**Investment Opportunities for Resident Indian Investors in Globalized Financial Market – A Trend Analysis**

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**Abstract:** Resident Indians are increasingly opting for diversified portfolios with modern investment techniques and technology enabled platforms. A segment of the investments is aimed at new asset classes and innovative financial instruments. Global diversification and international investments through direct and indirect routes are gaining momentum and the impact is evident at macro and micro levels. This research work is primarily aimed at assessing the trend of global investments by resident Indians in terms of their awareness level, preferences & choices for instrument and investment options, risk & return characteristics, asset allocation and portfolio creation, risks & challenges faced, associated costs and tax burdens and favorable opportunities in global marketplace. Both secondary reviews and primary feedback have been taken into. Conclusions are drawn based on available evidences and reviews of authors and prominent publications of reliable sources. Given the scenario that international investments by resident Indians is evolving, the trend analysis reveals interesting features in the marketplace and preferences of investors for innovative options and several unique opportunities. RBI enabled LRS scheme is facilitating overseas investments by resident Indians and quantum of global expenses and assets have leapfrogged in recent times. Also for retail investors and smaller amount of investments separate routes are proving to be beneficial.

**Introduction:**

Globalization and liberalization of financial marketplace has led to a borderless economy and the financial transactions has seen fundamental transformation in the last few years. This has been further stimulated with the advent of technology and penetration of smartphones and internet. Investors are now no more restricted to domestic domain for selecting and trading their assets , be it equity and bonds, derivatives and debentures or local or global mutual funds , index funds. Global portfolios are no more a mere dream but a reality to investors willing to access diverse economies and reaping the benefits of

higher returns , sustainable income and tolerable risks.

Based on available evidences it can be fairly stated that Indians are spending heavily across the border for multiple reasons including medical & health, education, travel & leisure, properties and purchase of financial assets and investments thereto. The combined remittances have been steadily increased since 2004 when RBI launched the LRS scheme. Both NRIs and resident Indians are able to make overseas investments through this scheme and resident Indians are restricted to a certain limit, specified to be USD 250000 per annum. Indian financial markets have also undergone with digital transformations and emergence of new asset classes and avenues have impacted the investment patterns of the investors. Banking and financial services are reaching underserved areas across semi-urban periphery and rural locations. Many national and international mutual funds, index funds and international stocks are flowing in the market. AI based platforms and robotics are gradually infiltrating in the marketplace while advancements in the marketplace has been seen in the backdrop of NSE and BSE operated international platforms that offer global opportunities to the resident Indian investors.

At present, major multinational US based corporate stocks are readily accessible to investors, even in fractions for small investors. Access to European bond markets and Asian stock exchanges is equally popular and preferred mode of investments by resident Indians. Many exchange traded index funds and international mutual funds are traded with edge either through Indian brokerage firms having access to international markets or directly through international brokerage firms. Plenty of mobile app based platforms and associated services are readily available to investors. In fact, trading and investments are just a click away nowadays.

According to the Economic Times, resident Indian individuals have invested $1.53 billion in [debt](https://economictimes.indiatimes.com/definition/debt), [equities](https://economictimes.indiatimes.com/topic/equities) and bank deposits through the LRS since the pandemic-induced lockdown in March 2020, the highest since 2004-05 when the window was introduced. According to one online article published by Tata Capital, it is usually important to pick a good mix of assets as per individual goal for investment. This needs to be integrated with time horizons, risk profile asset allocation and diversification aspects while making investment decisions. Resident Indians subsequently may follow the path of diversification, access to global economies through selected regions and countries; simultaneously they are opting for new and innovative asset classes and eventually trading in preferred currencies to avoid value depreciation and benefit from value appreciation of currencies.

According to the reference book, emergence of new fund classes is an important aspect as the new products involve greater client engagement which will match the client investment needs with value orientations. Emerging economies are expected to continue to be the main driver of the global economic growth and are providing for new investment opportunities and asset classes for international investors. Such equities and fixed income instruments ranks among the most rewarding financial innovations. New fund allocation techniques enable greater access to a wide variety of investment products to larger investment clientele. New allocation techniques involve greater variety of publicly available products with new innovative risk-return profiles and participation schemes for private investments across multiple industries. Examples of emerging techniques include -

* Mutual funds using hedge funds to enhance returns
* Capital protection funds
* Enhanced/variable annuities

**Literature Reviews:** As per theoretical reviews from reference books - Global financial market can be classified into (i) National Markets and (ii) International Market. Foreign market, is where the securities of issuers not incorporated (domiciled) in that country are traded. In foreign market the rules imposed by regulatory authority of that country are applicable. International markets which are known as offshore markets or Euro market are those financial markets where securities or financial claims are bought and sold outside the jurisdiction of the country in which they are denominated and securities are offered simultaneously to investors in a number of countries. As per the textual contents provided in the aforementioned reference book, the major benefits or advantages of global investing are summed up below –

1. Diversification
2. Decreased Risk
3. Currency Valuation benefits
4. Tax benefits
5. Higher Returns
6. A powerful engine for economic growth

International studies such as Ayuso and Blanco, 1999 confirmed that a higher degree of financial market integration leads to higher efficiency of financial markets and thereby leads to higher availability of better risk-return combinations to investors. In their highly regarded paper, Luis Viceira (Senior Associate Dean at Harvard Business School) and Zixuan Wang talk about the merits of a globally diversified portfolio for long-horizon investors. Using data from 1986-2016, the authors mathematically concluded that while short-term market moves may imply an increased correlation between equity markets globally, such a correlation is driven by investor-sentiment becoming correlated rather than the underlying fundamentals themselves. In the long run however, the fundamentals supersede investor sentiment and the correlation breaks down. Thus for long-horizon investors, the utility of global diversification has not reduced in recent times, and has in fact increased.

It has been observed that security prices in different countries do not move in tandem. Hence investors who have diversified their portfolio holdings internationally will most likely get a higher expected rate of return always at a lower level of portfolio risk. If an investor is looking to reduce systematic investment risk across countries, then the financial portfolio should include a diversified range of international stocks. With higher expected rate of return at nearly always a lower level of portfolio risk investors is motivated and furthermore they are looking to reduce systematic investment risk across countries by creating a financial portfolio inserting a diversified range of international stocks. Abbas Valadkhani et al found that with low co-relation, the diversification between two countries ensure higher returns and sustainability.

A well-diversified global portfolio offers improved risk & return in a sustainable manner. Besides lower volatility and higher risk adjusted returns , many international investments equally offer short term opportunity. It has been observed that investor can diversify his/her portfolio by investing in stocks, bonds, mutual funds, closed end country funds and depository receipts. Risk & returns can be plotted on a graph to find the efficient frontier and a balanced proportion can be decided to construct an optimal global portfolio (ICFAI Business School – Investment management). Theory also suggest that an optimal international portfolio takes into account the following parameters during formulation and performance measurements of such assets –

1. Correlation Analysis: lower co-relation between two markets and economies reflect scope of diversification.
2. Mean Returns – Standard Deviation and World Beta. Used for risk measurements of the investments. Volatility in the marketplace for investments can be determined.
3. Sharp Ratio – portfolio performance measurement technique.
4. Treynor Performance Measure (TRN) – portfolio performance measurement technique.

Essentially globally diversified portfolios do not contradict with the basic theories of investments including Capital Asset Pricing Model, Modern Portfolio Theory, and Markowitz diversifications theory. Any investor going for global investments should keep in mind the simple basics of investments –time horizon, asset allocation & portfolio creation, risk & return, tax and transaction costs, besides some additional factors related with international scenario, such as hedging for currency rate fluctuations, country specific risks, choice of innovative options available exclusively in the global financial marketplace, restrictions and regulations. Standard texts also depict that graphical & statistical tools and methods used for investment analysis in terms of asset allocation & portfolio creation, risk and return measurement are similar in the context of global investments as well.

Indians are increasingly leading a more international lifestyle. Nearly 40% of all expenses borne by Indian HNIs are dollar dependent, often directed towards travel, medical treatment, children’s education and the upkeep of family members. As per available facts & figures, Indians spent USD 4.8 billion in foreign travel last fiscal year, as against just USD 44 million six years ago.  The next generation of HNI families is becoming more global, with many young members of the family pursuing foreign degrees and choosing to live abroad. In 2018-2019 alone, USD 3.6 billion was remitted overseas by Indians for education, nearly 30 times the amount sent overseas in 2013-2014 for the same purpose.

**Objective &Methodology :**

The basic objective of the research paper is to find out the trend of resident Indian investors operating in the contemporary global financial marketplace. The specific objectives are to assess the following issues and parameters.

* General Level of Awareness of the resident Indians regarding International Investments
* Reasons for Going Global by resident Indian Investors
* Options Available to Investors & Innovations
* Asset Allocation and Global Portfolio Creation Modalities
* Investment Patterns & Preferences by Resident Indians
* Risk Return Characteristics of Global Investments
* Regulations applicable to Resident Indians
* Systems and Processes in Place –
  + National & International Brokerage Firms
  + Online & App based applications
* Tax Burden & Transaction Costs
* Challenges & Opportunities in international investments

Primarily this is an exploratory study while descriptive assessments are also carried out on prominent common indicators of financial investments. Based on the available secondary resources and feedbacks received from the primary survey the trend analysis has been undertaken. Bias in the contents and limitations in resources might have crept into the outcomes of the research which is beyond control. A goggle survey form has been created to capture the feedback of potential investors, research scholars, students and management faculty plus financial advisors and professionals. Respondents had been randomly selected from among the management & finance faculties of institutions, corporate professionals, student’s community and research scholars. Altogether 30 responses have been consolidated for this research work. Secondary resources include article publications of authors and prestigious magazines, web-based resources and reference books having relevant content pertaining to the topic.

**Trend Data Analysis & Interpretations:**

The overall trend of the resident Indian investors has been consolidated herewith based on available secondary literature and reviews, including views of authors reflected in their publications, contents of magazines and web-based publications. Primary feedback has also been integrated in the trend analysis. Major trends that emerge from the research are as follows.

* **General Level of Awareness of the resident Indians regarding International Investments**

Akansha Singh, Associate Director, Morningstar Investment Advisors India, lists some of the options (By [Morningstar](https://www.morningstar.in/posts/author/morningstar.aspx) | Aug 23, 2022**)** and points out that widespread interest in international investing is a relatively recent phenomenon among the Indian investors. Earlier, it is specified that Indians are increasing spending and investing overseas. The general level of awareness of the investors regarding global avenues are reflected in the primary survey feedback presented herewith.

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| **Table 1: General Awareness Level regarding opportunities international investments by resident Indians** | | |
| **Awareness Level** | **Count** | **Proportion** |
| Fully Aware | 7 | 24.1 |
| Partially Aware | 13 | 44.8 |
| Little Aware | 4 | 13.8 |
| Not Aware | 4 | 13.8 |
| May Be | 1 | 3.4 |
| Overall | 29 | 100.0 |

As per feedback of the primary survey respondents around 70% are either fully or partially aware about the basics of international financial investments.

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| **Table 2: Agreement Level regarding the benefits of International benefits for creating globally diversified portfolio and achieving better risk adjusted returns.** | | |
| **Agreement Level for benefits of Global Investments** | **Count** | **Proportion** |
| Strongly Agree | 10 | 34.5 |
| Partially Agree | 9 | 31.0 |
| Agree to a Little Extent | 7 | 24.1 |
| Disagree | 1 | 3.4 |
| No Comments | 2 | 6.9 |
| Overall | 29 | 100.0 |

More than three-fifth (65%) respondent also agreed that international investing is beneficial in creating a globally diversified portfolio and ensuring better returns in risk adjusted manner.

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| **Table 3 : Awareness regarding LRS Scheme among resident Investors** | | |
| **LRS Scheme Awareness** | **Count** | **Proportion** |
| Only Aware Not Utilizing | 9 | 31.0 |
| Aware and Utilizing | 3 | 10.3 |
| Partially Aware Not Utilizing | 6 | 20.7 |
| Neither Aware Not Utilizing | 11 | 37.9 |
| Overall | 29 | 100.0 |

Furthermore general awareness level regarding LRS scheme of RBI and level of remittance by resident Indians are also satisfactory. A minuscule proportion (10%) of the respondents is also actually utilizing the route as reported.

* **Reasons for Going Global by resident Indian Investors**

Akansha Singh, Associate Director, Morningstar Investment Advisors India, (By [Morningstar](https://www.morningstar.in/posts/author/morningstar.aspx) | Aug 23, 2022**)** and points out that one main reason for this is the superlative performance of the U.S. markets over the last few years and benefits of global diversification. Another financial advisory insists that investors must not invest in global marketplace because others are doing. There is a need to understand the need and risk and if it is in line with investors goals, investments can be made in such markets through potential options. According to their statements provided in the report the reasons for international investments are - diversification related benefits from global portfolios, better risk & return, and to hedge against inflation. **(Source:** https://www.righthorizons.com/global-investment-options-for-indian-residents/).

Primary survey respondents has expressed their opinion on this and accorded their ratings. In view of the two-fifth (40%) of the respondents international investments are certainly better options as compared to domestic options.

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| **Table 4: Rating of International Investments for the perspective of resident Indians** | | |
| **Rating of International Investments** | **Count** | **Proportion** |
| Much Superior | 11 | 39.3 |
| Similar to Domestic Investments | 7 | 25.0 |
| Inferior to Domestic Investments | 1 | 3.6 |
| No Comments | 9 | 32.1 |
| Overall | 28 | 100.0 |

* **Options Available to Investors &Innovations in Financial Instruments:**

As per the contents of the reference books there exist many options for investors in the global financial marketplace. Such options include –

**Mutual Funds** – A global mutual fund is a type of mutual fund that can invest in companies located anywhere in the world including the investor’s own country. **Depository Receipts** are negotiable receipts which evidence the deposit of foreign securities. These receipts are freely transferable and normally traded on stock market. The depository receipts are most widely traded as **American Depository Receipts (ADRs) or as Global Depository Receipts (GDRs)**. Depository receipts offer numerous advantages to an investor over direct equity trading in traditional foreign securities. The **Global Registered Shares (GRS)**, are fully fungible where a GRS purchased on one exchange can be sold to any other exchange. It is comparatively more expensive option as compared to DRs. **Foreign Bond** market comprises of issues floated by foreign companies or government. Such bonds are issued in a local market by a foreign borrower and are usually denominated in local currency. The last option, **FCCBs** are bonds issued to and subscribed by a non-residents in foreign currency which are convertible to certain number of ordinary shares at a pre-fixed price. According to other sources the most recent options and innovations offers investors several asset classes broadly divided into equity, mutual funds and debt instruments. Accordingly, a comprehensive list is developed and is illustrated herewith. (Source: https://groww.in/blog/how-to-invest-outside-india)

* **Equity:** Listed Stocks, Exchange-Traded Funds (ETF):,Shares Unlisted companies: Private Equity Funds , Listed Foreign Shares Investment , Investment in Foreign Index Funds and Direct Equity Foreign Investment
* **Mutual Funds :Active funds,** Foreign Mutual Fund Investment, Foreign Exchange-Traded Funds Investment
* **Debt Instruments** Listed Debt Instrument Investment
* **Asset Allocation and Global Portfolio Creation:**

It is already learnt that emerging economies are expected to continue to be the main driver of the global economic growth and are providing for new investment opportunities and asset classes for international investors. Such equities and fixed income instruments ranks among the most rewarding financial innovations. New fund allocation techniques enable greater access to a wide variety of investment products to larger investment clientele. New allocation techniques involve greater variety of publicly available products with new innovative risk-return profiles and participation schemes for private investments across multiple industries. It is always good to make an entry in a staggered manner with 10-15 per cent of equity investment to be allocated to overseas funds.

Asset allocation according to the market scenario is also the key to start well. For instance, given the extremely low interest rates globally, there are very few options to consider for debt allocation. Over and above, any increase in global interest rates will probably result in capital erosion. So, looking for suitable alternatives for the debt allocation within a portfolio is crucial. Traditional investment avenues have also taken note of the increasing interest in global markets and there has been a surge in the number for mutual funds that invest in global markets in the form of feeder funds. Effectively these funds invest in funds domiciled in regions outside India, which in turn invest in global markets.Such offshore funds tend to have a substantial track record in terms of performance and assets under management, which makes the whole proposition attractive, especially to retail investors who are keen on taking global exposure with smaller investment amounts.

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| **Table 5: Proportion of International Investments by Respondents** | | |
| **Level of International Investments (% of Total)** | **Count** | **Proportion** |
| 10-15% | 5 | 17.2 |
| 15-30% | 7 | 24.1 |
| More Than 30% | 2 | 6.9 |
| NIL | 15 | 51.7 |
| Overall | 29 | 100.0 |

Equities tend to be the preferred asset class for most Indian investors when it comes to global investing. It is a fact that the domestic mutual fund industry has evolved over the last two decades, as it became the preferred route for equity investors, especially for retail and affluent investors. When it comes to global investments, investors believe passively managed exchange traded funds (ETFs) are a more efficient way to invest in equities. This avenue is extremely popular especially when it comes to developed markets. Most of the reviewed secondary sources and publications affirm that creation of global portfolio of financial assets is beneficial to investors in terms of return, sustainability of incomes. Risk adjustments and also creates opportunity both for longer and shorter time horizons. Proportion of overall international investments are depicted in the table given here.

Almost one-fourth (24%) of the respondents affirmed that they have already made some kind of financial investments in the global platform in the range of 15%-30% of their overall investments.

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| **Table 6: Preparedness of the investors for Managing Global Portfolio** | | |
| **Intentions for Creation & Operations of Global Portfolio** | **Count** | **Proportion** |
| Myself | 6 | 21.4 |
| Through Advisor | 8 | 28.6 |
| Brokerage Firms | 5 | 17.9 |
| App service providers | 3 | 10.7 |
| No Comments | 6 | 21.4 |
| Overall | 28 | 100.0 |

Barring one-fifth (21%) of the respondents , rest of them (79%) are prepared and able to manage a global portfolio either through own-self , or through the service providers- be it financial advisors , brokerage firms or app service providers.

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| **Table 7 : Quantum of Outward Remittances & International Investments** | | |
| **Level of Global Investments (Annual)** | **Count** | **Proportion** |
| Less than INR 50000 | 3 | 10.7 |
| INR 50001 to INR 100000 | 5 | 17.9 |
| INR 100001 to INR 200000 | 3 | 10.7 |
| More than INR 200000 | 2 | 7.1 |
| NIL | 10 | 35.7 |
| Do not Want to Disclose | 5 | 17.9 |
| Overall | 28 | 100.0 |

More than one-fourth (28%) of the respondents taken together, the annual investments cited by them are mainly in the range of INR 50000 to INR 200000. However, more than one-third (36%) of them did not investment in any global fund or instruments till the time of collecting this feedback.

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| **Table 8: Preference for Apps and Brokerage Accounts for International Investments** | | |
| **Preference for Accounts & Apps by Investors** | **Count** | **Proportion** |
| International Brokerage Account | 4 | 14.3 |
| Indian Brokerage Account or App | 10 | 35.7 |
| Indian Full Service broker with International Access | 5 | 17.9 |
| Through ETFs or Mutual Funds | 6 | 21.4 |
| Others | 3 | 10.7 |
| Overall | 28 | 100 |

Only 14% of the respondents confirmed that they are using international brokerage accounts while another around 18% of them are availing services of the Indian full service brokers with international access.

* **Investment Patterns & Preferences by Resident Indians**

Kuvera recently published the results of its nationwide survey - India Investor Insights 2022, aimed to understand how Indians look at investing. (Source: How Is India Investing? Insights by Kuvera [Brand Stories](https://www.hindustantimes.com/brand-stories) Published on Oct 20, 2022 05:36 PM IST) According to the survey, it was observed that **90%** of the Indian investors preferred online investment platforms like Kuvera, **7%**to direct AMC websites and the rest **3%**preferred going offline through a broker. The survey’s analysis on why people invest elucidated that - **55%** of investors in their 30s and early 40s prefer to invest in order to achieve their financial goals, while **60%** of those over 44 years use their remaining earning years to build as much wealth as possible. Investors from Chennai, Pune and Hyderabad prefer goal-based investing while Delhi, Ahmedabad and Bengaluru investors focus on building wealth.

Despite the growing popularity of index funds, survey results on where Indians invest show that two-thirds of them still go for active funds while the preference for Index funds is higher among the younger investors. Altogether, **25%** of investors invest in Index Funds, **4%** of them in Sector Funds, majority **66%**in Active Funds, and remaining **2%** and **4%** in International and Value Funds. **So a minuscule 2% of the respondents affirmed that they are investing in international funds.** Responses on the mode of investment of Indian investors show that **3 out of 4** investors also have stocks in their portfolios. This can be distinctly stated as altogether **75%** of investors invest in stocks, while another **11%** of investors plan to invest in stocks and remaining **14%** decide not to invest in stocks. An interesting statistic of Kuvera about young India is that they are not just savers, that is about **60%**have SIPs of ₹10,000+. Primary survey responses have been consolidated herewith.

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| **Table 9: Proportion of Respondents Operating Demat Accounts** | | |
| **Present Usage of Demat Account** | **Count** | **Proportion** |
| Purely Domestic Account | 7 | 24.1 |
| Domestic Account with Intl Exposure | 6 | 20.7 |
| International brokerage Account | 2 | 6.9 |
| No Brokerage Account | 12 | 41.4 |
| Others / No Comments | 2 | 6.9 |
| Overall | 29 | 100.0 |

As on date, around 27% of the respondents are using accounts with international exposure, be it domestic or international.

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| **Table 10: Mode of Investments – Offline Vs. Online** | | |
| **Preferred Mode of Investment** | **Count** | **Proportion** |
| Offline | 1 | 3.6 |
| Online - Website based | 13 | 46.4 |
| App Based | 6 | 21.4 |
| Other Modes | 1 | 3.6 |
| No Comments | 7 | 25.0 |
| Overall | 28 | 100.0 |

Around one half (46%) of the respondents are using web-based online mode , while another one –fifth (21%) are using app based services while making international investments mainly for global funds and instruments via direct or indirect routes.

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| **Table 12 : Risks & Volatility of Global Investments from the perspective of resident Indian Investors** | | |
| **Risk Profile of International Investments** | **Count** | **Proportion** |
| Much Riskier | 10 | 35.7 |
| Somewhat Riskier | 7 | 25.0 |
| Similar Risk | 8 | 28.6 |
| Less Riskier | 0 | 0.0 |
| Others | 3 | 10.7 |
| Overall | 28 | 100.0 |

Resident Indian investors have several options and choices to pick from for making their portfolios in the global platform. Stocks/equity (34%) and mutual funds (34%) are most preferred choices.

As per feedback of the respondents the Index funds (14%) ranks second in the preference matrix. Debt instruments and foreign bonds are least preferred.

* **Risk Return Characteristics of Global Investments**

Investment in international mutual fund is getting more popular as it is generally believed that all global stocks will not fall together in normal circumstances. Investments in global stocks can be made through direct investments, ETFs, global mutual funds and fund of funds.   An aspect which needs to be factored in this is that it is always better to invest for medium or long-term perspective as one foreign stock gives a good return over a period of time. Short-term investment in  international mutual funds have witnessed volatility and thus should be avoided.

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| **Table 11: Preference and Choices for Types of Global Funds & Instruments** | | |
| **Investment Options** | **Count** | **Proportion** |
| International Stocks | 10 | 34.5 |
| ETFs / Index Funds | 4 | 13.8 |
| Debt Instruments/ Foreign Bonds | 2 | 6.9 |
| National & International MFs | 10 | 34.5 |
| Depository Receipts | 1 | 3.4 |
| Cryptocurrency | 1 | 3.4 |
| Others/ No Comments /Non-Response | 1 | 3.4 |
| Overall | 29 | 100.0 |

International mutual funds have delivered return of 27% in the last year. The three-year return is around 12% and the five-year return is approximately 13%. Investors still have the option to  choose country specific investment through domestic fund house. There are specific schemes for investments predominantly in the US based stocks. Today the investor is equipped with data wherein fund performance is available along with NAV and returns. Latest consolidated returns of the 10 best mutual funds in India indicate that most of the MFs are performing really good as is evident from their 1 year and 5 year returns (refer annexure).

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| **Table 13: Return from International investments** | | |
| **Expected Return from Global Investments** | **Count** | **Proportions** |
| Below 5% | 4 | 14.3 |
| 5-10% | 3 | 10.7 |
| 10-15% | 5 | 17.9 |
| More than 15% | 10 | 35.7 |
| No Comments | 6 | 21.4 |
| Overall | 28 | 100.0 |

Respondents of the primary survey have varied expectations about the returns from global financial investments. While more than one-third (35%) expect a higher return (more than 15%) , more than one-fourth (28%) realizes a moderate return in the range of 5%-15%.

Another way of looking at return is to find the performance of Stock Market Indices that are relevant for assessing the ETFs performance and investment attractiveness. The following shows the NIFTY and S & Ps returns in terms of INR and US$. Altogether 5 years to 20 years returns are found to hover in the range of 10% - 14%, implying some kind of sustainability. In other instances , negative returns and fluctuations of stock prices are recorded – however, as per experts even if there is negative returns , stock trading may be beneficial in view of the future price escalation as long the fundamentals of such companies are strong.

Majority of the respondents generally perceive that global funds and instruments are much riskier (35%) or somewhat riskier (25%) as compared to domestic investment options. This may be primarily due to lack of adequate awareness of lower confidence level about accessing diversified global economies.

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| **Table 14: Choice of Destinations for International Investments** | | |
| **Preferred Global Locations for Investments** | **Count** | **Proportion** |
| USA | 15 | 53.6 |
| Asia | 4 | 14.3 |
| Europe | 3 | 10.7 |
| Middle East | 3 | 10.7 |
| Others | 3 | 10.7 |
| Overall | 28 | 100.0 |

Although USA and Europe are considered developed regions, parts of Asia include developed and emerging economies. More than one-half (53%) prefer USA as their destination for their global investments , while Asia and Europe come as the next choice. Middle –east is also cited by the respondents as their preferred destinations.

As per report of Economic Times, historically over the last 20 years, the Indian currency has depreciated in the range of 3% to 5% CAGR recently. Thus if one had to buy the SPX Index in Rupee terms the return would have been higher in a 5-year, 10 year, and 15 years tenure by a CAGR of 1%, 2%, and 4% respectively. This means if one had put Rs 1000, 15 years in the Indian markets one would have got back over 3 fold – Rs 3160 as against the rupee return investing in SPX Index would have been an impressive 5 fold of Rs 5006.

**Systems and Processes in Place –**

According to one publication in Economic Times, the increased interest in global investing among resident Indians has seen the emergence of a number of investment platforms facilitating global investing over the last couple of years. Most, if not all, of these platforms tend to be interfaces enabled by an international broker at the backend.Many direct and indirect routes and broker based demat account openings are available to Indian Investors. One can open international bank account and operate through an international brokerage firm. Otherwise, it is possible to open an account with Indian brokerage firm and operate.

* **Direct & Indirect Methods of Investments** To make investments in global stocks, an investor may open an overseas online trading account. This can conveniently be undertaken with any Indian broker of repute. Typically, brokerages are in partnership with foreign broking firms and online trading is facilitated easily. It is also possible for any

resident Indian investor to directly invest with a brokerage abroad, like TD Ameritrade, Interactive Brokers, etc. According to Capitalmind, the direct routes are –

* Opening a brokerage account directly with a US (United States) based broker. Like Webull or TD Ameritrade
* Opening an account through an Indian app/entity or a broker that has a tie-up with a US-based backend broker like Drivewealth. Backend brokers are purely API-based broking service providers for a variety of apps. INDMoney and Vested are such apps.
* Opening an account with an Indian full-service broker which has a tie-up with an International full-service broker. ICICI Direct’s tie-up with Interactive Brokers (IBKR) is one such service.
* The NSE International Stock Exchange, known also as NSE IFSC, which is a totally-owned subsidiary of NSE Limited, and the India International Exchange or IFSC, known as India INX, part of BSE, are the major exchanges internationally. These are based at the IFSC in the Gujarat International Finance Tec-City, or GIFT City. Both these stock exchanges permit resident Indians to trade and invest in international securities and stocks.
* On the other hand, one can invest indirectly through ETFs or Mutual funds from India that track international indexes like NASDAQ 100 and HANG SENG. Like MotilalOswal Nasdaq 100 or Edelweiss Greater China Equity Off-shore Fund. This is an indirect approach, as investors don’t need a brokerage

account for this, also the LRS limit does not apply. In view of this approach to getting exposure is through ETFs and Mutual funds listed in India. This approach does not fall under LRS and gets treated like debt in terms of taxation. Also, this is technically not a direct investment approach.

* **National & International Brokerage Firms** Indian Brokerage firms are ICICI Direct, HDFC, Kotak Securities, Axis bank Service Motilal Oswal, that are attached with international firms. International brokerage firms are IBKR, Webull, TD Ameritrade**.**

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| **Table 15: Ease of Investment in the Present Regime – Systems & Processes** | | |
| **Level of Investor Friendliness** | **Count** | **Proportion** |
| Yes Certainly | 5 | 17.9 |
| Yes Mostly | 9 | 32.1 |
| Yes to Some Extent | 6 | 21.4 |
| Not Investor Friendly | 0 | 0.0 |
| No Comments | 8 | 28.6 |
| Overall | 28 | 100.0 |

* These brokers allow you to invest in a full range of listed ETFs, stocks, and other products, including crypto and derivatives. full-service brokers like TD Ameritrade and Schwab would offer both telephonic and other online ways to connect with them. In contrast, brokers like Webull would not offer telephonic support. Transaction charges and margin money requirements may vary across service providers. All brokers offer much more sophisticated trade execution features than third-party apps from India. However, the account opening process, especially for traditional full-service brokers from US/Europe, may seem more challenging than third-party apps from India.  But that’s not always true.
* **Online & App based Applications :**All the brokerage firms, be it domestic or international, offers investors trade through online platforms as well as through mobile app based applications. It’s unlikely that modern investors have not come across apps like INDMoney or Vested. They are, for lack of a better word, a front-end for Drivewealth like API-based brokers. Even HDFC Securities works similarly, where it acts as an introducing broker, and then investors are off to Stockcal, which curates portfolios for them. Then they have Drivewealth in the background as a broker. Kristal.AI has a similar approach where it curates international ETFs for investors and uses Saxo Singapore as the broker. Company websites , especially AMC websites are also used for investment purposes. Widespread use of smartphones and penetration of internet are facilitating such investment routes, with or without regular support of brokers and advisors.

Almost 50% of the respondents affirmed that present systems and processes are investor friendly when it comes to international investments by resident Indian. Account opening, transactions and settlements, choices , amount , margin money requirements, services of brokerage firms and apps and regulatory mechanism are generally considered.

* **Regulations Applicable to Resident Indians**

FEMA and LRS under FEMA are the main regulations imposed by RBI. Through LRS resident Indians are allowed to open an overseas bank account and make investments from the account through international brokerage firms. Annual transaction limits permissible under LRS is revised and a single investor is allowed upto 250000 USD of investment per annum. SEBI has its own stipulations and processes for regulation on investments in stock exchanges and security & protection to investors**.** In the two decades since 2004, LRS has been instrumental in simplifying overseas expenses and investments for Indian residents.

In 2021-22, India recorded USD $19.6 billion in outward remittances under LRS, marking an increase of USD $7 billion from the previous year. Any remittance exceeding the permissible limit requires prior permission from the RBI. Only individual Indian residents , both residents & NRIs, are permitted to remit funds under LRS. Corporates, partnership firms, HUF, trusts, etc. are excluded from its ambit. However, it is available to minors, provided that Form A2 is countersigned by the minor's natural guardian.

* **Tax Burden & Transaction Costs**

Transaction costs are usually higher in case of foreign stocks and also difference between buying & selling rate of foreign currency may add to the costs. On an average and assuming a reasonable portfolio – the transaction cost varies in the range of 0.5% to 2%. It is advisable to open a bank account in the same currency of investments. Other associated costs are – Brokerage, Margin Money Requirements, Bank Charges ,Depository Charges and Applicable GST / VAT/ STT if any. As per the existing provisions of the Section 206 (IG) of the Income Tax Act (“IT Act” , TCS at the rate 5% would be levied and collected by the authorized dealer bank for an Indian investor operating through LRS provided the remittance exceeds the prescribed limit of INR 7 lakhs per annum. Such rate may go upto 10% in case of non availability of PAN Card and Aadhar. TCS collected can be claimed by the investor as tax credit while filing ITR.

As resident Indians invest in US based stocks that are subject to mainly dividend tax and capital gains taxes. Dividend tax charged at the rate of 25% and withheld by US companies before releasing the amount of dividend to Indian investors can be claimed as credit later on. Double Tax Avoidance Agree also come into force. Capital Gains are charged as below. When the stock is held for more than 24 months then the gains on the sale of the stock are long term capital gains and will be taxed at 20% + applicable surcharge and fees When the stocks are held for a period less than 24 months then the gains on the sale of the stock is short term capital gains and will be a part of the current income and will be taxed as per slab rates applicable to the investor.

* **Challenges & Opportunities in International Investments** Investing in an international portfolio has risks associated with it. An investor faces numerous challenges while planning for international diversification. Major challenges are
  + - Exchange Rate fluctuations – The exchange rate fluctuations can have a significant effect in investment return.
    - Liquidity Challenges – A prime consideration for an investor is that he wants to invest in liquid markets At times the investor may have difficulty to liquidate foreign asset
    - Dramatic Changes in Market Value- Predicting market movements is difficult in case of foreign market. Decision to get in before price rise and get out before price fall becomes difficult for international investors.
    - Information Scarcity – Getting right and timely information about foreign market and foreign company activities are not easy.
    - Legal Remedial Action Limited – handling legal issues in foreign country from home country reading investment related issues are usually complicated.
    - Managing Diverse Market Operations

A publication named “Investing Basics : how to Invest in Global Stocks authored by Dr. Suresh Surana and Aashika Jain published in October 2022 reveals information and analysis and logical views pertaining to the paper. According to the authors , the following risk factors should be evaluated before making international investments – (a) Country specific risk factors may affect the return and stability of investment related outcomes. Country rating related to investors needs and preferences are available by standard mechanisms (b) Volatility Risk– Price fluctuations of various assets including equity , that are traded. Such fluctuations may be completely different and unpredictable from domestic

market of the investors and they may be unfamiliar or may lack adequate or timely information of the same. (c) Foreign Exchange Fluctuation Risk – rate of currency may change and may affect earrings and expenses while two separate currencies are involved in investments and trading and (d) Economic Risks –Economic risks involved in the overseas market may affect their stock market and many funds linked with such stock markets, be it equity or index funds or other types of assets may lead to volatility and losses to the investors having such instruments in their portfolios.

According to reliable sources, the corporate debt market for retail investors suffers from lack of liquidity due to structural reasons and ready buyers are not available or an interested buyer may quote a lower price. Some instruments may have a minimum holding period or a lock-in period when no transactions are allowed, or there is a cost like bank FD and some mutual

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| **Table 16: Challenges faced for International Investments** | | |
| **Nature of Challenges** | **Count** | **Proportion** |
| Currency Fluctuation | 10 | 35.7 |
| Country Risk | 5 | 17.9 |
| Regulation Risk | 7 | 25.0 |
| Political Risks | 1 | 3.6 |
| Liquidity Risks | 1 | 3.6 |
| No Comments | 4 | 14.3 |
| Overall | 28 | 100.0 |

funds. Equity markets are deep and liquid. However, there are companies whose shares are not traded frequently and subject to liquidity risk. Obviously, international investment avenues dealing with such options and instruments are likely to suffer from similar liquidity issues. Primary feedback on risks and challenges reveal the followings.

According to respondents , resident Indians mainly face currency rate fluctuation(35%) as the main problem, while country risk (18%) and regulation risks (25%) are also mentioned by them.

In view of the respondents, the costs associated with global platforms, some kind of procedural obligations & complexities, safety & security of the investors and lack of adequate awareness need to be addressed by the concerned authority. This will make such investment options more convenient and attractive to resident Indian investors.

**Opportunities:** Despite hurdles and restrictions widespread opportunities exist for resident Indian investors in terms of international financial instruments and investments therein. Opportunities for resident Indian Investors to operate and trade in globalized financial marketplace can be assessed from the views of authors and advisors. In this section we have reviewed only few pertinent questions that reflects such opportunities for the identified segment.

As per primary feedback stated earlier**,** around 40% of the respondents feel that global platforms are really superior for resident Indian investors. Among the remaining proportion of the respondents more than one one-fourth of the overall (28%) posses some kind of reservations on this, while reset one –third (32%) did not comment on this.

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| **Table 17: Major Points Requiring Attention in the Domains of International Investments** | | |
| **Points Need Attention** | **Count** | **Proportion** |
| High Transaction Cost | 4 | 14.3 |
| Tax Burden | 3 | 10.7 |
| Complex Systems & Processes | 6 | 21.4 |
| Risk factors | 5 | 17.9 |
| Lack of Adequate Awareness | 6 | 21.4 |
| Lack of Adequate Training | 1 | 3.6 |
| Security & Safety issues of Investments | 3 | 10.7 |
| Overall | 28 | 100.0 |

From secondary review a set of opportunities arises that has a direct or indirect bearing with the investment patterns of the resident Indians as indicated herewith.

More and more Indians are opting for global investments as a result of emergence of international investment platforms backed by international brokers and opportunities across diverse economies with wider and deeper options for modern and innovative asset classes and instruments.

A well-diversified global portfolio should include various forms of investments and asset classes, Market-neutral investing opportunities with a range of low-cost opportunities for investors looking to de-risk their portfolios from the local market concentration and vagaries of such exposure.

Mature tech firms such as Google, Facebook, Microsoft; do have strong fundamentals, are profitable, and they are growing well. According experts, time is ripe for Indian investors to invest in the shares of foreign tech companies. Mature tech firms are more stable.

The S&P 500 Index, currently trading at a price to earnings (P/E) ratio of 19.72x compared to 25.96x a year ago, and 40x two years ago. Individual stocks such as Alphabet, Tesla and Meta have also fallen sharply by 25 per cent, 43 per cent and 50 per cent, respectively, over the period of one year (as of January 30, 2023). Experts say this provides an opportunity to buy international stocks at lower prices as their fundamentals still remain strong.

If investors portfolio value is large and investor has the time to devote to analyse and track foreign stocks, then he/she can consider investing directly, say experts. Here, investments are made by using the liberalised remittance scheme (LRS) of the RBI, which is available to all resident Indians. For small investors, the most efficient way to invest abroad is to buy a passive international fund as it is cheaper and hassle-free. One doesn’t need to have an overseas broking account, as there are many international schemes that are available in India. The biggest advantage of these funds is that one can invest in rupees without getting into the hassle of remittances and forex charges

If investors are able to invest and earn more in foreign currency their spending in foreign currency and net savings will rise – otherwise net earnings may erode while calculated in domestic terms. There are many resident Indians who are investing in international markets to build a fund that eliminates the currency risk.

A vast majority of the Indian investors are using online platforms, including mobile app based applications and through AMC websites. A minuscule proportion of the investors and investing through brokers and trading offline.

As per recent development, Indians are now able to invest directly in US stocks traded through International platforms of NSE BSE operated platforms at Gujarat tech City. “One can invest in some of the world’s largest technology companies like Apple, Tesla, Starbucks, Nike and Meta (Facebook) when investing in the US stock markets. Such investment opportunities are not available via local stock markets,” says Viram Shah, Co-founder and CEO of Vested Finance, a California-headquartered company, which is a registered investment advisor with the US Securities and Exchange Commission (SEC).

Resident Indians may opt for US based stocks from International trading platforms available , especially through NSE and BSE operated options available at Gujarat Tech City. Other options including Index Funds or ETFs and International mutual funds are also preferred and are usually included in the portfolio of the global investors. Euromarkets , US market, Hong Kong, Shanghai of China, Nikkei of Japan, DMX of Germany are quite known to Indian investors. Thus, both emerging & developed economies are targeted acrossAsia , Europe , Middle-East and USA regions.

**Conclusions:** Global investments despite some complications and challenges are found to be a rational choice for resident Indian investors. Feedback of the primary survey reveals that resident Indians are already reaping benefits of global financial platforms accessible to resident Indians. It’s absolutely legal for Indian residents to invest in International markets. Conclusions of multiple resources published online by individual authors or reputed business magazines and journals/reports also suggest the same.

A few critical factors , however, need a mention here. As per available secondary resources, the costs and the legal obligations attached to it (international investments) don’t always justify the expected returns, especially for small-ticket investments. Even for larger investments, up to 10 Lakhs, anyone may want to weigh the pros and cons. Based on this premise , however, it can’t be concluded that things are critical, complex and beyond the reach of common investors. Given the way things are, the best choice for Indian residents is to choose the indirect way of investing in international markets. The increasing number of mutual funds and ETFs from Indian AMCs makes investing in international markets easier and cost-efficient**.** In view of the other authors and publishers, investing in foreign stocks is not complicated, and they make a great investment too. Besides, there are certain brokerage apps that allow investors to directly invest in foreign money within minutes. So, this is going to be an easy process. There are two other ways to invest in foreign stocks, either investors go with the Indian fund houses associated with the foreign stocks and Exchange Trade Funds.

Finally, investors must review their own goals and objectives after verifying factors beyond their control for all global investments. High Net Worth Individuals as well as retail and small investors must reap the benefits of global investments and avail expense matching with currency conversions as well as direct trading in foreign currencies. Global platform is beneficial for all types of investors and gaining knowledge is a critical success factor in the emerging and evolving financial world attached with innovations. Fruits of investments should be adequately rewarding and sustainable despite all odds within and beyond the controllable limits of the investors.

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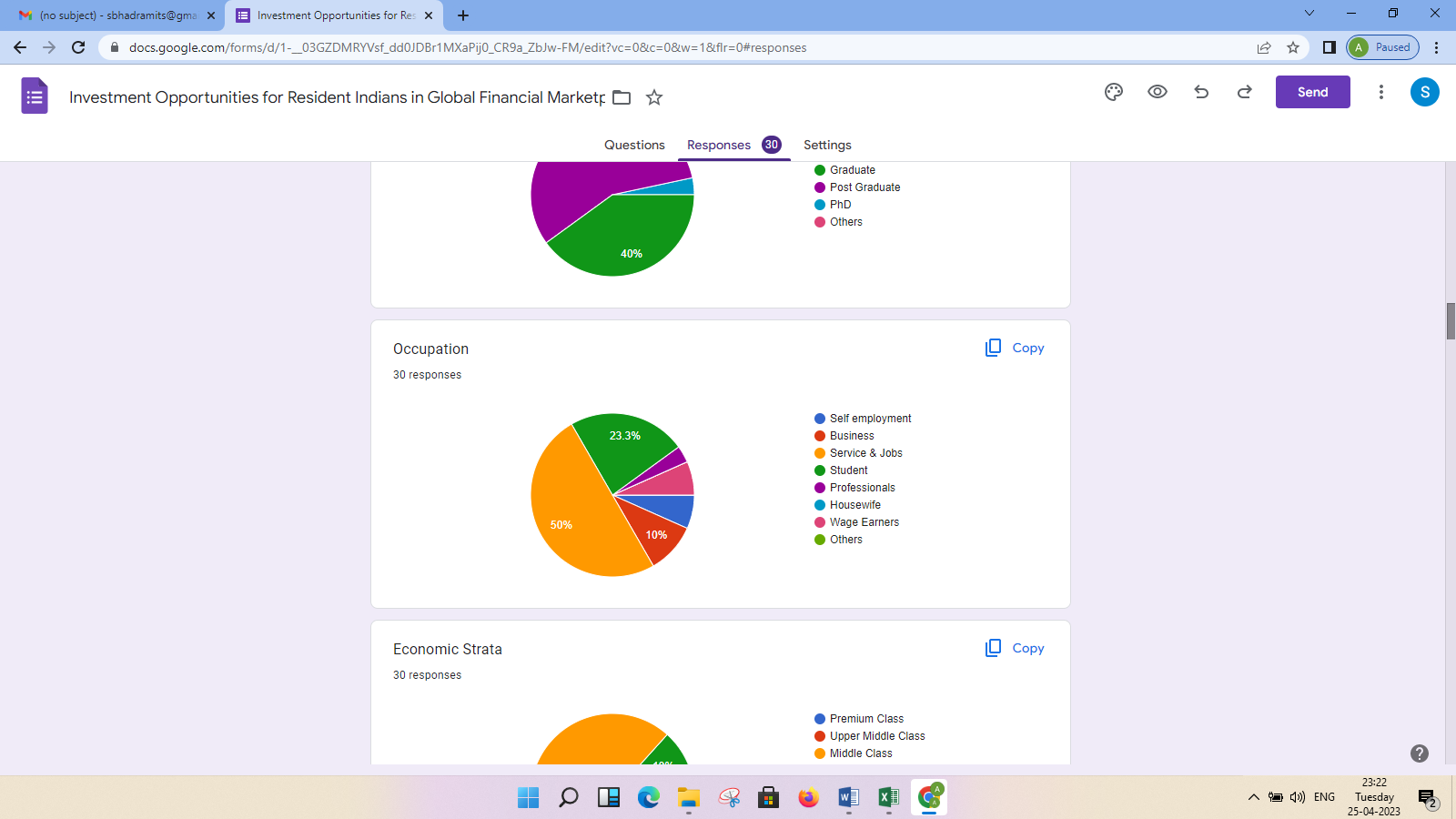
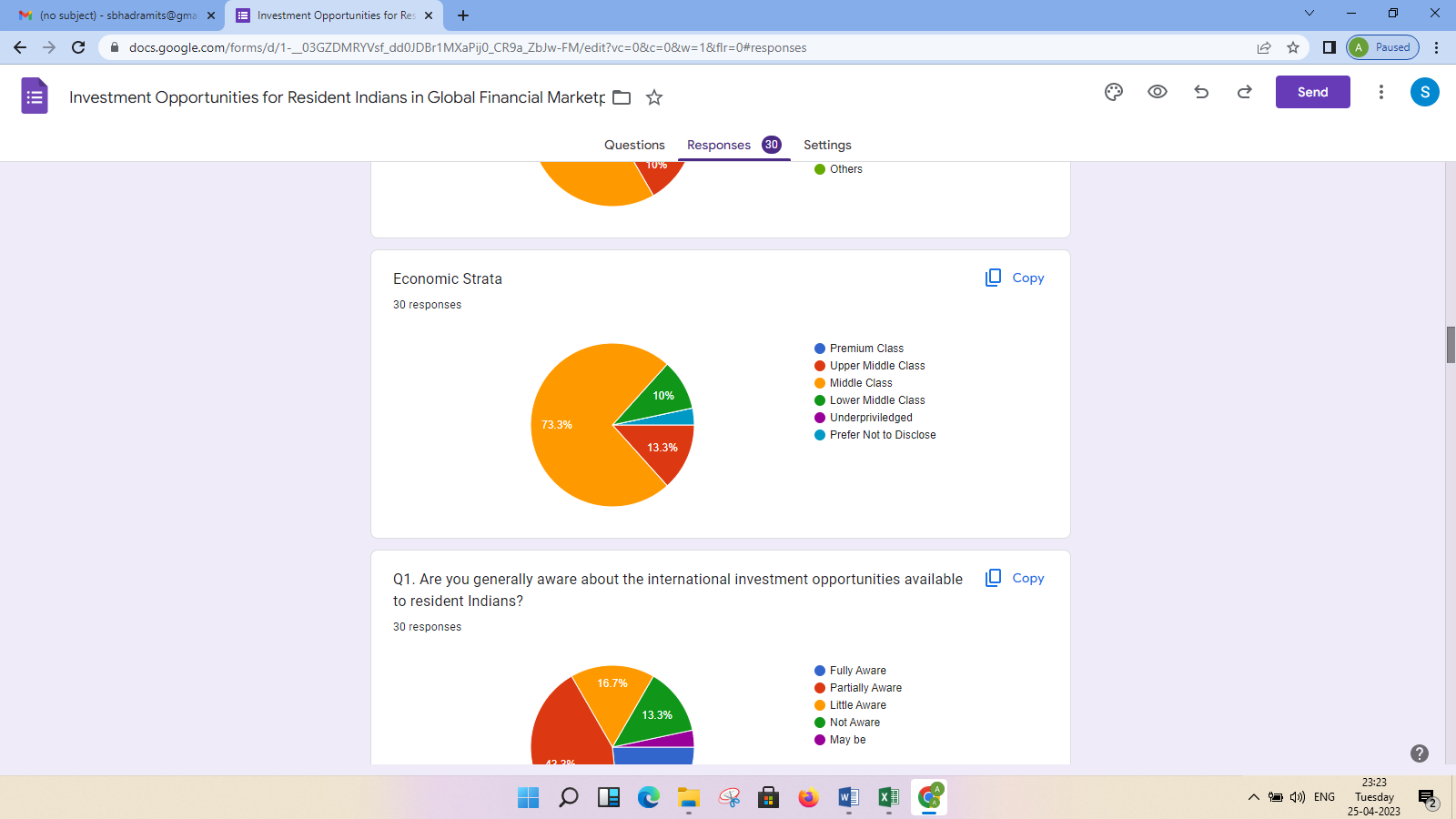
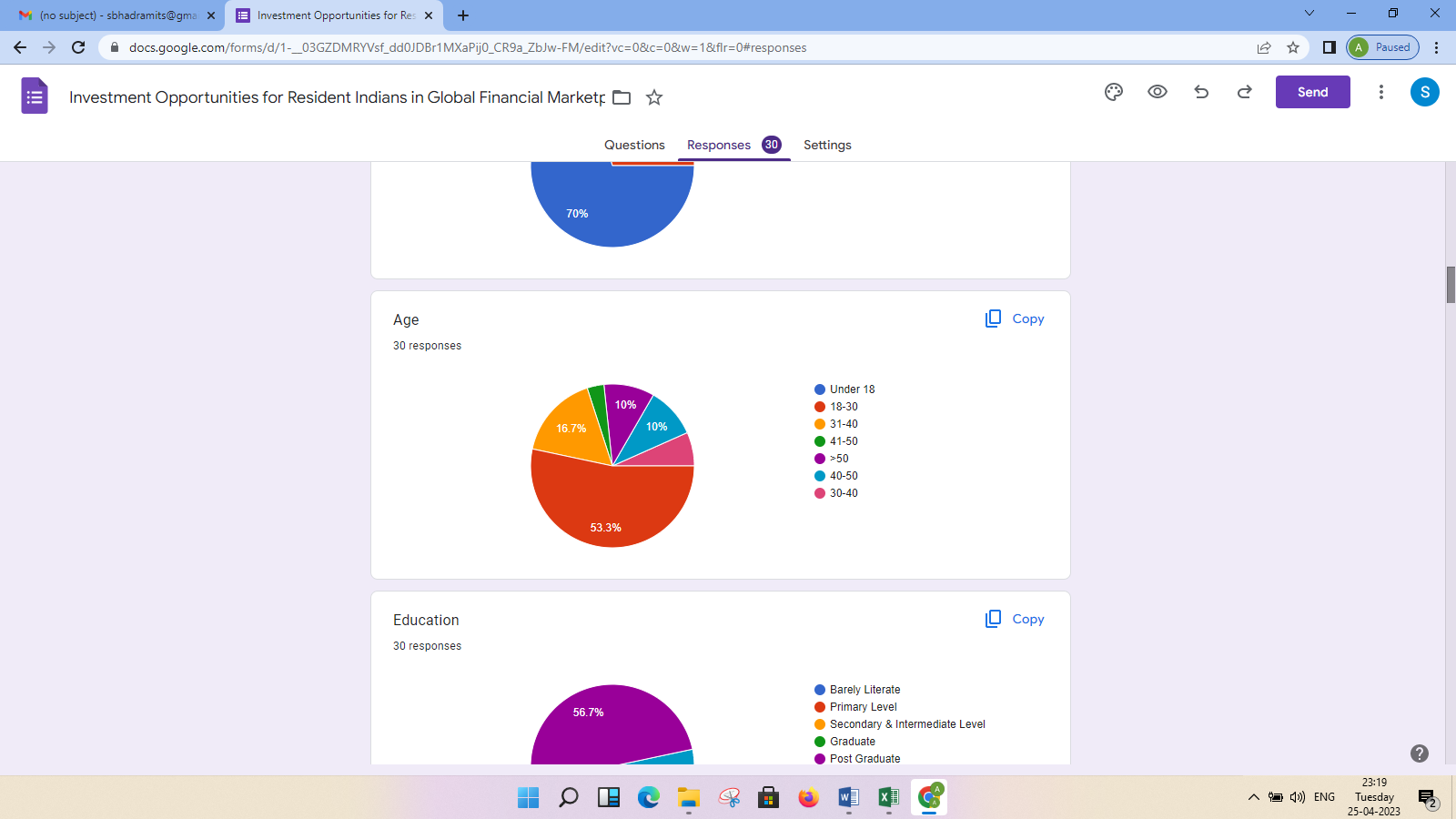
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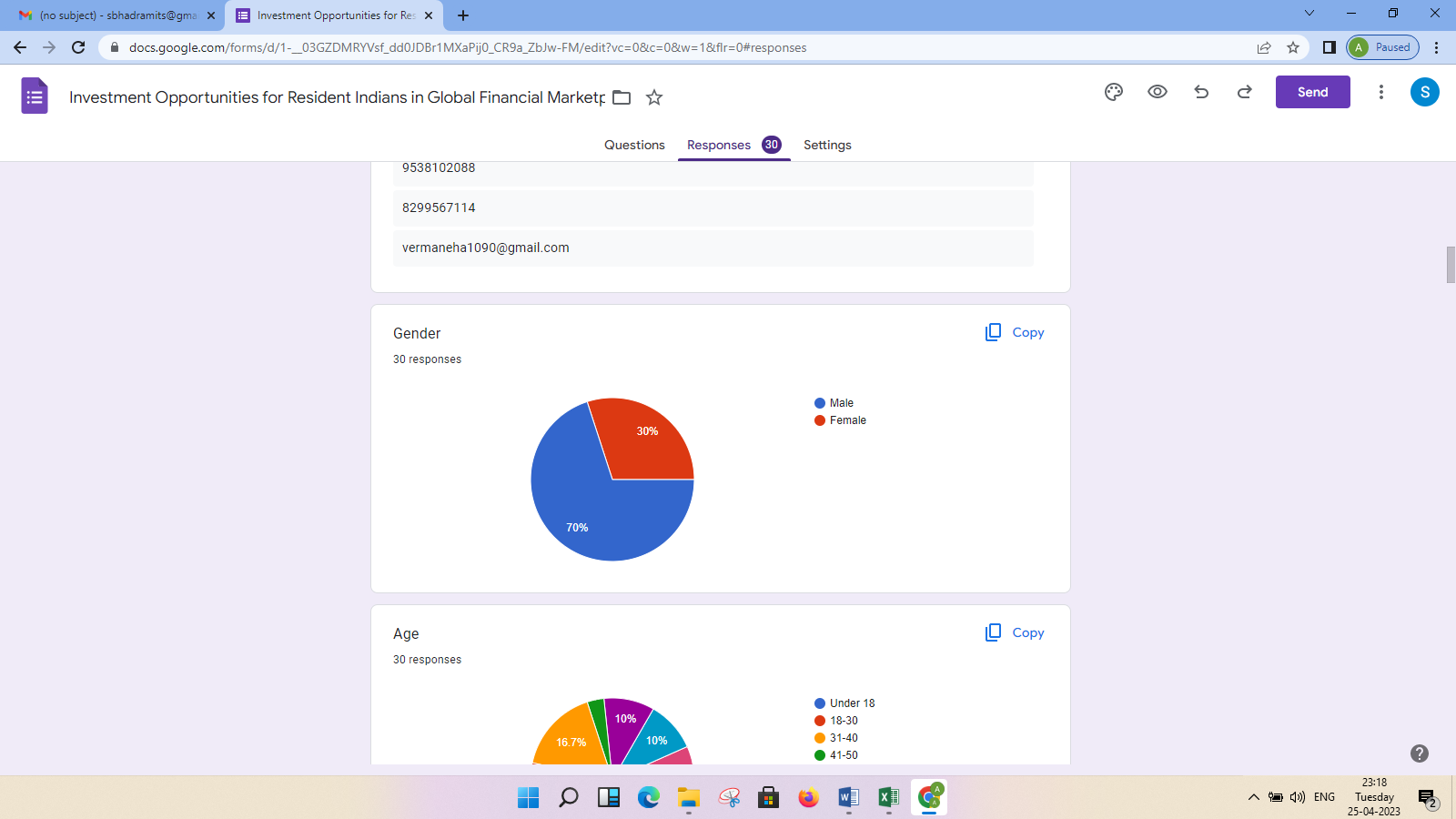
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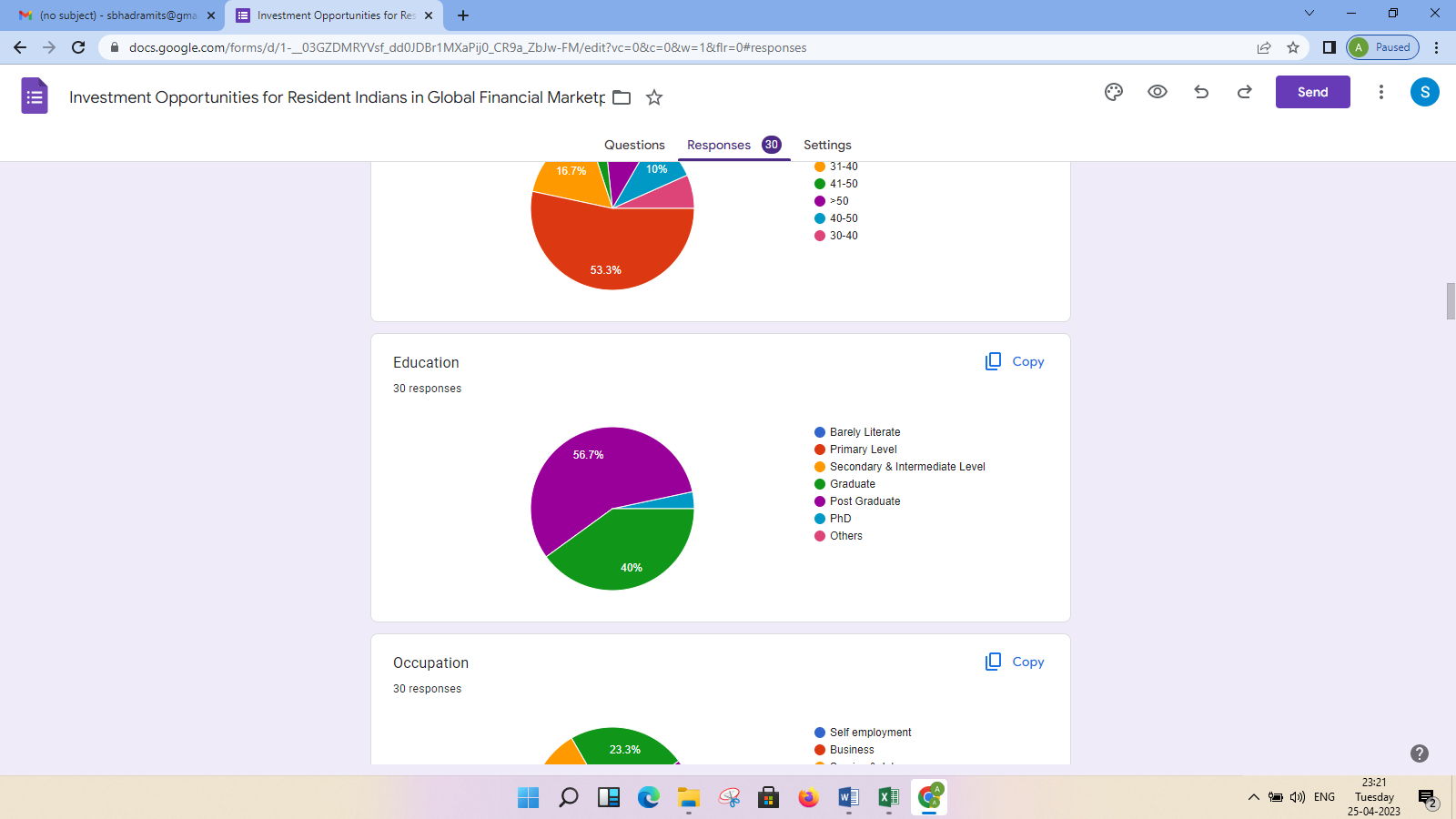
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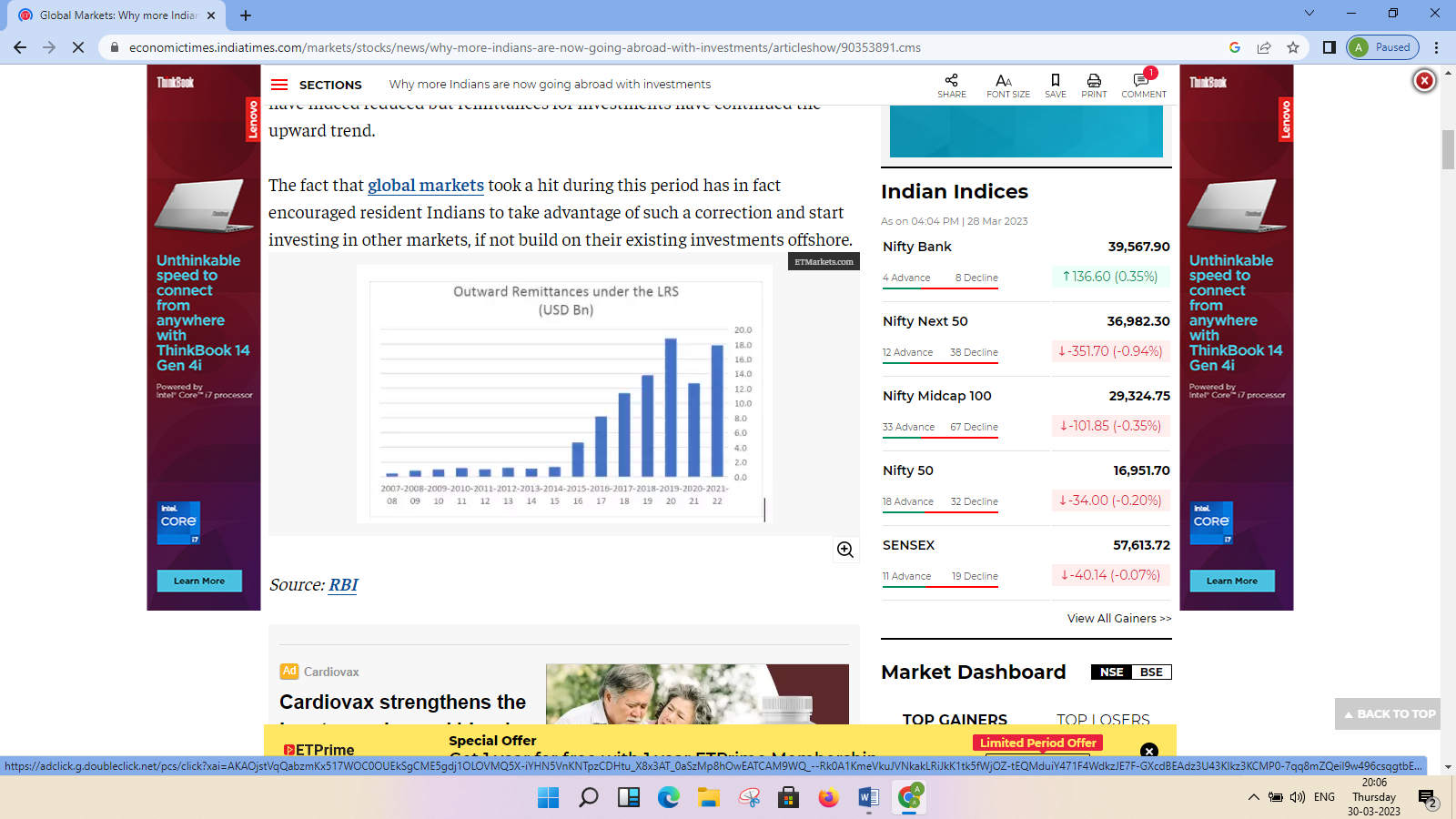
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**Annexure 1: Demographic Profile of Primary Survey Respondents**

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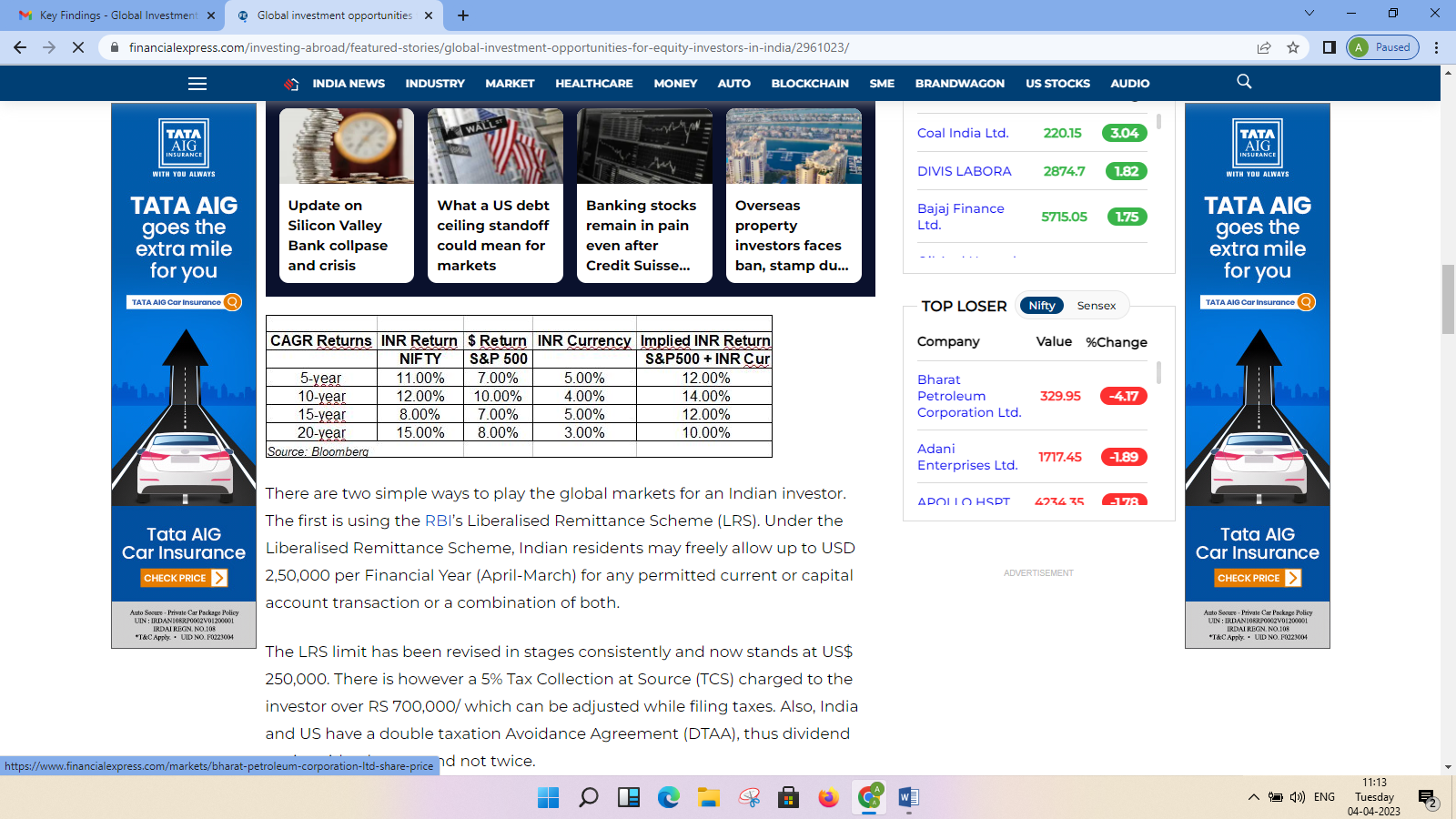


**Annexure 2 :Illustrations**

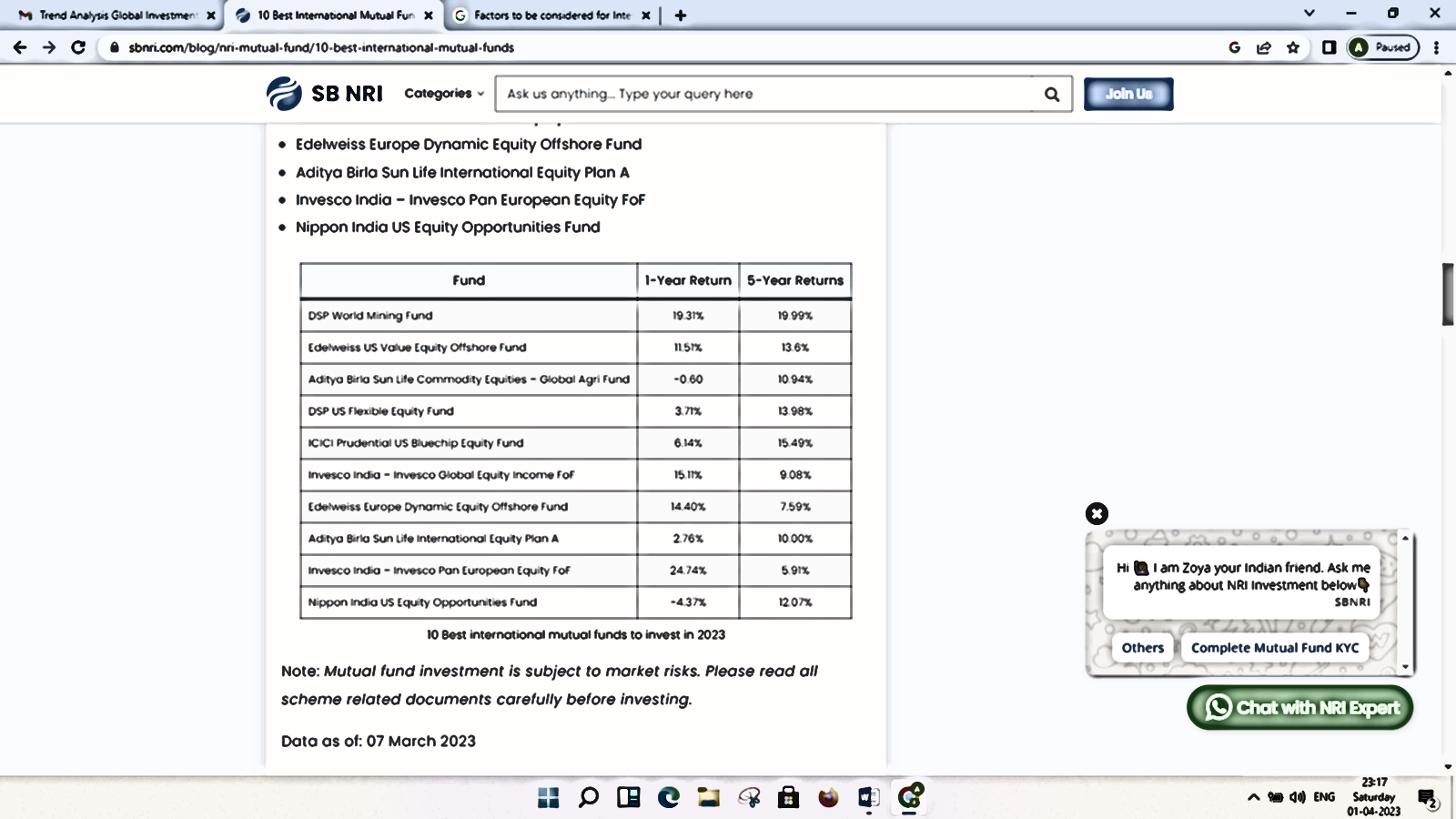


**Fig 1 Outward Remittance under LRS by Indian Investors**

(Source :https://economictimes.indiatimes.com/markets/stocks/news/why-more-indians-are-now-going-abroad-with-investments/articleshow/90353891.cms)

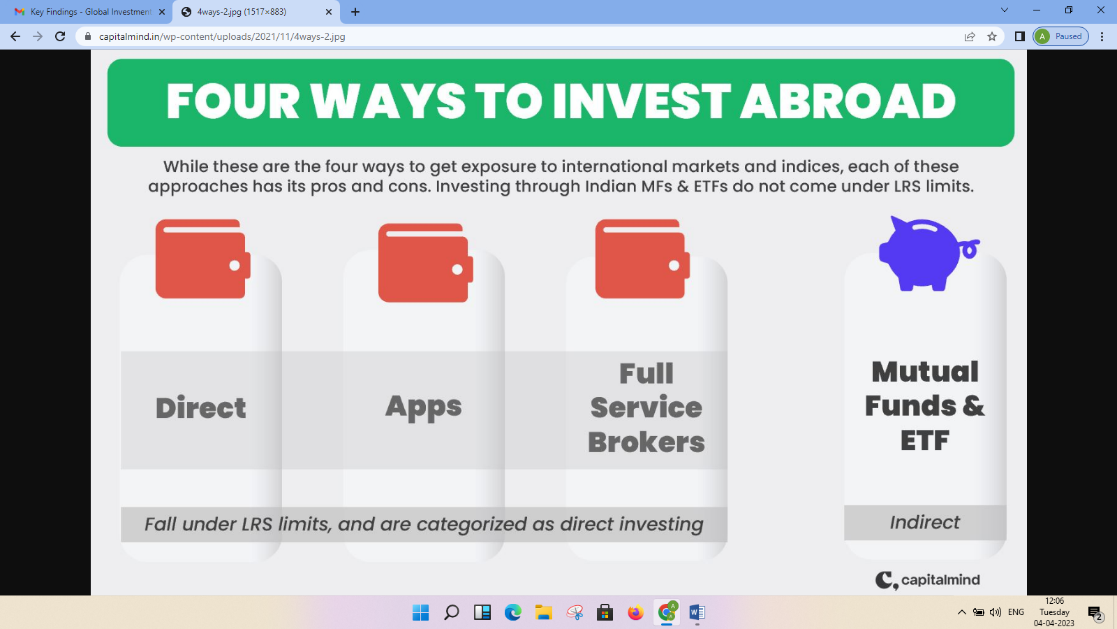


**Fig 2 : Returns of Selected Indices - India & USA**

(Source: https://www.financialexpress.com/investing-abroad/featured-stories/global-investment-opportunities-for-equity-investors-in-india/2961023/)

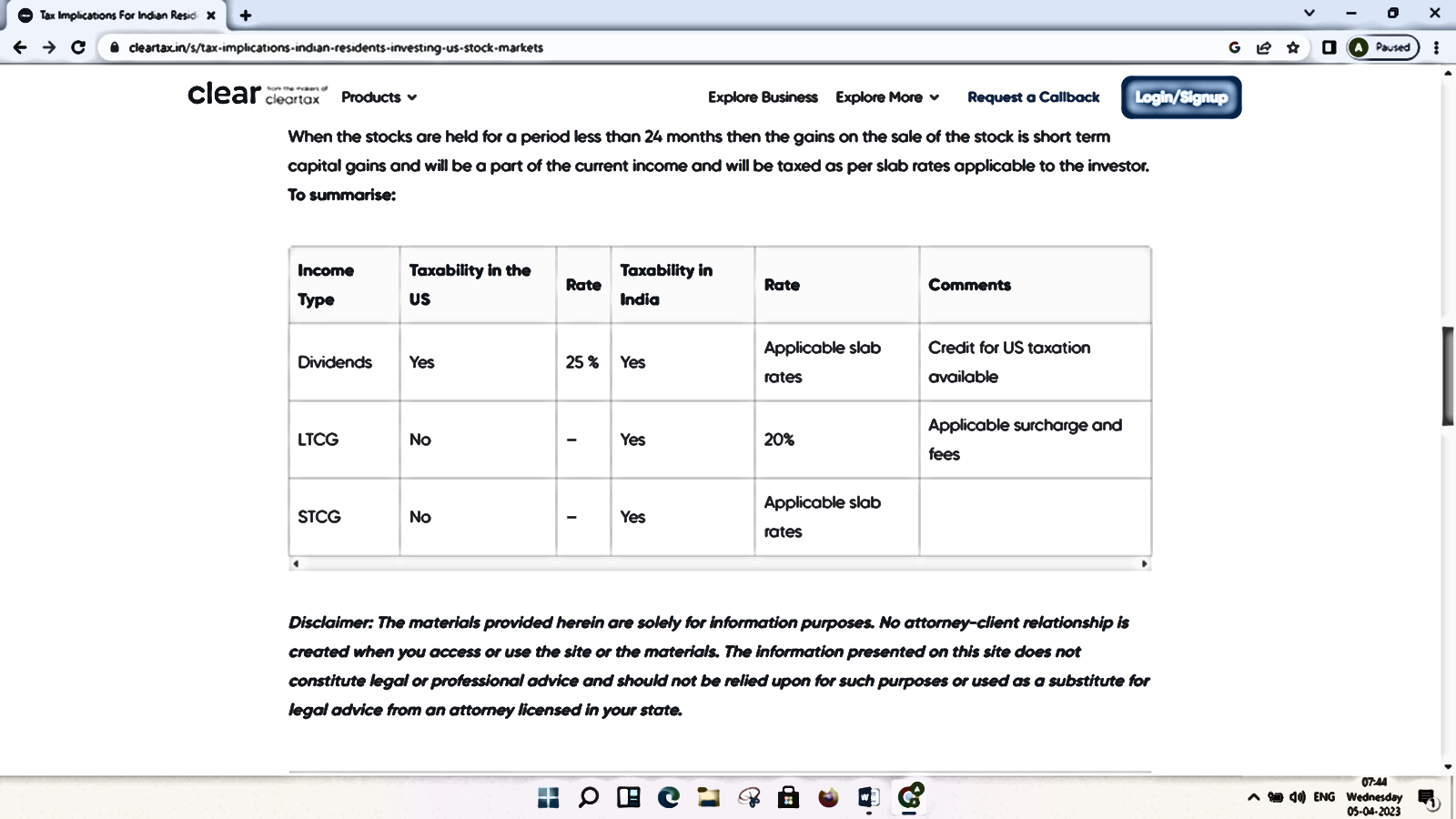
**Fig 3 : Return from International Mutual Funds**

(Source: https://sbnri.com/blog/nri-mutual-fund/10-best-international-mutual-funds



**Fig 4 : Ways to Invest Abroad by Resident Indians**

**(Source https://www.capitalmind.in/wp-content/uploads/2021/11/4ways-2.jpg)**



**Fig 5: Tax Implications for Investments in US Stocks (Source: https://cleartax.in/s/tax-implications-indian-residents-investing-us-stock-market)**