



An Analysis of Foreign Direct Investment and its Impact on Retail Sector

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ABSTRACT

Liberalization of economy after 1990s has brought new development as well as new challenges at micro level business activities in India. One of the major challenges the micro level business activities is that the small traders, farmers, feel that the exposing Indian economy to global market forces will affect their local business. Allowance of FDI inflows, thus has been hot debate issue in retail sector in India recently. This research aimed at discussing various issues related to retail market, which was supposed to be reserved only up to domestic market forces. Especially, the farmers, small scale retailers and employees have felt its direct impact; hence, it was found that due to governments' initiatives in framing FDI policy, the rights of the domestic retailers are protected. Therefore, FDI became one of the handy tools within the commercial tool to augment their technological, supply chain, management potential and compete in global market. Despite a loud cry from domestic retailers for protecting the right business in Maharashtra more and more investors had been called in to invest in the state making it competitively strong among other state in India.

Introduction:

Liberalization of economy after 1990s has brought new development as well as new challenges at micro level business activities in India. One of the major challenges the micro level business activities is that the small traders, farmers, feel that the exposing Indian economy to global market forces will affect their local business. Allowance of FDI inflows, thus has been hot debate issue in retail sector in India recently. This research aimed at discussing various issues related to retail market, which was supposed to be reserved only up to domestic market forces. Especially, the farmers, small scale retailers and employees have felt its direct impact; hence, it was found that due to governments' initiatives in framing FDI policy, the rights of the domestic retailers are protected. Therefore, FDI became one of the handy tools within the commercial tool to augment their technological, supply chain, management potential and compete in global market. Despite a loud cry from domestic retailers for protecting the right business in Maharashtra more and more investors had been called in to invest in the state making it competitively strong among other state in India.

The concept of retail

Retailing is market activity in which the shop owner or vendor sells goods to the customer for ultimate consumption or end users i.e. the goods are no more involved in sell and purchase activity. The term retail refers to the original word '*retailer*' - French word that means 'to cut a piece off or 'to break bulk. In other words, it means direct transaction with the customer.

According to Vidushi H. and N. Grover, retailing is the buying and selling of goods and services; it is the timely delivery of goods and services demanded by consumers at prices that are competitive and affordable. 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 a market activity between the manufacturer or producer and an individual customer wherein the goods and services are purchased for ultimate use instead of reselling. "It does not cover direct interface between the manufacturers and institutional buyers for instance, the government and other bulk customers. It is the last link that connects the individual consumers with the manufacturing and distribution chain. A retailer is involved in the act of selling goods to the individual consumer at a margin of profit.

Significance of the Study

In the present era, retailing is getting wider scope from the point of view growth of Indian economy. While aiming at overall growth of economy, it is responsibility of the government to regularize business dealings.

Objectives of the Study

The broad objective of the present study is to study the foreign direct investment (FDI) and its impact on Retail Sector:

- 1 To analyze the sectors attracting highest FDI equity inflows
- 2 To study the measures taken to increase and attract FDI inflows in retail sector ,
- 3 To know the impact of FDI on retail sector.
- 4 To suggest the strategy for policy measures to attract more FDI

Research Methodology

For the present study the researcher puts forth FDI scenario triggered by new economic policy, then reviews of retail market in terms of unorganized and organized retail market with opportunities and challenges confronted due to global competitors. Later the presence foreign enterprise through organized retailing in Maharashtra is analyzed. In order to evaluate the FDI implications of retail sector in India, a descriptive and analytical approach has been adopted. Both the data collection methods were used to complete the study that is primary and secondary data resources.

Primary Data:

To collect the primary data, the researcher conducted a filed survey with help of scheduled questionnaire and visits to the cities and towns where major minor retail companies dominate retail market with help of foreign partners in Maharashtra. The data was accumulated through the structured questionnaires, personal interviews and observations.

Secondary Data:

As far as the secondary sources is concerned the annual reports about FDI by government and private organizations, private and government web portals, journals, magazines, newspapers, published and unpublished documents, research articles, reports, Annual Social and Economic Review Reports of Maharashtra have been utilized. In order to evaluate the FDI implications of retail sector in Maharashtra and at boarder level in India, an analytical and descriptive approach has been adopted.

Investment in Industries

One of the major points how Maharashtra state had been incessantly a desired place for setting up industries. One of the major reasons to have more industries is that the availability employment opportunities along with infrastructure, skilled man power and peaceful social-political conditions gave way for growth. As has been pointed out in the State Economy profile, it shares ten to fifteen percent investment and employment generation in the country. A glance at the following table will suggest nature of development activity in terms of highest number of approved industrial proposals against the other states in India.

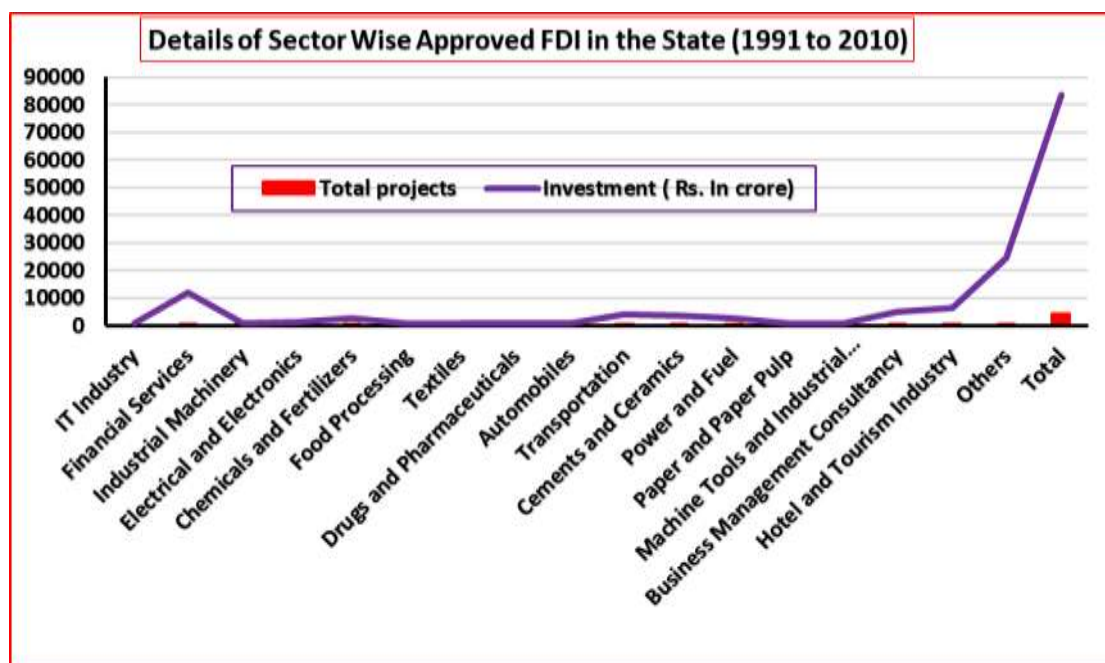
Table No.1.1

Details of Sector Wise Approved FDI in the State (1991 to 2010)

Industrial groups	Total projects	Investment (Rs. In crore)
IT Industry	762 12,	765
Financial Services	667	11858
Industrial Machinery	261	771
Electrical and Electronics	212	1467
Chemicals and Fertilizers	197	2666
Food Processing	173	1039
Textiles	122	1051
Drugs and Pharmaceuticals	121	1012
Automobiles	112	895
Transportation	108	4124
Cements and Ceramics	58	3727
Power and Fuel	39	2841
Paper and Paper Pulp	27	767
Machine Tools and Industrial Instruments	89	717
Business Management Consultancy	369	4962

Hotel and Tourism Industry	95	6326
Others	732	24468
Total	4175	83779

Source: Directorate of Industries, Government of Maharashtra



The above table and graph highlights, that Maharashtra state was one of the favored destinations for investment. It is evident that it attracted total 4175 total industrial project worth 83779 crore of rupees during the year 1991 to 2010. The data evidently proves that Maharashtra state became investment hub for all types of industrial investment from IT to hotel and tourism industry. Some of the reasons for having investment at such a rate are made clear by explaining some of the FDI determinant factors.

Conclusions & Suggestions

The administrative wing of domestic malls is constantly under pressure due to higher turnover incurred on hiring support, front-end staff in the malls. 80% middle managerial post filled from across the country and only support staff is recruited from local areas. 65% malls experience interference from charity and social, political organization during festive season and the mall administration have to undertake extra efforts to appease the demands of the local public. Almost all the malls have allocated budgets for development of infrastructure in and around the mall premises. Before taking any decision in the parliament, the government of Indian must conduct awareness campaigns, hold discussions consumers, general kirana shops, local, regional traders, commission agents, and employees in general. This will enable understanding the importance of FDI.

The print and television media should provide more coverage to the issue of FDI so that general public should expresses its views and allow it in retail industry.

The Govt. should provide special concessions for distributors so that agriculture producers get fair price of their products. Thus, the distributor lobby would get its share and famers shall understand importance of quality products as expected by malls in cities.

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