

CHAPTER IV

THE FACTORS THAT INFLUENCES THE EFFECTIVITY OF INDIA'S REVERSE BRAIN DRAIN

As mention in chapter III about the reverse brain drain phenomenon, there are several actions took by the government of India aims to attract the NRIs who currently stay in the U.S to return to India. Those actions took because the policymakers aware of the impact of losing the highly skilled people in their country. Also, they believe that the role of those skilled people more needed rather than the biggest amount of remittances they received towards the development of India.

To attract those NRIs that currently stay in the U.S, the government of India and the business group provide more job opportunities, especially jobs that relate to their specialization such as Science, technology, and Innovation (STI). Furthermore, the government also give those skilled migrants the number of salaries that commensurate with their income in the U.S. Moreover, there are other factors influence the skilled people to return to India after they spent many years to work and live in the U.S.

This chapter will be divided into two parts, the first and second part discuss about the factors that can support the reverse brain drain phenomenon in India and the effectiveness of those factors.

A. The Promises of India's Government

According to Lee (A Theory of Migration, 1966), there are 4 (four) factors that influence the people to migrate from one country to another, such as factors associated with the area of origin, factors associated with the area of destination, intervening obstacles and personal factors. Factors associated with the area of origin are the factors that influence the decision of the people to leave their country of origins such as the lack of job opportunities, political instability, and the less advanced

technology. Factors associated with the area of destination are the factors that attract the people from other countries to work and stay permanently in the developed countries. Intervening obstacles are the factors that focus on the migration process and regulations. Also, personal factors are the individual reasons that encourage their decision to migrate.

Brain drain phenomenon occurred because the skilled people in India find a difficulty to seek for a job that suitable with their specialization and the other factors like the low amount of wages mainly, the less advanced of technology, the low quality of infrastructures, especially in education. It also influences by the personal reasons like seeking for better and comfortable living conditions or following their relatives. Moreover, at that time, U.S needed a lot of skilled workers to develop their country. To attract the people to work and stay in the U.S, they offered a scholarship to the bright students from other countries to study and work in there for several years after their graduation. They also provide the skilled worker with job opportunities, the bigger amount of salary and the right to stay permanently in there (Morning, 2001).

Those opportunities successfully attract huge number of skilled people and bright students from around the world to study, work and stay permanently in the U.S. The number are increased significantly after the U.S change their foreign policy in migration laws about the quota systems abolishment. This policy called as the Immigration and Naturalization Services Act of 1965 (Chacko, 2007).

According to Chacko (From brain drain to brain gain: reverse migration, 2007) as mention in chapter II about the brain drain phenomenon in India, the 1900 census recorded that there are 2.050 migrant that moves from India to the U.S. After the Immigration and Naturalization Services Act of 1965, the number of immigrant from India to the U.S was increased. Until 2015, the number of the immigrant from India reach 2.4 million approximately 15% of the U.S population. Thus, make India became the 1st country in Asia with the highest number of immigrants in the U.S. Furthermore, in the late of 1970s, the

government began to aware about losing many skilled people due to the brain drain phenomenon.

Moreover, according to Nasscom and Mc Kinsey report in 2015 (Chacko, 2007, p. 134), it estimated that the number of skilled people who return to India in 2000-2004 less than 3%. After the inauguration of Narendra Modi as the Prime Minister of India, the government of India started to concern about the importance of those skilled people to develop their country and took an initiate by approaching the NRIs who stay in the U.S aim to increasing the number of skilled people return to India. The appointment of PM Narendra Modi is the starting point where the reverse brain drain phenomenon occurred in India.

In general, reverse brain drain defined as the type of brain drain where the highly educated people migrate from one county to another. However, in reverse brain drain, those people were moving in reverse. They decide to move from the developed country (host country) to the developing country (home country) that currently develop rapidly. Reverse brain drain phenomenon can occur depending on how the willingness of the country to attract the highly skilled people to return home by creating a strategy and planning over a long period. The countries that are ready to attract those people will try to develop their migration policies and provide a suitable environment for the skilled migrant (Arp, Hutchings, & Smith, 2013).

Mention in chapter III that according to Mohammed bin Rashid Al-Maktoum (How to reverse the brain drain, 2014), there are 2 (two) main components to conduct the reverse brain drain phenomenon successfully. The first component is the opportunity. The government of the home country should create a suitable economic condition to attract foreign investment to their country. By attracting foreign companies to invest in their country, the government create an opportunity for their citizens to enterprise and raise their competitiveness.

The second component is the quality of life. Brain drain phenomenon happened mainly because the people seek for a better job opportunity and a better social and physical

infrastructure, especially in the education sector. Therefore, the government should create a better environment that could fulfill their life's quality.

India became the first country that aware about the importance of reverse brain drain phenomenon to their development. The government of India attempt to attract their skilled migrant who currently stays in the U.S to return and actively participate in the development of India.

After the inauguration of Narendra Modi as the Prime Minister of India in 2014, the government of India started to approach the highly educated NRIs that currently stay and work in the U.S. The government held a discussion with them aim to find the suitable solutions to attract them back to India. According to Jitendra Singh in Mukherjee & Dey (Govt to reverse brain drain, bring back NRI scientists, 2014) to successfully attract those highly skilled NRIs, the government of India promises that they will try to create a conducive environment for skilled NRIs by providing a suitable job position, better social and physical infrastructure and the amount of wages that commensurate with their wages in the U.S in term of purchasing.

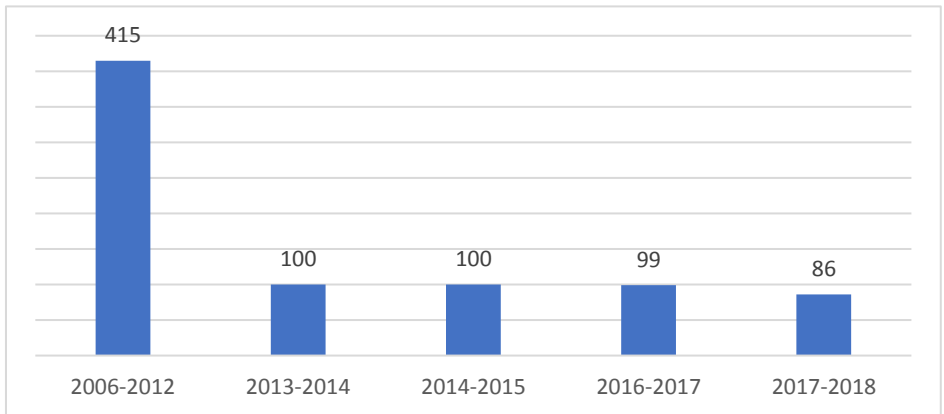
To attract the skilled NRIs to return to India, the government of India decided to develop a conducive environment for them. In 2005, the government began to develop the Bangalore and Hyderabad city to become a high-tech city that suitable for the skilled NRIs. Both of Bangalore and Hyderabad have good social and physical infrastructure and a lot of job opportunity with the amount of wages that commensurate to that in the U.S. Hence, there are a high demand to develop housing and even new township for the returning NRIs (Chacko, 2007).

Therefore, the government of India plans to develop six new townships for the returning NRIs near Hyderabad. This project finished in 2011, one of this new township called 'Fortune NRI Township'. The development will continue as the number of returning NRIs increase (Chacko, 2007).

Furthermore, in the education sector, the government under the Ministry of External Affairs (MEA) conducted a scholarship program specifically for the diaspora children, called as 'Scholarship Programme for Diaspora Children' (SPDC) in 2006. Mention in chapter III that this program aims to attract and accommodate the Indian diaspora children (both PIOs and NRIs) to pursue their higher education level in India (Overseas Indian Affairs, n.d.).

In the beginning, this scholarship program was available only for PIOs and NRIs children with 100 quotas available from 40 selected countries. However, in the academic year 2015-2016, this program was revised with an extension from 40 selected countries to 66 countries (including 17 ECR countries), the number of quotas available for the scholarship recipients increase to 150 seats and the children of Indian workers in ECR (Emigration Check Required) countries allowed to apply for this scholarship. Until 2017, there are approximately 800 candidates awarded with this scholarship program (see figure 5 4.1) (Overseas Indian Affairs, n.d.).

Figure 5 4.1 The Number of SPDC Awardees from 2006-2018



Source: MEA – Ministry of External Affairs Government of India.
<http://www.mea.gov.in/spdc.htm> and SPDC portal
<https://www.spdcindia.gov.in/login/index.ph>

The figure above shows the number of SPDC's awardee from the beginning until the academic year 2017-2018. It estimated that from 2006 until 2012 there are approximately 415 candidates who received this scholarship program. Then in the academic year 2013-2014, this program started to gain the recognition and attract more Indian diaspora student. However, in the academic year 2015-2016, there is no enrollment for a new batch of SPDC's awardees because the program was revised to accommodate more Indian diaspora students to study in India.

On April 2018, the Ministry of Human Resources and Development (MHRD) launched 'Study in India' program. Aim to attract many international students to achieve their higher education in India. The government launched this program with an intention to make Study in India program become a solution to reversing the brain drain phenomenon by introducing the

India diaspora children to the roots of their origins. Through this program, the government hopes that it could strengthen India's position in global level and it would improve the global education ranking of India (Ranjan, 2018).

This program is offering the fee waivers (scholarships) like General Scholarships Scheme (GSS) for the international students from Asia, Africa, and Latin America. The other scholarship is the Scholarships Programme for Diaspora Children (SPDC) for the PIOs, NRIs and the children of India workers in ECR countries. Thus, make the SPDC no longer be part of Ministry of External Affairs (MEA), but it became the part of Study in India program under the Ministry of Human Resources and Development (MHRD) (Ranjan, 2018).

B. The Increasing Number of FDI and MNCs in India

Mention in the first chapter that FDI (Foreign Direct Investment) and MNCs (Multinational Corporation) are two terms that somehow related to each other but not a perfect synonym. In general, the term of FDI defined as the financial process in the form of investment where the companies were operating and controlling the economic activities in other countries outside their country of origins. While MNCs is the corporation that is operating and controlling their production of goods and services by establishing the branch office in other countries (host countries), The government of the host countries should conduct, supervise and control the FDI activities through some policy.

According to Cohen (Multinational Corporations and Foreign Direct Investment: Avoiding Simplicity, Embracing Complexity, 2007, pp. 66-71) there are four types of FDI. Those are resource-seeking FDI, market-seeking FDI, efficiency-seeking FDI, and the strategic asset-seeking FDI. First, the resource-seeking FDI. **Resource-seeking FDI** is related to the activity of the MNCs which focuses on finding a better resource for their companies. The decisions to choose the suitable location determined by the factors of geology and climate in the host countries. The other factors such as the quality of the

natural resources, accessibility of the raw material, transportation, infrastructure, and the host countries policy about tax and regulation for the MNCs. The better the quality of resource and location in the host countries most likely to attract more companies to invest in their country.

Market-seeking FDI is the type of investment that aims to expand their range of goods and services market in foreign countries and to minimize the time and cost in the exporting process by establishing a subsidiary in the geographically strategic host countries. Establishing a foreign subsidiary in the strategic location could give an advantage for the companies to modify their products to meet the need and taste of local consumers. Among the 4 (four) types of FDI stated above, market-seeking FDI considers as the most potential type of investment that could bring more benefits to the host countries. Market-seeking FDI most likely brings more advanced technology and better marketing strategy. They tend to create highly skilled jobs and would give additional tax revenue to the host countries.

Efficiency-seeking FDI aims to reduce the cost of production. In general, there are 2 (two) main factors of this kind of investment. The first factor is the companies would likely establish a foreign subsidiary in the low-wage countries to get cheap labor. The second factor related to the economies of scale, where the companies should minimize the cost of production and maximize the product selling. Besides those 2 (two) factors, there are a lot of factors that underlying the establishment of a foreign subsidiary from the companies, depends on their policy. Although, mostly about seeking the large number of labor supply.

However, the cheap labor is not always become the main factor of this FDI. If the subsidiary could successfully create a high quality of products, there is a possibility that they will create a high-wage jobs in the host countries.

And the last is the **strategic asset-seeking FDI**. This investment related to the competitiveness between foreign companies in the host countries to acquire some or all assets to

achieve their targets. Their objective is clear that the companies should acquire the assets to strengthening their competitive position and weakening their competitors. To acquire the strategic assets, the companies could defeat their competitors by upgrading their technology and product. Nevertheless, this FDI will not directly affect the host countries, except the possibility to reduce the competition in the goods and services market.

Foreign Direct Investment (FDI) plays an essential role in supporting the economic development in India. It considered as the main monetary source for their economic development. The existences of FDI in India started in 1991, where the liberalization of economy happened. After that event, the number of FDI and a foreign subsidiary in India slightly increased (Make in India, n.d.).

To encourage more foreign investment and MNCs to India, the government took an initiative to revise the FDI policy in 2014. The government was increasing the limit for foreign investment in the insurance sector from 26% to 49%. They also launched a program called 'Make in India' to improve their manufacturing sector. Hence, in 2015 the FDI inflow in India has increased by 48% and successfully attracted investment of \$31 billion. Thus, make India became the country with the biggest amount of investment in the world (Singh, 2015)

Furthermore, to accommodate a lot of FDI and MNCs in India, the government decided that the development of industrial and commercial sector should be centralized in the city of Bangalore and Hyderabad. Bangalore was known as the most prominent industrial sector in India. A lot of large public and private industrial sectors established in Bangalore. There are several kinds of the industrial sector that established in Bangalore such as manufacturing textile, food and beverages, engineering and IT firms. Meanwhile, Hyderabad had known as India's richest feudal state since the independent of India. This city became the center of pearl and other gems trading sectors (Chacko, 2007, p. 135).

As already mentioned in chapter III that in Bangalore, since the development of the first Software Technology Parks of India (STPI) was established in the early of 1990s, there has been a distribution of technology parks in the urban centers across India. The role of STPI is like the export processing zones for software development in India. They provide infrastructure and tax exemptions to the software company that established in there for five years. The development of STPI in Bangalore created an opportunity for both U.S and local Indian IT software companies to establish the headquarter there and offering numerous job opportunities for the returning NRIs. The STPI in Bangalore was built in the 330 landscaped acres of land located in the suburb area (Chacko, 2007). In 2006 recorded that the total of STPI units are 47 units. Since 2006 until 2018, the total number of STPI units that registered in Bangalore reach 529 units (Member units, n.d.)

Meanwhile, in Hyderabad, most of the development has taken place in the northwest area, in the city of Madhapur, Gachibowli, Nanakramguda, and Vatingunapally. The government is actively promoting the Hyderabad as the high-tech city to attract the skilled NRIs especially the scientist and engineer. To successfully promoting the Hyderabad, the government of India established Hyderabad Information Technology Engineering Consultancy City (HITEC) City, facilitate with is the famous campus of information technology, engineering, health and bioinformatics in India (Chacko, 2007, p. 137).

The establishment of HITEC City encouraged a lot of MNCs and local Indian IT sector to establish their companies there. There are more than 1300 IT companies that provide an employment for 407,000 people. There are some notable MNCs and local Indian companies that establish their offices in Hyderabad such as Microsoft, Apple, Amazon, Google, Facebook, IBM, Yahoo!, Polaris, Wipro, Infosys and Tata Consultancy Services (TCS). Those leading IT companies look to hire the returning skilled NRIs from the U.S to work in the middle and top-level position in their companies. Due to the

efforts from the state and city government in India to attracts a lot of foreign investment, the development of IT sectors and R&D sectors in Bangalore and Hyderabad successfully attract approximately 200,000 NRIs from the U.S to return to India every year (Chacko, 2007, p. 137) .