DIASPORA FOR DEVELOPMENT: AN INDIAN PERSPECTIVE

MARIA JOSEPH* and RACHEL BATRA

Azim Premji University and St. Stephen's College, University of Delhi

Abstract

The Indian diaspora is the largest and one of the fastest growing in the world. The diaspora of a country is of great value in today's globalised world. To utilise the diversity and strength of our diaspora as a strategic asset, we need to use effective engagement measures. India is the largest recipient of remittances and stands to benefit more from the 'brain gain' of knowledge flows. In this paper, we aim to analyse specifically remittances and knowledge flows as elements that occur out of the Indian diaspora and need to be propelled for better engagement. We use the characteristics specific to the Indian Diaspora to mathematically model remittances and knowledge flows; both of which are crucial for diaspora engagement to facilitate development. We then draw conclusions from the model for developmental policies to improve existing engagement.

1. INTRODUCTION

One of the most conspicuous changes in the post-colonial era has been the resettlement of people around the world. This has led to the rise of complex diasporic social identities, subject to metamorphoses through their relations with constantly changing surroundings. The multiple discussions on diaspora aim to resolve two factors: the first, being who to call the diaspora and under what conditions; and the second, devising a model to understand the impacts of diaspora's for both the home and host countries. The term "Diaspora" is derived from a Greek word, meaning dispersion. It has been claimed by Park that "migration of people has been transmuted into mobility of individuals" (Park, 1928). This is to say that individuals carry with them their cultural baggage to the host country (the country one chooses to migrate to). This has been further backed by Gautham (2013), who reinstated "the concept of culture as a baggage of cultural heritage that is used to unite the community".

The Indian diaspora, a term often used in socio-economic literature, encompasses a diverse set of citizens residing outside the country. The dynamism of this diaspora is not just limited to the cultural backgrounds of these individuals, which is a true representation of the pluralistic historical inclusiveness of the country, but also representative of the patterns of migration and the varied destinations of the host country. The most striking feature of the members of the Indian Diaspora has been that despite residing in distant lands and excelling in their respective fields, many have retained their social and cultural links with their country of origin. India's migration is extremely complex, and owing to this, many periods of history have been specifically marked by specific communal migrations.

Over the past decade, a lot has changed in terms of the authoritative bodies built by home countries to cater to their diaspora. India has also created a ministry that aims to deal with its diaspora.

In the new age of a globalised world, the Indian Diaspora in development is playing an impactful role in policy and occasionally politics of a country. There are divergent views that persist regarding migration and development. One view believes in a positive effect, that migration through remittances, skill development of migrants, and knowledge flows have contributed to the economic development of the country through economic support of migrant families and the introduction of new methods

Corresponding author's email address: maria.j1062003@gmail.com

and technology. The other view believes that migration is the loss of valuable human capital that causes a "brain drain" and is a boon to development. Diaspora can have a positive impact on the local economy, and at the same time, the lack of development itself could in fact be the cause of the creation of the diaspora. Regardless of what the consequence of migration may be, it is important for India to engage its diaspora through policy and frameworks to optimally gain the value they bring to the table 1.1.

Table 1.1: *Taxonomy of home countries' diaspora ministries*

Country	Ministry	Established	Purpose/Mission
India	Ministry of Overseas Indian Affairs	2004	Dedicated to the multitude of Indian nationals settled out of India with emphasis on youth.

Source: Constant and Zimmermann (2016)

2. LITERATURE REVIEW

2.1. Economic Analysis of the Indian Diaspora

The Indian diaspora is at its pinnacle and perhaps attributed as the largest in the world ever since 2010 spread across 146 countries. The migratory flows have indeed created transnational pathways of not just diplomatic connections but of cultural, social, and economic interests, claiming it to be a strategic asset. According to the World Bank Migration and Development Brief (2022), the country is set to receive more than USD 100 billion in yearly remittances. Improved remittances, capital inflows, and investments benefit not just the home country but build sustainable pathways of two-fold benefits. The diaspora has helped in improving the balance of payments as a result of accelerated globalisation reflected in improved international trade. Migrant workers have led to a greater transmission of ideas, knowledge, innovation, and entrepreneurship. This has culminated in a positive outlook of the world towards India. The current government is taking extensive steps to help create pathways of connection with the diasporic populations, expanding investment opportunities across different sectors, easing regulations on business activities, and creating common interface portals (e.g., the Global Pravasi Rishta portal).

This only expands the scope and the potential of the Indian diaspora beyond what has already been established. The need of the hour is to be able to rightfully harness and reap the benefits of this tipping diaspora. The underlying heterogeneity of the Indian migrant population calls for a dynamic and diverse set of policies to stimulate the developmental process.

The following table also shows the trends in migration (and thereby diaspora) and developmental policies over different time periods:

Table 2.1.1: *Main phases in migration and development research and policies*

Period	Research community	Policy field
Before 1973	Development and migration optimism	Developmentalist optimism; capital and knowledge transfers by migrants would help developing countries in development take-off.
1973–1990	Development and migration pessimism (dependency, brain drain)	Growing skepticism; concerns about brain drain; after experiments with return migration policies focused on integration in receiving countries; migration largely out of sight in the development field.
1990–2001	Readjustment to more subtle views under the influence of increasing empirical research	Persistent skepticism; tightening of immigration policies.
After 2001	Boom in publications: mixed, but generally positive views	Resurgence of migration and development optimism and a sudden turnaround of views: brain gain, remittances, and diaspora involvement; further tightening of immigration policies but greater tolerance for high-skilled immigration.

Source: De Haas (2007)

The Annual Report (Annual Report, 2013) of the Ministry of Overseas Indian Affairs (MOIA) defines two types of contemporary flows from India: "The first is the emigration of highly skilled professionals, workers and students with tertiary and higher educational qualifications migrating to developed countries, which started after Indian independence and gathered momentum with the emigration of IT professional in the 1990s. The second is the flow of unskilled and semi-skilled workers going mostly to the Gulf countries and Malaysia, following the oil boom in the Gulf countries, mainly from Kerala and other south Indian states."

2.2. Modes of Diaspora Engagement for Development

The relationship between development and migration (and thereby diaspora) is extremely complex and hence difficult to model. In this domain of study, we shall restrict our understanding of engagement to remittances and knowledge flows, which have received much importance as they benefit the home country on both micro and macro levels. Policymakers look to the members of the diaspora to help overcome constraints to economic development such as lack of investment and international business acumen, lack of professional and technical skills, isolation from global networks of knowledge and supply chains, and others (Newland & Plaza, 2013).

2.2.1 Remittances

In recent years, the approach to migration and remittances have shifted from the neo-classical approach[1] and historical structural approach[2] to the livelihood approach[3] which points to the development potential of migration and remittances. Much less statistical evidence is available about the remittance behaviour theory and even less about the motivation to remit. Lucas and Stark (1985) identify the following fundamental motivations to migrate and remit:

1. Altruism for those left behind in the home country. In such cases, the remittance depends significantly on the income of the migrants and the size of the family or the number of non migrants receiving the remittance.

2. Self-interested motive to enhance one's own utility by increasing wealth and thereby assets to make arrangements to return to the home country.

3. Enlightened self-interests whereby remittances are seen as a return on the initial investments made by the family, used as a "risk-spreading and co-insurance livelihood strategies pursued by households and other family groups"(De Haas, 2007).

Remittances often come with no strings attached and positively impact the economy through multiple channels, such as boosting national foreign exchange reserves, enhancing government revenue due to increased tax compliance (i.e., if formal channels of transmitting remittances have been followed), and parking excess funds in the formal banking system.

India has been the highest recipient of remittances which has had positive effects on economies of multiple states like Kerala, Goa, Punjab, and Gujarat to name a few. (see Figure 2.2.1.1 below)

Figure 2.2.1.1: *State-wise Share of Remittances Receipts*
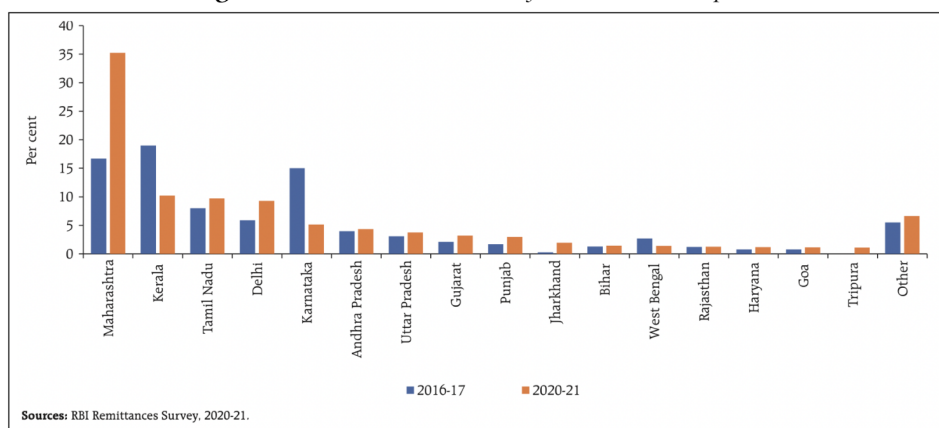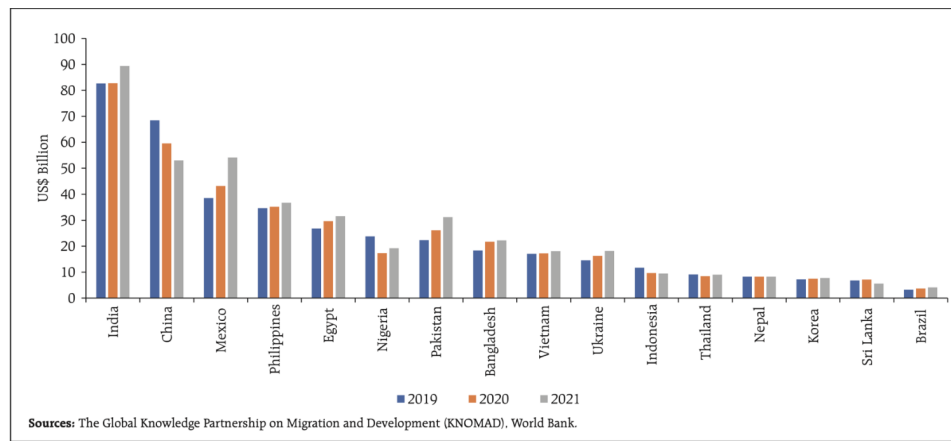

Source: Tewari and Mishra (2022)

[1]Saw migration as a process which contributes towards economic development by equalizing the factor price of the productive resources.
[2]Saw migration as drain of economic surplus and skilled people from the home country.
[3]Focus is on the family/household which takes the decision on migration and remittances.

Figure 2.2.1.2: *Inward Remittances in Major Receipt Economies*

Source: Tewari and Mishra (2022)

Pande (2018) breaks down the distinct types of remittances that India receives broadly as,

"(1) inward remittances for family maintenance (See Figure 2.2.1.2 above),

(2) local withdrawals/redemption from NRI deposits accounts,

(3) personal gifts/donations to charitable/religious institutions in India (generally through current accounts), and

(4) the import of gold and silver brought in by passengers (introduced in 1993)."

Lueth and Ruiz-Arranz (2007) also stress the need to "encourage remittances and maximise heir economic impact, policies should be directed at reducing transaction costs, promoting financial sector development, and improving the business climate."

Remittances to India have been resilient and stable over the years, as shown by Table 2.2.1.1 below. However, data on remittances is scarce and is difficult to collect except for those reports officially released by the RBI.

The top 5 countries that send the highest transfers or remittances to India are the United Arab Emirates, the United States, Saudi Arabia, the United Kingdom, and Bangladesh as of 2012.

Table 2.2.1.1: *Purpose of Remittances, 2020-21*

Purpose of Remittances	Share in total Remittances (%)
Family maintenance (i.e., consumption)	43.6
Deposits in Banks	34.6
Investments (landed property/equity shares/etc.)	10.2
Others	11.7
Total	100.0

Source: Tewari and Mishra (2022)

2.2.2 Knowledge Flows

Knowledge flow is the exchange of research, skill sets, ideas, and expertise between different parties that leads to the development and creation of new knowledge. Diasporas have proven to be a great source of knowledge flows in the form of 'brain gain'[4] and 'brain circulation'. A new space is created to promote and enhance collaborative works and research projects aimed at meeting challenges in development (Shamsu, 2019). Members of the diaspora act as an important connection between their home country and innovation and technology.

In the Indian context, as per the data published in the UN's World Migration Report in 2022, there are about 18 million people born in the country living overseas as of 2020 (World Migration Report 2022, 2021). This gives India one of the largest migrant populations in the world. History shows us that the diaspora has made significant contributions to the development of different arenas such as medicine and engineering, IT, health, and education. There can be a significant increase in productivity and efficiency through the global exchange of new technical knowledge and skills. Indian diasporic communities act as an important link between native Indians and the rest of the world and help in promoting trade and establishing long-term business relations. The diaspora has also provided positive encouragement to both small and medium-scale entrepreneurial ventures in the form of skill and expertise transfers and the introduction of local entrepreneurs to new and advanced technology (Varma, 2020).

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[4]Brain gain is seen to happen as migrants learn skills, gain experience, and/or obtain education in a foreign country and then transfer this knowledge and skills back to their home country, either through their networks within the country or through return migration. (Fang & Wells, 2022)

An example can be seen in the presence of the Indian diaspora in the Middle East. Individuals who initially left India to find better employment and opportunities are now at the forefront of reversing the brain drain. They are transferring skills and expertise through their return to home and the establishment of ties and partnerships with companies and entrepreneurs in the UAE (Bortolazzi & Khan, 2023).

India has had booming success in the IT sector over the past few years. A part of this development can be credited to the contribution of software engineers and entrepreneurs from Silicon Valley (Shamsu, 2019).

There has been a fast growth of information and communication technologies, resulting in migrants not having to return to influence the growth and spread of new technologies in their homelands. They create "diaspora networks" to share knowledge and information with their home country (Douglas, 2012). As times change, home countries are seeing the benefit of building sustained connections with overseas-based migrants as an alternative strategy to promoting their physical return. They are being seen as valuable facilitators of knowledge and skill transfer rather than lost human capital. The Indian diaspora brings to the homeland a belief in the possibility of change through entrepreneurship and innovation.

Figure 2.2.2.1: *Flow of knowledge and intellectual property*
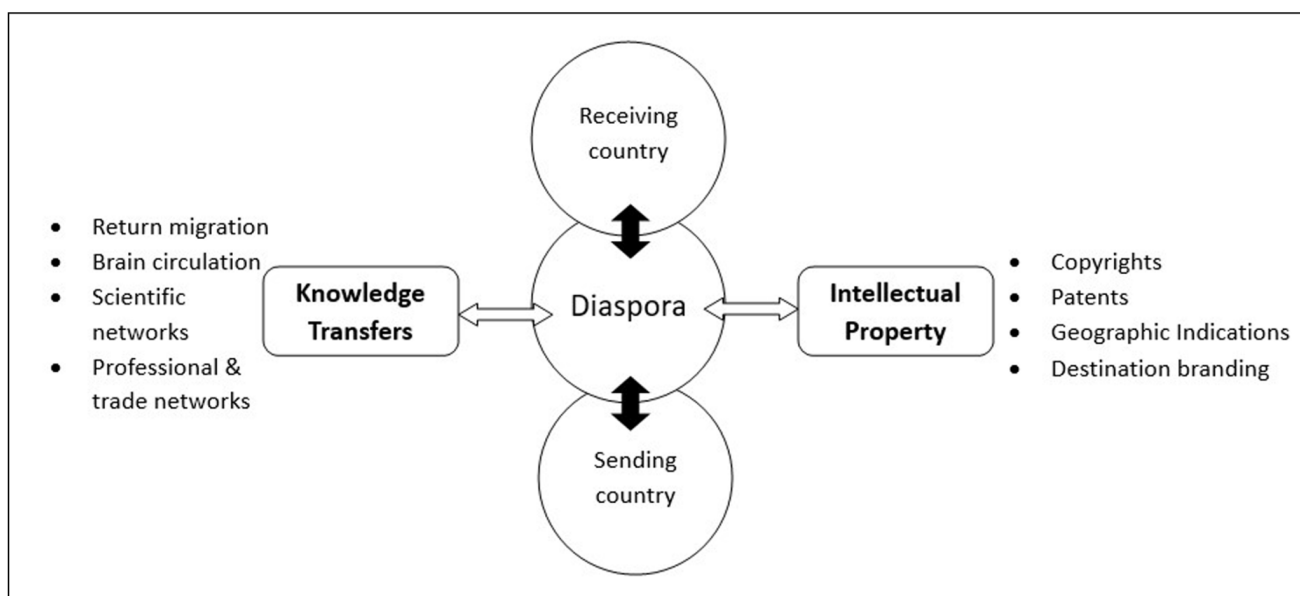
Source: Nurse (2016)

3. METHODOLOGY

3.1. A Model of Remittances

We use the coalition theory of remittances (Poirine & Dropsy, 2019) since a large proportion of the country's population is dependent on the remittances[5] to improve the standard of living within the backdrop of a growing diaspora. The assumptions of our model are as follows :

1. The family is the decision-making unit whereby they act strategically by maximising a collective welfare function rather than 'going on their own.' This idea has been further reinforced by Bertram and Watters (1985), the sending of remittances...suggests the idea of an emerging new institution, the

'transnational corporation of kin.' Here, we don't take the two goods to be leisure and a composite commodity (Hoddinott, 1994) instead consumption of both the migrant and non-migrant as the two goods in the collective welfare function.

$$U_f = U(C_m, C_n) \tag{1}$$

2. Family's income increases across mainly 2 periods: the investment period (this includes the cost incurred prior to migration and during migration) and the return on migration period.

3. Migrant and non-migrant family members have 'threat points'. For migrants' utility given by U_m , they should be at least as well off after transfer as they

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[5]See remittances under literature review; Pande on (1) inward remittances and Table 2.2.1.1.

were if they chose to not migrate or stay at home represented by U_h; otherwise, there won't be any incentive to migrate if not for better opportunities in terms of income, which then translates into an improved consumption basket.

$$U_m(Y_i - T_i) \geq U_h \tag{2}$$

4. The mode of transmission of remittances occurs mainly through formal channels.

5. We look at both the altruistic and self-interested motives to remit by the migrants and non migrants[6].

Add Notation over here for the model.

Defining the family where 'm' are the migrants and 'n' are the non-migrants. We do not model the migration decision here, but the remittances resulting from the diaspora. The subscript is for the migrant that sends T_i back to the non-migrants at home, which shall be equally divided amongst them.

The consumption function of the migrant is:

$$C_i = Y_i - T_i \tag{3}$$

Here, Y_i is the migrant's income earned in the host country, and $T_i \geq 0$. Here, $T_i = T_i^f$ that is, transfers through formal channels only, taking transfers through informal channels as negligible. The consumption function of the non-migrants at home post transfers from 'm' migrants spread across 'n' non-migrants is:

$$C_j = Y_j + \left(\frac{m}{n}\right) T_i \tag{4}$$

Here, Y_j is the non-migrants' income that is less than Y_i and $R = m/n$ or the emigration ratio. Now, using the Cobb Douglas function, we arrive at a collective welfare function of the family;

$$W(C_i, C_j) = \Pi_i^m C_i^{(1-\alpha)} \Pi_i^n C_j^\alpha \tag{5}$$

Now to understand the properties of this collective welfare function we take m=n=1,

$$W(C_i, C_j) = C_i^{(1-\alpha)} C_j^\alpha \tag{6}$$

In this welfare function, both migrant and non-migrant consumption has been incorporated, and α represents the weight given to migrants' altruism to send remittances back home.

Now using the same model, we can understand remittances through the lens of self-interested motives, where α represents the bargaining power with the aim of maximising the collective welfare

function during both the periods of investment and migration.

$$W = (Y_i - T_i)^{1-\alpha} \left(Y_j + \left(\frac{m}{n}\right) T_i\right)^\alpha \tag{7}$$

Now, assuming all migrants have identical incomes, which translates into identical transfers being sent back home and thereby identical consumption C_i and C_j. Now,

$$W = m C_i^{(1-\alpha)} n(C_j)^\alpha \tag{8}$$

Taking log on both sides we get,

$$\ln(W) = (1-\alpha)m\ln(C_i) + \alpha n \ln(C_j) \tag{9}$$

This can also be written after substituting for C_i and C_j as,

$$\ln(W) = (1-\alpha)m\ln(Y_i - T_i) + n\alpha \ln\left(Y_j + \left(\frac{m}{n}\right) T_i\right) \tag{10}$$

Now, we maximise $ln(W)$, first-order condition

$$\frac{\partial \ln(W)}{\partial T_i} = 0$$

We have taken m and n as given,

$$\frac{\partial \ln(W)}{\partial T_i} = -\frac{m(1-\alpha)}{Y_i - T_i} + \frac{n\alpha\left(\frac{m}{n}\right)}{Y_j + \left(\frac{m}{n}\right) T_i} = 0 \tag{11}$$

Consumption Ratio =

$$\frac{Y_i - T_i}{Y_j + RT_i} = \frac{1-\alpha}{\alpha} = \gamma = \left(\frac{\text{Weight of migrants}}{\text{Weight of non-migrants}}\right) \tag{12}$$

The optimal amount of remittances or transfers sent to the home country is given by T_i^* and derived from,

$$T_i^* = \frac{Y_i - \gamma Y_j}{\gamma R + 1} \tag{13}$$

The optimal remittance received by non-migrants:

$$T_j^* = RT_i^* = R\left(\frac{Y_i - \gamma Y_j}{\gamma R + 1}\right) = \frac{RY_i - R\gamma Y_j}{\gamma R + 1} \tag{14}$$

Now the aggregate remittance sent back by diaspora:

$$T^* = mT_i^* = m\left(\frac{Y_i - \gamma Y_j}{\gamma R + 1}\right) \tag{15}$$

Now, m+n=c, where c is the total population. Therefore, m = c /(1+(1/R)). Then,

$$T^* = c\frac{Y_i - \gamma Y_j}{(1+\frac{1}{R})(1+\gamma R)} \tag{16}$$

From this equation, we can say that as the diaspora captured by the ratio R increases, T^* that is, aggregated remittances display an inverted U-shaped curve as they first increase, reach a maximum, and then decrease.

In (16), as the emigration ratio R tends to zero, the

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aggregate remittances T^* also go to zero. Similarly, as R goes to infinity, T^* goes to zero at a slower rate that gives the tapered tail of the graph. On taking the second partial derivative of T^* with respect to R and equating it to zero, we can find that the T^* attains maximum. Therefore, the shape of the curve is an inverted U-shape.

Figure 3.1.1: *Aggregate remittance functions as the target post transfer ratio γ varies*
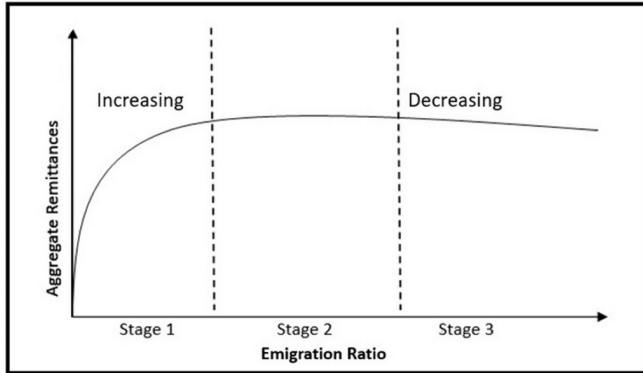
Source: Poirine and Dropsy (2019)

We now see how this model can be applied to real-life data on inward remittances[7] in the Indian context. Multiple reports have cited that over the past decade, the Indian emigration ratio has been rising but is still very low compared to the rise in the Indian population. We can conclude from Figure 3.1.2 given below that India is still in the early stage, that is, stage 1, of reaping its benefits from inward remittances that occur out of the diaspora. The graph shows how over the years the remittances sent back to the country (given in US dollars billion) have been increasing within the backdrop of a growing emigration ratio (R as specified by our model) and thereby diaspora.

Figure 3.1.2: *Inward Remittances in EME's*
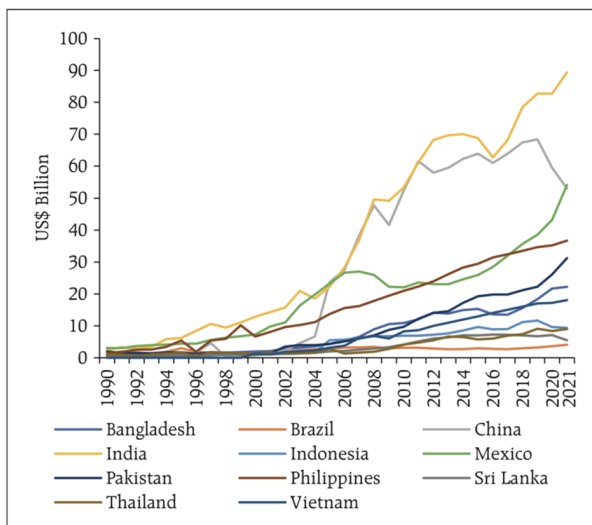
Source: Tewari and Mishra (2022)

3.2. A Model of Knowledge Flows

Distance, relationships, and ethnic ties to the homeland play a major role in determining knowledge flows between the diaspora and the country they are from (Agrawal n.d.). One way of visualising the occurrence of knowledge flows is to see one institution or individual learning an idea or discovery that was generated by another institution or individual (Peri, 2005). Over the past few years, intellectual property in the form of patent citations has been seen to be a proxy for modelling and estimating the flow of knowledge into a country. The concept of patents and rights gives incentives to innovators to create and innovate. Patents promote knowledge flows by promoting disclosure and facilitating trade (Agrawal n.d.). Our model seeks to take inspiration from these and see how diaspora would play a role in influencing these knowledge transfers.

In Giovanni Peri's paper, the knowledge output of a region has been modelled as a log production function (Peri, 2005). In the Indian context, the diaspora has a measurable impact on the knowledge flows to the country from external areas. We propose a log-linear production function to understand the effects of diaspora on knowledge.

We introduce an index K_{ij} that represents the relationship and flow of knowledge between any two innovators or entrepreneurs. i corresponds to a person from India, and j denotes the other innovator who is sharing knowledge with the Indian. Our model works on the assumption that all innovators are equally productive.

Key Components:

- K_{ij}: Knowledge Transfer Index
    i : a person from India
    j : any other who is sharing knowledge with the Indian
- A, B, C: Relationship Variables
- α, β, γ: Impact Parameters
- l: base case where the other innovator has no relation with the Indian

$$K_{ij} = l * (A^{\alpha}) * (B^{\beta}) * (C^{\gamma}) \qquad (17)$$

Taking, $A = l^{a_{ij}}, B = l^{b_{ij}}, C = l^{c_{ij}}$

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[7] Please note that our entire model is based on inward remittances. This comes from assumption 1.

a_{ij}, b_{ij} and c_{ij} are dummy variables

– a_{ij} takes the value 1 if the other innovator is Indian and is otherwise 0.

– b_{ij} takes the value 1 if the other innovator is a part of the Indian diaspora and has ties to India.

– c_{ij} takes the value 1 if the other innovator is a foreigner with ties to the Indian innovator. (taking c_{ij} to be zero for the scope of this paper)

$$K_{ij} = l * (l^{a_{ij}\alpha}) * (l^{b_{ij}\beta}) * (l^{c_{ij}\gamma}) \qquad (18)$$

l is capturing the base case where the other innovator has no relationship with the Indian. This may include anyone who is not a resident of India, a member of the diaspora that does not have a relationship with India, or someone who is not a part of the Indian diaspora. In the third case, if the Indian innovator represented by i is someone who was living abroad, worked with foreigners, and returned to India, then the base case would exclude any foreign innovator who has an established relationship with the Indian innovator.

We would now like to estimate the total expected knowledge transfer to an innovator in India. To find the total knowledge flow to a single innovator i from India (K_i):

• N : total number of people of Indian origin
• D : total Indian Diaspora
• D': population of the Indian diaspora that does not maintain ties with India.
• Z : total number of foreign innovators.

$$K_i = \sum_j K_{ij} = l^{(Z+D')} * (l^{(N-D-1)(1+\alpha)}) * (l^{(D-D')(1+\beta)}) \, (19)$$

NOTE : *(1+α)* or *(1+β)* reflects the total premium of being co-located or being in the Indian diaspora respectively including the baseline case of 1.

Taking log on both sides,

$$log(K_i) = (Z + D') * log(l) + (N - D - 1)(1 + \alpha) * log(l)$$
$$+ (D - D')(1 + \beta) * log(l) \qquad (20)$$

To find and maximise the total knowledge flow to innovators in India (K),

$$K = \sum_i log(K_i) = (N - D) * log(K_i) = (N - D)(Z + D') * log(l) +$$
$$(N - D)(N - D - 1)(1 + \alpha) * log(l) +$$
$$(N - D)(D - D')(1 + \beta) * log(l) \qquad (21)$$

We find the diaspora size $\hat{D}$ that maximises the knowledge inflow into the country.

$$\frac{\partial K}{\partial D} = \hat{D}(2\alpha - 2\beta) + N(\beta - 2\alpha - 1) - D'\beta + 1 + \alpha - Z = 0 \ (22)$$

On rearranging (22) we will be able to obtain the ratio of diaspora innovators to total innovators of Indian origin that will maximise the knowledge access to India.

$$\frac{\hat{D}}{N} = \frac{(1 + 2\alpha - \beta)}{2(\alpha - \beta)} - \left(\frac{D'}{N}\right)\frac{(\beta)}{2(\alpha - \beta)} -$$
$$\left(\frac{1}{N}\right)\frac{(1 + \alpha)}{2(\alpha - \beta)} + \left(\frac{Z}{N}\right)\frac{1}{2(\alpha - \beta)} \qquad (23)$$

Taking the second-order derivative condition on (21) we obtain the necessary condition for D being the maxima

$$\frac{\partial^2 K}{\partial D^2} = 2\alpha - 2\beta < 0 \qquad (24)$$

From (24) you can see that in order for the knowledge flow to innovators/entrepreneurs in India to be maximised, α < β.

• α is the impact parameter for the flow of knowledge from other Indian innovators, and β is the impact parameter for the flow of knowledge from the Indian Diaspora.

• For the increasing diaspora to be advantageous, the premium of knowledge flows between Indian innovators and the diaspora must be greater than the value of knowledge access gained by Indian innovators by corresponding with fellow innovators within the country.

Observing equation (23) tells us that as β increases and tends to infinity, the optimal diaspora seems to converge to one-half. This is when D' is comparatively small with respect to N.

• So it is never beneficial for India to have more than half its population abroad (Agrawal n.d.).

• However, in actuality, we would like this ratio to be much below half.

This has major implications since there is a growing trend of tertiary-educated individuals moving away from India for better opportunities. Therefore, it is required to develop policies and incentives for innovators and other producers of knowledge in the Indian diaspora to return/engage a lot more with the local population.

4. ANALYSIS

4.1 Policy Implications

Understanding migration patterns and characteristics of migrants is crucial for identifying important remittance channels and designing policy interventions to enhance the remittance market (Afram, 2012). There are multiple stakeholders that drive the remittance market in India, such as commercial banks, nonbank MTOs, foreign exchange bureaus, cooperative banks, and India Post, as well as a wide variety of commercial entities acting as correspondent agents (subagents). Despite the promising numbers of remittance inflows, the provision of accessible and cost-effective remittance services in India could be improved. Therefore, key changes in public policy are necessary for the future development of this market. By improving formal channels of remittances, we can also create perpetual cycles of financial inclusion, as shown by the following table 4.1.1 given below. The need of the hour is to level up the domestic infrastructure through targeted developmental potential policy. Providing better infrastructure will help harness the true benefits of the remittance inflows. The domestic payment infrastructure, if upgraded, will significantly improve the efficiency problem often faced by remittance senders.

In order to elevate the engagement of the diaspora and leverage the many potential advantages that can come from skilled migration, it is necessary to include policies pertaining to these as a part of our national policy framework rather than developing them in isolation (United Nations Conference on Trade and Development, 2012). In the first stages, it is crucial to establish a thorough diaspora engagement policy that has the framework to recognise the invaluable intellectual, social, and economic capital that skilled migrants accumulate abroad. These policies should serve as a guide to strategically capitalising on the diaspora's proficiency for the development of our country (Fang & Wells, 2022). Recognising the prosperity of decentralised knowledge flows in specific industries, as seen by the Indian ICT sector, it is necessary to encourage the establishment of Diaspora Knowledge Networks (DKNs) (United Nations Conference on Trade and Development, 2012). These networks will play an important role in facilitating the transfer of new and developing technologies and sharing with domestic industries about innovations that align with our developmental goals.

Table 4.1.1: *Class of Product and Development Potential*

Class of Product	Development Potential
Remittance transfer services	Innovative services increase remittances and create a savings culture. Lower costs and increased convenience incentivize remittances. Remittances can be bundled with other products.
Savings	Savings help in risk mitigation and investment opportunities. Formal savings products are secure and earn interest. Savings accounts provide reliable funds for banks to lend to businesses.
Credit	Credit can be used for consumption as well as for investment needs. Remittances can be used as collateral.
Insurance	Insurance facilitates the management of risks related to health or belongings in which the remittance sender and receiver have a common interest. Insurance can protect entrepreneurs against inhibitive risks in business.
Other	Credit cards and checking accounts that are linked to remittances may facilitate entrepreneurs' purchase of collateral or the management of cash flow.

Source: Afram (2012)

Incentivising the return of skilled migrants should also be a key focus. Policies and systems should be created to support their ease of reintegration into society and professional areas. These should also include initiatives to share their learnt skills and experience with domestic industries. Returnees with disadvantaged identities have the propensity to make significant contributions to development that would benefit the neediest sections of Indian society. Actively supporting their involvement upon their return and facilitating the transfer of their skills and knowledge would become a catalyst for promoting socioeconomic equality in India (Siddiqui &Tejada, 2014).

To make sure of effectiveness, the policies should provide mechanisms for periodic assessment and adaptation. Feedback from diasporic communities and evolving national development priorities will inform necessary adjustments.

5. FUTURE STUDY

Diaspora economics, as a field of study, is still in its infancy. A proper identification of the diaspora community and its engagement (specific to its characteristics) can propel both economic and political conditions for both the host and home country (Fang & Wells, 2023). Future research perhaps should provide a more holistic approach by incorporating other elements that impact development through the diaspora, like FDI, international trade, macro-impacts on BOP, etc. A lot less literature has been given regarding the policies that can effectively engage the diaspora, especially from the perspective of the homeland. Even the definition of the term 'diaspora' vaguely differs across genres of study, further complicating the unification of existing research. To further improve this paper, we also aim to integrate these two models to understand both their impacts on the diaspora and hence development.

6. CONCLUSION

This paper explores the concept of diaspora engagement, remittances, and knowledge flows with respect to India. The development of a post-colonial period is characterised by the global resettlement that gives rise to diverse social identities related to diaspora. Debates about diaspora focus on defining its bounds and ways in which it affects both sending and receiving countries.

The term 'Diaspora', deriving from a Greek word for scattering, refers to migrations of many people. People bring their cultural identities to the host country, thus creating a special relationship with their roots. In taking into account the Indian diaspora, this paper highlights not only its diversities in terms of cultural backgrounds but also migration patterns and destinations. Although they live in foreign lands, members of the Indian diaspora very often have close social and cultural ties with their homeland.

The discussion on remittances presents first a model that regards family members as the decision unit and points out strategic actions aimed at increasing collective utility. Formal channels are significantly important in the transmission of remittances and altruistic as well as self-interested motives for research purposes.

The knowledge flows model is also presented by the paper, wherein distance relationships and ethnic ties are established as factors affecting data transfer from diaspora to homeland. The log-linear production function and knowledge transfer estimations provide insight into the potential effect of diaspora targeted at implementation improvements.

Implications of policies underline the importance of comprehensive diaspora engagement, identifying intellectual capital, and the creation of Diaspora Knowledge Networks. Measures to incentivise the return of talented migrants and help them reintegrate into society are critical in maintaining socioeconomic equality.

Looking ahead, future research could direct to a holistic approach to diaspora economics, exploring and optimising remittance flow, and analysing the influence of the diaspora on innovation. This paper aims to contribute to the field of diaspora economics, illustrating the importance of policymaking and informed research to capitalise on the contribution of diaspora to global development.

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