IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

OPPORTUNITIES AND THREATS OF FDI IN RETAILING IN INDIA.

Dr. Tamgadge Pravin Hiraman Lecturer, SSBES's ITM, Nanded, SRTM University Nanded

Abstract

In the era liberalization globalization and privatization the whole economy is opening up gradually. The Indian retail sector has also not remained unto wheel. Retail sector is one of the most important pillar. Of Indian economy foreign Direct Investment (FDI) in retail sector play an integral role in the economic growth. India has already allowed 51 percent FDI in single brand retail and 100 percent FDI in cash-and-carry or wholesale trading and now there is proposal by the department of Industrial policy and promotion to allow 51 percentage FDI in multi-brand retailing the retail sector is the longest sector in India after agriculture accounting for over to percent of the country's GDP and around 8 percent of the employment. Indian has the most unorganized retail market in the world FDI in multi-brand retail can be seen as an important reform to revive the economy and to case supply side presence specially organized sector. In this content present study attempt to the discuss the opportunity and threat of FDI in multi brand retail on Indian economy. To revive the Indian economy FDI policy in multi-brand is an important reform that would easy supply side pressure and mitigate inflation there are global retailer like Wall-mart & Carrefour mark and Spenser and TESCO allowed to set up India . The FDI policy in and carry (wholesale) brought under the automatic route and in single brand 51% investment was permitted on Nov 24,2011 the government of India announced that it had approved FDI in multi-brand retail to a number of condition. A foreign company initial investment must be at least $100 million and at least 50 percent of which is required to be in back – end infrastructure like supply chain operation, Investor will have a source 30 percent their product from micro – and small industries; Foreign direct investment will be allowed in retail store only which operate in Cities with population over one million.

KEYWARDS: Strengthening the Supply Chain, Control on Inflation, Employment Generation, Jeopardise the existing retailer, unfair trade practice, Distortion of culture. Effect on former ,Create unemployment.

Introduction.

In the era liberalization globalization and privatization the whole economy is opening up gradually. The Indian retail sector has also not remained unto wheel. Retail sector is one of the most important pillars. Of Indian economy foreign Direct Investment (FDI) in retail sector plays an integral role in the economic growth. India has already allowed 51 percent FDI in single brand retail and 100 percent FDI in cash-and-carry or wholesale trading and now there is proposal by the department of Industrial policy and promotion to allow 51 percentage FDI in multi-brand retailing the retail sector is the longest sector in India after agriculture accounting for over two percent of the country's GDP and around 8 percent of the employment. Indian has the most unorganized retail market in the world FDI in multi-brand retail can be seen as an important reform to revive the economy and to case supply side presence specially organized sector. In this content present study attempt to the discuss the opportunity and threat of FDI in multi brand retail on Indian economy. To revive the Indian economy FDI policy in multi-brand is an important reform that would easy supply side pressure and mitigate inflation there are global retailer like Wall-mart & Carrefour mark and Spenser and TESCO allowed to set up India . They are of the view that FDI will eliminate the middleman from the supply chain increase the return to the producer and lower kisan Jagrati manch, Trade unions like Bhartiya Mazdoor sangh BJP, left parties and various trade association one against this prospect. The FDI policy in and carry (wholesale) brought under the automatic route and in single brand 51% investment was permitted on Nov 24,2011 the government of India announced that it had approved FDI in multi-brand retail to a number of condition. A foreign company initial investment must be at least $100 million and at least 50 percent of which is required to be in back – end infrastructure like supply chain operation, Investor will have a source 30 percent their product from micro – and small industries; Foreign direct investment will be allowed in retail store only which operate in Cities with population over one million.

OPPORTUNITIES:

1. Strengthening the Supply Chain:

Inefficient supply of the commodities at the back-end has been leading to inflation. Lack of investment in the logistics of the retail chain is leading to an inefficient market mechanism. India is the largest producer of fruits and vegetables (about 180 million mt.) It has a very limited integrated cold storage chain infrastructure. Lack of infrastructure has resulted in the decaying of the bumper food and vegetables. It has resulted in high inflation, even after a good production. Lack of adequate storage facilities causes heavy losses to the farmers in terms of wastage in quality and quantity of produce in general, and of fruits and vegetables, and other perishables, have been estimated to be over Rs.1 trillion per annum, 57 percent of which is due to avoidable wastage and the rest is due to avoidable costs of storage and commission (CRISIL, 2007). As per some industry estimates, 25-30% of the fruits and vegetable and 5-7 % of the food grains in India are wasted. 1. More Variety for the Consumers: FDI in retail will have a far-reaching impact on the various aspects of the economy. Customers will get a wide assortment of quality goods at reasonable prices. They will be able to busy the best brands across various categories. The entry of the global retail giant like Wal-Mart, Tesco, etc. will certainly provide a large variety of products to the Indian customers. Commodities from all over the world can be collected from one store, which will help customers to save time and energy. International brands that were not available due to non accessibility by domestic retailers could easily be made available through these global players.

2. Control on Inflation:

FDI would help consumers, supplies and farmers. It would help in controlling inflation by offering more competitive and rationalized prices of products to consumers and reduction of wastages across India’s farms – to-fork supply chain. The Indian economy has been facing the acute problem of high inflation in recent times. The main reasons for inflation are excess supply of money or shortage of supply of goods in the market. Supply of money can be regulated by the Reserve Bank of India (RBI). It has its own mechanism to control the supply of money. Scarcity of supply of goods can either be due to less manufacturing /production, or it could be created artificially by malpractices like hoarding, etc. FDI can help in removing both types of scarcity by arranging for goods form the global markets or creating competition at the domestic level. The retailers can procure the supply directly from farmers or manufacturers, who will help in strengthening the supply chain as well as help in reducing the prices. 3. Employment Generation: Large investment in infrastructure would lead to a rise in farm productivity, manufacturing and food processing as well as cold storage facilities. This would cut down wastages and spur growth in employment, exports and GDP (Business Standard, 14th July, 2010). Retail is the largest sector in India after agriculture, accounting for over 10 percent of the country’s GDP, and employs over 4 core people. Within this unorganized retailing accounts for 97 percent of the total retail trade. FDI in multi-brand retail is certainly going to create employment opportunities for the youth. Setting up of retail outlets by big retailers from all over the world in different parts of the country will help in removing regional inequalities by providing avenues for the employment 4. Farmers Will Get Their Due From Their Produce: In the Indian trading system, there are different types of intermediaries at different stages. Some of the intermediaries procure products from the farmers and sell it to arhatiyas (middleman), who collect products from different small middleman and then arhatiyas sell products to various small retailers, who then sell the products to different customers at different localities. In this system, at every stage whenever middlemen are involved, they get a fixed commission. Commission at each level adds to the prices of commodities. Generally, when the traders get the products from the farmers or small manufacturers, they pay very little money to them and grab the maximum part of the price, which they charge from the final customer. Involvement of organized sector and allowing FDI in multi-brand retail can help in ousting these intermediaries, and help farmers to get their due from their produce. FDI in the supply chain can help in diverting the commission from intermediaries to the farmers. According to some reports, Indian farmers realize only 1/3rd of the total price paid by the final consumer, as against 2/3rd by farmers in nations with a higher share of organized retal.

THREATS :

There are certain threats which may emerge after allowing FDI in multi-brand-retail that are required to be studied and analyzed in detail.

1) FDI Will Jeopardise The Existing Retailers : Indian unorganized retailers have been facing stiff competition from the organized sector. Due to financial strength and professional dealing with the parties, organized retailers have got the competitive edge over the unorganized retailers. Unorganized retailer accounts for 97 percent of the total retail trade. Allowing FDI in multi-brand retail will certainly affect the survival of the unorganized sector. Unorganized retailers who have already been facing tough competition from the domestic organized retailer will have to face retailers like Tesco, Wal-mart, etc. Small traders, shop owners and farmer organizations find the proposal shocking and say it would endanger the livelihood of four crore (40 million) people directly engaged in retailing food and non-food items, and twenty crore people depended on them (Sify Finance,2010) England which allowed MNCs and FDI in to multi brand retail sector in 1980 swa over 4.5 lakh people lose employment and over 25,800 retail shops shutting down owing to this decision. The impact was similar in the Asian countries of Thailand and even in Japan (Jagadeeran,2010).

2) Unfair Traded Practices : Due to their financial strength and technical expertise, the organized retailer have got a competitive edge over small unorganized retailers. Moreover, they are in a position to get the produce from farmers and small manufactures at the price that they want to pay. Farmers and small industries in India are not organized. They do not have any bargaining power and after FDI in multi-brand retail, they will be at the mercy of their buyers. Small producers organized into something like Amul, are a different kettle of fighting fish altogether. Then again, without rural electricity and large scale new investment in surface water management, farmers would be hard put to produce more, even with technical inputs from big retail.

3. Loss of Self Competitive Strength: - The Indian retail sector, particularly organized retail, is still underdeveloped and in a nascent stage and that, therefore the companies may not be able to compete with big global giants. If the existing firms collaborate with the global biggies they might have to give up at the global front by losing their self competitive strength

4. Distortion of Culture: : Though FDI in Indian retail will indirectly or directly contribute for the enhancement of Tourism, Hospitality and few other Industries, the culture of the people in India will slowly be changed. The youth will easily imbibe certain negative aspects of foreign culture and lifestyles and develop inappropriate consumption pattern, not suited to our cultural environment

5. Effect on Farmers:- It is being claimed by the advocates of FDI in retail that the elimination of intermediaries and direct procurement by the MNCs would secure better prices for the farmers. The fact is that the giant retailers would have far greater buyer power vis-à-vis the farmers compared to the existing intermediaries. The entry of giant MNCs into agricultural procurement would make the problems worse for the farmers. As against the “mandis” that operate today, where several traders have to compete with each other in order to buy the farmers produce, there will be a single buyer in the case of the MNCs. This will make the farmers dependent on the MNCs and vulnerable to exploitation. On the contrary, the advocates of FDI believe that FDI in retail in the agriculture will help in improving supply chain, infrastructure and ensure economic security for farmers through the elimination of middlemen in the country.

6.Create Unemployment:- Retail in India has tremendous growth potential and it is the second largest employer in India. Any changes by bringing major foreign retailers who will be directly procuring from the main supplier will not only create unemployment on the front end retail but also the middleman who have been working in this industry will be thrown out of their jobs.

CONCLUSION:

In view of the above allowing FDI in multi-brand retail will lead to a significant improvement in India GDP and overall economic development the policy of multi-brand would increase the employment opportunities more variety product for the consumer high price for producer as well as technology inflation pressure reduce by multi-brand retail investment. Through FDI simultaneously there is no threat for kirana store mom- and pop store, In future Indian market would be highly organized and would resolve issue of unorganized retail provide Good quality product at low price and existing negative impact would weaken over time. Time it Indicator that formers and consumers would benefit from the new entry of organized retailer in multi- brand.

References:

1.Rajib Bhattachrayya assistance Professor in economics P.G. Dept of commerce Hoogly Mohsin College.
2. Sunil Kumar, assistance Professor in Dept of commerce college of Vocational studies University Delhi.
3. Bhasin. Niti (2008): Foreign Direct Investment in India', New Century Publications, New Delhi, India, 4. Chari, Anusha. And T.C.A. Madhav Raghavan: "Foreign Direct Investment in India‟s Retail Bazaar: Opportunities and Challenges", March 2011. 5
5. Chopra, C and Seth, A.K (2004): Foreign Direct Investment in India Liberalization and WTO- The Emerging Scenario', Deep &Deep Publications Pvt. Ltd.
6. Kahai.Simran (2005): Role of Foreign Direct Investment and its Determinants', Published in Edited Book of Foreign Investment in Developing Countries (Edited by Kehal, H.S.) University of Sydney, Australia,