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Mission Fdi For The Indian Retail Sector In 21st Century - A Analysis Of Swot/C

Dr.Naresh Guduru
Associate, Professor
Balaji Institute Of Technology & Science,Narsampet
Nareshbies@Gmail.Com

ABSTRACT

Foreign direct investment (FDI) has playing an important role in the process of LPG Liberalization. Privatization & Globalization during the past two decades. The rapid growth in FDI by multinational enterprises since the mid-eighties may be attributed to significant changes in technologies, greater liberalization of trade and investment regimes, and deregulation and privatization of markets in many countries including developing countries like India. Capital formation is an important determinant of economic growth. While domestic investments add to the capital stock in an economy, FDI plays a complementary role in overall capital formation and in filling the gap between domestic savings and investment. At present FDI investment in India as a subject of discussion holds a great relevance in current situation. Although it invites lot of arguments resisting its introduction into Indian market. In spite of many sustain. Presently we have 51 Foreign Direct Investment (FDI) within the retail trade of single whole product and to the extent of 100 per cent in cash and Carry wholesale formats. However, many shops suffer from FDI and that they are losing their customers and sales growth from FDI. "Traditional retailers are giving a strong competition to organized retailers and the decision to permit foreign retailers to open stores in the country will not affect small players in India", the government of India said. According to The Foreign Direct Investment (FDI) into India's services sector grew by 15 per cent during the April-October period of the current fiscal owing to various reforms by the government, according to the Economic Survey 2017-18 However, this paper aims to study the impact of FDI on the Indian retail sector. The paper reviews the literature related to FDI to put the light on the level of FDI allowed by Government of India to single and multi brand retailers of other countries and explores the advantages, disadvantages, opportunities and threats of allowing FDI into Indian retail business.

***Keywords**: Retail Segment, Fdi in Single Brand, Foreign Policies.Fdi, Retail, SWOT Analys.*

I.INTRODUCTION TO FDI

Foreign investment was introduced in 1991 under Foreign Exchange Management Act (FEMA), driven by then finance minister Manmohan Singh. As Singh subsequently became the prime minister, this has been one of his top political problems, even in the current times. India disallowed overseas corporate bodies (OCB) to invest in India. India imposes cap on equity holding by foreign investors in various sectors, current FDI in aviation and insurance sectors is limited to a maximum of 49% an 26% respectively. Starting from a baseline of less than $1 billion in 1990, a 2012 UNCTAD survey projected India as the second most important FDI destination (after China) for transnational corporations during 2010–2012. As per the data, the sectors that attracted higher inflows were services, telecommunication, construction activities and computer software and hardware. Mauritius, Singapore, US and UK were among the leading sources of FDI. Based on UNCTAD data FDI flows were $10.4 billion, a drop of 43% from the first half of the last year.

FDI provides a win – win condition to both the countries: Host country and the home country. Both countries are directly interested in inviting FDI, because „Home" countries want to get the benefit of the huge markets opened by business expansion. „Host" countries want to take advantage by acquire technical and managerial skills and additional domestic savings and foreign exchange.

Foreign Direct Investment includes "mergers and acquisitions, building new facilities, reinvesting profits earned from overseas operations and intra company loans". In a narrow sense, foreign direct investment refers just to building new facilities. The numerical FDI figures based on varied definitions are not easily comparable. As a part of the national accounts of a country, and in regard to the GDP equation GDP = C + I + G+ (E - I) [Consumption + Gross Investment + Government spending +(Exports - Imports)], where I is domestic investment plus foreign investment, FDI is defined as the net inflows of investment (inflow minus outflow) to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. FDI is the sum of equity capital, other long-term capital, and short-term capital as shown the balance of payments. FDI usually involves participation in management, joint-venture, transfer of technology and expertise. *Stock* of FDI is the *net* (i.e., inward FDI minus outward FDI) cumulative FDI for any given period. Direct investment excludes investment through purchase of shares. FDI is one example of international factor movements.

2.INTRODUCTION TO RETAILING

The word retail is derived from the French word retailer which means to cut off a piece or to break bulk. Retailer is a who sells goods in small quantities. Retailing is a link between producer and the consumer for fulfilling the personal needs. The retailer involves in selling of goods to the customer. The retailing may be divided in to 2 categories namely organized and unorganized retailing.

1) Organized retailing: It refers activities undertaken by licensed retailers who are registered for sales tax, income tax
2) Unorganized retailing: it is a traditional way of low-cost retailing. These may be local shops

NEED OF FDI IN RETAILING

CONSTRUCTIVE IMPACT OF FDI

A) Advantage to Farmers:

1) The farmers can get better compensations for their production

2) The farmers can also get better prices from the heavy reduction in post-harvest losses.

3) It can also result in the strengthening of the backend infrastructure and lead to direct purchase by the retailers.

4) The yes-to-FDI in multi-brand retail trading can also result in the strengthening of the supply-chain infrastructure for all products, ranging from storage to processing and manufacturing infrastructure, which would reduce post-harvest losses.

5) FDI can also reduce to needs of peacekeepers between retailers and farmers.

B) Advantage to Consumers:

1) With the implementation of this policy would be the consumers as prices of the commodities will reduce.
2) The consumers are going to be benefitted the most as it can able to improve in the quality of the products.
3) Along with this, food safety standards would also get better with improvised testing and aggregation facilities.

4) The consumers would also have more choices to pick from.

5) This policy measure is most likely to benefit the poorest sections of the society. Lowering of prices would arrest the erosion of real incomes and the current incomes of the economically disadvantaged sections would hence be able to buy more than before.

C) Advantage to Small Retailers

1) Foreign direct investment in the retail sector would also incentivize the existing traders and retail outlets to upgrade and become more efficient.

2) This would usher better services to the consumers, and also good remunerations to the producers from whom they source the products.

3) Globally too organized and unorganized retail co-exist and grow. Small retailers would continue to be able to source high quality produce, at significantly lower prices, from wholesale cash and carry points.

4) In countries such as China, Thailand, Indonesia, Brazil, Singapore, Argentina and Chile, where there are no caps on FDI and where there are no conditions, small retail stores have flourished, leading to more employment. Therefore, it is a white lie to state that FDI in multi-brand retail trade will force small retailers to shut down.

D) Advantage to existing Big Retailers and SMEs

1) Small and medium manufacturers are also going to be benefitted as 30 per cent sourcing from these industries has been made mandatory.

2) This would provide the necessary scales for these entities to expand their capacities in manufacturing, hence adding up to the employed population and also boosting the manufacturing sector of the country.

3) These industries also stand to get added advantages of technology up gradation, which would give them an upper hand in productivity and local value addition, thereby raising the profitability and earnings of the small manufacturers.

4) The 30 per cent sourcing norm would also help the small enterprises to get integrated with the global retail chains.

5) New manufacturing opportunities will also open for the country‟s micro, small and medium enterprises.

E) Advantage to Rural Youth

1) FDI in multi-brand retail trading can also help to provide jobs to a large number of young people from rural.

2) Youth from the villages spread across the country can engage themselves in activities ranging from backend to the frontend retail business, as also from the skills imparted to them by the prospective investors.

3.UNCONSTRUCTIVE IMPACT OF FDI

FDI in retailing is opposed on following grounds:

1) It is said that FDI might provide employment opportunities, but it is argued that it cannot provide employment opportunities to semi-illiterate people. This argument gains more importance because in India, large numbers of semi-illiterate people are present.

2) It is argued that opening the retail sector will have an impact on sales in the unorganized sector. As a result of this, employment provided by the small retail sector will be affected.

3) Fear of lowering of prices There is a fear that allowing FD1 in retail would result in lowering of prices, as FDI will bring in good technology, supply chain etc. If prices are lowered, then it will lower the margin of small retail players also.

4) Fears that domestic organized retail sector might not be competitive enough to tackle international players might not only resulting in loss of market share for them but in closure of their units.

5) Small retailers and other „Kirana Stores" may close down.

6) Though Government has stipulated that 30% procurement should be from Indian sources, this may get diluted over the years. The remaining 70% procurement from cheaper countries will make the people run towards that stuff and the 30% supply from Indian small industries will have their own death, unable to compete with low price Chinese goods.

FDI IN MULTI - BRAND

SWOT ANALYSIS OF FDI IN RETAIL

STRENGTH	WEAKNESS
□ Major contributor to the GDP. □ High growth rate. □ High potential □ High employment generator. □ Creation of research and development. □ Improvement in supply chain. □ Progression in agriculture	□ Lack of competition. □ Highly unorganized. □ Low productivity. □ Shortage of talented professionals. □ Financial issues for retailers.
OPPORTUNITIES	**THREATS**
□ More organizations □ Healthy competition. □ Transparent system. □ Direct link between farmers and producers. □ Quality control over wastage □ Foreign capital will build infrastructural development. □ Sustainable development	□ Closure of Traditional stores □ Delay in approval of foreign investment. □ Corruption. □ Value of rupee will depreciate further.

1.Strengths of FDI Policy

There is no denying the fact that rapidly growing Indian Economy is one of the most sought-after destinations in thirty emerging markets of the world. Infect, Indian retail market has more than 14 million outlets making it the largest outlet density in the world. So, customers can explore a great verity of international quality in branded goods. Moreover, the young and vibrant manpower with increasing trend of urbanization and blooming work-culture among women etc. are going to be the key growth drivers of the FDI in India. To add to this, even farmers will get better prices for their products through improvement of value added food chain.

2.Weaknesses of FDI Policy

Every policy has its highs and lows, so has the FDI in India. Since Indian retail business needs a very low capital investment for starting a new venture, it results in a grave competition between the two. Moreover, FDI will serve only metro crowd at large, avoiding access to customers in villages and small towns. Apart from that, India lacks skilled, educated and trained workforce so it cuts down further employment opportunities.

3. Opportunities of FDI Policy

India is a significant market for global retail giant and the organized retail sector is expected to grow strong due to changing lifestyle, increase in income and favorable demographic outline. Since rural retailing is not much explored so for, it will enhance the financial condition of farmers. However, it will give boost to a big market along with better technology and branding with latest managerial skills.

4.Threats/Challenges of FDI Policy

Whenever there is something new, its presence does effect whatever is already prevalent. FDI"s inclusion is a threat to small retailers. Moreover that encourage roadside bargaining and getting the stuff at desired price receives a setback. Moreover it does not cover all the segments of the society. To add to this all labor rules and regulations are not followed in the organized retail. Also FDI in retailing requires heavy initial investment to compete with other companies. If the foreigners are investing than the profits will also move out from the country. There is no stable tax system for organized retailing.

4.CONCLUSION

The foreign investment in retail which was once a banned sector, now become the FDI in retail has now gained momentum in both single brand and multi brand retail. The very banned sector has got so much of momentum. The single brand retail has allowed 100% FDI.The foreign direct investment and politically responsive multi brand retail have been facing a lot of trouble., yet policies are to be changed and should allowed in a phased manner This will make the retail industry to be topped and the growth will be well developed in encouraging the GDP growth of the country .The small retail should also function in a smooth manner even if the foreign players dominate the segment .to conclude the growth of retails industry will be topped which allow foreign players to play a major role in upbringing this industry as an promising sector.

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