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Yours sincerely

Er.S. Lakshmanan
Publisher
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Challenges Faced by Indian Retail Sector

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Abstract
Indian Retail Sector should attract a lot of Foreign Direct Investment (FDI) in the form of Mergers & Acquisitions (M&A). Taking into consideration the size of the country and this industry, we would also expect Indian companies to play an international role in making investments and M&A abroad. M&A is one the most important form of Indian FDI. Other way to get on board is to have joint venture or by participation in equity. Recently Government of India passed slew of economic reform measures in parliament- opening 100% FDI in multi-brand retailing, opening aviation sector to 51% FDI, taking measures to reduce subsidy on fuel which is responsible for increasing balance of payment gap, 51% FDI in single-brand, making amendments in taxation policy, changes in Corporate Law etc. These measures will pave way for large MNC players to make investment in retail FDI. The new bill on other hand has given a big issue to opposition parties to attack the government that such a move will hurt mom and pop store, increase unemployment, skewed development where the gap between have’s and have-not’s will increase. Only some sections of population will gain, while the majority residing in rural areas will not get benefit of low price which happens due to competitive environment. Further, the recent lobbying by Walmart in USA and reported some payment of graft money in India has further vitiated climate for FDI.

Key Words: Acquisition, FDI, Merger, MNC, Retail Sector.

Introduction
Retail sector in India is the second largest employer after agriculture. Although the sector is highly fragmented and it is 97% of the total retail trade business which is about $450 billion. Retail sector has mushroomed in the past decade, mainly on account of gradual increase in the disposable incomes of the middle and upper middle class households. The growing wealth with the middle-class in India, the population size and the big percentage of population being in 30’s make immense possibility for entrepreneurial growth in the retail sector. The Indian Retail Sector has all the factors to be a very attractive market, especially market size and growth. India is the second largest world in the country with an estimated population of 1.2 bil. people1 as of

July 2012, with the fourth largest GDP in the world as of 2010, and a retail market of 15,500 bil. RS as of 2011, this market has a considerable size. The Indian economy is forecasted to grow faster than the world’s average GDP and to be one of the fastest growing of the world (Economist, 2012), so its retail sector should be attracting many players to enter it (Euromonitor, 2012). The IMD World Competitiveness study puts India at the 21st rank in terms of economic performance in 2012 (IMD World Competitiveness Database, 2012).

In this article, we first take a look at the general Foreign Direct Investment (FDI) into and from India as well as its international inward and outward Mergers & Acquisitions (M&A) activity. We will then explore M&A in the Indian Retail Sector and compare it with the general M&A trends. In our conclusion, we will offer potential factors for explaining differences that could be noticed and might be worth further research.

**Outward and Inward Foreign Direct Investment and Mergers & Acquisitions in India**

Mergers & Acquisitions (M&A) represent the majority of Foreign Direct Investment (FDI). With regards to inwards FDI into India, investment worth 163 bil. USD have been made from 2004 to 2010 (see Figure 1). Whereas the known value of acquisitions by foreign companies in India during the same time period are worth more than 103 bil. USD (see Figure 2). Hence, M&A make up over 63% of the inward FDI. During the same years, Indian companies invested 87 bil. USD abroad as outward FDI. Indian companies made acquisitions abroad worth 57 bil. USD (see Figure 3) which accounts for two thirds of all outward FDI.

![Figure 1: Indian Foreign Direct Investment Out- and Inflows, 2004-2010](image)

---

Foreign Direct Investment and Mergers & Acquisitions in the Indian Retail Sector

While M&A by foreign companies into India and by Indian companies abroad have experienced a lot of growth over the past couple of years, inbound foreign direct investment in the form of M&A by foreign companies into the Indian retail sector is limited. From 1995 to 2012,

---

6 Source: Thomson Financial, own analysis.
7 Source: Thomson Financial, own analysis.
there have been 77 acquisitions worth 0.9bil. USD (see Figure 4) which represents 1.8% of the number all foreign M&A into India and 0.6% of their value.

![Figure 4: Foreign Mergers & Acquisitions in the Indian Retail Sector, 1995-2012](image)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Target</th>
<th>Acquiror</th>
<th>Acquiror Nation</th>
<th>Value (in mil. USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Reid &amp; Taylor(India)Ltd</td>
<td>IndivestPte Ltd</td>
<td>Singapore</td>
<td>210</td>
</tr>
<tr>
<td>2</td>
<td>Sharekhan Ltd</td>
<td>Citi Venture Capital Intl</td>
<td>United Kingdom</td>
<td>175</td>
</tr>
<tr>
<td>3</td>
<td>Barista Coffee Co Ltd</td>
<td>Luigi LavazzaSpA</td>
<td>Italy</td>
<td>50</td>
</tr>
<tr>
<td>4</td>
<td>Escorts Yamaha Ltd</td>
<td>Yamaha Motor Co Ltd</td>
<td>Japan</td>
<td>46</td>
</tr>
<tr>
<td>5</td>
<td>Monte Carlo Fashions Ltd</td>
<td>Samara Capital Management Ltd</td>
<td>Mauritius</td>
<td>32</td>
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Table 1: Largest Foreign Mergers & Acquisitions in the Indian Retail Sector, 1995-2012

Also Indian companies have completed many acquisitions abroad. In the retail sector however, Indian acquisitions abroad are almost inexistent. From 1995 to 2012, there have been 28 acquisitions worth 0.3 bil. USD (see Figure 5) which represents 1.4% of the number all Indian M&A abroad and 0.4% of their value.

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8 Source: Thomson Financial, own analysis.
9 Source: Thomson Financial, own analysis.
Foreign Direct Investment in Retail Trade – Opportunities and Challenges

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Figure 5: Indian Mergers & Acquisitions in the Retail Sector Abroad, 1995–2012

<table>
<thead>
<tr>
<th>Rank</th>
<th>Target Company</th>
<th>Target Nation</th>
<th>Acquiror</th>
<th>Value (in mil. USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Undisclosed Jewellery Retail</td>
<td>Italy</td>
<td>Shree Ganesh Jewellery House</td>
<td>215</td>
</tr>
<tr>
<td>2</td>
<td>Undisclosed Jewellery Retail</td>
<td>Utd Arab Em</td>
<td>Shree Ganesh Jewellery House</td>
<td>33</td>
</tr>
<tr>
<td>3</td>
<td>CIS Retail Pharmacy Subsidiary</td>
<td>Russian Fed</td>
<td>Plethico Pharmaceuticals Ltd</td>
<td>20</td>
</tr>
<tr>
<td>4</td>
<td>York Transport Equipment (Asia)</td>
<td>Singapore</td>
<td>TRF Ltd</td>
<td>26</td>
</tr>
<tr>
<td>5</td>
<td>Cookie Man Pty Ltd</td>
<td>Australia</td>
<td>NAIHAA Retail Pvt Ltd</td>
<td>2</td>
</tr>
</tbody>
</table>

Table 2: Largest Indian Mergers & Acquisitions in the Retail Sector Abroad, 1995–2012

In Table 3, the ratios of inward and outward M&A of the Retail Sector to total Mergers & Acquisitions are listed for BRICS (Brazil, Russia, India, China and South Africa) and some selected developed countries, i.e. United States, United Kingdom and Germany. When comparing these numbers, one can see that in terms of outward M&A India comes last in terms of value and next to last in terms of numbers. While in terms of inward M&A, India comes last in terms of numbers and value. Given the market size and future outlook of Indian retailing, this looks like a relatively low number of M&A transactions in this industry.

<table>
<thead>
<tr>
<th>Country</th>
<th>Outward M&amp;A Number</th>
<th>M&amp;A Value</th>
<th>Inward M&amp;A Number</th>
<th>M&amp;A Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>0.9%</td>
<td>0.1%</td>
<td>4.0%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Russia</td>
<td>4.0%</td>
<td>3.8%</td>
<td>4.6%</td>
<td>2.4%</td>
</tr>
<tr>
<td>India</td>
<td>1.4%</td>
<td>0.0%</td>
<td>1.8%</td>
<td>0.6%</td>
</tr>
<tr>
<td>China</td>
<td>2.0%</td>
<td>0.7%</td>
<td>3.7%</td>
<td>2.5%</td>
</tr>
<tr>
<td>South Africa</td>
<td>3.0%</td>
<td>3.5%</td>
<td>2.7%</td>
<td>7.0%</td>
</tr>
<tr>
<td>United States</td>
<td>2.5%</td>
<td>3.1%</td>
<td>3.0%</td>
<td>1.6%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>3.5%</td>
<td>3.6%</td>
<td>3.7%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Germany</td>
<td>3.6%</td>
<td>1.2%</td>
<td>3.2%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

Table 3: Ratio of Inwards and Outwards Mergers & Acquisitions of Retail Sector to Total Mergers & Acquisitions of Selected Countries

10 Source: Thomson Financial, own analysis.
11 Source: Thomson Financial, own analysis.
12 Source: Thomson Financial, own analysis.
Conclusion

Given the market attractiveness of the Indian Retail Sector, this industry should attract a lot of Foreign Direct Investment (FDI) also in the form of Mergers & Acquisitions (M&A). Taking into consideration the size of the country and this industry, we would also expect Indian companies to play an international role in making investments and M&A abroad. As our analysis has shown this is not the case however. So what might be factors that explain the relatively low activity in M&A in the Retail Sector with a couple of potential factors from the economic, social and political arena.

Why are not more foreign retail companies expanding by M&A into the Indian market? First of all, there are still some legal entry barriers to the foreign ownership of Indian retail companies. Legislation to open up for more FDI has been partially revised in 2011 although first a complete opening up was considered (The Economist, 2011a, 2011b, 2011c). These changes might not be considered as sufficient by foreign companies. Second, there are not enough Indian retail companies of a sufficient size available up for sale or in existence to be acquired. Most foreign companies when considering as a strategic acquirer to expand by M&A favor to buy companies of a certain size so that the exercise of going through a transaction is worthwhile bringing a significant market share either as a good platform to grow (buy and build approach) or to play a major role in a national consolidation.

There are also a couple of potential explanations why Indian retailers do not expand abroad by Mergers & Acquisitions. The nature of demand as an influencing factor of competitiveness (Porter, 1990) in the Indian retail sector does not necessarily give Indian companies a competitive edge to bring abroad. Shopping behaviors in the past have not supported the development of internationally competitive players so far, but current trends suggest changes in customers’ behavior (Euromonitor, 2012). The capabilities (Wernerfelt, 1984, 1995) by Indian retail companies do not really allow them to bring a distinct advantage to foreign markets. Compared to other international players, the Indian retail companies are rather small and the home market is very fragmented.13

However, in spite of the recent developments in retailing and its immense contribution to the economy, retailing continues to be the least evolved industries and the growth of organized retailing in India has been much slower as compared to the rest of the world. Undoubtedly, this dismal situation of the retail sector, despite the ongoing wave of incessant liberalization & globalization stems from the absence of an FDI encouraging policy in Indian retail sector. The potential for investment in retail sector is huge and diverse. The decision whether or not to lay down the welcome mat for big-box global retailers has become an emotionally loaded debate about the country’s economic future. The government maintains that the reform will create some 10 million new jobs in the next three years, help farmers get better prices for their produce and will infuse new life into India’s tottering food-distribution system. Wastage will go down, prices paid to farmers will go up, and prices paid by consumers will go down.

13 2.4% of the retail value in 2011 could be attributed to 15 retail companies while 97.6% are determined by other companies, with the largest retailer Titan Industries Ltd. having a share of 1.3% (Euromonitor, 2012).
FDI in retail is expected to bring the investment and expertise necessary to modernize and develop the farm and manufacturing sector. Analysts estimate that the retail market in India, currently worth $500 billion, will grow to $1.3 trillion by 2020. Organized retail is expected to reach 20-25% of total retail by 2020 (from a current 5-6%). The prospect of higher growth in the food and grocery category is particularly attractive because over fifty percent of India’s workforce is employed in the farm sector.

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FDI’s in Indian Retail Sector: Good or Bad

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ABSTRACT:
The Indian Retail sector has caught the world’s imagination in the last few years. India’s retail growth was largely driven by increasing disposable incomes, favorable demographics, changing lifestyles, growth of the middle class segment and a high potential for penetration into urban and rural markets. India is one of the largest budding markets, with a population of over one billion, and is one of the biggest economies in the world in terms of purchasing power. The market size of Indian retail industry is about US $312 billion. Moreover, the composition and type of Foreign direct investment has changed considerably since India has opened up to world markets. This has fuelled high expectations that FDI may serve as a channel to the higher economic growth of India. Foreign investors are extremely eager on charisma in Indian retail sector. Incontrovertibly, FDI in retail is budding as a sort of litmus trial to the government’s pledge to liberalization. In this context, the present paper attempts to review the issues and implications of FDI inflows into the Indian retail sector.

Keywords: Foreign Direct Investment, Retail Sector, India

INTRODUCTION:
The Indian retail industry accounted for 9.4% employment and 22% of the country’s GDP in the financial year 2011. The inflation rate also fell from double digits in 2010 to a single digit figure in 2011 thereby driving growth of grocery retailing. One of the key drivers in the growth in retailing is the increased consumer demand resulting due to the growth of consumer groups with disposable income between USD 2,500 and USD 10,000 per annum which grew from 47% in 2010 to 50% in 2011.

After a recent series of mishaps created by the Government of India and opposition alike on the issue of FDI in retail, a Continuous provoking thought is still there. Are we overestimating the impact that FDI will have on the existing Indian retail structure.

Foreign Direct Investment in Retail Trade – Opportunities and Challenges
FDI in retail industry means that foreign companies in certain categories can sell products through their own retail shop in the country. Government of India has allowed FDI in retail of specific brand of products.

Following this, foreign companies in certain categories can sell products through their own retail shops in the country. India’s retail industry is estimated to be worth approximately US$411.28 billion and is still growing, expected to reach US$804.06 billion in 2015. As part of the economic liberalization process set in place by the Industrial Policy of 1991, the Indian government has opened the retail sector to FDI slowly through a series of steps:

- **1995**
  - World Trade Organization’s General Agreement on Trade in Services, which includes both wholesale and retailing services, came into effect.

- **1997**
  - FDI in cash and carry (wholesale) with 100% rights allowed under the government approval route.

- **2006**
  - Up to 51 percent investment in a single-brand retail outlet permitted.

- **2011**
  - 100% FDI in single brand retail permitted.

The Indian government removed the 51 percent cap on FDI into single-brand retail outlets in December 2011, and opened the market fully to foreign investors by permitting 100 percent foreign investment in this area. The specter of large supermarket brands displacing traditional Indian mom-and-pop stores is a hot political issue in India, and the progress and
development of the newly liberalized single-brand retail industry will be watched with some keen eyes as concerns further possible liberalization in the multi-brand sector.

DETERMINANTS OF FDI POLICIES IN INDIA

The major determinants of foreign investment are identified technology, labour skills and infrastructure. These factors are very important to explain the patterns and trends in the geographical structure of FDI at the world capita income, in relation to outbound as well as inbound FDI (Hummels and Stern, 1994).

The huge range of government incentives and institutional historical & cultural factors influence investors location related decisions (Martin and Velazquez, 1997). The measures of market size that are used extensively are GDP, GDP per capita and growth in GDP. FDI as defined in Dictionary of Economics (Graham Bannock et.al) is investment in a foreign country through the acquisition of a local company or the establishment there of an operation on a new site.

FDI refers to capital inflows from abroad that is invested in or to enhance the production capacity of the economy. (Hemant Batra, 2010) Foreign Investment in India is governed by the FDI policy announced by the Government of India and the provision of the Foreign Exchange Management Act (FEMA) 1999. The Reserve Bank of India (‘RBI’) in this regard had issued a notification. (FEMA, 2000) which contains the Foreign Exchange Management (transfer or issue of security by a person resident outside India) Regulations, 2000.

The Government of India recognizes the significant role played by foreign direct investment in accelerating the economic growth of the country and thus started a swing of economic and financial reforms in 1991. India is now initiating the second generation reforms intended for a faster integration of the Indian economy with the world economy. As a consequence of the introduction of various policies, India has been quickly changing from a restrictive regime to a liberal one. Now FDI is also encouraged in most of the economic activities under the automatic route.

FACTORS DRIVING THE GROWTH OR RETAIL SECTOR:

Indian economy is growing at the rate of 8%, indicating a prosperous future. The consistent economic growth resulted in a decent rise in income level of the middle class. Many International brands have entered the market. With the growth in organized retailing, unorganized retailers have brought drastic changes in their business models, many factor are responsible for the growth of retail sector. These are:

1) Increasing disposable income: Rising disposable incomes in middle class and lower middle class with increase in employment opportunities for young adults in IT & IT enabled sectors are the major cause of retail growth in India.

2) Increasing no. of dual income nuclear families: In India, hefty pay packets, nuclear family along with increasing working women population and dual income in family are the factors contributing to prosperous retail sector.
3) **Changing lifestyle and consumer behavior:** Due to increasing working population, comfortable life, travel and leisure are given importance. These key factors are growth drivers of retail sector in India which now boast of retailing almost all the preferences of life – apparel and accessories, Appliances, Electronics, cosmetics & Toilets cries etc.

4) **Experimentation with formats:** Due to competition in the market, retailing is still evolving and the sector is witnessing a series of experiments with new formats being tested out.

5) **Store design:** Shopping malls and super markets are growing at a very faster rate. Improvements in infrastructure and enhanced availability of retail space, store design are the factors increasing the share of organized retail and thereby contributing to growth of Indian retail sector.

**SWOT ANALYSIS OF FDI**

SWOT analysis is one of the primary step in strategic management. It contains an analysis of strengths, weaknesses, opportunities and threats. The strength and weaknesses of the FDI shows the present scenario and the opportunities and threats help to plan for future.

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<th><strong>B) Weaknesses of FDI Policy</strong></th>
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<tbody>
<tr>
<td>1) Fast growing economy.</td>
<td>1) Low capital investment in retail sector.</td>
</tr>
<tr>
<td>2) Young and dynamic manpower.</td>
<td></td>
</tr>
<tr>
<td>3) Highest shop density in the world.</td>
<td></td>
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<tr>
<td>4) High growth rate in retail &amp; wholesale trade.</td>
<td>2) Lack of trained &amp; educated force.</td>
</tr>
<tr>
<td></td>
<td>3) Lack of competition.</td>
</tr>
<tr>
<td></td>
<td>4) More prices as compared to</td>
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<table>
<thead>
<tr>
<th><strong>C) Opportunities of FDI Policy</strong></th>
<th><strong>D) Threats of FDI Policy</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Major employment generation in the future, enhance the financial condition of farmers.</td>
<td>1) Threat to the survival of small retailers like ‘pan tapri’, ‘local kirana’.</td>
</tr>
<tr>
<td>2) Increase in lifecycle changes and status consciousness &amp; disposable income.</td>
<td>2) Jobs in the manufacturing sector will be lost.</td>
</tr>
<tr>
<td>3) Improve the competition.</td>
<td>3) Started roadside bargains.</td>
</tr>
<tr>
<td>4) Big market along with better technology and branding with latest managerial skills.</td>
<td>4) Work will be done by Indians and profits will go to foreigners</td>
</tr>
<tr>
<td>5) Quality improvement with cost reduction, Increasing the export capacity.</td>
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MICHAEL PORTER’S FIVE FORCES MODEL OF FDI IN RETAIL SECTOR

1. Threat of New Entrants:
   One trend that started over a decade before has been a decreasing number of independent retailers. While the barriers to start up a new store are not impossible to overcome, the ability to establish favourable supply contracts, leases and be competitive is becoming virtually impossible. There vertical structure and centralized buying gives chain stores a competitive advantage over independent retailers. 95% of the market is made up of small, uncomputerised family run stores. Now there are finally signs that the Indian government dropping its traditional protectionist stance and opening up its retail market to greater overseas investment. It has already allowed 51% ownership in single-brand goods leading to entry of McDonalds, Marks & Spencer, Body Shop and Ikea and with proposal of raising the ownership to 100% will attract more foreign retailers. Also with allowing investment by foreign retailers in multi-brand retailing in a phased manner will lead to more inflow of foreign investors in Indian retail sector. On the whole threat from new entrants in retail industry is high.

2. Power of Suppliers:
   Historically, retailers have tried to exploit relationships with supplier. A great example was in the 1970s, when Sears sought to dominate the household appliance market. Sears set very high standards for quality; suppliers that did not meet these standards were dropped from the Sears line. This could also be seen in case of Walmart that places strict control on its suppliers. A contract with a big retailer like Walmart can make or break a small supplier. In retail industry suppliers tend to have very little power.

3. Power of Buyers:
   Individually, consumers have very little bargaining power with retail stores. It is very difficult to bargain with the clerk at Big Bazaar for better price on grapes. But as a whole if customers demand high-quality products at bargain prices, it helps keep retailers honest. Taking this from Porter's side of the coin we can say customers have comparatively high bargaining power.
power in unorganized sector than in organized sector. As the customer will demand products from organized units he will be more focused towards quality aspect.

4. Availability of Substitutes:
The tendency in retail is not to specialize in one good or service, but to deal in wide range of products and services. This means what one store offers is likely to be same as that offered by another store. Thus threat from substitutes is high.

5. Competitive Rivalry:
Retailers always face stiff competition and must fight with each other for market share and also with unorganized sector. More recently, they have tried to reduce cut throat pricing competition by offering frequent flier points, memberships and other special services to try and gain the customer's loyalty. Thus retailers give each other stiff but healthy competition which is evident from their aggressive marketing strategies and segment policies.

IMPACT ANALYSIS
FDI in the retail market will impact the industry in a number ways. Some of them are as follows:

Positive Impact of FDI on Retail:
- With the entrance of foreign retailers such as Walmart, Ikea, Tesco, Abercrombie and Fitch, Amazon, and others into the Indian market, a streamlining of the existing retail partnerships is expected.
- The share of foreign players in the industry is estimated to increase to 10 - 12 percent by 2015, from the current range of 5 - 7 percent.
- The value of the Indian retail market stood at USD 435 billion in 2010, with the 7 percent share of modern retail. The retail market is expected to grow to USD 535 billion by 2013.
- With the entry of new players into the retail industry, the demand for agricultural products is set to rise.
- Indian consumers will have better accessibility to a wide range of foreign brands. The rise in competition will force Indian retailers to work on enhancing the quality of their products.
- The minimum investment limit has been set at USD 100 million for foreign companies, out of which at least 50 percent must be in backend infrastructure segment. This is anticipated to improve transportation, distribution, storage, and packaging facilities, and develop farm allied infrastructure. Due to these, a inflation rate can be expected to come down.
- Due the FDI initiative, the concept of the middleman, which has subjugated farmers in India for decades, can be eradicated. Farmers can now get the full benefit of their produce.
Job opportunities in sectors such as transportation, packaging, agriculture processing and such like are expected to thrive. According the Government of India, FDI in retail sector is capable of generating approximately 4 million direct jobs and around 5 to 6 million indirect jobs within a span of 10 years.

**Negative Impact of FDI on Retail:**
- Small retailers and owners of Pop and Mom stores might suffer, as the large retailers like Walmart and Tesco are likely to ease out these small and micro-level shop owners.
- There might be job losses in the manufacturing segment. Though the government has capped the sourcing of commodities from the domestic market at 30 percent, the rest of the 70 percent can be bought from the foreign markets.
- The Indian retailers might not be able to cope up with the increasing competition from the foreign retailers who are well equipped with better infrastructure and management procedure. Slowly this might lead to the replacement of the Indian retailers to a considerable extent.
- Also the Indian brands for various products might tend to lose their importance. As the foreign brands will be available at a larger rate, the consumer's inclination towards international brands might affect the country's in-house brands.
- Supermarkets will establish their monopoly in the Indian market. Because of supermarket's fine tuning, they will get goods on low price and they will sell it on low price than small retailers, it will decrease the sales of small retailers.
- Foreign companies will get acclaim capital from our country. Outflow of Capital. Local producers will suffer or go vanished completely due to competition with foreign brands.

**CONCLUSION:**
The Corporate retail industry in India is witnessing considerable growth. The modernization of Indian retail industry is possible through different perspectives like government has to proactively assist traditional retailers in competing successfully with the organized retail by modernizing themselves, remove the domestic regulatory and interstate movement restrictions on retail; and allow foreign entry into multi-brand retail. Several formats of corporate retailing like hypermarkets, supermarkets and discount stores are being set up by big business groups besides the ongoing proliferation of shopping malls in the metros and other large cities. This will have serious implications for the livelihood of millions of small and unorganized retailers across the country. Large organized retail is controlled across the world by many governments. An appropriate regulatory framework for the organized retail sector in India has to be framed keeping in mind the Indian specificities. The government should come out with a policy statement laying down the roadmap for modern retail and allowing foreign investment in retail. Thus, FDI in the Indian retail sector should not be freely allowed by retailer but consumers should be significantly encouraged.
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Foreign Direct Investment in Multi-Brand Retail Trading in India: Its Opportunities and Challenges

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Abstract
Foreign Direct Investment is said to be an important tool for economic development in a nation. The Indian retail sector is one of the prosperous sectors which have a great potential for attracting FDI. Until 2011, the Indian government denied foreign direct investment (FDI) in multi-brand retail, forbidding foreign groups from any ownership level in supermarkets, convenience stores or any retail outlets. But finally on 14 September 2012, the Government of India allowed 51% FDI in multi-brand retail in India. The term “Multi brand retailing” implies that a retail store with foreign investment can sell multiple brands under one roof. Large multinational retailers are likely to invest in multi-brand retail trading to reap this benefit. Also, Indian stores would get benefit from the opening as this would lead to Supply Chain Improvement, Investment in Technology, Manpower and Skill development, World Class Management Practice, Low Wastage of Farm Produce, Food Safety, Efficient Small and Medium Scale Industries, Growth in market size and employment generation. But many challenges such as automatic approval not allowed for foreign investment, exclusion of land cost and rentals in backend infrastructure expenditure, absence of well-developed supply chain management, e-commerce trading activity not permitted, lack of trained work force, uncompetitive domestic retailers, low level of skill for retailing management, rapid price changes, constant threat of product obsolescence and low margins lie ahead. Therefore, this paper will critically discuss about the role, opportunities and challenges of multi-brand retail in case of India.

Key Words: Back-end Infrastructure, Foreign Direct Investment, Multi-brand Retail, World Class Management.

Introduction
Multi brand retail sector is one of the most important pillars of Indian economy. Government of India has recently announced foreign direct investment (FDI) policy in multi-brand retail trading. The objective of this policy is to boost the retail business through adoption of international standards and practices. The entry of international products, practices and technology is expected to enhance the efficiency of domestic retailers. The government has made it mandatory for foreign multi-brand retailers to place at least 50% of their total investment in back-end infrastructure, thus giving a boost to facilities such as logistics and warehousing. It appears that big international retailers will take advantage of the new FDI policy pertaining to multi-brand retail sector.
World Investment Report (2002) defines Foreign Direct Investment (FDI) as “an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the FDI enterprise, affiliate enterprise or foreign affiliate”.

FDI in Multi Brand retail implies that a retail store with a foreign investment can sell multiple brands under one roof.

Conditions of FDI in Multi-Brand Retail Trading

On September 14, 2012, the Government of India announced its revised policy on FDI in the retail sector. Under this announcement, India’s Department of Industrial Policy & Promotion (the DIPP), of the Ministry of Commerce & Industry, issued Press Note No. 5 of 2012 pertaining to multi-brand retail trading and permitted FDI in Multi Brand Retail Trading upto 51% under the Government route subject to specific conditions. As a result of the review of the policy on Foreign Direct Investment- allowing FDI in Multi-Brand Retail Trading, FDI in multi brand retail trading is permitted in all products subjected to the following conditions:

(i) Fresh agricultural produce, including fruits, vegetables, flowers, grains, pulses, fresh poultry, fishery and meat products, may be unbranded.

(ii) Minimum amount to be brought in, as FDI, by the foreign investor, would be US $100 million.

(iii) At least 50% of total FDI brought in shall be invested in ‘backend infrastructure’ within three years of the first tranche of FDI, where ‘backend infrastructure’ includes capital expenditure on all activities, excluding that on front-end units; for instance, back-end infrastructure will include investment made towards processing, manufacturing, distribution, design improvement, quality control, packaging, logistics, storage, ware-house, agriculture market produce infrastructure etc. Expenditure on land cost and rentals, if any, will not be purposes of back end infrastructure.

(iv) At least 30% of the value of the procurement of manufactured/processed products purchased shall be sourced from Indian ‘small industries’ which have a total investment in plant & machinery not exceeding US $1 million. This valuation refers to the value at the time of installation, without providing for depreciation. Further, if at any point in time, this valuation is exceeded, the industry shall not qualify as a ‘small industry’ for this purpose. This procurement requirement would have to be met, in the first instance, as an average of five years’ total value of the manufactured/processed products purchase, beginning 1st April of the year during which the first tranche of FDI is received. Therefore, it would have to be met on an annual basis.

(v) Self-certification by the company, to ensure compliance of the conditions at serial nos. (ii), (iii) and (iv) above, which could be crosschecked, as and when required.
Accordingly, the investors shall maintain accounts, duly certified by statutory auditors.

(vi) Retail sales outlets may be set up only in cities with a population of more than 10 lakh as per 2011 Census and may also cover an area of 10 kms around the municipal/urban agglomeration limits of such cities; retail locations will be restricted to confirming areas as per the Master/Zonal Plans of the concerned cities and provision will be made for requisite facilities such as transport connectivity and parking: In States/Union Territories not having cities with population of more than 10 lakh as per 2011 Census, retail sales outlets may be set up in the cities of their choice, preferably the largest city and may also cover an area of 10 kms around the municipal/urban agglomeration limits of such cities. The location of such outlets will be restricted to confirming areas, as per the Master/Zonal Plans of the concerned cities and provision will be made for requisite facilities such as transport connectivity and parking.

(vii) Government will have the first right to procurement of agricultural products.

(viii) The above policy is an enabling policy only and the State Governments/Union Territories would be free to take their own decisions in regard to implementation of the policy. Therefore, retail sales outlets may be set up in those States/Union Territories which have agreed, or agree in future, to allow FDI in Multi-Brand Retail Trading under this policy. The list of States/Union Territories which have conveyed their agreement is annexed. Such agreement, in future, to permit establishment of retail outlets under this policy, would be conveyed to the Government of India through the Department of Industrial Policy & Promotion and additions would be made to the annexed list accordingly. The establishment of the retail sales outlets will be in compliance of applicable State/Union territory laws/regulations, such as the Shops and Establishments Act etc.

(ix) Retail trading, in any form, by means of e-commerce, would not be permissible, for companies with FDI, engaged in the activity of multi-brand retail trading.

(x) Applications would be processed in the Department of Industrial Policy & Promotion, to determine whether the proposed investment satisfies the notified guidelines, before being considered by the FIPB for Government approval.

The notification as released by the DIPP mentions the prohibited sectors where FDI is prohibited, these prohibited sectors are:

a) Lottery Business, including Government/private lottery, online lotteries, etc.
b) Gambling and Betting, including casinos etc.
c) Chit funds
d) Nidhi company
e) Trading in Transferable Development Rights (TDRs)
f) Real Estate Business or Construction of Farm Houses
g) Manufacturing of Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes

h) Activities/sectors not open to private sector investment e.g. Atomic Energy and Railway Transport (other than Mass Rapid Transport Systems).

Foreign technology collaboration in any form, including licensing for franchise, trademark, brand name, management contract, is also prohibited for Lottery Business and Gambling and Betting activities.

The FDI policy on multi-brand retail trading makes a reasonable base for economic development and the decision to implement the policy is left to individual state government or union territory as mentioned in paragraph 6.2.16.5(1)(viii) of press note no. 5 of 2012 as mentioned above. Such states/union territories listed in the press note no.5 of 2012 are Andhra Pradesh, Assam, Delhi, Haryana, Jammu & Kashmir, Maharashtra, Manipur, Rajasthan, Uttarakhand, Daman & Diu and Dadra and Nagar Haveli (Union Territories).

Opportunities

The recent FDI policy reform in case of multi-brand retail trading provides opportunity for global retailers to enter the Indian multi brand retail market. Entry of global giant retailer operating at low cost of production with integrated supply chain management is likely to lower prices.

Rise in food prices has been one of the primary reasons behind persistent high inflation in India. It impacts wages and subsequently leads to inflationary pressure. Apart from this, India experiences low foodgrain productivity and high cost of distribution. FDI may help increase productivity and in reducing cost of distribution to tackle high food prices.

Investment in the back end infrastructure will help reduce wastage of farm produce, lower the prices of products and ease supply side inflation, food safety, hygiene and quality. Farming sector is one of the preferable investment attracting sectors. Since each foreign investor brings at least US $100 million, it will have notable investment in back end infrastructure and likely to push employment further.

FDI in multi-brand retail would boost the growth of the food processing industries. Potato and potato-based products, which contributes 85 per cent of the US $3 billion Indian snack market, would be a major contributor to the growth in the food processing sector. The government is targeting to increase the level of perishable items from 6 per cent to 20 per cent, value addition from 20 per cent to 35 per cent and share in global food trade from 1.5 per cent to 3 per cent by 2015.

International retailers can enter the market on the basis of a new joint venture company which shall have multi-brand retail outlets. Alternatively, the foreign investors can also acquire 51% stake in the existing business entity of the potential local joint venture partner. Foreign and domestic retailers working and managing together will be experienced in some cases. For example, existing domestic mass grocery retailers source many products directly from producers.
and small food processing units. In order to meet the policy guidelines on sourcing and to have better margins, foreign retailers will have to be in touch with local manufacturers to drive private label brand in the economy.

FDI policy would bring benefit for both foreign retailers and Indian companies. The foreign retailers will get better local market knowledge which would result in building increased consumer base, whereas Indian companies will gain advantage from world class management practices and technological know-how. Apart from this, technological advancement and induced capital flow will be experienced which will, in turn, enhance production capacity. Therefore, this makes the ground for ease the supply side pressures and mitigates the inflation.

With the foreign investment in multi brand retail sector in India, demand for retail space is likely to rise significantly. This will induce developers to launch new malls and as store size requirements are significantly higher for multinational retailers, this will encourage developers to build larger malls along with sufficient mall infrastructure. Quality will also receive a significant boost as the malls will be constructed to meet international standards and norms. The competitive environment is likely to enhance the productivity and efficiency of domestic retailers; with better and more transparent pricing, sales will increase significantly.

**Challenges**

The policy condition on sourcing for the domestic mass grocery retailers is a major bottleneck on the ground of making a minimum investment of Rs300 crore in the first three years on backward integration like food processing unit, cold chains etc. While some other segments such as beauty & wellness, apparel and consumer electronics have limited requirements in the back end.

As per the FDI policy, expenditure on land cost and rentals that might be incurred in case of warehousing is not included in the definition of backend infrastructure. Hence, fulfilling this policy constraint makes a challenge for the retailer in the multi-brand retail sector.

Besides, this policy does not specify whether a foreign investor has to make an additional investment in creating backend infrastructure in order to meet the 50% investment norm, or a foreign investor can buy stakes in already established backend infrastructure in India. Hence, foreign investors do not get complete information from the condition of “at least 50% of total FDI brought in shall be invested in backend infrastructure within three years of the first tranche of FDI”.

Due to the entry of foreign giant retailers in the Indian market, there will be a cut throat competition between domestic retailers and foreign retailers and the matter would be of the monopolisation of the domestic market by foreign giant retailers. Therefore, there is the need to provide safeguard to domestic retailers.

Continuation of traditional method of production and backdated management practices leads to incapability of domestic retailers after the entry of foreign giant retailers in the Indian retail market. Therefore, the need is to have standard management system and updated production method.
Inadequate data on consumer behaviour towards retail market puts a constraint to the retailers. Therefore, the need is to conduct survey on consumers’ behaviour and their taste to widen the market base.

India is the seventh largest country in terms of geographical area in the world. Tastes and preferences of consumers vary across the nation. This generates problem of inventory management. Infrastructure development in the country on an average is still insufficient. Therefore, this is required to invest in back end infrastructure to reduce the wastage of farm produce, this would ultimately result in the improvement of livelihood of people and lower price level of products.

In case of economic slowdown, there is always fear that small retailers will be unable to compete with foreign giant retailers and small retailers can lose their profit margin due to predatory pricing strategy, since price is determined by modern retailers and global retailers would conspire and exercise monopolistic power to influence the existing price level. This would lead to the risk of job loss in the economy; therefore, the government needs to provide safeguard in order to maintain employment level in the retail market.

Finding right geographical location with supportive rental for stores has been a challenge for all retailers. Store’s rent forms a large proportion of retailer’s total expenditure. There is a chance of conversion of profit making store into loss making one in absence of right location for their stores.

For making investment in multi brand retail sector, applicant has to visit several departments in order to get final government approval after being considered by the Foreign Investment Promotion Board (FIPB). Therefore, there exists a need to develop a system to get all clearance at a single window to speed up the process.

It is argued that FDI in multi brand retail sector is beneficial to the consumer on the ground of standard quality, variety and low priced goods. However, in the long run, consumer may face the risk of higher prices, substandard quality and limited options, once these foreign giant retailers get a grip on retail market. Therefore, this is required to have the government supervision on sale management and product quality in the multi brand retail market.

Companies with FDI engaged in the activity of multi-brand retail trading are not allowed to do retail trading activity in any form by means of e-commerce puts another challenge to all retailers in widening their business and limits the scope of job opportunities.

Conclusions

Allowing foreign direct investment in multi brand retail trading is an important reform in Indian economy. This has made ground for Joint Ventures in multi-brand retail trading and expected to bring improvement in infrastructure, technology, price for agricultural produce and generate employment opportunities. FDI policy reforms announced by the Government of India on 14th September, 2012 in case of multi brand retail trade ensures that domestic retailers are not displaced and sufficient opportunities are available for the development of both domestic and
foreign retailers. At the same time, the challenges, the Government faces are on front of ensuring growth in the multi brand retail sector keeping in view the interest of the domestic players are not affected.

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Abstract
In India, Foreign Direct Investment (FDI) has been playing a vital role by providing financial resources, advanced technology, innovative ideas since the liberalization period. The percentage share of FDI in the single-brand retail sector was initially confined to a share of 51%. But on 10th January, 2012, the Government of India announced an increase in the FDI share to 100%, subject to certain terms and conditions. The main rationale was mainly to attract FDI in production and marketing, improvement in the quality of consumer goods and also to increase the cost-competitiveness of Indian enterprises by providing them access to global designs, superior technologies, and management practices. To the globally popular single brand retailers, this step will act as a boon and for Indian Small and Medium Enterprises; this step will support further growth in the future. The other benefits which are expected from the reforms are increase in the standard of living and competition, reduction of prices, reduction in exploitation by middleman, increase in employment, exports and economic growth. However, challenges such as unhealthy competition among the organized retailers, distortions in urban development, job losses and unemployment, repatriation of profits, cumbersome local laws, biased taxation laws, absence of well-developed chains, and integrated IT management, lack of trained workforce with low level of skills pose some kind of hindrances in the path of the reforms. Therefore, our paper will critically address some of the issues, like, benefits, challenges, and recent developments in the single-brand retail trading.

Key words: Foreign Direct Investment, Single-Brand Retail, Benefits, Challenges

1. Introduction:
Foreign Direct Investment (FDI) is an important vehicle through which developing country like India gets adequate financial resources, advanced knowledge about technical-know innovative, ideas and increases the competitiveness of the economy. Apart from these advantages, FDI, is also a non-debt creating flow and a leading source of external finance for the developing economies like India. In other words, it supplants domestic investment required in the various cash-starved sectors of the country. That’s why the Government of India, from time to time has encouraged the entry of FDI in the Indian economy. FDI in retail trading was completely prohibited till the year 2006. But in 2006, the Government of India announced the opening of the single-brand retail to FDI partially as a part of the liberalization program. Only 51% of FDI was allowed in the single-brand retail trading and not in any types of retailing (for example, multi-brand retail trading). Finally on 24th November 2011, the Cabinet announced its
decision to allow 100% of FDI in the single-brand retail and 51% of FDI in the multi-brand retail. According to the department of Policy and Promotion Board (DIPP), the main rationale behind this decision was to attract investment, improve the quality and availability of consumer goods in the Indian market and also enhance competitiveness of the Indian enterprises through better access to advanced global designs, technologies, and management practices. Thereafter considering the benefits and challenges, the Government of India, amended the existing rule of permitting 51% of FDI in the single-brand to 100% of FDI in the single-brand retail trading on 10th January, 2012. Taking this back-drop in mind, this paper will mainly discuss about the benefits and challenges of allowing 100% FDI in single-brand retail trading in case of India.

2. Background:

The Indian Economy opened to the world in the 1990s especially after the implementation of the economic reforms and liberalization program in the early nineties. Thereafter, the opening and integrating with the world economy, foreign capital started flowing into the economy. Only some sectors like agriculture, railways, atomic energy, retail etc were prohibited from allowing foreign capital. In July 1991, in case of the trading sector, FDI up to 51% was permitted to those engaged in export activities and in 1997, FDI up to 100% was allowed under the Foreign Investment Promotion Board (FIPB) route. Finally, in the year 2006, the trading sector engaged in the export activities was brought under the automatic route and also up to 51% of the FDI was permitted in the single-brand product retailing through the Government route. Since then, a number of proposals have been received by the Government of India and nearly 50% proposals have been accepted by the Government of India. The proposals received and approved are related to retail trading such as sportswear, luxury goods, apparel, fashion clothing, jewellery, handbags, and life-style products etc covering high-end items. According to a survey by UNCTAD, 300 international retailers have been planning to open up their stores in India if the Government further relaxed the norms of permitting FDI in the Indian retail sector. Finally on 24th November, 2011 the Cabinet announced the opening up of 100% of FDI in the single-brand retail and 51% of the FDI in the multi-brand retail. The main reason behind this decision was that the Indian Government embarked on the path of liberalization in the nineties and also that the Government had signed the GATS agreement in the year 1995 which included the opening of the wholesale and retail services to the Global economy. Therefore, to effect this agreement the Government first opened up the cash and carry (wholesale) with 100% effect in the year 1997 and thereafter opened the single-brand retail to FDI up to 51% in the year 2006. And lastly, further recommendations over the years to liberalize FDI policy in the single-brand over the years, compelled the Government to allow 100% FDI in the single-brand retail trading in 10th January, 2012. The DIPP issued a press-note dated January 10, 2012, which notified the Cabinet’s decision to permit up to 100% FDI in the single-brand retail, subject to the prior approval of the FIPB of the Indian Government and subject to certain other conditions. 100 percent FDI in single-brand retail would mean 100% ownership to multinational retail giants with a brand name. Single-brand retail implies that a retail store with
Foreign direct investment can only sell one brand which could be for products or services or could be single and multiple products, or could be manufacturer brands and own label brands. Examples are Pizza Hut, MacDonald’s, Nokia, Addidas and Sony etc.

The reasons forwarded by the Government behind opening of 100% FDI to the single-brand retail were many. Firstly, permitting FDI beyond 51% would attract investment in production, and marketing of goods. Therefore, the availability of such goods would also increase and also encourage increased sourcing of goods from India. Secondly, the Indian enterprises would become more competitive through better access to advanced technologies, global designs, and management practices. Thirdly, the other main reason was that the globally-owned single brand generally followed a 100% ownership business model and the FDI policy of the Indian environment was generally restrictive. Therefore, the international retailers were reluctant to establish their presence in India. The fact is well-proved from evidence which shows that only 0.03% of the total FDI inflow has been received till date in the single-brand retail trading sector. Therefore, raising the permissible limit of the FDI cap to 100% would solve all these above problems and allow the foreign investors full ownership and control over the company established in India.

3. Pre-conditions behind the entry of 100% FDI in the single-brand retail trading

The amendment of the existing FDI policy in the single-brand retail trading from 51% to 100% (through FIPB route) is subject to certain terms and conditions. The main conditions are as follows:

(i) The entry of FDI in the single-brand retail trading may be permitted up to 100% subject to Government approval.

(ii) Products to be sold should be of a “Single-Brand Only”.

(iii) Products should be sold under the same brand internationally i.e. products should be sold under the same brand name in one or more countries other than India.

(iv) Single-brand product retailing should cover only those products which are branded during manufacturing.

(v) The foreign owner should be the owner of the single-brand.

(vi) In respect of proposals involving FDI beyond 51%, 30% sourcing would mandatorily have to be done from Small and Medium Enterprises (SMEs) / village and cottage industries, artisans and craftsmen. Small industries would be defined as industries which have a total investment in plant and machinery not exceeding $1 million. The valuation refers to the value at the time of installation, without providing for depreciation. Further, if at any point of time, this valuation is exceeded, the industry shall not qualify as a “small industry” for this purpose. The compliance of this condition will be ensured through self-certification by the company, which should be subsequently checked by statutory authorities, from the duly certified accounts which the investors will be required to maintain.
3a) Condition of 30% sourcing from small scale sector

30% sourcing has to be done compulsorily from micro and small enterprises which can be done anywhere in the world and is not India specific. However, in this case, it has been stipulated that 30% of the sourcing will be done from micro and small enterprises having plant and capital machinery worth US 1 million. This condition of 30% sourcing from micro and small enterprises will ensure that our SME sector, including artisans, craftsmen, handicrafts and cottage industry benefits especially in sectors like textiles, gems and jewellery, leather and jute. Further, this condition was applicable for both multi-brand and single-brand where foreign equity exceeds 51%.

3b) Revision of the existing pre-conditions of allowing FDI in the single-brand retail trading

The Government of India further revised these above pre-conditions on September, 2012 where conditions (v) and (vi) were again revised. The revised conditions are as follows:

Only one non-resident entity, whether owner of the brand or otherwise, shall be permitted to undertake single-brand product retail trading in the country, for the specific brand, through a legally tenable agreement, with the brand owner for undertaking single-brand product retail trading in respect of the specific brand for which approval is being sought. The onus for ensuring compliance with this condition shall rest with the Indian entity carrying out single-brand retail trading in India. The investing entity shall provide evidence to this effect at the time of seeking approval, including a copy of the licensing franchise/sub-license agreement, specifically indicating compliances with the above conditions.

In respect of proposals involving FDI beyond 51%, sourcing of 30% of the value of goods purchased will be done from India, preferably from MSMEs, village, and cottage industries, artisans, and craftsmen, in all sectors. The quantum of domestic sourcing will be self-certified by the company, to be subsequently checked, by statutory auditors, from the duly certified accounts which the company will be required to maintain. The procurement requirement would have to be met, in the first instance, as an average of five year’s total value of the goods purchased, beginning April of the year during which the first tranche of FDI is received. Thereafter, it would have to be met on an annual basis. For the purpose of ascertaining the sourcing requirement, the relevant entity would be the company, incorporated in India, which is the recipient of FDI for the purpose of carrying out single brand product retail trading.

4. Benefits of allowing 100% FDI inflows in the Indian Single-brand retail in India

The Indian Retail Sector (IRS) is said to be the fifth largest industrial sector in the world. Not only this, it is also one of the important sectors of the Indian Economy which contributes about 9% of employment and 15% to the Indian GDP. Therefore, looking this aspect in mind, it would be highly beneficial if India’s FDI regime is further liberalized making it in tune with the country’s needs. Greater integration with the world economy, price-reduction, improved technology brought about by foreign retailers in the Indian market would help in modernizing
the Indian retail sector further in the coming years. Not only this, there would be also substantial productivity enhancements and improvement in the supply chain management in the Indian retail sector. Henceforth, 100% FDI in the single-brand retail has been highly encouraged repeatedly over and over again.

Apart from the above mentioned benefits, there are other notable benefits which will accrue in the single-brand retail sector after allowing 100% FDI in the single-brand retail sector. They are as follows:

Firstly, the greater inflow of FDI in this retail sector is said to be beneficial to the small traders. The traders will get enhanced capital flow which will supplant domestic capital and also advanced technology for production. The Small and Medium Enterprises would be benefitted as a result of increased sourcing by foreign retailers, better access to supplementary capital and latest up to date-technologies. Further, this step of allowing 100% FDI in the single-brand retail would help SMEs to get exposure to global managerial practices and opportunities for integration into the world market. As at least 30% of the procurement of manufactured products shall be from small industries, this will help to promote growth of the SMEs. For example, the Swedish Home Furnishing major IKEA sources products worth 1 billion euro’s from India and mainly from handloom and carpet clusters.

Secondly, allowing 100% of FDI in the Indian Single-Brand retail will bring in additional refined and luxurious goods and services to the country. The availability of such types of goods in the Indian market backed with good promotional support will definitely inspire and induce the Indian buyers to buy the products. As more such products will be produced the variety will increase. To produce such products in the market, latest technology and more people will be hired. As a result, not only will there be up gradation in the products but there will be also more employment in these enterprises. The people employed in the enterprises will be paid adequate wages which was previously much lower due to dearth of capital and unorganized retail sector. It is estimated that after the entry of FDI in the retail market, 4 million direct jobs will be approximately created and 5 to 6 million jobs will be indirectly created including contractual employment within a span of ten years. Therefore, as employment will increase over time, income will increase and henceforth the standard of living will automatically rise.

Thirdly, entry of FDI in the single-brand retail can also stimulate competition within the Indian retail industry through the entry of Multi-national companies entering the Indian market. The MNCs entering the market will offer a variety of products in the Indian market. As more MNCs enter, they will have a tendency to increase the sale of their brands in the market. They can do this either through price-reduction or through offering heavy discounts on their brands offered for sale in the market. As a result, there will be increase in competition in the retail market and prices will be greatly reduced. In other words, competitive price will result as a result of competition between the retailers.

Fourthly, the Indian retail market has been dominated by the middlemen who have always accentuated the gap between the producers and the consumers. Therefore, many a times, the share of profit of the farmers have gone into the pocket of the middleman. Hence, this new
FDI policy is expected to help the farmers to get contract farming where the farmer will be assured a sure return and the problem of middlemen will greatly be reduced. Based on the retailer's demand the farmers will supply an assured amount of product in the retail market and get good cash in return for the products. Hence, the farmers need not search for buyers in the market and the information cost will also greatly be reduced. Lastly, the farmers can also export their superior quality of product in the foreign market and assure a higher return for their products.

Fifthly, entry of FDI in the Indian single-brand retail market will also help the consumers to access a wide variety of foreign products in the Indian retail market itself. The Indian consumers and the rising middle-class spends a lot of money shopping abroad whenever they have a chance to purchase different variety of foreign brands. Hence, this step of permitting 100% FDI in the single-brand retail will enable them to spend the same amount of money on the foreign products available in the country itself. High-end items like jewellery, luxury goods, apparels, and footwear etc will be available in the single-brand selling shops. Not only will it be beneficial to the consumers, it will also be beneficial to the foreign retailers who will get complete knowledge about the local retail market in India.

Sixthly, the entry of the 100% FDI in the single-brand retail market is also said to boost the GDP of the country. As FDI enters the single –brand retail, MNCs will enter. The MNC will offer a wide variety of products for sale through competition among them in the market. The consumer will spend more and more on the products available in the market. Higher spending and higher demand for products will definitely boost the Gross Domestic Product in India.

Seventhly, the tax laws prevalent in the country are obsolete and tamper-prone. The liberalization of further FDI in the single-brand retail will facilitate higher revenue to the Government in the form of taxes. Hence, the tax laws present will be strengthened further so that effective enforcement generates sufficient amount of revenue from the single brand retail sector. The tax machinery will be improved as a result of further liberalization in the single-brand retail.

Eighthly, the entry of FDI in the single-brand retail trading will be beneficial for the cash-deficient domestic retailers who are in need of capital. The Multinational companies entering the retail market is expected to benefit the market by creating more back-end infrastructure in the country. Not only this, the inflow of funds in the retail sector will also assist in the growth of ancillary industries like food-processing and others.

Ninthly, the FDI inflow in the retail sector will help the government to bridge the current account deficit and the flow of Dollar will help in softening of volatility in the currency and this may bring dollar to Rs 52-53 in the short run. Henceforth, the rise in domestic unit (Rupee) will also help in arresting inflation over the time.

Lastly, the reform in the single-brand retail is expected to have a positive impact on the tourism, exports and overall growth in India.
5. Challenges of allowing 100% FDI in the Single-Brand Retail Sector

Generally, there is a saying that benefits and challenges go hand in hand. Whenever there are benefits, there are challenges and risks too. Here in this section, we will discuss some of the challenges which are present in the path of reforms in the single-brand retail sector. They are as follows:

Firstly, the path of entry of 100% FDI allowed by the Government in the single-brand retail is through the FIPB route and not through the automatic route. This step has acted as a deterrent to many investors who were willing to invest in the single-brand after the decision to allow 100% FDI into the single-brand retail. The foreign investors were expecting an automatic route instead of the FIPB route which would be much easier as compared to the FIPB route. Hence, this approval through FIPB route negative effect on the investors’ willingness to invest in the single-brand retail sector.

Secondly, in the developing country like India, skilled man-power with complete knowledge about latest techniques and management practices are generally lacking and absent. The unskilled labor force will act as an obstacle to fuller reforms in the single-brand retail in India. Not only this, infrastructure bottlenecks are present are widely present in the economy and also retail professionals and courses remain widely unavailable in the country.

Thirdly, the tax-laws present in the country are very much cumbersome and complicated. The machinery, information and data-base are also not up to date. Hence, the tax laws needs to be made more effective and simplified to take advantage of the reforms in the single-brand sector. Sometimes it is seen that the tax laws are biased in favor of small retailers. Only exercise of unbiased laws will help the both the small and large retailers and also to the Government in the form of higher revenue.

Fourthly, entry of foreign retailers and MNCs will tend to create inefficient monopolies in case of India. The reform will pave the way for the organized retailers to dominate the retail market and the small kirana shops would be wiped out.

Fifthly, the reforms in the single-brand retail will be to some extent distort the urban-development in the cities. The MNCs and foreign retailers entering the retail market would be interested in building malls within the limits of the cities. Henceforth, this will contribute to environmental pollution and no heed will be paid towards pollution in the urban cities. And lastly, the MNCs will never contribute towards the overall structural development of the cities.

Sixthly, cumbersome local laws, absence of well-developed chain and absence of well-integrated IT management process in the retail chain are some of the challenges towards fuller reforms in the single-brand retail trading in India.

Lastly, 100% opening up of FDI in the retail sector will adversely affect our electronic and telecom industry. A nation which is a world leader in missile technology, IT and software sector, will be pushed backward by FDI in single-brand retail. Lastly, Indian brands are continuously facing intense competition from foreign brands and more dependence on the foreign countries due to the fuller entry of 100% FDI in the single-brand retail will do more harm than good as dependency will increase at a faster rate on the others.
6. Conclusion

Ever since the government liberalized the foreign direct investment policy to allow 100 per cent FDI in single-brand retail in January, a large number of global retailers have expressed interest to set up stores in India. Despite the above challenges and limitations, international retailers worldwide are willing to invest in single-brand retail in India. The fact is evident from the number of proposals received and approved by the Foreign Investment and Promotion Board. The total number of proposals received by the FIPB stands out to be 66 since the year 2006. In October, the board has cleared Paver’s proposal, making it the first 100% FDI proposal in single-brand retail to be cleared under the new FDI policy. The footwear retailer plans to invest Rs. 100 crore in India and also to operate on its own in India. At present the firm sells products through its Chennai-based master franchisee Trident Retail in 23 exclusive stores across India and also through Reliance Footprint and Lifestyle retail outlets. The other 65 brands that got FIPB nod include clothing retailers Brooks Brothers and Italian jewellery brand Damiani.

Recently, in June 2012, Reliance Brands, a unit of Reliance Industries, had announced a joint venture with Brooks Brothers to set up the latter’s shops in India. Brooks Brothers will have 51 per cent stake in the joint venture. Brooks Brothers introduced the first ready-to-wear suits in 1845. Its flagship store is at Madison Avenue, New York City, a location it has held for almost a hundred years followed by IKEA who has been granted a conditional nod to invest Rs. 4500 crore in November, 2012.

The applications of single-brand players, like French cookware manufacturer Le Creuset, Officina Farmaceutica Italiana, Lotus Arts de Vivre, Decathlon and that of Fossil’s are still pending. The applications of these players are still with the Government and are under process.

Lotus Arts de Vivre is a Thailand-based business run by two generations of the Von Bueren family. The company is into art, home décor, antique furniture, carpets, handicraft, etc. While many of its products make to international auction houses, the company has boutiques in international hotels such as Four Seasons, Mandarin and Raffles. Italy’s Officina Farmaceutica Italiana is a pharma-nutrition business run by the Donati family. According to the information available on the company’s website, it began in 1946 with a laboratory for the manufacture of special medicinal products, and is presently a group that operates internationally using multiple distribution channels in cosmetic, pharmaceutical and dietary-nutritional sectors. French sports goods giant, Decathlon, is already present in India as a cash-and-carry or wholesale operator. Now it wants to open retail stores in India, similar to the 20 other countries where it has business.

So, we clearly see that in spite of the challenges, foreign retailers are willing to enter the Indian retail market, invest and open up stores in India.

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Foreign Direct Investment in the Indian Market –
A Paradigm Shift

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Abstract
Foreign direct investment (FDI) includes mergers and acquisitions, building new facilities, reinvesting profits earned from overseas operations and sanctioning intra-company loans. The foreign direct investor may acquire voting power of an enterprise in an economy by incorporating a wholly owned subsidiary or company anywhere or by acquiring shares in an associated enterprise or through merging or acquiring of an unrelated enterprise. Foreign direct investment may be controversial or economically difficult because it partly reverses previous policies intended to protect the growth of local investment or of infant industries. When these kinds of barriers against outside investment seem to have not worked sufficiently, it can be politically expedient for a host country to open a small “tunnel” as a focus for FDI. Because market valuations can shift dramatically in short times, and since both local circumstances and the global economy can vary so rapidly, negotiating and planning FDI is often quite irrational. All these factors add to the risk premiums that block the realization of FDI potential. The recent opening up of multi-brand retail for foreign direct investment (FDI) and clarity on sourcing norms in single brand retail has generated significant discussion on its impact among stakeholders. It is expected that FDI will accelerate the growth of organized retail and will bring many more foreign retailers to India. While a positive impact on consumers, farmers and infrastructure is expected, debate rages on the potential adverse impact on small retailers and manufacturers. In spite of several advantages in the foreign direct investment, as most of us opined, it has lot of obstacles to Indian Market and its economy. Hence, this paper analyses whether the foreign direct investment is a paradigm shift to Indian Market.

Keywords: FDI, Merger, Multi-brand Retail, Host Country.

Introduction
A key element for foreign retailers coming to India and Indian retailers intending to tie up with them is the partnership model. In multi-brand retail, with 51% FDI allowed, partnership with an Indian firm is essential. In single brand, partnership is not mandatory as 100% FDI is allowed. However, this requires sourcing 30% merchandise from Indian suppliers. Foreign retailers who cannot meet this can hold 51% equity and would need to partner with an Indian firm. Our analysis of partnership models shows some interesting results of more than 160 multinational retailers who have come to India since 1991.
Foreign direct investment (FDI) can take on many forms, and so sometimes the term is used to refer to different kinds of investment activity. Commonly foreign direct investment includes mergers and acquisitions, building new facilities, reinvesting profits earned from overseas operations and sanctioning intra-company loans. The foreign direct investor may acquire voting power of an enterprise in an economy by incorporating a wholly owned subsidiary or company anywhere or by acquiring shares in an associated enterprise or through merging or acquiring of an unrelated enterprise.

Foreign direct investment may be controversial or economically difficult because it partly reverses previous policies intended to protect the growth of local investment or of infant industries. When these kinds of barriers against outside investment seem to have not worked sufficiently, it can be politically expedient for a host country to open a small "tunnel" as a focus for FDI. Because market valuations can shift dramatically in short times, and since both local circumstances and the global economy can vary so rapidly, negotiating and planning FDI is often quite irrational. All these factors add to the risk premiums that block the realization of FDI potential.

The recent opening up of multi-brand retail for foreign direct investment (FDI) and clarity on sourcing norms in single brand retail has generated significant discussion on its impact among stakeholders. It is expected that FDI will accelerate the growth of organized retail and will bring many more foreign retailers to India. While a positive impact on consumers, farmers and infrastructure is expected, debate rages on the potential adverse impact on small retailers and manufacturers. In spite of several advantages in the foreign direct investment, as most of us opined, it has lot of obstacles to Indian Market and its economy. Hence, this paper analyses whether the foreign direct investment is a paradigm shift to Indian Market.

Benefits of Foreign Direct Investment in the Indian Market

Encouraging foreign direct investment has become an integral part of the economic development strategies for India. Foreign Direct Investment ensures large amount of domestic capital, production level, and employment opportunities in the developing countries, which is a major step towards the economic growth of the country. It has been a booming factor that has bolstered the economic life of India, but on the other hand it is also being blamed for ousting domestic inflows. FDI is also claimed to have lowered few regulatory standards in terms of investment patterns. The effects of FDI are by and large transformative. The incorporation of a range of well-composed and relevant policies will boost up the profit ratio from Foreign Direct Investment higher. Some of the biggest advantages of FDI enjoyed by India have been listed as under:

Employment Opportunities

In India, the problem of unemployment can be tackled by foreign direct investment and create new avenues in the employment market. Moreover, the employee can obtain new skills by global competition. FDI has also ensured a number of employment opportunities by aiding the
setting up of lot of industrial units in various places of India. It is also helpful to develop the skills of employees.

Development of Economy
A remarkable inflow of Foreign Direct Investment in various industrial units in India has boosted the economic life of the country. It is very helpful for the development of Indian Economy. This is one of the major sectors, which is enormously benefited from foreign direct investment.

Trade Promotion
Products of superior quality are manufactured by various industries in India due to greater amount of FDI inflows in the country. It results in the trade activities being promoted in various dimensions. Foreign Direct Investments have opened a wide spectrum of opportunities in the trading of goods and services in India both in terms of import and export production.

Technological Advancements
It helps in developing the know-how process in India in terms of enhancing the technological advancement in India. Technology plays a vital role all over the world. Due to Foreign Direct Investment, India can use its technology at the maximum as possible and possibilities for technological advancements too. Foreign Direct Investment apparently helps in the outsourcing of knowledge from India especially in the Information Technology sector.

Major Contribution of Domestic Firms
Despite the decline in trade barriers, FDI growth has increased at a higher rate than the level of world trade as business attempt to protection measures through direct investments. With globalization, the horizon and limits have been extended and the domestic companies now see the world economy as their market. Various foreign firms are now occupying a position in the Indian market through Joint Ventures and collaboration concerns. The maximum amount of the profits gained by the foreign firms through these joint ventures is spent on the Indian market. Hence, the domestic firms can also reap lot of benefits by foreign direct investment very much and it has wide scope for growing further as well.

Safeguard the Interest of Investors
Investors receive additional benefits. Their risk is reduced because they can diversify their holdings outside of a specific country, industry or political system. Diversification always increases return without increasing risk. One of the primary benefits is that it allows money to freely go to whatever business has the best prospects for growth anywhere in the world. That is because investors aggressively seek the best return for their money with the least risk. This motive is colour-blind, doesn't care about religion or form of government.
Competitive Advantage

Foreign Direct Investment reduces the effects of politics, cronyism and bribery. As a result, the money goes to the best businesses all over the world, bringing these goods and services to market faster and cheaper. Businesses benefit by receiving management, accounting or legal guidance in keeping with the best practices practiced by their lenders.

Tax Revenue to the Government

The standard of living in the recipient country is also improved by higher tax revenue from the company that received the foreign direct investment. However, sometimes countries neutralize that increased revenue by offering tax incentives to attract the Foreign Direct Investment in the first place.

Long-term Business

Foreign direct investment takes longer to set up, and has a more permanent footprint in a country. Another advantage of FDI is that it can offset the volatility created by "hot money." Short-term lenders and currency traders can create lot of confusion and chaos in a country by investing lots of money in a short period of time, then selling their investments just as quickly. This can create a boom-bust cycle that can wreak economies and political regimes.

Limitations of Foreign Direct Investment in the Indian Market

Adverse Effect to Host Country

FDI has adverse effects on competition. It will be make the host country lose its control over policy. One of the most indirect disadvantages of the Foreign Direct Investment is that the economically backward section of the host country is always in a weaker position when the stream of foreign direct investment is negatively affected.

Inconvenience to the Investors

Another disadvantage of FDI is that there is chance that a company may lose out on its ownership to an overseas company. This has often caused many companies to approach foreign direct investment with a certain amount of caution. There is considerable instability in a particular geographic region. This causes a lot of inconvenience to the investors. Moreover, inflation is increased and local market too affected adversely.

Dominating the Domestic firms

FDI has large economic and pricing power due to their large sizes. They do not have much problem with regards to financial capital and can resort to using advertising which is a costly affair. Also, these companies are global players who have their operations spread across countries and have effective supply chains which enable them to have economies of scale which smaller players in the domestic market of the host country cannot compete with.
Lack in Technology

Foreign Direct Investment has access to new and cutting edge technology, they do not transfer the latest technology to the host country with a fear that their home country may lose its competitive advantage, hence the maximum potential of the host economy cannot be achieved as a result of old technology transferred.

Lack of Regulations and Policies

Foreign Direct Investment may be very beneficial to the host country that is the country which receives the investment flows in terms of helping the country progress economically and financially. However, FDI can remain beneficial only when the governments of the host countries put in needed regulations so as to prevent the country from being exploited and used as a profit generating machine for such corporate giants. As far as India is concerned, the policies to be applied for foreign direct investment are not properly defined.

Threat to the Indian Economy

Due to the foreign direct investment, all the resources in India owned and finances by the foreign countries. It results the economy is completely weakened and the prices of essential goods also be risen because of inflation.

Conclusion

Reforms should not close the door and the government must ensure that the apprehension to their right will be taken away. Foreign Direct Investment has lot of benefits even though it has some challenges in implementing in the Indian market. If it is skillfully applied, it will be a paradigm shift, leading to the fastest means of development. There are benefits for both the investing firms and the hosting countries. Instead of considering various political factors and barriers in trade practices, better the country can adopt foreign direct investment and compete with other countries in terms of trade, resources and employment globally.

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A Study on the Effect of Change in FDI Policy on the Economy and Livelihood of the People in India

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ABSTRACT

India is expecting a healthy flow of foreign direct investment (FDI) during the current year on the back of renewed interest of overseas investors. The size of India’s retail industry is expected to be more than double to $1.3 trillion by 2020, led by an estimated 25 percent average annual growth in organised retail if overseas investment is permitted in the sector, an industry body has said. The Indian economy is considered to be a favourite market for globalized retail given its growing population and expansion of purchasing power of its consumer. With the UPA government giving a green signal for 51% FDI in multi brand retail sector & 100% FDI in single brand the Indian retail is poised to become a $1.3 trillion opportunity by 2020. Retail sector which is considered as the second largest employer in India with 44 million jobs, there has been allaying fears that opening up of the retail sector for foreign direct investment will hurt Kirana shops. Moreover, FDI in this sector raises concerns about employment losses and unfair competition which may result in exit of small domestic retailers. But another section believes that liberalizing of FDI policy is going to have a positive impact on the Indian economy by benefitting everyone as a whole. As much as one-fourth of India’s total foreign direct investment (FDI) is reinvestment of earnings by the overseas investors in the last five years, reflecting commitment of foreign companies to India. It has been argued that change in the FDI policy is going to help in modernisation of retail sector, achieve economic growth of 8%, generate and improve the quality of jobs, help in controlling the inflation rate & boost the food processing industries. In this paper the authors have focused on the the facts & issues related to FDI into the retail sector in India and how its going to affect the overall economy and the livelihood of the people of the country

Key Words: Indian economy, foreign direct investment, Retail Sector, Kirana Shops, UPA government.

Introduction

The final approval from both the upper and lower houses for change in the FDL policy is a big win for the United Progressive Alliance (UPA) government, which has been trying to get India’s lagging economy back on track. Over the years Indian economy has become the most desirable place to invest the money in for the world. Ever since the Liberalisation, Privatisation&
Globalisation policy was introduced by the Finance minister Dr. Manmohan Singh under the Prime Ministership of P.V. Narasimha Rao in the year 1991 lots of global players have entered Indian market to capitalize on this opportunity. The Indian retail sector has undergone rapid transformation over the last decade as growing population and the consumer shift had made the retail sector as one of the most attractive avenue for investment. Even though it is one of the fastest growing industries in the country, it has been facing fund crunch. As there always had been some limitation on capital inflow from foreigners in form of investment. FDI refers to capital inflows from abroad that is invested in or to enhance the production capacity of the economy. FDI in Multi-Brand retailing was prohibited in India but as far as single brand is concerned upto 51% of FDI was permitted. If an Indian company is to get any foreign funding then the product sold by it to the customers should only be of a ‘single brand’ i.e foreign companies were allowed to sell goods under a single brand like Adidas, Samsung etc. But the same was not allowed for retailing of goods of ‘multiple brands’ even if the goods were produced by the same manufacturer.

All Indian households have traditionally enjoyed the convenience of calling up the corner grocery "kirana" store, which is all too familiar with their brand preferences, offers credit, and applies flexible conditions for product returns and exchange. And while mall based shopping formats are gaining popularity in most cities today, the price-sensitive Indian shopper has reached out to stores such as Big Bazaar mainly for the steep discounts and bulk prices. Retail chains such as Reliance Fresh and More have reportedly closed down operations in some of their locations, because after the initial novelty faded off, most shoppers preferred the convenience and access offered by the local kirana store. So how would these Western multi-brand stores such as Wal-Mart and Carrefour strategies their entry into the country and gain access to the average Indian household? Wal-Mart has already entered the market through its partnership with Bharti, and gained opportunity for some early observations. The company’s entry into China will also have brought some understanding on catering to a large, diverse market, and perspectives on buying behaviour in Asian households. Carrefour on the other hand has launched its wholesale cash and carry operations in the country for professional businesses and retailers, and will now need to focus more on understanding the individual Indian customer. As such, these retail giants will try to gain from some quick wins while reaching out to the Indian consumer. For one, they will effectively harness their expertise with cold storage technologies to lure customers with fresh and exotic vegetables, fruits and organic produce. Secondly, they will also emphasize on the access that they can create for a range of inspirational global foods and household brands. Thirdly, by supporting domestic farmers will try ensuring supplies of essential raw materials to them. Surely, these should engage shoppers’ and farmers interest–but what needs to be seen is whether they can effectively combine these benefits, with the familiarity, convenience and personalised shopping experiences that the local "kirana" stores have always offered.
FDI Policy in India:

FDI means investment by non-resident entity/person resident outside India in the capital of an Indian company under Schedule 1 of Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations 2000. The Ministry of Commerce and Industry, Government of India is the nodal agency for motoring and reviewing the FDI policy on continued basis and changes in sectoral policy/sectoral equity cap. The FDI policy is notified through Press Notes by the Secretariat for Industrial Assistance (SIA), Department of Industrial Policy and Promotion (DIPP). FDI Policy in relation to Retailing in India as per Press Note 4 of 2012 series has been amended. Accordingly, paragraph 6.2.16.4 of 'Circular 1 of 2012-Conso1idated FDI Policy', effective from April 10, 2012, is amended, as below:

Single Brand Products

FDI in Single Brand product retail trading (100%) would be subject to the following conditions:

a) Product to be sold should be of ‘Single Brand’ only.

b) Product should be sold under the same brand internationally i.e, products should be sold under the same brand in one or more countries other than India.

c) ‘Single Brand’ product-retail trading would cover only products which are branded during manufacturing.

d) The foreign investor should be the owner of the brand.

e) In respect of proposals involving FDI beyond 51%, mandatory sourcing of at least 30% of the value of products sold would have to be done from Indian ‘small industries/village and cottage industries, artisans and craftsmen’. ‘Small industries’ would be defined as industries which have a total investment in plant & machinery not exceeding US $ 1 million. This valuation refers to the value at the time of installation, without providing for depreciation. Further, if at any point of time, this valuation is exceeded, the industry shall not qualify as a ‘small industry’ for this purpose. The compliance of this condition will be ensured through self-certification by the company, to be subsequently checked, by statutory auditors, from the duly certified accounts, which the company will be required to maintain.

Investment by resident Indian entities could again comprise of both resident and non-resident investment. Thus, such an Indian company would have indirect foreign investment if the Indian investing company has foreign investment in it. The indirect investment can also be a cascading investment i.e. through multi-layered structure. The foreign investors is free to invest in India, except few sectors/activities, where prior approval from the RBI or Foreign Investment Promotion Board (‘FIPB’) would be required.

Multi Brand Products

FDI in Multi Brand retail implies that a Indian retail store with foreign investment may trade multiple brands under one roof. DIPP Press Note No.5 (2012 Series) released by the Ministry of commerce & Industry, Government of India.
FDI in Multi Brand product retail trading (51%) would be subject to the following conditions:

i. Fresh agricultural produce, including fruits, vegetables, flowers, grains, pulses, fresh poultry, fishery and meat products may be unbranded.

ii. Minimum amount to be brought in, as FDI, by the foreign investor would be US $100 million.

iii. At least 50% of total FDI brought in shall be invested in 'backend infrastructure' within three years of the first tranche of FDI, where 'backend infrastructure' will include investment made towards processing, manufacturing, distribution, design improvement, quality control, packaging, logistics, storage, warehouse, agriculture market produce infrastructure etc. Expenditure on land cost and rentals, if any, will not be counted for purposes of back end infrastructure.

iv. At least 30% of the value of procurement of manufactured processed products purchased shall be sourced from Indian small industries which have a total investment in plant & machinery not exceeding US$ 1 million. This valuation refers to the value at the time of installation, without providing for depreciation. Further, if at any point in time, this valuation is exceeded, the industry shall not qualify as a small industry for this purpose. This procurement requirement would have to be met, in the first instance, as an average of five years total value of the manufactured! Processed products purchased, beginning 1st April of the year during which the first tranche of FDI is received. Thereafter, it would have to be met on annual basis.

v. Self-certification by the company, to ensure compliance of the conditions at serial nos.(ii),(iii) and (iv) above, which could be crosschecked, as and when required. Accordingly, the investors shall maintain accounts, duly certified by statutory auditors.

vi. Retail sales outlets maybe set up only in cities with a population of more than 10 lakhs as per 2011 census and may also cover an area of 10 kms around the municipal/urban agglomeration limits of such cities; retail locations will be restricted to conforming areas as per the Master/Zonal plans of the concerned cities and provisions will be made for requisite facilities such as transport connectivity and parking; In States/Union territories not having cities with population of more than 10 lakhs as per 2011 census, retail sales outlets may be set up in the cities of their choice, preferably the largest city and may also cover an area of 10 kms around the municipal/urban agglomeration limits of such cities. The locations of such outlets will be restricted to conforming areas, as per the Master/Zonal Plans of the concerned cities and provision will be made for requisite facilities such as transport connectivity and parking.

vii. Government will have the first right to procurement of agricultural products.

viii. The above policy is an enabling policy only and the State Government/Union Territories of the policy would be free to take their own decisions in regard to implementation of the policy. Therefore, retail sales outlets may be set up in those States/Union territories which have agreed, or agree in future ,to allow FDI IN MBRT under this policy. The establishment
of the retail sales outlets will be in compliance of applicable State/Union Territory laws/regulations, such as the Shops and Establishments Act etc.

ix. Retail trading, in any form, by means of e-commerce, would not be permissible, for companies with FDI, engaged in the activity of multiband retail trading.

x. Applications would be processed in the Department of Industrial Policy & Promotion, to determine whether the proposed investment satisfies the notified guidelines, before being considered by the FIPB for Government approval.

An Overview of Indian Retail Industry:

The Indian retail Industry can be broadly classified into two categories i.e organized retail sector and unorganized retail sector. The share of organized sector in 2007 was 4.1% of the total retail market. It is the unorganized retail which has been ruling the Indian retail market. Although small the unorganized retail comprises of small businesses as compared to the western companies, it has tremendous scope. Indian retailing industry is basically traditional small shops run by the owner themselves and accounts for more than 90% of the market share whereas the share of supermarkets and larger convenience shops is around 4%-5% of the market. Kishore Biyani of Pantaloon Retail India Limited laid foundation for organized retail in India. Many followed him thereafter citing the success of PRIL which includes Reliance Bharti, Birla etc.

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<thead>
<tr>
<th>BRAND</th>
<th>STORES</th>
</tr>
</thead>
<tbody>
<tr>
<td>REI Agro Ltd. Retail</td>
<td>6TEN &amp; 6TEN Kirana Stores</td>
</tr>
<tr>
<td>Future Groups-Format</td>
<td>Big Bazaar, Food Bazaar, Pantaloons, Central, Fashion Station, Brand Factory, Depot, aLL,E-Zone etc.</td>
</tr>
<tr>
<td>Fabindia</td>
<td>Textiles, Home Furnishings, Handloom apparel, jewellery.</td>
</tr>
<tr>
<td>RP-Sanjiv Goenka Group Retail-Format</td>
<td>Spencer’s Hyper, Spencer’s Daily, Music World, Au Bon Pair (International Bakery Cafeteria), Beverly Hills polo Club</td>
</tr>
<tr>
<td>The TATA Group-Formats</td>
<td>Westside, Star India Bazaar, Steel junction, Landmark, Titan Industries with world of Titans showrooms, Tanishq outlets, Croma</td>
</tr>
<tr>
<td>Reliance-Retail formats</td>
<td>Reliance Mart, Reliance SUPER, Reliance Digital, Reliance FRESH, Reliance Footprint, Reliance Living, Reliance Trends, Reliance Jewellery, Reliance Autozone, iStore</td>
</tr>
<tr>
<td>K-Raheja Corp Group-formats</td>
<td>Shoppers Stop, Crosswords, Hyper City, Inorbit Mall</td>
</tr>
<tr>
<td>Lifestyle</td>
<td>International Lifestyle, Maxx, Fun City &amp; International Franchise Brand Stores</td>
</tr>
<tr>
<td>Aditya Birla Group</td>
<td>“More” outlets</td>
</tr>
<tr>
<td>Gitanjali</td>
<td>Nakshatra, Gili, Asmi, D’damas, Gitanjali Jewel, Giantti, Gitanjali Gifts etc.</td>
</tr>
</tbody>
</table>

Source: www.cci.in
In the last decade the organized retailing have been continuously growing its market share. In a report it has been estimated that Indian retail market is worth US$ 470 billion a year. The share of organized sector is estimated at US$ 27 billion which is essentially from supermarkets, chain stores with centralized and shops in malls. Retailing can be categorized as of different sectors like food and groceries, clothing and textiles, consumer durables, footwear, furniture and furnishing, catering services, jewellery and watches, books, music and gifts, mobile handsets and others. The compound annual growth rate (CAGR) from 2004-07 shows that in every sector it’s the unorganized retail that dominates the market in India.

### Share of Organized & Unorganized Indian Retail Sector

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Food &amp; Grocery</strong></td>
<td>7028</td>
<td>7064</td>
<td>7418</td>
<td>8680</td>
<td>7.3</td>
</tr>
<tr>
<td><strong>Beverages</strong></td>
<td>212</td>
<td>309</td>
<td>375</td>
<td>518</td>
<td>34.7</td>
</tr>
<tr>
<td><strong>Clothing &amp; footwear</strong></td>
<td>777</td>
<td>993</td>
<td>1036</td>
<td>1356</td>
<td>20.4</td>
</tr>
<tr>
<td><strong>Furniture,furnishing,Appliances &amp; Services</strong></td>
<td>512</td>
<td>656</td>
<td>746</td>
<td>986</td>
<td>24.4</td>
</tr>
<tr>
<td><strong>Non- Institutional Healthcare</strong></td>
<td>950</td>
<td>972</td>
<td>1022</td>
<td>1159</td>
<td>6.9</td>
</tr>
<tr>
<td><strong>Sports goods, Entertainment, Equipment &amp;books</strong></td>
<td>212</td>
<td>272</td>
<td>308</td>
<td>395</td>
<td>23</td>
</tr>
<tr>
<td><strong>Personal care</strong></td>
<td>317</td>
<td>433</td>
<td>465</td>
<td>617</td>
<td>18.5</td>
</tr>
<tr>
<td><strong>Jewellery,Watches etc...</strong></td>
<td>530</td>
<td>610</td>
<td>655</td>
<td>863</td>
<td>17.7</td>
</tr>
<tr>
<td><strong>Total retail</strong></td>
<td>10591</td>
<td>11308</td>
<td>12633</td>
<td>14574</td>
<td>11.2</td>
</tr>
<tr>
<td><strong>Organized Retail</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Food &amp; Grocery</strong></td>
<td>39</td>
<td>44</td>
<td>50</td>
<td>61</td>
<td>16.5</td>
</tr>
<tr>
<td><strong>Beverages</strong></td>
<td>11</td>
<td>12</td>
<td>13</td>
<td>16</td>
<td>14.7</td>
</tr>
<tr>
<td><strong>Clothing &amp; footwear</strong></td>
<td>168</td>
<td>189</td>
<td>212</td>
<td>251</td>
<td>14.3</td>
</tr>
<tr>
<td><strong>Furniture,furnishing,Appliances &amp; Services</strong></td>
<td>67</td>
<td>75</td>
<td>85</td>
<td>101</td>
<td>14.8</td>
</tr>
<tr>
<td><strong>Non- Institutional Healthcare</strong></td>
<td>14</td>
<td>16</td>
<td>19</td>
<td>24</td>
<td>20</td>
</tr>
<tr>
<td><strong>Sports goods, Entertainment, Equipment &amp;books</strong></td>
<td>25</td>
<td>33</td>
<td>44</td>
<td>63</td>
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<td>46.9</td>
</tr>
<tr>
<td><strong>Jewellery,Watches etc...</strong></td>
<td>18</td>
<td>24</td>
<td>33</td>
<td>49</td>
<td>40.5</td>
</tr>
<tr>
<td><strong>Total Organized Retail</strong></td>
<td>350</td>
<td>408</td>
<td>479</td>
<td>598</td>
<td>19.5</td>
</tr>
<tr>
<td><strong>Share of organized retail in total retail (%)</strong></td>
<td>3.3</td>
<td>3.6</td>
<td>4</td>
<td>4.1</td>
<td></td>
</tr>
</tbody>
</table>

Source: www.cci.in
STAKEHOLDERS SAY ON ALTERATION IN FDI POLICY:

There always have been concerns about allowing FDI flows in the retail sector in India from different section of the society. Few believe that the step to allow FDI will benefit the all whereas there is a section who thinks different.

Farmers/Producers: The anti-FDI brigade believes FDI retailers would ruin Indian farmers by tying them into enslaving contracts. The pro-FDI brigade said it would bring farmers untold riches by offering them a great price and building magical networks of back-end value chains. Decision to allow FDI was “supported” by farmers’ organizations in Punjab.

The benefits that the farmers are going to get are-

- Improvement of food supply chain.
- Reduction in wastage, spoilage etc.
- Farmers gets integrated into modern trade
- Interference of middleman will reduce.
- Farmers will get better price for their product.
- Quality of the product will improve.
- Farmers’ standard of living will improve.

Consumers:

Indian consumers purchasing power have increased because of rise in the income over the last decade. They will get access to quality of goods as available in the foreign. So, they don’t have to travel to foreign nation to enjoy shopping of branded goods. Moreover, they will get the benefit of various discounts, gifts etc. This put them in a win-win situation.

The benefits that the farmers are going to get are-

- Improvement in quality of life
- Better quality of products
- More choice
- Better price
- Life style parity where Indian products are same as in the overseas
- Provides brand visibility

Government:

The government have been facing strong opposition from various groups in relation to change in FDI policy change but they are of strong believe that allowing FDI in retail sector is going to benefit all and going to revive the economy from various problems

- Increased tax inflows
- State VAT revenue increases as modern trade grows and develops
- Socio-Economic Development of the society.
Employment generation
Inflation control

Unorganized Retail:
Indian unorganized retailing is divided into two i.e. big unorganized retailers whose main customers are the rich & wealthy people and the other one being small unorganized retailers whose customers are generally poor people. It has been felt that alteration of FDI policy is going to hit marginally the big unorganized retailers than the small ones.

Kirana's
There have been a big out cry from the Kirana that the recent change in FDI policy is going to lead stiff competition for them and they won't be able to survive it and hence, have to close down their stores which will make them unemployed.

Case Studies of how various MNC's are helping Farmers
Case-1: PepsiCo India Helping Farmers Improve Yield and Income
The company's vision is to create a cost-effective, localized agro-supply chain for its business by:
- Building PepsiCo's stature as a development partner by helping farmers grow more and earn more.
- Introducing new high-yielding varieties of potato and other edibles.
- Introducing sustainable farming methods and practicing contact farming.
- Making world-class agricultural practices available to farmers and helping them raise farm productivity.
- Working closely with farmers and state governments to improve agro sustainability and crop diversification.
- Providing customized solutions to suit specific geographies and locations.
- Facilitating financial and insurance services in order to de-risk farming.

THE JOURNEY SO FAR Where stand today, at a glimpse
- Today PepsiCo India’s potato farming programme reaches out to more than 12000 farmer families across six states. We provide farmers with superior seeds, timely agricultural inputs and supply of agricultural implements free of charge.
- We have an assured buy-back mechanism at a prefixed rate with farmers. This insulates them from market price fluctuations.
- Through our tie-up with State Bank of India, we help farmers get credit at a lower rate of interest.
- We have arranged weather insurance for farmers through our tie-up with ICICI Lombard.
- We have a retention ratio of over 90%, which reveals the depth and success of our partnership.
In 2010, our contract farmers in West Bengal registered a phenomenal 100% growth in crop output, creating a huge increase in farm income.

The remarkable growth has resulted in farmers receiving a profit between Rs.20000 – 40000 per acre in 2009.

**Case-2: Bharti Walmart initiative through Direct Farm Project**

Corporate Social Responsibility (CSR) initiatives in Bharti Walmart are aimed at empowerment of the community thereby fostering inclusive growth. Through our philanthropic programs and partnerships, we support initiatives focused on enhancing opportunities in the areas of education, skills training and generating local employment, women empowerment and community development. In conjunction with the farmer’s development program in Punjab, community building activities have been implemented in village, Haider Nagar. Due to lack of sanitation facilities, households tend to use the farm fields, thereby affecting yields and impacting the produce that is being supplied to stores. In order to improve the yields and the community’s way of life, we are working on the issues of Sanitation and Biogas, Education, Awareness Building and health and Hygiene.

**Education:** 100% children enrolled in formal education program. Childrens group had been formed to discuss children issues. All the non-school going children had been given non-formal basic education required to mainstream them in the government schools. A sanitation block has been constructed, hand pump has been installed and school uniforms have been donated to create a better learning environment for children. Fifteen students have been mainstreamed back in school. Health and Hygiene: a dispensary has been started in Haider Nagar to help people avail medical facilities in the village itself. Nearly 2000 patients have availed the dispensary facilities. Twenty Community Dustbins have also been installed in the village to bring about a change in the living conditions of the people and to provide them garbage free environment.

**Sanitation and Biogas:** Ensured that 100% households have toilets in the village. Eighty Bio gas plants have been installed to help people conserve gas energy and utilize the waste generated from their cattle and toilets; thus making the environment healthier.

**Waste Management:** Twenty Community Dustbins have been installed in the village to bring about a change in the living conditions of the people and to provide them garbage free environment thus ensuring a healthier living. This and many other cases suggest that the opening of Indian retail sector to FDI is a win-win situation for farmers. Farmers would benefit significantly from the option of direct sales to organized retailers. For instance, the profit realization for farmers selling directly to the organized retailers is expected to be much higher than that received from selling in the mandis. Also Rise in the organized retail whether domestic or through entry of foreign players will to an increase in investments in both forward and backward infrastructure such as cold chain and storage infrastructure, warehousing and distribution channels thereby leading to improvement in the supply chain infrastructure in the...
long run. Global majors such as Walmart, Carrefour and Tesco are expected to bring a global scale in their negotiation with the MNCs such as Unilever, Nestle, P&G, Pepsi, Coke, etc. The improved cold chain and storage infrastructure will no doubt lead to a reduction in losses of agriculture produce. It may also lead to removal of intermediaries in the retail value chain and curtail other inefficiencies. And this may, result in higher income for a farmer.

SWOT Analysis of Retail Sector:
1. Strengths:
   • Major contribution to GDP: the retail sector in India is hovering around 33-35% of GDP as compared to around 20% in USA.
   • High Growth Rate: the retail sector in India enjoys an extremely high growth rate of approximately 46%.
   • High Potential: since the organised portion of retail sector is only 2-3%, thereby creating lot of potential for future players.
   • High Employment Generator: the retail sector employs 7% of workforce in India, which is right now limited to unorganised sector only. Once the reforms get implemented this percentage is likely to increase substantially.

2. Weaknesses (limitation):
   • Lack of Competitors: AT Kearney's study on global retailing trends found that India is least competitive as well as least saturated markets of the world.
   • Highly Unorganised: The unorganised portion of retail sector is only 97% as compared to US, which is only 20%.
   • Low Productivity: Mckinsey study claims retail productivity in India is very low as compared to its international peers.
   • Shortage of Talented Professionals: the retail trade business in India is not considered as reputed profession and is mostly carried out by the family members (self-employment and captive business). Such people are not academically and professionally qualified. No Industry's status, hence creating financial issues for retailers: the retail sector in India does not enjoy industry status in India, thereby making difficult for retailers to raise funds.

3. Opportunities (benefits):
   • There will be more organization in the sector: Organized retail will need more workers. According to findings of KPMG, in China, the employment in both retail and wholesale trade increased from 4% in 1992 to about 7% in 2001, post reforms and innovative competition in retail sector in that country.
   • Healthy Competition will be boosted and there will be a check on the prices (inflation): Retail giants such as Walmart, Carrefour, Tesco, Target and other global retail companies already have operations in other countries for over 30 years. Until now, they have not at
Foreign Direct Investment in Retail Trade – Opportunities and Challenges

all become monopolies rather they have managed to keep a check on the food inflation through their healthy competitive practices.

• Create transparency in the system: the intermediaries operating as per mandi norms do not have transparency in their pricing. According to some of the reports, an average Indian farmer realises only one-third of the price, which the final consumer pays.

• Intermediaries and mandi system will be evicted, hence directly benefiting the farmers and producers: the prices of commodities will automatically be checked. For example, according to Business Standard, Walmart has introduced –Direct Farm Project at Haider Nagar in Punjab, where 110 farmers have been connected with Bharti Walmart for sourcing fresh vegetables directly.

• Quality Control and Control over Leakage and Wastage due to organisation of the sector, 40% of the production does not reach the ultimate consumer. According to the news in Times of India, 42% of the children below the age group of 5 are malnourished and Prime Minister Dr. Manmohan Singh has termed it as –national shame. Food often gets rot in farm, in transit and in state-run warehouses. Cost conscious and highly competitive retailers will try to avoid these wastages and losses and it will be their endeavour to make quality products available at lowest prices, hence making food available to weakest and poorest segment of Indian society.

• Heavy flow of capital will help in building up the infrastructure for the growing population: India is already operating in budgetary deficit. Neither the government of India nor domestic investors are capable of satisfying the growing needs (school, hospitals, transport etc.) of the ever growing Indian population. Hence foreign capital inflow will enable us to create a heavy capital base.

• There will be sustainable development and many other economic issues will be focussed upon: many Indian small shop owners employ workers, who are not under any contract and also under aged

• Workers giving rise to child-labour. It also boosts corruption and black money.

4. Threats:

• Big players can knock-out competition: they can afford to lower prices in initial stages, become monopoly and then raise prise later.

• India does not need foreign retailers: as they can satisfy the whole domestic demand.

• Remember East India Company it entered India as trader and then took over politically.

• The government hasn't able to build consensus. Current Independent Stores will be compelled to close:

• This will lead to massive job loss as most of the operations in big stores like Walmart
Conclusion:

The future of foreign retail players is also uncertain like that of Indian retail players. The government which acts better than the one which does not. Apprehensions were raised on many such occasions in the past on virtually every measures of liberalization of Indian economy but most of the apprehensions proved wrong while many others come true. It is better to act and watch than not to act as all. As per [Financial information services firm] CEIC Data- FDI in 2008 was US$ 35 billion and declined in 2009 and 2010. FDI in 2011 came in at around US$ 27 billion or so. FDI is been opposed on the ground that the giants like Walmart is going to sweep away the market of traditional Kirana Stores. But it seems tough as Indian market is different from other markets because of its Socio-Economic and Cultural diversity. Moreover, majority of educated upper and middle classes live in the cities which will be the main target of the FDI inflow and this will make foreign players investment high on real estate as the real estate is very expensive in the big cities. Thus, to recover the cost and make revenue they will price the products high. So, it will not pose competition to the small traditional stores. Further the buying behaviour of the Indian consumers are very different from the others. They prefer the convenient small shops located nearby their home for their need satisfaction. The opening of organized retail industry will take some time to establish in the Indian market. Hence, the main competition will be to the domestic multi-brand retailers. They have to think on their strategies to survive stiff competition from the giants. This will lead to rapid growth in retail sector of the Indian economy.

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Foreign Direct Investment in Agriculture Sector

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Abstract
Foreign direct investment in Indian retail business at this stage is a burning issue. India to the world known as an agrarian nation and it is completely true that about 65% of Indian population is engaged in agriculture. Indian economy cannot do well without its lion’s share coming from it. But the state of affair of Indian farmers is still not very progressive as expected. The present paper focuses possible impact in agricultural marketing. A micro level survey in the agricultural marketing sector reveals that though the impact is likely affect self employment of the people like small businessmen and middlemen, the farmers are likely to be benefited in absence of public sector marketing infrastructure. Farmers are extremely distressed and needs desperately some scope for marketing their produce with at least a reasonable margin which the Government till date has failed to provide.

Key words: Foreign Direct Investment, Farmers, Agricultural Marketing, Intermediaries.

Introduction
Indian farming is inherently one of the riskiest economic activities agricultural production is unstable because of its dependence on weather and inherent biological uncertainties in managing crops. Agriculture is an important sector in India and it not only contributes to the national income but also provides livelihood to about 2/3rd of the population of the country. The fluctuation in agriculture is impelling on other sectors of the economy due to its forward and backward linkages.

Foreign direct investment is an investment made by a foreign individual or company in productive capacity of another country. It is the movement of capital across national frontiers in a way that grants the investor control over the acquired asset.

FDI will generate foreign capital and foreign players in India that will widen the sphere of retailing not only domestically but globally. 1991 reforms have mushroomed FDI destination in various sectors in Indian economy like insurance, banking, outsourcing, IT, manufacturing, telecommunication Construction and transportation, which has lead to series of development in all these sectors and made them stand in global platform. India is second most sought after destination for FDI after China.

FDI opens up new frontiers to the farmers as today the present state of affairs regarding farmer in India is dissatisfactory, the endless and unnecessary chain of middleman takes away the fruits of the agriculture, from its deserving party i.e. farmers. Farmers suffer as the middlemen add to the profit margin and provide the farmers with the price which is sometimes
even below its cost of production. Suicidal cases among farmers are an alarming issue and needs to be urgently taken care of by the government.

**Present FDI Policy on Agriculture & Plantation**

i) FDI up to 100% is permitted under the automatic route in the under mentioned activities viz., floriculture, horticulture, development of seeds, animal husbandry, pisciculture, aquaculture and cultivation of vegetables and mushrooms, under controlled conditions and services related to agro and allied sectors.

ii) FDI up to 100% with prior government approval is permitted in tea plantation subject to the conditions of divestment of 26% equity of the company in favour of an Indian partner / Indian public within a period of five years; and prior approval of the state government concerned in case of any future land use change.

iii) Besides the above two, FDI is not allowed in any other agricultural sector / activity.

iv) The government has announced 100 per cent Foreign Direct Investment (FDI) in the agriculture sector including seeds, plantation, horticulture and cultivation of vegetables. The Department of Industrial Policy and Promotion (DIPP). According to the circular by DIPP animal husbandry pisciculture, aquaculture under controlled conditions and services related to agro and allied sectors have also been provided with 100 per cent FDI along with the tea sector.

**Objectives**

1. To highlight the changing view regarding FDI in retail sector.
2. To know how FDI in retail will eliminate intermediaries between farmers and retailers.
3. To study how FDI in retail sector benefit the Indian farmers.

**Research Methodology**

The research paper is an attempt of exploratory research, based on secondary data sources from reference books, magazines, journal, research papers and internet.

**Some of the key note views are here:**

1. Dr Kalam views FDI as beneficial to the rural community only if the farmers have the bargaining capacity when dealing with the multinationals. This is possible through cooperative farming that would negate the ill-effects of small sized land holdings.

2. Montek Singh Ahluwalia, Reuters, Deputy of planning commission of India-He also said that spending on infrastructure will improve the supply chain of agriculture and ensure better deals for farmers. It is well known that there is huge price gap between what farmers sell their goods at and what a retailer pays for it. The whole cream in between is
taken by the middlemen. And a drop in prices over time in prices of products due to ruling out of commissions would help to keep inflation in control as well.

The FDI boom in India
India has been ranked at the third place in global foreign direct investments in 2009 and will continue to remain among the top five attractive destinations for international investors during 2010-11, according to United Nations Conference on Trade and Development (UNCTAD) in a report on world investment prospects titled, 'World Investment Prospects Survey 2009-2011' released in July 2009.

The 2009 survey of the Japan Bank for International Cooperation released in November 2009, conducted among Japanese investors continues to rank India as the second most promising country for overseas business operations, after China. A report released in February 2010 by Leeds University Business School, commissioned by UK Trade & Investment (UKT), ranks India among the top three countries where British companies can do better business during 2012-14. According to Ernst and Young’s 2010 European Attractiveness Survey, India is ranked as the 4th most attractive foreign direct investment (FDI) destination in 2010. However, it is ranked the second most attractive destination following China in the next three years.

Present Scenario in Agricultural Marketing
Agricultural market of India is highly fragmented and unorganized. Given the various changes like virtual collapse of rural credit in organized sector, especially for small and marginal farmers, continuous increase of input cost and stagnant crop price, profit potential of agricultural sector has declined substantially. Farmers are still kept on tenterhook, not knowing how to manage their economy, except to play it by years [3] (Gupta, 2005). If production is good then there is glut and prices fall. When there is crop failure farmers hardly get any compensation in terms of higher price. West Bengal an eastern province of India is the most densely populated among the provinces and paddy is the principal crop here involving millions of rural people for their livelihood. Profitability in paddy cultivation gradually came down to only 13% in 2007 and has further come down to 10% in 2011 as per the report of the commission for Agricultural Costs and Prices [4](Choudhury S,2011).

Limitations of The Present Setup
A. Infrastructure
There has been a lack of investment in the logistics of the retail chain, leading to an inefficient market mechanism in the economy. Though India is the second largest producer of fruits and vegetables (about 180 million MT/annum), it has a very limited integrated cold-chain infrastructure, with only 5386 stand-alone cold storages having a total capacity of 23.6 million MT, where 80% of this is used only for potatoes[5](West Bengal Human Development Report 2004). The chain is highly fragmented and hence, perishable horticultural commodities find it
difficult to link to distant markets, including overseas markets, round the year. Storage infrastructure is necessary for carrying over the agricultural produce from production periods to the rest of the year and to prevent distress sales. Lack of adequate storage facilities cause heavy losses to farmers in terms of wastage as well as selling price. Though FDI is permitted in cold-chain to the extent of 100%, through the automatic route, in the absence of FDI in retailing, FDI flow to agricultural retailing is almost nonexistent.

**B. Dominance of Intermediaries In the value chain**

Intermediaries often flout market norms and their pricing lacks transparency. Wholesale regulated markets, governed by State APMC Acts, have developed a monopolistic and nontransparent Character. Indian farmers realize only 1/3rd of the total price paid by the final consumer, as against 2/3rd by farmers in nations with a higher share of organized retail

**C. Improper Public Distribution System ("PDS")**

There is a big question mark on the efficacy of the public procurement and PDS set-up and the bill on food subsidies is rising. In spite of such heavy subsidies, overall food based inflation has been a matter of great concern. The absence of a ‘farm-to-fork’ retail supply system is absent.

**FAVOURABLE**

**Indian farmers:** The biggest beneficiary of FDI in retail would be farmers who will be able to improve their productivity. The farmers will not only be able to increase their output but will also get better rewards in terms of supplying to organized retailers by tying up long term contracts with them.

The foreign retailers will purchase raw materials from the farmers and various other goods from the original producer directly. The farmers across India’s 6,00,000 villages stand to gain with higher profits and better market access. The farmers would be getting good prices for their harvest. The original producers will get a higher price since the profit will flow to them directly, leaving behind the middle men. This can happen as the giant retailers have capital and high buying power. Direct purchase from farms will hugely benefit small farmers who are not getting good returns by selling in the local mandi. The payments will be directly credited into bank accounts and will be free from commission agents. The large retailers will also save 10-15% in commissions by purchasing fruits and vegetables directly.

**Indian consumers:** India is now the home of the largest number of moneyed consumers. Indian consumers will get access to quality goods at a low cost, that too at home. The stage is now set when Indian consumers will have the luxury of world class opportunity of shopping to meet the requirements of daily life. They will find a new world of enjoyment of picking up consumer items to their greatest satisfaction. Big retailers will often allow discounts on selected items which will facilitate the consumers and they can end up with marginal bargains.
Distribution system: The report shows that 30-35% of India’s total production of fruits and vegetables is wasted every year due to inadequate cold storage and transport facilities. Almost half of this wastage can be prevented if fruit and vegetable retailers have access to specialized cold storage facilities and refrigerated trucks. The organized retail will bring in efficient practices that will help farmers in the procurement process, reduce wastage with finally efficient storage and will finally cut the losses. The giant retailers will help India to have strong storage system with highly developed transportation. Giant retailers with decades of experience on how to manage mountains of inventories supply them to key distribution centers and do it all faster, better, cheaper. The arrival of foreign retailers will definitely bring in synergies in distribution management practices.

Indian middle class: Middle class will be benefited as they are three-fourth of Indian population. The middle class will be benefited because they are newly emerged and swelling. There is arising aspiration for a stylish and luxurious life in this class. There has been shift from necessities to luxurious life. The emergence of large middle class in India and with rising disposable income, spends on branded products are likely to increase.

Inflation control:
There are many who believe that FDI will act as guardian for the economic development of the farmers and job seekers. It will not happen that big fish will eat small fishes. This is because that in India 95% retail is in the un-organized sector that means only 5% is in organized sector. Local chains like Big Bazar and Spencers haven’t dealt a deathblow to small retailers. So, the FDI in retail won’t affect them either. The local kirana community is strategic and agile to get wiped off. Their offerings such as home delivery, credit facility and personalized customer relationship management can never be matched by foreign retail players. FDI in retail is certainly a step forward to eliminate the evils of adulteration, shortage in naap tol (weights and measures), unreasonable profit due to large differences between the wholesale price and the printed maximum retail price (MRP) and corruption in saving taxes leading to generate black money. The growth in the retail sector has so far been slower than what was projected, about 5 or 6 years back. The present FDI has once again arisen the hope of fast retail growth rate in India.

Unfavourable
Now we will take up the arguments which will not support the decision. The arguments against are that the new system will displace the traditional shops and petty retail stops in markets and mohallahs. India has two types of un-organized retailers: one the big un-organized retailers i.e. the shop of wealthy consumers and the other small un-organized retailers i.e. the shop of poor consumers. The latter will remain untouched while the former may be marginally affected. The real India which is hardworking bread earners, comprising of 80 crore people will surely not be benefitted. In terms of employment in retail sector around 38% in rural areas and around 47% in urban areas depend on retail trade for their livelihood, which will be effected.
Around 14 crore people are directly or indirectly earning from the retail sector and if we associate their family members then this number would reach 40 crore. This may in turn render the people engaged there jobless and non business oriented. The medium and small retailers will surely be effected but not in a big way. The world class retailers will import with huge quantities of consumer goods from their mother country and elsewhere that are available relatively cheaper to the detriment of the interest of the domestic producers. The proposal has drawbacks as it says that the big retailers have to purchase 30% from the small scale industries but they could be anywhere in the world. So the Indian industry will not be benefited. Some experts say that wherever these big retail stores have gone they have ruined the local retailers. Small retail is the thing of the past in developed countries especially in the US & Europe. The small retailers are of the view that the central government should help them to become big instead to invite big foreign retailers in India.

If these things continue, the country’s retail sector would be lost. If we take examples of two soft drinks like Coca-cola and Pepsi, we will know that wherever they have gone they have killed the domestic products. They did the same in India. Today we don’t hear about the brands like Campa Cola. It has vanished from the market. Some experts say that there should be FDI in all large businesses like power, infra-structure, road and building leaving retail sector. There is a threat from China that has pumped goods into the state at less prices. It has forced closure of industries. China is the largest supplier to Wal-Mart. The foreign retailers will buy raw materials or other goods from China because Indian small scale goods would be costlier than the Chinese companies. In India power is costly and not available, bank interest rates are higher, infra-structure and roads are not there. This would break the backbone of small scale industries in India. Some experts say that it was un-organized economy that has helped India to survive during the times of recessions which the US faced due to organized sector. The big retail does not create additional markets for themselves but they displace the existing ones.

Facts in figures: According to the report in UK there were 56,000 retail shops before the entry of Wal-Mart and after the entry of Wal-Mart they were reduced to 22,000 retail shops. This means the entry of companies like Wal-Mart, has resulted in closure of shops in UK. According to the other report 27% jobs were loosen after the entry of Wal-Mart in Norway.

About Infrastructure It’s strange that it is being assumed that the foreign investor will do what the domestic investor has not done for years. Why do we expect the foreign investor to do anything different?
The value of agricultural retail is only about 10 per cent. And to assume that the foreign investors will come in and create cold storage to sell agricultural products which make up 10 per cent of the overall sector is not correct. Building warehouses is not profitable enough and that’s why the domestic players haven’t done it.
About Inflation

Inflation in India is primarily an agricultural phenomenon. It exists because there is a rise in price of commodity and the supply is scarce. There simply isn't enough supply of pulses, vegetables etc.

And a mandi is still the cheapest for agricultural goods. Mandis become expensive only when labour costs go up, which isn’t the case. The argument that FDI in retail would bring down inflation mainly stems from the assumption that they will eliminate the 40 per cent wastage after they built cold storage for agriculture produce. They can but why will they do it? It’s not worth the effort. The market for agricultural products in overall retail is small.

The exaggerated argument of food wastage

FDI in retail has also been sought to be justified on the ground that lack of proper infrastructure at the back end results in wastage of almost 40 per cent of the total agricultural produce. A parliament committee had directed ICAR to report on the wastage and it commissioned a study by CIPHET i.e Central Institute of Post Harvest Engineering and Technology, Punjab which arrived in 2010 at a figure of 6 to 18 per cent for wastage of fruits and 6 to 12.5 per cent for wastage of vegetables. The figures arrived at by CIPHET are as under:

<table>
<thead>
<tr>
<th>Cereals</th>
<th>3.9-6</th>
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<tbody>
<tr>
<td>Pulses</td>
<td>4.3-6.1</td>
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<tr>
<td>Oil Seeds</td>
<td>6</td>
</tr>
<tr>
<td>Fruits and Vegetables</td>
<td>5.8-18</td>
</tr>
<tr>
<td>Milk</td>
<td>0.8</td>
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<tr>
<td>Fisheries</td>
<td>2.9</td>
</tr>
<tr>
<td>Meat</td>
<td>2.3</td>
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<tr>
<td>Poultry</td>
<td>3.7</td>
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CONCLUSION

Everything has got two sides – good and bad and it’s a natural law. Every day is followed by a night. One should not stand against the good things that FDI in retail can bring us in fear of the night. FDI will create a new source of Income and investment for the Govt., which can be used for the infrastructure development of the country. It would also help bring about improvements in farmer income & agricultural growth and assist in lowering consumer prices inflation. The future of foreign retail players is also uncertain like that of Indian retail players. The government which acts better than the one which does not. Apprehensions were raised on many such occasions in the past on virtually every measures of liberalization of Indian economy but most of the apprehensions proved wrong while many others come true. It is better to act and watch than not to act at all.
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FDI and Economic Development in India: 
A Conceptual Overview

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Abstract
FDI is direct investment into production or business in a country by a company in another country, either by buying a company in the target country or by expanding operations of an existing business in that country. During the last decades, the relation between FDI and economic development has been extensively discussed in the economic literature. Theories and existing literature provide conflicting results concerning this relationship. On one hand, some scholars argue that foreign direct investment could stimulate technological change through the adoption of foreign technology and know-how and technological spillovers, thus boosting host country economies. On the other hand, other pessimists believe that FDI may bring about crowding out effect on domestic investment, external vulnerability and dependence, destructive competition of foreign affiliates with domestic firms and “market-stealing effect” as a result of poor absorptive capacity. This paper sums up the literature as well as empirical studies on the relationship between foreign direct investment and economic development, trying to arrive at a meaning revelation eventually. The main objectives of this study are: to study the concept and types of FDI; to make the public aware about the history of FDI in India; to study the need and importance of FDI in India; to study the role of FDI in economic development; and to make suggestions for FDI in India. Keeping in mind the key objectives of the study, an effort has been made to complete the research purely based on secondary data. Secondary data has been collected using various sources including newspapers; journals; professional magazines; research papers; and even various websites. 

Keywords: Economic Development; Company; Importance; FDI; India; Opportunities.

What is Foreign Direct Investment (FDI)?
FDI is direct investment into production or business in a country by a company in another country, either by buying a company in the target country or by expanding operations of an existing business in that country. Foreign direct investment is in contrast to portfolio investment which is a passive investment in the securities of another country such as stocks and bonds. According to the International Monetary Fund, foreign direct investment, commonly known as FDI, "... refers to an investment made to acquire lasting or long-term interest
in enterprises operating outside of the economy of the investor.” The investment is direct because the investor, which could be a foreign person, company or group of entities, is seeking to control, manage, or have significant influence over the foreign enterprise. According to Investopedia An investment made by a company or entity based in one country, into a company or entity based in another country. FDI is a major source of external finance which means that countries with limited amounts of capital can receive finance beyond national borders from wealthier countries. Exports and FDI have been the two key ingredients in China’s rapid economic growth. According to the World Bank, FDI and small business growth are the two critical elements in developing the private sector in lower-income economies and reducing poverty. Foreign direct investments differ substantially from indirect investments such as portfolio flows, wherein overseas institutions invest in equities listed on a nation’s stock exchange. Entities making direct investments typically have a significant degree of influence and control over the company into which the investment is made. Open economies with skilled workforces and good growth prospects tend to attract larger amounts of foreign direct investment than closed, highly regulated economies. Commonly foreign direct investment includes "mergers and acquisitions, building new facilities, reinvesting profits earned from overseas operations and intra-company loans.” However, foreign direct investment is often used to refer to just building new facilities or green field investment, creating figures that although both labeled FDI, can’t be side by side compared.

Literature Review

Review of various literatures available on FDI reveals that foreign investment is still a matter of debate. Whether FDI is boom or bane for host countries economic growth and development? Opinions are still divided. FDI has its own advantages and disadvantages. Many scholars argue that through FDI developed nations may try to invade the sovereignty of host country. In order to earn quick profit they may exploit the natural resources at the faster rate and thus leave the host country deprived in the long run. It have been feared that FDI is a big threat to survival of domestic players. Many are of the opinion that basic objective of foreign investments is to earn profits by ignoring the overall social & economic development of the host nation. Thus, through this section an attempt has been made to discuss various issues raised by different scholars on the subject. It is universally acknowledged that FDI inflow offers many benefits to an economy. UNCTAD (1999) reported that Transnational Corporations (TNCs) can complement local development efforts by (i) increasing financial resources for development; (ii) boost export competitiveness; (iii) generate employment and strengthening the skill base; (iv) protecting the environment to fulfill commitment towards social responsibility; and (v) enhancing technological capabilities through transfer, diffusion and generation. However, Te Velde, (1999) has rightly reported that in the absence of pro-active government policies there are risk that TNCs may actually inhibit technological development in a host country. Borenszeit, et. al. (1998) reveals that FDI has a net crowding in effect on domestic private and public investment thusadvancing overall economics growth. Crowding in effects of FDI varies with regions. There has been strong
evidence of crowding-in in Asia and strong net crowding out effect in Latin America (Agosin and Mayer, 2000). By and large, studies have found a positive links between FDI and growth. However, FDI has comparatively lesser positive links in least developed economies, thereby suggesting existence of “threshold level of development” (Blomstrom and Kokka, 2003 and Blomstrom et. al., 1994). Athreya and Kapur (2001) emphasized that since the contribution of FDI to domestic capital is quite small, growth-led FDI is more likely than FDI-led growth. Dua and Rasheed (1998) indicted that the Industrial production in India had a unidirectional positive Granger-Casual impact on inward FDI flows. They also concluded that economics activity is an important determinant of FDI inflows in India and not vice-versa. Tseng and Zebregs (2002) reported that even in case of China causality between market size/growth and magnitude of FDI holds true. There is global race for attracting FDI, but how much it would contribute to host country’s economics development is to be assessed. Developing countries need to have reached a certain level of educational, technological and infrastructure development before being able to benefit from a foreign presence in their markets. Blomstrom et. al., (1994) have rightly observed that, the host country must be capable of absorbing the new technology manifested in FDI. An additional factor that may prevent a country from reaping the full benefits of FDI is imperfect and underdeveloped financial markets (OECD 2002). India appears to be well placed in terms of reaping benefits because it has relatively well developed financial sector, strong industrial base and critical mass of well educated workers (Rajan et. al., 2008).

Different Types of FDI

According to Chryssochoidis, Millar & Clegg, 1997 there are five different types of foreign direct investment (FDI).

- The first type of FDI is taken to gain access to specific factors of production, e.g. resources, technical knowledge, material know-how, patent or brand names, owned by a company in the host country. If such factors of production are not available in the home economy of the foreign company, and are not easy to transfer, then the foreign firm must invest locally in order to secure access.

- The second type of FDI is developed by Raymond Vernon in his product cycle hypothesis. According to this model the company shall invest in order to gain access to cheaper factors of production, e.g. low-cost labor. The government of the host country may encourage this type of FDI if it is pursuing an export-oriented development strategy. Since it may provide some form of investment incentive to the foreign company, in form of subsidies, grants and tax concessions. If the government is using an import-substitution policy instead, foreign companies may only be allowed to participate in the host economy if they possess technical or managerial know-how that is not available to domestic industry. Such know-how may be transferred through licensing. It can also result in a joint venture with a local partner.

- The third type of FDI involves international competitors undertaking mutual investment in one another, e.g. through cross-shareholdings or through establishment
of joint venture, in order to gain access to each other’s product ranges. As a result of increased competition among similar products and R&D-induced specialization this type of FDI emerged. Both companies often find it difficult to compete in each other’s home market or in third-country markets for each other’s products. If none of the products gain the dominant advantage, the two companies can invest in each other’s area of knowledge and promote sub-product specialization in production.

- The fourth type of FDI concerns the access to customers in the host country market. In this type of FDI there are not observed any underlying shift in comparative advantage either to or from the host country. Export from the companies’ home base may be impossible, e.g. certain services, or the capability to request immediate design modifications. The limited tradability of many services has been an important factor explaining the growth of FDI in these sectors.

- The fifth type of FDI relates to the trade diversionary aspect of regional integration. This type occurs when there are location advantages for foreign companies in their home country but the existence of tariffs or other barriers of trade prevent the companies from exporting to the host country. The foreign companies therefore jump the barriers by establishing a local presence within the host economy in order to gain access to the local market. The local manufacturing presence need only be sufficient to circumvent the trade barriers, since the foreign company wants to maintain as much of the value-added in its home economy.

Objectives of the Study

The main objectives of this study include: to study the concept and types of FDI; to make the public aware about the history of FDI in India; to study the need and importance of FDI in India; to study the role of FDI in economic development; and to make suggestions for FDI in India.

Need of the Study

India need FDI for reasons such as:- Sustaining high level of investment for development; Fulfill high level of investment for development; Exploitation of natural resources; and Development of economic infrastructure.

Research Methodology

Keeping in mind the key objectives of the study, an effort has been made to complete the research purely based on secondary data. Secondary data has been collected using various sources including newspapers; journals; professional magazines; research papers; and even various websites.
Findings of the Study

- **Importance of FDI:**
  The need for larger FDI exists because India is at a stage where it needs not only US investments, but also technology, and management policies to sustain and enhance its economic growth. In 2006, Foreign Direct Investment (FDI) in India amounted to US$37 billion, out of which only $5 billion was from the US. This was not a very encouraging figure in view of the goal of increasing the GDP by 34-36%. Therefore, there is a need for larger FDI. India still requires an FDI component equal to 4% of the GDP. The US needs to invest more in various sectors of the Indian economy. There is a potential to attract more FDIs in areas like infrastructure, IT hardware, automobiles, leather, textiles, gems, jewellery, and the financial sector. As such, India is rated as the 2nd best economy to invest in, after China. Surprisingly, the US is rated 3rd in this domain! Focus is on the insurance and banking sector, in context with Foreign Direct Investments. Only 10% of the insurance sector has been tapped for foreign investment. Foreign companies need to persuade the parliament for increasing Foreign Direct Investment capital. The banking sector is in the process of liberalization. The insurance sector is looking forward to increase in the capital as more and more FDIs happen. So the insurance sector is also planning on liberalization, taking a cue from the banking sector. The need for larger FDI calls for major issues and areas to be taken into consideration, such as: Market potential and accessibility; Political stability; Market infrastructure; and Easy currency conversion. India is the ideal country to make Foreign Direct investments in because of its features like: Developing economy; Low salaried employees; Low wage workers; Abundant human resources; and Big private economy. India is looking forward to a high growth rate of almost 16% – double that of the current 8%. Hence, there is a distinct need for larger FDI. Further, FDI prospects are expected to be bright if liberalization is initiated in the telecom sector as well. Already, brands like Hutchison, Vodafone, and Singtel are in the Indian market and thanks to these investors, the FDI capital in this sector has been raised to 74%. There are others necessities which a larger FDI will cater to viz., employment generation, income generation, technology transfer, and economic stability. Hence, the need for larger FDI is a pressing situation these days in India. Foreign countries are well aware of this, and many of them are taking extra initiative to invest in the Indian economy.

- **FDI and Economic Development:**
  There is a strong relationship between foreign investment and economic growth. Larger inflows of foreign investments are needed for the country to achieve a sustainable high trajectory of economic growth. There are several irrefutable reasons for this. For the economy to grow by 7 to 8 per cent a year there is a need to invest around 35 to 40 per cent of GDP. National savings fall far short of this by nearly 10 per cent. Foreign borrowing and foreign investments have to meet this investment-savings gap. This is generally recognized and successive governments have attempted to provide various incentives to foreign investors. However the Sri Lankan record of foreign investment has been far below expected levels and low in comparison with many other Asian countries. Now that there is peace and security, the biggest hindrance for attracting foreign
investments has been removed. Therefore higher amounts of foreign direct investments are expected. Will this be realized? Peace and security are necessary conditions, but not sufficient conditions to attract foreign investment. This is clear from the fact that foreign direct investment (FDI) has been below expectations in 2010. What are the reasons for the sluggish inflow of FDI? What are the other conditions that must be fulfilled to attract FDI? There are many conditions that have to be put in place to attract FDI. It is important to ensure an attractive investment climate. Consistent macroeconomic policies, good governance, economic stability, guarantee of property rights, rule of law and absence of corruption are among the conditions required to attract FDI. Consistency and predictability in economic policies and political stability are preconditions to attract FDI. The significance of FDI is that such investments are risk free to the country and bring with it the advantages of advanced technology, management practices and assured markets. In due course there is a technology transfer as the local workforce gains knowledge of the manufacturing processes and management practices. The value added in these industries is a contribution to GDP and foreign exchange earnings. Therefore FDI contributes to foreign exchange earnings, employment creation and increases in incomes, especially of skilled and semi-skilled workers in these industries.

**Prospects and Preconditions:**

There is not much point in crying over spilt milk. What is needed is the correct environment to attract investment in a global context when even developed countries are vying for foreign investment. Sri Lanka needs to develop the physical and technological infrastructure, enhance its human capital and improve its labor market conditions and administrative capabilities to induce higher levels of foreign investment. There has been progress in the development of infrastructure. The road network has been improved though urban traffic congestion remains a problem. The power situation is much better though electricity tariffs are high. Skills development leaves much scope for development. Labor legislation is considered a serious disincentive. It is unlikely that the government would formulate the necessary labor reforms to allow for flexibility in the recruitment and discontinuance of workers. This may continue to be a disincentive for FDI as other countries are far more flexible in their labor laws allowing workers to be discontinued when business conditions necessitate a reduction in labor force. Despite peace and political stability foreign direct investment has not increased. There is an expectation that FDI would reach US$ 1000 million this year. Although this is a doubling of last year’s FDI, it is inadequate. Besides the quantum of FDI, the types of FDI also matter. There are foreign investments in the hospitality trade but little in industry and manufactures, investments in manufactures are especially needed. To attract such investment it is essential to ensure an attractive investment climate. Consistent macroeconomic stability, guarantee of property rights, rule of law and absence of corruption are among the conditions required to attract FDI. Recent events have tarnished the country’s political image and foreign perceptions of the country. These non-economic factors too have an influence on FDI.
Opportunities:
Due to FDI the production cost of goods and services is decreased. Under FDI elimination of transaction and transporting cost between host and guest country is possible. Goods and services are acquired by people at low prices, Savings are possible from routine transactions and Deposit increases from domestic. Good flow of money is there and all this certainly lead towards sound position of host country. FDI plays an important role in job creation and conservation is found more favorable for host country. New employments in industries and market sectors of host country are created. Guest country becomes motivated to transfer expertise and professional education with host country. The industrial productivity of host country is increased due to FDI. FDI improves the GDP rate of host country. It is a symptom of healthy economy. Living standard of people improves due to better GDP in host country. FDI enhance the competition at global level. FDI inflow develops the efficiency and sustains the growth rate of developing country. FDI helps in state-wise industrial development of developing country. FDI releases broad opportunities in import and export of goods and services in India. It provides fine status in International trade. FDI helps for upgrading the existing old working process with developed process in India. By FDI in developing countries advanced technology in industrial and IT sector can be implemented. FDI increases the level of competition in the host country. It will result into products and services with fine quality. Economical prices can be easily available at urban and rural area in India. FDI has also ensured a number of employment opportunities by backing the creation of industrial units in various corners of India. Equilibrium economical development of various states of India can be possible through FDI. FDI has given an inducement to small and domestic producers. They become efficient for competition in their local and outside markets. It will result in enhancing the economy growth. FDI can formulate large supply of products and services by implementing advanced infrastructure and technology in industry. It is good sign regarding purchasing power of low income holder peoples in host country.

Challenges
FDI eliminates to the small producers from international and national level competition. Domestic industries are in old traditions and infrastructures. It cannot compete in globalize market with the advanced industries. Foreign companies always try to achieve quick and large refunds on their invested capital. They take interest only in profit oriented ventures and neglect domestic and traditional business from investment. Due to open-minded business policy of India, the problem of surplus FDI will create in future. It will create hurdles in the economy growth of India. Problem of employment in rural area is not adequately solved. Most of the population of India is lived with unemployment in rural region. FDI favors only urban regions for the investment and neglect rural & backward regions. Problem of centralization of FDI projects is occurring in India. Foreign investors prefer only facilitated areas for the establishment of their ventures therefore the projects are centralized in a particular area. Only profit making from FDI projects is becoming primary thing in global economy. Economic growth, Infrastructure...
development and education transformation has become secondary things. FDI may lead for profit maximizations. Indian political environment is not constant. Business policies are affected with the change of political environment. It will create constraints in smooth and fine running FDI policies. There are no provisions for the improvement of handicraft industries and there are few provisions for the small scale industries under FDI in India.

Suggestions:

Regional industrial equilibrium should be there by inviting FDI in India. Product diversification must be spotlighted. Particular service or product should not be judged while attracting FDI inflow. The policy maker should aware about overall development of Indian economy. There should be the proper utilization of foreign investment. The related authority should plan strategies where FDI must be employed as medium of enhancing infrastructure, industrial production, healthcare, savings and deposits, technological education, employments, exports and competitions. Most of the FDI inflows should invest in the export oriented products and services then India can diminish its deficit financial position in the international trade. Government should design such policies under FDI which must be related with agriculture base industry. It will important step in reducing unemployment from rural region because 60% human resources lives in rural area. Give maximum reward to the farmers for their agricultural crops and try to increase the wages level of the skilled and unskilled labor. Indian government must promote research and development to maintain fine economic growth under FDI. Maximum preference should be given to the development of human resources. Try to stabilize the political environment. FDI should use as means of controlling inflation and deflation, upgrading the education system, ensuring personal security of the citizens. Try to make decentralization of FDI projects in all over India. Do not grant them in only urban or facilitated region but must spread them in whole India. IT and Software base industries should be preferred under FDI because it gives 15 to 35 thousand jobs at entry level. Hard punishment should be given to investors or responsible persons about the wastage of natural resources under FDI in India.

Conclusions

FDI is direct investment into production or business in a country by a company in another country, either by buying a company in the target country or by expanding operations of an existing business in that country. FDI is a predominant and vital factor in influencing the contemporary process of global economic development. Opportunities of FDI include production cost of goods and services is decreased; job employment is increased; import and export is improved; international status of the country becomes high; and improves GDP rate of the country. Suggestions include Regional industrial equilibrium should be there by inviting FDI in India; proper utilization of foreign investment; FDI inflows should invest in the export oriented products and services; and IT and Software base industries should be preferred under FDI. While the end of the civil war led to expectations of much higher FDI, this has not been realized. The only substantial FDIs have been in the hospitality trade. What is needed is not merely an increase...
in FDI but also investment in key areas of manufacture. Consistent macroeconomic policies, good
governance, consistent market friendly policies, healthy economic indicators, guarantee of
property rights and the rule of law are required to attract higher levels of FDI.

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FDI in India’s Multi-Brand Retail Sector - Boon or Bane

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Abstract

Foreign direct Investment refers to the net inflows of investment to acquire a lasting management interest (10% or more) in an enterprise operating in an economy other than that of the investor. FDI is considered to be the most attractive type of capital flow for emerging economies. It acts as a major catalyst in the development of a country through up-gradation of technology, managerial skills and capabilities in various sectors. Retail industry, comprising of organised and unorganised sectors, is one of the fastest growing industries in India. Recently, the retailing sector in India has undergone a significant transformation. In January 2012, India approved reforms for single-brand stores welcoming anyone in the world to innovate in Indian retail market with 100% ownership and decided to permit FDI up to 51% under the government route, in multibrand retail trading in all products subject to specified conditions. The move permits global firms such as Wal-Mart, Tesco and Carrefour can open stores offering a range of household items and grocery directly to consumers in the same way as the ubiquitous ‘kirana’ store. The announcement invoked strong criticism from opposition parties, but was welcomed wholeheartedly by corporate India. Sections in the government may believe that this policy and the framework to which it belongs are good for the country. Thus the announcement sparked intense activism, both in opposition and in support of reforms. In this context, the present paper attempts to review the avenues and challenges of FDI inflows into the Indian Multi-brand Retail Sector.

Key Words: Foreign Direct Investment, Retail Sector, Multi-Braned Retail Sector, Single-Braned Retail Sector

1. Introduction

Retailing is the interface between the prouder and the individual consumer buying for personal consumption. As such, retailing is the last link that connects the individual consumer with the manufacturing and distribution chain. FDI in retail industry means that foreign companies in certain categories can sell products through their own retail shops in the country. Indian retail industry is of late often being hailed as one of the sunrise sectors in the economy.

Recently, the retailing sector in India has undergone a significant transformation. Traditionally, the Indian retail sector has been characterized by the presence of a large number of small unorganized retailers. The small retail outlets, most of them family-owned businesses, account for about 95 percent of the sales. The creaky, old distribution system that India has lived with is grossly inefficient. However, in the past decade there has been development of organized retailing. It is generally agreed that the mass of the Indian economy would gain, significantly,
from the emergence of a well-capitalized retail industry. Total retail market in India which presently stood $400 billion in 2009-10, is estimated to attain $573 billion by 2012-13. According to the Investment Commission of India, the retail sector is expected to grow almost three times its current levels to $660 billion by 2015.

2. Objectives of study

The sheer potential of Retail sector and its contribution in Indian economy highlights the relevance of this paper. The objectives of paper are:
- To analyse the current retail scenario in India
- To investigate the controversial views of the various stakeholders
- Evaluate the likely challenges and avenues of FDI in multi-brand retailing in India

3 Materials and Method

The study is based on descriptive arguments, statistical data, and analytical logic developed through the understandings from various research papers, reports, books, journals, and newspapers.

4. An Overview of the Indian Retail Industry

The Indian trading sector has developed over centuries and is very different from that of the developed countries. In the developed countries, products and services normally reach consumers from the producers through two different channels: (a) via independent retailers and (b) directly from the producers. However, the above two methods of operation are not very common in India. The Indian retail sector is dominated by small and medium enterprises. With a large number of intermediaries, the trading sector is highly fragmented. The retail industry in India is often being hailed as one of the sunrise sectors in the economy.

India’s retail industry is generally divided into two segments—organized retailing and unorganized retailing. Organised retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed by hypermarkets and retail chains, and also the privately owned large retail businesses. On the other hand unorganized retailing refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, and cart and pavement vendors, etc.

4.1. Types of Retailing in India

(a) Single Brand- Single brand retailing means ‘own label brands’ or they can be described as those which are created and owned by businesses that operate in the distribution channel. These stipulations would prevent third party sourcing and encourage multinationals to set up a manufacturing base in India. The following are the conditions under single brand retailing.
1. Products to be sold should be of ‘single brand’
2. Products should be sold under the same brand internationally.
3. ‘Single brand’ product retailing would cover only products, which are branded during manufacturing. Examples are of Sony, Reebok, Nokia and Adidas. FDI in ‘single brand’ retail implies that a retail store with foreign investment can only sell one brand. For example, if Adidas were to obtain permission to retail its flagship brand in India, those retail outlets could only sell products under the Adidas brand and not the Reebok brand, for which separate permission is required. If granted permission, Adidas could sell products under the Reebok brand in separate outlets.

(b) Multi Brand- FDI in Multi Brand retail implies that a retail store with a foreign investment can sell multiple brands under one roof. Opening up FDI in multi-brand retail will mean that global retailers including Wal-Mart, Carrefour and Tesco can open stores offering a range of household items and grocery directly to consumers in the same way as the ubiquitous ‘kirana’ store.

4.2. Present Position of FDI in Indian Retail

In 2010, the Indian retail market was valued at $435 billion of which the share of modern retail was 7 percent. The sector is expected to grow to $535 billion by 2013 with the share of modern retail at 10 percent. In 2007, India was ranked the twelfth largest consumer market and it is expected to be the fifth-largest consumer market by 2015 after the US, Japan, China and the UK (McKinsey & Company 2007). In 2010, India attracted the largest number of new retailers among emerging and mature markets (CBRE 2011). According to the study conducted by the Indian Council of Research in International Economic Relations (ICRIER), a premier economic think tank of the country, the total retail business in India will grow at 13% annually, from US $322 billion in 2006-07 to US $590 billion in 2011-12 and further US $1 trillion by 2016-17.

Being aware of the large market, growing consumerism and brand-consciousness and to provide a greater fillip to high economic growth, in 1997, the Indian retail sector witnessed the first footprints of FDI with 100% FDI being permitted in cash & carry wholesale trading under the government approval route, subsequently brought under the automatic route in 2006. As a step ahead, FDI in single brand retail was permitted to the extent of 51% in 2006. However until 2011, Indian Central Government denied FDI in multi-brand retail, forbidding foreign groups from any ownership in supermarkets, convenience stores or any retail outlets. Even single brand retail was limited to 51% ownerships and a bureaucratic process.

In November 2011, India’s central government announced retail reforms for both multi-brand stores and single-brand stores. In December 2011, under pressure from the opposition, Indian government placed the retail reforms in hold till it reaches a consensus. In January 2012, India approved reforms for single-brand stores welcoming anyone in the world to innovate in Indian retail market with 100% ownership but imposed the requirement that the single-brand retailer source 30% of its goods from India. Indian government continues the hold in retail reforms for multi-brand stores. However the Government of India has reviewed and decided to permit FDI up to 51% under the government route, in multibrand retail trading in all products subject to specified conditions and issued order accordingly on 20th September 2012. The move
permits global firms such as Wal-Mart, Tesco and Carrefour can open stores offering a range of household items and grocery directly to consumers in the same way as the ubiquitous ‘kirana’ store.

The proposal for 51 percent FDI in retail has come with certain riders, including a minimum investment of $100 million by the foreign investor, 50 percent of the total FDI to be invested in “back-end infrastructure” and 30 percent of the products to be procured from small scale industries. It also states that fresh agricultural produce, including fruits, vegetables, flowers, grains, pulses, fresh poultry, fishery and meat products, may be unbranded. For the purpose of FDI in multi-brand retail, the note describes small industries as units which have a total plant and, machinery investment not exceeding $250,000 (around Rs. 1.25 crores). This investment refers to the value at the time of installation, without providing for depreciation. The foreign retail chain will be required to comply with self-certification. They have to keep all records and the government will have the first right to procure agricultural produce. As for the back-end investment, the Cabinet note clearly states that investment made towards processing, manufacturing, distribution, design improvement, quality control, cold chain, warehouses and packaging, amongst others, will constitute back end. The retail chains will be allowed only in cities with a population of more than 10 lakh as per the 2011 census. Some of the key conditions for allowing 100 percent FDI in single-brand retail include products sold under the same brand name internationally; product retailing will cover only those products that are branded during manufacturing and the foreign investor should be the owner of the brand. The most important points of the guidelines is that retail sales outlets may only be set up in those states which have agreed or will agree in future to allow FDI in multi-brand retail under this policy. The establishment of the retail sales outlets must be in compliance with the applicable state laws and regulations, such as the Shops and Establishments Act.

5. FDI- Impact and Analysis

Today, India is perceived as one of the most favorable global investment destinations. With growing market demand, the industry is expected to grow at a pace of 25-30 % annually. The Indian retail industry is expected to grow from Rs. 35,000 crores in 2004-05 to Rs. 1,09,000 crores by the year 2010 and hence is the most promising emerging market for investment. In 2007, the retail trade in India had a share of 8-10% in the Gross Domestic Product (GDP) of the country, while it rose to 12% in 2009 and reached 22% by 2010. Despite all these developments, the organised retail business still comprises a small proportion of the total size of the retail sector. Unorganized retailing is by far the prevalent form of trade in India constituting 98% of total trade, while organised trade accounts only for the remaining 2% and this is projected to increase to 15-20 percent by 2010.

Recently, the Union Cabinet approved hitherto prohibited foreign direct investment in multi-brand retail, with a cap of 51 percent on foreign equity that ensures majority ownership. Simultaneously, the cap on foreign equity investment in single-brand retail was enhanced to 100 percent, offering sole ownership rights to foreign investors. Once the doors to foreign
investment in the retail sector are opened, giant international retailers such as Wal-Mart, Carrefour and Metro will use the opportunity to get a share of the large Indian market.

As of now, the Indian retail sector, largely due to its fragmented structure, suffers from limited access to capital, labour and suitable real estate options. In contrast china which allowed 49 percent FDI in the retail sector since 1992, benefited immensely with foreign players bringing capital and new technologies and growing export market for domestic products. At present, around 40 foreign retail players account for almost 20 percent of the organised retailing in that country. India is tipped as the second largest retail market after china, and the total size of the Indian retail industry is expected to touch the $300 billion mark in the next five years from the current $200 billion.

The recent debate has centered on the issue of whether FDI in retail in India will be a “boon or a bane”. Many studies and surveys were conducted to analyse the impact of FDI in retail sector in various segments of the economy. According to a policy paper prepared by the Department of Industrial Policy and Promotion (DIPP, 2010), FDI in retail must result in backward linkages of production and manufacturing and spur domestic retailing as well as exports.

The Indian Council of Research in International Economic Relations (ICRIER), appointed to look into the impact of BIG capital in the retail sector, has come to the conclusion that investment of ‘big’ money (large corporates and FDI) in the retail sector would in the long run not harm interests of small traditional retailers.

According to the World Bank, opening the retail sector to FDI would be beneficial for India in terms of price and availability of products. Experiences everywhere has shown that organised retailing tends to have a major controlling effect on inflation because large organised retailers are able to buy directly from producers at most competitive prices. The scale of operation and technology help organised retailers score over the unorganized players, giving the consumers both cost and services advantages.

Planning Commission Deputy Chairman, Montek Singh Ahluwalia has pointed out in an interview (Frontline, December 30, 2011) that the present system is highly inefficient, with multiple chains of intermediaries, with no integrated logistic infrastructure like refrigeration and transport facilities. There is huge wastage, and the losers are the farmers, who get a lower price, and the consumers, who have to pay more. The only way to take care of the problem is to modernize the entire chain from the farmer to the consumer. This will hugely beneficial to the farmers and to the consumers.

Mr. Ravi Raheja, chairman, FICCI retailing Committee, while underlining the need for FDI in the sector pointed out that foreign investment would generate competition and not adversely affect the small retailers. Ultimately, the consumers would stand to benefit in terms of wide range of products of world-class quality and lower prices.

While FDI in multi-brand retail has been opposed by several in the past citing fears adherents of the same indicate increased transfer of technology, enhanced supply chain efficiencies and increased employment opportunities as the perceived benefits.
6. Arguments in favour of FDI in multi-brand retail.
The following may be regarded as major perceived benefits of allowing FDI in retail in India.

1. **Bring in Foreign Equity**- FDI in retail will enable Indian retailers to bring in foreign equity to support their efforts. This would provide an opportunity for cash-deficient domestic retailers to bridge the gap between capital required and raised. Thus the retailers who do not want to give up their domestic retail brand identification will be able to mobilize extra capital to invest while retaining a majority.

2. **Stimulate investment in the back-end infrastructure**- The 51 percent provision will also ensure that some of the world’s leading retailers, who otherwise would not have been interested would come in as well. This will help stimulate a lot of investment in the back-end infrastructure, which is part of the policy. Domestic modern retail does not have this obligation, but FDI in retail does.

3. **Exposure to global supply chain**- Since modern retailers retail a wide variety of goods, it will provide a platform where high-end consumer goods can be sold along with cheaper, domestically produced goods. Once they find that the quality of domestic products has improved, they will be able to market those products not just in India but also through their marketing chains abroad.

4. **Inflow of real competition in the market**- By allowing 51% foreign investment in the Indian market, it will teach the local retailers about real competition and help in ensuring that they give better service to Indian consumers,. It is obviously good for local competition.

5. **Check Inflation**- Organised retailing has major impact in controlling inflation because large organised retailers are able to buy directly from producers at most competitive prices.

6. **Benefits for the farmers**- As long as foreign players such as Wal-Mart do pricing based on long run average costs, the benefits will accrue to consumers and farmers. Small and medium farmers are trapped into a vicious circle of poverty because of inefficient input and output markets especially distress sales at the time of harvest owing to underdeveloped agricultural supply chain in India. Since the independence of India, India’s government systematically failed in solving this vicious circle. Though India is the second largest producer of fruits and vegetables, it has a very limited integrated cold-chain infrastructure. Lack of adequate storage facilities causes heavy losses to farmers in terms of wastage in quality and quantity of produce in general, and of fruits and vegetables in particular. Extensive backward integration by multinational retailers, coupled with their technical and operational expertise, can hopefully remedy such structural flaws.
7. **Elimination of Middlemen**- The farmers will not only be able to increase their output but will also get better rewards in terms of supplying to organized retailers by tying up long term contracts with them. The foreign retailers will purchase raw materials from the farmers and various other goods from the original producer directly. The farmers across India’s 6,00,000 villages stand to gain with higher profits and better market access. The farmers would be getting good prices for their harvest. The original producers will get a higher price since the profit will flow to them directly, leaving the middlemen. This can happen as the giant retailers have capital and high buying power. Direct purchase from farms will hugely benefit small farmers who are not getting good returns by selling in the local *mandi*. The payment will be directly credited into bank accounts and will be free from commission agents. The large retailers will also save 10-15% in commission by purchasing fruits and vegetables directly.

8. **Availability of better technology**- The global retailers have advanced management know how in merchandising and inventory management and have adopted new technologies which can significantly improve productivity and efficiency in retailing. Improved technology in the sphere of processing, grading, handling and packaging of goods and further technical developments in areas like electronic weighing, billing, barcode scanning etc, could be a direct consequence of foreign companies opening retail shops in India. Further, transportation facilities can get a boost, in the form of increased number of refrigerated vans and pre-cooling chambers which can help bring down wastage of goods.

9. **Improvement in supply chain**- Improvement of supply chain/distribution efficiencies, couple with capacity building and introduction of modern technology will help arrest wastages. At present, improper storage facilities and lack of investment in logistics have been creating inefficiencies in food supply chain, leading significant wastages. The giant retailers will help India to have strong storage system with developed transportation. Giant retailers with decades of experiences on how to manage mountains of inventories supply them to key distribution centers and do it all faster, better, cheaper. The arrival of foreign retailers will definitely bring in synergies in distribution management practices.

10. **Benefits for the consumers**- Entry of large low-cost retailers and adoption of integrated supply chain management by them is likely to lower down the prices. Lowering of prices will not be a disadvantage, because if foreign players are present in India it makes the availability of goods at cheaper prices. This arises because the foreign payers will have good technology, supply chain etc. that makes the product cost cheaper. So this can be availed by the Kirana shops, i.e., buying the goods from the large retailers and selling it to their customers. More over, as the price decreases, the purchasing power of the people will also increase. The large super markets offer a wide range of products and services, so the consumer can enjoy single-point shopping. FDI in retailing can easily assure the quality of product, better shopping experience and customer services.
11. **Backward linkages with agricultural sector**- India can attain huge savings by merely improving the supply chain. Some 20-40% of all fruits & vegetables grown in the country go waste due to poor transportation, storage and handling infrastructure. Also, for every rupee that an Indian consumer spends, the farmer gets only 20-22 paise, as against 70-80 paise in developed markets. If large retailers, whether domestic or foreign, directly source through farmers, consumers will have to pay less and the retailers will get higher margins.

12. **Creating jobs in retail sector**- The entry of modern retailers will expand the market creating large amount of additional jobs in retail. The job opportunities will vary from ordinary workers to specialized officers. The employment opportunities will be in retail sales, retail floor manager, cold chains, warehousing and logistics. The new jobs will create in front end and back end leading to a positive impact on economy. Modern retailers will allocate some amount of resources towards the training of the people they hire. This has already happened with Bharti Wal-mart joint venture, which has joined hands with some state governments in opening training centers in Amritsar, Delhi and Bangalore to train local youths for jobs in retail.

7. **Arguments against FDI in multi-brand retail**
Many trading associations, political parties and industrial association have argued against FDI in retailing. They feel that FDI in retail would put the unorganized retail sector at risk and would adversely affect the small retailers, farmers and consumers and give rise to monopolies of large corporate houses which can adversely affect the pricing and availability of goods. They argued that the retail sector in India is one of the major employment providers and permitting FDI in this sector can displace the unorganized retailers leading to loss of livelihood. The following are the major threats to the domestic retailers in India.

1. **Displacement of small retailers**- India has two types of un-organized retailers; one the big unorganized retailers i.e. the shop of wealthy consumers and the other small un-organized retailers i.e. the shop of poor consumers. The latter will remain untouched while the former may be marginally affected. The real India which is hardworking bread earners, comprising of 80 crore people will surely not be benefited. In terms of employment in retail sector around 38% in rural areas and around 47% in urban areas depend on retail trade for their livelihood, which will be effected. Around 14 crore people are directly or indirectly earning from the retail sector and if we associate their family members then this number would reach 40 crore. Hence this move will lead to large loss of self-employment. International experience shows supermarkets invariably displace small retailers. Small retail has virtually been wiped out in developed countries like the USA, and in Europe. South East Asian Countries had to impose stringent zoning and licensing regulations to restrict growth of super markets because small retailers were getting displaced. The main fear is that the ingress of MNC Giants like Wal-Mart, Tesco and Carrefour will throw the hundreds of thousands of the neighbourhood *Kirana* store owners out of business, leading to millions of job losses.
2. **Loss of jobs in the manufacturing sector**- Jobs in the manufacturing sector will be lost because structured international retail makes purchases internationally and not from domestic sources. The world class retailers will import with huge quantities of consumer goods from their mother country and elsewhere that are available relatively cheaper to the detriment of the interest of the domestic producers. The proposal has drawbacks as it says that the big retailers have to purchase 30% from the small scale industries but they could be anywhere in the world. So the Indian industry will not be benefited.

3. **Global retailers might practice predatory pricing**- Predatory pricing refers to a situation where new entrants come in and initially lowers the prices for the consumers, with the intention of creating a monopoly and raising prices later. Due to financial clout of the global retailers, they often sell below cost in the new markets. Once the domestic players are wiped out of the market foreign players enjoy a monopoly position which allows them to increase prices and earn profits.

4. **Loss of self competitive strength**- Indian retailers has yet to consolidate their position. The existing retailing scenario is characterized by the presence of a large number of fragmented family owned businesses, who would not be able to survive the competition from global players. If the existing firms collaborate with the global biggies they might have to give up at the global front by losing their self competitive strength.

5. **Margin of unorganized players**- Some fear that, if FDI is allowed in retailing then it would result in lowering of prices because FDI will result in good technology, supply chain, etc. If prices were lowered then it would lower the margin of unorganized players. As a result the unorganized market will be affected.

6. **Infant industry argument**- A concern raised by domestic incumbent firms in the organized retail sector is an infant industry argument; that this sector is under-developed and in a nascent stage. Hence, it is important that the domestic retail sector grow and consolidate first, before being exposed to foreign investors. Domestic firms in this sector oppose liberalizing retail to FDI as they view multinational companies as direct competitors.

7. **Hugely energy intensive**- The giant chains can never match the efficiency of farmer’s markets selling food produced locally or nearby. Their sourcing of produce from all over the world, central warehousing systems, giant transport operations- all these are hugely energy intensive. Which means a lot of what we get is old and much –refrigerated or frozen.

8. **Loss of culture**- Though FDI in Indian retail will indirectly or indirectly contribute for the enhancement of Tourism, hospitality and few other Industries, the culture of the people in India will slowly be changed. The youth will easily imbibe certain negative aspects of foreign culture
and lifestyles and develop inappropriate consumption pattern, not suited to our cultural environment.

8. Issues of Concern

There are three issues of particular concern that arise. The first is that, allowing FDI in multi-brand retail sector will prevent the growth of domestic organized retail industry. Second, it will result in closure of small retail stores, the so-called mom- and-pop stores and third, that it will disrupt the social community and the given way of life. The first argument is passes simply because with the entry of Reliance, Tatas and other large domestic players, the domestic retail industry has surely come of age. These corporates do not need protection. Actually, if these infants are protected any longer they have good chances of becoming delinquent adults. Soon enough, monopoly rents will begin to accrue and bad habits will get entrenched and it will then be more difficult to open the sector. Domestic players have the best locations anyway and a clear head start.

FDI is often opposed on the grounds that it will put mom- and-pop stores out of business. This is very unlikely for several reasons. The giant retailers, when they venture into developing markets, do not use the same business model as they do in the U.S. Wal-Mart, the most iconic of these companies and the one most often cited as a threat to Indian mom-and-pop stores, is by no means the lowest-price retailer in China. Wal-Mart U.S is based on ‘everyday low prices’. The firm has an activity system that is meant to help Wal-Mart compete as a cost leader. The company began by locating in rural areas and then moved to suburban and semi-urban areas in the U.S. In china, the rural areas and semi-urban areas are not where the money is. Consumers in china, unlike their American counterparts living in suburbia- do not drive miles and do bulk purchasing, nor do they have massive storage facilities at home. In India, China, Brazil, Indonesia, Thailand and Mexico, the vast majority of educated middle and upper classes live in the cities, and not in semi-urban and rural areas, where real estate is very expensive and population density is high.

The foreign retail chains will need to make very expensive real estate investments. They will have a very high variable cost of operation. Their fixed, volume-independent costs are also likely to be much higher than those featured by the mom-and-pop shops.

These firms’ real competition will be the domestic multi-brand retailers. A recent study by the CII and Boston Consulting Group estimated the size of organised retail of US $ 28 billion in 2010 to be 6% to 7% of the total retail market in India. The study predicted that the size of retail- total retail sector size, not just organized retail- would grow to US $ 1.25 trillion by 2012 if the efficiencies that typically come from greater competition and modernization of retail supply systems were to be unleashed. Under this scenario, the study predicts that the size of organized retail could grow to US $260 billion or about 20.8% of the total market. So even under this scenario, the idea that a fractional segment that accounts for 20.8% of the total economic activity of a sector can drive the remaining 79% of that sector out of business does not stand the scrutiny of reason.
The CII/BCG study also estimates that if the organized retail sector is not modernized—the “as is” economic scenario, as the study calls it—the size of the sector will be about US$ 170 billion. This underperforms the earlier scenario by about 35% or so. That difference could be a job creation deficit of about 1.4 million jobs with an even higher potential loss of economic product since organized retail pays better than local, scale-deprived mom-and-pop establishments. This is without taking into consideration other jobs that would not be created in economic activities that span infrastructure and logistics.

The third argument has greater substance. Malls could lead to greater urban anonymity and a complete breakdown of the bazaar culture and the disappearance of the ‘down town’ space that has its own charm. But in France, Germany, the Nordic countries and also other parts of Europe, experience has shown that local communities can thrive if they are empowered and involved in urban planning. Organized retail does not necessarily result in the dreaded mid-west. So FDI in retail improves growth prospects, does not harm equity and discourages monopoly rents and therefore should be allowed.

9. Major recommendations

As the government has opened up the sector to FDI, the proposed norms will open up strategic investment opportunity for global retailers, who have been waiting to invest in India. However, if FDI in retail is liberalized by considering the following suggestions it is expected to bring in more of benefits than threats to the country.

- Prepare a legal and regulatory framework and enforcement mechanism to ensure that large retailers are not able to dislocate small retailers by unfair means
- FDI should be initially allowed in less sensitive sectors and also in the sectors wherein the domestic companies are established strongly.
- Entry of foreign players must be gradual with social safeguards so that the effects of labour dislocation can be analyzed and policy fine tuned. Foreign players should initially be allowed only in metros
- FDI in retail should be liberalized in a phased manner like the case with China.
- A national commission should be set up to study the problems of the retail sector which should also evolve a clear set of conditionality on foreign retailers on procurement of farm produce, domestically manufactured merchandise and imported goods. This conditionality must state minimum space, size and other details like construction and storage standards.
- Extend institutional credit at lower rates by public sector banks to improve the efficiencies of small retailers and undertake proactive programmes for assisting small retailers to upgrade themselves.
- Half the jobs created by new retail chains should be reserved for rural youth.
- Formulate a Model Central Law regarding FDI of Retail Sector
10. Conclusion

Debates, discussions and conflicting views exist among policy makers, economists and social thinkers on the issue of estimating the costs and benefits of allowing FDI in both single and multi-brand retail in India. In the light of the above, it can be safely concluded that FDI in multi-brand should be seriously considered by the government and as with many other sensitive sectors (like defence); a gradual opening up could be made possible. India needs to take a lesson from China where organized retail seems to co-exist and grow together. Further, India’s local enterprises will potentially receive an up gradation with the import of advanced technological and logistics management expertise from the foreign entities. FDI would lead to a more comprehensive integration of India into the worldwide market. Hence allowing healthy FDI in the retail sector would not only lead to a substantial surge in the country’s GDP and overall economic development, but would inter alia also help in integrating the Indian retail market with that of the global retail market in addition to providing not just employment but a better paying employment, which the unorganized sector (kirana and other small time retailing shops) have undoubtedly failed to provide to the masses employed in them. Allowing FDI in multi-brand retail can bring about Supply Chain Improvement. Improvement in Technology, Manpower and skill Development, Tourism Development, Up-gradation in Agriculture, Efficient Small and Medium Scale Industries, Growth in Market Size and Benefits to Government through greater GDP, tax income and employment generation. So it is very difficult to predict the future of Indian Retail sector. But the Government of India must be cautious about the apprehensions raised by the critics and adequate safeguards must be taken so that the positive effect may outweigh the negative ones and the traditional retailers co-exist even after big foreign retailers enter the market.

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Efficacy and Ill Effects of Foreign Direct Investment in Retail Trade

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Abstract
Retail trade means sale to ultimate consumer. Organised retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, and the like. Unorganised retailing, on the other hand, refers to the traditional formats of low-cost retailing, like owner manned general stores, beeda shops, convenience stores, hand cart and pavement vendors, and the like. The Indian retail sector is highly fragmented with 97 per cent of its business being run by the unorganized retailers. The organized retail however is at a very nascent stage. FDI in 'Single brand' retail implies that a retail store with foreign investment can only sell one brand. FDI in Multi Brand retail implies that a retail store with a foreign investment can sell multiple brands under one roof. The vital pillars of the economy- retailing, agriculture, and manufacturing, will be at stake due to the entry of foreign players in India's retail segment.

Keywords: FDI, Lobbying, UPA Govt, Retail Trade

Introduction
After a long lull, the UPA Govt. in India won by a margin of 253 votes to 218 votes in Lok Sabha on December 5, 2012 and by a margin of 14 votes (123/109) in Rajya Sabha on December 7, 2012 on FDI in Retail Sector issue. But the ruckus is not over. The BJP said it would revisit the decision if it comes to power in 2014. Muralidhar Rao, a senior BJP leader said, 2014 Lok Sabha polls would be fought between the “Wall mart Front” and the “Nationalist or Swadeshi Front”.

After winning Parliament’s approval for allowing FDI in retail, speaking in Punjab Agricultural University’s Golden Jubilee function, Prime Minister Manmohan Singh said FDI in retail will help introduce new technologies in agricultural marketing and will benefit farmers and consumers. While it is felt that FDI in few sectors like infrastructure is acceptable, it would be disastrous in the retail sector, as small traders would be harmed. The apprehension of the opposition parties on the lobbying activities in US undertaken by Wall mart, which spent around $25 million (about Rs.125 crores) to facilitate enhanced market access for investment in India, is worth considering. Adi Godrej, the President of Confederation of Indian Industry (CII) and also the Chairman of the ISB Board, while speaking about FDI in retail, endorsed the Centre’s decision to allow FDI in retail. At a time when only few States supports the initiative, he said other States will realize the benefits of allowing FDI in retail in a short span of time and fall in line to allow MNCs to open stores in their respective regions. One should remember, any process of change is a dialectic
process. Hence, realizing the need of the hour, this paper aims to analyse the opinions propounded by the stakeholders of Indian industry to take precautions, if it is a bad omen.

**FDI at Global level:**

FDI in retail facilitates organized retailing. Countries such as USA, UK, Mexico and China benefited out of organized retailing. In fact, retail has played a major role in improving the productivity of the whole economy at large. It is also one of the largest employment generators. Countries like Argentina, Brazil, Chile, Indonesia, Malaysia, Russia, Singapore and Thailand have allowed 100 per cent FDI in multi brand retail. China permitted FDI in retail in 1992 and contrary to speculations, the small or domestic retail chains did not get affected and on the contrary small retailers have increased. The retailers in China increased from 1.9 million in 2004 to over 2.5 million in 2011.

**Lobbying Tactics:**

US-based companies like Wall Mart and Prudential Financial are lobbying hard with their own lawmakers to garner support for their Indian business expansion plans since 2007. As per their latest lobbying disclosure reports filed with the House of Representatives and the Senate, the US-based companies and industry groups spent millions of dollars towards lobbying on issues including FDI in India.

Besides retail sector, the US companies are also lobbying for market access in a host of other businesses. To quote few, Dow Chemicals had spent more than $3.6 million for its lobbying for “Trans Pacific Partnership Market Access – India.”

Financial services giant Prudential Financial Inc has spent nearly $4 million in 2012 on various lobbying matters, including those “relating to India financial services market access and equity ownership issues”.

Honeywell International is lobbying on “issues related to engine upgrades for Indian military aircraft”, Medtronic lobbied on matters including those “relating to improving medical device regulation in India”

Other major entities having spent big bucks in the last quarter on issues related to trade with India include Dell Inc, Morgan Stanley, Xerox, Cargill Inc, Aerospace Industries Association of America and Chamber of Commerce of the US.

**Compulsion for FDI in retail:**

Allowing FDI in countries is the concurrence given by the signatories to the General Agreement on Tariff and Trade (GATT), which opened the gate for Liberalisation, Privatisation and Globalisation (LPG) in 1991. As a signatory to GATT, willy nilly the Central Govt. met its commitment and allowed FDI in retail in India. In 1997, FDI in cash and carry (wholesale) with 100 per cent ownership was allowed under the Government approval route. It was brought under the automatic route in 2006. 51 per cent investment in a single brand retail outlet was also permitted in 2006. FDI in Multi-Brand retailing was prohibited in India so far. In December 2012,
the Cabinet said OK for 51 per cent FDI in multi-brand retail sector and increased FDI limit in single brand from 49 per cent to 100 per cent.

Reflections in India:

Only few States and Union Territories in India, such as Delhi, Manipur, Daman and Diu and Dadra and Nagar Haveli, support the Centre’s decision.

The Trinamool Chief and West Bengal Chief Minister, Mamata Banerjee, has been maintaining that she would not allow FDI in retail in West Bengal since it would affect the livelihood of nearly five crore people.

Batting for FDI in retail, Delhi Chief Minister Sheila Dikshit said, “I, as a person, would welcome FDI. It is a revolution that is taking place in the country. In India, we have to get on to modern technology and means.”

Maharashtra Chief Minister Prithviraj Chavan said that once States opposing retail FDI see the benefits, they will come around. He said that any one State should not be allowed to veto it.

Haryana Chief Minister Bhupinder Hooda said the farmers would be the biggest beneficiary of FDI in retail sector with more investment in developing infrastructure like cold storage chains and processing facilities.

"FDI will not be allowed in the retail sector during the tenure of this Government. There is no change in the Government stand, for which we have got the permission of the central leadership,” Chief Minister of Kerala, Oommen Chandy said.

Newcomers to FDI in retail:

The Indian retail sector can be grouped into food retailers, health and beauty products segment, clothing and footwear, home furniture and household goods, durable goods and leisure and personal goods.

IKEA, the Swedish Furniture major and the world’s largest furniture retailer which operates 336 stores in 44 countries, with plans to set up 10 furnishing and homeware stores as well as allied infrastructure in over 10 years in India, sought permission to invest Rs.4200 crore in India. The Foreign Investment Promotion Board (FIPB) headed by Mayaram has granted permission for that.

A Scandinavian firm, with the investment proposal of Rs.10500 crores had sought government approval to sell items such as textile products, consumer electronics, leather products, lifestyle products, and food and beverages to be served at its restaurants and cafes.

Expected apprehensions for FDI in retail:

Though competition is good from the point of view of consumers, it is afraid that it would lead to unfair competition between the existing retailers and the incoming foreign players. Small traders will not be able to withstand the competition.

It is afraid that the stiff competition would result in large scale exit of domestic retailers, especially small, family-managed retail outlets.
This would lead to large scale displacement of persons employed in retail sector and it is afraid that they cannot be absorbed by manufacturing sector, which grows poorly.

There is fear that the entry of global giants in retail sector will kill millions of jobs.

Since the unorganized retail sector employs a considerable percentage of Indian population after the agricultural sector, it is afraid that their livelihood will be in jeopardy.

The global retailers will develop the monopolistic power to raise the prices of commodities and reduce the prices received by the farmers and other suppliers. As a result, both the consumers and the suppliers would lose, while the profit margin of FDI retail outlets will increase.

Since FDI retail outlets is permitted to function in cities with a population of 10 lakhs and more, it will result in lop-sided development. The difference will be asymmetrical as far as living conditions and other aspects are concerned. This may create unrest, discontent, social tension and the like among people.

Expected Benefits of FDI in retail:

The increasing affluence among urban consumers, the growing preference for branded products and higher aspirations among youth is expected to bring huge growth to the country. A Study conducted to find out the impact of FDI in Retail disclosed, "Organised retail is expected to grow faster than total retail at 24 per cent by 2016-17 as compared to 15 per cent growth of total retail during the same period," As per estimates, overall retail market is likely to become Rs.47,00,000 crore in 2016-17 from Rs. 23,00,000 crore in 2011-12. The organised segment is estimated to grow to Rs.4,80,000 crore by 2016-17 from Rs. 1,60,000 crore in 2011-12, the joint report said.

The advocates for FDI in retail showcases the present lacunae in Indian retail Trade and claims that the deficiencies could be overcome due to the influx of foreign players in India. FDI in retail will help with the investment in the supply chain, which will be good from the farmer’s point of view. India at present suffers from lack of adequate storage facilities which result in wastage of commodities and heavy loss to farmers. The lack of logistics support will add to the woes of farmers, it is claimed. The domination of intermediaries in Indian markets stands detrimental to farmers and final consumers. It is said that Indian farmers realize only one-third of the total price paid by the final consumer, as against two-third by farmers in nations with a higher share of organized retail.

The improvement in supply chain, investment in technology, manpower and skill development, tourism development, upgradation in agriculture, reduction in wastage of farm produce, growth in market size, curtailing middlemen, access to global best practices followed by the management, access to technical knowhow, chance to meet consumer expectations, tax income, employment generation, better paying employment, increase in GDP, containing inflation are expected to arrive as array of benefits.
Arguments:

The expected advantages projected are a myth only; FDI in retail is not a panacea for all the ills of Indian retail system, some argue. They say that even in developed countries like US, the farmers met with set back due to the entry of big retail outlets like Wall Mart. Countries like US, Japan, etc., even today offers subsidy to farmers. In the last Farm Bill 2008, which made provision for agricultural support for the next five years (the next Farm bill is slated for 2013), US provided $ 307 billion for agriculture in the next five years. Between 2002 and 2009, US doled out about Rs.13-lakh crore to its farmers as direct income support. In the WTO negotiations, the US has very strongly defended these subsidies, and has ensured that these subsidies are not to be cut. In France, despite the heavy subsidies, farm income is falling year after year. In 2009, farmers’ income fell by 29 per cent, up from 22 per cent in 2008. The farm income is falling not because of any reduction in subsidies but because most of the subsidies are cornered by the rich farmers and corporates. Despite the presence of Tesco, Sainsbury and Carrefour (and also Wal-Mart), European farmers cannot survive without being given direct income support by the government.

The projection that the middlemen will be routed out and hence the farmers will be benefited is taken by them by saying that the foreign players will become big middlemen and eats away the small middlemen. However, the sufferings will be the same. They will introduce a new battery of middlemen, like quality controller, standardiser, certification agency, processor, etc., who will walk away with farmers’ profit.

Another argument they propounded is there is no evidence which shows that big retail brings down the consumer prices. Empirical studies show that in Latin America, Africa and Asia, big retail has been charging 20-30 per cent higher prices than the open market.

To the plea that more number of jobs will be created, they argue that international evidence tells us that big retail does not create employment; it actually displaces the people who are already employed in the retail business. The total turnover of Wall mart is roughly $ 450 billion. Ironically, the Indian retail market is also worth $ 420 billion plus. While Wall mart employs only 21 lakh people, Indian retail sector has 1.2 crore shops and employs 4.4 crore people according to the national surveys. It is therefore evident that Wall mart will not be creating additional employment, but would be displacing a number of times more people than what it needs to employ.

“Walmartisation” of Indian agriculture will create more poverty for our people. It will also leave India poorer as a culture and civilisation, in which the real free trade takes place face-to-face on our streets and in our haats and bazaars. Box stores and hyper markets will rob India of her diversity and decentralised economy, which is the source of our resilience and real wealth of the people.

Conclusion:

Expecting others to fulfill our need is not a right step. The same applies for those who expect benefits out of FDI in retail. We must find means to undertake storage facilities. We need not depend on others for that. We have to learn from Amul, which has created a sophisticated
supply chain (including cold storage facilities) to carry milk (a highly perishable commodity) across long distances. India definitely needs to modernise its retail sector but that does not mean it should hand over the retail market to foreign players. However, allowing FDI into countries’ trade is out of compulsion imposed by GATT. One should understand that. Whoever is in power, they ought to oblige lest we were caught into the clutches of multifarious nuances of international politico-social imbroglio. The need of the hour is to find ways to handle the overseas players in a right way and find ways to reap more net benefit from them. As said by Property consultant Knight Frank, let the impact of big foreign retail players on the domestic unorganized players be positive and the unorganised players would move to a higher equilibrium level of efficiency in a medium to long term horizon.

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Impact of Foreign Direct Investment in Indian Retail Sector

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Abstract
Liberalization of trade policies during the last one and half decade has led India to become an investment friendly country. Foreign direct investment (FDI) in this country assumed critical importance in the context of this liberalization. Though India is the tenth most industrialized country in the world, it is well known that it is mainly agro-based with around 70% population engaged in the farm sector. However, in the initial stage of liberalization, FDI was centered on the urban manufacturing sectors because of its civic infrastructure, labour availability, flexible taxation mechanism etc. The success story of FDI in these sectors is known to us. For a long time there were efforts for FDI in the retail sector so that the trader can reap the benefit of FDI. Retail trade contributes around 10-11% of India’s GDP and currently employs over 4 crores of people. Recently, a great debate has cropped up against the government plans for FDI in the Indian retail sector. FDI in retail is fundamentally different from that in manufacturing. FDI in manufacturing basically enhances the productive employment in most cases; but FDI in retail trade may create job losses and displacement of traditional supply chain. One of the main features of rural India is disguised unemployment. Farmers, evicted from the agricultural sector, engage in small retail trades for livelihood. The main fear of FDI in retail trade is that it will certainly disrupt the livelihood of the poor people engaged in this trade. The opening of big markets or foreign-sponsored departmental outlets will not necessarily absorb them; rather they may try to establish the monopoly power in the country. However, so many positive factors are also there in favour of FDI in Indian retail service. In this background the present work makes an attempt to study the likely impact of FDI on Indian retail sector, with focus on some specific cases.

Key Words: Foreign Direct Investment, Point-of-Sale; Closed-Circuit Television, Global Retail Development Index, Gross Domestic Product.

INTRODUCTION:
FDI in multi-brand retail will have two fold impact on the Indian real estate sector. Firstly it will increase demand for anchor space in one million plus cities where the state governments agree to permit foreign retailers & secondly there is a possibility that rental expectation would be raised, as not much of quality space would be available, suitable for big-box retail.

For multi-brand retail, anchor space in upcoming, under construction & project launch stage malls, Indian & existing foreign companies are either in negotiation stage or signed up space at these new upcoming projects, which will put the new entrants in a tight spot, as they will
have to look for only new upcoming projects going to be operational only after 3-4 years from now.

In India, per capita mall space among top 7 metro cities is presently estimated at less than a square feet, with US & Europe average being 20-40 times of India. Steady GDP growth & young population having more disposable income, can attract investment for mall development in India. As compared to developed market, the square footage in our country is very low & there is steady increase in rentals due to shortage of available quality retail space, this could trigger new projects.

**Objectives**
- To study the challenges faced by the retail sector in India due to the foreign direct investment.
- To assess the impact of foreign direct investment in retail sector in India.
- To offer suggestions to retail sector in India.

**Research Methodology**
Information has been sourced from various books, trade journals, government publications, newspapers etc. and research is descriptive in nature. Data presented in the form of tables and analyzed in form of percent trends and chart.

**Challenges faced by the retail sector**

**International Standards:**
Even though India has well over 5 million retail outlets of different sizes and styles, it still has a long way to go before it can truly have a retail industry at par with International standards. This is where Indian companies and International brands have a huge role to play.

**Inefficient supply chain management:**
Indian retailing is still dominated by the unorganized sector and there is still a lack of efficient supply chain management. India must concentrate on improving the supply chain management, which in turn would bring down inventory cost, which can then be passed on to the consumer in the form of low pricing.

**Lack of Retail space:**
Most of the retail outlets in India have outlets that are less than 500 square feet in area. This is very small by International Standards.

**Cultural Diversity:**
India’s huge size and socio economic and cultural diversity means there is no established model or consumption pattern throughout the country. Manufacturers and retailers will have to devise strategies for different sectors and segments which by itself would be challenging.

**Real estate issues:**
The enormous growth of the retail industry has created a huge demand for real estate. Property developers are creating retail real estate at an aggressive pace. With over 1,000
hypermarkets and 3,000 supermarkets projected to come up by 2011, India will need additional retail space of 700,000,000 sq.ft. (65,000,000 m²) as compared to today.

**Human resource problems:**

Trained manpower shortage is a challenge facing the organized retail sector in India. The Indian retailers have difficulty in finding trained person and also have to pay more in order to retain them. This again brings down the Indian retailers profit levels.

**Frauds in Retail:**

It is one of the primary challenges the companies would have to face. Frauds, including vendor frauds, thefts, shoplifting and inaccuracy in supervision and administration are the challenges that are difficult to handle. This is so even after the use of security techniques, such as CCTVs and POS systems. As the size of the sector would increase, this would increase the number of thefts, frauds and discrepancies in the system.

**Challenges with Infrastructure and Logistics:**

The lack of proper infrastructure and distribution channels in the country results in inefficient processes. This is a major hindrance for retailers as non-efficient distribution channel is very difficult to handle and can result in huge losses. Infrastructure does not have a strong base in India. Urbanization and globalization are compelling companies to develop infrastructure facilities. Transportation, including railways systems, has to be more efficient. Highways have to meet global standards. Airport capacities and power supply have to be enhanced. Warehouse facilities and timely distribution are other areas of challenge. To fully utilize India’s potential in retail sector, these major obstacles have to be removed.

**Growth of Retail Sector in India**

An increasing number of people in India are turning to the services sector for employment due to the relative low compensation offered by the traditional agriculture and manufacturing sectors. The organized retail market is growing at 3.5 percent annually while growth of unorganized retail sector is pegged at 6 percent. The Retail Business in India is currently at the point of inflection. Rapidupports investments to the tune of US $ 25 billion is being planned by several Indian and multinational companies in the next 5 years. It is a huge industry in terms of size and according to management consulting firm Techno park Advisors Pvt. Ltd., it is valued at about US $ 350 billion. Organized retail is expected to garner about 16-18 percent of the total retail market (US $ 65-75 billion) in the next 5 years. According to the tenth report of GRDI of AT Kearney, India is having a very favorable retail environment and it is placed at 4th spot in the GRDI. The main reasons behind that is the 9% real GDP growth in 2010, forecasted yearly growth of 8.7% through 2016, high saving and investment rate and increased consumer spending.

According to department of Industry Policy and Promotion Cumulative, FDI inflows in single brand retail trading stood at US$ 44.45 million during April 2000 to September 2011. Indian retail sector is wearing new clothes and with a three year compounded annual growth rate of 46-64%, retail is the fastest growing sector in the Indian economy. The sector is the second largest employer after agriculture, employing more than 35 million people with
wholesale trade generating an additional employment to 5.5 million core. The enormous growth of retail industry has created a huge demand for real estate. Property developers are creating retail real estate at an aggressive pace. According to report titled “India Organized Retail Market 2010”, published by Knight Frank, during 2010-12, around 55 million square feet of retail space will be ready in Mumbai, NCR, Bangalore, Kolkata, Chennai, Hyderabad and Pune. Besides between 2010 and 2012 the organized retail real estate will be grown from existing 41 million square feet to 95 million square feet. The total no. of shopping mall is expected to expand at CAGR of 18.9% by 2015. Hypermarket, currently accounting for 14% of mall space is expected to witness high growth. Industry experts predict that the next phase of growth in the retail sector will emerge from the rural market. By 2012, the rural retail market is projected to have a total of more than 50% market share. India’s retail market is expected to be worth about US$ 410 billion, with 5 per cent of sales through organized retail, meaning that the opportunity in India remains immense. Retail should continue to grow rapidly—up to US$ 535 billion in 2013, with 10 per cent coming from organized retail, reflecting a fast-growing middle class, demanding higher quality shopping environments and stronger brands, according to the report ‘Expanding Opportunities for Global Retailers’, released by A T Kearney.

<table>
<thead>
<tr>
<th>Year</th>
<th>Share of Retail Sector (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>8%</td>
</tr>
<tr>
<td>2009</td>
<td>12%</td>
</tr>
<tr>
<td>2011</td>
<td>22%</td>
</tr>
</tbody>
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Source: AT Kearney
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Suggestions for retail sector in India:

Many agencies have estimated differently about the size of organized retail market in 2011. The one thing that is common amongst these estimates is that Indian organized retail market will be very big in 2011. The status of the retail industry will depend mostly on external factors like Government regulations and policies and real estate prices, besides the activities of retailers and demands of the customers also show impact on retail industry. As the retail market place changes shape and competition increases, the potential for improving retail productivity and cutting costs is likely to decrease. Therefore it is important for retailers to secure a distinctive position in the market place based on values relationships or experience. Finally, it is important to note that these strategies are not strictly independent of each other; value is function of not just price quality and service but can also be enhanced by personalization and offering a memorable experience.
Conclusion

The government has added an element of social benefit to its latest plan for calibrated opening of the multi-brand retail sector to foreign direct investment (FDI). Only those foreign retailers who first invest in the back-end supply chain and infrastructure would be allowed to set up multi brand retail outlets in the country. The idea is that the firms must have already created jobs for rural India before they venture into multi-brand retailing. It can be said that the advantages of allowing unrestrained FDI in the retail sector evidently outweigh the disadvantages attached to it and the same can be deduced from the examples of successful experiments in countries like Thailand and China where too the issue of allowing FDI in the retail sector was first met with incessant protests, but later turned out to be one of the most promising political and economical decisions of their governments and led not only to the commendable rise in the level of employment but also led to the enormous development of their country’s GDP.

Moreover, in the fierce battle between the advocators and antagonist of unrestrained FDI flows in the Indian retail sector, the interests of the consumers have been blatantly and utterly disregarded. Therefore, one of the arguments which inevitably needs to be considered and addressed while deliberating upon the captioned issue is the interests of consumers at large in relation to the interests of retailers. It is also pertinent to note here that it can be safely contended that with the possible advent of unrestrained FDI flows in retail market, the interests of the retailers constituting the unorganized retail sector will not be gravely undermined, since nobody can force a consumer to visit a mega shopping complex or a small retailer/sabjimandi. Consumers will shop in accordance with their utmost convenience, where ever they get the lowest price, max variety, and a good consumer experience.

The Industrial policy 1991 had crafted a trajectory of change whereby every sectors of Indian economy at one point of time or the other would be embraced by liberalization, privatization and globalization. FDI in multi-brand retailing and lifting the current cap of 51% on single brand retail is in that sense a steady progression of that trajectory. But the government has by far cushioned the adverse impact of the change that has ensued in the wake of the implementation of Industrial Policy 1991 through safety nets and social safeguards. But the change that the movement of retailing sector into the FDI regime would bring about will require more involved and informed support from the government. One hopes that the government would stand up to its responsibility, because what is at stake is the stability of the vital pillars of the economy- retailing, agriculture, and manufacturing, in short, the socio economic equilibrium of the entire country.

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Abstract
India’s retail market remains largely off-limits to large international retailers like Wal-Mart and Carrefour. Opposition to liberalizing FDI in this sector raises concerns about employment losses, unfair competition resulting in large-scale exit of incumbent domestic retailers and infant industry arguments to protect the organized domestic retail sector that is at a nascent stage. Based on international evidence, we suggest that allowing entry by large international retailers into the Indian market may help tackle inflation especially in food prices. Moreover, technical know-how from foreign firms, such as warehousing technologies and distribution systems can improve supply chain efficiency in India, in particular for agricultural produce. Better linkages between demand and supply have the potential to improve the price signals that farmers receive and also serve to enhance agricultural and other exports.

Keywords: domestic retailers, international retailers, agriculture, technologies, globalization.

Introduction
Foreign direct investment (FDI) in the retail sector in India is restricted. In 2006, the government eased retail policy for the first time, allowing up to 51 per cent FDI through the single-brand retail route (see Section 2 for a classification of organized retail in India). Since then, there has been a steady increase in FDI in the retail sector, and the cumulative FDI in single-brand retail stood at $195 million by the middle of 2010 (DIPP, 2010).

Foreign investment in the single-brand retail sector in India has been resilient to the global economic crisis of 2007-08. Given India’s large population and rapidly expanding middle-class, there is robust and growing demand and a rapidly expanding market.

In the past few decades large retailers have experienced substantial growth around the world. Evidence suggests while the impact of entry by large retail chains on employment and incumbent mom-and-pop stores is mixed, there can be substantial benefits to consumers in the form of lower prices and lowered food price inflation in particular. Similarly, by employing improved distribution and warehousing technologies, large retail chains are in a position to provide better price signals to farmers and to serve as a platform for enhanced exports.

At the same time, public outcry over the impact of these chain stores on other retailers and local communities is reported around the world. Small retailers, farmers, and even large organized competition have concerns about the entry of large global chain stores. On balance,
however, in this paper we argue that opening up FDI in India to multi-brand retailers from abroad may be a catalyst to growth and the development of the retail industry, with positive externalities for the rest of the economy.

Research Methodology

The sheer potential of Retail sector and its contribution in Indian economy highlights the relevance of this paper.

The objectives of paper are :

- Advantages & Disadvantages of FDI in Retail.
- Impact of FDI on various stakeholders.
- Evaluate the effect of Organized Retail on the Unorganized Retail.

FDI in Retail Industry

- FDI in retail industry means that foreign companies in certain categories can sell products through their own retail shop in the country. At present, foreign direct investment (FDI) in pure retailing is not permitted under Indian law. Government of India has allowed FDI in retail of specific brand of products. Following this, foreign companies in certain categories can sell products through their own retail shops in the country.
- India's retail industry is estimated to be worth approximately US$411.28 billion and is still growing, expected to reach US$804.06 billion in 2015. As part of the economic liberalization process set in place by the Industrial Policy of 1991, the Indian government has opened the retail sector to FDI slowly through a series of steps:
  - 1995 : World Trade Organization's General Agreement on Trade in Services, Which includes both wholesale and retailing services, came into effect.
  - 1997 : FDI in cash and carry (wholesale) with 100% rights allowed under the government approval route.
  - 2006 : FDI in cash and carry (wholesale) brought under the automatic route. Up to 51 percent investment in a single-brand retail outlet permitted.
  - 2011 : 100% FDI in single brand retail permitted.
- The Indian government removed the 51 percent cap on FDI into single-brand retail outlets in December 2011, and opened the market fully to foreign investors by permitting 100 percent foreign investment in this area. Government has also made some, albeit limited, progress in allowing multi-brand retailing, which has so far been prohibited in India. At present, this is restricted to 49 percent
Foriegn Direct Investment in Retail Trade – Opportunities and Challenges

Foreign equity participation. The specter of large supermarket brands displacing traditional Indian mom-and-pop stores is a hot political issue in India, and the progress and development of the newly liberalized single-brand retail industry will be watched with some keen eyes as concerns further possible liberalization in the multi-brand sector. In this Paper, Author discusses the policy developments for FDI in these two retail categories, with a focus on the details of the multi-brand retail FDI discussion.

Forecasts for Retail Sector Growth in India

The data from private consulting company reports suggest that growth in the retail market has been rapid despite major restrictions on FDI. In the third-quarter report of 2010, the BMI India Retail Report forecasts that the total retail sales will grow from US$ 353 billion in 2010 to US$ 543.2 billion by 2014. An important consideration, the report suggests, is the fast-growing middle and upper class consumer base. The analysis also suggests that in the next few years there will be major opportunities in India’s smaller cities.

AT Kearney, a global management consulting firm, rates India as the most attractive nation for retail investment. The study, presented in the Global Retail Development Index of 2009, is carried out annually for 30 emerging markets, and has rated India highest four times in the last five years. This report expresses even more optimism, and estimates that suggests that India’s retail market is expected to be about US$535 billion by 2013, with around 10 per cent coming from organized retail. Other estimates are more conservative, though still impressive. According to McKinsey, a research and consulting firm, organized retail in India is expected to increase from 5 per cent of the total market in 2008 to 14-18 per cent of the total retail market and reach US$ 450 billion by 2015.

Concerns about Opening up Indian Retail to FDI

A number of concerns have been raised about opening up the retail sector for FDI in India. The first concern is the potential impact of large foreign firms on employment. Following agriculture, in 2007-2008, the retail sector is the second largest employer in India (National Sample Survey Organization, 64th round). Retail trade employed 7.2% of the total workforce which translates to 33.1 million jobs (DIPP Report, 2012). Moreover, the share of retail employment has risen significantly when compared to its share in 1993-1994.

A second related concern is that opening up FDI may lead to unfair competition and ultimately result in large-scale exit of incumbent domestic retailers, especially the small family-owned business. Given the large unorganized component of the retail sector, this is a major concern. Kalhan (2007) highlights how small shops in Mumbai are adversely affected, in terms of falling sales, by the growing influence of shopping malls in the city. If employment too is adversely affected, it is not clear how organized retail may absorb this displaced labor.

A third concern raised by domestic incumbent firms in the organized retail sector is an infant industry argument: that this sector is under-developed and in a nascent stage. In this view, it is important that the domestic retail sector grow and consolidate first, before being exposed to
foreign investors. Domestic firms in this sector oppose liberalizing retail to FDI as they view multinational companies as direct competitors. A newspaper article describes opposition from an incumbent:

In the Indian policy debate, a contrasting view is that growth in organized retail is expected to benefit producers, without (significantly) hurting smaller traders and that they may preserve their smaller domains without being swallowed up by large retailers. However, the experience of organized retail in other parts of the world does not always bear this out.

The retail experience in Thailand furthers this concern. Sarma (2009) chronicles how traditional shopkeepers continued to suffer even when the Thai economy recovered, after the Asian crisis of the late 1990s. Foreign-owned retailers, he argues, “grabbed a big share of the retail market, often through unethical means.” In response the government instituted safety nets in the form of strengthening the marketing of the products sold by small retailers, the provision of soft loans, and setting up a central logistics system to act on behalf of the small shopkeepers. And, in particular, to moderate the expansion of the foreign retailers.

The UK Competition Commission found in a 2000 study of major retail chains including Marks & Spencer, Sainsbury and Tesco that “the burden of cost increases in the supply chain has fallen disproportionately heavily on small suppliers such as farmers.” Apart from prices, the report states that smaller farmers came under severe pressure from supermarkets due to the latter’s requirement for large volumes of each product, pushing farmers to grow single crops rather than the multiple produce they would usually grow to minimise risk.

Observed supermarket practices too may work against the interests of incumbent retailers, even organized ones. Supermarket chains routinely sell some products at lower than market prices, which appears to benefit consumers, but this puts pressure on small local stores and has an adverse impact on low-income and elderly consumers who rely on local shops. Supermarkets also tend to alter prices in different branches adjusting to local rivals, “price-flexing” as the UK Competition Commission termed it, again working to the disadvantage of local mom-and-pop stores. Guruswamy et al (2005) argue that firms with deep pockets are able to bear sustained losses, eventually forcing higher cost businesses (“small and dispersed competition”) out of business. This has a large effect on employment too.

In several South-East Asian countries, such as Malaysia and Thailand, the trend has been to move from many smaller suppliers to a few larger ones. Moreover, the share of fresh produce retail in supermarkets, as opposed to from so-called ‘wet markets’ has also increased substantially. “The emerging role of modern retail chains in fresh produce sales is most evident in Malaysia’s major cities, where they accounted for as much as 60 percent of fruit sales and 35 percent of vegetable sales in 2002. Close behind is Bangkok, where 40 percent of fruits and 30 percent of vegetables were sold through supermarkets and hypermarkets.7

The Food and Agriculture Organisation concluded in a report that such activities are observed in other countries and regions too. Organized retail increases pressure on farmers to produce standardized produce, pushes down prices and margins, and over time weeds out larger numbers of smaller suppliers in favour of fewer and larger "preferred suppliers".
Benefits of FDI and Competition in Organized Retail in India

The changing structure and scale of retail can critically impact several industries in the short term— the retail industry itself, manufacturing, and real-estate, to name a few. And in the long term, spill-over effects can be felt in other industries. The growth of retailing has the potential to impact the performance of interlinked sectors such as manufacturing of consumer goods and agriculture-based industries.

We begin by discussing the potential benefits of allowing entry by large foreign discount retail chains on lowering inflation, improving distribution and warehousing technologies. We do so by comparing findings from US studies that examine the effects of Wal-Mart and other large chains entering the US retail sector and the upheaval in the retail landscape brought about in the US beginning in the early 1990s. The section concludes by describing a couple of policy recommendations made in the Indian Government’s recent discussion paper on opening up the retail sector with a view to protecting domestic firms and increasing employment in the retail sector.

Lowering Inflation and Food Prices

Evidence from the United States suggests that FDI in organized retail could help tackle inflation, particularly with wholesale prices. Inflation is a politically sensitive subject, particularly for incumbent governments in a democratic country such as India, in particular because rising food prices tend to be regressive in their impact. This is underscored by the fact that the weight of food in rural and agricultural household consumption baskets is approximately 65-70%

Hausman and Leibtag (2004) also argue that a more appropriate approach to estimating CPI figures which would lead to a continuously updated expenditure weighted average price calculation in comparison to the official Bureau of Labor Statistics (BLS) approach. Estimates using their new approach would lower food at home inflation by about 0.32 to 0.42 percentage points, in turn lowering the estimated inflation rate by about 15% per year (Hausman and Leibtag, 2004). In India, food accounts for nearly 50% of the consumption basket and the impact on inflation reduction could therefore be significant.

Improving Distribution and Warehousing Technologies

It is expected that technical knowhow from foreign firms, such as warehousing technologies and distribution systems, for example, will lend itself to improving the supply chain in India, especially for agricultural produce. Here there are multiple inefficiencies in the supply chain that leads from farm to the dinner table. While the Indian government is the largest purchaser of food crops for many farmers, the consequence of a poor distribution system is that much of the stockpile fails to reach consumers, and ends up rotting or as waste. India is the world’s second largest producer of fruits and vegetables in the world after China, producing around 180 million tonnes per year. Official estimates are that about 25-30 per cent of this produce goes waste between harvest and consumption.
Encouraging wholesale trading can create demand throughout the supply chain. In this spirit, the recent discussion paper talks of earmarking 50 per cent of FDI inflows for building up of back-end infrastructure, logistics and agro processing (DIPP Report, 2010). In theory, if fresh produce is collected efficiently at the farm-gate, and end-to-end cold-chain is maintained in storage and transportation until it reaches supermarket shelves as in developed countries, this wastage can be eliminated, translating into better prices for farmers and lower prices for consumers besides greater availability of the produce for processing, export and other value-addition.

Creating better linkages between demand and supply also has the potential to improve the price signals that farmers receive. This could allow them to better respond to market demand, and thus reduce uncertainty. The Indian Prime Minister, Dr Manmohan Singh, called for a debate on the opening up of the sector on similar lines, pointing to the vast difference between farm gate and consumer prices.\(^9\) In this context, the DIPP’s discussion paper points out that the farmers get just a third of the total price paid by the final consumer, as against two-thirds realized by farmers in nations with a higher share of organized retail. FDI in retail, therefore, could be an efficient way of addressing concerns of farmers and consumers (DIPP Report, 2010).

An added benefit of improved distribution and warehousing channels may also come from enhanced exports. A recent study notes that each of the world’s largest retailers---Wal-Mart, Carrefour, Tesco, and Metro---entered China after 1995 and that their subsequent expansion in China may have influenced Chinese exports through two channels (Head, Jing and Swenson, 2010). First, the authors argue that large retailers may have enhanced bilateral exports between the retailers’ Chinese operations and destination countries also served by stores in the retailers’ networks. Second, Chinese city-level exports to all destinations may have grown if multinational retailer presence enhanced the general export capabilities of local suppliers. Evidence from Chinese city-level retail goods exports supports the capability hypothesis as the expansion of Chinese city exports follows the geographic expansion of the retailers’ Chinese stores and global procurement centers (Head, Jing and Swenson, 2010). Wal-Mart has therefore contributed to the trend of increased outsourcing which could bode well for agricultural exports from India.

**Employment Effects and Small Domestic Firms**

The Indian Government recommends that retail firms source a percentage of manufactured products from the small and medium domestic enterprises (DIPP Report, 2010). With a restriction of this sort, the opening up of the retail sector to FDI could therefore provide a boost to small-and-medium enterprises.

Moreover, expansion in the retail sector could also generate significant employment potential, especially among rural and semi-urban youth. The discussion paper considers the possibility of reserving 50 per cent jobs in FDI-funded retail outlets for rural youth. Other issues up for debate include identifying possible locations for such outlets. The current thinking is that these stores could initially be allowed to come up in cities with populations of over one million, particularly on the outskirts.
Challenges for Foreign Firms in Organized Retail

The first challenge is competition from the unorganized sector. Traditional retailing has been established in India for many centuries, and is characterized by small, family-owned operations. Because of this, such businesses are usually very low-margin, are owner-operated, and have mostly negligible real estate and labor costs. Moreover, they also pay little by way of taxes. Consumer familiarity that runs from generation to generation is one big advantage for the traditional retailing sector. It is often said that the mom-and-pop store in India is more like a father-and-son enterprise.

Such small shops develop strong networks with local neighbourhoods. The informal system of credit adds to their attractiveness, with many houses ‘running up a tab’ with their neighbourhood kirana store, paying it off every fortnight or month. Moreover, low labor costs also allow shops to employ delivery boys, such that consumers may order their grocery list directly on the phone. These advantages are significant, though hard to quantify. In contrast, players in the organized sector have to cover big fixed costs, and yet have to keep prices low enough to be able to compete with the traditional sector.

Getting customers to switch their purchasing away from small neighbourhood shops and towards large-scale retailers may be a major challenge. The experience of large Indian retailers such as Big Bazaar shows that it is indeed possible. Anecdotal evidence of consumers who return from such shops suggests that the wholesale model provides for major bargains – something Indian consumers are always on the lookout for.

The other major challenge for retailers in India, as opposed to the US, is the storage setup of households. For the large-scale retail model to work, consumers visit such large stores and return with supplies likely to last them for a few weeks. Having such easy access to neighbourhood stores with whom, as discussed above, it is possible to have a line of credit and easy delivery service, congested urban living conditions imply that few Indian households might be equipped with adequate storage facilities.

In urban settings, real estate rents are also very high. Thus the opportunities in this sector are limited to those retailers with deep pockets, and puts pressure on their margins. Conversely, for retailers looking to set up large stores at a distance from residential neighbourhoods may struggle to attract consumers away from their traditional sources of groceries and other products.

Conclusion

In the final analysis, for India, FDI in multi-brand retail should be seriously considered by the government and, as with many other sensitive sectors (like defence); a gradual opening up could be made possible. Despite country wide speculation on the plight of various Stakeholders, trading associations, politicians, etc. have given various arguments for and against FDI in retailing. However, such arguments are largely based on perception and there has not been serious academic research in this area. India needs to take a lesson from China where organized and unorganized retail seem to co-exist and grow together. Further, India’s local enterprises will
potentially receive an up gradation with the import of advanced technological and logistics management expertise from the foreign entities. In our view, the government has an opportunity to utilize the liberalization for achieving certain of its own targets:

- improve its infrastructure;
- access sophisticated technologies;
- generate employment for those keen to work in this sector.

FDI would lead to a more comprehensive integration of India into the worldwide market and, as such, it is imperative for the government to promote this sector for the overall economic development and social welfare of the country. If done in the right manner, it can prove to be a boon and not a curse.

References


FDI in India – Benefits to Retail Sector

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Abstract
The Retail Industry is the sector of economy which is consisted of individuals, stores, commercial complexes, agencies, companies, and organizations, etc., involved in the business of selling or merchandizing diverse finished products or goods to the end-user consumers directly and indirectly. Goods and products of the retail industry or sector are the finished final objects/products of all sectors of commerce and economy of a country. For the investor company FDI offers an exclusive opportunity to enter into the international or global business, new markets and marketing channels, elusive access to new technology and expertise, expansion of company with new or more products or services, and cheaper production facilities. This paper presents mainly the benefits of FDI in the retail sector.

Introduction
The fast and steadily growing economy of India in majority of its sectors, has made India one of the most famous and popular destinations in the whole world, for Foreign Direct Investment. India's ever-expanding markets, liberalization of trade policies, development in technology and telecommunication, and loosening of diverse foreign investment restrictions, have further collectively made India, the apple of investors' eye, for most productive, profitable, and secure foreign investment. According to a recent survey by the United Nations Conference on Trade and Development (UNCTAD), India has conspicuously emerged out as the second most popular and preferable destination in the entire world, after China, for highly profitable foreign direct investment.

FDI Law Practice India
The foreign direct investment in Indian business sectors, can easily be made in a variety of ways, through the Governmental and Automatic Routes. However, the Joint Ventures are the most popular and preferred forms of making investment in Indian industry. At present, the most lucrative business sectors for FDI in India are, Infrastructure (Power, Steel, Railways, etc.); Telecommunications; Hospitality sector; Education; Retail; Real Estate; Retail sector, Petroleum and Petroleum Products; Biotechnology; Alternative Energy, etc. Global Jurix can help well-rounded the foreign investors of all class and categories for getting highly lucrative and secure FDI in India, through providing the following legal services reliably and economically:

- Company Formation and Company Law services
- Establishment of Joint ventures
Foreign Direct Investment in Retail

The Retail Industry is the sector of economy which is consisted of individuals, stores, commercial complexes, agencies, companies, and organizations, etc., involved in the business of selling or merchandizing diverse finished products or goods to the end-user consumers directly and indirectly. Goods and products of the retail industry or sector, are the finished final objects/products of all sectors of commerce and economy of a country.

The Retail sector of India is vast, and has huge potential for growth and development, as the majority of its constituents are un-organized. The retail sector of India handles about $250 billion every year, and is expected by veteran economists to reach to $660 billion by the year 2015. The business in the organized retail sector of India, is to grow most and faster at the rate of 15-20% every year, and can reach the level of $100 billion by the year 2015. Here, it is noteworthy that the retail sector of India contributes about 15% to the national GDP, and employs a massive workforce of it, after the agriculture sector. India's growing economy with a rate of approximately 8% per year makes its retail sector highly fertile and profitable to the foreign investors of all sectors of commerce and economy, of all over the world. Global Jurix, a full-fledged legal organization prominent worldwide, provides all-encompassing services and advice for most lucrative and secured FDI in Indian retail sector.

FDI in Retail India

AT Kearney (a globally famous international management consultancy) recognized India as the second most alluring and thriving retail destination of the world, among other thirty growing and emerging markets. At present, other profitable retail destinations of the world are China and Dubai of Asia. Diverse foreign direct investment in Indian retail is greatly cherished by most of the major and leading retailers of USA and European countries, including Walmart (USA), Tesco (UK), Metro (Germany), and Carrefour (France). Liberalization of trade policy and loosening of barriers and restrictions to the foreign investment in the retail sector of India, have collectively made the FDI in retail sector quite easy and smooth. Our services are easily and economically available for the following ways of FDI in Indian retail.
The fdi in india’s retail business can be made through any of the following routes:

- Joint Ventures
- Franchising
- Sourcing of Supplies from small-scale sector
- Cash and Carry Operations
- Non-Store Formats

Benefits of FDI in Retail in India:

Increase Organized Retail Sector

51% FDI in multi-brand retail stores will enhance the organized retail market size. In the next 10 years, the market size will increase up to $260 billion. This will optimistically impact the employees, workers, producers, consumers and Government thus increases the overall economy of the nation. FDI in multi-brand retail stores also boosts the income of producers to $35 - $45 billion annually, provides 3 to 4 million direct jobs & 4 to 6 million indirect jobs opportunities.

Growth in Units, Output and Employment

FDI will also increase the number of units, output and employment opportunities. Quality standards, technology and marketing will be brought by FDI so Indian retail chains will integrate with global supply chains and thereby increase employment and economic opportunities. For example, liberalization growth from 1993-1994 to 1998-1999 was 16%; from 1998-1999 to 2004-2005 was 12% while from 2004-2005 to 2008-2009 was 19% as well as registered SSIs generated employment increased 6% from 1979-1980 to 1989-1990; 4% from 1993-1994 to 2003-2004 and 19% from 2003-2004 to 2008-2009.

Help Small and Medium Enterprises (SMEs)

Indian SMEs will get extra orders of USD 60 billion every year from huge retailers. Currently, 35% products are supplied from SMEs and after 10 years (by 2020) over $298 billion worth products will be supplied. FDI will also help SMEs to increase quality as well as to stay connected to the international markets. SMEs will also turn out to be cost-competitive. Through transparent & accountable monitoring of goods and supply chain management systems, government will be benefited by FDI. The government will get extra income of $25 to $30 billion through different types of taxes.

Customers

Customers will get more option in buying, with better competition. Customers will get all the things that they want to buy because more brands will be available. They will also get guarantee of quality with better transparency and simpler monitoring of adulteration, fake products & traceability. Consumers will get things at cheaper rates which will help to control inflation.
Farmers will be Benefited

In India, farmers are getting only 30% of the consumer price. The entry of big retailers will raise the price realization for farmers by 10% to 30% as a result of direct sourcing. So the farmers can increase their yield and produce. Along with that the economies of scale will let them to provide goods at more reasonable price to customers. They will also get advantage of investment in supply chains and logistics through retailers and logistics companies.

Low Income Family

Organized retail will decrease 5% to 10% cost of the monthly consumption basket for a low income family. FDI integrates farmers and enterprises (small & medium) by bringing growth of a healthy supply chain. Fixed percent of foreign retailer’s investments will be spent on setting the back-end infrastructure.

Reduce Handling and Wastage

FDI in retail in India also helps to reduce 25% to 50% handling and wastage by consolidation and investments in technology (directly / via aggregators). Direct procurement at the farm let the farmers to get market feedback, technical knowledge and appropriate agricultural extension services. Thus there will be less wastage and rise farm income.

Conclusion

As an economist and prime minister of our country, he says fdi in retail should come in our country, it will help our farmers and there will be direct contact between farmers and shops, so they will get good benefit and their standard of living will increase, infrastructure and growth of our country will increase, and lakhs of people will get employment, there may be sum disadvantages, we should cope up with that. The foreign direct investment is profitable both to the country receiving investment (foreign capital and funds) and the investor. For the investor company FDI offers an exclusive opportunity to enter into the international or global business, new markets and marketing channels, elusive access to new technology and expertise, expansion of company with new or more products or services, and cheaper production facilities.

Reference

Foreign Direct Investment in Single Brand

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Abstract
Retailing in India is one of the pillars of its economy and accounts for 14 to 15 percent of its GDP. Indian retail industry is one of the emerging sector with huge growth potential. The Indian retail market is estimated to be US$450 billion and one of the top five retail markets in the world by economic value. The entry of foreign retailers would not just address the high vacancy in the retail sector but also help in the growth and development of the Indian economy. This study is an attempt to understand the concept of Foreign Direct Investment with reference to single brand and its impact on the Indian economy. Secondary data have been collected for the study.

Keywords: Retail Sector, Single Brand, Foreign Direct Investment

Introduction
India is the third largest economy in the world. The Indian Government has been consistent in its support for market development through trade liberalization, financial liberalization, taxation reforms and opening up to foreign investment. The Indian retail industry is one of the emerging sector with growth potential. According to the Investment Commission of India, the retail sector is expected to grow almost three times its current levels to $660 billion by 2015. In spite of the retail sector being a major contributor to the growth of the economy, its growth has been much slower as compared to the rest of the world.

Retail Industry in India
In 2004, The High Court of Delhi defined the term “retail” as a sale for final consumption in contrast to a sale for further sale or processing (i.e., wholesale). A sale to the ultimate consumer. Thus retailing is the interface between the producer and the individual consumer buying for personal consumption. This excludes direct interface between the manufacturer and institutional buyers such as the government and other bulk customers. Retailing is the last link that connects the individual consumer with the manufacturing and distribution chain.

The retail industry is mainly divided into – the organized and unorganized retailing. Organised retailing refers to trading activities undertaken by licensed retailers, that is those who are registered to sales tax, income tax etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail business. Unorganised retailing refers to the traditional formats of low-cost retailing, for eg. the local Kirana shops, owner manned general stores, paan/beedi shops/conventional stores, hand cart and pavement vendors etc. About 97 per cent of the Indian retail business is being run by the unorganized retailers. The
organized retail however is at a very nascent stage. The retail sector is the largest source of employment after agriculture and has deep penetration into rural India and accounts for 14 percent to 15 per cent of its GDP.

**FDI Policy in India**

In the Dictionary of Economics, Foreign Direct Investment (FDI) is defined as investment in a foreign country through the acquisition of a local company or the establishment there of an operation of a new (Greenfield) site. In simple words, FDI refers to capital inflows from abroad that is invested in or to enhance the production capacity of the economy. In its endeavor to encourage foreign investment in India, the Department of Industrial Policy and Promotion (DIPP) of the Ministry of Commerce and Industry vide Press Note No. 1 (2012 series) dated January 10, 2012 (“PN1”), has permitted 100% FDI in single brand product retail trading under government route (i.e., with the prior approval of the Secretariat for Industrial Assistance and the Foreign Investment Promotion Board).

Prior to the PN1, FDI in single brand product retail trading was allowed up to 51% under the government route. Further, prior to PN1, FDI in single brand product retail under the FDI policy was subject to the following conditions:

- Products to be sold should be of a ‘Single Brand’ only.
- Products should be sold under the same brand internationally, i.e. products should be sold under the same brand in one or more countries other than India.
- ‘Single Brand’ product retailing would cover only products which are branded manufacturing.
- The foreign investor should be the owner of the brand.

PN1, with the 100% FDI infusion in single brand product retail trading under the Government route, has been made subject to further conditions in addition to the aforementioned already existing conditions:

- Overseas retailers who want to invest in single brand product retail trading in India beyond 51% will have to source 30% of their goods from “Indian” small industries, village industries and cottage industries, artisans and craftsmen.

**FDI in Single Brand Retail**

The Government has not defined the meaning of “Single Brand” anywhere neither in any of its circular nor any notifications. FDI in single brand retailing was permitted in 2006. FDI up to 51% is allowed subject to Foreign Investment Promotion Board (FIPB) approval and subject to the conditions made in Press Note 3 that

(a) only single brand products would be sold (i.e., retail of good of multi-brand even if produced by the same manufacturer would not be allowed),
(b) products should be sold under the same brand internationally,
(c) single-brand product retail would only cover products which are branded during manufacturing
(d) addition to product categories to be sold under “single brand” would require fresh approval from the government.

While phrase ‘single brand’ has not been defined, it implies that foreign companies would be allowed to sell goods sold internationally under a ‘single brand; viz., Reebok, Nokia, Adidas. Retailing of goods of multiple brand, even if such products were produced by the same manufacturer, would not be allowed.

The policy of single brand was adopted to allow Indian consumers access to foreign brands. Since Indians spend a lot of money shopping abroad, this policy enables them to spend the same money on the same goods in India. In January, 2012 India approved reforms for single brand stores welcoming anyone in the world to innovate in Indian retail market with 100% ownership, but imposed the requirement that the single brand retailer source 30% of its goods from India. Retailing in India is one of the pillars of its economy and accounts for 14 to 15 percent of GDP. The Indian retail market is estimated to be US$ 450 billion and one of the top five retail markets in the world by economic value. India is one of the fastest growing retail market in the world, with 1.2 billion people.

**Impact of FDI on Indian Economy**

India in 1997 allowed foreign direct investment in cash and carry wholesalers. Then, it required government approval. The approval was relaxed, and automatic permission was granted in 2006. Between 2000 to 2010, Indian retail trade attracted about $1.8 billion in foreign direct investment, representing a very small 1.5 per cent of the total investment inflow in India.

Foreign Investment in single brand retail has failed to gain momentum despite hike in FDI limit to 100 per cent from 51 percent earlier property consultant Knight Frank said in a Report. The share of foreign investment in single brand retail out of the total FDI inflow into the country has declined from 0.03 per cent in December 2011 to 0.02 percent in June 2012. The primary reason which put down the interest of foreign players is conditions to sourcing from small scale industry. This happened even as the country witnessed an overall FDI inflow of US$ 16.74 billion during these six months.

There would be improvement in the FDI inflow in single brand retail over the next 6-12 months as conditions, was hiked to 100% in January 2012. The recent reforms measures announced by the government would have a positive impact on the retail sector particularly commercial segment. The government of some states, particularly Congress - ruled states will allow Foreign supermarkets to open in their state these include Andhra Pradesh, Assam Delhi, Haryana, Kashmir, Maharashtra, Manipur, Rajasthan, Uttarakhand, Daman & Diu and Dadra and Nagar Haveli. Other states, particularly BJP-ruled states will not allow foreign supermarkets to open in their states these include West Bengal, Gujarat, Bihar, Karnataka, Kerala, Madhya Pradesh, Tripura and Orissa.
FDI Inflows in India

Table 1 provides list of countries that are the leading foreign direct investors in India:

<table>
<thead>
<tr>
<th>Country</th>
<th>Amount of FDI inflow in million US$</th>
<th>% with total FDI inflow</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mauritius</td>
<td>64,169</td>
<td>37.68</td>
</tr>
<tr>
<td>Singapore</td>
<td>17,153</td>
<td>10.07</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>15,896</td>
<td>9.33</td>
</tr>
<tr>
<td>Japan</td>
<td>12,313</td>
<td>7.23</td>
</tr>
<tr>
<td>USA</td>
<td>10,564</td>
<td>6.20</td>
</tr>
<tr>
<td>Netherlands</td>
<td>7,109</td>
<td>4.17</td>
</tr>
<tr>
<td>Cyprus</td>
<td>6,400</td>
<td>3.76</td>
</tr>
<tr>
<td>Germany</td>
<td>4,621</td>
<td>2.71</td>
</tr>
<tr>
<td>France</td>
<td>2,927</td>
<td>1.72</td>
</tr>
<tr>
<td>UAE</td>
<td>2,243</td>
<td>1.32</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>170,407</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Department of Industrial Policy & Promotion Ministry of Commerce and Industry, India

As the table shows, the major contributor to the total FDI inflows is Mauritius as it enjoys several tax advantages, which works well for the international investors. It contributes 37.68 per cent of the total FDI inflows in India amounting to US$ 17153 million. Singapore contributes 10.07 percent followed by United Kingdom. Japan's share being 7.23 per cent.

Sectorwise Analysis of FDI inflow in India

At present India is the leading country pertaining to the IT industry in the Asia-Pacific region. With more companies entering the industry, the FDI in India has been phenomenon over the year. The rapid development of the telecommunication sector was due to the FDI inflows in form of internal players entering the market and transfer of advanced technologies. Table 2 below shows top ten sectors attracting FDI equity inflows from 2000 to 2012.

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Sector</th>
<th>In US$ million</th>
<th>%age to total FDI Inflows (in terms of US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Service Sector (Financial and non-financial)</td>
<td>32,351</td>
<td>19%</td>
</tr>
<tr>
<td>2.</td>
<td>Telecommunications</td>
<td>12,552</td>
<td>7%</td>
</tr>
<tr>
<td>3.</td>
<td>Construction Activities (including roads and highways)</td>
<td>11,433</td>
<td>7%</td>
</tr>
<tr>
<td>4.</td>
<td>Computer Software and Hardware</td>
<td>11,205</td>
<td>7%</td>
</tr>
<tr>
<td>5.</td>
<td>Housing and Real Estate</td>
<td>11,113</td>
<td>7%</td>
</tr>
</tbody>
</table>
Table 2 shows that the service sector contributes 19 per cent of the total FDI inflows in India amounting to 32351 million US$ for the period 2000 to 2012. Telecommunication’s share being 7 per cent as result of the foreign players entering the market. It can be seen from the table that Computer Software and Hardware, housing and real estate and construction activities contribute 7 per cent to the total inflows. Whereas Drugs and Pharmaceuticals contributes 6 per cent to the total FDI inflows, 4% is contributed by Automobile, Metallurgical and Petroleum and Natural Gas industries.

### How FDI is Calculated?

Foreign direct investment can be defined, according to national accounting principles, as the net investment inflow that is necessary for acquiring long term management interest in an organization that is operating in a different country. Long term management interest can be calculated as at least 10% of the voting stock of a company.

It is the aggregate of equity capital and other long term and short term capital that are reflected in the balance of payments. A foreign direct investor normally takes part in the following areas of an organization’s operations:

- management
- technology transfer
- joint ventures
- expertise transfer

There are two major types of FDI – inward FDI and outward FDI. Together these values are used to calculate the stock of foreign direct investment and the net FDI inflow. Direct investment, however, does not include buying shares. FDI can be cited as an example of international factor movement. The Union Government has allowed 100 percent FDI in cash and carry wholesale trade sector apart from the single brand retail market. It has also opted to allow 51% FDI in the multi brand retail segment. However, this will be implemented in accordance to certain predetermined conditions. At present, it is trying to come to a consensus on this matter with the various state governments.

### FDI Equity Inflows from 2000-2012

Foreign investments in India has increased of late but the strict FDI policies have impeded the possible growth in this sector. India is however set to become one of the major recipients in the Asian-Pacific region because of the economic reforms for increasing foreign investment and the deregulation of this important sector. Table-3 shows the FDI equity inflows from 2000-2012.

<table>
<thead>
<tr>
<th></th>
<th>Drugs and Pharmaceuticals</th>
<th>9,844</th>
<th>6%</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.</td>
<td>Power</td>
<td>9,195</td>
<td>5%</td>
</tr>
<tr>
<td>8.</td>
<td>Automobile Industry</td>
<td>7,299</td>
<td>4%</td>
</tr>
<tr>
<td>9.</td>
<td>Metallurgical Industries</td>
<td>6,758</td>
<td>4%</td>
</tr>
<tr>
<td>10.</td>
<td>Petroleum and Natural Gas</td>
<td>6,041</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: Department of Industrial Policy & Promotion Ministry of Commerce and Industry, India
Table-3
FDI Equity Inflows from 2000-2012

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Financial Years (April-March)</th>
<th>Amount of FDI</th>
<th>Percentage growth over previous year (in terms of US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>In Rs. Crores</td>
<td>In US$ Million</td>
</tr>
<tr>
<td>1.</td>
<td>2000-01</td>
<td>10733</td>
<td>2463</td>
</tr>
<tr>
<td>2.</td>
<td>2001-02</td>
<td>18654</td>
<td>4065</td>
</tr>
<tr>
<td>3.</td>
<td>2002-03</td>
<td>12871</td>
<td>2705</td>
</tr>
<tr>
<td>4.</td>
<td>2003-04</td>
<td>10064</td>
<td>2188</td>
</tr>
<tr>
<td>5.</td>
<td>2004-05</td>
<td>14653</td>
<td>3219</td>
</tr>
<tr>
<td>6.</td>
<td>2005-06</td>
<td>24584</td>
<td>5540</td>
</tr>
<tr>
<td>7.</td>
<td>2006-07</td>
<td>56390</td>
<td>12492</td>
</tr>
<tr>
<td>8.</td>
<td>2007-08</td>
<td>98642</td>
<td>24575</td>
</tr>
<tr>
<td>9.</td>
<td>2008-09 ‘*’</td>
<td>142829</td>
<td>31396</td>
</tr>
<tr>
<td>10.</td>
<td>2009-10 #</td>
<td>123120</td>
<td>25834</td>
</tr>
<tr>
<td>11.</td>
<td>2010-11 #</td>
<td>88520</td>
<td>19427</td>
</tr>
<tr>
<td>12.</td>
<td>2011-12 #</td>
<td>173947</td>
<td>36504</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>775007</td>
<td>170408</td>
</tr>
</tbody>
</table>

Source: Department of Industrial Policy & Promotion Ministry of Commerce and Industry, India

Note: including amount remitted through RBI”s-NRI Schemes (2000-2002).

(i) FEDAI (Foreign Exchange Dealers Association of India) conversion rate from rupees to US dollar applied, on the basis of monthly average rate provided by RBI (DEAP), Mumbai.

(ii) Variation in equity inflows reported in above Table for 2006-07, 2007-08, 2008-09, 2009-10 & 2010-11 is due to difference in reporting of inflows by RBI in their monthly report to DIPP & monthly RBI bulletin.

(iii) # Figures for the years 2009-10, 2010-11 & 2011-12 are provisional subject to reconciliation with RBI.

(iv) ‘*’ An additional amount of US$ 4,035 million pertaining to the year 2008-09, since reported by RBI, has been included in FDI database from February 2012.

From the above table it is clear that during the year 2001-02 the percentage increase in FDI inflows over the previous year was (+)65 per cent. The next two financial years show a decline in the inflows. The inflow shows a high increase in the year 2006-07. During the year 2009-10 the equity inflow declined from 31396 million US$ to 25834 million US$. There has been a drastic increase in the inflows during the year 2011-2012 as compared to the previous year as a result of the hike in single brand to 100 per cent in January, 2012.
Advantages of FDI

Integration into global economy - Developing countries, which invite FDI, can gain access to a wider global and better platform in the world economy.

Economic growth - This is one of the major sectors, which is enormously benefited from foreign direct investment. A remarkable inflow of FDI in various industrial units in India has boosted the economic life of country.

Trade - Foreign Direct Investments have opened a wide spectrum of opportunities in the trading of goods and services in India both in terms of import and export production. Products of superior quality are manufactured by various industries in India due to greater amount of FDI inflows in the country.

Technology diffusion and knowledge transfer - FDI apparently helps in the outsourcing of knowledge from India especially in the Information Technology sector. Developing countries by inviting FDI can introduce world-class technology and technical expertise and processes to their existing working process. Foreign expertise can be an important factor in upgrading the existing technical processes.

Increased competition - FDI increases the level of competition in the host country. Other companies will also have to improve on their processes and services in order to stay in the market. FDI enhanced the quality of products, services and regulates a particular sector. Linkages and spillover to domestic firms - Various foreign firms are now occupying a position in the Indian market through Joint Ventures and collaboration concerns. The maximum amount of the profits gained by the foreign firms through these joint ventures is spent on the Indian market.

Human Resources Development - Employees of the country which is open to FDI get acquaint with globally valued skills.

Employment - FDI has also ensured a number of employment opportunities by aiding the setting up of industrial units in various corners of India.

Conclusion

From the above data it can be concluded that India has emerged as one of the prime destinations for the investment of funds from an impressive number of foreign investors. Undoubtedly with the relaxations in FDI norms, there is a lucrative opportunity for foreign players to enter one of the biggest territorial markets and reach out to a large customer base. India has technical expertise and skilled managers and a growing middle class market of more than 300 million and this represents an attractive market.

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The New FDI policy in Retail in India: More Bad than Good?

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ABSTRACT

Foreign Direct Investment (FDI) has formed its niche in major emerging economies of the world as a part of globalization of economic activity, cross border transaction of technology and direct investments which have expanded greatly over the past two decades, especially since mid 1980s. Several global upheavals have reinforced the expansion. In India, the floodgates opened for the first time after the 1991 crisis and there has been no looking back since then. India has come a long way in terms of economic and social development considering their stance in pre 1991 policy framework. Over the years, India has emerged as one of the hot destination for foreign capital. The quality of capital invested in India via foreign direct investment or by foreign institutional inflows has an overall booming impact on the Indian economy. FDI should not be attracted willy-nilly. For instance, despite concerns that big retailers (such as Walmart, Tesco, Metro) might spell doom for small businessmen, there are extenuating factors. Small shopkeepers may actually benefit from being able to buy good quality products wholesale from the big stores. Investments made by the big guys in the supply chain (for instance, cold storage and fleet management) may create a positive impact on farmers' incomes as well as on end-consumer prices by removing intermediaries and flattening the supply chain. There is a simple economic reality that suggests that FDI is useful for India: the budget and current account deficits. Recent figures show that India’s current account deficit is 2.7% of GDP, an amount of about $53 billion. And India's budget deficit is 5%. Foreign direct investment (FDI) in India’s largely unorganized retail sector will help curb inflationary pressure by easing supply side constraints and revive economic growth, analysts said. This paper deeply analysis the positive and negative aspects of the implementation of FDI in retail sector.

Key words: Organised retail, sunrise sector, globalisation, foreign direct investment, strategic issues and prospects, farmers and agri-food sector.

I. Introduction

Widespread liberalization and deregulation of financial markets, cross-border mergers and acquisitions (M&As), increasing role of investors willing to invest abroad, rapid advances in modern telecommunication and computer network – have all resulted in a tremendous upsurge of international capital flows in India, particularly private capital flows, as compared to official capital flows over the last two decades. Among the various forms of foreign investment, foreign direct investment (FDI) flows are usually preferred over other forms of external finance because they are non-debt creating, non-volatile and their returns depends on the performance of projects financed by the investors. In fact, FDI provides a win – win situation to both the host and the home countries. The home countries want to take the advantage of the vast markets opened.
Foreign Direct Investment in Retail Trade – Opportunities and Challenges

by industrial growth. On the other hand the host countries want to acquire technological and managerial skills and supplement domestic savings and foreign exchange. Moreover, in order to overcome the deficiencies of all kinds of resources viz. financial, capital, entrepreneurship, technological know-how, skills and practices, access to markets-abroad - in their economic development, developing nations accepted FDI as a sole visible panacea for all their scarcities. Economic development, rise in purchasing power, growing consumerism and brand proliferation has led to retail modernization in India. With high economic growth, per capita income increases; this, in turn, leads to a shift in consumption pattern from necessity items to discretionary consumption. Furthermore, as the economy liberalizes and globalizes, various international brands enter the domestic market. Consumer awareness increases and consumers tend to experiment with different international brands. The proliferation of brands leads to increase in retail space. Retail modernization in India depicts a similar story. According to A.T. Kearney’s Annual Global Retail Development Index (GRDI) for the year 2012, India has been placed at fifth rank (after Brazil, Chile, China and Uruguay) on the basis of retail investment attractiveness. The growing Indian market has attracted a number of foreign retailers and domestic corporate to invest in this sector. Being encouraged by India’s growing retail boom many multinational companies also started to enter India’s retail market. According to the Investment Commission of India, the retail sector is expected to grow almost three times its current levels to $660 billion by 2015. FDI in the retail sector can expand markets by reducing transaction and transformation costs of business through adoption of advanced supply chain and benefit consumers, and suppliers (farmers). Opposition to liberalizing FDI in this sector raises concerns about employment losses, promotion of unhealthy competition among organized domestic retailers resulting in exit of small domestic retailers from the market and distortion of urban cultural development.

<table>
<thead>
<tr>
<th>Country</th>
<th>Rank</th>
<th>GRDI Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>1</td>
<td>100</td>
</tr>
<tr>
<td>Russia</td>
<td>2</td>
<td>85</td>
</tr>
<tr>
<td>Vietnam</td>
<td>3</td>
<td>84</td>
</tr>
<tr>
<td>Ukraine</td>
<td>4</td>
<td>83</td>
</tr>
<tr>
<td>China</td>
<td>5</td>
<td>82</td>
</tr>
</tbody>
</table>

GRDI = Global Retail Development Index

2. LITERATURE REVIEW:

Hausman and Leibtag (2004) also argue that a more appropriate approach to estimating CPI figures which would lead to a continuously updated expenditure weighted average price calculation in comparison to the official Bureau of Labor Statistics (BLS) approach. Estimates using their new approach would lower food at home inflation by about 0.32 to 0.42 percentage points, in turn lowering the estimated inflation rate by about 15% per year (Hausman and

Foreign Direct Investment in Retail Trade – Opportunities and Challenges 112
Leibtag, 2004). In India, food accounts for nearly 50% of the consumption basket and the impact on inflation reduction could therefore be significant.

3. FDI Policy with Regard to Retailing in India

It will be prudent to look into Press Note 4 of 2006 issued by DIPP and consolidated FDI Policy issued in October 2010[11] which provide the sector specific guidelines for FDI with regard to the conduct of trading activities.

a) FDI up to 100% for cash and carry wholesale trading and export trading allowed under the automatic route.

b) FDI up to 51% with prior Government approval (i.e. FIPB) for retail trade of Single Brand’ products, subject to Press Note 3 (2006 Series)[12].

c) FDI is not permitted in Multi Brand Retailing in India.

Sectors Attracting Highest FDI Equity Inflows In India from April 2000 To June 2010

<table>
<thead>
<tr>
<th>Ranks</th>
<th>Sectors</th>
<th>Cumulative inflows of FDI</th>
<th>Percentage to total inflows</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Service sector</td>
<td>24296</td>
<td>21</td>
</tr>
<tr>
<td>2</td>
<td>Computer software and hardware</td>
<td>10189</td>
<td>9</td>
</tr>
<tr>
<td>3</td>
<td>Telecommunications</td>
<td>89855</td>
<td>8</td>
</tr>
<tr>
<td>4</td>
<td>Housing and Real Estate</td>
<td>8703</td>
<td>8</td>
</tr>
<tr>
<td>5</td>
<td>Construction activities</td>
<td>8274</td>
<td>7</td>
</tr>
<tr>
<td>6</td>
<td>Power</td>
<td>5066</td>
<td>4</td>
</tr>
<tr>
<td>7</td>
<td>Automobile Industry</td>
<td>4663</td>
<td>4</td>
</tr>
<tr>
<td>8</td>
<td>Metallurgical Industry</td>
<td>3699</td>
<td>3</td>
</tr>
<tr>
<td>9</td>
<td>Petroleum and Natural Gas</td>
<td>2876</td>
<td>2</td>
</tr>
<tr>
<td>10</td>
<td>Chemicals</td>
<td>2584</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Total FDI Attracted by top 10 sectors</td>
<td>80205</td>
<td>69%</td>
</tr>
<tr>
<td></td>
<td>TOTAL FDI FLOWS</td>
<td>116061</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source : Compiled from the data published by the Government of India on its official Website www.dipp.gov.in

The retail industry is mainly divided into: -

1) Organised and 2) Unorganised Retailing

Organised retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Unorganised retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc. The Indian retail sector is highly fragmented with 97 per cent of its business being run by the unorganized retailers. The
organized retail however is at a very nascent stage. The sector is the largest source of employment after agriculture, and has deep penetration into rural India generating more than 10 per cent of India’s GDP.

**ADVANTAGES OF CONVENTIONAL AND MODERN ORGANISED RETAIL REFORMS**

<table>
<thead>
<tr>
<th>Conventional</th>
<th>Modern Organized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Bargaining Power</td>
<td>Low operating cost and overheads</td>
</tr>
<tr>
<td>Proximity to consumers</td>
<td>Range and variety of goods</td>
</tr>
<tr>
<td>Long operating hours, strong customer relations, convenience and hygiene.</td>
<td>Long operating hours, quality assurance (brand related and durability)</td>
</tr>
</tbody>
</table>

**OBJECTIVE OF THE STUDY**

The present study disclose the positive and negative aspects of the implementation of FDI policy in India.

1. To analyze FDI policy in India.
2. To find out the opportunities and threats in globalising.
3. How the FDI influence in single and multi brand retailing (pros and cons.)
4. Influence of FDI in Agriculture
5. Comparing FDI with SWOT analysis

**4. OPPORTUNITIES AND THREATS**

*Key Perceived Opportunities*

The following may be regarded as major perceived benefits of allowing FDI in retail in India:

1. **Capital Infusion** - This would provide an opportunity for cash-deficient domestic retailers to bridge the gap between capital required and raised. In fact FDI is one of the major sources of investments for a developing country like India wherein it expects investments from Multinational companies to improve the countries growth rate, create jobs, share their expertise, back-end infrastructure and research and development in the host country.

2. **Boost Healthy Competition and check inflation** - Supporters of FDI argue that entry of the many multi-national corporations will obviously promise intensive competition between the different companies offering their brands in a particular product market and this will result in availability of many varieties, reduced prices, and convenient distribution of the marketing offers.

3. **Improvement in Supply Chain** - Improvement of supply chain/ distribution efficiencies, coupled with capacity building and introduction of modern technology will help arrest wastages (in the present situation improper storage facilities and lack of investment in logistics have been creating inefficiencies in food supply chain, leading to significant wastages).

4. **Improvement in Customer Satisfaction** - Consumers in the organized retail will have the opportunity to choose between a numbers of internationally famous brands with pleasant
shopping environment, huge space for product display, maintenance of hygiene and better customer care. There is a large segment of the population which feels that there is a difference in the quality of the products sold to foreign retailers and the same products sold in the Indian market. There is an increasing tendency to pay for quality and ease and access to a “one-stop shop” which will have a wide range of different products. If the market is opened, then the pricing could also change and the monopoly of certain domestic Indian companies will be challenged.

5. Improved technology and logistics- Improved technology in the sphere of processing, grading, handling and packaging of goods and further technical developments in areas like electronic weighing, billing, barcode scanning etc. could be a direct consequence of foreign companies opening retail shops in India. Further, transportation facilities can get a boost, in the form of increased number of refrigerated vans and pre-cooling chambers which can help bring down wastage of goods.

6. Benefits for the Farmers- Presumably, with the onset of multi-brand retail, the food and packaging industry will also get an impetus. Though India is the second largest producer of fruits and vegetables, it has a very limited integrated cold-chain infrastructure. Lack of adequate storage facilities causes heavy losses to farmers, in terms of wastage in quality and quantity of produce in general, and of fruits and vegetables in particular. With liberalization, there could be a complete overhaul of the currently fragmented supply chain infrastructure. Extensive backward integration by multinational retailers, coupled with their technical and operational expertise, can hopefully remedy such structural flaws. Also, farmers can benefit with the “farm-to fork” ventures with retailers which helps (i) to cut down intermediaries; (ii) give better prices to farmers, and (iii) provide stability and economics of scale which will benefit, in the ultimate analysis, both the farmers and consumers.

7. Creation of More And Better Employment Opportunities- The entry of foreign companies into Indian Retailing will not only create many employment opportunities but, will also ensure quality in them. This helps the Indian human resource to find better quality jobs and to improve their standard of living and life styles on par with that of the citizens of developed nations.

Key Potential Threats:
Critics of FDI feel that liberalization would jeopardize the unorganized retail sector and would adversely affect the small retailers, farmers and consumers and give rise to monopolies of large corporate houses which can adversely affect the pricing and availability of goods. They also contend that the retail sector in India is one of the major employment providers and permitting FDI in this sector can displace the unorganized retailers leading to loss of livelihood. The major threats to the domestic retailers in India are specified below:
1. Domination of Organized Retailers-
FDI in single-brand retail will strengthen organized retail in the country. These organized retailers will tend to dominate the entire consumer market. It would lead to unfair competition and ultimately result in large-scale exit of domestic retailers, especially the small family managed outlets (local “mom and pop” stores will be compelled to close down)

2. Create Unemployment-
Retail in India has tremendous growth potential and it is the second largest employer in India. Any changes by bringing major foreign retailers who will be directly procuring from the main supplier will not only create unemployment on the front end retail but also the middleman who have been working in this industry will be thrown out of their jobs.

3. Loss of Self Competitive Strength-
The Indian retail sector, particularly organized retail, is still under-developed and in a nascent stage and that, therefore the companies may not be able to compete with big global giants. If the existing firms collaborate with the global biggies they might have to give up at the global front by losing their self competitive strength.

4. Indirectly Leads to Increase in Real Estate Cost-
It is obvious that the foreign companies which enter into India to open up their malls and stores will certainly look for places in the heart of the cities. There shall be a war for place, initiated among such companies. It will result in increase in the cost of real estate in the cities that will eventually affect the interest of the ordinary people who desire to own their houses within the limit of the cities.

5. Distortion of Culture: Though FDI in Indian retail will indirectly or directly contribute for the enhancement of Tourism, Hospitality and few other Industries, the culture of the people in India will slowly be changed. The youth will easily imbibe certain negative aspects of foreign culture and lifestyles and develop inappropriate consumption pattern, not suited to our cultural environment.

5. Challenges and Attractions for Global Retailers
Challenges
In India the retailing industry has a long way to go and to become a truly flourishing industry, retailing needs to cross various hurdles. The first challenge facing the organized retail sector is the competition from unorganized sector. Needless to say, the Indian retail sector is overwhelmingly swarmed by the unorganized retailing with the dominance of small and medium enterprises in contradiction to the presence of few giant corporate retailing outlets.
Benefit of FDI and Competition in Organized Retail in India

The changing structure and scale of retail can critically impact several industries in the short-term— the retail industry itself, manufacturing, and real-estate, to name a few. And in the long term, spill-over effects can be felt in other industries. The growth of retailing has the potential to impact the performance of interlinked sectors such as manufacturing of consumer goods. We begin by discussing the potential benefits of allowing entry by large foreign discount retail chains on lowering inflation, improving distribution and warehousing technologies. We do so by comparing findings from US studies that examine the effects of Wal-Mart and other large chains entering the US retail sector and the upheaval in the retail landscape brought about in the US beginning in the early 1990s. The section concludes by describing a couple of policy recommendations made in the Indian Government’s recent discussion paper on opening up the retail sector with a view to protecting domestic firms and increasing employment in the retail sector.

Lowering Inflation and Food Prices

Evidence from the United States suggests that FDI in organized retail could help tackle inflation, particularly with wholesale prices. Inflation is a politically sensitive subject, particularly for incumbent governments in a democratic country such as India, in particular because rising food prices tend to be regressive in their impact. This is underscored by the fact that the weight of food in rural and agricultural household consumption baskets is approximately 65-70% . Recent studies quantify the price impact of entry by low cost entrants. For example, using average city-level prices of various consumer goods, price dynamics in 165 US cities before and after Wal-Mart entry suggest robust reduction in prices for several products while magnitudes vary by product and specification, but generally range from 1.5-3% in the short run to four times as much in the long run (Basker, 2005b) with significant increases in consumer surplus especially for lower income households (Hausman and Ephraim, 2007). Taking into account demographics, store characteristics, and market conditions, corroborating evidence suggests that Wal-Mart decreases prices by 6%-7% for national brand goods and by 3%-8% for private label goods. Price decreases are most significant in the dry grocery and dairy departments. Moreover, Wal-Mart sets grocery prices significantly lower than its competitors (Volpe and Lavoie, 2008).

Single and Multi Brand Retail in FDI

Nobel laureate American economist Joseph Stiglitz today said that FDI in multi-brand retail in India would promote instability due to exploitative and corrupt practices adopted by MNCs to monopolise the retail markets in any country. On the other hand, the reality is that domestic retailers will benefit from sourcing their requirements from wholesale cash and carry store at a discount, it said. The government said in countries like China, Thailand, Indonesia, Brazil and Singapore, where there are no caps on FDI, small retail stores have flourish.
Businessmen are in a constant fear that once more foreign brands set shop in India, it will hit their business as malls are already eating away profits. This year, the businessmen community wants the Finance Minister P Chidambaram to hold back FDI in multi-brand retail. They also want the FM to concentrate in increasing subsidy and reduce sales tax.

In NEW DELHI Under attack from the Opposition and UPA ally Trinamool Congress on allowing global retail chains in the Indian market, the government today launched a campaign to sell advantages of FDI in multi-brand retail.

In a full page advertisement in newspapers, the Commerce and Industry Ministry said foreign direct investment (FDI) in multi-brand retail will help farmers, create more jobs and benefit consumers.

**Single brand**

This is a welcome step. FDI investment in single brand retailing till now has just been 0.03% [Rs 204 cr / usd 44 mn] of total FDI investments from April 2000 to September 2011. This relaxation is likely to result in increase in FDI in retail sector, by way of either new foreign entrants, or buy outs / increase in stake / M&A amongst existing single brand JVs with foreign partners. We could also potentially see present licensing / distributor / franchise arrangements being converted to either JVs with respective foreign retailer / brands, or, foreign retailers completely buying out the Indian licensee / franchisee / distributor.

**Multi brand**

This is a welcome and historic step. This is likely to result in increase in investments and growth in Indian retail sector, which is ranked amongst the top retail destinations in the world. Besides new entrants / joint ventures, this could also result in combination of existing cash and carry operations of foreign players with retail operations of Indian retailers, or, foreign retailer acquiring stakes in existing Indian retail entity. Also, this could provide further options to existing Indian retail chains / groups to raise long term capital for expansion and maybe to attract partnerships with some global players. Also, foreign multi brand retailers, who did not want to enter India through cash and carry operations, may now explore Indian presence by having stake in Indian retail company.

**6. FDI in Agriculture**

1. 100% foreign direct investment (FDI) allowed through the automatic route covering horticulture, floriculture, development of seeds, animal husbandry, pisciculture, aquaculture, cultivation of vegetables, mushroom and services related to agro and allied sectors
2. Farm credit target of 225,000 crore for 2007-08 has been set with an addition of 50 lakhs new farmers to the banking system
3. 35 projects have been completed in 2006-07 and additional irrigation potential of 900,000 hectares to be created and training of farmers arranged.
4. A pilot programme for delivering subsidy directly to farmers have been arranged
5. Loan facilitation through Agricultural Insurance and NABARD has also been facilitated
6. Corpus of Rural Infrastructure Development Fund to be raised

**Improving Distribution and Warehousing Technologies**

It is expected that technical knowhow from foreign firms, such as warehousing technologies and distribution systems, for example, will lend itself to improving the supply chain in India, especially for agricultural produce. Here there are multiple inefficiencies in the supply chain that leads from farm to the dinner table. While the Indian government is the largest purchaser of food crops for many farmers, the consequence of a poor distribution system is that much of the stockpile fails to reach consumers, and ends up rotting or as waste. India is the world’s second largest producer of fruits and vegetables in the world after China, producing around 180 million tones per year. Official estimates are that about 25-30 per cent of this produce goes waste between harvest and consumption.

Encouraging wholesale trading can create demand throughout the supply chain. In this spirit, the recent discussion paper talks of earmarking 50 per cent of FDI inflows for building up of back-end infrastructure, logistics and agro processing (DIPP Report, 2010). In theory, if fresh produce is collected efficiently at the farm-gate, and end-to-end cold-chain is maintained in storage and transportation until it reaches supermarket shelves as in developed countries, this wastage can be eliminated, translating into better prices for farmers and lower prices for consumers besides greater availability of the produce for processing, export and other value-addition. Creating better linkages between demand and supply also has the potential to improve the price signals that farmers receive. This could allow them to better respond to market demand, and thus reduce uncertainty. The Indian Prime Minister, Dr Manmohan Singh, called for a debate on the opening up of the sector on similar lines, pointing to the vast difference between farm gate and consumer prices. In this context, the DIPP’s discussion paper points out that the farmers get just a third of the total price paid by the final consumer, as against two-thirds realized by farmers in nations with a higher share of organized retail. FDI in retail, therefore, could be an efficient way of addressing concerns of farmers and consumers (DIPP Report, 2010).

7. **SWOT Analysis of Retail Sector in FDI**

1. **Strengths:**
   - Major contribution to GDP
   - High Growth Rate
   - High Potential
   - High Employment Generator

2. **Weaknesses (limitation):**
   - Lack of Competitors
   - Highly Unorganised.
Foreign Direct Investment in Retail Trade – Opportunities and Challenges

1. Challenges:
- Low Productivity
- Shortage of Talented Professionals
- No 'Industry' status, hence creating financial issues for Retailers

3. Opportunities (benefits):
- There will be more organization in the sector
- Healthy Competition will be boosted and there will be a check on the prices (inflation)
- Create transparency in the system
- Intermediaries and mandi system will be evicted, hence directly benefiting the farmers and producers
- Quality Control and Control over Leakage and Wastage:
- Heavy flow of capital will help in building up the infrastructure for the growing population
- There will be sustainable development and many other economic issues will be focussed upon

4. Threats:
- Current Independent Stores will be compelled to close:
- Big players can knock-out competition
- India does not need foreign retailers
- Remember East India Company it entered India as trader and then took over politically.
- The government hasn’t able to build consensus.

Conclusion
The discussion above highlights:
(1) Small retailers will not be crowded out, but would strengthen market positions by turning innovative/contemporary.
(2) Growing economy and increasing purchasing power would more than compensate for the loss of market share of the unorganised sector retailers.
(3) There will be initial and desirable displacement of middlemen involved in the supply chain of farm produce, but they are likely to be absorbed by increase in the food processing sector induced by organised retailing.
(4) Innovative government measures could further mitigate adverse effects on small retailers and traders.
(5) Farmers will get another window of direct marketing and hence get better remuneration, but this would require affirmative action and creation of adequate safety nets.
(6) Consumers would certainly gain from enhanced competition, better quality, assured weights and cash memos.
(7) The government revenues will rise on account of larger business as well as recorded sales.
(8) The Competition Commission of India would need to play a proactive role.
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Foreign Direct Investment in Multi Brand

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Abstract
Foreign Direct Investments have opened a wide spectrum of opportunities in the trading of goods and services in India both in terms of import and export production. In an important policy move, the Indian government gave permission for up to 51% FDI in multi-brand retail in September 2012. The objective of this policy is to boost the retail business through adoption of international standards and practices. The entry of international products, practices and technology is expected to enhance the efficiency of domestic retailers. The government has made it mandatory for foreign multi-brand retailers to place at least 50% of their total investment in back-end infrastructure, thus giving a boost to facilities such as logistics and warehousing. With multi-brand retailers exploring opportunities in India, demand for retail space is likely to rise significantly. This will induce developers to launch new malls and, as store size requirements are significantly higher for multinational retailers, will encourage them to build larger malls along with sufficient mall infrastructure. Quality will also receive a significant boost as the malls will be constructed to meet international standards and norms. The competitive environment is likely to enhance the productivity and efficiency of domestic retailers; with better and more transparent pricing, sales will improve significantly. Domestic retailers will also leverage their portfolios by adopting many of the new retail strategies followed by large international retailers. With the introduction of FDI in multi-brand retail, the average size of a mall is likely to increase as foreign retailers tend to occupy large spaces. As a consequence, both total mall supply and size are expected to increase over the medium to long term.

Introduction
"A good investment climate is central to growth and poverty reduction. A vibrant private sector create jobs, provides the goods and the services needed to improve the living standards, and contribute taxes necessary for public investment in health, education, and other services. But too often governments stunt the size of those contributions by creating unjustified risks, costs, and barriers to competitions"

- Francois Bourguignon, Senior Vice President and Chief Economist, World Bank

India being a signatory to World Trade Organization’s General Agreement on Trade in Services, which include wholesale and retailing services, had to open up the retail trade sector to foreign investment. There were initial reservations towards opening up of retail sector arising
from fear of job losses, procurement from international market, competition and loss of
entrepreneurial opportunities. However, the government in a series of moves has opened up the
retail sector slowly to foreign direct investment. All Indian households have traditionally
enjoyed the convenience of ally ing up the corner grocery “kirana” store, which is all too familiar
with their brand preferences, offers credit, and applies flexible conditions for product returns
and exchange. And while mall based shopping formats are gaining popularity in most cities today,
the price-sensitive Indian shopper has reached out to stores such as Big Bazaar mainly for the
steep discounts and bulk prices. Wal-Mart has already entered the market through its
partnership with Bharti, and gained opportunity for some early observations. Carrefour on the
other hand has launched its wholesale cash and carry operations in the country for professional
businesses and retailers, and will now need to focus more on understanding the individual Indian
customer.

What is Foreign Direct Investment?
According to the International Monetary Fund, FDI is defined as “Investment that is made to
acquire a lasting interest in an enterprise operating in an economy other than that of the
investor. The investor’s purpose is being to have effective voice in the management of the
enterprise”.

Definition of Retailing
It is defined as all activities involved in selling goods or services directly to the final
consumer for their personal, non-business use via shops, market, door-to-door selling, and mail-
order or over the internet where the buyer intends to consume the product.

Division of Retail Industry – Organised and Unorganised Retailing
The retail industry is mainly divided into:

- Organised Retailing
- Unorganised Retailing

Organised retailing refers to trading activities undertaken by licensed retailers, that is,
those who are registered for sales tax, income tax, etc. These include the corporate-backed
hypermarkets and retail chains, and also the privately owned large retail businesses.

Unorganised retailing, on the other hand, refers to the traditional formats of low-cost
retailing, for example, the local kirana shops, owner manned general stores, paan / beedi shops,
convenience stores, hand cart and pavement vendors, etc. The Indian retail sector is highly
fragmented with 97 per cent of its business being run by the unorganized retailers

Multi brand retailing
Marketing of two or more similar and competing products, by the same firm under
different and unrelated brands. While these brands eat into each others’ sales, multi-brand
strategy does have some advantages as a means of:
a. Obtaining greater shelf space and leaving little for competitors’ products,
b. Saturating a market by filling all price and quality gaps,
c. Catering to brand-switchers users who like to experiment with different brands, and
d. Keeping the firm’s managers on their toes by generating internal competition.

FDI in “Multi-Brand” Retail

FDI in multi-brand retail generally refers to selling multiple brands under one roof. Currently, this sector is limited to a maximum of 49 percent foreign equity participation. These are positive step and it will encourage international brands to set up shop in India. FDI in retail trade has forced the wholesalers and food processors to improve, raised exports, and triggered growth by outsourcing supplies domestically. This has resulted in lower prices to the consumer, more consumption and higher profit for the producer.

Threats

It may be imagined that, if the entry of trans-nationals in retail trade leads to harmful consequences, the government can restrict and regulate their activities, or even remove them altogether. A number of concerns have been raised with regard to opening up of the Multi-brand retail sector in India.

Threats posed to the three stakeholders which are as follows:
1. Current Retailer who are the natives of India
2. The foreign Investors
3. The Indian Economy

Threats to current retailers

Retail in India has tremendous growth potential, Retail is already the second largest employer in India and any changes by bringing major foreign retailers who will be directly procuring from the main supplier will not only create unemployment on the front end retail but also the middleman who have been working in this industry and the chain will impact the governments growth and employment problems in a long term. It would lead to unfair competition and ultimately result in large-scale exit of domestic retailers, especially the small family managed outlets, leading to large scale displacement of employed in retail sector.

Threats to the foreign Investors

Before investment approval is given, the application of foreign investors has to pass through various transfer channels which are dominated by the Bureaucrat. This is referred to as Red Tapism. This results into delay in decision making regarding investment beginning. Delay in approvals leads to disinterested corporate giants. Corruption is another major concern. India has a number of anticorruption cells and anti-corruption acts, but some foreign firms have identified corruption as one of the major obstacles to FDI in India.
Threats to the economy

The country might easily come in threats by Global business cycles. In the year 2008-2010 the Indian economy remained little affected due to inflation which caused severe financial harm to the investors worldwide because of limited opening of the economy. The opening of the sector would lead to recurrent threats due to change in business cycles of the Global partners. Almost all resources and transactions in India are owned or financed by Foreign Nations especially Indian Economy is completely weakened to Foreign Currency influence that kills Indian Rupee. When Rupee value is killed globally that kills natives which is visible as, Rising Commodity Prices, Rising Fuel Prices and Rising Debts.

The Crawling Advantages

Adoption of liberalized policy for the Multi-brand retail sector would be more of a positive step as it would bring added advantage of the following:

- Foreign Direct Investment (FDI) is one of the major sources of investments for a developing country like India wherein it expects investments from Multinational companies to improve the countries growth rate, create jobs, share their expertise, and research and development in the host country.

- FDI can be a powerful catalyst to spur competition in the retail industry, due to the current scenario of low competition and poor productivity. It can bring about:
  - Supply Chain Improvement
  - Investment in Technology
  - Manpower and Skill development
  - Tourism Development
  - Greater Sourcing From India
  - Progression in Agriculture
  - Benefits to government: through greater GDP, tax income and employment generation.

Challenges Facing FDI

The challenges facing FDI in India are in spite of the fact that more than 500 companies are already investing in India. These FDI are already generating employment opportunities, income, technology transfer and economic stability. India is focusing on maximizing political and social stability along with a regulatory environment. In spite of the obvious advantages of FDIs, there are quite a few challenges facing larger FDIs in India, such as:

1. **Resource Challenge**: India is known to have enormous amounts of resources. There is manpower and significant availability of fixed and working capital. At the same time, there are some underexploited or unexploited resources. The resources are well available in the rural as well as the urban areas.

2. **Equity Challenge**: India is definitely developing in a much faster pace now than before but in spite of that it can be identified that development has taken place unevenly. This
means that while the more urban areas have been tapped, the poorer sections are inadequately exploited. To get the complete picture of growth, it is essential to make sure that the rural section has more or less the same amount of development as the urbanized ones. Thus, fostering social equality and at the same time, a balanced economic growth.

3. **Political Challenge**: The support of the political structure has to be there towards the investing countries abroad. This can be worked out when foreign investors put forward their persuasion for increasing FDI capital in various sectors like banking, and insurance. So, there has to be a common opinion between the Parliament and the foreign countries investing in India. This would increase the reforms in the FDI area of the country.

4. **Execution Challenge**: Very important among the major challenges facing larger FDI, is the need to speed up the implementation of policies, rules, and regulations. The vital part is to keep the accomplishment of policies in all the states of India at par. Thus, asking for equal speed in policy implementation among the states in India is important.

**Prerequisites before allowing FDI in Multi Brand Retail**

FDI in multi-brand retailing must be dealt cautiously as it has direct impact on a large chunk of population. Left alone foreign capital will seek ways through which it can only multiply itself, and unthinking application of capital for profit, given our peculiar socio-economic conditions, may spell doom and deepen the gap between the rich and the poor. To ensure that the foreign investors make a genuine contribution to the development of infrastructure and logistics, it can be stipulated that a percentage of FDI should be spent towards building up of back end infrastructure, logistics or agro processing units. Reconstituting the poverty stricken and stagnating rural sphere into a forward moving and prosperous rural sphere can be one of the justifications for introducing FDI in multi-brand retailing. To actualize this goal it can be stipulated that at least 50% of the jobs in the retail outlet should be reserved for rural youth and that a certain amount of farm produce is procured from the poor farmers.

Similarly to develop our small and medium enterprise (SME), it can also be stipulated that a minimum percentage of manufactured products be sourced from the SME sector in India. To protect the interest of small retailers the government may also put in place an exclusive regulatory framework. It will ensure that the retailing giants do resort to predatory pricing or acquire monopolistic tendencies. Besides, the government and RBI need to evolve suitable policies to enable the retailers in the unorganized sector to expand and improve their efficiencies.

**Limitations of the Present Setup**

**Infrastructure**

There has been a lack of investment in the logistics of the retail chain, leading to an inefficient market mechanism. The chain is highly fragmented and hence, perishable horticultural commodities find it difficult to link to distant markets, including overseas markets, round the year. Storage infrastructure is necessary for carrying over the
agricultural produce from production periods to the rest of the year and to prevent distress sales. Lack of adequate storage facilities cause heavy losses to farmers in terms of wastage in quality and quantity of produce in general. Though FDI is permitted in cold-chain to the extent of 100%, through the automatic route, in the absence of FDI in retailing; FDI flow to the sector has not been significant.

Improper Public Distribution System ("PDS")

There is a big question mark on the efficiency of the public procurement and PDS set-up and the bill on food subsidies is rising. In spite of such heavy subsidies, overall food based inflation has been a matter of great concern. The absence of a ‘farm-to-fork’ retail supply system has led to the ultimate customers paying a premium for shortages and a charge for wastages.

No Global Reach

The Micro Small & Medium Enterprises (“MSME”) sector has also suffered due to lack of branding and lack of avenues to reach out to the vast world markets. This has largely been due to the inability of this sector to access latest technology and improve its marketing interface.

Future Scope

The proposed FDI norms will open up strategic investment opportunity for global retailers, who have been waiting to invest in India. This may have a significant impact on the current arrangement of foreign players. Small and Medium Enterprises (SME) sector is also set to gain from this move due to preference given by retailers to private label brands. The move will also encourage smaller suppliers to take their products to a national platform that they could not previously manage due to lack of an organised supply chain of their own.

- Small retailers will not be crowded out, but would strengthen market positions by turning innovative /contemporary.
- Growing economy and increasing purchasing power would more than compensate for the loss of market share of the unorganized sector retailers.
- There will be initial and desirable displacement of middlemen involved in the supply chain of farm produce, but they are likely to be absorbed by increase in the food processing sector induced by organized retailing.
- Farmers will get another window of direct marketing and hence get better remuneration, but this would require affirmative action and creation of adequate safety nets.
- Consumers would certainly gain from enhanced competition, better quality, assured weights and cash memos.
- The government revenues will rise on account of larger business as well as recorded sales.
- The Competition Commission of India would need to play a proactive role.
10. Conclusion

In the final analysis, for India, FDI in multi-brand retail should be seriously considered by the government and, as with many other sensitive sectors (like defence); a gradual opening up could be made possible. Further, India’s local enterprises will potentially receive an upgradation with the import of advanced technological and logistics management expertise from the foreign entities. The government has an opportunity to utilize the liberalization for achieving certain of its own targets:

- improve its infrastructure;
- access sophisticated technologies;
- generate employment for those keen to work in this sector.

FDI would lead to a more comprehensive integration of India into the worldwide market and, as such, it is imperative for the government to promote this sector for the overall economic development and social welfare of the country. If done in the right manner, it can prove to be a boon and not a curse.

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Challenges for Indian Retail Trade

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Abstract
The Indian retail sector is going through a transformation and this emerging market is witnessing a significant change in its growth and investment pattern. According to the Investment Commission of India, the retail sector is expected to grow almost three times its current levels to $660 billion by 2015. However, in spite of the recent developments in retailing and its immense contribution to the economy retailing continues to be the least evolved sector and the growth of organized retailing in India has been much slower as compared to rest of the world. Undoubtedly, this dismal situation of the retail sector, despite the on-going wave of incessant liberalization and globalization stems from the absence of FDI encouraging policy in India. Consumer dynamics also changing and the retailers need to take note of this and formulate their strategies and tactics to deliver the exact expected value to the customer. The present paper makes an attempt to reveal the challenges for Indian Retail Trade.

Keywords: FDI, Retail Trade, Single Brand, Multi-Brand, Challenges.

Introduction:
India entered into the World Trade Organization’s General Agreement on Trade in Services (“GATS”), in January 1995 pursuant to the Uruguay Round negotiations. One of the commitments to the GATS includes wholesale and retailing services and therefore India was under an obligation to open up the retail trade sector to foreign investment. The retail sector in India is considered to be an economic and politically sensitive sector especially since it impacts a large number of the population comprising farmers, small traders and the economies that surround them. The Government has therefore been liberalizing its FDI policy in retail trading. Government of India [GOI] has approved the keenly awaited policy measures of permitting Foreign Direct Investment [FDI] in Multi Brand Product Retail Trading [MBPRT] up to 51% and further simplified FDI in Single Brand Product Retail Trading [SBPRT]. However, implementation of the FDI in MBPRT had been deferred, for evolving broader consensus amongst the stake holders while the changes in FDI in SBPRT were operationalized with effect from January 2012. With the announcement on 14 September 2012, the GOI has taken a major step towards attracting FDI in MBPRT and SBPRT and also create back end infrastructure, create job on India the retailing industry has a long way to go and to become a truly flourishing industry, retailing needs to cross various hurdles.
Prospected Changes in FDI Policy for Retail Sector in India

The government (led by Dr. Manmohan Singh, announced following prospective reforms in Indian Retail Sector
1. India will allow FDI of up to 51% in multi-brand sector.
2. Single brand retailers such as Apple and Ikea, can own 100% of their Indian stores, up from previous cap of 51%.
3. The retailers (both single and multi-brand) will have to source at least 30% of their goods from small and medium sized Indian suppliers.
4. All retail stores can open up their operations in population having over 1 million. Out of approximately 7935 towns and cities in India, 55 suffice such criteria.
5. Multi-brand retailers must bring minimum investment of US$ 100 million. Half of this must be invested in back-end infrastructure facilities such as cold chains, refrigeration, transportation, packaging etc. to reduce post-harvest losses and provide remunerative prices to farmers.
6. The opening of retail competition (policy) will be within parameters of state laws and regulations.

Single and Multi-Brand Retailing

FDI in Single-Brand Retail

The Government has not categorically defined the meaning of Single Brand. Any where neither in any of its circulars nor any notifications. In single-brand retail, FDI up to 51 per cent is allowed, subject to Foreign Investment Promotion Board (FIPB) approval and subject to the conditions mentioned that
1. only single brand products would be sold (i.e., retail of goods of multi-brand even if produced by the same manufacturer would not be allowed),
2. products should be sold under the same brand internationally,
3. single-brand product retail would only cover products which are branded during manufacturing and any addition to product categories to be sold under single-brand would require fresh approval from the government.

While the phrase single brand’ has not been defined, it implies that foreign companies would be allowed to sell goods sold internationally under a single brand’, viz., Reebok, Nokia, and Adidas. Retailing of goods of multiple brands, even if such products were produced by the same manufacturer, would not be allowed. Going a step further, we examine the concept of single brand’ and the associated conditions:

FDI in Single brand’ retail implies that a retail store with foreign investment can only sell one brand. For example, if Adidas were to obtain permission to retail its flagship brand in India, those retail outlets could only sell products under the Adidas brand and not the Reebok brand, for which separate permission is required. If granted permission, Adidas could sell products under the Reebok brand in separate outlets.
FDI in Multi-Brand Retail

The government has also not defined the term Multi Brand. FDI in Multi Brand retail implies that a retail store with a foreign investment can sell multiple brands under one roof. Opening up FDI in multi-brand retail will mean that global retailers including Wal-Mart, Carrefour and Tesco can open stores offering a range of household items and grocery directly to consumers in the same way as the ubiquitous ‘kirana’ store.

Challenges of Retailing in India

In India the retailing industry has a long way to go and to become a truly flourishing industry, retailing needs to cross various hurdles.

The first challenge facing the organized retail sector is the competition from unorganized sector. Needless to say, the Indian retail sector is overwhelmingly swarmed by the unorganized retailing with the dominance of small and medium enterprises in contradiction to the presence of few giant corporate retailing outlets.

According to the A.T. Kearney Global Retail Development Index (2011), Indian retail sector accounts for 22 percent of the country are GDP and contribute to 8 per cent of the total employment. India’s retail sector is highly fragmented, with self organized retailing accounting for as much as 96 percent of the total retail trade. The trading sector is also highly fragmented, with a large number of intermediaries who operate at a strictly local level and there is no barrier to entry, given the structure and scale of these operations.

The other major challenge for retailers in India is the storage set up of households. For the large-scale retail model to work, consumers visit such large stores and return with supplies likely to last them for a few weeks. Having such easy access to neighbourhood stores with whom, as discussed above, it is possible to have a line of credit and easy delivery service, congested urban living conditions imply that few Indian households might be equipped with adequate storage facilities.

The Delhi based Centre for Policy Analysis had estimated that if FDI were to take over 20% of retail trade in India, around 8 million people could lose their livelihoods. If organized retailing were to take over the whole of retail trade in India instantaneously and attain average efficiency of Walmart stores abroad, it could throw 10 out of every 12 present day employees that is up 32 million people out of work.

The most obvious aspect to allow FDI in retail was that there was no provision for protection of farmer’s interest, especially small farmers who constitute 85% of cultivators. The supermarkets procure from contact farmers not from contract farmers without any commitment to buy regularly as they do not want to share risk of growers. Thus the involvement of foreign retail supermarket chains with producers in India is very much insufficient and there is no delivery of efficient supply chain.

Organized retail sector has to pay huge taxes, which is negligible for small retail business. Thus, the cost of business operations is very high in India. Developed supply chain and integrated IT management is absent in retail sector. This lack of adequate infrastructure facilities, lack of
trained work force and low skill level for retailing management further makes the sector quite complex.

In urban settings, real estate rents are also very high. Thus the opportunities in this sector are limited to those retailers with deep pockets, and puts pressure on their margins. Conversely, for retailers looking to set up large stores at a distance from residential neighborhoods may struggle to attract consumers away from their traditional sources of groceries and other products.

Also, the intrinsic complexity of retailing- rapid price changes, threat of product obsolescence, and dissimilarity in consumer groups are the other challenges that the retail sector in India is facing.

Even though economy across the globe is slowly emerging from recession, tough times lie ahead for the retail industry as consumer spending still has not seen a consistent increase. In fact, consumer spending could contract further as banks have been overcautious in lending. Thus, retailers are witnessing an uphill task in terms of wooing consumers, despite offering big discounts.

While in some sectors the restrictions imposed by the government are comprehensible; the restrictions imposed in few others, including the retail sector, are utterly baseless and are acting as shackles in the progressive development of that particular sector and eventually the overall development of the Indian Inc. The scenario is kind of depressing and unappealing, since despite the on-going wave of incessant liberalization and globalization, the Indian retail sector is still aloof from progressive and ostentatious development. This dismal situation of the retail sector undoubtedly stems from the absence of an FDI encouraging policy in the Indian retail sector.

A fraud in Retail is also the other challenges the companies would have to face. Frauds, including vendor frauds, thefts, shoplifting and inaccuracy in supervision and administration are difficult to visit.

Also FDI encouraging policy can remove the present limitations in Indian system such as

1. **Infrastructure**

There has been a lack of investment in the logistics of the retail chain, leading to an inefficient market mechanism. Though India is the second largest producer of fruits and vegetables (about 180 million MT), it has a very limited integrated cold-chain infrastructure, with only 5386 stand-alone cold storages, having a total capacity of 23.6 million MT. , 80% of this is used only for potatoes. The chain is highly fragmented and hence, perishable horticultural commodities find it difficult to link to distant markets, including overseas markets, round the year. Storage infrastructure is necessary for carrying over the agricultural produce from production periods to the rest of the year and to prevent distress sales. Lack of adequate storage facilities cause heavy losses to farmers in terms of wastage in quality and quantity of produce in general. Though FDI is permitted in cold-chain to the extent of 100%, through the automatic route, in the absence of FDI in retailing; FDI flow to the sector has not been significant.
2. Intermediaries dominate the value chain

Intermediaries often flout mandi norms and their pricing lacks transparency. Wholesale regulated markets, governed by State APMC Acts, have developed a monopolistic and non-transparent character. According to some reports, Indian farmers realize only 1/3rd of the total price paid by the final consumer, as against 2/3rd by farmers in nations with a higher share of organized retail.

3. Improper Public Distribution System ("PDS")

There is a big question mark on the efficiency of the public procurement and PDS setup and the bill on food subsidies is rising. In spite of such heavy subsidies, overall food based inflation has been a matter of great concern. The absence of a 'farm-to-fork' retail supply system has led to the ultimate customers paying a premium for shortages and a charge for wastages.

4. No Global Reach

The Micro Small & Medium Enterprises (MSME) sector has also suffered due to lack of branding and lack of avenues to reach out to the vast world markets. While India has continued to provide emphasis on the development of MSME sector, the share of unorganized sector in overall manufacturing has declined from 34.5% in 1999-2000 to 30.3% in 2007-08. This has largely been due to the inability of this sector to access latest technology and improve its marketing interface.16 Thus the rationale behind allowing FDI in Indian retail sector comes from the fact, that it will act as a powerful catalyst to spur competition in retail industry, due to current scenario of above listed limitations, low completion and poor productivity.

Permitting foreign investment in food-based retailing is likely to ensure adequate flow of capital into the country & its productive use, in a manner likely to promote the welfare of all sections of society, particularly farmers and consumers. It would also help bring about improvements in farmer income & agricultural growth and assist in lowering consumer prices inflation. Lastly, it is to be noted that the Indian Council of Research in International Economic Relations (ICRIER), a premier economic think tank of the country which was appointed to look into the impact of BIG capital in the retail sector, has projected the worth of Indian retail sector to reach $496 billion by 2011-12 and ICRIER has also come to conclusion that investment of big ‘money (large corporate and FDI) in the retail sector would in the long run not harm interests of small, traditional, retailers.

Industrial organizations such as CII, FICCI, US-India Business Council (USIBC), the American Chamber of Commerce in India, The Retail Association of India (RAI) and Shopping Centers Association of India (a 44 member association of Indian multibrand retailers and shopping malls) favor a phased approach toward liberalizing FDI in multi-brand retailing, and most of them agree with considering a cap of 49-51 per cent to start with.

The international retail players such as Walmart, Carrefour, Metro, IKEA, and TESCO share the same view and insist on a clear path towards 100 per cent opening up in near future. Large multinational retailers such as US-based Walmart, Germany’s Metro AG and Woolworths...
Lidl, the largest Australian retailer that operates in wholesale cash-and-carry ventures in India, have been demanding liberalization of FDI rules on multi-brand retail for some time.

**Conclusion:**
In light of the above, it can be safely concluded that allowing healthy FDI in the retail sector would not only lead to a substantial surge in the country’s GDP and overall economic development, but would inter alia also help in integrating the Indian retail market with that of the global retail market in addition to providing not just employment but a better paying employment, which the unorganized sector (kirana and other small time retailing shops) have undoubtedly failed to provide to the masses employed in them.

By allowing FDI in retail trade, India will significantly flourish in terms of quality standards and consumer expectations, since the inflow of FDI in retail sector is bound to pull up the quality standards and cost-competitiveness of Indian producers in all the segments. It is therefore obvious that we should not only permit but encourage FDI in retail trade.

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A Study on Today’s Retail Formats of Banking Sector in India

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Abstract
Retail banking in India has grown at a rapid pace in recent years as number of consumers continuously relied upon the new banking products offered under the retail banking. Moreover, retail banking has widened the scope of technology and internet by introducing various services related to information technology, telecommunication and electronic data processing. There has been tremendous change that Indian Banking has been undergoing through. One such key change has been growth of retail banking. Majority of the growth of new private banks have been in the arena of retail banking both on lending as well as deposit side. The paper however focuses on examining the growth and development of retail banking in the context to rural and urban areas and how banks are using their existing business strategies to improve their market presence. The core objective of the paper is to identify the growth drivers of consumers towards embracing the retail banking services.

Keywords: Retail Formats, Banking Products, Customers Perception

Introduction
The changing customer demographics demands to create a differentiated application based on scalable technology, improved service and banking convenience. Retail banking is typical mass-market banking where individual customers use local branches of larger commercial banks. Retail Banking is a banking service that is geared primarily towards individual consumers. Retail banking is usually made available by commercial banks, as well as smaller community banks. Unlike wholesale banking, retail banking focuses strictly on consumer markets. Retail banking is typical mass-market banking where individual customers use local branches of larger commercial banks. Retail banks offer a range of services to individual customers and small businesses, rather than to large companies and other banks. The services can include current accounts, savings accounts, investment advice and broking, and loans and mortgages. Retail banks perform two crucial functions for customers: firstly, they enable...
customers to bank their money securely, access it easily, and conduct transactions; and secondly, they provide access to additional money to fund large purchases, such as buying a home. In return for holding customers’ funds, which they can then invest, banks pay customers interest.

MEANING OF RETAIL

The word retail is derived from the French word retailer, meaning to cut a piece off or to break bulk. In simple terms, it implies a first-hand transaction with the customer. Retailing can be defined as the buying and selling of goods and services. It can also be defined as the timely delivery of goods and services demanded by consumers at prices that are competitive and affordable. Retailing involves a direct interface with the customer and the coordination of business activities from end to end- right from the concept or design stage of a product or offering, to its delivery and post-delivery service to the customer. The industry has contributed to the economic growth of many countries and is undoubtedly one of the fastest changing and dynamic industries in the world today.

RETAIL BANKING IN INDIA

Retail banking is a banking service that is geared primarily toward individual consumers. Retail banking is usually made available by commercial banks, as well as smaller community banks. Unlike wholesale banking, retail banking focuses strictly on consumer markets. Retail banking entities provide a wide range of personal banking services, including offering savings and checking accounts, bill paying services, as well as debit and credit cards. Through retail banking, consumers may also obtain mortgages and personal loans. Although retail banking is, for the most part, mass-market driven, many retail banking products may also extend to small and medium sized businesses. Today much of retail banking is streamlined electronically via Automated Teller Machines (ATMs), or through virtual retail banking known as online banking.

Traditionally, retail banks have provided these services directly to the customer via branches. While many still do this, retail banks now offer their services by telephone and the internet as well. Some operate solely via the internet and do not have facilities to serve customers at physical outlets. Other organizations, such as supermarkets, have now entered the banking sector and also offer a wide range of banking services.

TYPES OF RETAILING FORMATS IN INDIA

MALLS:
The largest form of organized retailing today. Located mainly in metro cities, in proximity to urban outskirts. Ranges from 60,000 sq ft to 7,00,000 sq ft and above. They lend an ideal shopping experience with an amalgamation of product, service and entertainment, all under a common roof.
SPECIALTY STORES:
Chains such as the Bangalore based Kids Kemp, the Mumbai books retailer Crossword, RPG’s Music World and the Times Group’s music chain Planet M, are focusing on specific market segments and have established themselves strongly in their sectors.

DISCOUNT STORES:
As the name suggests, discount stores or factory outlets, offer discounts on the MRP through selling in bulk reaching economies of scale or excess stock left over at the season. The product category can range from a variety of perishable/ non-perishable goods.

DEPARTMENT STORES:
Large stores ranging from 20000-50000 sq. ft, catering to a variety of consumer needs. Further classified into localized departments such as clothing, toys, home, groceries, etc. Departmental Stores are expected to take over the apparel business from exclusive brand showrooms.

HYPER MARTS/SUPERMARKETS:
Large self-service outlets, catering to varied shopper needs are termed as Supermarkets. These are located in or near residential high streets. These stores today contribute to 30% of all food & grocery organized retail sales. Super Markets can further be classified into mini supermarkets typically 1,000 sq ft to 2,000 sq ft and large supermarkets ranging from of 3,500 sq ft to 5,000 sq ft. having a strong focus on food & grocery and personal sales.

CONVENIENCE STORES:
These are relatively small stores 400-2,000 sq. feet located near residential areas. They stock a limited range of high-turnover convenience products and are usually open for extended periods during the day, seven days a week. Prices are slightly higher due to the convenience premium.

MBO’s:
Multi Brand outlets, also known as Category Killers, offer several brands across a single product category. These usually do well in busy market places and Metros.

RETAIL BANKING PRODUCTS / SERVICES
- Deposits
- Locker
- Personal loan
- Education loan
- Schemes for women
- Schemes for children
Foreign Direct Investment in Retail Trade – Opportunities and Challenges

Conclusion
The retail sector has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. It is also the second largest industry in US in terms of numbers of employees and establishments. There is no denying the fact that most of the developed economies are very much relying on their retail sector as a locomotive of growth. The India Retail Industry is the largest among all the industries, accounting for over 10 per cent of the country’s GDP and around 8 per cent of the employment. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The India Retail Industry is gradually inching its way towards becoming the next boom industry.

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Retail trade in Electronic Equipment in India

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Abstract
Retailers of automotive products, including new & used car dealers, RV dealers, and gas stations, typically account for about a third of total sales in this industry. Supermarkets, food, liquor, and beer & wine stores usually take in about one-quarter of total retail revenues. Department stores and other retailers of general merchandise accounted for 11% of total sales in 2008. These shares have remained quite stable since 1990. The main characteristic of retailers is that they sell goods primarily to consumers or households. Supermarkets, gas bars, drug stores, furniture outlets, “mom and pop shops”, hardware stores, car lots, mobile home dealers, and garden centres are only some of the many types of retail businesses. This industry also includes “big box” retailers such as office supply and computer stores, and retailers of building materials, plumbing, and electrical supplies. Retail outlets are usually designed to have display areas where customers can see merchandise available for sale. They cater to walk-in traffic, so they’re often located in city centres or suburban areas. Electronic in India is a unique platform which dedicates itself in showcasing a comprehensive range of electronic, electrical, lightings & renewable energy equipments and accessories. Testing and measuring instruments, power electronics, solar power equipments and lighting products are exclusively exhibited in this showing in india. Electricity is one of the foremost Indian trade events, dedicated to the industrial power and electronics sector where the opportunities and challenges for the Indian power sector will be showcased... LED & Lighting is a three day event that will be held in India. It is organized by the Paramount Exhibitors. The event focuses on the technical advancement and development of the lighting and LED industry. At the time when our economy is blooming and our country is facing floodlights of global attention and recognition, ELASIA-2013 will be the podium to compare the best in the world to the best in India.

Keywords: FDI, Retail Trade, Electronic Equipment, Automotive products.

Introduction
A good investment climate is central to growth and poverty reduction. A vibrant private sector create jobs, provides the goods and the services needed to improve the living standards, and contribute taxes necessary for public investment in health, education, and other services.
But too often governments stunt the size of those contributions by creating unjustified risks, costs, and barriers to competitions.

The Indian Electrical & Electronics Manufacturers’ Association (IEEMA) is the apex representative body of manufacturers of electrical equipment, professional electronics and allied equipment in India. Running in 64th year of service to this industry, IEEMA represents the entire value chain of the sector from power generation, transmission and distribution. IEEMA members represent a combined annual turnover in excess of Rs. 1,10,000 crores (approximately US $ 25 billion) and exports of Rs. 18,000 crores (approximately US$ 4 billion).

You need a variety of goods for use in your day-to-day life. Where do you get all those goods? Are they all available in your local market? If not, then you must be buying those goods from the markets of the nearby town or city.

Generally to buy goods as per your own choice you move from shop to shop and market to market. You may think why all these goods are not available in a single shop? Why are these goods not available at our doorstep? Yes, there are certain shops from where you can buy a variety of goods of different types as per your convenience. Goods of your choice can also be made available at your doorstep. You can also buy goods of your choice from the shops having no salesperson either to guide you or handover the goods to you. Are you surprised? You need not. You will learn how all this happens.

The industry is one of the fastest growing in India, driven by growth in key sectors such as IT, consumer electronics and telecom Industry size in 2008–09: Hardware: Rs 94,690 crore and Software: Rs 273,530 crore Production value growth at 24.5 per cent over the last year (2008). Low penetration levels details with overview of Indian electronics industry

Meaning of Retail Trade and FDI

Retail Trade

It is defined as all activities involved in selling goods or services directly to the final consumer for their personal, non-business use via shops, market, door-to-door selling, and mail-order or over the internet where the buyer intends to consume the product.

Small shopkeepers, who sell goods directly to the consumers, are called retailers. Pedlars, hawkers, one-price-shop or petty shopkeepers are all retailers. A retailer is the last link in the chain of intermediaries. He is an intermediary between the wholesaler and the ultimate consumer. He purchases from the wholesaler and sells in very small quantities to the consumers. He needs capital smaller than the wholesaler and usually, carries trade on cash basis. He does not specialise in any commodity and usually carries a large variety of goods in his stock. His activities are generally confined to the locality in which his shop is situated.

Foreign Direct Investment

According to International Monetary Fund, FDI is defined as “Investment that is made to acquire a lasting interest in an enterprise operating in an economy other than that of the
Types of Retail Trade

You have learnt about retailers in the previous section. You may be under the impression that Retailers are small shopkeepers trading in the nearby locality. However, you will be surprised to know that starting from hawkers and street traders, to super bazars, departmental stores and Multiple shops, all undertake retail-trading business in our country. We can classify this retailing Business into two categories.

a. Small-scale retail trade; and
b. Large-scale retail trade.

Small-scale retail trade is one where a limited variety and also limited quantity of goods are sold within a local area. It requires less capital and provides goods to a limited number of customers. On the other hand, large-scale retail trade is one where capital investment is more and it deals with large volume of goods. It caters to the needs of a large number of customers. Super bazars, Departmental stores and Multiple shops are examples of large scale retail trade organization. In this lesson you will learn the details about small-scale retail trade.

Small-scale Retail Trade: There are varieties of retailers engaged in small scale retail trading. They can be classified as:

(i) Itinerant Retailing
(ii) Fixed Shop Retailing

(i) Itinerant Retailing

Itinerant retailing is a type of small-scale retail trade in which retailers move around and sell a variety of items directly to the consumers. They do not have a fixed shop where they can sell. You must have seen them distributing newspapers early in the morning; selling peanuts, bangles, toys etc. in buses and trains; selling fruits and vegetables in your locality using a cart, selling icecream, namkeens etc. on a cycle, selling rice, earthen pots or even carpets by using a cart, etc. You can also see them on pavements in your locality. In towns and cities we come across different type of itinerant retailers. There are traders who sell their articles on fixed days at different market places. In villages these market places are called “Haat” and in towns or cities they are called “weekly bazars”. The itinerant retailing also includes persons selling articles from door to door. In most cases, the price of items is not fixed and mostly settled through bargaining. Moreover, in most cases the items sold are not branded products.

Fixed Shop Retailing Here the retailers sell goods and services from a fixed place known as ‘shop’. These shops are usually located at market places or commercial areas or near.

The Retail Landscape

The Indian retail market currently stands at USD 396 billion and is likely to grow further at 12% to increase to USD 574 billion by 2015. This sector is the second largest employer after
agriculture, employing more than 35 million people with wholesale trade generating an additional employment to 5.50 million more. The growing disposable income in the country is resulting in increasing consumer spending habits. The government is considering in allowing foreign direct investment (FDI) in multi-brand retailing as a measure to make India more attractive to overseas investors. The proposal, piloted by the Department of Industrial Policy and Promotion (DIPP), is currently at the discussion stage and is awaiting government clearance.

**Effects on retail prices on consumer usages of electronic products**

The Indian retail market currently stands at USD 396 billion and is likely to grow further at 12% to increase to USD 574 billion by 2015. This sector is the second largest employer after agriculture, employing more than 35 million people with wholesale trade generating an additional employment to 5.50 million more. The growing disposable income in the country is resulting in increasing consumer spending habits. The government is considering in allowing foreign direct investment (FDI) in multi-brand retailing as a measure to make India more attractive to overseas investors. The below figure gives to the comparison of modern and traditional retail trading in the IRM with the future effect of USD Bn.
The proposal, piloted by the Department of Industrial Policy and Promotion (DIPP), is currently at the discussion stage and is awaiting government clearance.

- Kay and Morris (1987) present a model under which competition in a deregulated market could induce higher retail prices driven by increases in operating costs relative to a situation of restricted shopping hours.

- In contrast, Clemenz (1990) shows that `regulation of opening hours may lead to lower prices in a model with consumer search: longer shopping hours facilitate more extensive search activity, which, in turn, leads to lower prices.

- Tanguay et al. (1995) predicts that deregulated trading hours would shift demand from smaller, closer shops to larger ones that are further away and that this shift in demand makes it possible for large shops to increase prices. This was borne out in their empirical analysis of the deregulation of opening hours for Quebec, Canada. They find price increases were generated in large grocery stores that tended to maintain extensive opening hours.

- The UK empirical analysis in Kay and Morris (1987), on the other hand, suggests lower costs and lower prices following deregulation.

Effects on retail employment and hours of work

- Gradus (1996) estimates a model of retail behaviour for the Netherlands and simulates the employment impact of deregulating store opening hours using evidence from the Swedish experience with deregulation. Employment goes up mainly because of an
increase in employed persons (rather than an increase in hours worked by existing employees). However, the magnitude of this effect depends on the average number of additional shopping hours as a consequence of deregulation.

- Burda (2000) presents a model that suggests shop opening laws will in general have a negative effect on employment and output. Regulation of opening hours is likely to concentrate purchases inefficiently over shorter time intervals, leading to higher capital intensity of production, higher prices, and potentially less activity in the sector.

- Burda and Weil (2005) examine the effects of restrictions on shop opening hours in the United States over the period 1969-93 using a general equilibrium model in which consumers value ‘communal leisure’. They find that the regulation significantly reduces employment both inside and outside the retail sector and the employment reduction appears to come at the cost of part-time employment. That is, trading hours regulations restrict the availability of part-time jobs.

- Skuterud (2005) identifies how retail employers adjusted employment levels and hours of work in those Canadian provinces where deregulation resulted in significantly more Sunday store openings. The empirical results suggest that the increase in labour demand was mainly satisfied through an increase in employed persons. The results also suggest that the employment increases were larger among general merchandise stores than among more specialised retail establishments and were relatively modest at the level of the entire retail industry.

Low penetration levels of user industries indicate potential for continued growth

Bar Chat shows that Low penetration across segments and user industries (2007–08). The demand for electronics is expected to be fuelled by the growth of: High-end colour TVs and LCD TVs (over 130 per cent growth in 2008–09 over 2007–08)
Telecommunications (479.04 million subscribers as of July 2009)
PCs and notebooks (over 6.7 million units in 2008–09)
Broadband connectivity reaching rural areas

Low penetration across segments and user industries (2007–08)

Future aspect of Indian retail trading in industry area

The Indian retail industry has experienced high growth over the last decade with a noticeable shift towards organised retailing formats. The industry is moving towards a modern concept of retailing. The size of India’s retail market was estimated at US$ 435 billion in 2010. Of this, US$ 414 billion (95% of the market) was traditional retail and US$ 21 billion (5% of the market) was organized retail. India’s retail market is expected to grow at 7% over the next 10 years, reaching a size of US$ 850 billion by 2020. Traditional retail is expected to grow at 5% and reach a size of US$ 650 billion (76%), while organized retail is expected to grow at 25% and reach a size of US$ 200 billion by 2020.

Important of the Potential Investors in India

• Consumer electronics, electronic components and computer hardware are attractive segments offering both size and growth potential.
• Contract manufacturing is an emerging option, especially for exports out of India.
• In terms of location, Andhra Pradesh and Punjab could be attractive options.
• Addressing the Indian market would require: The right technology and cost Good understanding of local market and product customization to suit local needs, Distribution and reach India’s electronics sector presents several attractive options for growth.
Foreign Direct Investment in Retail Trade – Opportunities and Challenges

Global Retail Development Index (GRDI) in India

- The US-based global management consulting firm, A T Kearney, in its Global Retail Development Index (GRDI) 2011, has ranked India as the fourth most attractive nation for retail investment, among 30 emerging markets. As India’s retail industry is aggressively expanding itself, great demand for real estate is being created. The cumulative retail demand for real estate across India is expected to reach 43 million square feet by 2013. Around 46 per cent of the total estimated demand between 2009 and 2013 will come from Tier-1 cities. For instance, Pantaloon Retail added 2.26 million square feet (sq. ft.) of retail space during the fiscal 2011 and booked over 9 million sq. ft of retail space to fructify its expansion plans in future. Some of the key players in the Indian retail market, with a dominant share are:

  - **Pantaloon Retail Ltd, a Future group venture**: Over 12 mn sq. ft. of retail space spread over 1,000 stores, across 71 cities in India.
  - **Shoppers Stop Ltd**: Over 1.82 mn sq. ft. of retail space spread over 35 stores, in 15 cities.
  - **Spencer’s Retail, RPG Enterprises**: Retail footage of over 1.1 mn sq. ft. with approx 250 stores, across 66 cities.
  - **Lifestyle Retail, Landmark group venture**: Has approximately 15 lifestyle stores and 8 Home centres. Other major domestic players in India are Bharti Retail, Tata Trent, Globus, Aditya Birla ‘More’, and Reliance retail. Some of the major foreign players who have entered the segment in India are—
    - **Carrefour** which opened its first cash-and-carry store in India in New Delhi.
    - Germany-based **Metro Cash & Carry** which opened six wholesale centres in the country.
    - **Walmart** in a JV with **Bharti Retail**, owner of **Easy Day store**—plans to invest about US$ 2.5 billion
  - over the next five years to add about 10 million sq ft of retail space in the country.
    - British retailer **Tesco Plc (TSCO)** in 2008, signed an agreement with Trent Ltd. (TRENT), the retail arm of India’s Tata Group, to set up cash-and-carry stores.
    - **Marks & Spencer**s have a JV with Reliance retail.
MNC contract manufacturing facilities in India

<table>
<thead>
<tr>
<th>Flextronics</th>
<th>Jabil</th>
</tr>
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<tbody>
<tr>
<td>• Flextronics acquired three design-centric companies —Hughes Software Systems, DeccaNet and FutureSoft—and consolidated the software companies into a new subsidiary based in India.</td>
<td>• It has a 175,000-sq ft facility located at Ranjangaon, near Pune, in the state of Maharashtra.</td>
</tr>
<tr>
<td>• It offers higher-value, higher-margin design services for mobile phone and telecom/networking software.</td>
<td>• It offers printed circuit board, enclosure integration, and distribution and repair services with in-region design services support.</td>
</tr>
<tr>
<td>• Nokia and Alcatel are among its existing customers.</td>
<td>• The company services the consumer, instrumentation, networking, peripherals and telecommunications industries.</td>
</tr>
<tr>
<td>• The company also maintains an ongoing investment in Celetronix, one of the largest electronic equipment manufacturers in India.</td>
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Communication equipment and consumer electronics are key sectors

The Indian electronics market was worth US$ 21.16 billion in 2008–09

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<table>
<thead>
<tr>
<th>Company</th>
<th>Details</th>
</tr>
</thead>
</table>
| Elcoteq                          | • Manufactures 4 million to 6 million handsets per year  
• Elcoteq Bangalore was inaugurated in 2005  
• It is one of Elcoteq’s four volume manufacturing plants in the Asia-Pacific region and the first one in India  
• Elcoteq’s main businesses in India are wireless communication terminal products, wireless communications network equipments and after-sales services |
| Philips India Pvt. Ltd           | PIL is a leader in lighting, consumer electronics, semiconductors, domestic appliances and personal care products, with an unmatched range of products backed by superior design and technology. PIL also has an excellent distribution and after-sales service network. Philips has a plant each in Thane, Pune, Loni-Kalbhor, Mohaliand Baroda, and three plants in Kolkata. |
| Videocon International Ltd       | In 1985, through a technical tie-up with Toshiba Corporation of Japan, Videocon International Limited launched India’s first world-class colour TV. Today, Videocon International Ltd, the flagship company of the Videocon Group, is India’s leading manufacturer of consumer electronic products. Videocon is now a global player, the first Indian company to win the prestigious ConformiteEuropeene (CE) approval for exporting colour TVs to Europe. Videocon is now entering the world market with operations in the Middle East, Europe, Indonesia and South Africa. |
| Mirac Electronics                | The company manufactures and markets the Onidabrand of products. Today, apart from being a leading player in the colour TV market, it also manufactures other household appliances such as air-conditioners, washing machines, DVDs, plasma TVs and home theatre systems. For office use, Onida has also introduced state-of-the-art, multi-media presentation products. |
| HCL                              | HCL Infosystems manufactures and markets personal computers, PC servers and RISC/UNIX servers. It offers IT consulting, technology integration services, turnkey software development, and functional consulting and implementation services for enterprise resource planning. The company made a net profit of US$ 70 million with revenues of US$ 2,628 million in 2005. |
| Samsung India Electronics Ltd    | Samsung India Electronics Ltd, a subsidiary of the US$ 56 billion Samsung Electronics Co. Ltd, has been operating in India since 1995. It is a leading provider of high-tech consumer electronics, home appliances, IT and telecom products in the country. Samsung India has set up manufacturing facilities for color TVs, microwave ovens, washing machines, air conditioners, color monitors and, more recently, refrigerators in the country. It has a plant in Noida, Uttar Pradesh. Its revenue for 2005 stood at US$ 1,086 million. |
Solectron Centum Electronics Ltd is the leading Indian company offering state-of-the-art solutions for frequency control products (FCP), electronic manufacturing services (EMS) and hybrid-micro circuits (HMC). Solectron has a manufacturing unit and design centre in Bengaluru and a post-manufacturing centre in Mumbai. The EMS operation focuses primarily on the domestic market, and the company’s revenue for 2006 was US$ 19 million.

Trends in the Retail Industry

- Emergence of organised retail
- Spending capacity of youth of India
- Raising incomes and purchasing power
- Changing mindset of customers
- Easy customer credit and Higher brand consciousness

Government regulation of the retail trading

Multiple laws and regulations are in force at the central, state and local levels for governing the retail sector. Absence of specific legislations controlling distribution trade and the existence of a plethora of laws such as the Essential commodities Act, the Cold Storage Order, the Weights & Measures Act, labor laws, the Shops, Establishments Act and so on, leads to market distortion. Timely and effective implementation of GST will help bring about market integration. Streamlining the barriers for interstate movements and removal of all octopi and sales tax check points is possible if the implementation of GST is done with a national, on-line tax payment system. There should be quick implementation of all the provisions of the APMC Act, in letter and spirit, namely the institutionalization of market intermediaries, contract farming and so on.

CHALLENGES

Some of the key challenges faced by the sector are:

1) **Shortage of skilled manpower** - Front-end/retail assistant profiles in stores form a major proportion of the employment in the retail sector while store operations account for 75-80% of the total manpower employed in the organized retail sector. Unfortunately, there are very few courses specific to the retail sector and graduates/post graduates from other streams are recruited. Further, retail training opportunities such as niche courses for areas like merchandising, supply chain and so on are limited. The condition is more alarming in the unorganized sector where the manpower is not equipped with even the basic level of retail specific and customer service skills, which adds to their incompetence vis-à-vis the organized sector. A cohesive effort to develop skills within the sector can have a significant potential impact on productivity and competitiveness, both within the sector and on the wider economy.
2) **Lack of industry status** - Due to the absence of ‘industry status’, organized retail in India faces difficulties in procurement of organized financing and fiscal incentives. The Government should grant the much needed ‘industry status’ to the sector so that the sops that come with it help promote both big & small retailers.

3) **Policy induced barriers** – Organized retail in India is managed by both the Ministries of Commerce & Consumer Affairs. While the Ministry of Commerce takes care of the retail policy, the Ministry of Consumer Affairs regulates retailing in terms of licenses and legislations. There is a need to govern retail operations through a single apex body. A single agency can take care of retail operations more effectively, especially with regard to addressing the grievances of retailers. The development of the retail sector can take place at a faster pace if a comprehensive legislation is enacted.

4) **Real estate** - Lack of sophisticated retail planning is another major challenge the sector faces. Available space is easily interchangeable between commercial and retail use. In most cities, it is difficult to find suitable properties in central locations for retail, primarily due to fragmented private holdings, infrequent auctioning of large government owned vacant lands and litigation disputes between owners.

**IEEMA PRE-BUDGET MEMORANDUM 2012-13 CRITICAL ISSUES & SUGGESTIONS:**

**Current FDI policy**

Growing liberalization of the FDI policy in the past decade has been one of the key factors for transforming India from a closed economy into one of the favored destinations for foreign investments. The FDI policy governs and regulates the entire inflow of foreign investments into the country. The current FDI cap across various sectors in retail is as follows: Immense liberalization of the FDI policy in the past decade has been one of the key factor transforming India from a closed economy into one of the favoured destination for inflow foreign investments

<table>
<thead>
<tr>
<th>Sector/Activity</th>
<th>FDI Cap</th>
<th>Entry Route</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale cash and carry trading</td>
<td>100%*</td>
<td>Automatic</td>
</tr>
<tr>
<td>Single-brand product retailing</td>
<td>51%*</td>
<td>Foreign Investment Promotion Board (FIPB)</td>
</tr>
<tr>
<td>Multi-brand, front end retail</td>
<td></td>
<td>Currently Not Allowed</td>
</tr>
</tbody>
</table>

*Subject to fulfillment of certain conditions

**Proposed policy changes**

In July 2010, DIPP released a discussion paper on opening the multi-brand retail sector for foreign investment in India. The government of India has thus proposed to allow 51% FDI in the sector; however, certain conditions still remain mandatory to such investments. Some of the conditions currently being contemplated by the government for investment are:

- Permission from respective State governments would be necessary to open new stores
- Minimum limit of USD100 million (about `450-460 Cr) for FDI in multi-brand retail
Half of the total investment must be allotted for the back-end infrastructure like cold storage, soil testing labs and seed farming.

30% manufactured products should be sourced from small and medium enterprises (SMEs).

FDI is likely to be permitted only in the six big metros of Delhi, Mumbai, Kolkata, Chennai, Bengaluru and Hyderabad Nevertheless, the Committee of Secretaries is yet to release a Cabinet note for the proposed policy; hence, there could be some additional changes to it.

Implications of proposed policy

The proposed FDI policy for multi-brand retail has many restrictions/conditions, which are likely to raise some concerns from the investors.

Differences of opinion in the proposed policy

Some differences pertaining to the proposed FDI policy in multi-brand retail are:

- Consumer Affairs Ministry wants a larger share of 75% of FDI investment to be invested in back-end supply chains (Source: NDTV, 30 June 2011)
- Fear of small traders hindering large-scale retail vis-à-vis food inflation (Source: NDTV, 30 June 2011)
- Consensus is now emerging that at least all state capitals be covered, if not cities with over 1 million people (Source: Business Standard, 1 August 2011)
- Industry Ministry proposed that multi-brand retail giants may be allowed only in large cities, which have a population of over 1 million1 (Source: NDTV, 30 June 2011)
- Consumer Affairs Ministry insisting on FDI cap of 49% in the sensitive sectors (Source: NDTV, 30 June 2011)

The critical issues on Indirect Tax - Policy & Procedural and on Direct Tax are given below.

A. INDIRECT TAXES - Policy Issues: 05-12
B. INDIRECT TAXES - Procedural Issues: 13-21
C. DIRECT TAXES: 2

IEEMA PRE- BUDGET MEMORANDUM 2012-13

A. INDIRECT TAXES: Policy Issues:

1) Provide a Level Playing Field to Domestic Electrical Equipment Manufacturers vis-à-vis Foreign Supplier:
2) Interest on Excise Duty for Differential Price:
3) Merit Rate of Excise Duty for Power Generation, Transmission & Distribution Equipment:
4) Excise Duty Exemption on Steel / Cement used in construction of Mega / UltraMega Power Projects:
5) Concessional Rate of Excise Duty for Motor Starters upto ampere rating 7.5 kW:
6) Modification in Notification No. 15/2010-CE dated 27.02.2010 for supply to Solar Power Projects:
7) Duty Exemption on CRGO Electrical Steel:
8) Inverted Duty Structure on Insulators:
9) Anomaly in Customs Duty for Conductors:
10) Reduce Basic Customs Duty on Raw Materials for Conductors Industry:
11) Service Tax Exemption for Infrastructure Projects:
12) Provision in Service Tax in respect of availing Credit to Provider of Service:

B) INDIRECT TAXES - Procedural Issues:
2) CENVAT Credit of Excise Duty / CVD paid on Capital Goods:
3) Use of EDI System for Clearance of Rebate Claim:
4) Removal of Excisable Goods for Export to Special Economic Zone (SEZ):
5) CENVAT Credit on Endorsed Bill of Entry:
6) Storage of Non-Duty Paid Goods outside the Factory Premises:
7) End-use based Exemptions:
8) CENVAT & Job Work:
9) CENVAT Credit on Inputs Stored Outside of the Factory Premises:
10) Issuing of Certificates by the Range Superintendents or Asst. / Deputy Commissioner of Central Excise & Customs:
11) Rule 14 and Rule 15 of the Cenvat Credit Rules needs amended so far as credit is inadvertently / wrongly availed and not utilized, but reversed on notice:
12) Custom Notifications 96/2009-cus to 99/2009-cus and other notifications issued in relation to the Foreign Trade Policy needs following amendments:
13) Deferment of Date for Payment of Service Tax:
14) Suo motto adjustment of Service Tax:
15) Penalty, Interest & Prosecution:
16) Revision of Interest rate in case of refund under Custom, Excise and Service Tax:
17) Restoration of Exemption from Submission of Declaration Forms to States in the CST Act:
18) Project Import Registration:

C. DIRECT TAXES:
1) Enhance the Rate of Depreciation for Construction Equipment / Plant and machinery:
2) Difficult Terrain Exemption:
3) Tax Deducted at Source (TDS):

THE FUTURE WORK IN INDIA
- Organized retail is a new phenomenon in India and despite the downturns, the market is growing exponentially, as economic growth brings more of India's people into the
consuming classes and organized retail lures more and more existing shoppers into its open doors. By 2015, more than 300 million shoppers are likely to patronize organized retail chains.

- The growing middle class is an important factor contributing to the growth of retail in India. By 2030, it is estimated that 91 million households will be ‘middle class’, up from 21 million today. Also by 2030, 570 million people are expected to live in cities, nearly twice the population of the United States today.

- Consumer markets in emerging market economies like India are growing rapidly owing to robust economic growth. India’s modern consumption level is set to double within five years to US$ 1.5 trillion from the present level of US$ 750 billion. Thus, with tremendous potential and huge population, India is set for high growth in consumer expenditure. With India’s large ‘young’ population and high domestic consumption, the macro trends for the sector look favorable.

- Online retail business is another format which has high potential for growth in the near future. The online retail segment in India is growing at an annual rate of 35 per cent, which would take its value from Rs 2,000 crore (US$ 429.5 million) in 2011 to Rs 7,000 crore (US$ 1.5 billion) by 2015. For instance the Tata Group firm Infiniti Retail, that operates its consumer durables and electronics chain of stores under the 'Croma' brand, is in the process of tapping net savvy consumers. Similarly, the Future Group, that operates a dedicated portal ‘Futurebazaar.com’ for online sales, has revealed that it is targeting at least 10 per cent of the company’s total retail sales through the digital medium.

**Conclusion:**

It is widely believed that FDI is a key Electronic component in the growth process of any developing country. But it is not only factor that could help for the sustained growth. It must be supported by well-planned micro and macroeconomic policies. These policies taken together create a viable investment climate. The foreign direct investment and politically sensitive multi brand retail have been facing a lot of trouble being united and worked upon. The challenge lies in the 2 side issue-debate with multi brand industrialist and domestic retailers. It believe that industrial group representing foreign companies and industries are seeking towards investment, the latter fear for their future.

**Concluding this paper, propose that the investment may lead to an interruption in the smooth flow of the India economy**

Effective localization of global products: The company recognized different cultural and lifestyle needs, and customized products and technologies accordingly. The company designed products specifically targeted at the semi-urban and rural consumer in India. Enhancing distribution: It has high penetration levels in the rural and semi urban areas through an extensive distribution network. Accordingly, the Sales Tax on domestically manufactured capital
goods, the local levies and Octopi would not be considered for the purpose of evaluation of bids, irrespective of the fact whether the State Governments provide this exemption or not. However, some of the project authorities and customers do not accept this de-loading principle (regarding sales tax, local levies & Octroi) and evaluate bids taking these levies, including CST into account.

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FDI in Retail in India-Challenges and Opportunities

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Abstract
Indian retail market has experienced high growth over the last decade. It emerges as one of the most productive and flourishing sector of the country. Rise in purchasing power, growing consumerism and brand proliferation has led to retail modernization in India. It has already become a major contribution to the GDP of the nation. However, in spite of the recent developments in retailing and its immense contribution of the economy, retailing continues to be the least evolved industries and the growth of organized retailing in India is much slower as compared to the rest of the world. FDI in the retail can expand markets by reducing transaction and transformation costs of the business through adoption of supply chain and benefit consumers and suppliers. Oppositions have raised concern about employment loss, unfair competition resulting in exit of small domestic retailers from the market and distortion of urban cultural development. This paper aims to understand, analyze the challenges and opportunities faced by FDI inflow in retail sector in India

Keywords: FDI, retail, supply chain, employment loss, unfair competition, infrastructure.

Introduction:
The retail sector in India is expanding and modernizing rapidly in line with Indian economic growth. It contributes about 15% to the national GDP and employs a massive workforce of it after the agricultural sector. India’s growing economy with a rate of approximately 8% per year makes its retail sector highly fertile and profitable to the foreign investors of all sectors of commerce and economy all over the world. Liberalization of trade policy and loosening of barriers and restrictions to the foreign investment in the retail sector of India have collectively made the fdi in retail sector quite easy and smooth.

FDI
Foreign direct investment (FDI) refers to the net inflows of investment to acquire a lasting management interest (10% or more) in an enterprise operating in an economy other than that of the investor. FDI is the sum of equity capital, reinvestment of earnings and other long or short term capital as shown in the balance of payments. It excludes investment through purchase of shares.

FDI can be used as one measure of growing economic globalization. The retail industry in India is the second largest employer with an estimated 35 million people engaged by the industry. There has been opening of Indian economy to foreign organization for foreign direct investment through organized retail. The FDI in retail business can be made through any of the
following routes viz., Joint ventures, Franchising, Sourcing of supplies from small scale sector, cash and carry operations and Non-store Formats.

India retail reforms

Until 2011, Indian central government denied foreign direct investment (FDI) in multi-brand Indian retail, forbidding foreign groups from any ownership in supermarkets, convenience stores or any retail outlets, to sell multiple products from different brands directly to Indian consumers. The government of India, Ministry of Commerce and Industry, Department of Industrial Policy and Promotion has made the following amendments in Consolidated FDI Policy on 7, December, 2012

India will allow foreign groups to own up to 51 per cent in "multi-brand retailers", as supermarkets are known in India subject to the following conditions: Fresh agricultural produce, including fruits, vegetables, flowers, grains, pulses, fresh poultry, fishery and meat products, may be unbranded. Minimum amount to be brought in, as FDI, by the foreign investor would be US $100 million. At least 30% of the value of procurement of manufactured/Processed products purchased shall be sourced from Indian ‘small industries’ which have a total investment in plant & machinery not exceeding US $1.00 million.

Atleast 50% of total FDI brought in shall be invested in ‘backend infrastructure’ within three years of the first tranche of FDI, where ‘backend infrastructure’ will include capital expenditure on all activities, excluding that on front-end units; for instance, back-end infrastructure will include investment made towards processing, manufacturing, distribution, design improvement, quality control, packaging, logistics, storage, ware-house, agriculture market produce infrastructure etc. Expenditure on land cost and rentals, if any, will not be counted for purposes of back end infrastructure. This will considerably reduce the poor harvest losses and remunerative price to farmers.

Single brand retailers, such as Apple and Ikea, can own 100 percent of their Indian stores, up from the previous cap of 51 percent. All multi-brand and single brand stores in India must confine their operations to 53-odd cities with a population over one million, out of some 7935 towns and cities in India. It is expected that these stores will now have full access to over 200 million urban consumers in India;

The above policy is an enabling policy only and the State Governments’ Union Territories would be free to take their own decisions in regard to implementation of the policy. Whenever such measures are announced by the government, the opinion in reaction often gets divided. First we take up the arguments in support of the decision, which are as follows:

Favourable

Benefit to Indian farmers: The biggest beneficiary of FDI in retail would be farmers who will be able to improve their productivity. The foreign retailers will purchase raw materials from the farmers and various other goods from the original producer directly. The farmers across India’s 6, 00,000 villages stand to gain with higher profits and better market access. The farmers would
be getting good prices for their harvest. Direct purchase from farms will hugely benefit small farmers who are not getting good returns by selling in the local mandi. The payments will be directly credited into bank accounts and will be free from commission agents. The large retailers will also save 10-15% in commissions by purchasing fruits and vegetables directly.

**Benefit to Indian consumers:** Indian consumers will get access to quality goods at a low cost, that too at home. Big retailers will often allow discounts on selected items which will facilitate the consumers and they can end up with marginal bargains.

**Proper tax system:** Tax revenue will increase like VAT and service tax. The organized sales with computerized billing system will also yield more revenue through commodity taxes like VAT and service tax to the government. Thus tax buoyancy of the economy would increase.

**Partnership opportunity:** The central government is planning to have 51% foreign investment; this means the foreign retailers need partners for the rest investment to gain market. It will help Indian retailers to learn a lot which will lead to get higher profitability.

**Job opportunity:** There will be huge job opportunities in the country (in crores) as there will be opening of malls and store houses. It will expand the market creating large amount of additional jobs in retail. The job opportunities will vary from ordinary workers to specialized officers. The jobs will be created in front end and back end leading to a positive impact on economy.

**Distribution system:** The report shows that 30-35% of India’s total production of fruits and vegetables is wasted every year due to inadequate cold storage and transport facilities. Almost half of this wastage can be prevented if fruit and vegetable retailers have access to specialized cold storage facilities and refrigerated trucks. The giant retailers will help India to have strong storage system with highly developed transportation. Giant retailers with decades of experience on how to manage mountains of inventories supply them to key distribution centers and do it all faster, better, cheaper. The arrival of foreign retailers will definitely bring in synergies in distribution management practices.

**Benefit to Indian middle class:** Middle class will be benefited as they are three-fourth of Indian population. The emergence of large middle class in India and with rising disposable income, spends on branded products are likely to increase. The growth in the retail sector has so far been slower than what was projected, about 5 or 6 years back. The present FDI has once again arisen the hope of fast retail growth rate in India.

**Un-Favourable**

Now we will take up the arguments which will not support the decision.

The arguments against are that the new system will displace the traditional shops and petty retail stops in markets.
India has two types of un-organized retailers: one the big un-organized retailers i.e. the shop of wealthy consumers and the other small un-organized retailers i.e. the shop of poor consumers. The latter will remain untouched while the former may be marginally affected. The real India which is hardworking bread earners, comprising of 80 crore people will surely not be benefitted. In terms of employment in retail sector around 38% in rural areas and around 47% in urban areas depend on retail trade for their livelihood, which will be effected. Around 3414 crore people are directly or indirectly earning from the retail sector and if we associate their family members then this number would reach 40 crore. This may in turn render the people engaged there jobless and non business oriented. The medium and small retailers will surely be effected but not in a big way. The world class retailers will import with huge quantities of consumer goods from their mother country and elsewhere that are available relatively cheaper to the detriment of the interest of the domestic producers. The proposal has drawbacks as it says that the big retailers have to purchase 30% from the small scale industries but they could be anywhere in the world. So the Indian industry will not be benefitted.

Some experts say that wherever these big retail stores have gone they have ruined the local retailers. Small retail is the thing of the past in developed countries especially in the US & Europe. The small retailers are of the view that the central government should help them to become big instead to invite big foreign retailers in India. If these things continue, the country’s retail sector would be lost. If we take examples of two soft drinks like Coca-cola and Pepsi, we will know that wherever they have gone they have killed the domestic products. They did the same in India. Today we don’t hear about the brands like Campa Cola. It has vanished from the market.

According to the report in UK there were 56,000 retail shops before the entry of WalMart and after the entry of Wal-Mart they were reduced to 22,000 retail shops. This means the entry of companies like Wal-Mart, has resulted in closure of shops in UK.

Some experts say that there should be FDI in all large businesses like power, infra-structure, road and building leaving retail sector. There is a threat from China that has pumped goods into the state at less prices. It has forced closure of industries. China is the largest supplier to Wal-Mart. The foreign retailers will buy raw materials or other goods from China because Indian small scale goods would be costlier than the Chinese companies.

In Indi a, power is costly and not available, bank interest rates are higher, infra-structure and a. roads are not there. This would break the backbone of small scale industries in India. Some experts say that it was un-organized economy that has helped India to survive during the times of recessions which the US faced due to organized sector. The big retail does not create additional markets for themselves but they displace the existing ones.

**Challenges of Retailing in India**

In India, the retailing industry has a long way to go and to become a truly flourishing industry, retailing needs to cross various hurdles:
Competition from unorganized sector:
The first challenge facing the organized retail sector is the competition from unorganized sector. The Indian retail sector is overwhelmingly swarmed by the unorganized retailing with the dominance of small and medium enterprises in contradiction to the presence of few giant corporate retailing outlets.

Taxation which favours small retail business:
The tax structure in India favors small retail business. Organized retail sector has to pay huge taxes, which is negligible for small retail business. Thus, the cost of business operations is very high in India.

Absence of Developed supply chain and integrated IT management in retail Sector:
This lack of adequate infrastructure facilities, lack of trained work force and low skill level for retailing management further makes the sector quite complex.

Other challenges:
The intrinsic complexity of retailing- rapid price changes, threat of product obsolescence, low margins, high cost of real estate and dissimilarity in consumer groups are the other challenges that the retail sector in India is facing. Moreover, the status of the retail industry will depend mostly on external factors like Govt regulations and policies. Besides, the activities of retailers and demands of the customers also show impact on retail industry. Even though economy across the globe is slowly emerging from recession, tough times lie ahead for the retail industry as consumer spending still has not seen a consistent increase. In fact, consumer spending could contract further as banks have been overcautious in lending. Thus, retailers are witnessing an uphill task in terms of wooing consumers, despite offering big discounts. Additionally, organised retailers have been facing a difficult time in attracting customers from traditional kirana stores, especially in the food and grocery segment. Local chains like Big Bazar and Spencers haven’t dealt a deathblow to small retailers. So, the FDI in retail won’t affect them either. The local kirana community is strategic and agile to get wiped off. Their offerings such as home delivery, credit facility and personalized customer relationship management can never be matched by foreign retail players.

Opportunities:
Infrastructure:
The arrival of foreign retail chains has two fold impact. First, those companies set up supply chains and logistical capabilities, spurring significant improvements in the infrastructure needed to source, ship, store and deliver products (covering all aspects of value chain and supply chain activities, including storage, warehousing and information-intensive operations). Second, their entry and expansion induce domestic competitors to invest in infrastructure and logistics as
well as greatly speed up the emergence of product standards. It is a force multiplier that induces even more investment from competitors.

There will be more organization in the retail sector which will need more workers. It is expected by economists to reach $660 billion by the year 2015 from $250 billion retail sectors at present. The business in the organized retail sector of India is to grow most and faster at the rate of 15-20% every year and can reach the level of $100 billion by the year 2015.

Healthy competition will be boosted and there will be a check on the prices (inflation). Retail giants such as Walmart, Carrefour, Tesco, Target and other global retail companies already have operations in other countries for over 30 years. Until now, they have not at all become monopolies rather they have managed to keep a check on the food inflation through their healthy competitive practices.

Create transparency in the system:

The intermediaries operating as per mandi norms do not have transparency in their pricing. According to some of the reports, on average Indian farmer realize only one-third of the price which the final consumer pays. The foreign retail chains will have a more significant impact on traders that dominate procurement of commodities and perishables including grains and cereals. It is not surprising that these traders are the most virulent opponents of FDI in retail. It will be more difficult for the middlemen to dominate local geographies and restrict competition. For example, according to Business Standard, Walmart has introduced “Direct Farm Project” at Haiden Nagar in Punjab, where the farmers have been connected with Bharti Walmart for sourcing fresh vegetables directly.

The CII-Boston Consulting Group study found that an Indian tomato farmer earns about 30% or even less of the final price paid by the consumer (in developed countries, that percentage can be as much as 70%). For this reason alone, farmers and producers should welcome this development, traders oppose it). Indeed, the Indian Farmer and Industrial Alliance (IFIA), a joint venture of the Consortium of Indian Farmers Associations (CIFA), recognized the potential benefits of eliminating middlemen and has expressed its support for opening the retail sector to foreign investment.

Quality Control and Control over leakage and wastage:

Food often gets rot in farm, in transit, and in state run warehouses. Cost conscious and highly competitive retailers try to avoid their wastages and losses and it will be their endeavour to make quality products available at lowest prices, hence making food available to weakest and poorest segment of Indian society.

Heavy flow of capital will help in building up the infrastructure for the growing population.

There will be sustainable development and many other economic issues will be focused upon. Many Indian small shop owners employ workers who are not under any contract and also under aged workers giving rise to child labour. It also boosts corruption and black money.
Conclusion:

FDI in retail in India will definitely cause good to Indian economy and consequently public at large, if once implemented. Consumers get benefit through quality products at low price, farmers through direct marketing with more transparency in trading. Our Indian corporate with 49% profit share remaining with Indian companies only. It is also expected that technical know-how from foreign firms, such as warehousing technologies and distribution systems, for example, will lend itself to improving the supply chain in India, especially for agricultural products. India’s experience between 1990-2010, particularly in the telecommunications and IT industries, showcases the various benefits of opening the door to large-scale investments in these sectors. Arguably, it is now the turn of retail.

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A Survey on the Awareness of FDI Inflow to Education Sector in India among Teaching Professionals

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Abstract
Foreign direct investment (FDI) is a direct investment into production or business in a country by a company in another country, either by buying a company in the target country or by expanding operations of an existing business in that country. FDI Inflows to India is available in all the fields. FDI Inflows to Education sector in India has been allowed by the Indian government that is expected to provide significant benefits to Indian students. Many foreign educational institutions and universities have expressed interest in setting up branches in India. 100% FDI is allowed in education sector. India with the added advantage of having large pool of skilled people with secondary and tertiary level of education attracts foreign firms in science, R & D, and high technology products and services. So a survey was done to know the awareness of FDI Inflow to Education sector in India among teaching professionals. The sample consists of 110 teaching professionals from schools and colleges above the age of 35 years with teaching experience of 10 years and above. A questionnaire consisting of 15 items were given to respondents and Percentage analysis was done for the data obtained. Results indicated that 97% of the teaching professionals are aware of FDI Inflow to Education sector in India. 44% said that FDI in the educational sector results in more opportunities for the Indian students. 50% said that FDI in the educational sector results setting up of international educational institutions in India and will attract students from the neighboring countries to come and study in the institutions in India and this will help the country to become an important destination for education. 63% said that FDI in the educational sector results in Availability of world class research facilities. 76% said that the Effects of FDI Inflow to Education sector in India will make the students get quality education. Key Words: FDI inflow, Education sectors, Awareness, teaching professionals.

Introduction
Foreign Direct Investment (FDI) is a direct investment into production or business in a country by a company in another country, either by buying a company in the target country or by expanding operations of an existing business in that country. FDI usually involves participation in
management, joint-venture, transfer of technology and expertise. Direct investment excludes investment through purchase of shares. FDI Inflows to India is available in all the fields. FDI inflows are welcomed currently in 63 sectors as compared to 16 sectors in 1991. The sectors receiving the largest share of FDI inflows up to 2010 were the service sector and computer software and hardware sectors, each accounting for 22.14 per cent and 9.48 per cent respectively followed by the telecom, real estate, construction, automobile and education sectors.

The education sector in India is one of the most important sectors, as it holds the key to social and economic development of the country. The Indian government formulated the National Policy on Education in 1986 and modified it in 1992. The major objectives of the policy are to empower women, correct the regional and social imbalances that are there in the country, and also to ensure the development of the minorities of India. The government of India allotted funds to school education that came to around 17,133 crores in 2006-2007 and the next year, this figure increased to 23,142 crores. FDI Inflows to Education sector in India has been allowed by the Indian government that are expected to provide significant benefits to Indian students. Many foreign educational institutions and universities have expressed interest in setting up branches in India.

New Delhi, December 21, 2012 (PTI) the government told the Lok Sabha that a total of Rs. 192.50 crores worth of Foreign Direct Investment inflow was recorded in the education sector between April and September, 2012. In written reply to a question on FDI in education, Human Resource Development Minister Shri Kapil Sibal said, “Government has allowed FDI up to 100 per cent under automatic route in the education sector.” A report furnished by Department of Industrial Policy and Promotion (DIPP) on FDI inflow in education sector in the country recorded Rs. 192.50 crore this year. FDI Inflows to Education sector in India are expected to increase, as many foreign educational institutions have submitted proposals to make investments in the sector. FDI Inflows to Education sector in India are expected to come from Egmont Imaginations which has submitted a proposal to establish 200 play schools in the country. Further FDI Inflows to Education sector in India are expected to come from major American Universities such as, Georgia Institute of Technology, Yale, and Stanford, as they are eager to establish Greenfield campuses in the country.

Advantages of FDI inflows to education sector in India are:

- International educational institutions that come to India, will make students to get foreign education in India, cheaper.
- The seats are limited in the Indian educational institutions and so foreign direct investment in the educational sector would result in more opportunities for the Indian students.
- The Indian students will get libraries and labs that are of world class standards.
- The setting up of international educational institutions in India will attract students from the neighboring countries to come and study in those institutions in India and this will help the country to become an important destination for education.
• It will enable the Indian students to come in touch with the professors from across the globe.
• FDI in education will also lead to higher number of Indian students getting jobs in internationally acclaimed companies.
• It will attract the topmost universities across the world to set up their branches in the country and make the availability of world class research facilities.

Need of the study
The education sector in India is one of the most important sectors, as it holds the key to social and economic development of the country. The Indian government formulated the National Policy on Education to empower women, correct the regional and social imbalances that are there in the country, and also to ensure the development of the minorities of India. 100% FDI is allowed in education sector. India with the added advantage of having large pool of skilled people with secondary and tertiary level of education attracts foreign firms in science, R & D, and high technology products and services. FDI in education will also lead to higher number of Indian students getting jobs in internationally acclaimed companies. Having found the contribution of FDI in education and facilities offered for the betterment of the public in the education sector it was important to know as how many members were aware of it, how it is used and the impact of the FDI. So a survey was done to know the awareness of FDI Inflow to Education sector in India among teaching professionals.

Objective of the Study
To know the awareness of FDI Inflow to Education sector in India among teaching professionals.

Methodology
The sample consists of 110 teaching professionals from schools and colleges above the age of 35 years with teaching experience of 10 years and above. A questionnaire consisting of 15 items regarding the Meaning of FDI Inflow to Education sector in India, Prevalence of FDI Inflow, foreign education, opportunities for the Indian students, India being an important destination for education, Indian students getting jobs in internationally acclaimed companies, organizations offering the resource, effects of FDI Inflow to Education sector in India etc. The respondents were asked to fill a questionnaire. Percentage analysis was done for the data obtained and discussed.
Discussion:

### Table I: Awareness of FDI Inflow to Education sector in India

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Awareness of FDI Inflow to Education Sector in India</th>
<th>No. of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Through word of mouth</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>Through media</td>
<td>27</td>
<td>25</td>
</tr>
<tr>
<td>3</td>
<td>Both</td>
<td>68</td>
<td>62</td>
</tr>
<tr>
<td>4</td>
<td>Unaware</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>110</td>
<td>100</td>
</tr>
</tbody>
</table>

From the above table it can be seen that of the 110 respondents, 10% (11) said that FDI Inflow to Education sector in India is aware through word of mouth; 25% (27) said that FDI Inflow to Education sector in India through media; 62% (68) said that FDI Inflow to Education sector in India is aware by both the sources; 3% (4) of respondents are unaware of FDI Inflow to Education sector in India. This clearly indicates that FDI Inflow to Education sector in India is known by 97% of the teaching professionals.

### Table II: FDI in the educational sector resulting in more opportunities for the Indian students.

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Opportunities for the Indian students</th>
<th>No. of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Very rare</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>2</td>
<td>Not Common</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td>Common</td>
<td>44</td>
<td>40</td>
</tr>
<tr>
<td>4</td>
<td>Very Common</td>
<td>48</td>
<td>44</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>110</td>
<td>100</td>
</tr>
</tbody>
</table>

Table II shows that, of the 110 respondents, 6% (7) said that FDI in the educational sector resulting in more opportunities for the Indian students is very rare; 10% (11) said that FDI in the educational sector resulting in more opportunities for the Indian students is not common; 40% (44) said that FDI in the educational sector resulting in more opportunities for the Indian students is common; 44% (48) said that FDI in the educational sector resulting in more opportunities for the Indian students is very common. This indicates that FDI in the educational sector results in more opportunities for the Indian students. It is found that the teaching professionals being aware would very confidently guide students for good placement. FDI in education will also lead to higher number of Indian students getting jobs in internationally acclaimed companies, having taken quality education.
Table III: International Educational Institutions in India will attract students from neighboring countries to study and the country will become an important destination for education.

<table>
<thead>
<tr>
<th>S.No</th>
<th>Important Destination for Education</th>
<th>No. of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Very rare</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>2</td>
<td>Not Common</td>
<td>21</td>
<td>19</td>
</tr>
<tr>
<td>3</td>
<td>Common</td>
<td>26</td>
<td>24</td>
</tr>
<tr>
<td>4</td>
<td>Very Common</td>
<td>55</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>110</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Table III shows that, of the 110 respondents, 7% (8) said that International Educational Institutions in India will attract students and become important destination for education is very rare; 19% (21) said that International Educational Institutions in India will attract students and become important destination for education is not common; 24% (26) said that International Educational Institutions in India will attract students and become an important destination for education is common; 50% (55) said that International Educational Institutions in India will attract students and become an important destination for education is very common. This indicates that the services offered by teachers are remarkable with the quality of education that increase by innovative methods which will make FDI in the educational sector resulting in setting up of international educational institutions in India that will attract students from the neighboring countries to come and study in the institutions in India and this will help the country to become an important destination for education.

Table IV: Availability of world class research facilities by FDI Inflow to Education sector in India.

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Availability of world class research facilities.</th>
<th>No. of respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Very rare</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Not Common</td>
<td>13</td>
<td>12</td>
</tr>
<tr>
<td>3</td>
<td>Common</td>
<td>29</td>
<td>26</td>
</tr>
<tr>
<td>4</td>
<td>Very Common</td>
<td>63</td>
<td>57</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>110</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Table IV shows that, of the 110 respondents, 5% (5) said that Availability of world class research facilities by FDI Inflow to Education sector in India is very rare; 13% (12) said that Availability of world class research facilities by FDI Inflow to Education sector in India is not common; 29%
(26) said that Availability of world class research facilities by FDI Inflow to Education sector in India is common; 63% (57) said that Availability of world class research facilities by FDI Inflow to Education sector in India is very common. This indicates that FDI in the educational sector executes good academic sessions with resourceful teachers and also expose to improve pupils to explore in the different fields of interest with good source and record of research facilities. This results in availability of world class research facilities by FDI Inflow to Education sector in India.

Table V: The Effects of FDI Inflow to Education sector in India

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Effects</th>
<th>No. of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Will get quality education</td>
<td>84</td>
<td>76</td>
</tr>
<tr>
<td>2</td>
<td>Will get libraries and labs that are of world class standards.</td>
<td>13</td>
<td>12</td>
</tr>
<tr>
<td>3</td>
<td>Will enable the students to come in touch with the professors from across the globe.</td>
<td>13</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>110</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Table V shows that, of the 110 respondents, 76% (84) said that the Effects of FDI Inflow to Education sector in India will make the students get quality education, they may use innovative methods of teaching etc., 12% (13) said that the Effects of FDI Inflow to Education sector in India will get libraries and labs that are of world class standards; 12% (13) said that the Effects of FDI Inflow to Education sector in India will enable the students to come in touch with the professors from across the globe.

Conclusion:
1. 97% of the teaching professionals are aware of FDI Inflow to Education sector in India.
2. 44% said that FDI in the educational sector results in more opportunities for the Indian students.
3. 50% said that FDI in the educational sector results setting up of international educational institutions in India and will attract students from the neighboring countries to come and study in the institutions in India and this will help the country to become an important destination for education.
4. 63% said that FDI in the educational sector results in availability of world class research facilities.
5. 76% said that the Effects of FDI Inflow to Education sector in India will make the students get quality education.

Limitations of the study
1. The study was limited to only teaching professionals.
2. The size of the sample was limited and it can be extended to many more members for making conclusions.
Suggestions for Further Research

- A large study involving more samples at the national level will be more useful.
- The same study can be conducted by using variables to know more about FDI Inflow to Education sector in India

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Foreign Direct Investment in Single Brand in Retail Sector in India

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Abstract
FDI in Indian Retail Trade is a burning topic. FDI can be defined as a “cross border investment”, where foreign assets are invested into the organizations of the domestic market excluding the investment in stock. It brings private funds from overseas into products or services. The domestic company in which foreign currency is invested is usually being controlled by the investing foreign company, e.g. An American company taking major stake in a company in India. Their ROI is based on the performance of the project. In the past decades, FDI was concerned only with highly industrialized countries. US were the world’s largest recipient of FDI during 2006 with an investment of 184 million from OECD (Organization for Economic Co-operation and Development) countries. France, Greece, Iceland, Poland, Slovak Republic, Switzerland and Turkey also have a positive record in FDI investments. Now, during the course of time, FDI has become a vital part in every country more particularly with the developing countries. In this paper I explained:- What is the meaning of FDI in retail trade in India? FDI policy with regards to retail trade in India, FDI in single brand meaning, Experts wordings, Effects of the FDI policy in single brand retail sector and conclusion with suggestions.

Keywords: FDI, single brand, retail sector, developing countries.

Introduction
An investment made by a company or entity based in one country into another country. FDI differ substantially from indirect investment such as portfolio flows where in overseas institutions invest in equities listed on a nation’s stock exchange. Entities making direct investment typically have a significant degree of influence and control over the company into which the investment is made. Open economies with skilled work forces and good growth prospects tend to attract larger amount of FDI than closed, highly regulated economics. The investing company may make its overseas investment in a number of ways- either by setting up a subsidiary or associate company in the foreign country by acquiring shares of an overseas company, or through a merger or joint venture.

FDI in India
Foreign direct investment is also a part of Indian economy. The following chart gives that financial year wise equity inflows of FDI in India from April 2000 to February 2011.
FDI equity inflows share of top five countries are as follows:
Mauritius-42%, Singapore-9%, USA-7%, UK-5%, Netherlands-4%.

The following are the important sectors which attracts highest equity inflows in India from April 2000 to October, 2012.
Foreign Direct Investment in Retail Trade – Opportunities and Challenges

FDI in the Retail sector:

Retailing is one of the world’s largest private industry. Liberalizations in FDI have caused a massive restructuring in retail industry. The benefit of FDI in retail industry superimposes its cost factors. Opening the retail industry to FDI will bring forth benefits in terms of advance employment, organized retail stores, availability of quality products at a better and cheaper price. It enables a country’s product or service to enter into the global market.

Cheaper production facilities:

FDI will ensure better operations in production cycle and distribution. Due to economies of operation, production facilities will be available at a cheaper rate thereby resulting in availability of variety products to the ultimate consumers at a reasonable and lesser price.

Availability of new technology:

FDI enables transfer of skills and technology from overseas and develops the infrastructure of the domestic country. Greater managerial talent inflow from other countries is
made possible. Domestic consumers will benefit getting great variety and quality products at all price points.

Long term cash liquidity:
FDI will provide necessary capital for setting up organized retail chain stores. It is a long term investment because unlike equity capital, the physical capital invested in the domestic company is not easily liquidated.

Lead driver for the country’s economic growth:
FDI would create a competition among the global investors, which would ultimately ensure better and lower prices thus benefiting people in all sections of the society. There would be an increase in the market growth and expansion. It will increase retail employment and suppress untrained manpower and lack of experience. It will ensure better managerial techniques and success. Higher wages will be paid by the international companies. Urban consumers will be exposed to international lifestyles.

FDI opens new doors for Franchising:
Restrictions on FDI are considered as trade barriers as they deny direct market access to foreign firms. Retail giants who are at their wings, seeking entry into foreign market look for other available alternatives. These restrictions on the global retailers regarding the inflow of Foreign Direct Investment, leads them towards acquiring the market entry through franchises. Thus, countries which offer promising market potentialities for retail growth offers substantial growth in the franchising sector as well.

FDI in single brand meaning:-
The term “single brand retail” means that a retail store with foreign investment can only sell one brand which could be for product or services or could be single or multiple products or could be manufacturer brands and own label brands. Example of such as Pizza hut, Mc Donald’s and Addidas. FDI was strictly prohibited in this sector it was only in 1995, when the government of India, signed the GATS agreement which included opening of the wholesale and retail services to come into effect. After a gap of two years in 1997, FDI in cash and carry(wholesale) with 100% rights was allowed under the government approval route and in the year 2006, FDI in cash and carry was brought under automatic route. In February 2006, a decision made to open up the single brand retail sector, subject to certain terms and conditions and FDI up to 51% was permitted in single brand retail sector, were pressed for. How-ever, such moves have been vehemently opposed by the political parties and the stake holders from time to time. Finally, in November, 2011, the cabinet of India, decided to permit up to 100% FDI in single brand retailing. The DIPP, issued a press-note dated January 10, 2012, which notified the cabinet’s decision to permit up to 100% of FDI in the single brand retail sector, subject to the prior approval of the Foreign Investment Promotion Board of the Indian Government and certain other
conditions. According to the DIPP, the main objective behind permitting 100 percent FDI in single brand retail trading was to attract investment in production and marketing, improving the ability of such goods for the customer, encouraging increased sourcing of goods from India and enhancing competitiveness of Indian enterprise to ascertain advanced global designs, technology and management practices. Apart from these objectives, there are many other reasons for allowing 100% of FDI in the single retail brand sector. The globally owned single brands generally follow a 100% ownership business model. But because of the restrictive policy environment, the major global retailers were reluctant to establish their presence in India. The fact is proved by the fact that only 0.03% of the total FDI flows were received in the single brand retail sector in India, lastly to pass special resolutions require 75% majority. Therefore, raising the cap of FDI to 100% provides the foreign investors the ability to have full ownership and have control over the company established in India.

FDI policy:

Prior to press note 1, FDI in single brand product retail trading was allowed up to 51% under the government route. Further, prior to PN1, FDI in single brand product retail trading under the FDI policy was subject to the following conditions:

- Products to be sold should be of a 'Single Brand' only.
- Products should be sold under the same brand internationally, i.e. products should be sold under the same brand in one or more countries other than India.
- 'Single Brand' product-retailing would cover only products which are branded during manufacturing.

The foreign investor should be the owner of the brand.

The following press note 1 gives us the clear picture of the policy on foreign direct investment-liberalization of the policy in single brand retail trading. PN 1, with the 100% FDI infusion in single brand product retail trading under the Government route, has been made subject to further conditions in addition to the aforementioned already existing conditions:

- Overseas retailers who want to invest in single brand product retail trading in India beyond 51% will have to source 30% of their goods from "Indian" small industries, village industries and cottage industries, artisans and craftsmen.

Some of the objectives that the Indian economy seeks to gain with such relaxation are:

- Attracting investments in production and marketing;
- Improving the availability of such goods for the consumer;
- Encouraging increased sourcing of goods from India;
- Enhancing competitiveness of Indian enterprises through access to global designs, technologies and management practices.
Expert wordings:

- Corporate big wings said- “this will send a strong signal to foreign investors and enable the government to take up further economic reforms.”
- Mr. Kiran Mazumdar shaw, chairperson and M.D of Bio con said-“this will be a game changer for kick starting economy.”
- FICCI president R.V.Kanoria said-“It is a welcome development we fully support the government on the issue. The country needs to move forward. We need to send strong signal to foreign investors”
- Retailers association of India also hailed the development saying it is “a big positive step”.
- Mr. Adi godrej ,chairman of Godrej groups said-“it is extremely encouraging .A very good signal for reforms."

Right time to tap the Indian Market

India has emerged as one of the prime destinations for the investment of funds from an impressive number of foreign investors. Undoubtedly, with the further relaxations in the FDI norms, there is a lucrative opportunity for foreign players to enter one of the biggest territorial markets and reach out to a large customer base. It is also imperative that the players participate in market expansion by getting introduced in the Indian markets sooner than their competitors. Growth rate trend of the Indian industry together with the changing consumer inclination such as increased use of credit cards, brand consciousness, and the growth of population are factors that encourage a foreign player to establish outlets in India and tap the huge Indian market.

At present, most major global brands and retailers who are not yet in India are assessing the Indian market with keen interest, recognizing its strengths as a retail destination. It is widely speculated that major brands like Pavers England, IKEA, Gap and Starbucks, etc. have either already set the machinery running in order to make a timely entry in India or are seriously considering making the move. Furthermore, international brands that had already partnered with an Indian partner now can go solo without diluting their stake in the Indian market.

With the relaxation of norms, opening up of the market and pro-investment attitude of the government, this is the ideal time for prospective foreign players to make an earnest start in a major retail market, as India has finally stepped beyond the brink of further liberalization.

Single-brand retail reforms approved/effects:-
As per the first post report:-

The Government cleared 3 FDI proposals worth Rs. 106 crores in single brand retail sector including that of Americas oldest clothing retailer brookes brothers and UK’s footwear chain pavers England and FIPB has approved the proposal of IKEA.

The F1 proposal by Italian jewellery brand Damiani to set up a 51:49 joint venture with Mehta’s also got the government’s approval. The proposals were cleared by the foreign investment promotion board (FIPB) headed by economic affairs secretary Aravind Mayaram.
After the meeting Mayaram said that the proposal of pavers England has been cleared. Sources said the footwear retailer plans set to invest Rs. 100 crores.

At present, the UK based firm sells products through its Chennai based master franchisee trite on retail in 28 exclusive stores across India and also through retail outlets of Reliance foot print, Lifestyle, Shoppers stop and West side.

Brooke Brothers has been given permission to invest Rs. 6.22 crores in its recently announced 51:49 joint venture with Reliance brands, a unit of Reliance industries.

Earlier in June Reliance brands had said, “we will be looking at opening five stores over the next 3 sessions, starting with Fall Winter 2012 running through Fall Winter 2013”.

The company is targeting Mumbai, New Delhi, Bangalore, Chennai and Chandigarh. Brooks brothers introduced the first ready to wear suits in 1845. Its flagship store is at Madison avenue, New York city, a location it has held for almost 100 years.

Damiani India’s proposal is to bring in FDI worth Rs. 35.7 lakh. Ever since the Government liberalized the FDI policy to allow 100% FDI in single brand retail, a large number of global retailers have expressed interest to setup stores in India.

Under the earlier regime of up to 51% FDI, the country had managed to attract only about Rs. 200 crores worth of investment in the past 3 1/2 years in the segment.

India’s Foreign Investment Promotion Board (FIPB) approved IKEA’s US$1.9 billion investment plan in the largest ever instance of foreign direct investment into the country’s single-brand retail sector.

Future for FDI in single brand:-

FDI inflow in Single Brand Retail Trade was US$ 42.70 million from April 2000 to August 2012 which contributes 0.02% of total FDI inflows in India. Applications from Celio-a French cloth retailer, Gruppo coin-Italian apparel firm and Artsana are in works and are expected to receive by the government. Ikeaa-Sweedish furniture maker, 1.5 billion, Hennes & Mauritz (H&M), Mango and Tommy Hilfiger could follow soon. On Celio increasing its equity-currently Celio holds 50% stakes in a joint venture with the future group. Oviesse spa, a subsidiary of Gruppo coin, owns 37.5% in a joint venture with Mumbai based brand house retail. H&M may also foray into India on its own. H&M is the second largest European apparel maker after Spain’s Inditex group which operates the Zara stores.

Italian health and wellness products major Artsana spa plans to open fully owned retail business in India. Artsana which currently has a cash and carry venture in the country did not disclose on the company’s retail plan to company sells the Chicco brand of baby care products in India, through a franchise model.

Conclusion and suggestion:-

The small retailers are not so apprehensive about the big stores, they oppose allowing FDI in retailing in India. This may be because they are not well informed about the pros and cons of the proposed policy change. Thus, a country-wide discussion through the mass-media is highly pertinent regarding this issue. Moreover, FDI in retailing should not be seen as just another...
policy decision because it has a direct impact on agricultural sector as well. Allowing FDI may not be as based as some of us feel. But the policy must be well-drafted for which a country wide perceptional study of the stakeholders of retailing is solicited. FDI plays an important role in India's growth dynamics. The examples are software and service industry, two wheelers, automobiles and auto-components industries, electrical and telecommunications. FDI in these industries expand home and export markets, benefited consumers, general employment, increased productivity and wages and generated externalities to local firms. FDI in retail sector supported by effective local institutions can play similar role. The most important dimension of the possible benefits is generation of world class supply chain in India which will decrease transaction, information and production costs of business and expand markets significantly.

As long as the foreign players such as wal-mart to pricing based on long run average costs the benefits will accrue to consumers and farmers. Any technique and organizational changes have disruptive effects some losers in the short run and large number of gainers in the long run. As the presence of large retailers increase Government tax revenues will increase which can be used to compensate the losers. The main role of Government is to establish and implement effective and autonomous regulatory restraining and competitive conduct by firms, labour and environment regulations. The Government has to make credible commitments of its policies. Agents react different if they believe that the reform is only political window dressing and most of it will be retracted in the face of opposition. This behavior has a significant effect on the success of the reforms and the time it takes for the referred process. If the Government acts opportunistically in changing its policies, it sends signal of non credible commitments which discourages investments especially in durable assets. (With high fixed and sunk cost).

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Opportunities, Challenges and Threats in Indian Retail Sector with Specific Reference to Foreign Direct Investment

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Abstract
The high GDP growth, increased consumerism and liberalization, India has been portrayed as an attractive destination for FDI in retailing. The Retail Industry in India is the largest among all the industries. It accounts for over 10 percent of the country’s Gross Domestic Product and around 8 percent of the employment. Many Foreign Retailers are entering into this dynamic sector. This paper focuses on the Growth, Opportunities, Threats and Challenges in Indian Retail sector with specific reference to Foreign Direct Investment in India.

Key words: FDI, Retail, GDP.

Introduction:
The retailing sector in India has undergone a significant transformation. Traditionally, Indian retail sector has been characterized by the presence of a large number of small unorganized retailers. However, in the past decade there has been development of organized retailing, which has encouraged large private sector players to invest in this sector. With high GDP growth, increased consumerism and liberalization, India has been portrayed as an attractive destination for FDI in retailing.

At present, Government of India allowed 51% FDI in single brand retail and 100% in cash and carry only. But FDI in multi brand retail has not yet been allowed. One of the major steps taken by the Government recently to encourage the organized retailing in the country was the recent decision of the cabinet to allow 51% FDI in multi brand retail and 100% in single brand retail. This paper identifies the Growth of Retail Sector in India. Also, it discusses the Opportunities, Threats and Challenges in Retailing with specific reference to Foreign Direct Investment.
Foreign Direct Investment:

According to the International Monetary Fund, FDI is defined as “Investment that is made to acquire a lasting interest in an enterprise operating in an economy other than that of the investor. The investor’s purpose being to have effective voice in the management of the enterprise”.

Retailing:

It is defined as all activities involved in selling goods or services directly to the final consumer for their personal, non-business use via shops, market, door-to-door selling, and mail-order or over the internet where the buyer intends to consume the product.

Growth of Retail Sector in India:

According to a recent survey by the United Nations Conference on Trade and Development, India is projected as the second most attractive destination for FDI for multinational corporations during the years 2010-2012. The Indian retail market is currently unorganized and highly fragmented with an estimated 13-15 million outlets countrywide. The overall retail market is expected to grow at a Compound Annual Growth Rate of about 11-13 per cent by 2020-21, with the organized retail market expanding at 21-24 percent.

Currently, the Indian retail sector is estimated to be Rs. 18,673 billion. About 96 percent of the stores are in the unorganized sector. The Kirana stores number is around 12 million spread across 5,000 towns and 600,000 villages throughout India. India in 1997 allowed foreign direct investment (FDI) in cash and carry wholesale. Between 2000 and 2010, Indian retail attracted about $1.8 billion in foreign direct investment, representing a very small 1.5% of total investment flow into India.

Single brand retailing attracted 94 proposals between 2006 and 2010, of which 57 were approved and implemented. For a country of 1.2 billion people, this is a very small number. It is noted that an increasing number of people in India are turning to the services sector for employment due to the relative low compensation offered by the traditional agriculture and manufacturing sectors. The organized retail market is growing at 35 percent annually while growth of unorganized retail sector is at 6 percent.

Threats and Challenges of FDI in Retail Sector:

Numerous economists repeatedly recommended to the Government of India that legal restrictions on organized retail must be removed, and the retail industry in India must be opened to competition. The Economist forecasts that Indian retail will nearly double in economic value, expanding by about $400 billion by 2020. The projected increase alone is equivalent to the current retail market size of France. In 2011, food accounted for 70% of Indian retail, but was under-represented by organized retail. A.T. Kearney estimates India’s organized retail had a 31% share in clothing and apparel, while the home supplies retail was growing between 20% and 30% per year.
Most of the expenditure of Indian consumers is on food, on average about 50 percent of the total retail, which would be a lot higher for low income groups. Boston Consulting Group (2012) estimated that by 2020, the size of the organized retail to be around $260 billion with a penetration of 21 percent. Increasing middle class incomes and use of automobiles, refrigerators, credit cards and adoption of technology for supply chain is expected to shift the balance in favour of organized retail in metros and small towns.

A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working women population and emerging opportunities in the services sector are going to be the key factors in the growth of the organized Retail sector in India. Indian retail is expected to grow 25 per cent annually. Modern retail in India could be worth US$ 175-200 billion by 2016. The Food Retail Industry in India dominates the shopping basket. The Mobile Phone Retail Industry in India is already a US$ 16.7 billion business, growing at over 20 per cent per year. The future of the India Retail Industry looks promising with the growing of the market, with the government policies becoming more favourable and the emerging technologies facilitating operations.

The challenges facing larger FDI in India are in spite of the fact that more than 100 of Fortune 500 companies are already investing in India. These FDIs are already generating Employment Opportunities, Income, Technology Transfer and Economic Stability. India is focusing on maximizing political and social stability along with a regulatory environment. In spite of the obvious advantages of FDIs, there are quite a few challenges facing larger FDIs in India.

**Threats to Retailers:**

- Few existing firms may collaborate with the Global Giants to run the business successfully and to safeguard their business. It will be a great threat to the existing Retailers.
- The firms which collaborate with the Giants, may lose their self competitive strength.
- The Indian retail companies may not be able to survive in the ex-part competition.

**Threats to the Foreign Investors:**

- Some foreign firms have identified corruption as one of the major obstacles to FDI in India.
- The complicated Bureaucratic procedures.
- According to the report by World Bank, starting a business in India requires 11 procedures and median time is 71 days as compared to China, which has 14 procedures with a median time of 48 days.

**Challenges to the Foreign Investors:**

The support of the political structure has to be there towards the investing countries abroad. This can be worked out when foreign investors put forward their persuasion...
for increasing FDI capital in various sectors like banking and insurance. So, there has to be a common ground between the Parliament and the Foreign countries investing in India. This would increase the reforms in the FDI area of the country.

India is definitely developing in a much faster pace now than before but in spite of that it can be identified that developments have taken place unevenly. This means that while the more urban areas have been tapped, the poorer sections are inadequately exploited. To get the complete picture of growth, it is essential to make sure that the rural section has more or less the same amount of development as the urbanized ones.

India is known to have huge amounts of resources. There is manpower and significant availability of fixed and working capital. At the same time, there are some underexploited or unexploited resources. The resources are well available in the rural as well as the urban areas. The focus is to increase infrastructure 10 years down the line, for which the requirement will be an amount of about US$ 150 billion. This is the first step to overcome challenges facing larger FDI.

Very important among the major challenges facing larger FDI, is the need to speed up the implementation of policies, rules, and regulations. The vital part is to keep the implementation of policies in all the states of India at par. Thus, asking for equal speed in policy implementation among the states in India is important.

India must also focus on areas of poverty reduction, trade liberalization, banking and insurance liberalization. Challenges facing larger FDI are not just restricted to the ones mentioned above, because trade relations with foreign investors will always bring in new challenges in investments

**Conclusion:**

This paper on the flow of Foreign Direct Investment on Retail Industry in India discussed the Growth of Indian Retail Sector. And also, it analysed the various avenues of Opportunities, Threats and Challenges for Foreign Direct Investment. This study throws light for the Foreign Direct Investors to understand the Challenges and Opportunities available for them. The contents of the study is an Eye Opener for the Research Scholars who are undergoing research in the Retail sector.

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Retail Market - An Impact of MNC’s Entry in India

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Retailing in INDIA
- Retailing in India is one of the pillars of its economy and accounts for 14 to 15 percent of its GDP.
- The Indian retail market is estimated to be 450 and one of the top five retail markets in the world by economic value.
- India is one of the fastest growing retail market in the world, with 1.2 billion people.

Growth After 2011
- Before 2011, India had prevented innovation and organized competition in its consumer retail industry.
- Several studies claim that the lack of infrastructure and competitive retail industry is a key cause of India’s persistently high inflation.
- In 2011, food accounted for 70% of Indian retail, but was under-represented by organized retail.
- A.T. Kearney estimates India’s organized retail had a 31% share in clothing and apparel, while the home supplies retail was growing between 20% to 30% per year

Major Indian Retailers
- Indian apparel retailers are increasing their brand presence overseas, particularly in developed markets.
- It plans to open three Reliance Retail-Formats: Reliance MART, Reliance SUPER, Reliance FRESH, Reliance Footprint, Reliance Living, Reliance Digital, Reliance Jewellery,
- Reliance Trends, Reliance Autozone, iStore.

Challenges
- India’s labor productivity in food retailing is about 5% compared to Brazil’s 14%; while India’s labor productivity in non-food retailing is about 8% compared to Poland’s 25%.
- Total retail employment in India, both organized and unorganized, account for about 6% of Indian labor work force currently - most of which is unorganized.
- This about a third of levels in United States and Europe; and about half of levels in other emerging economies.
INDIA Retail Reforms

- The government of Manmohan Singh, prime minister, announced on 24 November 2011 the following:
- India will allow foreign groups to own up to 51 per cent in “multi-brand retailers”, as supermarkets are known in India, in the most radical pro-liberalisation reform passed by an Indian cabinet in years;

Indian retail reforms on hold

- According to Bloomberg, on 3 December 2011, the Chief Minister of the Indian state of West Bengal.
- India Today claims the policy is good for the small Indian farmer and the Indian consumer

Single Brand Retail Reforms Approved

- On January 11, 2012, India approved increased competition and innovation in single-brand retail.
- India requires single-brand retailer, with greater than 51% foreign ownership, to source at least 30% of the value of products from Indian small industries, village and cottage industries, artisans and craftsmen.

Types of retail industry:

- Organised retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc.
- Unorganised retailing, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc.

Retailing formats in India

- Malls
- Specialty Stores
- Discount Stores
- Department Stores
- Hyper marts/Supermarkets
- MBO’s
- Convenience Stores

Issues in Retail Marketing

Competitors

One of the biggest problems in retail marketing is competition from other retail outlets. Often, various stores offer the same products, and individual stores must produce marketing
materials that convince consumers to buy from them instead of a competitor. When a retail store plans its marketing, it must work to find new and innovative ideas.

**Convenience**

With the increasing use of the Internet on personal computers and mobile phones, location-based retail outlets have to work harder to get customers into the store. When marketing a retail store, the advertisements and materials must offer customers a greater incentive to spend the gas money and time to come to your store as opposed to ordering their products online. Because the Internet is constantly available to consumers, retail stores often double their marketing efforts to ensure that their name and products are in front of customers as often as possible.

**Time Frame**

Many retail areas have a high product turnover rate, which means that advertisements and promotional materials must keep up. Stores must change the design and content of their websites, circulars and catalogs to reflect the changes in inventory. Retail marketing is a fast-paced, continuously changing process that requires a considerable investment of time and money.

![Growth of retail sector from 1998 to 2010](image)
Retailing formats

Benefits of allowing FDI

Consumers – price reduction, choice

Development in the market

Improved competition
Supply Chain Management

- To provide uninterrupted flow of goods and services
- Quality
- Reduce inventory investment
- High customer service
- Quick responsiveness to customer’s changes
- Select & maintain competent suppliers
- Purchasing at a lower total cost

A Few Indian Retailers in organised sector:

- Big Bazaar – The Discount Hypermarket
- Pantaloons, Shoppers stop - The Family Store
- Bata- Foot wear retailers
- Viveks, Tata Croma- Few consumer durable chains

Challenges in Indian retail market

- Government policy
- Lack of adequate infrastructure facility
- High cost of real estates
- Dissimilarity in consumer groups
- Restriction in FDI
- Shortage in retail study option
- Storage of trained man power
- Low retail managements kill
- Heavy investments
- Competitors from unorganised markets
- Supply chain inefficiencies
• Retail differentiation
• Inadequate power supply

Some of the other regulatory aspects in India presently are
• Foreign-owned Indian companies cannot own and operate retail outlets except some specific areas
• 51% FDI allowed in single brand formats
• 100% FDI in cash carry formats
• No FDI in multi brand stores (Wal-mart)
• Urban Land Ceiling Act and Rent Control Acts

Retail Marketing Case Study - Shoppers Stop About Shoppers stop:
Shoppers Stop is one of the first retail chains started in India in 1991 by the Raheja Group. It now boasts of 27 retail outlets across the country and is one of India’s largest retail chains, having expanded from apparel and accessories to home furnishings and books under the Home Stop and Crossword Brands.

The Challenge:
Executives at the Shoppers Stop Group noticed their sales falling into the 80:20 pattern with loyalty card customers despite being only 15% of the base contributing over 70% of the revenues of Shoppers Stop.

The solution:
Shoppers Stop conceptualized ‘Project Drishti’, a data warehouse and mining project. The objective of the project was to streamline data obtained from customers across all its stores and loyalty programs and convert it into analytics that could be used for decision making.

Project Drishti led to the Group being able to identify and understand their target segments across various stores and programs and create meaningful targeted campaigns for their bigger spenders.

While the sales increase and customer base expansion achieved by Shoppers Stop till date is important, what is most important is the fact that Shoppers Stop has equipped itself with the weapon for the future- "Customer Intelligence." Ad this weapon will keep it ahead of competition till competitors do a catch up and build smarter intelligence.

Factors that are playing a role in fuelling the bright future of the Indian Retail are as follows:
• The income of an average Indian is increasing and thus there is a proportional increase in the purchasing power.
• The infrastructure is improving greatly in all regions is benefiting the market.
Indian economy and its policies are also becoming more and more liberal making way for a wide range of companies to enter Indian market.

Indian population has learnt to become a good consumer and all national and international brands are benefiting with this new awareness.

Another great factor is the internet revolution, which is allowing foreign brands to understand Indian consumers and influence them before entering the market. Due to the reach of media in the remotest of the markets, consumers are now aware of the global products and it helps brands to build themselves faster in a new region.

Conclusion

The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them.

The India Retail Industry is gradually inching its way towards becoming the next boom industry.

Favourable government policies and continued growth will mean that the future belongs to the most aggressive players. The future is now.

References:
2. http://retail.about.com