

Vision for Advancing and Anchoring Productive Sending of Income (VAAPSI)

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Executive Summary:

This policy brief examines India's remittance economy and proposes a structural policy framework to redirect remittance inflows toward productive investment. India currently receives approximately \$129–135 billion annually in remittances, making it the world's largest remittance recipient and a major beneficiary of diaspora capital. While these inflows significantly support macroeconomic stability by financing nearly 42% of the merchandise trade deficit, their developmental impact remains weak due to poor "productive absorption." This arises as a consequence of a structural absorption gap. Therein, remittances are disproportionately directed toward household consumption, residential real estate, and gold rather than employment-generating sectors such as SMEs, manufacturing, or agriculture. Interstate inequalities in migration and existing economic development only exacerbate this gap.

A major structural shift identified is the growing dominance of advanced economies, especially the United States and United Kingdom, as remittance source countries. These corridors generate substantially higher per-migrant remittance values due to the concentration of Indian professionals in skilled sectors. The brief argues that India's future remittance strategy must therefore target a digitally connected, higher-income diaspora interested in structured long-term investments rather than short-term transfers.

The central recommendation, following a review of possible alternatives, is the creation of the Remittance Co-Investment Zone (RCIZ) framework. RCIZ proposes geographically designated productive investment zones in high out-migration districts where NRIs invest through special purpose vehicles (SPVs). Under the model, NRIs hold 74% equity while states contribute land through concessional leases and retain 26% equity. Investments are channeled through a new RBI-regulated NRI Productive Investment Account (NPIA), designed to ring-fence funds for productive sectors while offering preferential taxation and repatriation rights. The framework emphasises institutional coordination, phased implementation, public accountability, and performance-linked incentives. By Year 5, the policy targets ₹50,000 crore in productive NRI capital mobilisation through a 25:1 leverage ratio on a ₹2,000 crore public corpus. The brief concludes that RCIZ transforms remittances from a passive macroeconomic stabiliser into an active instrument for employment generation, enterprise development, and regional economic transformation.

1. The Problem

Under-Utilisation of Remittances: India's Productive Absorption Challenge

India's remittances, which are estimated at \$129–135 billion annually,¹ constitute one of the country's largest and most stable external capital inflows. They exceed foreign direct investment (FDI) by more than twofold. While these flows significantly strengthen macroeconomic stability by financing nearly 42% of the merchandise trade deficit and supporting the current account, their developmental impact remains limited. The central policy challenge is not the volume of inflows, but the weak productive absorption of remitted capital.

¹This is also the figure on the basis of which the '10–20%' calculation of '~\$15–25B' has been conducted. (World Bank KNOMAD, December 2024).

²World Bank: The Remittance Market in India; RBI Handbook of Statistics on the Indian Economy, 2025; RBI 6th Remittances Survey, March 2025. ³Ibid.

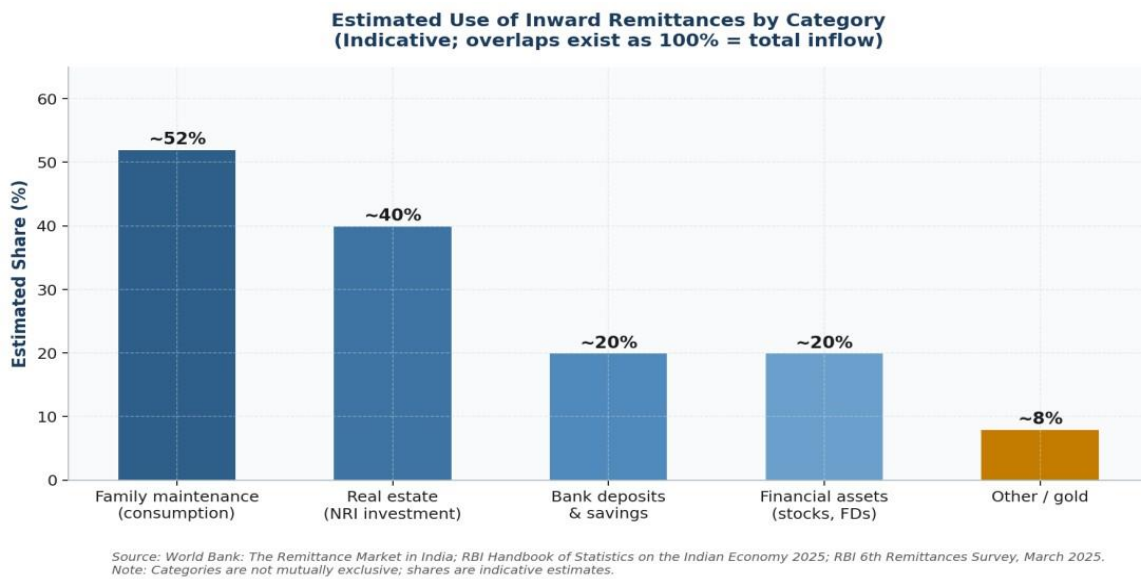


Figure 1: Estimated Use of Inward Remittances by Category (Indicative; overlaps exist as 100% = total inflow)

A large share of remittances is directed toward household consumption, real estate, and gold. Approximately half is used for consumption expenditure, while nearly 40% flows into housing and property,² often include low-productivity or underutilised assets. Gold functions similarly as a passive store of value rather than a productive investment. In contrast, only a minimal and poorly tracked share (of total remittances) reaches sectors such as small and medium enterprises (SMEs) and agriculture.³ This creates a structural "absorption gap", capital accumulation without corresponding output, employment, or productivity gains.

The economic implications are substantial. Remittances represent a form of patient and relatively stable capital that could support enterprise formation, rural industrialisation, and local employment generation. Instead, the dominance of passive asset investment produces weak multiplier effects, reinforcing a consumption-led growth pattern rather than investment-led structural transformation. Even modest reallocation toward productive sectors could significantly expand rural entrepreneurship, employment, and tax revenues.

The problem also deepens regional inequality. Remittance inflows are concentrated in a few states, particularly Maharashtra, Kerala, and Tamil Nadu, which together receive over half of total inflows. These regions also benefit disproportionately from higher-skilled migration and larger investible surpluses. In contrast, northern states such as Bihar, Uttar Pradesh, and Rajasthan receive comparatively smaller, consumption-oriented remittances linked to low-skilled migration. As a result, remittance utilisation patterns increasingly reinforce divergent regional development trajectories.

At the household level, migrants often prioritise safety, liquidity, and social prestige, leading to overinvestment in housing and gold. Real estate in particular functions as both a financial safeguard and a status symbol, encouraging capital allocation into low-yield assets. However, these behavioural choices are shaped by deeper structural constraints rather than individual preference alone.

India lacks a credible institutional pipeline that channels remittances into productive domestic investment. High transaction and information costs, fragmented regulation, weak local investment ecosystems, and the absence of standardised diaspora-focused financial products limit participation in productive sectors. SME and agricultural investments remain constrained by poor project visibility, low trust, and weak enforcement mechanisms. Existing diaspora instruments, including diaspora bonds,

remain episodic and insufficiently scaled, while the absence of granular remittance-use data undermines evidence-based policymaking. Dependence on a narrow set of source countries, accounting for nearly 65% of total remittances, further increases external vulnerability.

Consequently, India's remittance model currently delivers macroeconomic stability and household welfare, but insufficient productive transformation. The core issue is not misuse of remittances, but weak intermediation and distorted incentives that prevent diaspora capital from being integrated into long-term domestic development. Unless India creates low-friction, trust-based mechanisms linking remittances to productive investment opportunities, rising inflows may continue to inflate passive assets and deepen inequality rather than catalyse sustainable economic transformation.

2. Trend Analysis and Projection

India has been the world's largest remittance recipient since 2008. Between FY 2014-15 and FY 2024-25, inflows grew from \$70 billion to \$135.46 billion. An 84% increase with a cumulative total of approximately \$982 billion across the period (World Bank KNOMAD, 2024; RBI Bulletin, March 2025).

FY 2014-15 to FY 2018-19 reflects moderate growth punctuated by a sharp 13.9% contraction in FY 2016-17, attributable to simultaneous demonetisation and the Gulf oil price collapse. Recovery followed but remained structurally concentrated in the GCC corridor, leaving underlying vulnerability unaddressed. FY 2019-20 to FY 2021-22 is the most significant as COVID-19 produced a near-zero contraction of 0.2%, as falling Gulf flows were offset by resilient Advanced Economy inflows, confirming a structural compositional shift. The 2022 rebound of 24.7% crossed \$100 billion for the first time. By FY 2023-24, Advanced Economies overtook the GCC for the first time on record, with the US alone contributing 27.7% (RBI 6th Round Remittances Survey, March 2025). FY 2023-24 to FY 2024-25 reflects natural moderation toward a sustainable growth band.

Under the BAU trajectory, derived from RBI's forward estimate. The total inflows are projected to reach approximately \$164 billion by FY 2029-30, implying a compound annual growth rate of approximately 3.4% from the current base (RBI Bulletin, March 2025). While the aggregate growth trajectory remains positive, the productive investment share of those inflows is projected to remain stagnant at approximately 6% or \$8-10 billion annually, with the dominant share continuing to flow into residential real estate and gold.

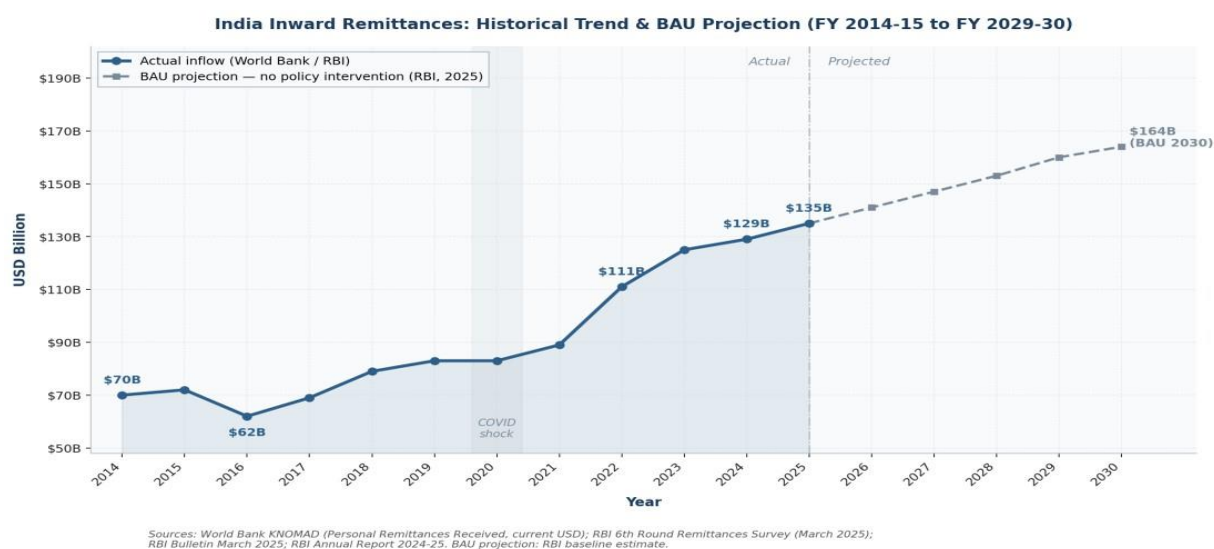
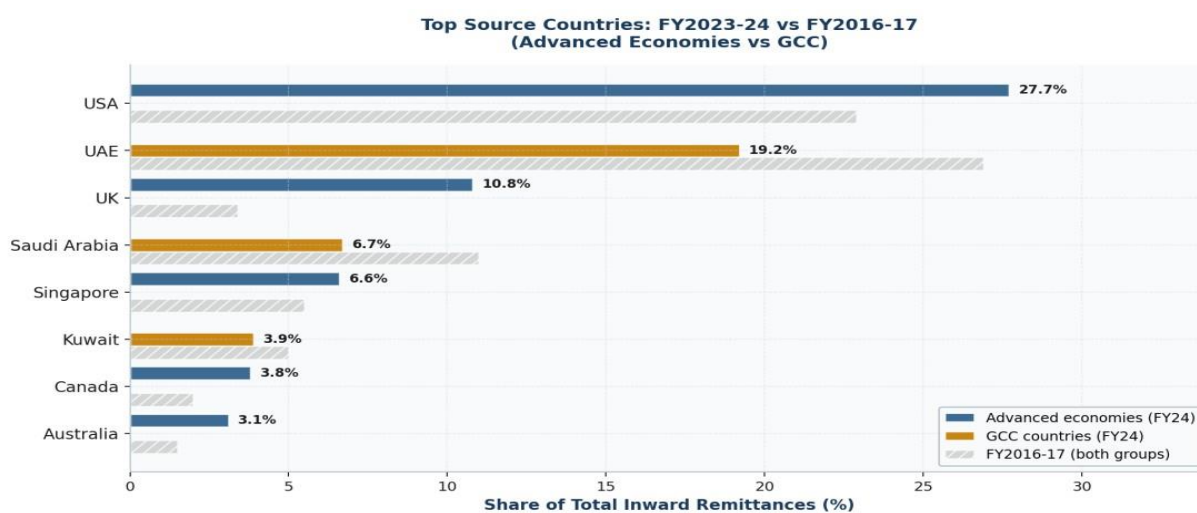


Figure 2: India Inward Remittances: Historical Trend & BAU Projection (FY 2014-15 to FY 2029-30)

3. Source Country Analysis and Structural Shifts

India's remittance receipts are geographically concentrated in a small number of source corridors, and their composition has undergone a fundamental structural reorientation over the past decade. Figure 3 and Table 1 document the shift in source country distribution between FY 2016-17 and FY 2023-24.

Advanced Economies, led by the United States (27.7%), United Kingdom (10.8%), Singapore (6.6%), Canada (3.8%), and Australia (3.1%), now collectively account for over 51% of total inflows, surpassing the Gulf Cooperation Council (GCC) for the first time on record. The United States has consolidated its position as the single largest source corridor, with its share rising by 4.8 percentage points. The United Kingdom's share has more than tripled from 3.4% to 10.8%, in part reflecting expanded migration facilitated by the India-UK Migration and Mobility Partnership of 2021. Conversely, the UAE's share has fallen from 26.9% to 19.2%, while Saudi Arabia has contracted from approximately 11% to 6.7%. The GCC's aggregate share has declined from 46.7% to 37.9%.



Source: RBI 6th Round Remittances Survey (March 2025); RBI Bulletin March 2025

Figure 3: Top Source Countries: FY2023-24 vs FY2016-17 (Advanced Economies vs GCC)

Table 1: Country-Level Remittance Shares and Structural Shifts

COUNTRY	SHARE FY24	SHARE FY17	TREND	CATEGORY
USA	27.7%	22.9%	▲ +4.8pp	Advanced Economy
UAE	19.2%	26.9%	▼ -7.7pp	GCC
UK	10.8%	3.4%	▲ +7.4pp	Advanced Economy
Saudi Arabia	6.7%	~11.0%	▼ -4.3pp	GCC
Singapore	6.6%	5.5%	▲ +1.1pp	Advanced Economy
Kuwait	3.9%	~5.0%	▼ -1.1pp	GCC
Canada	3.8%	~2.0%	▲ +1.8pp	Advanced Economy
Australia	3.1%	~1.5%	▲ +1.6pp	Advanced Economy

Source: RBI 6th Round Remittances Survey (March 2025); RBI Bulletin March 2025

Table 1: Country-Level Remittance Shares and Structural Shifts

Table 2 contextualises these shifts through a per-migrant lens. Despite hosting comparable diaspora populations, the per-migrant annual remittance contribution varies substantially across corridors. An

Indian professional in the United States remits an estimated \$11,700 annually, compared to \$7,200 from a UAE-based worker and \$3,500 from a Saudi Arabia-based migrant. The United Kingdom corridor generates the highest per-migrant flow at approximately \$15,700, reflecting the concentration of Indian professionals in healthcare, finance, and technology. This differential is primarily attributable to occupational composition: 78% of Indian migrants in the United States are employed in skilled sectors, while GCC-based migrants remain concentrated in lower-wage construction and services roles. As a result, relatively modest increases in Advanced Economy migration yield disproportionately large gains in aggregate remittance value

Table 2: Diaspora Size vs Remittance Contribution (Estimated Per-Migrant Flows)

COUNTRY	INDIAN DIASPORA (2024)	REMITTANCE SHARE	APPROX. PER-MIGRANT (USD/YR)	PRIMARY SECTOR
UAE	~3.5M (17% of all emigrants)	19.2%	~\$7,200	Blue-collar (construction, hospitality)
USA	~3.1M (17%)	27.7%	~\$11,700	IT, finance, healthcare (78% skilled)
Saudi Arabia	~2.5M	6.7%	~\$3,500	Construction, services
UK	~900k	10.8%	~\$15,700	Professional, healthcare, students

Per-migrant estimates derived from: RBI total FY24 = \$118.7bn; RBI source shares; Ministry of External Affairs diaspora data (November 2024); UN DESA International Migrant Stock 2024. Figures are approximations.

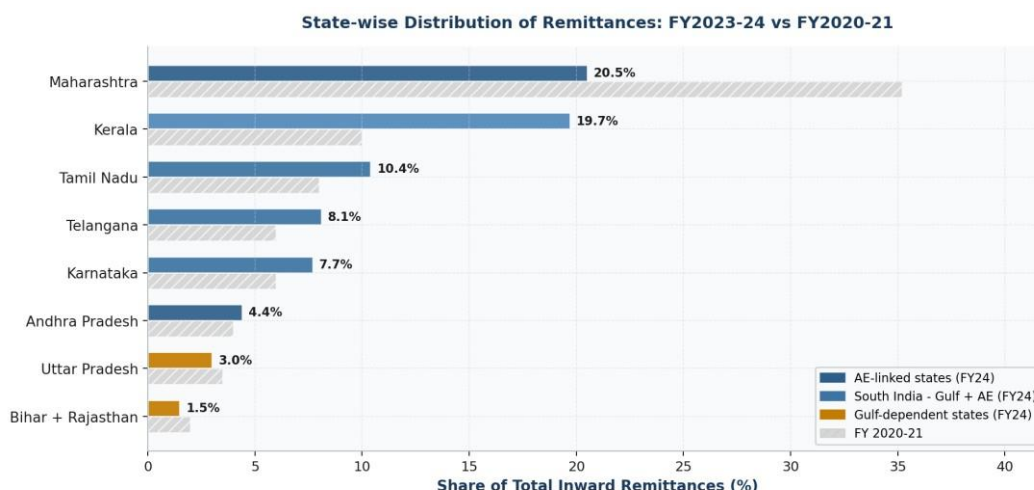
Table 2: Diaspora Size vs Remittance Contribution (Estimated Per-Migrant Flows)

The GCC decline is structural in character. Nationalisation policies, including Saudi Arabia's Nitaqat programme and the UAE's Emiratisation initiative, systematically constrain blue-collar employment for migrant workers. Automation in construction and economic diversification away from labour-intensive industries compound this trajectory. These forces are unlikely to reverse. The policy implication is direct: interventions should be calibrated to the profile of the Advanced Economy diaspora, a high-income, digitally proficient, and long-term investment-oriented population for whom structured equity instruments carry genuine appeal.

4. State-wise Distribution and Regional Absorption

The geographic distribution of remittance inflows within India is highly concentrated and reinforces, rather than corrects, existing patterns of regional inequality. Figure 4 and Table 3 document state-wise shares for FY 2023-24 compared to FY 2020-21.

Maharashtra and Kerala together account for approximately 40% of total inflows, receiving 20.5% and 19.7% respectively. Tamil Nadu, Telangana, and Karnataka collectively contribute a further 26.2%. These five states, benefiting from both Gulf and Advanced Economy migration corridors, absorb nearly two-thirds of all remittances. In contrast, Bihar and Rajasthan combined receive less than 2% of total inflows, and Uttar Pradesh accounts for approximately 3%, despite these three states containing some of India's largest out-migrant populations.



Source: RBI 6th Round Remittances Survey (March 2025); RBI Bulletin March 2025

Figure 4: State-wise Distribution of Remittances: FY2023-24 vs FY2020-21

Table 3: State-wise Distribution of Inward Remittances

STATE	SHARE FY24	SHARE FY21	CHANGE	PRIMARY SOURCE COUNTRIES
Maharashtra	20.5%	35.2%	▼ -14.7pp	US, UAE
Kerala	19.7%	~10%	▲ +9.7pp	UAE (Gulf - dominant)
Tamil Nadu	10.4%	~8%	▲ +2.4pp	Diverse: UK, AU, SG, US, Malaysia
Telangana	8.1%	~6%	▲ +2.1pp	US (IT sector)
Karnataka	7.7%	~6%	▲ +1.7pp	US, UK
Andhra Pradesh	4.4%	~4%	~flat	US
Uttar Pradesh	~3%	~3.5%	▼ slight	Gulf (Saudi Arabia, UAE)
Bihar + Rajasthan	<2%	~2%	~flat	Gulf (lower-skilled migration)

Source: RBI 6th Round Remittances Survey (March 2025); RBI Bulletin March 2025; Wikipedia Remittances to India

Table 3: State-wise Distribution of Inward Remittances

This divergence reflects a structural asymmetry in migration composition. Southern and western states send a higher proportion of skilled migrants to Advanced Economy destinations, generating larger per-migrant remittances and an investible surplus above immediate household consumption needs. Northern states predominantly supply lower-skilled labour to GCC construction and services sectors, generating smaller absolute remittances that are more fully absorbed by household consumption, with minimal residual available for productive investment. The result is that the states most in need of capital formation to support structural transformation receive the least investible remittance income, while states that are already institutionally stronger continue to attract larger flows.

Kerala's near-doubling of its remittance share from approximately 10% in FY 2020-21 to 19.7% in FY 2023-24 is partially explained by its active diaspora engagement infrastructure through NORKA, which provides dedicated institutional support for investment facilitation. The absence of comparable mechanisms in Bihar, Uttar Pradesh, and Rajasthan is a proximate cause of their persistent absorption deficit. This institutional gap is the direct problem the RCIZ framework addresses, by building state-level productive investment capacity in precisely the districts that generate out-migration but currently receive little productive return from it.

⁴An SPV (Special Purpose Vehicle) is a legally incorporated company created solely to hold zone assets, receive enterprise revenue, and distribute profits, providing legal separation between the investor's personal finances and the investment.

⁵The 74:26 split derives from Section 114 of the Companies Act 2013, under which special resolutions require a 75% supermajority, conferring minority veto rights on the state's 26% stake. Direct precedent: Government of Kerala NRK Investment and Holding Company Ltd (2019), Cabinet Decision, July 10, 2019.

5. Policy Alternatives

Three major policy alternatives can address the under-utilisation of remittances by improving their productive absorption into the domestic economy.

First, targeted fiscal incentives can encourage migrant households to invest remittances in SMEs, agriculture, and income-generating assets through tax concessions, capital gains relief, and reduced stamp duties. Such measures preserve household choice while nudging capital away from passive assets like gold and speculative real estate. However, their effectiveness depends on the availability of credible investment opportunities and robust monitoring systems to prevent misclassification or round-tripping of funds.

Second, diaspora bonds and infrastructure-linked investment instruments can provide NRIs with secure, sovereign-backed avenues for long-term investment in infrastructure, rural development, and strategic sectors. These instruments align well with diaspora preferences for low-risk and stable returns while mobilising largescale capital for development. Yet their success depends heavily on trust in government credibility, macroeconomic stability, and consistent policy continuity. Historically, such instruments have remained episodic rather than institutionalised.

Third, a single-window NRI investment platform could reduce transaction costs and regulatory fragmentation by integrating approvals, KYC compliance, and curated investment opportunities into one digital ecosystem. While this would address major market frictions and information asymmetries, its impact may remain limited unless supported by stronger local investment ecosystems and a pipeline of bankable projects.

6. Policy Recommendation

India's remittance inflows at \$135 billion in FY 2024-25, exceeding Foreign Direct Investment (FDI) by more than 2:1 and financing 42.2% of the merchandise trade deficit, represent the country's most resilient source of external finance (RBI 6th Round Remittances Survey, March 2025). Yet approximately 40% flows into vacant residential housing and a significant share into gold, neither generating employment nor downstream economic activity (RBI Handbook of Statistics, 2025). Hence, we recommend the establishment of the **Remittance CoInvestment Zone (RCIZ) framework**. RCIZ is a nationally coordinated productive investment scheme channelling NRI diaspora capital into designated enterprise zones in less developed, high out-migration districts through a structured equity partnership between the diaspora investor and the state government, governed by RBI and operationalised by the Ministry of Finance as a Centrally Sponsored Scheme with a corpus of Rs. 2,000 crore over five years.

6.1 Remittance Co-Investment Zone (RCIZ)

The RCIZ framework designates geographically bounded productive investment zones in less developed, high out-migration districts. NRI investors contribute private capital into SPVs⁴ while state governments contribute land on a 30 year concessional lease as equity in kind. The NRI holds 74% permanent equity; the state holds 26%.⁵ Central and state governments fund one-time boundary infrastructure. The NRI funds and operates the enterprise inside. Annual profits are shared at the 74:26 split, with the NRI's share repatriated in foreign currency. While the principal stays permanently in India, eliminating the sovereign liability risk of earlier debtbased instruments such as the 1998 Resurgent India Bonds.

⁴An SPV (Special Purpose Vehicle) is a legally incorporated company created solely to hold zone assets, receive enterprise revenue, and distribute profits, providing legal separation between the investor's personal finances and the investment.

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6.2 Key Components

The Financial Instrument: NRI Productive Investment Account (NPIA)

The NPIA is the financial gateway through which remittance capital enters the RCIZ framework. It proposes an RBI-governed account category, created through a regulatory circular amending FEMA Schedule 4, requiring no new primary legislation. It proposes Ring-fenced funds exclusively for zone SPV investment; it cannot be deployed toward residential real estate or gold acquisition. The account is digitally accessible through any scheduled commercial bank in India via DigiLocker KYC, carrying a preferential 10% withholding tax¹ on profit distributions and full foreign currency repatriation rights after a three-year lock-in period. The minimum investment threshold is Rs. 25 lakhs.

The Equity Structure: 74:26 SPV

Every RCIZ investment is held through a Special Purpose Vehicle (SPV), a legally incorporated company under the Companies Act 2013, created for the singular purpose of owning, operating, and distributing returns from a specific zone enterprise. The NRI investor holds 74% permanent equity, contributed through the NPIA account. While the state holds 26% equity in-kind, contributed through the provision of land on a 30-year concessional lease. Profits are retained and reinvested for the first three years and distributions only commence upon confirmed operational stability. Performance conditions are written into the SPV agreement. Failure to meet these conditions triggers the state's right to reclaim land. Exit from the framework is through secondary market transfer, with no buyout obligation on the state or RBI.

Zone Location and Designation

Zones must be located in districts meeting the following criteria: below the national average per capita income, below the national average infrastructure index, and documented high out-migration rates. Participation is demand-driven and open to all states regardless of current remittance position. States qualify for zone designation upon demonstrating surplus government land in the initial phase, avoiding land acquisition complications. Eligible enterprise categories include agri-processing, rural manufacturing, and commercial clusters generating employment and productive output.

The Governance Mechanism: Remittance Investment Coordination Council

Standing inter-ministerial body chaired by the Finance Secretary, with representation from RBI and MEA, the inter-institutional governance architecture. An annual zone performance report is mandated and tabled in Parliament, creating a public accountability mechanism that extends beyond internal government oversight.

The Demand Activation: MEA Investment Desks

Dedicated investment facilitation desks are established within Indian diplomatic missions in the UAE, USA, UK, and Singapore⁷. The desks connect NRI investors to zone opportunities, facilitate NPIA account opening, and organise annual investment fairs integrated into the existing Pravasi Bharatiya Divas program.

¹ This makes productive zone investment materially more attractive than the standard 20-30% rate applicable to NRI capital gains. ⁷The four corridors collectively account for over 64% of India's remittances (RBI 6th Round Remittances Survey, March 2025)..

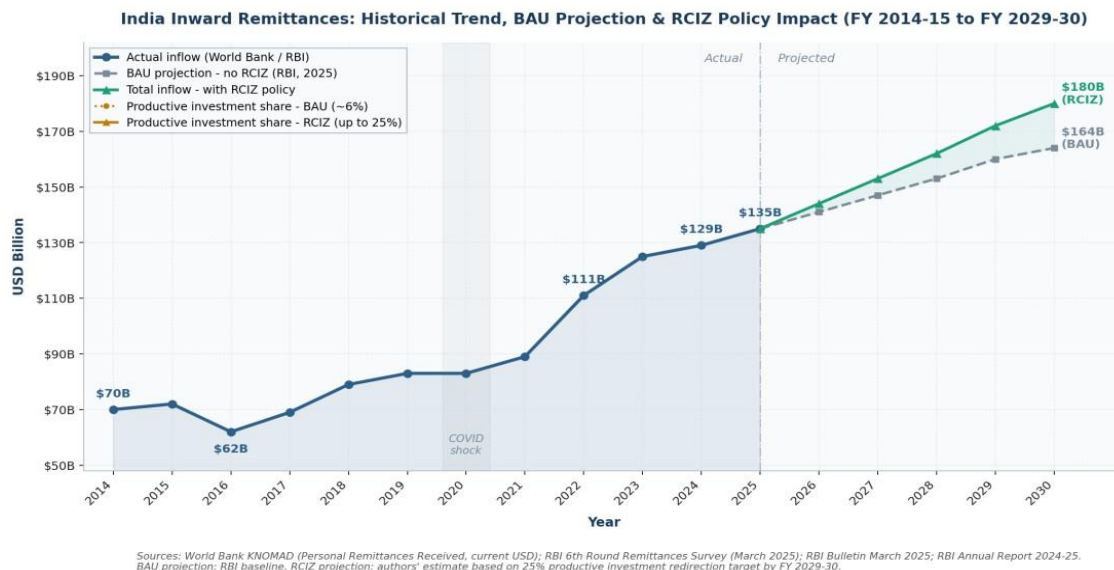


Figure 5: India Inward Remittances: Historical Trend, BAU Projection & RCIZ Policy Impact (FY 2014-15 to FY 2029-30)

6.3 Implementation Strategy

Implementation Strategy

Institutional mandates and responsibilities within the RCIZ framework

INSTITUTION	MANDATE WITHIN THE RCIZ FRAMEWORK
Reserve Bank of India <small>APEX REGULATOR</small>	Issues NPPIA account category circular under FEMA Schedule 4. Approves SPV profit repatriation architecture. Recommends preferential 10% withholding tax on NPPIA distributions to Parliament. Serves as apex financial regulator throughout.
Ministry of Finance / DPIIT <small>SCHEME OPERATIONALISER</small>	Issues CSS scheme notification establishing the ₹2,000 crore corpus. Disburses performance-linked tranches to qualifying states. Maintains DPIIT zone investment portal. Chairs the Remittance Investment Coordination Council.
State Governments <small>ZONE OPERATORS & CO-INVESTORS</small>	Designate zones in less developed high out-migration districts on surplus government land. Provide land on 30-year concessional lease as 26% equity in-kind contribution to SPV. Staff NRI Investment Desks. Contribute 40% of one-time boundary infrastructure costs.
Ministry of External Affairs <small>DEMAND ACTIVATION</small>	Establishes Remittance Investment Desks in Indian missions in UAE, USA, UK, and Singapore. Organises annual diaspora investment fairs integrated into Pravasi Bharatiya Divas. Negotiates bilateral transfer cost reduction agreements in key corridors.

CSS – Centrally Sponsored Scheme · DPIIT – Department for Promotion of Industry and Internal Trade · FEMA – Foreign Exchange Management Act · NPPIA – NRI Productive Investment Account · SPV – Special Purpose Vehicle · CAG – Comptroller and Auditor General of India

Table 4: Implementation Strategy

6.4 Phased Rollout of the RCIZ Framework

PHASE	KEY ACTIONS	INSTITUTIONAL LEAD	MILESTONE AND TRIGGER
Phase 1 Year 1 Instrument and Designation	<p>RBI issues NPIA account category circular under FEMA Schedule 4.</p> <p>MoF issues CSS scheme notification establishing the Rs. 2,000 crore corpus.</p> <p>MEA activates Remittance Investment Desks in UAE and USA missions.</p> <p>Remittance Investment Coordination Council convened with dedicated secretariat.</p> <p>States submit zone designation applications to DPIIT.</p>	<p>RBI (apex regulator)</p> <p>Ministry of Finance and DPIIT</p> <p>Ministry of External Affairs</p>	<p>Tranche 1 released upon verified administrative readiness: surplus land confirmed with clear title, NRI Investment Desk staffed, and state 40% co-contribution committed in state budget.</p> <p>Tranche 1 funds one-time boundary infrastructure construction (access road, power connection, water main, broadband cable to zone boundary).</p> <p>Central government outlay in Year 1: approximately Rs. 150 to 200 crore across initial zones.</p>
Phase 2 Years 2 to 3 Pilot Operation	<p>Zones open for NRI investment through NPIA accounts.</p> <p>SPV agreements executed with 74:26 equity structure activated.</p> <p>Enterprises begin construction and operation inside zones.</p> <p>MEA Investment Desks activated in UK and Singapore missions.</p> <p>Profit retention period: all enterprise profits reinvested internally, no distributions until operational stability is confirmed.</p>	<p>State Governments</p> <p>RBI (repatriation oversight)</p> <p>DPIIT (portal and monitoring)</p> <p>MEA (outreach)</p>	<p>Tranche 2 released upon independent verification that zone enterprises are operational and generating employment.</p> <p>Mandatory independent CAG audit at end of Year 3.</p> <p>Audit assesses: volume of NRI capital deployed, number of operational enterprises, employment generated, and state co-contribution compliance.</p> <p>Target: Rs. 15,000 crore NRI capital deployed across pilot zones.</p>
Phase 3 Years 4 to 5 National Rollout	<p>Annual profit distributions commence: 74% repatriated to NRI investors in foreign currency, 26% credited to state governments in rupees.</p> <p>Framework extended to all states meeting readiness and location criteria on demand-driven basis.</p> <p>Non-performing pilot zones placed on public watch list with no Tranche 3 eligibility.</p> <p>Full Parliamentary review at Year 5.</p>	<p>MoF and DPIIT (national rollout)</p> <p>CAG (audit and accountability)</p> <p>All participating state governments</p> <p>Remittance Investment Coordination Council</p>	<p>Tranche 3 released contingent on positive Year 3 CAG audit, funding boundary infrastructure for new zones in national rollout states only. Existing pilot zones are self-sustaining at this stage.</p> <p>Full Parliamentary review at Year 5: Coordination Council tables formal recommendation for continuation, expansion, or termination. Parliament decides.</p> <p>Target: Rs. 50,000 crore NRI capital deployed nationally, representing a 25:1 leverage ratio on the Rs. 2,000 crore Central government investment.</p>

Note: Timeframes indicate phased implementation. Tranche releases are performance-contingent and subject to independent CAG audit verification. CSS: Centrally Sponsored Scheme. DPIIT: Department for Promotion of Industry and Internal Trade. FEMA: Foreign Exchange Management Act. NPIA: NRI Productive Investment Account. SPV: Special Purpose Vehicle. CAG: Comptroller and Auditor General of India.

6.5 Administrative Mechanism

The framework operates through three sequential processes that together form the complete investment lifecycle.

1. Zone Designation

A state initiates participation by submitting an application to DPIIT demonstrating that it meets three conditions: surplus government land in a less developed, high out-migration district with clear legal title and an NRI Investment Desk staffed and operational. DPIIT verifies the application within 60 days. If no response is issued within 90 days, deemed approval applies. Only once a zone is formally designated does it appear on the DPIIT investment portal making it visible and accessible to NRI investors.

⁸Current South Asia average transfer cost: 5.8% (World Bank RPW, 2024).

2. NRI Investment

The NRI opens an NPIA account digitally through any scheduled commercial bank using DigiLocker KYC, requiring no physical visit. They select a zone SPV from the DPIIT investment portal, which lists available zones by state, district, sector, and minimum investment threshold. A minimum of Rs. 25 lakhs is transferred from the overseas account, converted to rupees at the prevailing exchange rate and deployed into the SPV as 74% permanent equity. The three-year lock-in period then begins, during which all enterprise profits are retained and reinvested internally. Annual profit distributions commence after the three-year lock-in. Exit is through secondary market transfer, with proceeds repatriated through the NPIA as profit from the transaction.

3. Performance Monitoring

An independent CAG audit is conducted annually, tracking five metrics across every zone: volume of NRI capital deployed, number of operational enterprises, employment generated, state profit distributions made, and secondary market transactions completed. Results are published in the annual Parliamentary report tabled by the Coordination Council, ensuring public visibility. Zones that fail to meet performance benchmarks lose Tranche 3 eligibility and are placed on a public watch list establishing reputational accountability for state governments and creating an incentive to perform without requiring punitive Central intervention.

7. Feasibility Assessment

The RCIZ framework is politically, administratively, and financially viable within existing institutional architecture.

Politically, implementation requires no new primary legislation. Three instruments suffice: an RBI circular amending FEMA Schedule 4, a DPIIT Centrally Sponsored Scheme notification, and state executive orders designating zones all within existing constitutional powers. Cross-party political support is structurally available: high out-migration states including Uttar Pradesh, Bihar, and Rajasthan carry strong electoral incentives to participate, given the size and engagement levels of their respective diaspora communities. A Rs. 2,000 crore CSS corpus is fiscally modest relative to India's infrastructure spend, and is further justified by historical precedent the 1998 Resurgent India Bonds raised \$4.2 billion under comparable NRI-targeted instruments.

Administratively, no new delivery infrastructure is required. DPIIT administers existing zone frameworks; scheduled commercial banks and DigiLocker already provide the NRI account and KYC architecture the NPIA operates through. MEA's four designated corridor missions UAE, USA, UK, and Singapore collectively cover over 64% of inflows, providing high-leverage demand activation without new institutional creation.

Financially, the Central government's direct exposure is Rs. 1,200 crore, the 60% central share of the Rs. 2,000 crore corpus with states bearing the remaining Rs. 800 crore. Performance-linked tranches structurally cap fiscal risk: no disbursement occurs without independently verified investment and employment targets. The target leverage ratio of 25:1, Rs. 2,000 crore public investment anchoring Rs. 50,000 crore of NRI private capital by Year 5, compares favourably against any comparable infrastructure financing instrument.

⁸Current South Asia average transfer cost: 5.8% (World Bank RPW, 2024).

8. Risks and Trade-offs

Three principal risks warrant acknowledgement. First, states may designate poor-quality surplus land in accessible locations to capture 26% equity with minimal commitment mitigated by mandatory district-level eligibility criteria requiring below-national-average per capita income and infrastructure index scores. Second, NRI investor uptake may be subdued in Year 1 given the novelty of the NPIA instrument and the absence of demonstrated zone returns mitigated by MEA Investment Desk facilitation and the phased trust-building structure of the pilot. Third, 74% equity with full foreign currency repatriation rights means annual profit distributions leave India in foreign exchange. This net forex impact requires active RBI monitoring as zones scale, though it does not undermine the framework's net developmental benefit. Opposition from real estate developers and gold traders is anticipated, given direct competition for the remittance capital currently flowing toward those asset classes. Gulf-based exchange houses may resist bilateral transfer cost reduction negotiations. These constitute friction, not structural veto, over a Centrally Sponsored Scheme.

9. Impact and Conclusion

Under the RCIZ framework, India targets Rs. 50,000 crore of NRI capital productively deployed by Year 5, representing a 25:1 leverage ratio on public investment. Against the BAU trajectory of \$164 billion in total inflows by 2030, the policy-driven scenario projects \$180 billion an incremental \$16 billion mobilised through improved diaspora engagement and reduced transfer costs targeting the SDG 10.c threshold of 3%.⁸

The framework's structural advantage over prior instruments is its incentive alignment. The state earns as zones perform. The NRI investor repatriates returns exceeding passive housing yields. The Central government expands its tax base through enterprise activity that currently generates none. Unlike debt-based instruments, the principal stays permanently in India productive capital anchored, not borrowed. India's remittance system is currently a macroeconomic success and a developmental underperformer. RCIZ converts that gap into a structured opportunity channelling the country's largest and most resilient source of external finance toward the employment, enterprise activity, and regional development that \$135 billion in annual inflows have the capacity to generate, but have not yet delivered.

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⁸Current South Asia average transfer cost: 5.8% (World Bank RPW, 2024).

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⁸Current South Asia average transfer cost: 5.8% (World Bank RPW, 2024).