



*Journal of Advances and
Scholarly Researches in
Allied Education*

*Vol. IX, Issue No. XVII,
January-2015, ISSN 2230-
7540*

F.D.I. IN INDIAN RETAILING: ISSUES AND CHALLENGES

AN
INTERNATIONALLY
INDEXED PEER
REVIEWED &
REFEREED JOURNAL

F.D.I. in Indian Retailing: Issues and Challenges

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Abstract – Foreign Direct Investment (FDI) plays an extraordinary and growing role in global business. It can provide new technologies, capital, processes, products, organizational technologies and management skills and as such can provide a strong impetus to economic development. New FDI policy in India will allow 51 percent in multi brand retail and 100 percent in single brand retail, opening the door to global players. This policy will bring more demand from overseas give more confidence to mail dealers. FDI refers to capital inflows invested in to enhance the production capacity of the economy. In the post liberalization era, organized retail has grown exponentially.

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INTRODUCTION

Today, retail is the new buzzword in India. The global retail development index ranked India first among the top 30 emerging markets in the world. Retailing is the function of providing the manufactured goods or services to the final consumer or end user. Today the retail business is the largest industry with highest outlet density in the world. It is the biggest employer after agriculture and provides employment to about 8 percent of population. The strategies followed by foreign retailers with special reference to China provide a scope of benefits and challenges of FDI faced in retailing in India (Diwe S.L., 2013). The retail sector has emerged as one of the most appealing investment areas for domestic as well as foreign investors. And this high growth curve owes some credit to a booming economy and liberalized foreign direct investments. FDI norms were recently liberalised in multi brand retailing by allowing FDI in multi brand retail trade.

Retailing is the interface between the producer and the individual consumer buying for consumption. As such, retailing is the last line that connects the individual consumer with the manufacturing and distribution chain. 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 Kirana store. Multi brand retail comes in different formats like supermarket, hypermarket, compact hyper and the ubiquitous mall. The success of this sector is best reflected in the fact that the shares of retail companies are well represented in all top mutual funds (Kailaspati M. Vishwakarama, 2013). However, the sector is constrained by several factors, primarily by a highly restrictive licensing regime and overall poor infrastructure.

The main purpose of this article is to explore the issues and challenges of foreign direct investment in retail business of India. FDI in multi brand retailing is a topic discussed with great concern as it will not only effect India's long run growth but also the Indian farmers and agriculture firms. Retailing in India is gradually marching its way toward becoming the next boom industry. The whole concept of shopping has altered in terms of format and consumer buying behaviour. Ushering in a revolution in shopping, India has occupied a remarkable position in global retail rankings. FDI is one remedy to multiply investment and benefits of growth. It can also offer many sectoral as well as socio-economic advantages. The article attempts to prove the strengths by identifying the peculiarities of Indian economy, affecting its retail sector and the potential impact of FDI on Indian retail sector and economy as a whole of any ignorance of domestic realities.

The Government of India was initially very apprehensive of the introduction of the Foreign Direct Investment in the Retail Sector in India. This paper is divided into four parts. First, it attempts to examine the indispensability of FDI in India, second, it derives the impact of FDI in India so far on GDP and inflation, third, it discusses the issues put forth by FDI in India and lastly, it proposes a model convergent to challenges of social and economic justice to the citizens of India.

ISSUES :

The opening of a multi brand store in a state will depend upon the permission of that state government. The opening up of FDIs in multi brand retailing is a liberalisation measure to reform policy of the government. FDI in Multi-Brand retail will not harm the Indians rather it is beneficial for the consumers, farmers and small entrepreneurs. Moreover, there is no need to be afraid of closing the mom and pop shops. FDI in retail sector in India

cannot be ignored or avoided since it would pave the way for new employment opportunities. The Foreign Direct Investment in Multi-Brand retailing in India, has undergone significant change and is emerging fastly. Inviting FDI to enter multi-brand retail in India is a progressive measure to restructure the Indian Economy. Widely debated issues emerged in the Indian retail marketing on account of organised retailers and FDI in multi-brand retailing (Parkash Chandra Deogharia, 2014; Leena Ajit Kaushal, 2014). The pertinent question emerged in this context is whether organised retailers or Mall culture be introduced into the traditional bound Indian retail marketing and how do and in what the mega retailers would influence the buying behaviour of Indian consumers in retailing.

K.V. Bhanumurthy, 2015 finds that it will benefit not only the Indian consumer but also open the door for Indian products to enter the wider global market. FDI is retailing would surely be an advantage to India and allowing in big foreign retailers provide an impetus for them to set up modern supply chains, with more efficient logistics, foreign chains can also bring in homologous logistical benefits and capital.

51 percent FDI in multi brand retail 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. FDI in multi brand retail may be allowed after giving full opportunity to the unorganized retailers and small manufactures to unite or be competitive FDI provide an inflow of foreign capital funds investment, in addition to an increase in the transfer of skills, technology and job opportunities. The storage issue concerning the influx of foreign direct investment in the Indian retail industry is to integrate its economy with that of the global economy.

Kothari, H.C. et. al (2015) observe that FDI in multi branding is the process of selling or marketing of two or more widely products by the same firm under different brands India will get advanced technologies and better infrastructural facilities, boost real estates, farmer will get better prices of their crops and people will get employment, at first glance. There is a relationship between investment and employment. In his general theory, Keynes (1936) noted the existence of a direct relationship between investment and employment. However, there is still considerable divergence in views among economist about the employment effects of FDI. FDI can have some positive results on the economy, triggering a series of reactions that in the long run can lead to greater efficiency and improvement of living standards, apart from greater integration into the global economy. Supporters of FDI in retail trade point out that ultimately the consumer is benefited by both price reductions and improved selection provided by the technology and know-how of foreign players in the market.

CHALLENGES :

Gaurav Bisaria (2012) concludes that FDI in multi brand retail will start a better integration of Indian economy into the global markets. There is no reason to worry by small retailers and shopkeepers may get displaced. The strategic issues that are important for allowing the FDI inflow in the retail sector and provides the necessary framework as to how the economy would benefit as a consequences of FDI.

Organized retail has high benefits for the overall economy, imparting efficiency in the supply chain, raising incomes, providing employment and infusing technology. It plays a crucial role in driving inclusive growth through positive impacts on three key stakeholders, namely producers, workers and consumers. Multi retailing will have positive as well negative impact on Indian economy, Indian retail sector, customers, farmers and society, (Mamta Jain et. al, 2012). There are several challenges before foreign players which are needed to be addressed by them before entering into India. In India we believe traditions and of the people are having their traditional businesses which directly thrown out of the competition after introduction of FDI. Self-employed people like farmers and small entrepreneurs are generally small investors who cannot compete with foreign well established businesses.

India will significantly flourish in terms of quality standards and consumer expectations, since the inflow of FDI in retail sector is bound to pull the quality standards and cost-competitiveness of Indian producers in all the segments. The bulk of Indian economy would gain significantly from the emergence of a well-capitalized retail industry. The organized retail industry is one of sunrise sectors to have a huge growth potential. The ethical behaviour of retailers towards various stakeholders in retailing in India is of average level, prevailing in Indian retail sector.

Through FDI in retail sector, customers can have access to greater variety of international quality branded goods, employment opportunities and increase in disposable income. Once the concept picks up, due to demonstration effect, there will be an challenge for overall up gradation of domestic and rural retailing as it is still and unexploited Indian market. FDI is multi brand retailing in India will bring numerous benefits for consumers, farmers and help in generating employment opportunities. FDI in Indian retail will provide inflow of investment and funds, improvement in the quality of employment, generating more employment, growth of infrastructure, increased efficiency and cost reduction.

CONCLUSION :

The momentum of Liberalization of the Indian economy and its integration with the global economy cannot be reversed. It is better to enjoy with the tide. It is wise to be on the right side of the history. Opening of Multi-brand stores, setting up of infrastructure and

maintenance of quality products, during initial stages would force to sell the products at higher price. So Government's plea, that inflation would be controlled to a larger extent, does not convince majority of Indians. Despite country wide speculation on the plight of small retailers, India needs to take a lesson from China where organized and unorganized retail seems to co-exist and grow together. Furthermore, India's local enterprises will potentially receive an up gradation with the import of advanced technological and logistics management expertise from the foreign entities.

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