Foreign investments figure prominently in most countries' development narratives. They are reported as signs of international approval and trust in the national economy. While the actual impact of such investments on economic development—let alone human development—is uncertain, together with aggregate figures, such as the growth rate of the total Gross Domestic Product, governments communicate about foreign direct investment (FDI) inflows to signal progress, good governance, and modernity. Investments by Non-Resident Indians (NRIs) and Persons of Indian Origin (PIOs) are among the most visible aspects of diaspora engagement by the Indian government. Specific government institutions and regulatory frameworks were created to facilitate and induce NRI investments. Figuring prominently in India's official diaspora engagement discourse, investment narratives served as arguments to transform the official stance from considering NRIs as agents for cooperation between third parties and their home country. Third, diaspora actors and returnees can affect their country of origin's openness to FDI and the regulatory frameworks. In her analysis of FDI liberalization processes, Ye (2014) finds that NRIs had some influence on the gradual opening of India's FDI policies.

In addition to the analysis of publicly available data and policies on Indian diaspora investments, this chapter is based on previously unpublished data provided by the Reserve Bank of India, as well as 20 in-depth interviews with key experts and practitioners who are involved in diaspora investment in India, including two directors of the Overseas Indian Facilitation Centre, a manager of the Make in India initiative, the former Deputy Chairman of India’s Planning Commission, directors at the Federation of Indian Chambers of Commerce and Industry, Confederation of Indian Industries, Associated Chambers of Commerce and Industry of India, US–India Business Council, and Calvert Foundation’s India Investment Initiative.

Diasporas and investments

Diaspora populations can influence investments in their home countries in four ways. First, overseas Indians can invest their own funds in business operations. Further, they can act as agents for cooperation between third parties and actors in their home country. Third, diaspora communities can exert indirect effects that are further removed from direct actions and activities of diaspora actors. The entire diaspora community (or significant parts of it) can bring a change in the source country’s perception and appreciation. This is often referred to as the ‘branding value’ of migrants that may lead to increased economic cooperation and investment (Naujoks, 2013, 83). Lastly, diaspora actors and returnees can affect their country of origin’s openness to FDI and the regulatory frameworks. In her analysis of FDI liberalization processes, Ye (2014) finds that NRIs had some influence on the gradual opening of India’s FDI policies, which paves the way for larger FDI inflows.

Recent studies find that migrant populations are positively correlated with FDI flows from their countries of destination into their countries of origin. Gheasi et al. (2011) conducted a meta-analysis of nine studies undertaken to test the robustness of the relationship between migration and both inward and outward FDI. They found that highly educated and skilled migrants led to considerably higher FDI levels (in particular for inward FDI), whereas poorly educated and low-skilled migrants have a large and negative effect on both inward and outward FDI. While all channels of diaspora engagement can lead to increased investments, this chapter focuses only on direct investment activities by NRIs.
Defining Indian diaspora investors

For the purposes of this chapter, investments by overseas Indians include FDI, FPI but also investing in diaspora bonds and special NRI accounts. Different terms have developed to describe people who trace their origins to modern-day India. Some of these terms are colloquially used, and some have different meanings in official policies and legal documents, making it difficult to assign singular meanings and definitions. From a sociological viewpoint, diasporic actors have been defined as all persons who originate from a certain country, self-identify with that country, and who maintain a meaningful cultural and social relationship with the country (Sheffer, 2003; Naujoks, 2013, 12). However, policy and legal definitions only partially overlap with academic conceptualizations and the former are important to understand specific benefits, collected data, and official narratives.

The most common term used to describe diasporic Indians is Non-Resident Indians, or NRIs. Originally deriving from a tax category, the term used to refer to Indian citizens living abroad from those who have acquired a different citizenship, who are referred to as PIOs. As an overarching category to include NRIs and PIOs, government documents and policies refer to the Indian diaspora, overseas Indians, or its Hindi equivalent Pravasi Bharatiya.

However, when it comes to specific economic rights, different definitions exist. As per the Ministry of Commerce and Industry’s Department of Industrial Policy and Promotion (DIPP)’s Consolidated FDI Policy (Department of Industrial Policy and Promotion, 2015), an NRI is defined as any individual resident outside India, who is a citizen of India or a PIO. A PIO is further defined as any former citizen; a person, whose parents or grandparents were Indian citizens; and spouses of any of these categories. In May 2015, the Government of India (2015) further amended India’s FDI policy by changing the definition of NRI to mean Indian citizens and Overseas Citizens of India (OCI). Initially introduced as a surrogate for dual citizenship, OCI is a diasporic citizenship status that provides Indians who naturalized elsewhere with a status that allows them to live and work in India (Naujoks, 2013). While the Government of India (2015) justified this re-definition with the intention to “align the FDI policy with the stated policy of the Government to provide PIOs and OCIs parity with Non Resident Indians (NRIs) in respect of economic, financial and educational fields”, this amendment introduces a government-control as it requires Indians abroad to register as Overseas Citizens, which previously was not necessary. In any case, other laws still define NRIs as a broad category that is not restricted to overseas Indians with a specific legal status, as is the case for real estate acquisitions or for NRI deposit accounts. Until 2003, firms that were at least 60 per cent owned by NRIs were also given NRI investment privileges. Since these Overseas Corporate Bodies have been de-recognized as a special class of investors, from a legal and statistical perspective, investments by an NRI-owned company would not be considered NRI investments.

India’s diaspora investment policies

India has a long history of special policies for diaspora investors. Already in 1979, the Malhotra Committee, appointed by the Department of Economic Affairs, suggested a range of incentives to increase NRI investments, which led to the adoption of specific concessions in the early 1980s (Rutten & Patel, 2007, 184). Although, since 1991, the Indian economy has gradually opened up to foreign investment, there are still procedural and sectoral limitations for FDI. Thus, it is important to note that there are some special regulations for NRIs. In order to attract and facilitate diaspora investment, different state actors in India have established a specific regulatory framework, institutions, and diaspora investment promotion policies.

Only registered FPIs, foreign institutional investors (FII), that is, entities established or incorporated outside India and that are registered in India, and NRIs can invest through a registered broker in the capital of Indian companies on recognized Indian Stock Exchanges. Whereas non-diaspora FDI in the air transport industry is allowed up to 49 per cent of equity and for ground handling services up to 74 per cent only, NRIs can fully own firms in these sectors. While India’s FDI policy does not allow any FDI into firms engaged in real estate, FDI can be allocated to build townships, housing, and infrastructure. However, while certain conditions apply to non-diaspora FDI – such as the minimum area to be developed or to invest at least USD5 million within the first six months of the project – these restrictions do not apply to investments by NRIs. NRIs have the right to invest in partnership firms in India on a non-repatriation basis and, with prior permission of the Reserve Bank of India (RBI), in sole proprietorship firms with the option to repatriate the investments, which is not open to non NRI investors unless the Indian government specifically approves. Further, in 2015, the Government of India (2015) decided to treat investments by NRIs made on a non-repatriation basis on par with domestic investments made by Indian residents.

Government institutions and investment

As early as the 1960s, India had set up the India Investment Centre (IIC) in order to increase remittance inflows and investment. The centre started as an agency of the Finance Ministry and was later incorporated into the Ministry of External Affairs. Its set-up, resources, and mandate turned it, however, into a non-viable enterprise. The High-Level Committee on the Indian Diaspora (2002, 539) notes that the “IIC was a promotional body and not an empowered one and was ineffective in interactions with the states and other organisations”. Similarly, in 1983, the Ministry of Economic Affairs established a special cell for NRI investment (Rutten & Patel, 2007, 184).

In May 2004, the new government created the Ministry of Overseas Indian Affairs (MOIA) in order to provide information, partnerships, and facilitations for all matters related to overseas Indians. The Ministry of Overseas Indian Affairs (n.d.) Strategic Plan highlights investment promotion as a key priority and assesses economic engagement with the diaspora as an opportunity, while assessing as concerns the “limited success with FDI from [the] Diaspora due to constraints in infrastructure and investment environment at local level”. In May 2007, MOIA set up the Overseas Indian Facilitation Centre (OIFC) in a public-private partnership with one of the two largest industrial associations, the Confederation of Indian Industry (CII). The OIFC’s main mandate is to promote and facilitate overseas Indian investments into India and facilitate business partnerships. This includes its function as a clearinghouse for investment-related information and the objective to assist Indian states to project investment opportunities.

The government’s recent flagship initiatives Invest in India and Make in India increasingly aim at non-diasporic and diasporic audiences alike, and are planned to take over these services from OIFC. This exemplifies the general move towards incorporating NRI investment matters into general policies.

Pravasi Bharatiya Divas and NRI investments

An important part of the government’s programme to connect with the diaspora and strengthen ties is the annual diaspora convention, the Pravasi Bharatiya Divas (PBD). Since 2003, every
January around the day Mahatma Gandhi returned to India from South Africa on 9 January 1915, this conference takes place in different cities in India. During the three-day meet of 1,000–1,500 overseas and resident Indians, panel discussions deliberate upon a wide range of subjects, such as India’s development, remittances and investment, diaspora philanthropy, and grievances among the diaspora. Since the first PBD in 2003, every year investments and business linkages play a key role at the annual gathering.

For example, at the PBD in 2014, the then Prime Minister Manmohan Singh highlighted, “The Indian community’s contribution to India has also been invaluable . . . the entrepreneurs who bring investments into and promote exports from India”.14 In addition, at the PBDs in 2012 to 2015 the Indian government organized specific sessions on “Investment Opportunities in States”, during which five to seven chief ministers presented their states as promising destinations for NRI investments.19

**Membership policies and NRI investments**

In order to establish comprehensive diaspora engagement policies that often aim at increasing economic contributions from diaspora communities, countries of origin can devise investment-targeted policy measures or they can create places, platforms, and channels of communication to establish a relationship of communication with the diaspora. Introducing dual citizenship or a special ‘diaspora status’ can ease promotion of the idea of ‘one nation’ and connecting to the migrant communities. It might further serve as the basis for information dissemination or moral campaigns and decrease bureaucratic hurdles in the country of origin (Naujoks, 2013, 46).

In 2003, India amended its citizenship act, introducing a new membership status, the Overseas Citizenship of India (OCI) giving people of Indian origin without Indian citizenship the right to live and work in India without granting them any form of political participation. Another, slightly more limited membership status was the PIO card that was available from 1999 until January 2015. In December 2005, the first diasporic Indians were able to obtain their OCI certificates, and by January 2015, almost 1.7 million PIOs had OCI status in addition to their primary citizenship. The adoption of both statuses was connected to the expectation that these measures would increase Indian diaspora investment.

When Minister of State for Home Affairs Shripriakash Jaiswal introduced the Bill that would implement OCI, he highlighted that:

> very soon all people of Indian origin after their registration as people of Indian origin will not only be able to visit India at any time for any purpose but they will also be able to invest in a large way in the Indian economy thus contributing towards our national goal of growth and development.73

Other parliamentarians stressed that “now, by this Bill, definitely a lot of [NRI] investment will come forth”.72 These statements are exemplary for several parliamentarians referring to the link of granting OCI and Indian diaspora investments.75 Examining the actual effects of this legislation, a recent study finds that such a legal status is of particular importance for diasporic involvement in small and medium enterprises (SMEs) in India. A legal status giving overseas Indians the right to easily implement their transnational livelihood strategies is prone to enhance their investment potential (Naujoks, 2013, ch. 8).

**Patterns of Indian diaspora investment**

Having discussed India’s diaspora investment policies, the following section presents developments of NRI investments. The investment and involvement of diasporic Indians in the Indian IT and high-tech industry is well acknowledged (Saxenian, 2002; Hunger, 2004; Kapur, 2010). More than 22 per cent of Indian engineers in Silicon Valley invested in at least one start-up, almost 10 per cent of them even more than once (Dossani, 2002). In another study, three-quarters of the surveyed Indian professionals in Silicon Valley (77 per cent) had at least one friend who had returned to India to start a company and half of the respondents (52 per cent) travel to India for business purposes at least once a year. About a quarter of the respondents (23 per cent) self-report investment of their own money into Indian start-ups (Saxenian, 2002). In Chand’s (2014) convenience sample, almost a quarter of Indians in Canada and more than half in the US had invested in India. And in Capps and Nwosu’s (2014) survey, 23 per cent of Indians in the US planned to open a business in India, almost 30 per cent were interested in investing in a private commercial enterprise in India, but only 10 per cent had made an investment of more than USD50,000 in the past three years.

**FDI and business operations**

‘Foreign investment’ is usually understood as financial contribution to the equity capital of an enterprise or purchase of shares in the enterprise by a non-resident investor. Foreign investment is of two kinds – FDI and FPI. FDI is a category of cross-border investment made by a resident in one economy (the direct investor) with the objective of establishing a lasting interest7 in an enterprise (the direct investment enterprise) that is resident in an economy other than that of the direct investor (OECD, 2008, 17).

It has been noted that the Indian diaspora differs strongly from the business diaspora of ethnic Chinese (Hunger, 2004; Kapur, 2010). Guha and Ray (2000) argue that diaspora investments in FDI in China and India is substantially different because overseas Indians lack the skills in managing export production with low-wage labour. Roy and Banerjee (2007) further claim that the comparatively low level of diasporic investment is rooted in the Indian investment policy under which several products are reserved for SMEs and foreign investment into SMEs is limited to 24 per cent, making it difficult for many diasporic entrepreneurs, who are often retailers, to engage in those economic activities. On the other hand, Indians in the US include a high number of entrepreneurs, as they are 15 times more likely to own an incorporated firm than African Americans, 10 times more likely than Mexicans and 5 times more likely than Filipinos (Portes & Yuen, 2013, 85).

Figure 7.1 shows the development of NRI FDI inflows in the period 1991–2016. Previously unpublished RBI data reveals that NRI investments were significant but that with larger overall increases of FDI their relative importance decreased. In the period 1991–1999, NRI investments accounted for almost a quarter of all inward FDI (23 per cent), while they averaged only 2 per cent of total FDI in the decade 2000–2010. In the most recent period, 2010–2015, NRI investments made up 0.5 per cent of total FDI inflows. However, Figure 7.1 illustrates that total investments were significant, ranging from a low of USD35 million in 2001–2002 to USD1.2 billion in 2008–2009. While NRI investments started to increase significantly in 2005, the strongest surge occurred during the time of the recession in the US from December 2007 until June 2009, which led to a global recession. This reflects the fact that the lack of international integration of Indian banks shielded the Indian economy from the first repercussions of the crisis (Bajpai, 2011).

However, from 2008, the global financial crisis began to affect India through a withdrawal of capital from India’s financial markets (Bajpai, 2011), and, combined with the ebbing down of the economic crisis in the US and the rest of the world, so did the recorded investment inflows from NRIs.
In the 1970s, the Government of India felt the need to stock up the country's foreign exchange reserves. For this purpose, it authorized special deposit schemes for NRIs. From the 1990s onward, the policies kept in focus that a high volatility of such deposits could be detrimental to the country's economic stability, which is why it sought to attract stable deposits. In order to increase the attractiveness of such schemes, accounts could be denominated in foreign or domestic currency. They also had a higher than normal interest rate and accounted for certain tax exemptions.

Eligible for such accounts are NRIs defined for this purpose as persons resident outside India who are either a citizen of India or a PIO. An analysis of the movement in NRI deposits reveals that they grew steadily from USD14 billion in 1991 to USD115 billion in 2015. Today, three forms of such accounts exist, namely the Non-Resident Ordinary Rupee (NRO), Non-Resident (External) Rupee Account (NR(E)RA), and Foreign Currency Non-Resident (Banks) (FCNR(B)). The first two are accounts held in Indian rupees, and the latter is a foreign currency account. Figure 7.2 shows that when the trust in the rupee was low in 1991, only 26 per cent of deposits were held in rupee accounts. In 2015, in comparison, 63 per cent of all deposits were in local and only 37 per cent in foreign currencies. Only the current income and interest earnings from NRO deposits are repatriable, while the principal deposit is not. On the other hand, funds on an NRE account are repatriable, and can be transferred easily to another NRE account or to a FCNR(B) account and local payments can be freely made (Singh, 2006). For this reason, in 2015, only 8 per cent of all deposits were in the NRO category, while 54 per cent were in more flexible NRE accounts.

When the Indian economy was in urgent need of foreign exchange, India issued three foreign currency diaspora bond schemes. In total, India received USD11.3 billion in foreign exchange from the three schemes, which were launched in order to help the country over the balance of payments crisis in 1991, strengthen the country when it suffered from sanctions imposed by the US and the World Bank in response to India's nuclear tests in 1998, and smooth the effects of an adverse global economy in 2000 (Patra & Kapur, 2003, 37; Ketkar & Ratha, 2010, 252).

On the first two schemes, there was no 'patriotic discount', which is a lower than market interest rate due to the 'moral benefit of helping one's country'; and the last bond scheme had only a very small discount. Instead, investors benefited from a higher than market interest rate and India benefited because diaspora investors would not seek as high a country-risk premium as the market would have demanded (Ketkar & Ratha, 2010). An interesting side effect of those schemes is that upon redemption, a large part of the bonds have re-entered the country as current transfers to meet various local currency needs of the non-resident depositors and their families or as inflows into the above-mentioned deposit schemes (Patra & Kapur, 2003, 17; Chahut, 2007). Measuring differences in the success of diaspora sovereign bond schemes in various countries, Burgess and Perez-Armendiz (2013) find that bonds issued by India receive high scores both on success indicators, namely, on the funds raised relative to the size of each country's emigrant population, and as a proportion of its target.

Apart from the direct effects, the mere possibility of tapping the diaspora as a source for emergency finance can be beneficial. The resources that the country has to service debt have a determining impact on the country's credit worthiness. Thus, the actual and potential inflows of capital from the diaspora lower India's country-risk premium in international capital markets. The higher confidence of the international market in India's credit worthiness is reflected in better ratings by international rating agencies, which in turn lead to a better and less expensive access to international finance markets (Ketkar & Ratha, 2010).

**Investing in capital accounts and diaspora bonds**

For portfolio investment in shares and debentures through the stock exchanges, NRIs require prior approval of the RBI, which eventually is granted for a four-year period and can be continuously renewed. Overall, portfolio investments into India have grown much beyond FDI inflows. YH (2014, 124) sees this as a sign that India is no longer opposed to foreign capital, as long as it occurs in the form of investments that do not involve establishing physical operations in the country.

In India, only three categories of foreign investors are allowed to invest into the primary and secondary capital markets through the portfolio investment scheme. These are FIIs, NRIs, and PIOs. The ceiling for overall investment by each of these categories is limited as a percentage of the paid-up capital of the Indian company. These limits are 24 per cent of the paid-up capital in the case of FIIs, and 10 per cent of the paid-up capital in the case of NRIs and PIOs, which can be raised to 24 per cent by resolution by the general body of the company. The limit is 20 per cent of the paid-up capital in the case of public sector banks.
In addition to the aggregate limits described above, there are also limits on the investment by any individual NRI/PIO – an investment made on a repatriation basis by any single NRI/PIO in the equity shares and convertible debentures in a company may not exceed 5 per cent of the paid-up equity capital of the company or 5 per cent of the total paid-up value of each series of convertible debentures issued by the company (Reserve Bank of India, 2016).

Figure 7.3 shows the development of portfolio investments held by NRIs in the period 2012–2015. The average assets held by NRIs in each calendar year ranged from INR16 billion, approx. USD262 million, in 2014 to INR33 billion, or USD618 million, in 2012. The steep drop of the investments in May 2013, when assets held by NRIs dropped by 90 per cent from INR82.7 billion to 8 billion, can be explained by developments regarding US tax regulations. In 2010, the US had adopted the Foreign Account Tax Compliance Act (FATCA) and in April 2013, it became public that the governments of the US and India were in the process of finalizing an agreement that would make the law applicable to Indian financial institutions. This agreement gave the US Internal Revenue Service access to information about accounts and assets held by American tax residents with financial institutions in India, thus scaring US residents who had undisclosed accounts or assets in Indian financial institutions. It also established cumbersome registration, compliance, and diligence obligations for foreign financial institutions that sought US investments, such as mutual funds, and subjected non-compliant entities to severe penalties. For this reason, several Indian funds and investment vehicles adopted policies to exclude US Based customers.

Interestingly, the same legislation was responsible for the massive spike in December 2012, when investments rose by 170 per cent from INR30.9 billion to 83.5 billion. When the US Department of the Treasury released the second model intergovernmental agreement in November 2012, the Government of India officially stated that it would seek ways to shield Indian financial institutions from the effects of the law. These links between international tax and financial disclosure policies and investment flows showcase not only the relevance regulatory frameworks can have but also that a large amount of portfolio investments in India are held by US-based NRIs (see Table 7.1).

The impact of diaspora investments

More important than the aggregate inflows of investments are the actual development impacts that follow. Unfortunately, we know little about the actual impacts of NRI investments on Indian economic development, or that of foreign investments more generally.

Scholarship offers three explanations as to why diaspora investment, particularly diaspora FDI, may have a better impact on development in localities of origin than other forms of foreign capital. The first explanation is based on the comparative advantages of diaspora entrepreneurs, who are supposed to be better informed, can make better use of social networks to decrease risk, and generally engage more effectively in investment activities (Balasubramanyam, 2005). Second, it is postulated that diaspora investments could be channelled more into underdeveloped sectors of the economy, which may lead to a lesser crowding out of domestic resources (Riddle & Nieren, 2011, 234). Lastly, several scholars argue – mostly from a theoretical, or empirically inspired viewpoint – that diaspora investments may be characterized by superior qualities compared with other forms of investments, because diaspora investors are interested not only in financial returns but also in non-financial motives, which makes their investments more stable and benign with particularly positive effects for employment and technology spillovers.

India’s inward FDI has been much less export-oriented than, for example, FDI in China (Ye, 2014, 121). Apart from investments flowing into the IT sector, the bulk of investments were made by Western multinational companies targeting Indian consumer markets (Ye, 2014, 128). For this reason, India aims at actively encouraging stronger development effects of FDI. In March 2015, India released the latest draft of its Model Bilateral Investment Treaty (BIT) that foresees greater protection for the Indian state and its ability to regulate investors (Jandhyala, 2015). The new model treaty aims to align investments with sustainable development and inclusive growth, and it requires investors to make a substantial and long-term commitment of capital in India, to hire a substantial number of local employees, and to make a substantial contribution to India’s development through its operations, along with transfer of technological knowhow. The model agreement requires foreign investors to contribute to India’s development and to operate by recognizing the rights, traditions, and customs of local communities in order to obtain treaty benefits. Investors are also required to avoid corruption, be transparent about financial transactions, and comply with host country taxation policies.

Assuming a different effect between NRI and other FDI investments, a seasoned Indian MP expresses that:

[s]everal NRIs can be brought in instead of leaving it to a multinational. The multinationals will take away the money from our country. How does the country benefit by that? If [UK-based, India-born steel magnate] Shri LN Mittal were to be brought in – he is a Non-Resident Indian – he may bring in some more attractive investment and then spread it to [the] bio-technology area as also [sic] various other areas.

The impact of diaspora investments depends on several factors, in particular on the motivation and willingness of diaspora investors to share technology with local partners, on the sector of...
the economy, and their actual practices. Recent surveys on investment behaviour of Indians in the US show that financial returns are most important for their investment decisions, followed by social impact. (Naujoks, 2013, 320–324; US Agency for International Development, 2014, ii). Analysing NRI investments in India in the period 1991–2004, Dreher et al. (2013, 95–96) find that FDI projects undertaken by NRIs appear to be discouraged more strongly by higher relative political risk. The authors interpret this as the effect of better information about political risk in India among NRIs, as compared with other foreign investors. In addition, their findings suggest that FDI projects by NRIs are less reliant on skilled local labour than FDI projects from other sources.

However, as there is little systematic evidence on the actual impact of such capital flows, it is unclear to what extent narratives of diaspora investments’ development effects are wishful thinking or actual practice. In fact, recent studies in other countries show that firms with diaspora investments do not create more employment, have stronger local partnerships, or pay higher wages (Graham, 2013; Naujoks & Kriaa, 2016).

**Conclusions**

Indian diaspora investments are multi-faceted. They are omnipresent in India’s discourse on diaspora engagement and have led to a diverse set of institutions and policies. These developments are likely to continue as the international community increasingly shifts the spotlight on migrants’ financial and other development contributions. This is strongly reflected in the newly adopted 2030 Agenda for Sustainable Development, as well as the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, which emphasizes the positive contributions of migrants, such as diaspora remittances, for inclusive growth and sustainable development.

On the other hand, it needs to be recognized that diaspora investment, especially diaspora FDI, is only a fraction of total FDI flows. For this reason, governments that are attempting to attract large-scale investments are not necessarily looking towards their diaspora. The former Director-General of India’s CII explains:

[*we* have the infrastructure challenge. But the diaspora don’t invest in infrastructure. It’s too big. They are not keen on putting in a billion dollars or 200 million dollars. … If they can upgrade 100 schools or they can help to modernize 100 hospitals that will be very worthwhile.]

The former Deputy Chairman of India’s Planning Commission expresses that in his view, the typical diaspora investor is rather “an angel investor or is a venture capital guy [who] comes along and says, ‘Look, I’m going to put 20 million dollars into India’. It’s not a big amount of money.”

Also the former Deputy Chairman of India’s Planning Commission expresses that in his view, the typical diaspora investor is rather “an angel investor or is a venture capital guy [who] comes along and says, ‘Look, I’m going to put 20 million dollars into India’. It’s not a big amount of money.”

For this reason, much of the Indian government’s interest has focused on opening investment opportunities for all foreign investors, while steering investments towards particular development effects. Diaspora investors are thus covered by general institutions and campaigns, such as the new ‘Make in India’ initiative. At the same time, the government employs an NRI-specific rhetoric and produces special knowledge products to convey to Indian diaspora communities that their investments are appreciated. It remains to be seen whether recent trends, including diasporic social impact investments, and the increasing transnationalization of Indian diaspora communities with its social, political, and economic repercussions, will lead to empowered Indian communities that will not only advance international investment rankings but also bring more equitable opportunities for people in India.

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**Notes**

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1 I will discuss the concepts and definitions of diaspora, NRI, and PIO in more detail later in this chapter. For an introduction to India’s diaspora engagement, see Dubey (2013).

2 In the period 1992–2015, 106 official questions were tabled by Indian parliamentarians in the Lok Sabha (lower house), requesting specific information on NRI investment from the government.

3 For more information, see the archived online information at www.webcitation.org/6MelH7Ly6.


5 See Kugler and Rapoport (2005); Javorcik et al. (2006); Doquier and Lodigiani (2010); Leblang (2013); Anwar and Mughal (2013).

6 Meta-analysis is the technique of statistically combining the results of different studies that largely address the same impact question (O’Hear et al., 2011, 6).

7 However, these studies generally operate on a highly aggregate level and Leblang (2010, fn 25) notes that if data is restricted to investment flows from rich countries into poor countries, the statistical significance of the positive correlation goes away.

8 See Kugler and Rapoport (2005); Javorcik et al. (2006); Docquier and Lodigiani (2010); Leblang (2013).

9 The OIFC, in cooperation with so-called ‘knowledge partners’, has produced five guides on NRI investments, including the Guide Book for Overseas Indians on Foreign Direct Investment in India (2009).

10 The OIFC’s initiatives with managers at the initiatives and OIFC in February 2016.

11 2016 was the first year that the government decided not to hold a single large gathering. For a critical assessment of the FBD, see Mansi and Varadarajan (2008).

12 Speech on 8 January 2014, archived at www.webcitation.org/6g6Sipdc1D.

13 Also outside the centrally organized PBDs, Indian states are wooing their communities residing abroad to invest into their economies, through dedicated websites, such as Uttar Pradesh’s www.apnarm.com (archived at www.webcitation.org/6u8BFm3HB), or state offices, such as the Non-Resident Keralites Affairs Department in Kerala or the NRI Cell within Puducherry’s Department of Industries and Commerce.

14 For more details on the privileges and limitations of OCI and the PIO card, see Naujoks (2013, chs. 1, 3); Xavier (2011).

15 Statement made during Rajya Sabha (upper house) debate on 29 July 2005; author’s translation from Hindi.

16 V. Nayapatansamy (INC) during the Rajya Sabha (upper house) debate on 29 July 2005.

17 Further examples include the statements by Ajay Mazoo (BJP) and Mangni Lal Mandal (RJD) during the Rajya Sabha (upper house) debate on 29 July 2005 and K. S. Rao (INC), Chandramani Tripathi (BJP), Shailendra Kumar (SP), and Ram Kripal Yadav (RJD) during the Lok Sabha (lower house) debate on 16 August 2005.

18 However, it is acknowledged that, sometimes, investments are made to strip companies of their assets and thus are not for a lasting relationship (OECD, 2008, 22).

19 For this purpose, PIOs are (i) persons, being a citizen of any country other than Pakistan and Bangladesh, who at any time held an Indian passport; or (ii) a person who himself or either of his parents or any of his grandparents were citizens of India; or (iii) a spouse of an Indian citizen; or (iv) a spouse of a person covered under (i) or (ii) above. Viz. para 2 (a) of FEMA (Deposit) Regulations, 2000 to FEMA 1999.
26 In June 2016, 89 Indian companies allowed NRIs/PIOs investment of up to 24 per cent of their paid up capital and one company with up to 17 per cent (Reserve Bank of India, 2016).

27 The agreement was signed in July and came into force in August 2013; however, the news about its imminent signing was widely publicized in April 2013.

28 See Times of India, Nov 27, 2012, archived at www.webcitation.org/6bfPhJkFR.

29 See Gillespie et al. (1999); Javorcik et al. (2006), 251–263.

30 See Preamble and Articles 1, 9-12 of the BIT.

32 Author’s interview with Tarun Das, then Chief Mentor and former Director-General of CII, on 23 May 2008.

33 Postponement of India’s entry into the BIT was pending a high-level meeting on 17 January, 2008.

34 Author’s interview with Montek Singh Ahluwalia, then Deputy Chairman of the Planning Commission of India, on 6 June 2008.

References


