements are over the counter. The quantities of players in the business sector are constrained. It is managed by Reserve Bank of India. Currency Market Instruments where Investors can contribute are Treasury charges, Certificate of Deposit, Commercial Paper, Repurchase Options (Repo), Money Market Mutual Funds (MMMMFs) (He, D., & McCauley, 2010).

### **1.13 Mutual Funds**

Shared asset is a money related delegate which gathers reserve funds of the general population for secured and gainful venture. The fundamental capacity of common asset is to assemble the reserve funds of the overall population and put them in stock exchange securities. The whole pay of common asset is conveyed among the financial specialists in extent to their invested amounts. Expenses for dealing with the asset are charged to the asset, as shared assets in India are enlisted as trusts under the Indian Trust Act. The trustees are designated and they take care of the administration of the trust. They choose the venture arrangement and give the advantage of expert invested amount through the shared assets. These assets are overseen by money related and proficient specialists. The reserve funds gathered from little financial specialists are put resources into a safe, secured and gainful way. Along these lines, it is said that shared asset is a help to the little financial specialists (Subbarao, 2009).

UTI had virtual imposing business model in the field of shared asset from 1964 to 1987. After 1987, State Bank of India, Bank of India and different banks began their common assets. After 1991 (because of monetary liberalization) numerous budgetary organizations began their common assets (e.g. Kothari Pioneer Fund, CRB Capital Markets etc.). In short, alongside UTI, numerous more common assets are currently begun for the advantage of little financial specialists. They are given acknowledgment by RBI/SEBI. Shared assets, as a rule, are prevalent among the contributing class. In addition, for all intents and purposes all shared asset associations are effective in gathering crores of rupees from the contributing class. A shared asset is shaped by the meeting up of various financial specialists who hand over their surplus assets to an expert association to deal with their assets (Chaulia, 2002).

The primary capacity of common asset is to assemble the funds of the overall population and put them in stock exchange securities. At present, there is preoccupation of reserve funds of the white collar class financial specialists from banks to shared assets. The legislature has tossed the field open to the private part and joint division common assets.

The execution of shared assets is indicating critical development amid 1998-99 and 992000.

Amid 2000-01, the general population area and private part common assets (barring UTI) assembled asset worth Rs.11, 340 crores as against Rs. 15,400 crores amid 1999-00. More than 43 shared assets are working in India.

Common assets have presented numerous plans for pulling in speculators furthermore to collect their reserve funds. Such plans incorporate open finished plans which are interested in the speculators for constantly. They can purchase or offer the units at whatever point they crave. Such plans are Regular Income Schemes, Recurring Income Schemes, Cumulative Growth Schemes, and so on. There are close-finished plans in which there is a lock in time of three to five years and financial specialists can't purchase or offer the invested amount amid that period. Such plans are Dhanshree 1989, of LIC common asset. Magnum Regular Income Scheme 1987, of SBI common asset (Dhanshree).

Fundamentally, there are four plans by which shared subsidizes gather cash from the financial specialists, for example, (1) Growth Schemes (2) Income Schemes (3) Balanced Schemes (4) Tax Saving Schemes. If there should be an occurrence of development plans the invested amount becomes as indicated by the time and in the event of wage plans the speculators get standard pay from the ventures. Adjusted plans are the blend of both these plans. Charge sparing plan is intended to spare wage charge while putting resources into the business sector. There are distinctive sorts of financial specialists and their destinations are likewise diverse. In this manner, common assets have begun diverse plans keeping in mind the end goal to suit the destinations of these financial specialists (Poirson, 2006).

Common assets are prevalent ventures in light of generally safe and exceptional yields. There is liquidity in the event of open-finished plans and a percentage of the plans give charge investment funds. There are wage plans which give standard pay to the financial specialists.

The notoriety of shared assets is quickly developing in India. The quantity of such finances is expanding and is getting well known backing from the contributing class. Financial specialists like to give their reserve funds to common assets for the well-being of their assets furthermore to secure the advantages of expanded invested amount. These assets take proper venture choices and handover the advantages of productive invested amount to the financial specialists (Poirson, 2006).

These days, speculators are making their shared asset portfolios on the premise of the way of common assets i.e. rather than ordering the common assets in diverse sorts (as given above) financial specialists for the most part concentrate on the accompanying classifications which easy to comprehend and the plans itself clarifies the danger component connected with the specific classification.

**1.13.1 Value Common Finances:** These assets contribute a most extreme piece of their corpus into values possessions. The structure of the asset might shift diverse for distinctive plans and the asset director's point of view toward diverse stocks (Rao, 1999). The Equity Funds are sub-ordered relying on their venture objective, as the following:

- i. Diversified Equity Funds (Large Cap)
- ii. Mid-Cap Funds
- iii. Small Cap Funds
- iv. Sector Specific Funds
- v. Tax Savings Funds (ELSS)
- vi. Thematic Funds

Value investments are implied for a more drawn out time skyline, in this way Equity reserves rank high on the danger return network.

**1.13.2. Debt Mutual Funds:** The target of these Funds is to put resources into obligation papers. Government powers, privately owned businesses, banks and money related establishments are a percentage of the significant guarantors of obligation papers. By putting resources into obligation instruments, these assets guarantee generally safe and give stable wage to the speculators (Bajpai, 2000). Obligation assets are further delegated:

- i. Gilt Funds
- ii. Income Funds
- iii. MIPs
- iv. Short Term Plans
- v. Liquid Funds

**1.13.3. Balanced Funds:** As the name recommend ,they are a blend of both value and obligation deposits. They put resources into both values and settled salary securities, which are in accordance with pre-characterized venture target of the plan. These plans mean to furnish speculators with the best of both the universes. Value part gives development and the obligation part gives soundness in returns (Poirson, 2006).

More than 43 shared assets are working in India. The advantages under administration (AUM) is Rs. 7 Trillion (Rs. 7 lakhs crore) in India. The main three common asset organizations are (1) dependence shared assets (2) HDFC shared assets (3) Birla shared assets. At present 3,500 plans are offered by common asset organizations in India. Starting now there are 85000 shared asset operators, are working in India. In any case, few of them are dynamic in the business sector. Fundamentally these specialists are ARN holders i.e. affirmed to offer the shared assets in the business sector. The SEBI and AMFI are going about as a controllers in the business sector. By redesigns SEBI has made KYC mandatory for every one of the speculators. According to new SEBI rules, at present there is no understanding of section burden. Additionally if speculator's venture skyline is long haul then there is no way out burden charged by the organization however in the meantime if financial specialist might want to pull back contributed cash before 1 year

then the speculators are at risk to pay recommended exit load on the common assets plans (Bajpai, 2000).

#### **1.14 Life Insurance Policies**

Nothing is more critical to a man than the inclination that their family is monetarily secure - at all times (Poirson, 2006). "Disaster protection is an agreement whereby the safety net provider, regarding a premium paid either in a lump sum or in periodical portions attempts to pay an annuity or certain entirety of cash either on the demise of the safeguarded or on the expiry of a sure number of years, whichever is prior."

There are 23 life coverage organizations in India. Disaster protection Corporation of India (LIC) is the main Public Sector insurance agency, the rest all being private protection players. The vast majority of the private players have tied up with worldwide protection biggies for their life coverage raid. The extra security division in India has seen a great deal of activity in the most recent decade with a considerable measure of new players entering the business sector (Dreze, 2002). The appropriation framework for extra security items includes different middle people between the backup plan and the protected. The distinctive dispersion channels utilized by insurance agencies are, Agents, Brokers, Corporate Agents, Banc assurance. Private insurance agencies have been investigating the different circulation channels accessible as opposed to focusing on individual specialists (Bajpai, 2000).

Insurance Regulatory and Development Authority (IRDA) is the administrative arm of the legislature of India which manages the correct working of the protection segment.

Disaster protection is a sort of Investment Avenue gives family security to the speculator and in addition rate of profitability as yearly reward on the approach. The financial growth on invested amount is sensibly low i.e. 6 per cent p.a. in view of danger scope and charge motivating forces. The measure of premium paid on an extra security arrangement is exempted from assessable wage under area 80-C of the Income-charge Act. However, the development period is longer the protection strategy can be surrendered or advance

can be profited on the arrangement, along these lines there is some kind of liquidity in this invested amount. Hence, interest in disaster protection is a beneficial invested amount and there is no danger in this venture.

Disaster protection covers the danger that exists throughout one's life. These dangers might emerge because of mischance, ailment or regular reasons like flame, surge, and tremor. Disaster protection means to secure the group of the life guaranteed so the cap they may not experience the ill effects of monetary results on the demise or handicap of the safeguarded individual (Muthuraman, 1985). Disaster protection should be a required part of each individual's life. Extra security covers three possibilities:

1. Possibility of death
2. Possibility of age-maturity
3. Possibility of incapacity and crucial Health hazards.

The three noteworthy worries of any individual are: Dying too soon, Living too long, and Living with handicap. Plus, there are different worries about dealing with youngsters and their future and about making riches that most people think. Life coverage items are by and large intended to address such needs. On account of these circumstances, extra security items likewise accommodate hazard spread, venture, social insurance and charge sparing.

Life coverage is generally taken by the winning members of the family to guarantee that if there should be an occurrence of their passing, and consequently their wellspring of pay stopping to exist, the indigent relatives would have a singular amount add up to fall back on. So by paying a little sum each year the acquiring individual from the family can guarantee that the eventual fate of their friends and family is completely secure from a money related perspective. So in the occasion of death of a protected individual, the candidate of the approach would get a sum called the aggregate guaranteed which can then be utilized viably to get ready for their future (Rao, 1999).

Comprehensively one can order their prerequisites into ensuring the family when they kick the bucket or making arrangements for youngsters' professions or retirement. Whether it is security or arranging needs there are suitable protection arrangements that suffice the need fittingly. For Planning needs Endowment, Pension or ULIP will be a decent decision in view of the danger one can bear to take. For security needs the conventional Term or entire life arrangements are must. The Common Types of Insurance Policies are as per the following:

1. Term Insurance
2. Whole Life Insurance
3. Endowment Insurance
4. Cash Back Insurance
5. Annuities (Pension Plans/Retirement Insurance)
6. Unit-Linked Insurance Plan (ULIPs)
7. Child Life Insurance Policy

Wellbeing costs are expanding extensively every day as are the wellbeing dangers. Medical coverage, otherwise called medicinal protection is a type of protection which covers the costs brought about on restorative treatment and hospitalization. It covers the individual and family against any money related requirements emerging from restorative crises (Agrawal, 1999).

Tax reductions of taking a Health Insurance Policy Under Section 80D of the Income Tax Act, salary tax reduction is given to the client to the premium sum till a most extreme of Rs. 15,000 for normal and Rs. 20,000 for senior resident separately.

Consequently, life coverage ought to be arranged and the right measure of life coverage should be bought however strictly when assessing the prerequisite and the need contingent upon Investors life stage, need and limit (Jerry Rao). On the off chance that appropriately arranged, the life coverage can be the response to a sound monetary making arrangements for lifetime.

### **1.15 Investment in Real Estates**

Interest in land incorporates properties like building, modern area, estates, ranch houses, horticultural area close urban areas and pads or houses. Such properties pull in the consideration of prosperous financial specialists. It is an alluring, and in addition gainful invested amount boulevard today. A private building speaks to the most appealing land property for larger part of financial specialists. The costs of land are expanding step by step. The area is constrained on the earth yet the populace has been expanding. As the interest increments however the supply of area is restricted, the costs tend to increment. Along these lines, it is alluring venture which creates higher return amid a brief timeframe (Chaulia, 2002).

Sorts of properties are Residential property, Commercial property, Non-agricultural. Plots and Agricultural area. Responsibility for private house gives possessed settlement to the family and offers fulfilment to the relatives. It goes about as one helpful family resource with saleable quality. It is a long haul venture. The legislature gives charge impetuses to the people who purchase the private house. The interest paid on borrowings for buy of house is exempted from salary charge. The reimbursement of primary sum amid a year is additionally exempted from salary charge up to a measure of Rs.100000. Subsequently, the interest in private house is likewise regarded as assessment sparing invested amount (Géczy, 2007).

Interest in land gives capital energy about private structures, urban area and pads. It gives sensible quantifiable profit. There is a generally safe yet there is no liquidity. There are odds of capital gratefulness moreover. The property can likewise be utilized as security for raising credits. There is a duty sparing in the event of private house. It is a long haul invested amount. There is a fast gratefulness in the estimation of benefits (Bajpai, 2000).

There is a low liquidity in the event of interest in genuine homes. The danger in the venture is likewise more when contrasted with interest in banks and common assets. The administration Rules and Regulations with respect to purchasing and offering of the property are troublesome if there should be an occurrence of genuine bequests. Stamp

obligation, enlistment and lawful customs are entangled and there is a shot of swindling at the season of purchasing or offering. The measure of invested amount is immense and in this manner the advantages of expansion of venture are not accessible. In land benefit is accessible at the expense of liquidity. The liquidity is low (Gordon, 2002).

The property rates in Mumbai are expanding step by step. Purchasing a property in Mumbai is a fantasy of each inhabitant, yet now because of gigantic increment in property rates, the speculators began purchasing property at reasonable rate. Regardless of the accessibility of all the more objectively estimated alternatives, putting resources into land is undoubtedly not a piece of cake. It requires thinking ahead, examination and arranging (Gordon, 2002).

### **1.16 Investments in Gold and Silver**

Gold and silver are the valuable articles. Everyone likes gold and consequently requires gold or silver. These two valuable metals are utilized for making trimmings furthermore for venture of surplus assets over a drawn out stretch of time. In India, gold is a fixation profound established in mythology, religious ceremonies and it is extremely mental. In each family no less than a little amount of gold and silver is accessible. A few individuals purchase these metals as a venture. The costs of gold and silver are likewise expanding persistently. The costs additionally rely on interest and supply of gold. The supply has been expanding at low speed. Be that as it may, the interest has been expanding quickly. In this manner, the costs likewise continue expanding. Individuals use gold and silver at the season of relational unions and different celebrations. Aside from gold and silver, valuable stones, for example, precious stones, rubies and pearls are likewise engaging for long haul venture especially among rich individuals (Solt, 1991).

Gold and silver are valuable as a store of riches. They go about as mystery resources. The invested amount is exceedingly fluid, which can be sold whenever. The business sector costs are constantly expanding. In this way, the financial growth on invested amount is likewise expanding. The invested amount is likewise sheltered and secured. There is a

high level of eminence quality for gold and silver in the general public. The advantage of capital gratefulness is likewise accessible.

The interest in gold and silver is dangerous because of the odds of burglary. It might likewise bring about a harm to the life of the financial specialist. It is a long haul venture. Customary wage from the invested amount is not accessible. This venture is not accessible for capital arrangement and financial development of the nation. The customary fascination for gold and silver is step by step diminishing. The import of gold is presently free. There is no expense saving money on this invested amount. Gold and silver, the two most broadly held valuable metals, engage a wide range of financial specialists for the accompanying reasons (Solt, 1991).

- i. They have been great fences against expansion historically.
- ii. They are profoundly fluid with low exchanging commissions.
- iii. They are tastefully alluring.
- iv. Returns on gold, all in all, have been contrarily related with profits for stocks. In this way, gold gives a decent enhancement opportunity.
- v. They handle a high level of 'moneyless'. By Clark Francis: "A substance has moneyless when it is
  - (1) A store of worth,
  - (2) Strong,
  - (3) Simple to possess secretly,
  - (4) Simple to subdivide into little pieces that are likewise profitable,
  - (5) Simple to confirm, and
  - (6) Tradable, that is, homogeneous or fungible.

As against these good circumstances, enthusiasm for gold and silver has the going with obstructions:

- i. They don't give predictable current pay.
- ii. There is no evaluation advantage associated with them,
- iii. There may be a credibility of being conned.

Enthusiasm for gold and silver can be in physical or nonphysical structures. The physical structure fuses bullion, coins, and pearls. Gold or silver bars, called bullion, touch base in a broad assortment of sizes (Solt, 1991). Embellishments made of gold or silver may give a la mode satisfaction however is not a better than average kind of endeavour in light of high making charges which may not be recovered.

The nonphysical structure fuses prospects contracts, units of gold exchange traded funds, and shares of gold mining associations. Money related experts can buy destinies contracts in gold and silver—such contracts tend to be extremely used endeavours. The units of gold exchange—traded resources (ETFs) are recorded on a discretionary business segment and budgetary experts can buy such units easily. Gold ETFs have been permitted in India since Walk 2007 Benchmark (Bajpai, 2000).

Shared Asset and UTI were the starting two advantages for dispatch gold ETFs. Each offer of a gold ETF identifies with one-tenth of an ounce of physical gold (Solt, 1991). This may be the best way to deal with place assets into gold as it additional items pesters incorporated into figuring out the ethicalness of gold and securing it safely. Finally, theorists can buy shares of consistent heap of an association that mines gold or silver as an atypical strategy for placing assets into these metals.

### **1.17 Derivative Instruments**

A subordinate is a thing whose quality is gotten from the estimation of a central asset, record or reference rate. The basic asset can be esteem, forex, product or some other asset. For example, if the settlement expense of a subordinate relies on upon the stock expense of a stock for e.g. Tata Steel which a great part of the time changes each day, then the backup risks are in like manner changing once every day. This infers subordinate threats and positions must be checked dependably. An auxiliary security can be portrayed as a security whose value depends on upon the estimations of other concealed variables. Constantly, the variables shrouded the backup securities are the expenses of traded securities. Subordinates are of four sorts, (1) Forward (2) Prospects (3) Alternatives and (4) Swaps. From the point of view of examiners and portfolio chiefs, prospects and

choices are the two most basic budgetary auxiliaries. They are used for supporting and theory. Trading these backups has begun in India. The complexity between an offer and subordinate is that shares/securities are an advantage while backup instrument is an assertion (Krishna Moorthy, 1989).

### **1.18 Commodities**

A thing may be portrayed as a thing or material or any physical substance like sustenance grains, took care of things and agro-based things, metals or money related gauges, which theorists can trade the stock business sector. One of the characteristics of an item is that its expense is determined as a component of its business division with everything taken into account. Settled physical items are adequately traded spot and backup thing showcase. Items truly offer huge potential to end up an alternate asset class for business area astute budgetary pros, arbitragers and inspectors. Retail money related pros, who case to grasp the quality business segment, may find product showcase extremely questionable. Nevertheless, things are direct to the degree essentials of hobby and supply are concerned. Retail money related pros should understand the perils and central purposes of trading stock business sector before taking a bounce. Genuinely, expenses of things have stayed to an extraordinary degree temperamental (Beck, 1999).

The relentless improvement of item business part in India has been of marvellous enormity for the country's money related flourishing. The stock prospects exchanges were produced in 1800 with the sole objective of dealing with the interest of tradable contracts for trading agricultural things. Case in point, the cotton exchange arranged at Cotton Green in Mumbai (then Bombay) was the one of the first dealt with product market in the country (Bajpai, 2000).

A thing business sector is a business segment where distinctive products and backups things are traded. Most thing business sector over the world trade agricultural things and other unrefined materials (like wheat, grain, sugar, maize, cotton, cocoa, coffee, milk things, pork midsections, oil, metals, et cetera.) and contracts in perspective of them. These assertions can consolidate spot costs, advances, prospects and decisions on

destinies. Other propelled things may fuse financing costs, normal instruments, swaps, or ocean freight contracts. The arrangement and purchase of things is normally brought out through destinies contracts on exchanges that organize the sum and minimum nature of the stock being traded (Ghosh, 2009).

Items exchanges generally trade prospects contracts on things, for instance, trading contracts to get a particular thing in physical structure. Scholars and money related masters also buy and offer the destinies contracts at product exchanges to make an advantage and offer liquidity to the structure (Subbarao, 2009).

The Indian product market offers a collection of things, for example, rice, wheat, coal, petroleum, light fuel, gas; metals like copper, gold, silver, aluminium and some more. There are a couple products, for instance, sugar, cocoa, and coffee, which are perishable, so can't be stacked for long time (Solt, 1981). These days, a broad assortment of cultivating things, essentialness things, perishable items and metals can be sold under standardized contracts on destinies exchanges winning over the globe. Products have gotten importance with the change of thing prospects records close by the readiness of more resources in the stock business sector.

India has around 25 seen product future exchanges including three national level product exchanges. They are:

1. National Commodity and Derivatives Exchange Limited (NCDEX)
2. Multi Commodity Exchange of India Limited (MCX)
3. National Multi-Commodity Exchange of India Limited (NMCE)

Each one of these exchanges are under the control of the Forward Business sector Commission (FMC) of Legislature of India.

Multi Thing Trade of India Restricted (MCX) in Mumbai is furthermore a free and de-mutualised exchange saw by the Legislature of India. This stock exchange which started operations in November 2003 has above 40 things on its stage and has a bit of the general

business of around 80 per cent in the Indian item advertise. Key shareholders of MCX are Money related Advances (India) Ltd., State Bank of India, Union Bank of India, Enterprise Bank, Bank of India and Canara Bank. This stock exchange empowers web trading, clearing and settlement operations for thing destinies showcase the country over.

At the point when diverged from diverse markets in the latest ten years, thing showcase has performed for the most part better than anything distinctive markets like securities, esteem or money. On the other hand, the enthusiasm for future trading Indian stock business area is low when diverged from distinctive countries as there is nonappearance of finding out about this business part to the money related masters and merchants. It is not for basic trading reason; product trading is in like manner used for backing against extension, esteem disclosure of the stock besides as a sound endeavour. With a particular final objective to trade things, DEMAT record is required (Bajpai, 2000).

### **1.19 Pondicherry Economy**

Thus, this study on the types of investments, the sort of investments individual choose, the deciding factor for the financial options, the type of investing products available in the country, the individual's choice in the investing sector, the decision-influencing factor, and the psychology behind it and also the market potential of the investors and the investable sector and related concepts research, all these especially in Indian context with all special reference to the NRI people of Puducherry.

### **1.20 History of Pondicherry**

Pondicherry as traditionally known and affectionately called as 'Pondy' is officially declared to be the alternative name as 'Puducherry' since 2006 substituting Pondicherry. Puducherry is today a city with an urban cluster comprising the municipality in Puducherry district as recognized one in the Indian Union Territory of Puducherry. Formerly Pondicherry had been the regional capital and largest city in the territory during the French Regime prior to independence in the Southern Indian region (Heehs, 1994).

Puducherry which lies in the southeast coastal line of India, does not clearly have a world chronological records of its history. It all dates back to a short history from its antiquity. Puducherry's history is traceable only after the coming up of the colonial powers such as the Portuguese, Dutch, English and the French (Kalvan, 1999). The surrounding places such as Ariyankuppam, Arikamedu, Kakayanthoppe, Villianur and Bahour which has been taken possession over a period of time under the French East India Company and emerged into the colonial regime of the French. The recent Union Territory of Puducherry has emerged only after Independence. There has been a written history form for the region only after that predate the colonial era.

Pondicherry has its history recorded stating that the French rule started in the 17<sup>th</sup> century, when Bellanger, the French Officer, set up his residential stay in the Danish Lodge that came under the region of Pondicherry. The ruler of Gingee had invited the French to commence trading units in Pondicherry, which was then under the regime of the ruler of Gingee. The invitation was initiated to raise the competition in trade between the French and the Dutch who had established already in the region and had a well-settled set-up of their business units.

Francois Martin who assumed his office in the year 1674 was the first governor of Pondicherry. The initiatives of Francois Martin, the governor converted Pondicherry into an emerging port town from a small fishing spots for the French, but the Dutch in 1693 occupied the whole territory of Pondicherry and fortified across the region line. In the

year 1699, again the supreme sovereignty of the region to the French was returned after the signing of an alliance that occurred between Holland and France (Kalvan, 1999).

Pondicherry transformed into a part of the conflicts between the French and the English. The trying courses of action of the Agent Dupleix were pulverized with the arrival of the English congressperson Expert Robert Clive. Attempts to recuperate Pondicherry was made by the French under the charge of Lally Tollendal was however purposeless, the English got the locale in 1760. The plunders of the English furnished power provoked the demolition of Pondicherry. After a peace settlement is stamped between the English and the French in 1765, the area of Pondicherry is returned to the French. It was in 1816 that the French grabbed supreme quality over Pondicherry (Heehs, 1994).

The French standard in Pondicherry continued going till 1954 when the district agreed to the Union of India.

Non-tenant Indians are genuinely the plenitude of our nation and the nature of Pondicherry. The amount of persons flying out to another nation for business and searching for better open entryways has shown a striking addition since self-governance. The effect of this migration is felt in every part of the economy and the overall population in Pondicherry.

The fiscal status of Puducherry stays low, as there is either stagnation or even negative change in the crucial and discretionary sections. The advancement rate in SCIP at current expenses in 2002-2003 is 14.7 for every penny while it was 14.6 for every penny in 2001-2002. So in like manner the advancement rate in per capita pay at current expense i.e. is 13.7 for every penny in 2002-2003' while it was 13.6 for every penny in 2001-02.

In the sectorial scattering of the state wage, the tertiary part continues overpowering. The dedication of the tertiary part extended from 57.1 for each penny in 2001-02 to 58.2 for each penny in 2002-03. The dedication of crucial portion declined from 19.3 for every penny in 2001-02 to 17.6 for each penny in 2002-03 while the offer of discretionary

fragment had an insignificant addition from 11.7 for each penny in 2001-02 to 12.5 for every penny in 2002-03.

The total number of occupation seekers in the registers of the work exchanges is growing an apparently unending measure of time. The total number of occupation seekers enrolled in business exchanges the state was 38.56 lakh in 2003.

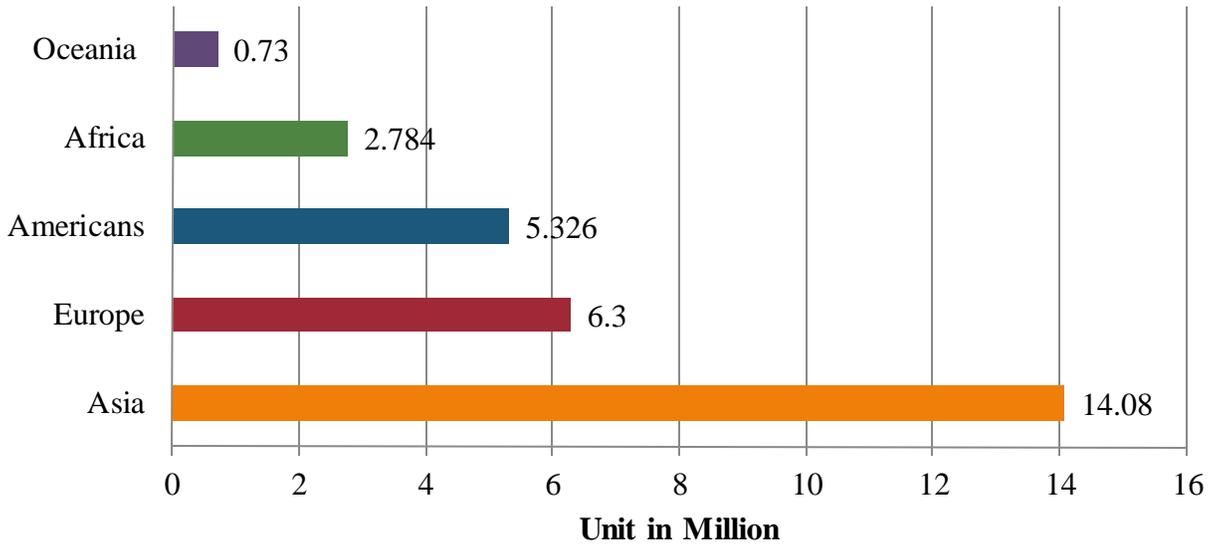
### **1.20.1 India-France Relations**

France is the ninth greatest remote monetary master in India with an aggregate theory of generally € 2.31 billion (USD 3.01 billion) in the midst of the period April 2000 to June 2012. With enthusiasm for India it is also found that more uprooted individuals of Indian people is from Puducherry.

Indian Bunch in France is, as it were, beginning from Puducherry, Karaikal, Yanam, Mahe and Chandranagar. Prevailing part NRIs in France are more populated with Puducherrian as the bond continues with the lifestyle got ensuing to the French dealt with the union district in India.

It is found that immense gatherings of Puducherry NRIs are found in the Social gathering Island, Guadeloupe, Martinique and St. Martin the abroad territories.

**Chart 1: Overseas Indian Population**



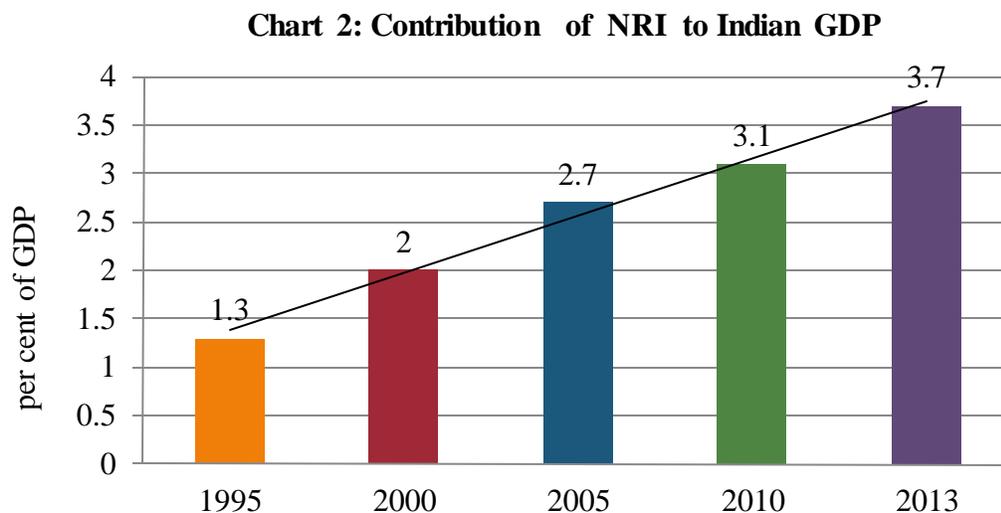
**Source: MOIA, 2014**

From the above chart indicated that Asia had possessed 14 million of people followed by the Europe 6.3 million, Americans 5.3 million, Africa 2.7 million and Oceania 0.73 million so far the total overseas Indian Population is about 29,230,309 people. According to Ministry of Overseas Indian Affairs, India has the second largest Diaspora in the world after Overseas Chinese. The overseas Indian community estimated at over 2.19 crores (2, 19, 09,875) are spread across all over the world.

**Table 1: Statistics of Overseas Indian Population**

Continent or Country	Overseas Indian Population
Asia	14,089,175
Europe	6,300,000
Americas	5,326,882
Africa	2,784,182
Oceania	730,070

NRIs are contribute to our Indian GDP growth rate at a steady speed, from the below chart it shows that growth rate of GDP of India.



Source: World Data Bank Report, 2013

In a making economy, like India, endeavours from NRIs are vital to stimulate the rate of industrialization and advancement, and they have acknowledged a wonderful importance starting late.

There are around 12 million NRIs spread more than 142 countries. Given engaging workplaces and stimuli, assessments of NRI resources searching for enthusiasm for India change from Rs.10, 000 crores to 15,000 crores for every year (Murugesan, 1988).

The accomplishment of NRIs in the intelligent, money related and social fields has been a matter of exceptional satisfaction to the country. India has had a continued with association with them, and their endeavours have been expecting a basic part in the earnest locale of the country's equality of portions (Venkataraman, 1993).

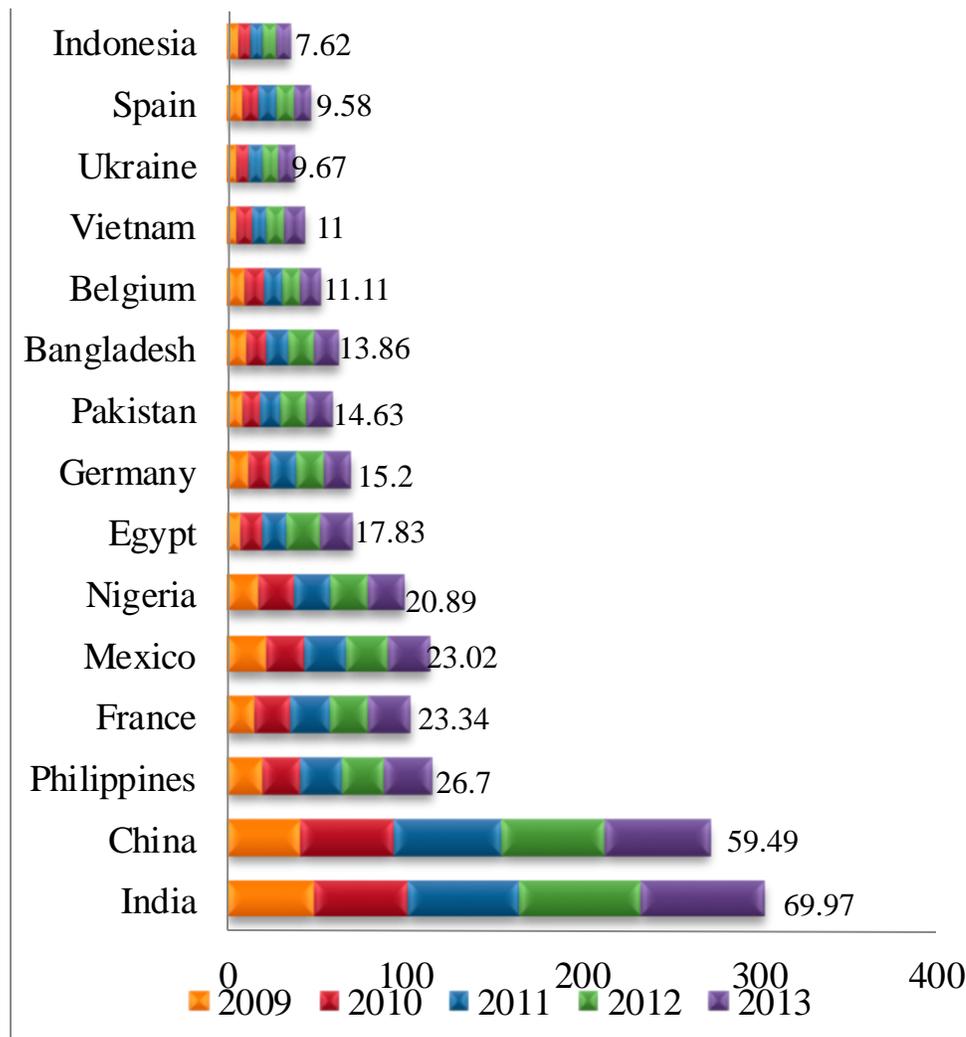
Innumerable settled in made countries such as the UK, the USA, West Germany, Canada, et cetera., have at their charge tremendous specific endowments; the larger part of them have moved after their master guideline in building, science or development in India;

they have worked in those countries for more than a couple of decades speak to significant power in their picked domains, and benefitting from the prologue to and data about the most excellent progressions (Badhwar, 1986).

Beside the mechanical fundamental, NRI theory is welcome for the capital it would bring into the country (Venkataraman, 1993).

What is required is a development in resources for additional hypothesis, and this can begin from outside. Here NRIs can expect an uncommonly beneficial part,

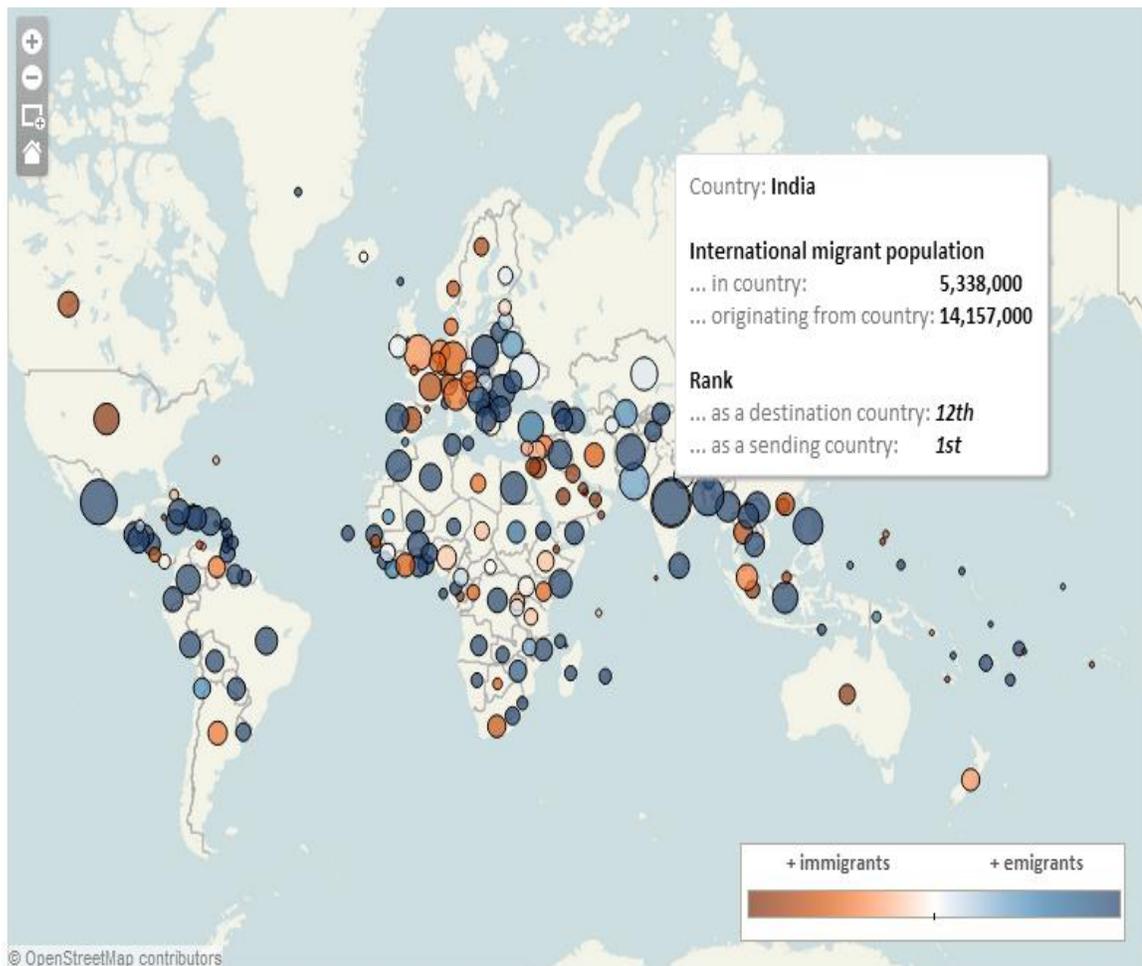
**Chart 3: Top recipient countries of remittances (in billion USD)**



Source: <http://www.pewsocialtrends.org/2014/02/20/remittance-map/>

From the above chart describes that India is the top remittance country among the world, around 70 billion of US dollar followed by China 60 billion. The economist expected to increase 95 billion by 2020. In the below world map represents the Indians, they migrant and emigrant to other countries. From the “Migration Policy Institute Report” states that India is the top sending country and it ranks 12<sup>th</sup> in receiving side (Sandesh, 1989).

**Chart 4: Total Immigrant and Emigrant Populations by Country Mid-2013**

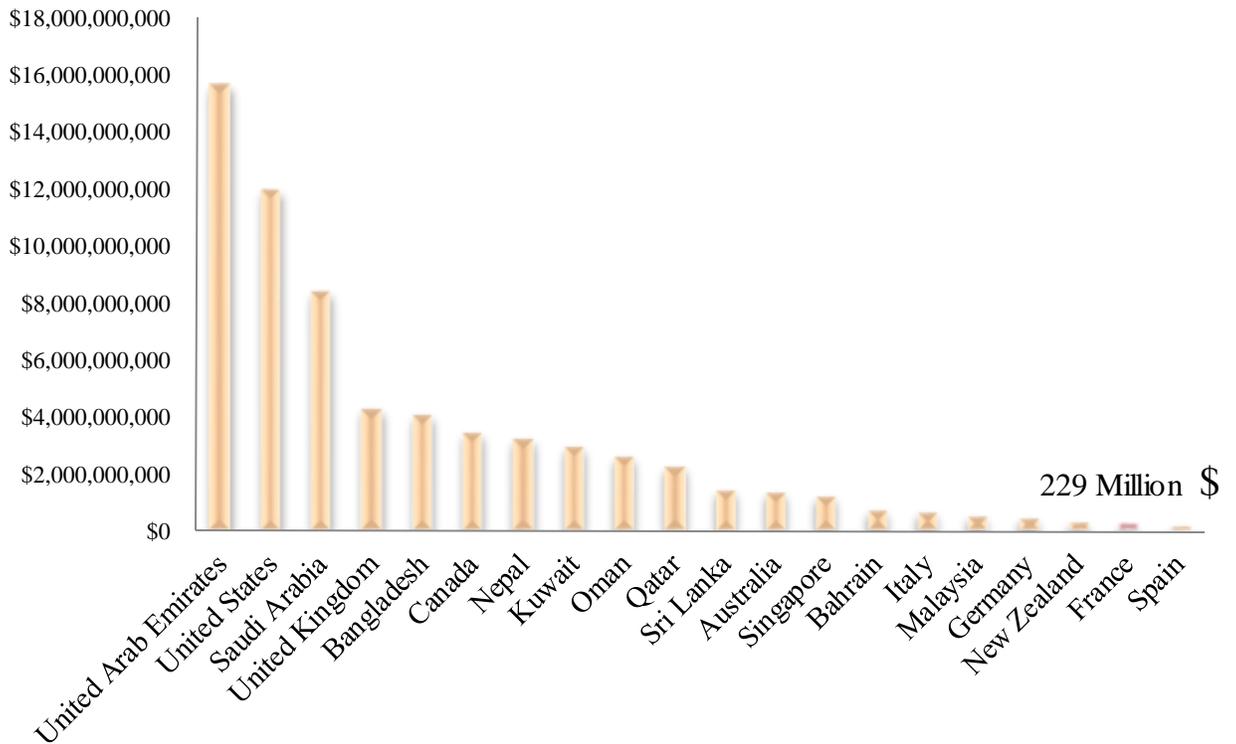


The most basic interest for development is the probability of saving a significant section of the benefit and dispatching the same to the country of cause for the upsides of the transient's group. Settlements may be as cash and what's more stock. The going with table gives a general photograph of the significance of settlements by our NRIs through the

distinctive branches of nationalized and arranged banks (Migration Policy Institute Report).

From the below charts shows that NRIs cash inflow in India, among that Arab Emirates were on the top whereas France alone contributes 229 million US dollar and holds 19<sup>th</sup> position.

**Chart 5: NRIs Cash Inflow from Top 20 Countries to India**



Source: <http://www.pewsocialtrends.org/2014/02/20/remittance-map/>

The extended money supply, consumerism, and the change of tertiary division of Puducherry have been overwhelmingly committed to the settlements of NRIs.

### **1. 21 Influence on Lifestyle**

One of the results of movement is the extended lifestyle of the homeless people's team. Evident usage is an indication of an ousted individual, especially a Puducherry (vagrant. Vagabonds got the chance to be regular to the usage of various new tough customer stock while abroad. Subsequent to a significant part of these stock used to be diverted locally, they expected to bring them from outside countries. Without further ado most of these stock are locally available, and the higher purchasing power of transient family units engages them to pick up these items more frequently and effortlessly than non-vagrants (Bajpai, 2000).

Movement has changed the lifestyle of the NRIs. A spurt in the lifestyle happened by virtue of NRIs having slightest of preparing (up to SSLC). Change in lifestyle diminishments with a development in educational levels of

### **1. 22 Non Resident of Indians**

The impact of movement on people of Puducherry may make certain, adverse or mixed. The quick impact is on the vagrants' family units, which got settlements. The divert joins every one of those flood sways, for instance, increase in wages, work opportunities, increase in the expense of territory, buyer things organizations etc. The impact has affected the welfare of the transient and non-vagrant families in a sudden way (Sandesh, 1989).

The impact of development on use, save reserves and hypotheses, as it were, controlled by the measure of settlements sent by vagrants and the utilization illustration of settlements. The DES study (DES, 1987) which relies on upon an illustration of 1467 transient family units and 411 families with Channel returned persons, surveys that the typical yearly settlements sent per vagrant which was Rs. 10,455 in 1987. What's more, the ordinary estimation of articles brought by a vagrant in the midst of his visit was surveyed at Rs. 7,800, tolerating one visit in three years differentiating the month to month pay of vagrant and non-transient families, the study found that the pay of transient family unit was much higher (Bajpai, 2000).

In view of higher pay, the month to month utilization was moreover higher by virtue of transient families appeared differently in relation to non-vagrant families. The transient families created higher utilization on support, attire, energy, preparing, travel, restorative expenses etc. The family units moreover spent more money on social unions, diverse administrations and on the solid stock. Diagram similarly gave information about the use case of settlements. The utilization sample of DES review 1987 is given in the broad inflow of settlements has realized a vitality being developed activities and work. Monster employment opportunities were made in tertiary fragments, for example, trade, transport, well being advantages and dealing with a record besides in the fundamental part.

The trek in expense of zone, items and organizations in view of the inflow of outside settlements has impacted flow of pay for a couple portions of the overall public, while unfairly affecting others. The inflow of inconceivable measure of settlements and its spending has realized the headway of tertiary portion without the change of key and discretionary divisions, in a poor and mechanically in opposite economy. The capital lack experienced by the economy was disclosed to some degree in view of the total of NRE stores. So a proper channelization of remote settlements to gainful parts can make wonders in Puducherry economy (Lalit Mohan Kathuria, 2010).

Prakash (1999) has in his study pointed out that inflow of settlements have offered dislodged individual family units some help with achieving more raised measures of pay, usage and getting of advantages. The impact of development on use, hold finances and dares, as it were, managed by the measure of settlements set by homeless people and the utilization illustration of settlements

Of course, it may be difficult to a rate of the NRIs to accept a fundamental part in the headway of their nation, as they have formally settled abroad perpetually (Krishna Moorthy, 1989). Various NRIs have an evacuated vision or any longing for returning to their nation eventually to stay for record-breaking (Bajpai, 2000).

The government of India has from the beginning been taking after liberal procedures for the progression of NRI theory, offering various workplaces for NRI enthusiasm for India. Understanding the noteworthiness of and the essential necessity for NRI holds, India today gives a couple of all the more propelling powers and concessions (Krishnamoorthi, 2009).

The present study hopes to separate even handled the distinctive workplaces, inspirations and techniques in this heading. It is like manner arrangements to look at the example and development of NRI hobbies in distinctive arrangements, the general cognizance of the workplaces and concessions, and wander samples of NRIs, and to offer proposals to appeal more funds from NRIs through diverse channels.

### **1. 23 Declaration of the Issue**

They have different issues in putting their benefits in India. To say a couple, they are depended upon to have key learning of the money related laws of India. It is better in case they think about the distinctive workplaces, stimuli and concessions that are being given by the GOI to pull in their endeavour. Negligence may make ridiculous nerves, and because of NRIs, inquiries and suspicions achieved by nonappearance of data of the Indian laws would impact their settlements and wanders (Kar Pratip, 2000).

As a result of nonattendance of sufficient finding out about the endeavour workplaces, most by far of the NHIs have no idea with respect to what they could do on their entry, and along these lines, they total each one of their venture supports abroad and bring the entire money home at the season of their landing.

Yet a couple of workplaces, charge inspirations, concessions, and liberalization in' the strategy are available, there are still some massive systems, benchmarks and regulations for all theories including,

The concentrate moreover reveals that the critical portion of the physical theory of the voyager families is as structures. This is trailed by means of area, purchaser durables and gold and jewels. It is found that the most amazing offer of enthusiasm for gold and embellishments is recorded in the northern district with 14.76 for every penny, trailed by the central territory with 10.6 for every penny. In the souther11 range this records for a lower offer of 7.41 for each penny.

The amount of the NRIs of Puducherry has been extending at an exasperating rate. This exhibits the essential structure is perfect in attracting NRI wanders. Notwithstanding, it is unpredictable whether satisfactory responsibility has started from NRI theory to the economy of Puducherry of course by our coordinators (Heehs, 1994). The researcher questions whether NRI intrigues in Puducherry are possessed to useful channels. Here comes the noteworthiness of the study, "Wander Decision making among NRIs of Puducherry."

Regardless of the way that a few studies were driven among the NRIs of Puducherry, they were generally to evaluate the amount of persons moved to unmistakable countries, the activity status of the drifters and returnees, determinants of migration, consequences of movement on Puducherry society. Lion's offer of the foreordained number of investigation studies finished among the NRIs of Puducherry are of general nature. A couple of basic parts of endeavour decision making among the NRIs of Puducherry, for instance, the impact of preparing on theory decisions, spot of business on hypothesis, spot of living course of action on hypothesis, the suitability of noteworthy saving arrangements in channelizing NRI saves, the genuine endeavour issues experienced by the NRIs thus on have not been investigated in that capacity. Under these circumstances, a study on the diverse parts of theory decision making among the NRIs of Puducherry is essential and vital (Heehs, 1994).

The present study is broad and educational in nature. It is ordinary that the study will give bits of information into theory decisions of the NRIs of Puducherry. It is assumed that the disclosures of the present study and the proposals made thusly will have useful utility in channelizing NRI settlements of Puducherry to gainful parts and will, in this way, up the money related advancement of the state and check the high rate of unemployment (Bajpai, 2000).

### **1. 24 Immensity of the Study**

Indian economy is encountering an immense assistant change. There is an unequivocal need to study how more endeavours in India through NRI resources can be bolstered, and how the theories can be channelized on a whole deal or invariable reason (Muthuraman, 1985).

With a particular final objective to energize planning of store assets of NRI enthusiasm for India, different exercises were taken in the midst of the latest decade, despite giving a couple of helpers to NHIs. Further, different concessions are moreover available to the people who are consuming of setting cutting edge units in India, either unreservedly or in a joint exertion with occupant Indians. Essentially, the GOI gets a changed procedure on the NRI enthusiasm for corporate securities additionally.

The distinctive spurring strengths and concessions offered by the GOI should moreover have made a decent air to NRIs. From now on it is attempted in this study to make sense of the clarifications behind part effect to hypothesis decision (Bajpai, 2000).

The piece of NRIs in the cutting edge and financial change of the country is grabbing noteworthiness orderly, and the GOI is perpetually taking authentic tries towards changing the procedures and expanding the degree of theory opportunities (Sandesh, 1989).

An attempt has been made to consider too the example and development of NRI hobbies in India in diverse fields. The degree of the study is obliged to the present endeavour arrangements of direct and portfolio theory, bank stores and other endeavour opportunities available to NRIs (Gopalakrishnan, 1985). It furthermore looks at the stimuli and concessions that are being made open to NRIs, and the one of a kind piece of NRIs in growing the remote exchange salary; it takes after out the advancement of NRI endeavour approach.

Further, it is relied upon to investigate how far the NRIs think about the condition to benefit themselves of the open entryways and focal points in a matter of seconds available to them (Kinra, 2010). A try is in like manner made to separate the endeavour sample of NRIs, and the impact of the inspiring strengths and concessions on the NRI hypotheses.

### **1. 25 Degree and Extent of the Study**

Every piece of Puducherry economy is influenced by the exercises and reactions of the NRIs of Puducherry. Their informational levels, spot of occupation, spot of home et cetera affect hypothesis decisions (Chaulia, 2002). Therefore the study has been driven generally to research the effect of preparing, the spot of occupation and the spot of living plan on endeavour decisions of the NRIs of Puducherry and to perceive the noteworthy hypothesis issues experienced by the NRIs of Puducherry.

### **1. 26 Area of Study**

To show the disclosures effectively, the hypothesis has been parcelled into five areas, giving identical weightage and noteworthiness to each.

1. NRIs and Puducherry Economy
2. Wander Decisions of NRIs: An Audit
3. Examination of Data
4. Disclosures
5. Proposition and Proposals

In the last area the rundown of the revelations of the study, and suggestions are shown.

The present study seeks to analyse objectively the various facilities, incentives and policies in this direction. It also aims to study the trend and progress of NRI investments in various schemes, the general awareness of the facilities and concessions, and investment patterns of NRIs, and to offer recommendations to woo more funds from NRIs through various channels.

### **1.27 Significance of the Study**

Indian economy is undergoing a significant structural change. There is a definite need to assess how more and more enterprises in India through NRI funds can be encouraged, and how the investments can be channelized on a long-term or permanent basis (Muthuraman, 1985).

In order to facilitate mobilisation of savings of NRI investment in India, a number of initiatives were taken during the last decade, in addition to providing several incentives to NRIs. Further, a number of concessions are also available to those who are desirous of setting up industrial units in India, either independently or in collaboration with resident Indians. In the same way, the GOI adopts a liberalised policy on the NRI investment in corporate securities also.

The various incentives and concessions offered by the GOI should also have created a favourable climate to NRIs. Hence it is attempted in this study to find out the reasons for factor influence to investment decision.

### **1. 28 Statement of the Problem**

The number of the NRIs of Puducherry has been increasing at an alarming rate. This shows that the structural framework is favourable in attracting NRI investments. But it is doubtful whether sufficient contribution has come from NRI investment to the economy of Puducherry as expected by our planners. The researcher doubts whether NRI

investments in Puducherry are diverted to productive channels. Here comes the relevance of the study, "Investment Decision-making among NRIs of Puducherry."

Though a few studies were conducted about the NRI, they were mainly for estimating the number of persons migrated to different countries, the activity status of the migrants and returnees, determinants of migration, consequences of migration of NRIs. There are limited number of studies carried out about the NRIs are general in nature. Several important aspects of investment decision-making among the NRIs of Puducherry such as the impact of education on investment decisions, place of employment on investment, place of residence on investment, the effectiveness of major saving schemes in channelizing NRI funds, the major investment problems encountered by the NRIs etc., have not been examined so far. Under these circumstances, a study on the various aspects of investment decision-making among the NRIs of Puducherry is relevant and significant.

The present study is comprehensive and explanatory in nature. It is expected that the study will provide insights into investment decisions of the NRIs in Puducherry. It is hoped that the findings of title present study and the suggestions made thereon will have practical utility in channelizing NRI remittances in Puducherry to productive sectors and will, thereby, boost up the economic growth of the state and check the high rate of unemployment (Heehs, 1994). The present study is proposed to search for answers to the further proceedings:

The study has its push on the going with relevant issues related to NRI theories:

1. Factors influencing NRIs investment in India.
2. Influence of demographic variable on investment decisions of French NRIs.
3. Various saving schemes attracting the French NRIs investors for investing in India.
4. Major factors discouraging the French NRIs investing in UT of Puducherry.

### **1. 29 Objective of the Study**

With the purpose of taking note of the above questions, the objectives have been limited.

The specific targets of the study are as follows,

1. To study an overview about NRIs investments in India.
2. To analyze the influence of demographic variable on investment decisions of French NRIs.
3. To examine the preferences and pattern of investment of French NRIs towards major saving schemes.
4. To identify the major investments problems encountered by the French NRIs.

### **1. 30 Chapterisation**

The thesis has been divided into five chapters, given equal weightage and importance to each section.

1. Investment pattern of NRIs
2. An Overview of Investment Decisions of NRIs
3. Research Methodology
4. Analysis of Data
5. Findings, Suggestions and Recommendations

In the last chapter we summarised the findings of the study, and suggestions were given.