Chapter 7

Indian Professional Expatriate Associations and Home Country

7.1 The Context

The relationship of Indian expatriates and home country with respect to economic growth and social progress unfolds promising prospects. It delineates that involvement of Indian expatriate associations with home country can actually accelerate the pace of development especially in areas like entrepreneurship, education and health. Professional association of Indian expatriates, TiE-Delhi, has shown potential and possibility of its replication at a larger scale owing to members’ strength and commitment to contribute and share their knowledge. The attainment of network or association is dependent on its ‘actors’ and degree of their active involvement in the processes along with activities. Importantly, actors i.e. expatriates, play a bigger role than mere transfer of remittance. Expatriates act as investor, motivator, advocates, etc. because inter-sectoral relations have capacity to impact development by brining innovative ideas, technological transfers, development of social infrastructure etc. along with expansion of the economic opportunities for all1. Long-term economic development can be achieved through promotion of such processes which throws more opportunities for people along with building up the capacities to achieve so (Martin, 2004).

The present chapter explores the emerging relationship and impact of association of professional expatriates in home country. It is divided into two sections. First section spells out the ‘diaspora option’ which explains relationship of expatriates with the home country. Second section argues about level of relationship of Indian professional expatriates associations with the home country. This section is further divided into three sub-sections and each one explains the impact of networking on economy, social infrastructure and policy advocacy, respectively.

1Sen (2001) argues that economic opportunity is a mean and not an end, since it enhances individual capabilities and gives freedom to explore oneself. Hence efforts should be made to enhance the capabilities of people through investment in education and health.
7.2 Diaspora Option: Relationship of Professional Expatriates Associations with the Home Country

There has been a discussion on negative impact of international migration on the home country. To overcome this, various policy initiatives were suggested in last three decades but many of them failed. Meyer proposed diaspora option in late 1990 to overcome the brain drain. The Diaspora option (or, “virtual participation”) explains that highly skilled expatriates can be encouraged to contribute their experience to the development of their country without necessarily physically relocating as a more realistic strategy to alleviate the consequences of brain drain.

The study elaborates the backward-forward linkages of expatriates’ association with the economy, in relation to their scope of involvement and contribution. It envisages a macro scenario of the linkages and dynamics of association (like TiE-Delhi). It can be stated that TiE is contributing to all aspects of the economy though in somewhat limited ways. However, it provides evidences to understand linkages and scope of expatriates’ involvement with the home country that could be replicated with some cautions. The ‘Diaspora option’ of brain gain came at the forefront of the discussion in 1998 when various international organizations begun to think on tackling the problem of brain drain. Since then, the discussion on the option has grown. This option talks of brain circulation irrespective of geographical boundary and perceive multi-sectoral role for expatriates while network of such expatriates can facilitate the process with the objective of brain gain. The professional associations of expatriates can be one of the tools of diaspora options as elaborated in chapter 4. The figure 7.1 tries to explain the roles of professional association of expatriates in the home country.
Diagram 7.1
Role of Professional Expatriate Associations (TiE-Delhi) in the Development Process

Note: In the above model, 'continuous line' denote the existing relationship originating from expatriate' professional associations while the 'broken line' underscore the areas yet to be harnessed fully.

In the figure 7.1, contribution by a professional expatriates association, starts with their involvement with home country in the form of enhancing existing knowledge base, sharing of vision and ideas, technological transfer and leading to creation of job opportunities, etc with their counterparts (members) in India (arrow 1). The link, between the home country and the expatriate association, has been established through a local chapter of the same association in the home country. The modus operandi is that direct link of expatriate Indians with Indian economy has been established through local organization which is located in the home country but have biological links with expatriate associations. This association has brought knowledge, ideas and skills which will have multiplier effects on the members as well as other firms in the market. The

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2 Endogenous growth model argues that the engine of economic growth is invention and growth will ceases in that model unless the technology of production improves exponentially. Entrepreneurs play a role in it since they can create the new ideas that drive technological progress. The ideas need to be different from most of the other economic goods since ideas are non-rivalrous and this property means that production necessarily involve increasing returns. It argues that richer nations of the world made investment in institution and social infrastructure along with technological innovation which gave new life to the economy (Jones, 2002).
networking also leads to competition among new age knowledge enterprises along with improving the productivity and profits.

Similarly, arrow 8 of the model determines the relationship between economy and expatriates' associations. This factor is very largely influenced by the restorative and responsive policy for better and sustainable engagement (Arrow 6) because, associations or its members (actors) play a crucial role in the formation of various policies related to economic growth, especially in newer areas like Venture Capital (Arrow 3). These policies assist in the creation of conducive environment for economic progress in the form of investment, ideas, know-how and other opportunities. In return, economic progress of members and efforts of expatriate associations influence the social infrastructure (Arrow 4, and 2). This may generate newer opportunities for less privileged through enhanced capacity of individuals. Arrow 9 signifies the importance of effective pro-people policies and programmes in improving the social infrastructure in terms of educational opportunities, health care, etc. However, the degree of developing social infrastructure is directly dependent on the scale of economy (Arrow 4). The improved social infrastructure with the involvement of networks and effective policies may expand the horizon of expatriates' associations (Arrow 10). It has direct relationship with social infrastructure, where educated and healthy people are socially valuable and crucial for the development of any economy (arrow 7). The development of any sector is dependent on economic growth of society. The cycle aims to build up a knowledge society via brain-gain approach. It explains that Professional expatriate association like TiE can become a catalyst in various areas because; members of TiE are expanding the scope of entrepreneurship among high skilled professionals in India. Role of TiE clearly indicates that it enhances networking among high skilled professionals in new knowledge areas, leading to promotion of entrepreneurship. It is also giving value-addition since focus has been on promotion of first generation entrepreneurs who are in need of hand-holding and capacity building. Similarly other expatriate associations can be engaged which can contribute in respective fields or sectors like American Association of Physicians from

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3 It has been argued that investment in human capital takes many different forms, including investment on health, training, formal education and so on. It further stresses that investment in human capital can overcome many of the characteristics of the labour force that act as impediments to greater productivity therefore investment in education, health and skill of labour can increase considerably the productivity and earnings of labour (Schulz and 1961 and Psacharopoulos, 1991).
Indian Origin (AAPI) may impart knowledge in health care sector while Engineer associations can take up Research & Development projects or can share their understanding and vision.

The study illustrates that networking of expatriates with the home country yields following

- Enhanced capability – Knowledge, Learning and Innovation
- Expanding avenues of employment
- Exploring new business arenas
- Attracting venture Capital
- Increasing average productivity (through investment in education and health)
- Synthesis of international expertise for development of home countries

7.2.1 Economy and Professional Expatriates’ Association: Changing face of entrepreneurship

According to Schumpeter (1934), entrepreneur’s first role is of an innovator. The second is the role of perceiving profit opportunities. The third role is that of assuming the risk associated with uncertainty. It recognizes the role of expatriates in promotion of entrepreneurship and perceives that entrepreneurship is a system which consists of entrepreneurs, a legal and institutional arrangement and an environment which influence and constrain entrepreneurs’ economic behaviour (Baumol, 1990⁴). Entrepreneurship is a primary instrument of long-term economic development and growth. To promote and accelerate entrepreneurship, it requires technical and managerial innovation to create new products, services, processes, organizational structures, source of supply, and markets (Schumpeter, 1934). There are various factors which accelerate the impact of entrepreneurship or economic willingness. The most important is the nature and quality of entrepreneurs. Moreover, there are various ‘invisible hands’ which affect entrepreneurs. And, networking is the one of them which affects entrepreneurs, leading to

⁴ Baumol says that entrepreneur is an economic agent who is engaged in economic activities for profit maximization (Baumol, 1990, pg 65)
production of economic goods. Apparently, the transfer of knowledge is very much facilitated by networking of expatriates as shown in the case of TiE. Almost 80 percent members find it highly valuable. These 'invisible hands' also help entrepreneurs to take decisions and bring ideas into new entity. In case of first generation high skilled entrepreneurs in India, a role for expatriates can be clearly demarcated in this framework. The network of expatriates is the one who extends extra inputs and share understanding on new innovations in international market. The credibility of these network members in global market also signifies their importance.

The success and demand of Indians in global labour market has established that Indians can be brand equity in manpower. The phenomenal growth of highly skilled professionals and Indian enterprises especially in the knowledge-based industries, has entrenched the traits of entrepreneurship in India. The success of Indian Immigrant entrepreneurs in the Silicon Valley reiterated that similar results could be obtained in home country also, given the conducive working conditions and congruent policies. The highly skilled successful professionals and technocrats postulated that their Indian counterparts should be benefited by technical know-how, coupled with marketing knowledge. This has been demonstrated by TiE-Delhi, where first and foremost investments, are made in the form of 'sharing the expertise and knowledge', enhancing members' existing knowledge base and eventually leading to their active participation in the development process. The expatriates' association (like TiE-Delhi), having a wider membership net, have actually translated this option into reality to some extent. For example, TiE-Delhi has shown that regular interaction between expatriates and Indian professionals built international perspective of entrepreneurships since expatriates help in organization and operation of their enterprises. Here, the scale of expatriates' involvement with Indian has been regular and at various levels, depending on several factors. As many expatriates prefer to be in advisory role. Expatriates also deliver lectures and conduct workshops on capacity building of individuals as well as firms as this integral function of TiE-Delhi. This has resolved many problems confronted by Indian entrepreneurs (members). This phenomenon has a greater significance than
assumed, since larger associations such as business consortium do not offer any opportunities to deliberate upon first generation entrepreneurs and their problems.

Second most important function of the expatriates is ‘hand holding of Indian professionals’, boosting confidence and moral of the first-generation entrepreneurs. Earlier, entrepreneurship was not a well respected occupation especially among highly skilled Indian professionals. With TiE-Delhi involvement, many young high skilled entrepreneurs have emerged. Growth of knowledge-based industries has produced a new breed of entrepreneurs who are the first generation and highly qualified. TiE, association of expatriates, also played a critical role through meaningful mentoring of the members. The mentoring sessions have enhanced competencies and capabilities of young entrepreneurs and transformed ‘Job Seekers into ‘Job Providers’. The assistance and guidance provided by TiE to nascent entrepreneurs has a spiraling effect motivating many others to join the brigade.

The third level of investment is in the form of ‘technological know-how’, since knowledge, learning and innovation is the key to the development process. Technical capabilities are enhanced through regular exchange of information on latest developments. This kind of information on variety of know-how to Indian firms is imparted through networks and professional expatriate’ associations (like TiE). Moreover, their contribution is not confined to core issues of competencies; non-rivalrous ideas too are shared. TiE also extends help in marketing along with generation of venture capital. Actors of TiE have assisted in ‘bringing of venture capital’ for Indian firms. Although, flow of capital, technology and know-how has been limited yet it has

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5 Romer also argues that economic growth occurs whenever people take resources and rearrange them in ways that are more valuable. And rapid growth could be achieved in large part by letting firms/people bring in ideas about how to create value that were already in use in the rest of the world. It laid emphasis on innovation, apart from human capital and natural resource (other important elements of growth). It believes that innovation can multiply the growth with same set of other growth inputs. Perhaps the most important ideas of all are meta-ideas. These are ideas about how to support the production and transmission of other ideas. In this case, networking organization seems to be of important value which transmits ideas across nations and people.

6 Economics of Ideas and long term economic growth has positive relation.
increased productivity. Expatriates provide knowledge which may shifts the production function outwards at the level of the firm and enhances the marginal productivity of existing labour resulting in increased wage shares, wage rate along with additional returns. At the level of industry, knowledge transmitted by the expatriates could also result into ‘increasing returns to scale’. TiE has also succeeded in attracting venture capital investors to Indian market along with technical know-how. It helped in generation of employment opportunities (like BPO), producing ancillary sectors of new age knowledge firms like healthcare, accommodation, travel, etc.

The possible impact of entrepreneurship can be illustrated in three ways. Firstly, it creates knowledge spillovers. Cohen and Levinthal (1989) suggest that firms develop the capacity to adapt new technology and ideas developed in other firms through networking. The second way in which entrepreneurship generates economic growth is through augmenting the number of enterprises and increasing competition. It has been argued that competition is more conducive to knowledge externalities than local monopolies. The competition is not referred to product markets as traditionally envisioned rather to the competition for new ideas embodied in economic agents. Since, increase in the number of firms enhances the competition for new ideas and greater competition across firms also facilitates the entry of new firms specializing in a particular new product niche. This is because the necessary complementary inputs are more likely available from small specialist niche firms than from large, vertically integrated producers. This can be understood from the empirical evidence of TiE which has increased the competition among the high skilled entrepreneurs in India and actually many have diversified in special products. A third way in which entrepreneurship capital generates economic output is by providing diversity among firms (Cohen and Klepper, 1992). Entrepreneurship not only generates a greater number of enterprises, it also increases the variety of enterprises in a certain location.

This economic freedom may have positive impacts on other segments of the economy by way of public policy. Expansion of human capabilities evidently enhances the economic growth, but its impact is largely dependent on the degree of the growth.
Therefore, income or economic growth is only one of the several means to important ends. The involvement of expatriates in development of social infrastructure has potential of carrying economy to the higher levels which in its own turn would feed to other sectors besides making its direct impact on the individuals and markets. In a nutshell, enhanced human capital in conjunction with social capital may evolve new facets of economy.

7.2.2 Social Infrastructure: The Road to overall development

7.2.2 (a) Basic development areas: Increasing average productivity

Human capital theory emphasizes the role of education in increasing the productivity and efficiency of people by increasing the level of cognitive stock of economically productive human capability. The provision of formal education is seen as a productive investment in human capital, which the proponents of the theory have considered as equally that of physical capital (Schulz, 1961). Psacharopoulos and Woodhall (1997) assert that:

*Human resources constitute the ultimate basis of wealth of nations. Capital and natural resources are passive factors of production, human beings are the active agencies who accumulate capital, exploit natural resources, build social, economic and political organization, and carry forward national development (Pg. 102).*

Dreze and Sen (1995) also argue that education and health are key factors to development as it improves human capabilities. According to Babalola (2003), there is a need to investment in human capital since i) the new generation must be given the appropriate parts of the knowledge which has already been accumulated by previous generations; ii) new generation should be taught how existing knowledge should be used to develop new products, to introduce new processes and production methods and social services; and iii) people must be encouraged to develop

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7 Dreze and Sen (1995) stated the five important role of education and health i.e. Intrinsic Importance, Instrumental Personal Role, Instrumental Social Roles, Instrumental Process Roles and empowerment & distributive role- interpersonal effects.
In case of India which has only 67.8 percent functional literacy, it becomes imperative that more investment should be made in this sector. In this scenario, association of Professional Indian Expatriates can be an important tool in bringing investment and technology know how to these two important sectors. There are some evidences which illustrate the nature of aid provided by the diaspora for the development of education, making a contribution to the social product. These investments are generally guided by non-profit motives and altruism - a desire to actively participate in the development of their country of origin (Balasubramanyam, 2004). The externalities provided by them mostly relate to training of labour, assistance in marketing and organizational development. Their knowledge of the local labour markets, educational background and cultural affinities with local labour, make them competent to select and train local labour. This study also states that professional Indian expatriate associations seem to play a role in the development of social infrastructure in India. For example, members of TiE have imparted their knowledge in these sectors through programmes like Vidhya Vahini of India Sponsor Foundation. They have contributed through financial investment, along with involvement in various other social development programmes, leading to value addition in existing projects. It has been observed that expatriates are willing to invest in projects, initiated by genuine and credible organizations and people, where resources are utilised to their maximum (Gopa, 2000). The case of TiE-Delhi shows that professional expatriate associations could be helpful in non-technical areas too. Thus, associations of professional expatriates have played a fruitful role by involving health professionals. They have started primary health centers, providing medical assistance through on-line medical facility, developing common medical programme, etc. The opportunity of apprenticeship, provided to young medical professionals, with a well-established medical professional is also ensured through these networks. For instance, AAPI has a scholarship scheme for Indian medical students for furthering apprenticeship in the universities of USA. A network of health professionals, based in the US, has

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8 American Indian Foundation (AIF) seeks technical volunteers who can spend a longer period with Indian NGOs and help them in developing their programmes effectively. Every year, several second generation Indians join them and stay in India for at least a year to help them in their programmes where their knowledge could make some difference to their programme (AIF, annual report, 2003). AAPI is helping through programmes like Common Medical Practice (CMP) and sharing of Medical Technology with the personnel in health sector.
number of charitable health trusts functioning in various parts of India. Some other types of associations have come forward to support the cause at the time of Tsunami and other calamities. Such as, AAPI is still running a long-term project for rehabilitation of Gujarat earthquake victims (AIF, annual report, 2003). Even, TiE-Delhi has been assisting various educational and health projects through investments and human resources, adding value to the programmes. The initiative is relatively small but it is mere beginning and needs to be carried further.

7.2.2 (b) Coordination with the development organizations

There is a need for strong institutional mechanisms to engage Indian expatriates in the development process, with caution that it does not go down\(^9\). For instance, Government of India had instituted a ‘Shiksha Kosh’ at the time of first Pravasi Bhartiya Divas (PBD) in 2001 for primary education, requesting Indian expatriates to make contributions. But, this ‘kosh’ could generate only few hundreds dollars till 2004\(^10\). A number of factors, mainly bureaucratic process and lack of networking, can be responsible for this. However, TiE and its actors have made institutional linkages to contribute more significantly for social development because of their networking strengths. Involvement and engagement of entrepreneurs from all over the world provided an opportunity for fruitful sharing and investment in the technical sector, adding to social capital. It highlights the need of similar arrangement for social product, where associations like American India Foundation (AIF) or ISF can be an important coordinator. Coordination with development organizations like ISF and AIF would be more productive due to their direct reach and effect on the people. Indian expatriates have supported and responded positively to the calls made at the time of national calamities and disaster situations, though these efforts need to be streamlined. A study on ‘Giving Patterns of Indian American’ reveals that expatriates are reluctant to donate and support incredible and unknown organizations. They are willing to support organizations and individuals with a proven track record of targeting the needy and wisely investing the resources.

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\(^9\) Like TOKTEN of UNDP under CSIR and STIO of DST programme which alienated many Indians expatriates from the scheme. For details see chapter 3 section 3.3.2.

\(^10\) Various sources report that contribution to Shiksha Kosh has been very limited. The exact amount in the kosh has not been revealed by the government. But it seems whatever small money has been received it is for the IITs only (http://www.indolink.com/printArticleS.php?id=011404120700).
7.2.3 Policy Advocacy: Setting the base for development

Recent experience shows that expatriates individually or through networks are influencing economic policies for advancement especially for entrepreneurship in India. For example, appointment of K B Chandrashekhar and Saurabh Srivastva (TiE members) in national committees on Telecommunication and Venture Capital had a positive impact. In response to this, Government of India has formulated a new venture capital regulation in 2000, generating a great deal of discussion pertaining to its impact on the economy. Result of this, ‘the venture capital fund’ was defined to meet the requirements of changing economy. It repealed the old provisions determining criteria for ‘Overseas Venture Capitalist’ allowing more freedom and hassle-free inflow and outflow of funds. Under the guidance of expatriates, the venture capital has brought meaningful changes in the mindsets of entrepreneurs, highly influenced by the Indian expatriates and their success in the Silicon Valley.

Summing up:

Expatriates in a generic sense represent a vibrant whole of many cultures, languages, religions and regions. The invisible thread that holds this heterogeneity together is their social and cultural bond with their home countries even as they participate in and contribute to the development of their host countries. They are consumers of products and services across the economic, social and cultural space. While the market does offer many products and services it is equally true that large segments of the overseas community are not adequately served. Home countries must work with market partners on the one hand and multilateral organizations on the other to

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11 The policy reformed the concept of venture capital in India. Venture Capital funding is different from traditional sources of financing. Venture capitalists finance innovation and ideas which have potential for high growth but with inherent uncertainties. This makes it a high-risk, high return investment. Apart from finance, venture capitalists provide networking, management and marketing support as well. In the broadest sense, therefore, venture capital is about risk finance as well as managerial support. In the global venture capital industry, investors and investee firms work together closely in an enabling environment that allows entrepreneurs to focus on value creating ideas and venture capitalists to drive the industry through ownership of the levers of control in return for the provision of capital, skills, information and complementary resources. This very blend of risk financing and hand holding of entrepreneurs by venture capitalists creates an environment particularly suitable for knowledge and technology based enterprises (see annexure for detail).
institutionalize a two-way process of engagement with overseas community that is mutually beneficial. There is, therefore, a need to bring a strategic dimension to the process of home countries engaging with the Diaspora. It is important to take a medium to long term view and forge partnerships that will best serve both the host and home countries and meet the expectations of the Diaspora as a significant constituency across the world. A key objective is to nurture and sustain a symbiotic relationship between the home country and its Diaspora to address development challenges while giving the overseas community the opportunity to become partners in progress.

In this context, it can be said that TiE-Delhi indicates on such partnership and emerges as a significant actor because it generates and promotes entrepreneurship. At macro level, it is engaged in reduction of poverty; extending the educational and health opportunity; by giving economic security. The efforts of TiE-Delhi state on possible future contours in various sectors of home country though it requires strategic mechanisms to implement these. The networking among educated has been important who seems to take part in various activities because of their own business interests and also emotional bonding with home country. Even then, efforts have been from expatriates only whatever the purpose may be (check). Therefore, it indicates towards the role of government and formulation of effective policies to restore the confidence of Indian expatriates where associations or networks of expatriates could be engaged in regular and mutually beneficial interaction by the government. Looking at micro scenario, it can be said that concept of entrepreneurship among high skilled Indians has got momentum in last one decade. The presence of TiE-Delhi played a catalyst role in the form of giving the best and effective information, expertise and know-how to the high skilled professionals. Though, impact of TiE’s effort on economic scenario is minuscule but clearly states the possible positive outcome. New age economy may get boosted in the process of globalization by associations of expatriates. These efforts can be formalized while stepping in various other expatriate professional associations (like AAPI) in the developmental process.