

NRI Investment Options for Incising Economy of India

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Abstract

Non Resident Indians are looking more and more in the direction of their mother land to invest their money. NRI is characterized as any person who resides outside India for foremost part of the year because of his employment. After the reforms of 1990 with the commencement of the era of liberalization, India has become one of the desired investment destinations of NRIs. The growing popularity of the Indian leadership, enhanced foreign relations, strong institutional flows, stable and reformist government, multi-year low inflation and rates of interest, incising the economy and promising future are a few of the key leading factors. In this paper I would like to discuss about the investment opportunities to the NRI and guidelines to be followed by NRI to invest in India for economic growth & development.

Keywords: NRI investments , Reserve Bank of India, Indian Origin , company shares and debentures, mutual funds, Immovable Property.

Introduction

It is commonly observed that NRIs invest in India to flow money to family, build a financial asset in the home country, build and attain financial constancy, build amount for retirement and generate higher returns on investment. However, it is lesser known that there are not limited investment options for NRIs.

Investment avenues

1. Equity
2. Derivatives
3. ETF
4. Mutual Funds
5. Bonds and Government Securities
6. Certificate of Deposits
7. National Pension Scheme
8. Insurance
9. Real Estate

1. Equity

NRI investment in Equity is another option to consider. The Portfolio Investment Scheme (PIS) of RBI enables NRIs to invest in the Indian stock market. Under PIS, NRIs require to get a one-time approval to participate in the Indian stock market. However, NRIs cannot invest over 10% of the paid-up capital of a company and cannot trade shares on a non-delivery basis. In order to invest in stocks, NRIs require to transact through a stock broking firm for which one needs to open a demat account with a SEBI registered brokerage firm. In addition to a demat account to hold shares, NRIs also require a trading account with a stock broking firm and an NRE account or NRO account with a bank.

2. Derivatives

Along with equity, NRIs can also invest in the Future and Options (F&O) segment of the exchange. In order to participate in the F&O segment, NRIs are required to approach a clearing member who can clear the trades for allotment. Clearing corporation allots unique

custodial participant (CP) code to all NRI investors based on the application received from the clearing member. NRIs can trade Derivatives viz. F&O trading through intraday trading, short position, Index trading and leverage.

3. ETF

Exchange-traded funds aka ETFs are marketable securities owning underlying assets like stock, bonds, oil futures, gold bars, foreign currency, etc. Though it may seem similar to mutual funds, ETFs are different and are commonly traded as stocks on stock exchanges with fluctuating prices based on its buy and sell and the value of the underlying assets. ETFs also have high liquidity and low fees, making it an attractive investment option for NRIs. NRIs require Non PINS account to invest in ETF on Repatriable and Non-Repatriable basis.

4. Mutual Funds

Mutual funds are one of the most flexible investment options for NRIs. Regardless of one's investment plan, there is a mutual fund to match the goal requirements. NRIs can invest in mutual funds only using Indian currency and require an NRE or an NRO account to invest in mutual funds. There are no limitations for NRIs investing in mutual funds except for the Canadian and US NRIs. Some strict FATCA rules limit the Canadian and US NRIs to invest in mutual funds only through 8 AMCs which are:

- SBI Mutual Fund
- Birla Sun Life Mutual Fund
- ICICI Prudential Mutual Fund
- UTI Mutual Fund
- L&;;T Mutual Fund
- PPFAS Mutual Fund

- Sundaram Mutual Fund
- DHFL Pramerica Mutual Fund

5. Bonds and Government Securities

When governments and other companies require funds for their projects or expansion, bonds are issued. Investing in bonds makes the investors a lender and provides a slice of ownership in the company. Investors are also entitled to receive fixed returns on their investment. NRIs can freely invest in Bonds and government securities through NRE and NRO accounts. However, repatriation benefits are applicable for NRE accounts which have completed 3 yrs, while benefits of maturity credited to the NRO account cannot be repatriated.

6. Certificate of Deposit

Certificate of Deposit (CD) is money market instruments issued either in demat form or promissory notes by banks and financial institutions. These are similar to fixed deposits but have higher liquidity and can easily transferable. The certificates are generally issued at a discount rate and have effectively higher returns as compared to other bank investments. NRIs can invest in Certificate of Deposits through NRE accounts on a repatriable basis.

7. National Pension Scheme

National Pension Scheme is a retirement savings scheme of the Indian Government and a good investment alternative. Under this scheme, investors are allotted unique Permanent Retirement Account Number. It is a cost-effective and tax-efficient scheme with flexibility in investment amount and regularity. It also offers the option to choose from fixed income options, government securities or equity-related investments. NPS offers good returns on investment and a regular income along with a corpus for retirement. NRIs who hold Indian

Citizenship and are between 18 to 60 years of age can invest in NPS through NRE/NRO account.

8. Insurance

Insurance has been one the most preferred mode of investments for Indians. NRIs can invest and buy insurances in India. With evolving time, several insurances are designed especially for NRIs. These insurances cover death, disability, disease and also offer lumpsum benefits. Different mode of premium payment for insurance is available for NRIs. One can opt for direct remittance through banking channels, remittances through postal channels, etc.

9. Real Estate

Real estate is one the most traditional and all-time favorite modes of investments for Indians. It is also a popular choice amongst NRIs as NRI investment in property is allowed, provides emotional security to have a property in the homeland and most importantly because India is a developing nation with soaring property prices. NRIs can invest in both residential and commercial properties with no restrictions on amount or size of the property. However, NRIs are not permitted to buy agricultural lands, farmhouse or plantations.

Conclusion

From the overhead discussion, it can be noted that the India today boasts a large investments. The right potential grades for financial development of businesses in India, political stability of the territory, high asset grades, and favourable foreign investment principles have all conceived a flawless atmosphere for investors to invest in India. It is not a surprise if Non Resident Indians are interested in parking their capital in India. Investors need to take ample precautions while committing funds to India. One way to minimize the risk of deception or bad recommendations is by selecting a believable economic advisor.

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