

Impact of Foreign Direct Investment in Indian Retail Sector.



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I) Introduction

Indian retail industry is the biggest industry in comparison to other industries. It Occupied 14% of India's Gross Development product and near about 8% of the employment. It has two sector viz. organized sector and unorganized sectors. Organized sector refers to that part which is well regulated i. e. registered stores. Unorganized sector includes the traditional stores such as pan tapri, corner store etc. Retail sector is fastest growing sector in India. 90% retail business is run by the unorganized retailers. The organized retail sector is still at emerging stage.

Foreign Direct Investment (FDI) as defined in Dictionary of Economics is investment in a foreign country through the acquisition of a local company or the establishment there of an operation on a new site. In short FDI refers to capital inflows from abroad that is invested in or to enhance the production capacity of the economy. In November 2011, India's Central Government announced retail reforms for Multibrand stores and Single brand stores. The announcement sparked intense activism. In July 2011 the GOI has recommended FDI in retail sector as -

- 1) 51% in Multi-Brand retail
- 2) 100% in Single – Brand retail.

II) Objectives of the Study

- 1) To understand the concept of FDI.
- 2) To identify the Positive Impact.
- 3) To identify the Negative Impact.

III) Research Methodology

Research methodology is purely depend on secondary data sources from reference books, magazines, newspapers and internet.

IV) FDI Share in organized sector of countries.

Table 4.1 Share of organized sector in selected countries.

Country	Share of organized (%)
U. S. A.	85
U. K.	80
Japan	66
Russia	36
India	04

(Source: Planel Retail & Technopak Adviser Pvt. Ltd. & ICRTER)

Table 4.2 Multi-Brand Retail FDI Policy in other countries

FDILimit	Country
100%	Chaina
100%	Thailand
100%	Russia
100%	Indonesia

(Source: Times of India, 3rd December 2011.)

The Chaina had introduced FDI in retailing 20 years back. The emerging economics like India and chaina are compared, We see that the chainas development was three times more than our country. 100% Multy Brand Retail FDI Policy countries are already developed in 20th century.

V) Positive Impact of FDI

Some of the positive results of FDI are as under.

- 1) The India's more population is young, so more than 1 crore job will be created.
- 2) Because of FDI India will increase the export capacity.
- 3) There has been an impressive growth in retail and wholesale trade.
- 4) The big companies with huge investment capacity will buy goods at lesser rates and pass on big discount to consumers.
- 5) The farmers will be able to get better price for their produce and stroge facility will improve.
- 6) The regulation of the FDI Bill that 30% of the total procurement has to come from small and medium enterprises will benefit the domestic businesses.
- 7) The 51% FDI will benefit the consumers as they will have wider choice at competitive prices.
- 8) A strong legal framework in the form of the competition commission is available to deal with the anti-competitive practices.
- 9) FDI in retail sector will bring much needed foreign investment in the country along with technology and best global practices.
- 10) By allowing FDI in Indian market, it will teach the local retailers about real competition and help in insuring that they give better service to Indian consumers.

VI) Negative Impact of FDI

Some negative impact of FDI in retail sector of India are said to be –

- 1) If 51% FDI is allowed in retail market, it will be a big trouble for the small shopkeepers and small retailers in the market.
- 2) Job in manufacturing industry will be lost soon because organized international retails marketers purchase internationally and not from the domestic market.
- 3) Farmers will be given remunerative prices initially but eventually they will be at the mercy of big retailers.
- 4) Once these giant foreign retailers have monopoly, they will start exploiting the market.

VII) Conclusion

FDI in retailing is going to attract foreign retail players, but India should welcome them with a talented pool of human resources by promoting institution imparting knowledge in retailing. Protection must be given to Indian small and medium retailers as retailing is their source of livelihood. Then the FDI Bill will be give definitely a positive impact on the retail industry and the country by attracting more foreign investment.

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