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ORIGINAL ARTICLE

"Foreign Direct Investment (FDI) And Indian Retail Market"

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Abstract:

India is a developing country. We have need of basic capital investment in the area of Agricultural as well as Retail Sector. On November 24, 2011, the Union Cabinet of the Indian government approved a proposal of allowing 51 percent FDI in the multi-brand retailing in India and 100 percent FDI in the single-brand retailing, subject to certain conditions. Earliest Indian government has taken a final decision in this regard for FDI in retail sector. Local market, low price, consumer satisfaction and relation, storage facility, credit facility, distribution network etc are the strength of the retailer's, by which retailers can fight against multinational companies and survive in the competition. The FDI will gives a boost to our Agricultural and Retail Sector. Ultimately consumers will be benefited in next 4-5 years. Only necessity is that Government should implement strict policies about FDI as well interest of the retailers in India should be protected by controlling FDI and it will be done through positive political willpower.

KEYWORDS :

FDI, Small Retailers, Big Retailers, Single brand retail, Multi-brand Retail, Bazar, Kirana Shops, Standard Retailer, Malls, Co-operative Departmental Stores, Hyper Markets, Internet Marketing

INTRODUCTION

As the third-largest economy in the world, India is a preferred destination for FDI. India has strengths in telecommunication, information technology and other significant areas such as auto components, chemicals, apparels, pharmaceuticals, and jewellery. Despite a surge in foreign investments, rigid FDI policies were a significant hindrance. However, due to positive economic reforms aimed at deregulating the economy and stimulating foreign investment, India has positioned itself as one of the front-runners of the rapidly growing Asia-Pacific region. India has a large pool of skilled managerial and technical expertise. The size of the middle-class population stands at 300 million and represents a growing consumer market.

India's recently liberalized FDI policy (2005) allows up to a 100% FDI stake in ventures. Industrial policy reforms have substantially reduced industrial licensing requirements, removed restrictions on expansion and facilitated easy access to foreign technology and foreign direct investment FDI. The upward moving growth curve of the real-estate sector owes some credit to a booming economy and liberalised FDI regime. In March 2005, the government amended the rules to allow 100% FDI in the construction sector, including built-up infrastructure and construction development projects comprising housing, commercial premises, hospitals, educational institutions, recreational facilities, and city- and regional-level infrastructure. Despite a number of changes in the FDI policy to remove caps in most sectors, there still remains an unfinished agenda of permitting greater FDI in politically sensitive areas such as insurance and

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retailing.

Share of top five investing countries in FDI inflows. (2000–2010)

Rank	Country	Inflows (million USD)	Inflows (%)
1	Mauritius	50,164	**42.00**
2	Singapore	11,275	**9.00**
3	USA	8,914	**7.00**
4	UK	6,158	**5.00**
5	Netherlands	4,968	**4.00**

India allows 51% FDI in single brand retail market in January 2006. On November 24, 2011, the Union Cabinet of the Indian government approved a proposal of allowing 51 percent FDI in the multi-brand retailing in India and 100 percent FDI in the single-brand retailing, subject to certain conditions.

The total FDI equity inflow into India in 2008–09 stood at ₹122,919 crore (US $ 24.52 billion), a

growth of 25% in rupee terms over the previous period. During 2000–10, the country attracted $178 billion as FDI.

II) Objectives and Methodology of Study:

This research paper is exclusively prepared for the study of impact of FDI in Retail Market in Indian Context. The Objectives are as follows:

i)To study of Indian Retail Market.
ii)To find out problems in India Retail Market.
iii)To make a study on Impact of FDI on Consumer and Farmers.
iv)To study Govt. Policy of FDI in Retail Market.

This research paper is mostly depends on Government Policy of FDI and secondary data relating to Indian Retail Marketing.

III) Result and Discussion:

Indian Retail Market

India is an Agriculture country. Agricultural is the backbone of Indian economy. Our Industry is depends up on Agricultural produce for Raw Materials. In total G.D.P. of Indian economy Agricultural having 30% share. Our Retail Market is the Largest in the world having very potential Retail Market. There is unorganized chain in the market

At present our customers are preferred Retail Shops, Kirana Shops, to purchase the quality product at low cost as well as it also convenient to customer. Retail shops are located in rural area and at the nearest places. Some times they are getting credit up to 2-3 months because of their relationship with retailers.

Indian customer can buy their desired products from different formats available like Kirana Shops, Standard Retailer, Malls, Co-operative Departmental Stores, Hyper Markets, Internet Marketing and Use of Slandered catalogues for retail marketing. The customers are preferred quality product, services and try to get better discount and gift schemes.

The Indian Retail Sector is going through a transformation and this emerging market is witness a significant change in its growth and investment pattern. Today both existing as well as new players are experimenting with new retail formats. Current two popular formats are hypermarkets and supermarkets which are going at rapid pace.

The Indian retail market is currently unorganized and highly fragmented, with an estimated 13 to 15 mn outlets countrywide. The overall retail market is expected to grow at a CAGR of about 11 to 13 per cent by 2020-21, with the organized retail market expanding at 21 to 24 percent.

RETAIL MARKET IN INDIA

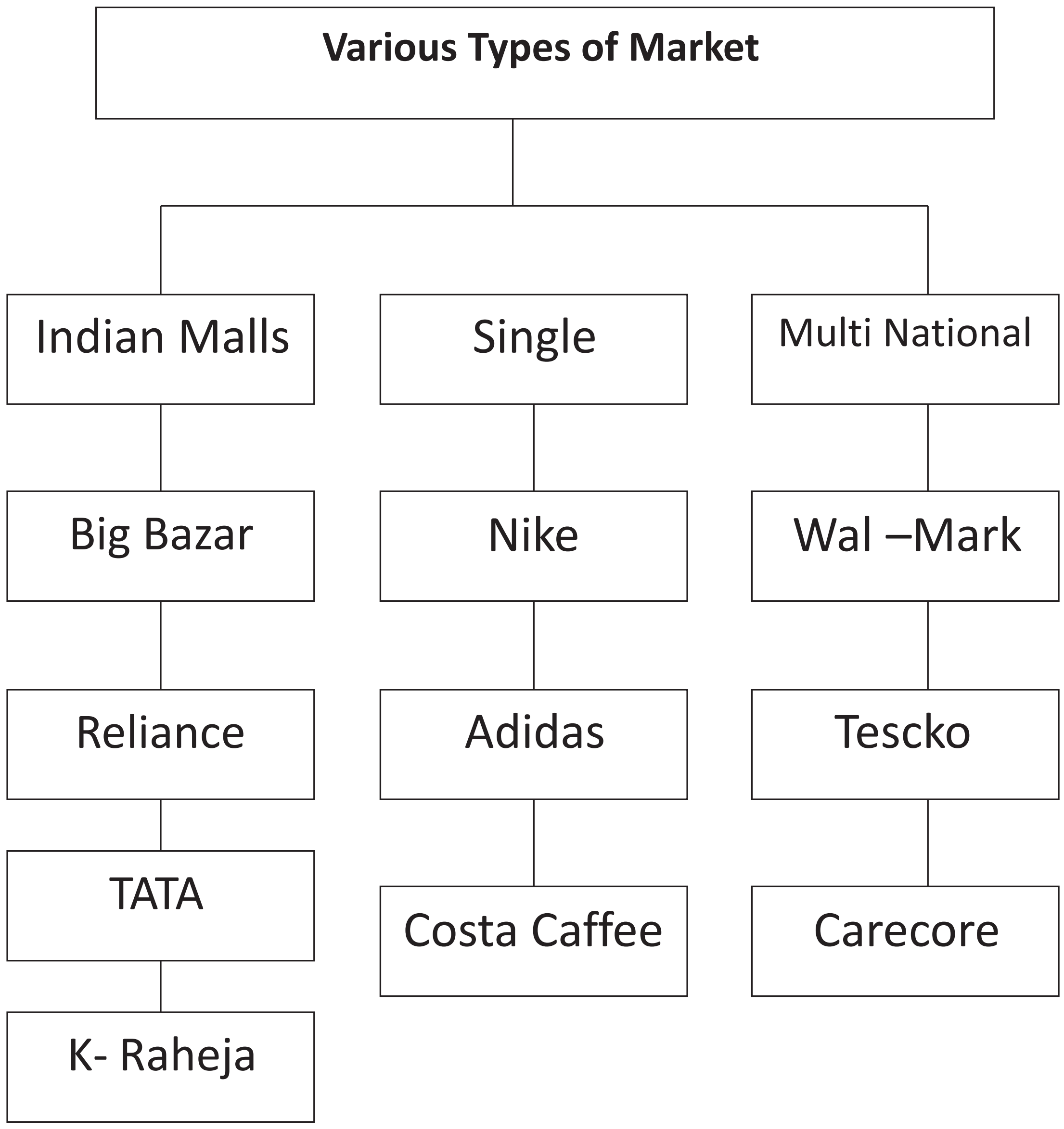
Year	1999	2002	2005	2009	2010	2013
Total Retail (in billion INR)	7000	8250	10000	18450	19500	24000
Organized Retail (in billion INR)	50	150	350	920	1350	2400
Share of Organized Retail(%)	0.70%	1.80%	3.50%	5.00%	7.00%	10.00%

Source: www.nielsen.com

The above table shows the growth of the share of organized retail in the overall retail in India from 1999 to 2013. It is also clearly understood that, in India, the growth of organized retail has been steadily rising since 1999 and is expected to continue in the years to come. This growth can be attributed to changes in FDI policy in retail trade.

PRIVATE DEPARTMENTAL STORES :

1990, In India there were different types of Retail formats available for the consumer. Big Bazar is a first format of chain store system adopted in India. In short period of time they have develop their Brand for Big Bazar with their own Retail Model and strategy.



Kirana Stores (Local Outlets)

They having 97% share in Retail Market. This is a rural and traditional business activity known as Bapari or Baniya, Sales the goods in local market as per the consumer demand. But, today they are facing number of problems regarding brand, supply chain, Low quality, Low credit facility etc. So our educated consumer is preferred for branded stores and big malls.

Co-operative Consumer Stores :

1904, Co-operative movement was started in India. Maharashtra state is leading in co-operative movement. Our leader gives a very good shape for the development stores. A consumer Co-operative store is a voluntary organization of consumers which is organized to obtain goods and services at low cost on control on Black Marketing and shortages of supply of goods in festivals and seasons.

In Maharashtra, Vikhe Patil, Vasant Dada Patil, Rajarambapu Patil, Tatyasaheb Kore have given a boost to our co-operatives sector through Warana Bazar, Walwa Bazar, Janata Bazar, Shetkari Bazar etc. As per the NCDC Bulletin there 25450 primary store, 890 whole store and 35 febrabous are in India today.

Indian consumer is a victim of many types of unfair and unethical practices adopted in the Retail Market so there is an only one way of co-operative stores which gives quality goods at reasonable price.

FDI in Retail Market :

Foreign Direct Investment is retail market is new dimension for retail marketing India allows 51% FDI in single brand retail market in January 2006. On November 24, 2011, the Union Cabinet of the Indian government approved a proposal of allowing 51 percent FDI in the multi-brand retailing in India and 100 percent FDI in the single-brand retailing, subject to certain conditions.

Features of Policy :

1)In Single Brand Retail 100% Investment.
2)In Multi Brand Retail 51% foreign direct investment.
3)50% Investment for cold storages and warehouses.
4)State has to take final decision of permission.

Current size of Indian Retail Market is $28 billion and it will reach up to $260 Billion at 2020. As per the news figures given by the times of India and Economic Times on 25th Nov. 2011, it shows that

Foreign Direct Investment in Retail will create 10 million job.

Benefit of FDI:

Farmers will get better prices as compare to retailers.
Consumer will be benefited by getting quality goods.
FDI in retail will creates 10 million job in next 3 years.
Direct distributing channel from.
Minimizing farmer to consumer middlemen's role.
Multinational brand will be available at cheaper price.
Possibility of infrastructural development as like packing house, cold stores.
Farmers will get 15% to 20% Fruits & Vegetables higher prices in the market.
They have to purchase 30% goods from Local Market that will be also benefited to us.

Against Arguments:

In Present parliament this bill of FDI in retail is not accepted by oppositions such as BJP, NDA and Trinamool Congress. Kerala State is also in opposition for this decision. They said that FDI in retail Investment is a risky decision for India Economy.

There are two sides for every policy matter. In the case of FDI in Retail is also having certain doubts and risk, that existing Retail System will be badly suffer for Kirana and Small Shops.

Effect on Local Retailers.
Competition will be global.
Job may be shrinking.
Impact of Retail Chain.
Wal-Mark Lead to Retail in India which adversely affect the jobs.
Country Like China, Brazil, Indonesia and Chili are allows for 100% FDI in multinational Retail.
Impact will be seen after 5 to 6 year on Indian economy in general and Retail Marketing particular. So India Govt. has to take precautions of Risk Management of Retail Market.

IV) CONCLUSION:

India is a developing country. We have need of basic capital investment in the area of Agricultural as well as Retail Sector. On November 24, 2011, the Union Cabinet of the Indian government approved a proposal of allowing 51 percent FDI in the multi-brand retailing in India and 100 percent FDI in the single-brand retailing, subject to certain conditions. At present Indian government has not taken a final decision in this regard for FDI in retail sector. Local market, low price, consumer satisfaction and relation, storage facility, credit facility, distribution network etc are the strength of the retailer's, by which retailers can fight against multinational companies and survive in the competition. I hope that FDI will gives a boost to our Agricultural and retail sector. Ultimately consumers will be benefited in next 4-5 years. Only necessity is that Government should implement strict policies about FDI as well interest of the retailers in India should be protected by controlling FDI and it will be done through positive political willpower.

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