



INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE AND MANAGEMENT

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SOCIO-ECONOMIC CONTRIBUTION OF INDIAN DIASPORAS TO HOMELAND: EMPHASIS ON IT INDUSTRIES

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ABSTRACT

In recent years, the Diaspora's participation in the development activities back home has been getting attention from the Government, academia, and media. This paper discusses the Indian Diaspora's contribution to the home country in terms of economic remittances, transfer of knowledge, entrepreneurial networks and social remittances. This paper also explains the Indian Diaspora policies and recommendations of High Level Committee on the Indian Diaspora. The paper concludes with the recommendations for future activity by Government to maximize the contribution of Indian Diaspora in the development activities in India

KEY WORDS

Indian Diaspora, Remittance, Skilled labour migration

INTRODUCTION

Currently, the globalization debate is largely overlooking the massive impact that international migration has on the sending country from the loss of intellectual capital to the gain of remittances, social capital, and transfer of knowledge. The new policy interest in Diasporas reflects a broader concern with globalization, and specifically the very recent appreciation of the volume of remittances to developing countries by emigrant workers and their descendants.

Migration does not always result in the long-term dispersal of a people; some migrants leave their home countries only temporarily, or assimilate into countries of settlements so completely that they lose their distinctive identity and ties on their homelands. Migration does not always result in the formation of a Diaspora community; and development does not always lead to poverty reduction, at least in the short-to medium term. For many countries, the Diaspora are a major source of foreign direct investment (FDI), market development, technology transfer, philanthropy, tourism, political contributions, and more intangible flows of knowledge, new attitudes, and cultural influence.

The term Diaspora comes from the Greek words "to sow" and "over", as in the scattering of seed, and for them it meant the "seeding" of Greek colonies in distant lands. It was later associated with forced expulsion and dispersal and acquired the sense of loss and the implication of a strong desire to return. "Diaspora" is often used as a collective noun ("the scattered"), referring to a dispersed people, but it is also used in the plural, as there are many different peoples who are dispersed among different countries, and as an adjective. In reference to India, the "Indian Diaspora" refers to all persons of Indian descent living outside India, as long as they preserve some major Indian ethno cultural characteristics. Only nationals of Pakistan and Bangladesh are excluded from this term since those countries were part of the larger British India before 1947 and thus constitute a special case. A common distinction with regard to ethnic Indians outside India, often referred to as overseas Indians, is made between non-resident Indians (NRIs), who hold Indian citizenship, and persons of Indian origin (PIOs), who do not.

INDIAN DIASPORA: HIGH LEVEL COMMITTEE

In September 2000, the Indian government tasked a High Level Committee on the Indian Diaspora to analyze the location, situation and potential development role of the estimated 20 million non-resident Indians (NRIs) and Persons of Indian Origin (PIOs). The report of the High Level Committee on the Indian Diaspora (also called the L.M. Singhvi Committee) was released to great fanfare by the Indian government in January 2002. The report recommended a "new policy framework for creating a more conducive environment in India to leverage these invaluable human resources."

According to the report the 18.5 million strong diaspora (including descendants of Indian migrants) is widely dispersed. The Indian government claims diaspora communities in as many as 110 countries; however, three-quarters of the diaspora population live in 12 countries (See table:1). Since 2005, Indian government claims that the community numbers approximately 25 million.

Table 1: The Indian Diaspora: places with more than 1.0 lakhs members

Places	Numbers (in Lakhs)
Asia	
Mayanmar	29.02
Malaysia	16.65

SriLanka	8.55
Nepal	5.83
Singapore	3.07
Africa	
South Africa	10.0
Mautitius	7.15
Reunion	2.20
Kenya	1.02
Oceania	
Fiji	3.36
Australia	1.90
Caribbean	
Trinidad and Tabago	5.0
Guyana	3.95
Suriname	1.50
Northern America	
USA	16.78
Canada	8.51
Europe	
UK	12.0
Netherlands	2.17
Gulf	
Saudia Arabia	15.0
UAE	9.5
Oman	3.12
Kuwait	2.95
Qatar	1.31
Bahrain	1.30
Yemen	1.00

Source: High Level Committee report on the Indian Diaspora (L.M. Singhvi et.al.2002)

In 2001, the largest number of diasporic Indians (36%) lived in Asia (see Figure 1). 20 percent of the diaspora were in the gulf region, with 14.17 percent in Europe, 15 percent in Northern America, and 12 percent in African Continent. The Caribbean and Oceania accounted for only a small share, 6 percent and 3 percent, respectively.

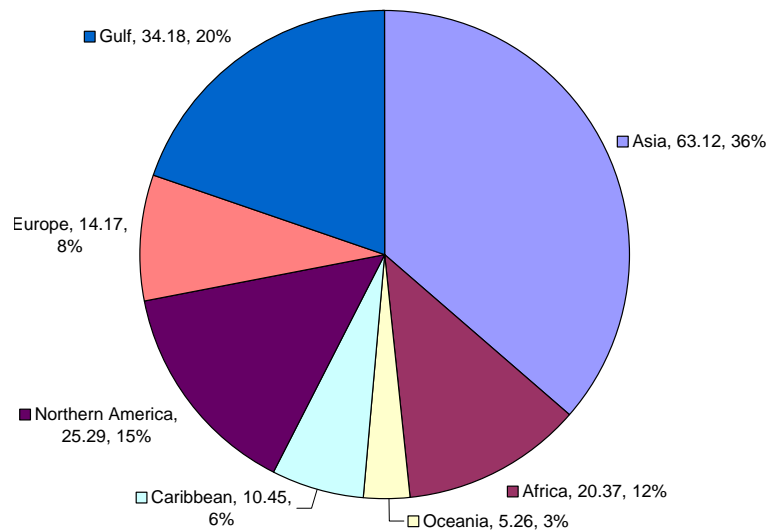


Figure1: The Indian Diaspora by World Region in Million and Percent, 2001 (as per the data given in Table 1)

Other than the number of Indian Diaspora, the report says that, the Indian government has ignored or even failed the Diaspora, and it is to blame for relatively low involvement of overseas Indians in India. The report also says that the Diaspora receptiveness to Indian concerns will depend greatly on the quality of their interaction with the country of their origin and the sensitivity to their concerns displayed in India. It is essential for India to create the necessary structures to facilitate this interaction.

The report emphasized the need for the Indian government to create an “investor-friendly” environment to attract Diaspora funds. The common complain of Indians living abroad is that the procedures for transferring funds for philanthropic activities was too cumbersome and also there is possibility of fraud or cheating in financial or land matters.

DIASPORA’S ECONOMIC CONTRIBUTIONS TO THE HOMELAND

Since 2003, India has been the world’s largest recipient, at least in absolute terms of remittances, defined as the inflow of private transfers. From a modest US \$12.1 billion in 1999-2000, remittances through formal channels were pegged at US \$ 52 billion in 2008-2009 (see Figure 2). Indian expatriates in the United States alone send more than half of the total remittances that India received – a level which is equivalent to almost two percent of India’s GDP.

Global financial crises have so far failed to significantly slow down inflow of remittances in India. As per Financial express (August 2009), the Reserve Bank of India (RBI) annual report 2009 says that “available information indicates that inward remittances to India have not been impacted significantly by the economic crisis”, contradicting popular perception of a severe impact on remittances.

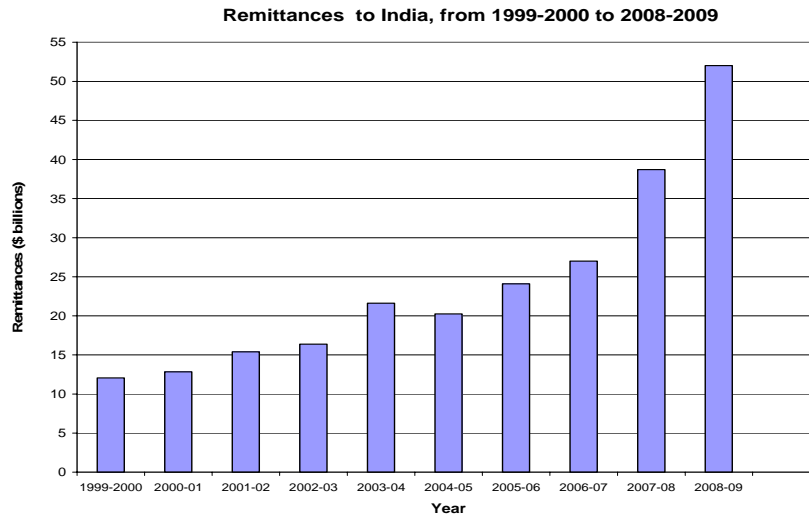


Figure 2: Variation of remittances to India from 1999-2000 to 2008-09
(Source: The Financial express, 5th August 2009 and RBI annual report 2009)

In addition to remittances, India has seen growth in capital inflows. In the 1970s, the government authorized special deposit schemes for non-resident Indians (NRIs) to increase its foreign-exchange reserves; depositors can hold their money in foreign currencies or in Indian rupees. NRI deposits grew steadily from US \$14 billion in 1991 to US \$43.7 billion in 2008.

At the time of urgent need of foreign exchange, India has used Diaspora bonds-dept instruments for raising money from a country’s Diaspora. In total, India received US \$11.3 billion in foreign exchange from the three schemes, each under different circumstances: during the balance of payment crisis in 1991, when it suffered from sanctions in 1998 after first nuclear tests, and during adverse global economic conditions in 2000.

THE INDIAN IT INDUSTRY AND THE DIASPORA

Chishti M (2007) reported that labour migration from India has been slowly changing over the last few decades; whereas the 1970s and 1980s, saw a large outflow of Indian workers to the Middle East, since the 1990, the new wave of labour migration has been of highly skilled migrants, particularly working in the software and information technology (IT) sector.

According to Ahmed S.A and Walmsley T.L (2009), these two sectors have experienced phenomenal growth rates in the past few years; the software sector alone is expected to account for 7.5% of GDP growth in India in 2008, grossing \$87 billion, \$50 billion of which is expected to come from exports.

The United States has emerged as the most popular destination for engineering graduates and IT professionals. Somini S (1998) reported in New York Times that indeed migration from India to the United States doubled in the 1990s and its contribution to the US IT boom is now well established. According to Hira R (2004), in 2001, out of 331,206 H1B visas granted, 49% went to Indian professionals of which 92% concerned IT related jobs.

According to the study done by Vinutha V (2005), this outflow occurred not only in response to the growing demand in countries of destination, but also owing to a lack of opportunities for IT specialists in India itself. However, the situation has since changed.

The current importance of the emigration of Indian skilled workers has accrued in at least five dimensions. First, the Indian Diaspora in United States ha contributed significantly to the rapid advancement of the IT industry in the United States. In turn, this advancement has benefited the Indian IT sector. Secondly, many Indian immigrants are employed in top positions in leading US companies and have played an important role in bringing these companies to India as potential buyers of Indian good or as investors. Third, the Indian Diaspora has also turned into a significant political force within the US and has been instrumental in promoting better political ties between the two countries. Fourth, the success of the Indian Diaspora also generates an “inspiration”, effect on those left behind. In particular, it encourages the young in India to seek higher education and to excel. In the long run, this effect promises to improve the quality of the Indian labour force. Finally, the Indian Diaspora has also contributed significantly through remittances. Currently, remittances contribute more than \$52 billion annually to the national income in India. Though, all of these remittances are not from skilled workers, but the share of the latter is very substantial.

INDIA'S DIASPORA POLICIES

In last decade, the Indian government has shown significant interest in the Diaspora and established a number of Diaspora policies. India's increasing interest in its Diaspora has three major factors.

First, India once had a closed economy that did not encourage foreign contributions, business, or investment. When the government liberalized the economy in 1991, diasporic Indians became more useful as agents of trade, investment and technology.

Second, Indian foreign policy began to recognize the value of the Diaspora in industrialized countries, especially the United States.

Third, only from the mid-1990s, ethnic Indians started surfacing as high-level executives of multinational corporations. The general success of the community, especially in the United States and Canada, and the community's positive influence on the overall idea of Indian qualities led successive Indian government to take a more proactive approach.

Shortly after India's first nuclear tests in 1998, the Indian government launched a huge sale of 5-year bonds guaranteed by the State Bank of India and available only to non-resident Indians (NRIs). Named "Resurgent India Bonds", the proceeds were in part intended to help offset the impact of the economic sanctions imposed after the nuclear tests. Though "patriotic fervour" or the "Hindu rate of growth" was a key theme underlying the sale, the government understood it could not count on patriotism alone, and therefore added significant benefits to make the bonds attractive: an interest 2 per cent higher in dollar terms than the US bond market, the option of redemption in US dollars or German marks, and exemption from Indian income and wealth taxes.

The Indian government launched a massive marketing campaign for the bonds in the US and Europe. The sale was a success: NRI's worldwide purchased bonds worth £2.3 billion in just over two weeks, more than 50 per cent of which came from the Middle East and South East Asia and 20 per cent from Europe and North America. The experience was repeated in 2000 with another bond issue, the India Millennium Deposits, which raised over £3 billion.

The L.M. Singhvi Committee recommended that 9 January – the day Gandhi ji returned to India from South Africa – be celebrated each year as *Pravasi Bharatiya Divas* to recognize the contributions of eminent PIOs and NRIs. The first celebration was held in 2003 in conjunction with the first major Indian Diaspora conference, which attracted more than 2000 NRIs and PIOs from 63 countries. The Conference was co-sponsored by the Indian government and the Federation of Indian Chambers of Commerce (FICC) and was opened by then-Prime Minister Atal Bihari Vajpayee.

In 2004, the Ministry of overseas Indian affairs started the "Know India Program" for Diaspora youth and includes annual awards for eminent Diaspora personalities. The Indian government also set up a Global Advisory Council to the Prime Minister, consisting of diasporic scholars, scientists, politicians and businessmen in 2009.

Number of new legislation were also announced in response to many of the issues raised in the L.M.Singhvi report, including measures to ease investment in India from overseas, the creation of a government body with the sole focus of acting as a liaison between India and its Diaspora, and the introduction of legislation to grant dual citizenship to PIOs, in certain countries. In 1999, India introduced the Person of India Origin card (PIO card) and in 2005 Overseas Citizenship of India (OCI). Both grant practical parity with Indian citizens but do not permit voting, standing for election, or government employment. PIOs cards are available to former Indian citizens and their non-Indian-born descendants (up to four generations) while OCI is limited to those whose parents or grandparents once had or were eligible for Indian citizenship on January 26, 1950. Also, OCI grants a lifelong visa and does not require reporting to the police for stays longer than 180 days.

As of March 2009, the Indian government has granted almost 400,000 OCI cards, 43 percent of them through Indian consulates in the United States and 13 percent in the United Kingdom.

The Investment Information Centre (IIC) is an agency for advice on all issues related to the investment in India. It works with Indians, foreign investors and NRIs and is considered the "nodal agency" for promoting investment in India by NRIs. It provides "all necessary services" for NRIs in setting up their investments, including explaining government policies and procedures, available incentives, necessary data for project selection, and assists in obtaining government approval. It also provides an information service available to all potential investors on the state of various industries in India and profile of industrial projects soliciting investment.

The employment of Indian IT professionals in the US computer industry and the resulting build-up of links between US and Indian high-tech firms have little to do with Indian government Diaspora policy, and more with its support of outstanding institutions of higher education and general macro-economics reforms.

Prime Minister S. Manmohan Singh while inaugurating the Pravasi Bharatiya Divas 2010 at Vigyan Bhavan in New Delhi said that, "we seek the active involvement of the overseas Indian communities in accelerating the pace of our economic and social development". He also said that government is working on this issue and hoped that they will get a chance to vote by the time of next general elections in 2014. He added that why more overseas Indians should not return home to join politics and public life as they are increasingly doing in business and academics.

DIASPORA'S SOCIAL CONTRIBUTIONS TO THE HOMELAND

Beside economic contribution of Diaspora to their home country, their social and political activities may have an even more profound, if direct, effect on the prospects of the poor. Peggy Levitt (1998) defines "social remittances" as the ideas, behaviours, identities and social capital that flow from receiving country to sending country communities. Social remittances are transferred by migrants and travelers or they are exchanged by letter or other forms of communication, including by phone, fax, the internet or video.

To assess the social contribution is more difficult than economic contributions but such changes can affect attitudes towards human rights, women's rights, and the value of education for girls, the benefits of women's employment or the use of violence to resolve political disputes. Building or rebuilding, social capital is particularly important in the aftermath of conflict.

During Pravasi Bharatiya Divas 2010, which was attended by some 1,500 delegates from 50-plus countries, the prime minister said that the rapid growth in the last few years helped lift millions of people out of poverty and expand access to education, healthcare and economic opportunities to a vast majority of the population. He also added "But this is a work in progress and much more remains to be done. I solicit your assistance to achieve those goals. We wish to accelerate efforts to effectively address key constraints in infrastructure, agriculture, health and education."

TECHNOLOGY TRANSFER

Saxenian, (1999) study done on Indian Diaspora in Silicon Valley has provided interesting insights on the socio-economic effects on India. The Indian diaspora's success in Silicon Valley has influenced how the world views India, reflecting the reputational spillover effects of success in a leading sector in a leading country. It has created a 'brand-name', wherein an 'Indian' software programmer sends an *ex ante* signal of quality just as a 'made in Japan' sends an *ex ante* signal of quality in consumer electronics.

The IndUS Entrepreneur (TiE) — a networking group of Indian IT entrepreneurs and network professionals founded in 1992 — has emerged as an extremely successful networking organization. TiE's *modus operandi* applies India's classic guru–shishya, or teacher–student, relationship, to a business context with the 'guru' role played by experienced entrepreneurs and the 'shishya' the startup managers. At the core of the Indian network is a group of angel investors, who got rich by starting companies and are now, recycling some of their wealth as venture capitalists both in the US as well as in India. While most of their wealth goes to US companies, they are also funneling funds into a new generation of start-ups in India as well as hybrid companies and investment funds that operate in both India and the US.

PHILANTHROPY

Some Diaspora organizations and individuals seek no personal return on investment, but rather pursue charitable enterprises. Such enterprises range from very small-scale, one-off efforts of community groups to more organized and durable efforts; from the donations of single individuals to powerful networks of like-minded donors. Many wealthy Indians residing abroad have established private charities on an individual basis and run health or education or public works projects in their home towns or villages.

SOCIAL NETWORK

Due to good social-network among Diaspora and good reputation among the employers very small numbers in the overall population concentrate spatially and in occupations/trades. Employers have strong reasons to hire individuals with a credible imprimatur and referral by existing employees is an important mechanism. Hiring new employees or contractors from networks that have delivered reliability in the past reduces search costs. The mentoring role and serving as role models have been important for India as well in several important ways. Companies like Yahoo, Hewlett Packard and General Electric have opened R&D centers in India largely because of the confidence engendered by the presence of many Indians working in their US operations.

CONCLUSION

Members of Indian Diaspora (NRIs and PIOs) have significantly contributed towards the growth and development in India. They are major source of remittances, market development (including outsourcing of production), technology transfer, philanthropy, political contribution and more intangible flows of knowledge, new attitudes and cultural influences. Remittances sent by expatriate Indians have supposedly contributed positively to the Indian economy. From all the countries of the world, remittances to India had reached from US \$12.1 billion in 1999-2000 to US \$ 52 billion in 2008-2009.

Many of the changes that Diaspora give to their home country, do not result only from monetary remittance flows but they also contribute the social remittances to the homeland that play an important in reshaping individual and social preferences as well as social norms and expectations in the country of origin with attendant political and economic consequences.

However in order to get better results out of Diaspora's contribution to their homeland, government should focus more on some area so that Indian Diasporas should feel comfortable in investing to their home country. In brief, the areas of focus are:

- Lowering transaction costs and increasing the security of transfers.
- Encouraging collective remittances from migrant organizations, by offering them technical assistance, help with institutional development, matching funds, marketing assistance, and other business and financial services.
- Encouraging more "productive", or developmental, uses of remittances
- Donors should encourage and assist Diaspora philanthropy that has a direct impact on poverty or its effects.
- Can be assisted by visa policies that make it easier for members of Diasporas to come and go among country of origin.
- Chance to vote in general elections.

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