

The Conceptual Evidence of a Study on Foreign Direct Investment in India

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Abstract

The emerging issue comes under globalization in India is FDI. It shows that the socio economic problems and challenges to the country and also some of the drawbacks of FDI planning in India. FDI in retailing is going to impress retail players which are promoted by our Indian government, but Indian government is already welcome and they recognized them. It is created a big problem among our Indian retailers and public also. Some of the experts are from India they hesitate the FDI but some are they supports this kind of investments. So this paper will show an evidence of weather it is good or bad against our country growth

Key Words: Economic Growth, Globalization, Investment, Policy

Introduction

Definition

(Graham Bannock et.al) 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 (Greenfield) site. To put in simple words, FDI refers to capital inflows from abroad that is invested in or to enhance the production capacity of the economy.

Our country had been made an plenty of agreement with WTO instead of that which includes whole sell and retailing services and also an opportunity to foreign investment In Indian retail sector is one of the fastest growing sector because we are having a lot number of population and we need to fulfill the needs and wants of public. Nowadays the consumers taste and preference has been changed. The reasons for this kind of change are the economic which means per capital income is increased in India. It has been a fast replacing the traditional mom and pop stores into retail stores, the malls are they prefer to sell the house hold, life styles and luxury brands from national and international retailers. In Indian retail industry is one of the biggest and fastest growing industry when compared to other industries. It consists of 14 % of India's Gross Development in product vise and it creates an 8% of the employment opportunities. In India the central government had announced single and multiple brand stores.

Overview of FDI in India

In India the retail industry is classified into two categories a. organized and b. unorganized retailing. Organized retailing is refers to trading activity carried out comes under proper permission. Which means registered under certain act or law and also they can pay the sales tax and income taxes are known as organized retailing.

Unorganized retailing is one of the oldest retailing they are not getting any permission simply they have to sell his products and service to public In India till 1980 the retail sector is unorganized one nowadays in retail sector is entered by big players like Reliance, Big Bazaar, Tata etc are organized sectors in the country. The reorganization from the central government towards FDI it directly affect the existing structure of retail investors. It affects the consumer, small retailers, farmers and the public also

Let us we can discuss about the single and multiple brand retail In INDA the single brand retail up to 100 per cent of FDI is permissible in retail sector it has been lay down by our government

FDI in single brand Retail

The single brand retail is permitted by India in 2012

1. Only one brand of products are to be sold the retailers
2. Products are sold to only under a same brand but internationally
3. Single products consist of only folks identified at the time of manufacturing
4. Any other products and categories are also permissible to be soled under this scheme but they need to get some separate approval from the government
5. FDI in India they can sell under this scheme is only one brand.

FDI in multi brand retailing

FDI in multi brand retail selling is generally refers to sell multiple brands under one crown. But this is restricted by our government the limited to a maximum of 49 percent from foreign are allowed to participate.

Benefiters of FDI in India

Featurable

Indian Farmers

The huge benefit of FDI in retail industry is exactly to our farmers because this is a nice opportunity to improve their productivity. It is not only to productivity and also to increase output to get better reward in the terms of supply. The retailers they are get raw products from our farmers only. The farmers will be get good price to their harvest

Indian Consumers

India is now one of the fastest economic growths in India to be moneyed consumers. Indian consumers are will get right to use the good quality of product and service at a low cost, that besides at home. The phase is now place when Indian consumers will have got the luxury of world class opportunity of shopping to meet the necessities 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.

Proper Tax System

Our India will get benefit through direct and indirect taxes paid by the investors

Investment or Merge Opportunities

FDI it will give investment opportunities as a partnership from our Indian investors. So may be merger options are also possible it also to product good quality of product and services and also low cost of products

Employment in Retailing

1. The employment opportunities in the retail sector are definitely on the rise but organized retail is yet to become a preferred career option for most of India's educated class.
2. The overall employment share of retail in India has hovered between 9.3% to 9.4% from 2006 to 2011
3. In 2011, the retail sector provided employment to 41,000 people as compared to 37,000 in 2006 growing at a CAGR of 2%

Indian Middle Class

In India most of families are belonging to middle class families. The Middle class families will be benefit as they are three-fourth of Indian population. The middle class will be benefited because they are recently emerge and enlargement. There is arising aim for a stylish and luxurious life in this class. There has been shift from requirements to comfortable life. The emergence of large middle class in India and with rising not reusable income, spends on branded products are likely to increase

Knowledge Enhancement

FDI in retail it will make a opportunity to transfer the knowledge from international experts. If we will do our business with worldwide coloration definitely we will get global knowledge and emerging ideas. There will be radical retail growth through the development of the retail capability

Healthy Competition

There is an healthy competition between our investors and the important competition between the producers especially the farmers they use to cultivate very efficient products to compete globally so the consumers is also get benefited

Changing of Culture

There is no doubt about that the culture has been change because the different types of peoples come and they do their business and also the tourism industry is also developed

Improving warehousing Technology

It is that we are experienced about our Indian warehousing technologies be an different types of warehousing technology is followed by our abroad countries so this kind of investment will enable us to developing the modern technologies used by the foreigners it can be adopted by us and also to develop very effective supply chain management to our country development

The Government of India announced retail sell of landmark reforms on September 14, 2012 allowing foreign investments

Direct selling in multi-branding retail between other sectors these are the some of key highlighting policy regarding multi branding factors

1. The government has to gave and permission or approval to sell up to 51 %
2. Fresh agricultural produce like fruits, vegetables, owes, grains and meat products even though the unbranded items are also they can sell
3. Minimum investment of USD 100 million to be infused by FI
4. At least 50% of the Foreign venture to be invest in back-end infrastructure within 3 years of initiation of FDI to comprise funds ready towards

Processing

Manufacturing

Distribution

Design Improvement

Quality Control

Packaging

Storage

Warehousing

Agriculture market produces infrastructure and logistics

The States/Union Territories that have covered acceptance for implementation of the policy are as follows:

Andhra Pradesh

Assam

Delhi

Haryana

Jammu & Kashmir

Maharashtra

Manipur

Rajasthan

Uttarakhand

Daman & Diu and Dadra & Nagar Haveli (Union Territories)

Advantages:

1. Major contribution to GDP: the retail sector in India is hovering around 33-35% of GDP as compared to around 20% in USA.

- 2. High Growth Rate:** the retail sector in India enjoys an extremely high growth rate of approximately 46%.
- 3. High Potential:** since the organized portion of retail sector is only 2-3%, thereby creating lot of potential for future players.
- 4. High Employment Generator:** the retail sector employs 7% of work force in India, which is rite now limited to unorganized sector only. Once the reforms get implemented this percentage is likely to increase substantially

Disadvantages

1. 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.
2. Highly Unorganized: The unorganized portion of retail sector is only 97% as compared to US, which is only 20%.
3. Low Productivity: Mckinsey study claims retail productivity in India is very low as compared to its international peers.
4. 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.
5. 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.

Forecast for Feature 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.

Conclusion

According to this research article the researcher is examined that many of the advantages instead of that some drawbacks are also having. The FDI will affect the middle and low level retailers of india. May be the foreginers are dominated in this sector means definatelt it is not good for retail, consumer and also our nation also in spite of the existing rules and regulatory surroundings are not being 'perfect' for foreign investors, there are obviously moves towards humanizing the existing position

and facilitating FDI inflows without having a unfavorable impact on different sectors of the financial system.

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