

DAILY PRAYER TO

Dr. S. Priya

ECOMMAT



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Influence of Non-Resident Indians Deposit on GDP in India

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Abstract

India is passing through various stages where it is very severely affected with various adverse monetary conditions. During this phase, the Indian government had high expectations from millions of Non-Resident Indians to solve this crisis through making investments. In this study, an attempt has been made to find out the relation between NRI deposit and GDP in India. The findings of the study revealed that there was a significant relationship existing between NRI deposits and GDP growth in India. In the case of NR(E)RA account, its shows a positive correlation to GDP growth as the Pearson correlation results is 0.998** and in the case of FCNR(B) and NRO accounts also shows a significant relation to the GDP growth rate in India. More over, it can be seen that there was a steady increase in the GDP rate since 2011. So it can be concluded that the overall NRI deposit and GDP (India) during the period 2011-2018

to 2017 -2018 shows a significant relation. In short GDP and NRI deposits are having significant positive correlation.

Key Words: GDP, NRI, FCNR, NRO, NR, Foreign institutional investors.

Introduction

People are finding so difficult to survive their daily expenses because of the rise in inflation. NRI's earning is estimated to be around 250 Million and which is one third of India's GDP. This shows the impact of NRI's deposit on the economy of the country. Government is also taking initiatives to attract more investment form NRI's. RBI has also directed Indians banks to attract more and more NRI deposits with various long and short term investment options. Most important part is NRI's are also encouraged to setup new business or educational institutes in India.

There are NRIs from different parts of the world who are contributing to a large extent through business setup and educational organisation. This has given way to opening of new business in India which is also resulting in new job opportunities for the youth of India. Despite slowing growth and deficit challenges, India remains and continues a destination for global wise investment. In 2017, NRI deposits were at \$117.21 billion, (Economic Times) Foreign institutional investors clocked in net investment of around \$24.5 billion in equity and nearly \$6.8 billion in debt in the calendar year 2015.

Even though NRI's contribution is not visible but they are contributing to the development of the country through various activities. There are many NRI's who are contributing to the social service in India. Some have started new schools and colleges and others are supporting the schools and colleges that they used to study in India. There are many who are assisting in environmental and social problems in India.

Other than investment and new business venture, there are many Indians who are returning to India and most of them are

highly qualified and experienced. This could boost the economic growth of the country. NRI's deposit plays a significant role in the social, monetary and economic development of the country. Indian government also plays a vital role in attracting NRI deposit to India. The contributions made by NRI's can never be forgotten and attempts should be made to acknowledge and encourage them.

Who is a NRI?

Any Indian citizen who is currently staying outside India for an indefinite period for the purpose of business, employment or vocation, or education (for education purpose one should stay outside for at least 182 days in the preceding year to be treated as NRI) or any such circumstance is treated as a non-resident Indian. People going for tourism, medical treatment or business visit will not, under any circumstances be treated as NRIs. Besides NRIs, Persons of Indian Origin (PIOs) can also avail the same services. A person is a PIO if any or both of his/her parents/grandparents at any time were a permanent citizen(s) of the undivided India. Even if one is of non-Indian origin or parentage, and is married to a PIO, or to a NRI or to an Indian citizen, he/she is treated as a PIO and can avail all the facilities available to NRIs.

Different Types of NRI Deposit

Foreign Exchange Management (Deposit) Regulations, 2000 onwards allows Non-Resident Indians (NRIs) to have their deposit accounts through authorized dealers and banks authorized by the Reserve Bank of India (RBI). These accounts consist of mainly three types of accounts such as:

Foreign Currency Non-Resident (Bank) account (FCNR(B) account)

FCNR (B) accounts can be opened by NRIs and Overseas Corporate Bodies (OCBs) with an authorized dealer. The

accounts can be opened in the form of term deposits. Deposits of funds are allowed in Pound Sterling, US Dollar, Japanese Yen and Euro. Rate of interest applicable to these accounts are in accordance with the directives issued by RBI from time to time.

Non-Resident External account (NRE account)

NRE accounts can be opened by NRIs and OCBs with authorized dealers and with banks authorized by RBI. These can be in the form of savings, current, recurring or fixed deposit accounts. Deposits are allowed in any permitted currency. Rate of interest applicable to these accounts are in accordance with the directives issued by RBI from time to time.

Non-Resident Ordinary Rupee account (NRO account)

NRO accounts can be opened by any person resident outside India with an authorized dealer or an authorized bank for collecting their funds from local bonafide transactions in Indian Rupees. When a resident becomes an NRI, his existing Rupee accounts are designated as NRO. These accounts can be in the form of current, savings, recurring or fixed deposit accounts.

There were two more NRI deposit accounts in operation, viz. Non-Resident (Non-Repatriable) Rupee Deposit Account and Non-Resident (Special) Rupee Account. An amendment to Foreign Exchange Management (Deposit) Regulations, in 2002, discontinued the acceptance of deposits in these two accounts from 1st April 2002 onwards.

Repatriation of funds in FCNR (B) and NRE accounts is permitted. Hence, deposits in these accounts are included in India's external debt outstanding. While the principal of NRO deposits is non-repatriable, current income and interest earning is repatriable. Account-holders of NRO accounts are permitted to annually remit an amount up to US\$ 1 million

[illegible]

Source: Reserve Bank of India.

out of the balances held in their accounts. Therefore, deposits in NRO accounts too are included in India's external debt.

In this paper an attempt has been made to find out the relation between NRI deposit and GDP in India.

Methodology of the Study

Secondary data has been used for the study. Secondary data was taken for a period of (2011-2012 to 2017 to 2018). Data was collected from central statistics office in order to found the GDP rate in India. NRI deposits were also collected (2011-2012 to 2017 to 2018) from various publications of RBI. This is done in order to find the relationship between

NRI deposit and GDP growth in India. Pearson correlation test was applied.

Following tables reveals the database of NRI Deposits and GDP rate in India.

Table 2: Components of Gross Domestic Product

	Items/Year
1	Private Final Consumption Expenditure
2	Government Final Consumption Expenditure
3	Gross Fixed Capital Formation
4	Changes in Stocks
5	Valuables
6	Exports of Goods and Services
7	Import of Goods and Services
8	Discrepancies
	Gross Domestic Product

Table 3: Components of Gross Domestic Product w/With Amount in Billions
(Base Year : 2011-12) Current Prices

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2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18		
2	3	4	5	6	7	8		
49104.47	56144.84	64756.49	72473.40	80912.49	90049.04	99144.01		
9683.75	10624.04	11565.09	13017.62	14278.35	16638.36	19084.20		
29977.33	33249.73	35156.21	37503.92	39182.37	43524.98	47788.94		
2079.83	2145.24	1446.21	3126.98	2547.86	1001.52	1070.33		
2530.33	2737.75	1617.61	2094.07	2028.83	1764.47	2521.42		
21439.31	24397.07	28567.81	28636.36	27286.41	29462.43	31945.07		
27155.54	31084.28	31918.11	32359.62	30449.15	32085.05	36942.86		
-296.20	1225.74	1143.89	186.87	1853.21	2181.38	3120.33		
87363.29	99440.13	112335.22	124679.59	137640.37	152537.14	167731.45		

Source : Central Statistics Office (CSO).
Data for 2017-18 are Provisional Estimates

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1. Data for 2017-18 are Provisional Estimates.

Table 4: Correlation Result

	Pearson Correlation	Sig. (2-tailed)
NR(E)RA	0.998**	0.000
FCNR(B)	0.612	0.144
NRO	0.848*	0.016
Total	0.942**	0.002

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

The following graph reveals the relationship between NRI Deposits and GDP.

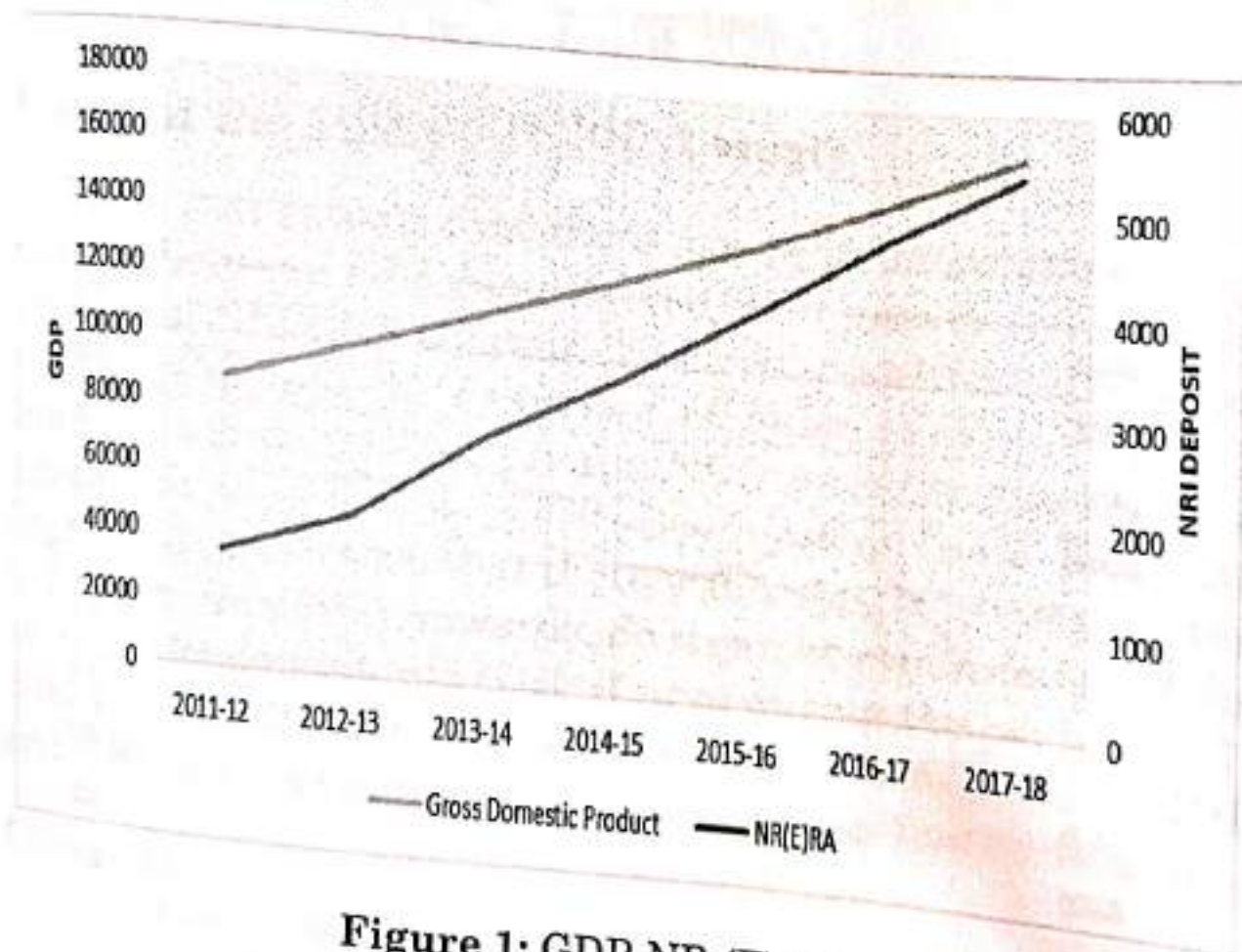


Figure 1: GDP-NR (E) RA

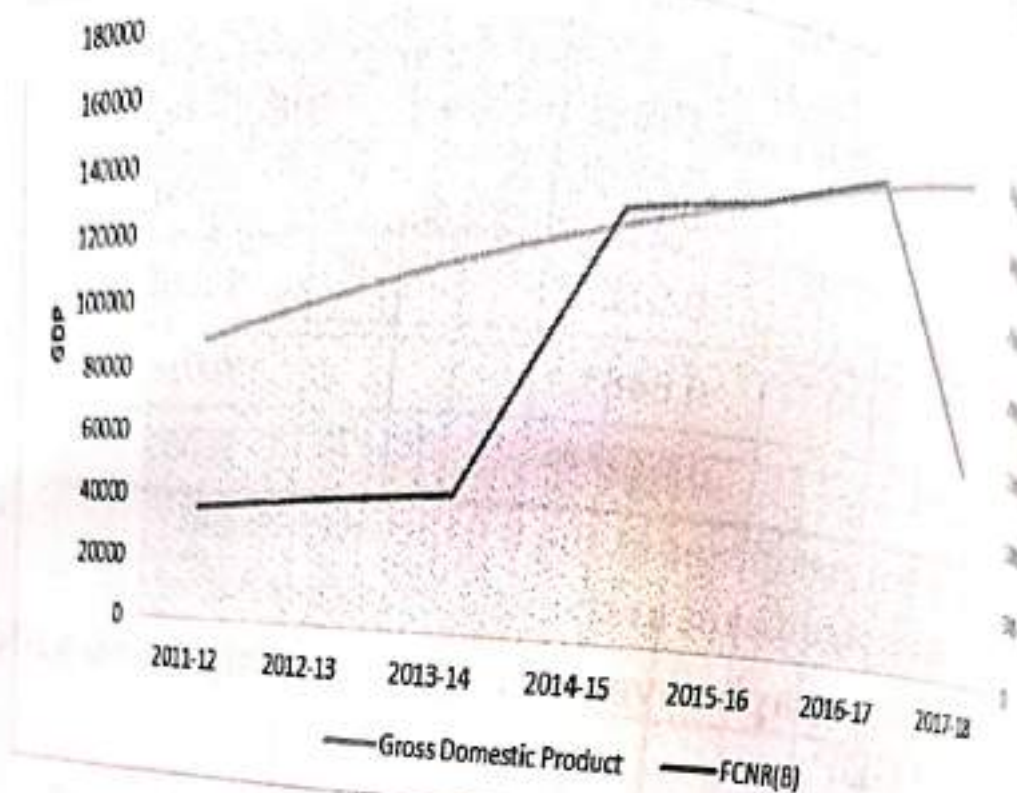


Figure 2: GDP-FCNR (B)

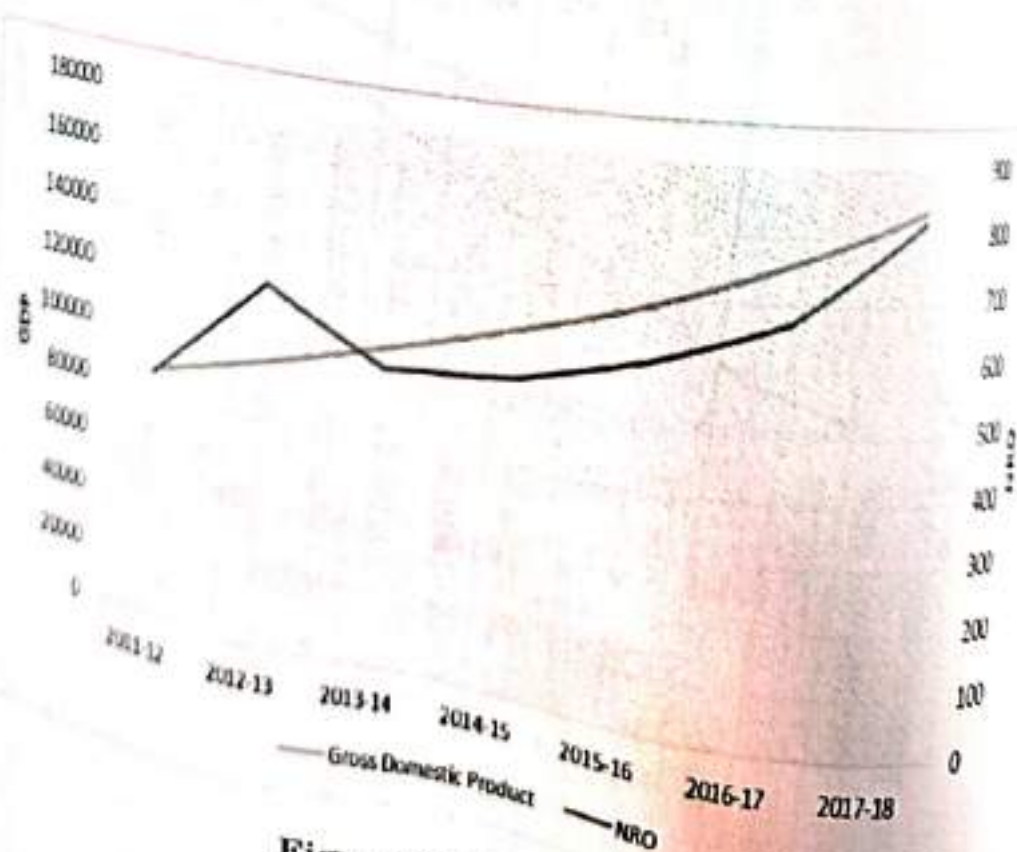


Figure 3: GDP-NRO

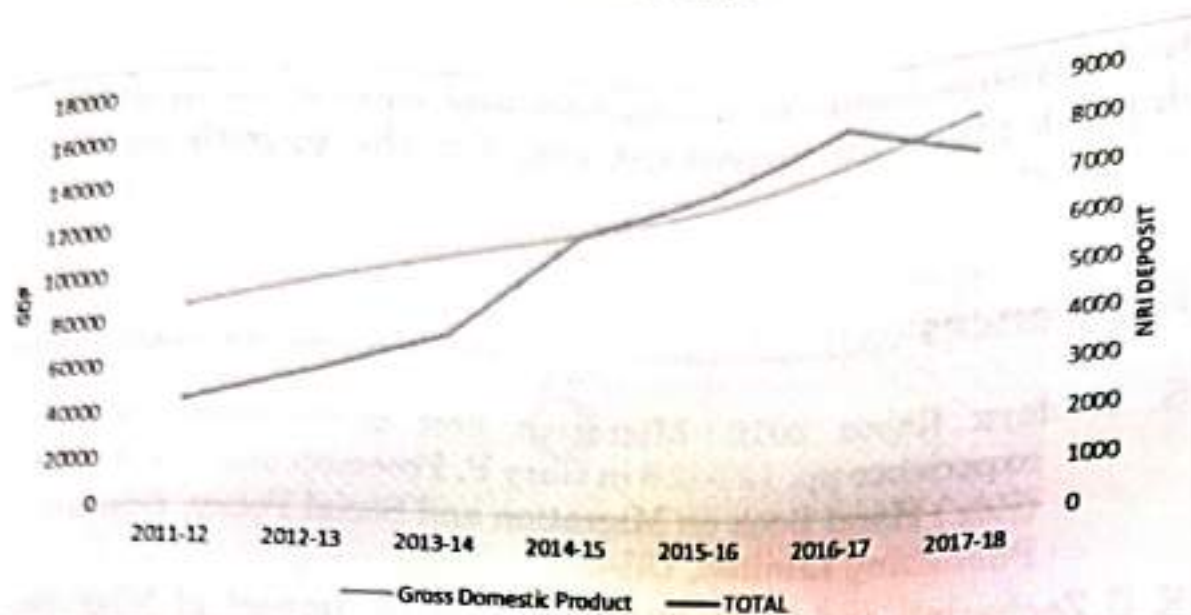


Figure 4: GDP-TOTAL

Result of the Study

Table four reveals that there is a significant relationship existing between NRI deposits and GDP growth in India. In the case of NR(E)RA account, it shows a positive correlation to GDP growth as the Pearson correlation results is 0.998** and in the case of FCNR(B) and NRO accounts also shows a significant relation to the GDP growth rate in India. From the figure 4, it can be seen that there was a steady increase in the GDP rate since 2011 onwards. So it can be concluded that the overall NRI deposit and GDP (India) during the period 2011-2012 to 2017-2018 shows a significant relation. In short GDP and NRI deposits are having significant positive correlation.

Conclusion

There is tremendous potential for using NRI deposits to encourage development in countries. More development has been made toward understanding NRI deposits. In addition, development policymakers will need much more research on how to utilise NRI deposit so they positively contribute

to migrants' home communities and countries. In short, the deposit plays an important role for the growth of our Indian economy.

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