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## A STUDY ON THE ROLE OF NRI IN THE ECONOMIC DEVELOPMENT OF INDIA

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### ABSTRACT

This study examines the evolving role of Non-Resident Indians (NRIs) in India's economic, social, and technological development. It explores NRI contributions through remittances, foreign investments, and entrepreneurship, highlighting their impact on key sectors such as real estate, education, and healthcare. The paper delves into policy frameworks governing NRI engagement and assesses challenges like taxation, dual citizenship, and bureaucratic hurdles. Case studies illustrate successful NRI-driven initiatives in business and philanthropy. The research also investigates brain drain versus brain gain dynamics, emphasizing knowledge transfer and global networking. Emerging digital platforms have facilitated stronger diaspora ties, fostering innovation and cultural exchange. Comparative analysis with other diaspora communities' sheds light on best practices for maximizing NRI potential. The study suggests policy recommendations for enhancing NRI participation in nation-building. It underscores the need for inclusive policies that recognize NRIs as strategic partners in India's progress. The findings contribute to a deeper understanding of transnational ties and their implications for India's growth trajectory.

**KEYWORDS:** Non-Resident Indians (NRIs), Diaspora Engagement, Remittances and Foreign Investment, NRI Entrepreneurship, India's Economic Development

### INTRODUCTION

NRI are individuals of Indian origin who have immigrated to foreign countries for work, education, tourism, residency, and for some other reason. As per IMF's suggestion on 24 July 1991, a new economic policy was announced further it opened up 34 sectors for globalization. For India it was the transformation of a closed-door to open open-door economy. That was a era when people of India migrated more to other countries in search of employment and knowledge. Many of the immigrants stayed back in the foreign country and created a little India in the foreign land where they lived and few came back to India with world-class skill, knowledge, and technology. on the other hand, some

stayed back in the foreign land for years and years but still have a deep emotional and financial connection with India. This connection makes them to add value for India.

### **NRI Contributes to the economy in the following way**

#### **Remittances**

Remittances or the money send to their respective family directly fattens the foreign exchange reserve and indirectly increases the consumption and investment in India. According to the 2024 World Migration Report, which was released by the international organization revealed that India was the first nation to receive the highest recipient of remittance i.e over \$111billion in 2022 leaving behind the top four countries in foreign earning Mexico, China, Philippines and France. Hard core earned money of NRI when remitted to India it becomes a stable source of external financing for govt compared to debt and equity flows.

#### **Foreign Direct Investment**

After the liberalization investment climate of India have improved a lot. NRIs often invest in Indian business startups in terms of equity and bond which lead to the inflow of foreign capital. Overseas Indian facilitation center has root in every country that promotes overseas Investment by giving authentic real time information to NRI. It also functions as a clearing house for all data related to Investment. Although they are banned to invest in currency derivatives and commodities. .usually five sector receives highest financing that are Banking and Insurance sector, Business out sourcing firms (BPO) ,Information technology companies , Telecommunication and the Automobile Industry. Five states receiving highest FDI in the year 2023-24 are Maharashtra -30% Karnataka -22%, Gujarat- 17% Delhi- 13% and Tamil Nadu by 5%

#### **Bank Deposits and Financial Markets**

NRIs compulsorily have to maintain a minimum balance in their NRE and NRO accounts' account is a rupee account for transferring the income to India which is earned in foreign land. This account is convenient for the NRI whose family is in India. Even the NRI family can operate the NRE account. Non-resident ordinary (NRO) accounts are maintained for income generated in India via property rent, pension, dividend, etc although there are regulatory limits on the repatriation of funds from NRO accounts, which can influence the amount NRIs choose to keep in each type of account based on their needs for liquidity versus long-term investment.

#### **Real Estate**

NRIs are major investors in the Indian real estate sector, purchasing residential and commercial properties. Their investment supports the construction industry, which has a multiplier effect on the economy by creating jobs and stimulating demand in the real estate sector. Thus, NRIs play a crucial

role in shaping and expanding India's real estate sector through their investments. NRIs consistently contribute a substantial amount to India's real estate sector annually. Estimates suggest that their investments range from several billion dollars to tens of billions annually, depending on economic factors and market conditions.

### **Philanthropy and Social Contributions**

Many NRIs contribute to social causes in India through donations as per the record approx. \$2 billion - \$2.5 billion i.e. 15000 crores-25000 crores annually received in India for social cause. Their contributions support, education, healthcare, and various special economic zones which enhance the NRI power. The Murty Classical Library of India - Preserving Indian classical literature. Indiaspora - Mobilizing the Indian diaspora for disaster relief and other social causes. Pratham - To ensure that every child is in school and learning well. Recent examples of the COVID phase many NRI contributed millions of USD during the second wave by donating oxygen tanks, concentrators, and medicines.

### **Knowledge and Skill Transfer**

NRIs often bring back skills, knowledge, and experience gained abroad like Pravasi Kaushal Vikas Yojana (PKVY), Indiaspora Philanthropy Initiatives, TiE (The Indus Entrepreneurs), NRI Academy of Sciences, AIF (American India Foundation) Skill Development Programs, these initiatives are undertaken by NRI to improve the socio-economic status of youth. These initiatives not only improve employability and productivity but also contribute to the overall socio-economic development of the country. Collaboration between NRIs, the Indian government, and local organizations is essential to build skill India.

## **REVIEW OF LITERATURE**

### **Bhavik Umakant swadia (2017)**

In the paper titled "study on Investor behaviour among NRI's of Gujarat" the author in this paper discussed about the perceptions of NRIs towards return on investment with reference to the state of Gujarat. He also correlated the investment with factors like education, gender, and marital status of an individual.

### **Dr. Devendrasingh Dalpatsinh Zala (2023)**

In the paper titled "A study on investment pattern of Nonresident Indians" Dr. Devendra Singh Dalpatsinh Zala, associate professor, L.B. Gunjariya College, Thara, has focused on NRI's investment pattern of the selected district of Gujarat state, fund management, and various issues related to investment in the research paper.

### **Neetu (2023)**

In this thesis titled “A Study on Investments of NRI’s Remittances in the State of Punjab” by Neetu From GNA university guided by Hanspal, Monika. According to the author Punjabi had spread around the Globe like UK, Canada, the United States and many other nations. The study focused on to measure the awareness of Punjabi NRI towards various investment options.

### **Aim of the Study**

To analyse and quantify the contribution of Non-Resident Indians to their home country India  
To understand the impact of non-resident Indians in different sectors like real estate, Business, financial market etc.

### **Hypothesis1**

**H1:** -NRI plays a significant role in increasing foreign exchange reserve through remittance and Investment

**Ho:** -NRI does not much contribute to the foreign exchange reserve through remittance and Investment

### **Hypothesis2**

**H1:** -The economic impact of Non-Resident Indians on India varies across different sectors, Like real estate, Business, financial market etc.

**Ho:** - The economic impact of Non-Resident Indians on India remains constant with different sectors, like real estate, Business, financial market etc.

### **RESEARCH METHODOLOGY**

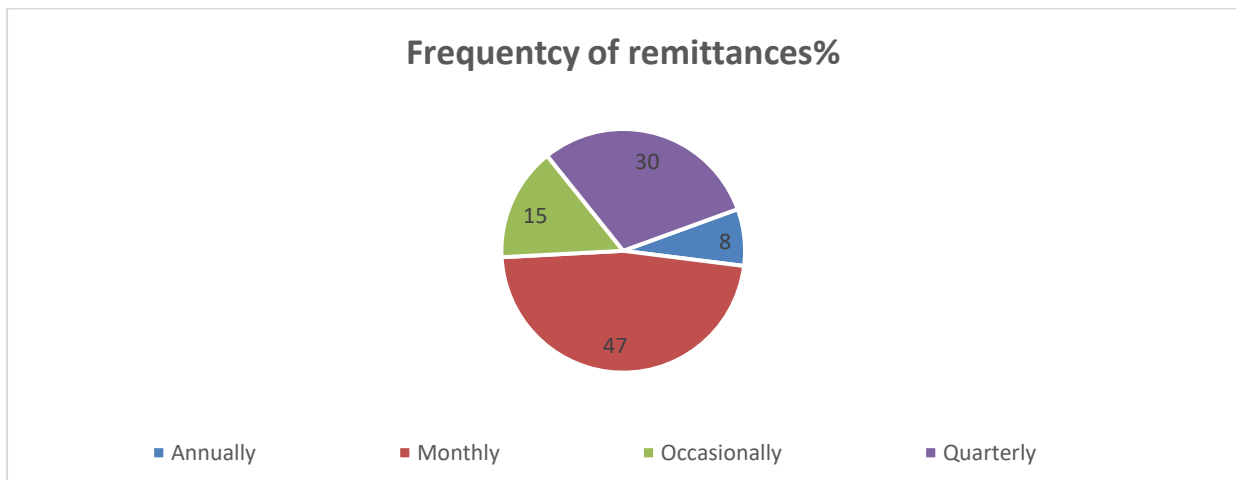
For the purpose of this research, and in order to achieve the objectives the researcher obtained data from primary and secondary sources. Primary data was obtained through questionnaires to random NRI’s. 62 NRI filled the questionnaire using wat up and email mode. After Data cleaning 53 responses of NRI was used for data analysis

The secondary data used for this research was obtained from RBI bullet in 2022, SEBI guidelines, academic journals, Google scholar search engines etc.

**Data Analysis & Interpretation**

**How frequently do you send remittances to India?**

Frequency of remittances	Percentage %
Annually	8
Monthly	47
Occasionally	15
Quarterly	30
<b>Grand Total</b>	<b>100</b>

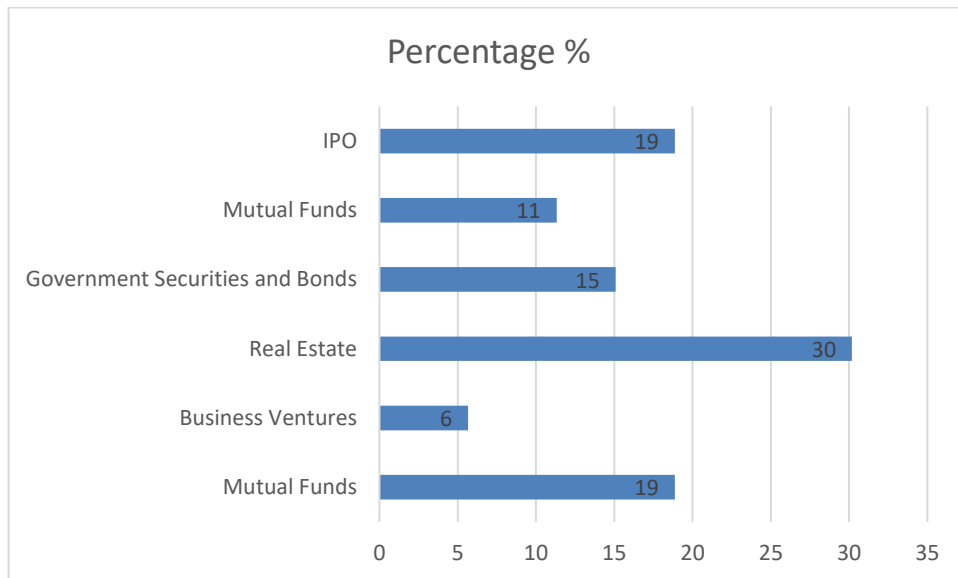


The above data reflects majority of the NRI’s respondents are remitting money to India ,monthly.

**what types of investments do you have?**

Investment Type	Percentage %
Mutual Funds	19
Business Ventures	6

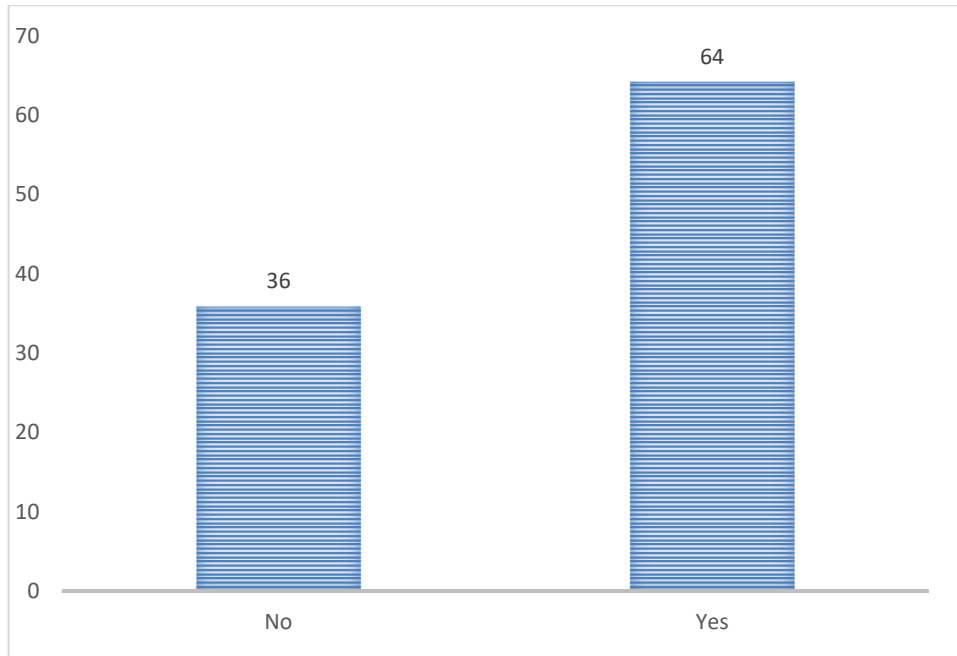
Real Estate	30
Government Securities and Bonds	15
Mutual Funds	11
IPO	19
<b>Total</b>	<b>100</b>



Hypothesis 2(H1) The economic impact of Non-Resident Indians on India varies across different sectors, real estate, Business, financial market etc is accepted & H0 is rejected as the percentage of Investment varies in different sector

**Do you contribute to any social causes or charitable organizations in India?**

Contribution to social causes	Percentage
No	36
Yes	64
<b>Grand Total</b>	<b>100</b>



This means many of the NRI responded (64%) are contributing for social welfare activity of the country

### FINDING

To invest in India, NRI's has to opt for –FPI route also need to be registered with SEBI. The short-term Capital gain (STCG) tax rate is 10% and Long-Term Capital Gain (LTCG) tax rate is 15% with surcharge and Securities Transaction Tax

A 2012 study, by the Reserve Bank of India revealed 30.8% of total foreign remittances was from West Asia, 29.4% from North America and 19.5% from Europe Around 40% of India's remittances flow to the states of Kerala, Tamil Nadu, Punjab, Andhra Pradesh and Uttar Pradesh which are among the top international remittance-receiving states.

Andhra Pradesh gets most of its remittance from the US, Kerala from UAE, Punjab from Canada as most of the people migrate from their states to these countries. Tamil Nadu has the most diverse mix of remittance sources due to the presence of large Tamil diasporas in many countries like Australia, Canada, France, United Kingdom

The integration of UPI with NRI has revolutionized the way NRIs manage their financial transactions in India. It offers accounts a seamless, cost-effective, and secure method for handling payments, fund transfers, and other financial activities. This linkage enhances the financial inclusion of NRIs,



allowing them to stay connected with the Indian economy more efficiently.

NRIs also consider tax implications when deciding where to save their funds. Interest earned on NRO accounts is taxable in India, while interest earned on NRE accounts is tax-free in India.

### **Recommendation**

Implementing policies that facilitate easier remittance procedures and reduce transaction costs will encourage Non-Resident Indians to increase their financial contributions to India.

Policies that promote dual citizenship or overseas citizenship for Non-Resident Indians will enhance their engagement with India, leading to increased investments and contributions to economic growth.

Enhancing the ease of doing business and providing tax incentives for investments by Non-Resident Indians will attract more capital inflows and spur economic development in India.

### **CONCLUSION**

Non-Resident Indians (NRIs) play a pivotal role in the economic development of India through various channels such as remittances, foreign direct investment, contributions to financial markets, real estate investments, philanthropy, and skill transfer. Their economic impact is significant and multifaceted, contributing to India's foreign exchange reserves, boosting various sectors, and fostering social development.

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Annexure

Name:

Age:

Gender:

Country of Residence:

Occupation:

How frequently do you send remittances to India?

Monthly





Quarterly

Annually

Occasionally

Never

What is the average amount you remit annually (in INR)?

Less than ₹3,75,000

₹3,75,000 - ₹7,50,000

₹7,50,001 - ₹15,00,000

More than ₹15,00,000

What are the primary purposes for your remittances? (Select all that apply)

Family supply

Investments

Savings

Charity/Donations

Do you use formal banking channels to send remittances?

Yes

No

Do you invest in the Indian financial markets?

Yes

No

If yes, what types of investments do you have

Stocks

Bonds

Mutual Funds

Real Estate

Business Ventures

Other (please specify)

What is the approximate value of your total investments in India (in INR)?

Less than ₹7,50,000

₹7,50,000 - ₹37,50,000

₹37,50,001 - ₹75,00,000

More than ₹75,00,000



What motivates you to invest in India? (Select all that apply)

Higher returns

Patriotic reasons

Diversification of assets

Family connections

Other (please specify)

Do you have any of the following accounts in Indian banks? (Select all that apply)

NRE (Non-Resident External)

NRO (Non-Resident Ordinary)

FCNR (Foreign Currency Non-Resident)

None

Do you own property in India?

Yes

No

What is the approximate value of your real estate investments in India (in INR)?

Less than ₹37,50,000

₹37,50,000 - ₹75,00,000

₹75,00,001 - ₹3,75,00,000

More than ₹3,75,00,000

Do you contribute to any social causes or charitable organizations in India?

Yes

No

What is the approximate value of your real estate investments in India (in INR)?

Less than ₹37,50,000

₹37,50,000 - ₹75,00,000

₹75,00,001 - ₹3,75,00,000

More than ₹3,75,00,000

Have you been involved in any initiatives to transfer skills or knowledge to India?

Yes

No

What challenges do you face while contributing to the Indian economy? (Select all that apply)

Regulatory issues



High transaction costs

Lack of information

Other (please specify)

What suggestions do you have to improve the contribution of NRIs to the Indian economy?