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# Reaping the diaspora dividend

The efforts of the new government to vigorously engage with the Indian diaspora around the world is a remarkable step...

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The efforts of the new government to vigorously engage with the Indian diaspora around the world is a remarkable step forward towards making them partners in India's developmental process. It can prove extremely significant for campaigns like [Make in India](#), Swachh Bharat and Clean Ganga. All that is needed is to develop the silver bullets through suitable policies and match the programmes with the capacity of the diaspora, which is hugely diverse. The government has

already shown its willingness in this regard with steps like the introduction of the PIO-card and significantly changed visa norms.

Although the idea to engage with the diaspora for development has been on the agenda, New Delhi, till date, has failed to utilise the diaspora resources (human and capital) to its full potential. The issue remained somewhat underrated, politicised, or ideologically biased. Much of the increased diaspora participation, which we have witnessed in the last few years, appears to be more spontaneous, rather than a government-scripted one.

The major contribution from Indian diaspora has come through remittances, most of which still goes into consumption instead of productive investments. In terms of diaspora investments, the bulk goes into bank deposits, portfolio investment or real estate. Other than the various NRI deposit schemes (NRE, NRO, FCNR), which have been in place since 1970s, issuance of hard-currency bonds (denominated in rupees as well as foreign currency) has also been on the government agenda. Such investments have made the diaspora India's biggest overseas lenders and have helped the government in the times of crisis and to tide over difficult balance of payment (BoP) situations. However, it has also made the diaspora India's main source of foreign debt. According to Reserve Bank, in 2013-14, India's external debt rose by 7.6%—to \$440.6 billion—mainly due to the rise in non-resident Indians deposits which had surged due to the fresh FCNR(B)

deposits mobilised under the swap scheme. Such investments are popular because they are highly liquid and give assured returns and also because of the absence of other credible options for smaller investments.

FDI still remains the most underutilised sector of diaspora investments which has failed to touch even double digits. If we take a cue from China (where the major share comes through overseas Chinese) diaspora FDI could be more relevant with regard to small and medium businesses, workable through networks. Making use of small capital and personalised or familial networks, diaspora can effectively invest in their countries of origin, gain profits, create employment, train entrepreneurs, and provide funds, markets and channels for exports.

This could be particularly relevant in the context of the Indian diaspora since the majority constitutes of semi-skilled/skilled/highly-skilled professionals—entrepreneurs, restaurateurs, retailers and wholesale business, belonging to the middle- and upper-middle-income groups looking for credible opportunities of investment with assured returns for their savings and hard-earned money. Against this backdrop, investment options in small-scale and medium-scale enterprises, joint ventures and brown-field investments become pragmatic and viable for the diaspora.

However, in India, apart from the general hiccups, there are also a large number of investment

restrictions and product reservations on small and medium enterprises. It is in this context that de-reservation of products and the need for 100% investment for NRIs and PIOs, under the automatic route in the SME segment become significant. There is also a huge scope for collaborative approaches and joint ventures in production and marketing involving the diaspora and the local businesses. It is equally important to harness remittances into generating capital for manufacturing and production. It can open new avenues and possibilities for the Make in India campaign.

The other significant area for diaspora contribution is philanthropy which can be extremely effective for major campaigns like cleaning of the Ganga and building of toilets. Indians abroad are already very active in philanthropic activities. However, larger concentration of philanthropic funds comes through personalised channels and largely remains undocumented. There appears to be a huge mistrust and cynicism towards the official institutions or formal civil society organizations. Hence, it is crucial for the government to be innovative and establish genuine and credible channels of philanthropic contributions which can divert fund to projects like Clean Ganga (which the diaspora would be more than willing to contribute) and building toilets. Technology has opened various avenues for not only locating and matching the needs and funds but also for personal monitoring of the progress of the projects by the contributors.

Diaspora engagement and participation in homeland development is a dynamic process, and needs constant inputs and revision, especially for a diaspora as diverse India's. A policy approach based on introducing institutional changes within the governmental framework; initiating suitable programmes and projects that are profitable both for India and the diaspora, decentralisation and diversification of engagement and strengthening and institutionalising of networks is extremely significant in this regard.

Studies on diaspora engagement in homeland development around the world show that they have a 'home bias' but at the same time are extremely sensitive towards investing their hard-earned money. Prime Minister [Narendra Modi](#) has brought back hope in them, but the real challenge for the government is to be able to create conducive atmosphere by demonstrating good governance, and a transparent, accountable and clean system that can built trust and mobilise the diaspora to engage in some of the major projects the government has initiated.

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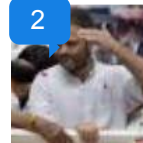
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