

COMMENT

Uttam Gupta assails the Government's attitude bordering on contempt towards expatriates of Indian origin

RECENTLY, a leading national daily carried an advertisement putting up for sale a plant owned by an NRI from the United States. It was neither a run-down plant, nor a sick unit being offered for sale under the BIFR-sponsored rehabilitation package. Rather, it was a new partially built plant which could not be commissioned for want of funds, funds that the NRI had tied up with a foreign bank, but could not be procured for want of timely approval by the Ministry of Finance under its External Commercial Borrowing (ECB) programme.

The NRI was lured to invest in India by the high-voltage publicity/propaganda, the reformist Government had unleashed. Not quite aware of the impending hurdles, and virtually carried away by the promise from the highest authorities in Indian Government of a smooth passage, this promoter took the plunge in 1991 itself.

Despite the bitter taste right in the beginning—preliminary clearance was possible in six months against the assurance of a few weeks only—the NRI was determined to go ahead. Then, began a seemingly unending journey on a road that passed through the jungle of Indian bureaucracy.

The NRI had to take as many as 37 clearances from various authorities in the concerned state (where the plant was to be located) and almost half as much from the Government of India. You cannot possibly have an economic model to determine which clearance took how much time and the precise contribution of each in the overall delay.

However, going by the reported NRI's own experience, it took him almost two years to get possession of the land from the State Government and another two years to get a no-objection certificate from the agricultural angle. A further delay of about six months by the Union Finance Ministry served as the last straw on the camel's back forcing the NRI to abandon the half-complete plant, not knowing how much of the money already sunk could be retrieved by way of sale of the plant or claim for damages that he was contemplating.

That we need rapid development bears no repetition. When we talk of this, it is not merely growth as measured by GDP. More importantly, it is the improved quality of life for the common man, which does not automatically come from rapid GDP growth. Even economists like Amartya Sen no longer believe in the "trickle-down" theory. The country needs heavy investment in infrastructure including social infrastructure — health care, safe drinking water, education and social security etc — besides a host of employment generating schemes. But, where are the funds?

The Government has been persistently dissaving. Private corporate savings are not picking up. And, household savings, which



BoP gains via NRI route

until a few years back, were supporting whatever development we had, have started declining. These are still under pressure (due to rampant inflation and food needs alone swallowing the bulk of their incomes). The declining trend will, therefore, accelerate.

The capital market cannot assure a steady flow of funds. It fluctuates with impunity. Some times, it is flush with funds, at others, the tap runs dry. Moreover, the funds from here need not go where these are needed the most or desirable from the national angle. Who gets and how much funds depends on the market-based signals, track record of the promoter and the kind of business for which it is seeking funds.

Prospects of international aid/assistance

are becoming progressively bleak. The IDA, which provides virtually interest-free loans to developing countries like India, for funding priority projects, is in serious trouble following the US move to drastically cut its contribution by as much as 25 per cent. India has been getting about US \$ 900 million per annum in the Nineties; the money is used for projects like health care and provision for safe drinking water. Much of this could be in jeopardy.

The liberalisation of rules and regulations for encouraging foreign investment had opened enormous possibilities. Funds did come from foreign institutional investors (FIIs) and overseas corporate bodies (OCBs). But, the bulk of these came as portfolio investment in the Indian stock. These are not directly linked with develop-

ment. Such funds flow in and flow out depending on market trends and the Government's fiscal policies.

Inflows through foreign direct investment (FDI) route are ideally suited to a developing country as these stay in the country permanently and contribute to sustained economic development. Even amongst the foreign direct investors, who brings the money is even more important.

For foreign companies/multinationals, the prime consideration for investing in India is to make good profits, as fast as possible and repatriate the same in full to their home ground. This is precisely what they have done all along in the past through the foreign subsidiary route (until end 80s, with minority equity holding and early 90s, with majority holding) and are now seeking to achieve predominantly through 100 per cent subsidiaries.

The profit motive will also influence the choice of segment of the economy they would invest in and which part of the country. In any case, multinationals are unlikely to invest in areas like infrastructure i.e. power, roads, housing or for that matter, in social services like education, health, family welfare, drinking water, where investment is needed the most.

In sharp contrast, the NRI is not guided by profit motive alone. He has an emotional attachment to his motherland which does not decline with the length of stay abroad and may, in fact, increase. Quite clearly, the national sentiments dwarf the profit motive.

All this is not theoretical. The foreign investment in mainland China is predominantly from the Chinese who had left the country several years ago. In view of these factors, luring NRIs to invest in India is bound to be a big success provided the Government extends to them a warm welcome shedding its present attitude of indifference and, in some cases, even treating them with contempt.

Flow of funds from the kith and kin of Indian soil is the only means of solving our BoP problems and effectively managing the external debt. Development of the infrastructure including social infrastructure can also bank greatly on this source. While seeking investment from NRIs, even the problem of repatriation and resultant pressure on foreign exchange also does not exist, unlike investment by MNCs/foreign companies which would just not care for attendant destabilising effects on Indian economy.

The need of the hour is to evolve a comprehensive policy to attract NRIs, assure them single-window clearance within a reasonable time frame for setting up projects and, above all, treat them with warm affection.

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