

INVESTMENT OPPORTUNITIES FOR RESIDENT INDIAN INVESTORS IN GLOBALIZED FINANCIAL MARKET – A TREND ANALYSIS

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 instruments 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 account. 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 resident 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.

Keywords: Investment Opportunities, Resident Indian Investors, Financial Market, Trend Analysis, Global Economic Growth.

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I. INTRODUCTION

Globalization and liberalization of financial marketplace has led to a borderless economy and the financial transactions have 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, local or global mutual funds or 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 while exposed to tolerable risks.

According to the views of the experts and contents of prominent economics & business related magazines (references given), it can be fairly stated that Indians are spending heavily across the border for multiple reasons including medical & health, education, travel & leisure, besides acquiring 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 limit of 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 sector has been seen in the backdrop of NSE and BSE operated international platforms that offer global opportunities to the resident Indian investors largely in the equity sector.

At present, major multinational US based corporate stocks are readily accessible to investors, even in fractions for small scale investors. Access to European bond markets and Asian stock exchanges is equally popular among selected segments of investors and preferred mode of investments by resident Indians including high net worth individuals. Many exchange traded index funds and international mutual funds are traded with ease 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.

As per one article published by the Economic Times in the recent past, a huge amount of \$1.53 billion has been invested by the resident Indians during the year 2020 as per the provisions of the LRS scheme introduced by RBI. The amount is the highest since the scheme had been introduced in the year 2004-05 and despite pandemic the investment was highly encouraging. 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. Based on basic investment theories, 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 able to reap benefit from value appreciation of currencies.

Developing economies and new investment opportunities & financial innovations are immensely contributing towards global economic growth. International investors are mostly prone to financial innovations and innovative asset classes that provide safety against related risks and higher returns. Equity and debentures are perceived to be linked with growth and rewards and gradually turns out to be popular among the international investors. Such assets are also known for their value creation characteristics. Besides innovative options, advanced fund allocation techniques also create access to wide variety of exchange traded or publicly available investment options for the investors seeking global access as per their risk & return appetite. Such allocation methods essentially includes, latest types of mutual funds with hedging funds integrated therein, distinct capital protection funds, variable annuities and the like.

II. LITERATURE REVIEWS

As per theoretical reviews from reference books (listed in reference) - 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 markets 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 in the reference books, many benefits are associated with international investment and global diversifications. Diversification naturally provides a protection against risks and certainly linked with higher returns. Currency fluctuations though might be a riskier proposition, but it also creates higher values for the investment amount and its return when appreciated. Global investment and international diversification creates benefits for any economy in multiple ways.

Ayoso & Blanco, in their International study (1999) confirmed that international investment route creates and better risk return combination for the global investors and their investment profiles. In the process of financial integration economic benefits are achieved by the participating nations. In another highly regarded paper, Luis Viceira (Senior Associate Dean at Harvard Business School) and Zixuan Wang talked 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 better returns at a comparatively lower risk. Investors are able to reduce systematic risk with diverse investment options of international assets originated across multiple countries. Creation of a diversified financial portfolio with lower risk profile and higher income opportunities is always a source of inspiration and motivation among the international investors. 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 –

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

Essentially risk & return characteristics of globally diversified portfolios do not contradict with the basic theories of investments including Capital Asset Pricing Model, Modern Portfolio Theories including the Markowitz Diversifications Theory. Combination of various assets are dealt in Efficient Frontier Theories for portfolio creations. Utility analysis through indifferent curves is also a suitable tool for analysis of portfolio investments. Selection of assets can be done after thorough analysis of fundamental & technical aspects – which are essentially linked with market indicators, economic aspects and business related indicators of a particular firm. Risk & Return related fundamental concepts relate to any type of financial investments.

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.

As per available facts & figures provided in multiple sources, Indian citizens are gradually spending higher amounts towards overseas travel, international education, medical treatments and the like. Lifestyle related expense especially by HNIs is on the rise and

touched a record height in the recent past. The trend suggests that young generation are becoming more integrated with the global scenario for all their lifestyle, career and health related needs and aspirations. During 2018 -19 the overall spending by Indians were around 3.6 billion USD which was as much as 30 times high as compared to 2013-14 figures. More recently foreign travel expenses made by Indians were 4.8 billion as compared to 44 million few years back.

III. OBJECTIVE & METHODOLOGY

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 had 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 academic institutions, corporate professionals, student's community and research scholars. Altogether 30 responses have been consolidated for this research work. However, for each question/parameter, available responses were counted and tabulated and thus total available responses varied around 28-29 in most cases. Secondary resources include article publications of authors and prominent business magazines, web-based resources and reference books having relevant content pertaining to the topic.

IV. TREND DATA ANALYSIS & INTERPRETATIONS

The overall trend of investment patterns 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 as

mentioned above. Primary feedback has also been integrated in the trend analysis. Major trends that emerge from the research are as follows.

- 1. General Level of Awareness of the Resident Indians regarding International Investments:** In the opinion of Ms. Akansha Singh, Associate Director, Morningstar Investment Advisor (August 23,2022) a number of international investment avenues exist for the resident Indian investors and their growing interest for international investments and assets has been observed. This has been coupled with their other spending need in the overseas regions as well.

Table 1: General Awareness Level – International Investment opportunities for 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

The general level of awareness of the investors regarding global avenues are reflected in the primary survey feedback presented herewith. As per this feedback around 70% respondents are either fully or partially aware about the basics of international financial investments. (Table1).

Table 2: Agreement Level regarding the benefits of International investments

Agreement Level for benefits of Global Portfolios and Risk Adjustments	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

Further probing was done on the level of agreement regarding the benefits of international investments. On this, 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 (Table 2).

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, the general awareness level regarding LRS scheme of RBI and level of remittances made by the resident Indians are also found to be fairly satisfactory. A minuscule proportion (10%) of the respondents is also actually utilizing the route as reported (Table 3).

- Reasons for Going Global by Resident Indian Investors :** According to Ms. Akansha Singh, Morningstar Investment Advisor, one main reason for growing interest of the Indians towards utilizing global investment options 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/>).

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

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 (Table 4).

- 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:** Global mutual funds draw and invest funds in multiple companies located across the world including the domestic territory of the investor.
- **Depository Receipts** offers opportunities to global investors to trade in equity of foreign securities. These are negotiable receipts and can be freely traded in open stock markets. Deposits of foreign receipts are usually traded by investors as ADRs & GDRs.
- **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.
- **Foreign Currency Convertible Bonds (FCCBs)** – Such bonds are convertible to ordinary shares at the will of the investors as per their embedded terms & conditions. However, usually all such bonds are issued to non-residents in some foreign currency. Investors subscribing to such bonds can take the benefits of market opportunities arising in the equity market.

Most recent options and innovations in the global financial investment market 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:** Investments through debt instruments usually listed in Stock Markets / Security exchanges.

4. **Asset Allocation and Global Portfolio Creation:** As mentioned earlier emerging economies are the key driver of economic growth. Such economies are also creating new investment opportunities with innovative assets classes and investment options for the global investors – mainly through equities & shares, and fixed income securities comprising of bonds & debentures. Latest fund allocation techniques essentially make use of wide variety of publicly traded financial assets as well as innovative global investment options. For a beginner, it is always suggested to make an entry in a staggered manner with 10-15 per cent of equity investment in overseas funds.

Although new fund allocation techniques involve fixed income securities, there stands some contradicts with regard to such assets classes. According to this view, low

interest rates are a global phenomenon and very few lucrative options are available in the debt market. On the other hand, there might exist some regions with increasing interest rate and capital appreciation is possible instead of capital erosion through investments made by debt instruments. Among, other crucial options, global investment funds are available in the form of mutual funds that invests in global markets. International investors, especially retail investors may ideally take global exposure with smaller investment amount. Such offshore funds have a good track record in terms of performance and returns and this appears to be a lucrative option without any doubt.

Preferences & patterns of investments of the resident Indian Investors is to be compared in light of the above options. It is learnt that most Indians prefer to invest in equities as a part of international investment route and domestic mutual funds investing abroad are one of the most popular option for them. Both retail & affluent investors prefer this route for global investment. As a matter of fact, exchange traded funds are found to be a more efficient way to invest in secondary market by all such investors. Creation of global portfolio is always a safer and lucrative proposition with such avenues.

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

Proportion of overall international investments is depicted in the table no 5 placed alongside. 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 (**Table 5**).

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 (**Table 6**).

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 cited the annual investments amount mainly in the range of INR 50000 to INR 200000. However, more than one-third (36%) of them did not invest in any global fund or instruments till the time of collecting this feedback (**Table 7**).

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

Preference of the investors in terms of brokerage accounts and use of online options including apps are tabulated in Table no 8 given alongside. Findings are given ahead. 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 (**Table 8**).

- 5. Investment Patterns & Preferences by Resident Indians:** Primary feedback surveys are one of the main sources of information regarding the investors investment preferences and choices. Household level surveys are conducted on savings and investments from time to time in the country by RBI, NCAER and other prominent organizations. A few specific results of one independent survey is analyzed herewith.

Kuvera Survey 2022 “How is India Investing” reveals interesting facts and figures about the investment preferences & choices of the resident Indian investors. While investors are mostly aware and adopting online platforms and websites, a minuscule 3% of them stated that they had been investing & trading through brokers in a purely offline mode.

Some demographic and location specific issues are also covered in the aforesaid survey. Age group of the investors has a direct linkage towards their investment preferences & choices. More than one-half (**55%**) aged between 30-40years has a specific financial goal, while three-fifth (**60%**) of those aged over 44 years tries to accumulate wealth mainly to meet their needs after retirement. A common trend depicts that investors from Chennai, Pune and Hyderabad prefer goal-based investing while investors hailing from other metro cities including Delhi, Ahmadabad and Bengaluru mainly focus on wealth creation.

Regarding choice of instruments the survey reveals the contemporary trend of the resident Indian investors. Majority of the Indian investors prefer active funds to invest in, while Index funds are gaining popularity, especially among younger investors. Altogether, one-fourth (**25%**) of investors invest in Index Funds, while majority (**66%**) of **them invest** in Active Funds, while only a minuscule 2% of the respondents affirmed that they are investing in international funds. Preference for equity investments is evident from the fact that altogether three-fourth (**75%**) of investors deal with stocks & shares, while around one-tenth (**11%**) of investors had plans to include stocks in their portfolio and remaining all the respondents (**14%**) had reservations regarding volatile equity investments as they are perceived to be risky . Many young Indians go for SIPs with a monthly outlay of more than Rs. 10000 according to the survey results 2022.

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

Proportion of respondents presently operating any demat accounts has been assessed in the primary survey. Responses on the investment patterns & responses have been consolidated herewith. As on date, around 27% of the respondents are using accounts with international exposure, be it domestic or international (**Table 9**).

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

Mode of investments through offline vis-a-vis online is found to be quite varied. 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 (**Table 10**).

Resident Indian investors have several options and choices to pick from for making their portfolios in the global platform. A profile of preferences and choices of the investors regarding various types of global funds & instruments has been created in the primary survey. Findings are presented ahead.

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

As per feedback of the respondents the Index funds (14%) ranks second in the preference matrix. Debt instruments and foreign bonds are least preferred. Stocks/equity (34%) and mutual funds (34%) are most preferred choices (**Table 11**). Penetration of Cryptocurrency and depository receipts is found to be quite low among the resident Indian investors – hovering around just above 3%.

- 6. Risk Return Characteristics of Global Investments:** Global funds such as ETFs, MFs and FOFs provide opportunity to investors security and sustained returns. This has thus become a popular option. The investment horizon however needs to be carefully assessed by the investors so that any issue of risk can be avoided and higher return can be ensured. Usually medium and long term investments in internationally traded stocks are known to

be less volatile and give higher returns. Short term investments are prone to volatility and market fluctuations.

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

In the recent times, very attractive returns have been registered in international mutual fund segment (as high as 27%). Altogether 12% to 13% returns have been registered and reported by international investors in the three to five years time horizon. At present the market is predominated with US based stocks and investors can choose country specific options available in the domestic domain. In case of international mutual funds, investors are able to readily access necessary data and they can easily find the NAVs and return percentages of different categories of such investment options.

As per a report of the 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.

Perception of the investors regarding volatility of the global investment options has been consolidated in the risk profile assessment. 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 (**Table 12**).

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

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). Such fund includes MFs that are internationally exposed. 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% (**Table 13**), primarily based on their assumptions and expectations.

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

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. Available information shows the trend of NIFTY and S & Ps returns in terms of INR and US\$ over a short and long term time horizons. 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 as the fundamentals of such companies are strong. 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 (**Table 14**).

7. Systems and Processes in Place for International Investment for Resident Investors :

According to one publication in Economic Times, resident Indians are using diversified global investment platforms and gradually shifting their portfolio with more and more international fund options of various types. In most of such platforms, the presence of an active international broker has been found to be essentially operative for all such investment needs and support for the global investors. 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. The following methods and options emerges in the given context.

- **Direct & Indirect Methods of Investments** To make investments in global stocks, an investor may open an overseas online trading account. As domestic brokerage firms are partnering with foreign brokers and thus online trading has become a convenient option for the resident Indian investors looking for global access.
- Resident Indian can also **directly open an account** with a **foreign brokerage firm** for accessing global markets directly instead of a domestic broker. Examples of such brokerage firms dealing with international financial investments include TD Ameritrade, Interactive Brokers, etc. According to Capitalmind, the direct routes are A **brokerage account** can be opened directly with US based brokers like Wellbull or TD Ameritrade.
- Some **Indian brokerage entity or app based service providers** also has tie ups with American Brokerage Firms and service providers – Drivewealth, or API based IND Money & Vested apps, etc.
- A **domestic Indian full service broker** may also jointly operate with International full service providers and give a platform to the resident Indian investors to operate globally. For example, IBKR extends such opportunity to the investors which is a tie up between ICICI Direct and Interactive Brokers, a foreign entity.
- The two international stock exchange entities that are operating in the Indian financial market are noteworthy in the present context. **NSE IFSC** is the NSE's International stock exchange entity, a subsidiary of the NSE Limited. On the other hand **INX** is an entity of BSE and known as India International Exchange. Both these entities are operating at Gujarat and known as GIFT city. Resident Indians can directly use these stock markets to tap internationally attractive funds and stocks even with minimum investment amount and convenient services.
- As indicated earlier, many types of Funds are operative which are available in common stock exchanges for the potential investors. So indirectly such funds can be utilized and may be easily included in the portfolio to access global assets. ETS, Mutual Funds, International Indexes such as NASDAQ 100 and HANG SENG are such options for which investors do not require to use International Stock market entities.

- Motilal Oswal, Eldweiss Graeter China Equity Offshore Funds are also similar types of investment options which are traded commonly in domestic stock markets of India. All such options fall under indirect approach to international investments and are exempted from the stipulations of LRS guidelines implemented by RBI for all international investment limits. All such instruments are treated like debt funds for taxation purpose and hence do not put tax burden beyond tolerable limits of the investors.

- **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.
 - All such brokerage entities offer unique service to their customers. Investors can access a wide array of international stocks and ETFs, besides many latest options including cryptocurrencies and derivatives.
 - In line with the latest trends and consumer expectations, many brokers offer a complete service profile based on telephonic support or other online measures. Such firms include TD Ameritrade and Schwab – both these firms offer telephone based services or services extended through online modes. However, some brokerage services may not provide any transaction based on telephonic conversations. One such Firm is Webull.
 - As regards ease of convenience for opening an **international trading account through brokerage firm** , it is common to experience a range of modern and sophisticated trade execution features which are often found to be better than third party apps operating in India. However, US/Europe based full service broker firms offer a more complicated account opening procedure than the third part app based providers offering to Indian investors.
 - Some of the major fees associated with international investments are transaction costs and margin money requirement for operating a brokerage account dealing with international instruments. Such costs may vary significantly across diversified brokerage firms operating In India and even across foreign countries.

- **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.
 - Global investors are increasing being associated with app based services offered by IND Money or Vested. In many other options a popular platform operates like a starting point for such investors while a different service provider acts at the backend to balance the diversification of the investors portfolio for safety and sustained return. For example Drivewealth is supported by API-based brokers. HDFC Securities open the account of their customers at the initial stage and later on all such investors are linked with

Stockcal, to deal with their investment needs and options. Drivewealth also parallel acts as supporting broker to support the investors. Kristal.AI is known to avail the services of Saxo Singapore for all their international investors, especially the ones dealing with ETFs.

- In the present era, through smartphones and computing devices internet can be easily accessed by the investors. 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.

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

Ease of investment in the present scenario has been briefed in the table given alongside. Almost 50% of the primary survey respondents affirmed that present systems and processes are investor friendly when it comes to international investments by resident Indians. Account opening, transactions and settlements, choices for investment amount, margin money requirements, services of brokerage firms and apps and regulatory mechanism are generally considered (**Table 15**).

- **Regulations Applicable to Resident Indians:** FEMA and LRS under FEMA are the main regulations imposed by RBI in the context of international investments by resident Indians. Indian residents are availing the benefits and provisions under LRS scheme initiated since 2004. Almost last two decades this scheme has been enabling resident Indians to operate international trading & investments, plus making international expenditure, be it health, education or leisure travel or lifestyle related issues, in a simple and convenient manner. 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 terms of outward remittances under the LRS route, a hoping USD 7 billion hike was achieved in the year 2021-22 as against 2019-20. Only resident Indians are permitted to make such remittances under the scheme route within permissible limit or with prior approval from the LRS governing entity, RBI. However, non-residents

categories and corporate entities, HUFs and partnership firms are not permitted to make such remittances under LRS. In case of minor individuals, such benefits are available if their natural guardians meet the necessary protocols of the Income Tax authority.

- 8. Tax Burden & Transaction Costs :** Costs associated with services for international investments, especially while dealing with foreign stocks are mainly transaction costs including brokerage, margin money, bank fees and depository charges. As on date GST is also applicable in specific foreign investments and incomes. Currency value fluctuations may also pose additional expenses on part of the investor from time to time. All such costs taken together the amount ranges between 0.5% to 2% of the overall investment amount.

Tax burden on international remittances linked with LRS stands at 5% in the form of TCS and the concerned dealer bank is authorized to collect such charges from the investor. As per the provisions of the Income Tax Act the prescribed limit of transactions under the LRS is INR 7 lakhs per annum and such tax is collected only when the amount exceeds the prescribed limit. Additional charges are applicable in case the investor is unable to provide UID documents or PAN cards and tax amount rises up to 10%. However, investors are permitted to claim benefits or refund of such taxes while filing ITRs.

Additional issues pertaining to tax burden linked with investments in international stocks are mainly of two types – capital gains tax and dividend tax. Dividend incomes from US based stocks are taxable and are deducted @ 25% before releasing income by the companies to the resident Indian investors. However, investors can claim tax benefits at home as tax credit while filing their returns at a later date. Dividend tax charged at the rate of 25% and withheld by US companies before releasing the 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 are 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.

- 9. 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 namely “Investing Basics : how to Invest in Global Stocks” authored by Dr. Suresh Surana and Aashika Jain published in October 2022 reveals risk factors linked with investments. According to the authors , the following risk factors should be evaluated before making international investments –
 - **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
 - **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.
 - **Foreign Exchange Fluctuation Risk:** Rate of currency may change and may affect earnings and expenses while two separate currencies are involved in investments and trading and
 - **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.

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

Retail investors using corporate debt funds often face liquidity problems and hence market price of such instruments is usually quoted low. Some options either have lock in period or are associated with transaction costs embedded in such instruments. Though equity markets are comparatively more liquid, equities of many companies are not traded frequently and also likely to suffer from liquidity problems. 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 of the primary survey, 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 (**Table 16**).

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

In view of the primary survey 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 (**Table 17**). .

V. 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 reflect 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.

From secondary reviews it is noted that a set of opportunities arise 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 global portfolio should be well diversified and must include a range of asset classes. Market neutrality, low cost options are preferred measures to nullify the local market risk factors and exposure. Equities of global tech firms are certainly a good option for resident Indian investors as per many experts in this field. According to them, Indian investors should ideally look for shares of Google, Facebook, Microsoft and other giant tech firms as their fundamentals are very strong.

Some fundamentals, such as PE ratio, can be assessed in the exchange traded funds including index funds. In the recent past fluctuations in P/E ratio have been recorded in S & P 500 Index. Even, price fluctuations have been wide for individual stocks including giants like Alphabet, Meta and Tesla. Although their prices have been down in the range of 25% -50% over a period of time, experts are confident about their strong fundamentals and thus suggested for investments.

Once investors are able to concentrate in the global financial market and analyze the major trends, they are advised to make direct investments, preferably with a higher amount. Usually LRS of RBI is the readily available option for the resident Indians. Smaller investors, without opening a brokerage account, can opt for international schemes available in the domestic market. Purchasing a passive international fund is within the reach of such small investors and also hassle free. One of the biggest advantages of these funds is that investors can avoid any foreign exchange related risks and use domestic currency denominated assets.

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 are investing through brokers and trading offline.

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. According to the CEO of Vested Finance, a California based registered investment advisor with SEC, claims that such platforms are not even available in the USA based local stock market as Gujarat offers direct stocks purchase options for resident Indians like Apple, Tesla, Starbucks, Nike and Meta (Facebook) who are investing in the US stock markets. 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 across Asia, Europe, Middle-East and USA regions.

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. Many resident Indian investors are presently well aware about this phenomenon and are creating wealth with funds free from currency risks.

VI. KEY FINDINGS & CONCLUSIONS

Key Findings from the secondary reviews confirm that global investment opportunities are available to resident Indians through various modes of trading options. Several traditional instruments and modern innovative options are available in the market –

both at the domestic stock exchanges and international platforms like INX & IFSC. Use of smartphones and mobile apps are on the rise. Both national & international brokerage firms are facilitating such transactions. Growing number of resident Indians are using LRS route for international investments. Overall the expenses on such investments are on the rise despite some odds during the Covid pandemic in the recent past. High net worth individuals as well as small retail investors can take the benefits of the global markets which are just a click away. However, some procedural obligations, risk factors and higher costs associated with specific transactions may create confusion among the investors which can be addressed appropriately. No doubt such investments are superior choices for all types of investors with better risk return profiles if taken up intelligently in a gradual manner. Investors' awareness and learning are critical aspects in this regard. Based on primary feedback, which are very limited with the available views and opinions, following points emerged.

- 1. Level of Awareness of the Resident Indian Investor:** Around 70% respondents are either fully or partially aware about the basics of international financial investments. 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. Furthermore, the general awareness level regarding LRS scheme of RBI and level of remittances made by the resident Indians are also found to be fairly satisfactory. However, only a minuscule proportion (10%) of the respondents is also actually utilizing the route as reported.

- 2. Reasons for Going Global by resident Indian Investors:** In view of the two-fifth (40%) of the respondents international investments are certainly better options as compared to domestic options. 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. 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.

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

- 3. Preferences & Choices of Global Investors (Resident Indians) – Preference Matrix**
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. Proportion of respondents presently operating any demat accounts has been assessed in the primary survey.

On responses on the investment patterns & choices as on date, around 27% of the respondents are using accounts with international exposure, be it domestic or international. 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 .

- **Preference Matrix:** Index funds (14%) ranks second in the preference matrix. Debt instruments and foreign bonds are least preferred. Stocks/equity (34%) and mutual funds (34%) are most preferred choices. Penetration of Cryptocurrency and depository receipts is found to be quite low among the resident Indian investors – hovering around just above 3%.

4. Risk & Return Characteristics of International Investments: 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 or lower confidence level about accessing diversified global economies.

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%, primarily based on their assumptions and expectations.

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.

- 5. Systems and Processes in Place for International Investment for Resident Investors:** Almost 50% of the primary survey respondents affirmed that present systems and processes are investor friendly when it comes to international investments by resident Indians. Account opening, transactions and settlements, choices for investment amount, margin money requirements, services of brokerage firms and apps and regulatory mechanism are generally considered while making any global investment decisions.
- 6. Regulations Applicable to Resident Indians:** According to respondents of the primary survey, majority are generally aware about the basics of international investments and LRS scheme implemented by RBI. Resident Indians viewed that they are mainly exposed to currency rate fluctuation (35%) as the main problem, while country risk (18%) and regulation risks (25%) are also mentioned by them. Specifically, in some cases the costs & tax burdens 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.

VII. 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 them. All such investments are opted by them in a legally acceptable manner, be it LRS route, common exchange traded funds with international exposure or offers extended by Gurarat Tech City. 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 specific mention here. As per available secondary resources, the transaction costs and associated legal expenses are posing hurdles for small investors as comparative returns from such investments can't be justified with the cost amount. Even an investor with larger amount of investment, say Rs. 10.00 lakhs must be interested to compare the revenue returns and associated expenses so that cost benefit ratio is acceptable. Based on this premise, however, it can't be concluded that things are critical, complex and beyond the reach of common investors.

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.

Increasing number of ETFs and Mutual Funds are traded in the stock markets which are available for investments by resident Indians. Indian AMCs are accessing international markets and offering such options to investors with ease and convenience. Resident Indians, thus, can choose such indirect ways of investing besides accessing global stocks through international platforms, like NSE & BSE and other options available through account opening by domestic or international brokerage firms.

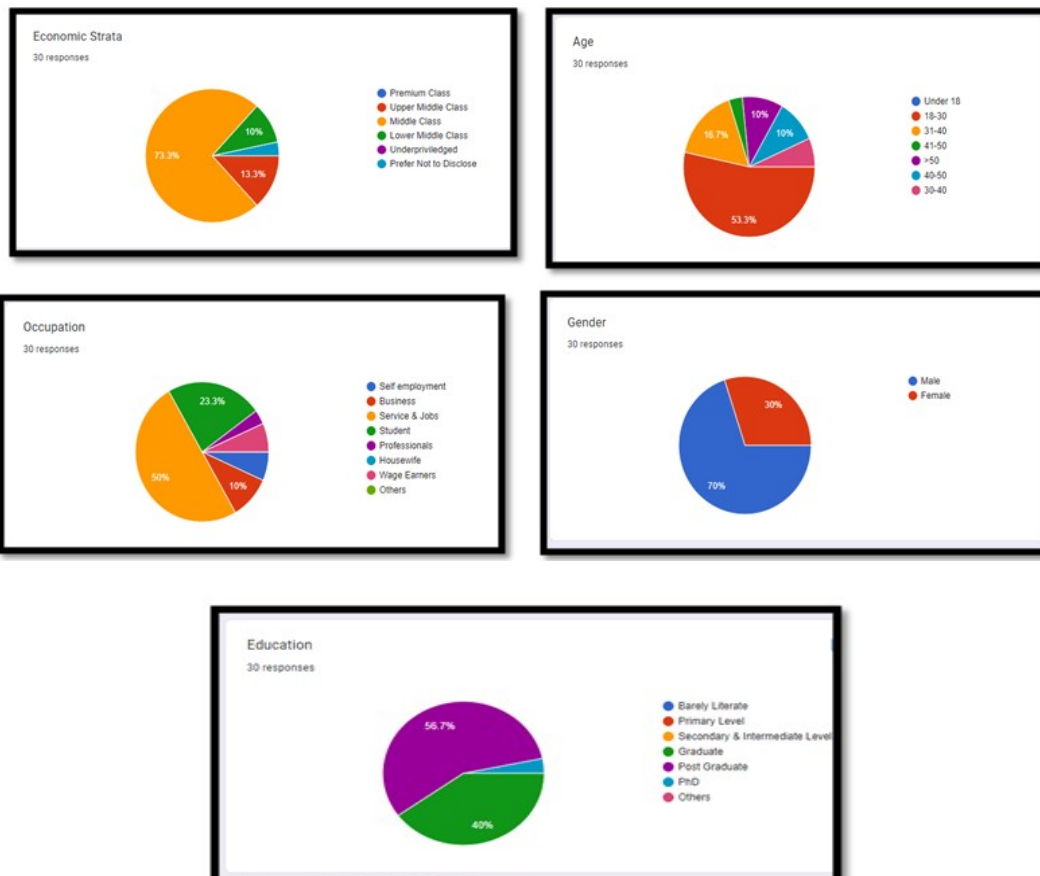
Finally, investors must review their own goals and objectives after verifying factors beyond their control for all global investments. High Net Worth Individuals as well as retail and small investors must reap the benefits of global investments and avail expense matching with currency conversions as 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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Annexure 1: Demographic Profile of Primary Survey Respondents



Annexure 2: Illustrations

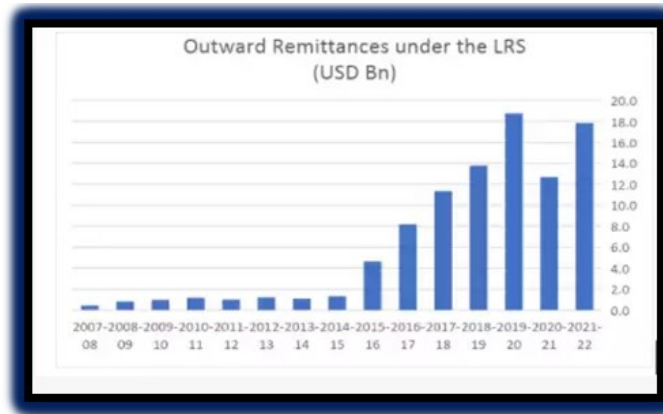


Figure 1: Outward Remittance under LRS by Indian Investors
 (Source :<https://economictimes.indiatimes.com/markets/stocks/news/why-more-indians-are-now-going-abroad-with-investments/articleshow/90353891.cms>)

CAGR Returns	INR Return	\$ Return	INR Currency	Implied INR Return
	NIFTY	S&P 500		S&P500 + INR Cur
5-year	11.00%	7.00%	5.00%	12.00%
10-year	12.00%	10.00%	4.00%	14.00%
15-year	8.00%	7.00%	5.00%	12.00%
20-year	15.00%	8.00%	3.00%	10.00%

Source: Bloomberg

Figure 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/>)

Fund	1-Year Return	5-Year Returns
DSP World Mining Fund	19.31%	19.99%
Edelweiss US Value Equity Offshore Fund	11.57%	13.6%
Aditya Birla Sun Life Commodity Equities – Global Agri Fund	-0.60	10.94%
DSP US Flexible Equity Fund	3.77%	13.98%
ICICI Prudential US Bluechip Equity Fund	6.14%	15.49%
Invesco India – Invesco Global Equity Income Fof	15.17%	9.08%
Edelweiss Europe Dynamic Equity Offshore Fund	14.40%	7.59%
Aditya Birla Sun Life International Equity Plan A	2.76%	10.00%
Invesco India – Invesco Pan European Equity Fof	24.74%	5.91%
Nippon India US Equity Opportunities Fund	-4.37%	12.07%

10 Best international mutual funds to invest in 2023

Figure 3 : Return from International Mutual Funds
 (Source: <https://sbnri.com/blog/nri-mutual-fund/10-best-international-mutual-funds>)



Figure 4: Ways to Invest Abroad by Resident Indians
 (Source <https://www.capitalmind.in/wp-content/uploads/2021/11/4ways-2.jpg>)

Income Type	Taxability in the US	Rate	Taxability in India	Rate	Comments
Dividends	Yes	25 %	Yes	Applicable slab rates	Credit for US taxation available
LTCG	No	-	Yes	20%	Applicable surcharge and fees
STCG	No	-	Yes	Applicable slab rates	

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