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FDI AND ITS IMPACT ON INDIAN ECONOMY WITH REFERENCES TO RETAIL SECTOR

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ABSTRACT:

The paper discusses how foreign direct investment has affected the Indian retail industry. The inflow of foreign direct investment has boosted growth in the retail industry and increased the gross domestic product of India. Government policy and other determinants have been discussed to study and analyse the impact. Investment opportunities exist in the rising Indian retail market. Up until 2006, there had been a cap on the amount of foreign direct investment coming in. Nonetheless, there has been a since 2006 a favourable shift in government policy allowing foreign corporations to make ownership investments in India. The essay clarifies the expansion of several Indian retail industries, the tax incentives and factors that influence foreign direct investment inflow. It addresses potential dangers and challenges to Indian retail by enabling the foreign corporation of companies (small, medium, and large), an investment destination is India.

KEYWORDS:

FDO, Retail, GDP, Government Policy, Foreign Companies

INTRODUCTION:

Investment opportunities exist in the rising Indian retail market. Up until 2006, there had been a cap on the amount of foreign direct investment coming in. Nonetheless, there has been a since 2006 a favourable shift in government policy allowing foreign corporations to make ownership investments in India. The essay clarifies the expansion of several Indian retail industries, the tax incentives and factors that influence foreign direct investment inflow. It addresses potential dangers and challenges to Indian retail by enabling the foreign corporation of companies (small, medium, and large), an investment destination is India.

With over 10% of the nation's GDP and almost 8% of all employment, the retail sector in India is the largest of all the industries. The Indian Retail Business has advanced considered one of the most dynamic and quick-moving sectors, with joining the market with multiple companies. But they haven't all done it yet. Success because to the significant upfront costs that were required to compete with and break even with other businesses them. The Indian Retail Sector is steadily making progress towards becoming the following boom sector.

A corporation from one country engaging in FDI is one that physically invests in constructing a factory in another. As contrast to making a portfolio investment, which is regarded as an indirect investment, one makes a direct investment in buildings, machinery, and equipment.
Foreign investment, often known as foreign direct investment (FDI), is the net inflow of funds used to buy a long-term management stake in a company that operates in a country other than the investor's own. Participation in management, joint ventures, the transfer of technology, and experience are frequently involved.

The retail sector in India is the largest of all the sectors, contributing more than 10% of the nation's GDP and over 8% of all jobs. With several competitors joining the market, the retail industry in India has emerged as one of the most dynamic and quick-paced sectors. Yet, due to the significant upfront costs necessary to compete with other businesses and break even, none of them have yet experienced success. The retail sector in India is edging closer to becoming the next big business.

A revolution in shopping has begun in India as the entire idea and concept of shopping have undergone an attention-grabbing change in terms of format and consumer purchasing behaviour. The busy shopping centres, multi-story malls, and enormous complexes that provide dining, entertainment, and retailing all under one roof are evidence that modern retailing has made its way into India's retail market.

The rise of the organised retail sector in India will be mostly driven by a sizable young working population with a median age of 24 years, nuclear families in metropolitan areas, rising numbers of working women, and new opportunities in the services sector. The purchasing patterns of the Indian populace and organised retailing will both develop at an increasing rate, making it easier for newer businesspeople to enter the Indian retail market.

Foreign Direct Investment (FDI), as defined by the International Monetary Fund (IMF), is "an investment that is made to acquire a lasting interest in a firm operating in an economy other than that of investor."

Any investor or investment fund that is from or registered in a nation other than the one in which it is currently investing is referred to as a foreign direct investor.

There are 12 distinct and independent components in all. As follows:

1. Equity Capital.
2. Re-investedearnings of foreign companies
3. Investment made by Foreign Venture Capital Investors
4. Non-Cash acquisition of equity
5. Earnings data of indirectly held FDI enterprises
6. Bonds
7. Grants
8. Trade Credit
9. Financial leasing
10. Short-term and long-term loans
11. Inter-company debt transactions
12. Control premium andnon-transaction fees

Need for FDI

The country's domestic capital is insufficient for economic expansion;

During the period when the capital market is developing, foreign capital is typically necessary, at least temporarily;

Foreign money frequently carries other rare productive factors with it, such as technological know-how, commercial skills, and knowledge of current global business trends.

Advantages of FDI

Strengthens the nation's foreign exchange position;

Increased output and the creation of jobs;

Encourage capital formation by bringing in new funds;

Facilitates the dissemination of innovative technology, managerial abilities, and intellectual property

Increasing local market competitiveness results in improved efficiency.

Aids in boosting exports

Boosts tax collections

OBJECTIVE:

1. To conduct research on the impact of macroeconomic factors in India's retail sector on attracting FDI.
2. To assess how macroeconomic factors affect FDI in the retail industry.
3. To examine the association between FDI and demographic factors in the nation's retail industry.
4. To research how FDI and demographic factors affect retail sector with a focus on both agricultural and non-agricultural activities consumers.
5. To provide recommendations in light of the research.

LITERATURE REVIEWS:

1. In their study, Sathya Kumar C. and Sujin G. (2016) examined the effects of foreign direct investments on the Indian economy and determined that "strategic components of investment should be applied for permanent and continuous commercial growth for manufacturing and other Indian market segments.

2. According to Sandhu (2016)'s research, FDI will increase by 1%.likely lead to a 0.7% increase in Gross Domestic Product China's Gross Domestic Product (GDP) increased by 0.2%, while the GDP of India. Also, it can be observed that China's growth is generally faster. FDI-ridden, in contrast to India's expansion.

3. Foreign direct investment has been noted by Gupta (2016) as having a major role to play in the commercial growth of the host country. Almost all of that area has been utilising foreign investment in conjunction with foreign technology to quicken their commercial expansion. FDI meaning substantial domestic funding, high levels of production, and job opportunities in emerging regions, which are frequently a leading measure taken to support the nation's commercial growth.

4. Chopra and Sachdeva (2014) conducted a study on "Analysis of FDI inflows and outflows in India," and they came to the conclusion that trade and FDI play important roles in fostering economic growth worldwide. India, a chosen developing nation, and the relationship between FDI, trade and economic development. They found a significant positive trade and FDI interactions in promoting economic growth.

5. Gowda (2014) investigated the FDI flow in developing nations was a significant source of outside funding during the 1990s and has been a crucial element of these countries' economic development countries. India was thought to be the most favourable country for FDI.

6. According to Farooqui (2016), foreign direct investment (FDI) insurance coverage will be a key factor in the industrial development of developing nations all over the world.

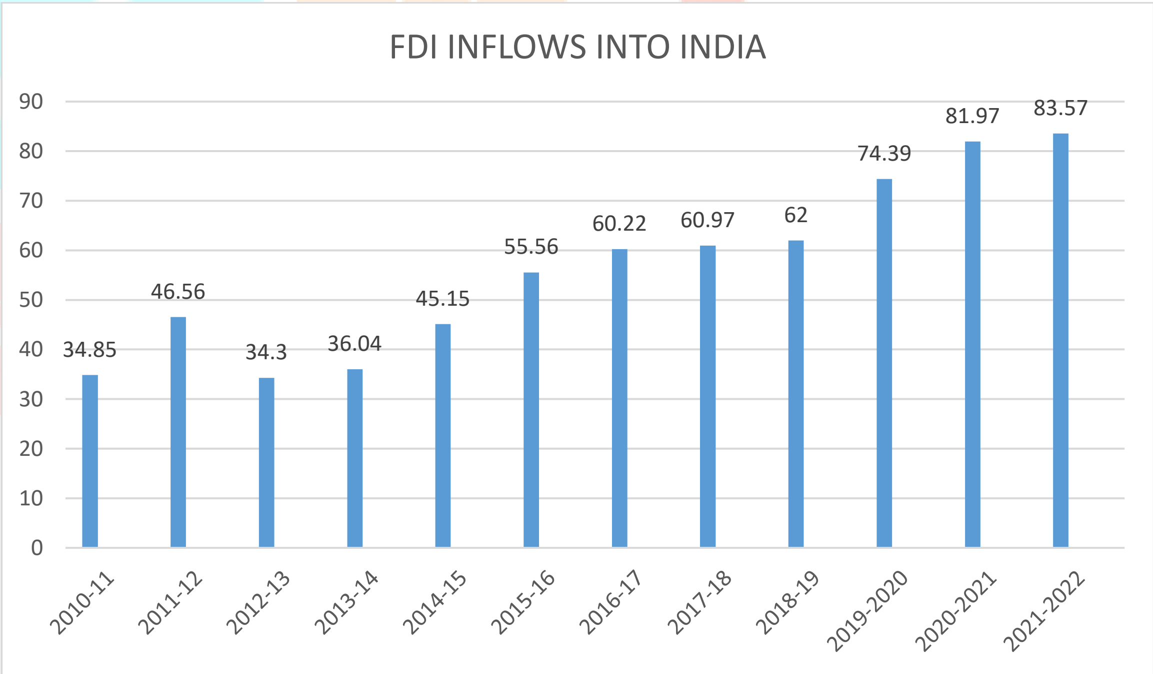
7. According to Chandrachud and Gajalakshmi's (2013) analysis, In their article titled "Does India Want Even More Contrary to the amounts of FDI inflows with India combined, "greater FDI" From China, I've observed that Investment from India is typically an
Individual tenth of China's will.

8. Of all the emerging economies, India has the most liberal and open FDI policies, according to Chandrachud and Gajalakshmi's 2013 analysis. India has largely benefited from FDI the bulk of sectors have inflows.

9. Kumar (2013) investigated the government's choice to permit 51% FDI in multi-brand retail in India received harsh criticism because loss of employment is just one of several factors. However FDI should be permitted with precautions but not without discouraged.

10. According to Mukherjee and Patel (2005), consumers are the primary beneficiaries of the retail boom because organised retailers are putting policies in place like tracking consumer behaviour and programmes for rewarding loyal customers to keep their market share.

DATA ANALYSIS AND INTERPRETATION:



The Commerce and Industry Ministry reported that due to numerous initiatives implemented by the government, such as policy reforms and ease of doing business, total foreign direct investment into India increased by 2% to the "highest ever" $83.57 billion in 2021–22.

According to a statement from the ministry, India received $83.57 billion in FDI in 2021–2022—the highest amount ever recorded.

It said that despite obstacles including a military campaign in Ukraine and the COVID-19 pandemic, foreign immigration is rising.

According to the statement, these inflows have grown 20-fold during 2003–2004, when they totalled just $4.3 billion.

Also, the ministry said that FDI equity inflows into the industrial sectors surged by 76% in 2021–2022 ($21.34 billion) over 2020–2021 ($12.09 billion).

Inflows of FDI equity totalled $58.77 billion in 2021–2022 compared to $59.64 billion in 2020–2021

RESEARCH METHODOLOGY:

SOURCES OF DATA:

The data for the study is mainly collected from the secondary sources such as different websites, Literature Reviews, Magazines and Journals.

DATA COLLECTION METHOD:

The study is based on secondary data. The impact is measured using two different factors. The independent variable is foreign direct investment, and the dependent variable is gross domestic product.

LIMITATIONS:

- Political changes that put nations at risk of foreign influence.
- Expose nations to political risk.
- Have an impact on exchange rates.
- Have an impact on exchange rates.
- If they are unable to compete, overtake domestic industry.

FINDINGS AND SUGGESTION:

- Initial FDI should be permitted in less sensitive industries as well as those where domestic enterprises have a substantial presence.
- FDI is needed to make it easier to build infrastructure. Initially be allowed in Tier-II cities across the nation.
- The upcoming opening of the new shopping centres Because multinational corporations were allowed to source from their markets at the retail level, nations like Thailand and Malaysia have suffered greatly as a result.
- India should learn some lessons from previous situations, while developing policies to encourage FDI into countries solitary-brand shopping. Strive to place more emphasis on sourcing items made nearby.
- In order to stop foreign businesses from using "predatory practises" enable the businesses to establish themselves hyper markets or department stores are examples of stores.

CONCLUSION:

The Indian retail industry gives exciting opportunities for building structured retail formats, which are still in their infancy and offer a strong growth prospect in a variety of product categories.

The PESTLE analysis demonstrates the potential for organised retail industry serving both market and resource searchers also.

India is a desirable market for international investments, yet the Indian government should create regulations to increase foreign direct investment and promote retail among local youth entrepreneurship and grow the company by acting as a conduit between the manufacturers and the client.

Another significant obstacle for foreign retailers to establish organised retail formats in India is the lack of organised retail infrastructure and training for human resources in retailing.

PESTLE analysis offers suggestions on the external factors. The environment's impact on the planned store format performance within the sector.