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## A STUDY OF IMPACT OF FOREIGN DIRECT INVESTMENT ON RETAIL SECTOR IN TIRUNELVELI DISTRICT

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**Abstract:** Retailing is one of the largest sectors in India and one of the biggest sources of employment in the country. Though India is one among the largest Asian economies to liberalize its retail sector, a number of Indian retailers are entering this arena. Retailing involves the set of business activities that adds value to the products and services sold to the final consumers for their personal, family or household use. Retailers play a major role in the distributing system by helping manufacturers to reach out to the customers and at the same time, offering an array of value added services like breaking bulk, providing assortment holding inventory and providing information to their customers. The main aim of the study are to analyze the present trends in retail industry, study the impact of FDI in retailing and analyse the perception of retailers on the new FDI policy in retailing. This journals and websites and the second part consists of the experience survey of 260 retailers in Tirunelveli District. Convenience sampling method was used in this study. After analyzing retail Industry, it is concluded that the organized retail trading has opportunities to grow up in spite of the Foreign Direct Investment because of the economic growth of the country. any retailers are facing financial, as well as non-financial problems, There is a serious problem in respect of their financial resources. Majority of the retailers suffering from lack of funds for investment. However Tirunelveli District retail market has a bright future to spread out their business in all corners by satisfying the needs of customers.

**Keywords:** Foreign Direct Investment, Retailers, Retail Market and Perception

### I.INTRODUCTION

Retail consists of the sale of physical goods or merchandise from a fixed location, such as a department store, boutique or kiosk, or by mall, in small or individual lots for direct consumption by the purchaser. Retailing may include subordinated services, such as delivery. Purchasers may be individuals or businesses. In commerce, a “retailer” buys goods or products in large quantities from manufacturers or importers, either directly or through a wholesaler, and then sells smaller quantities to the end-user. After farming, retailing is India’s major occupation. It employs 40 million people. A sizeable majority of owner/employees are in the business because of lack of other opportunities. The decade of liberalisation has so far been one of jobless growth. It is no wonder that retail has become there fuge of these millions. Lopsided economic development is transforming India from an agrarian economy directly to a service oriented post-industrial society. Even though organized retail sector in India is at the infant stage, India has today become a budding target for FDI. India today offers the most persuasive investment opportunity for mass merchants and food retailers

looking to expand overseas as Indian economy is growing at a rapid pace with consumers having high purchasing power. With a robust economy experiencing unrelenting growth, India has exerted a pull and an irresistible enticement to companies looking to expand their scope of operations. FDI is a sturdy source for the intensification of retailing and will create enormous opportunities for innovation in retail sector in India but at the same time it is quite likely that a section of the domestic retailing industry will be severely hurt due to the entry of foreign retailers. In this paper researchers have tried to accentuate both the thoughts in detail and concluded the most constructive view on FDI in Indian retailing.

## II. OBJECTIVES

- To analyze the present trends in retail industry.
- To study the impact of FDI in retailing.
- To analyse the Perception of retailers on the new FDI policy in retailing
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## III. FOREIGN DIRECT INVESTMENT – IMPACT AND ANALYSIS

Market liberalization, a growing middle-class, and increasingly assertive consumers are sowing the seeds for a retail transformation that will bring more Indian and multinational players on the scene. The big Indian retail players looking to expand their operations include Shopper's Stop, Pantaloon, Lifestyle, Subhiksha, Food World, Vivek's, Nilgiris, Ebony, Crosswords, Globus, Barista, Qwiky's, Café Cofee day, Wills Lifestyle, Raymond, Titan, Bata and Westside. Well established business houses such as Wadia, Godrej, Tata, Hero, Malhotras, etc., are drawing up plans to enter the retail business in a big way and has identified 18 cities, starting with Ahmadabad, Dubai and East Asia. The international players currently in India include McDonald's, Pizza Hut, dominos, Levis, Lee, Nike, Adidas, TGIF, Benetton, Swarovski, Sony, Sharp, Kodak, and the Medicine Direct Investment (FDI) is not allowed in the sector. Despite all these developments, the organized retail business still comprises a small proportion of the total size of the Rs.9,00,00 –crore (\$200 billion) retail sector. Retail business growing at 5-6 per cent per annum. The size of organized retailing was estimated around Rs. 26,000 crore in 2004, about three per cent of the total. However, it is now set to grow at 2-30 per cent per annum. In developed countries, organized retailing makes for over 70 per cent of the total business. Recently, the Government announced its intention to open up the retail sector to foreign investment. It is still, however, debating whether to allow 26 per cent or 49 per cent FDI in the sector.

## IV. METHODOLOGY

This study has been done in two parts. In part 1 secondary data has been used from different studies, research papers, journals and websites and the second part consists of the experience survey of 260 retailers in Tirunelveli District. Convenience sampling method was used in this study.

## V. ANALYSIS AND INTERPRETATION

**Table 1**  
**Ranking of Opinion on Advantages of FDI in Retail Sector**

Sl.No	Advantages of FDI	Total Score	Average Score	Rank
1	All Product in One Place	15925	61.25	I
2	Availability of Branded Items	8369	32.19	V
3	Quality Product	13679	52.61	II
4	Price	11526	44.33	III
5	Provide Employment Opportunities	10028	38.57	IV

Source: Primary data

Table 1 shows that majority of the sample retailers had given the first rank to all product in one place as the most advantage of FDI in retail sector. The table further shows that the sample retailers had given second rank to quality product. The table reveals that the sample retailers had given the third rank to Price. It is further clear from the table that the sample retailers had given the third rank to Price. It is further clear from the table that the sample retailers had given the last rank to availability of branded items.

**Table 2****Ranking of Opinion on Disadvantages of FDI in Retail Sector**

Sl.No	Disadvantages of FDI	Total Score	Average Score	Rank
1	Against of Swadeshi Policy	17009	65.42	I
2	Discourage of Domestic Products	16112	61.97	II
3	High Penetration is Possible	14134	54.36	III
4	Cultural Change	11762	45.24	IV

Source: Primary data

Table 2 shows that majority of the sample retailers had given the first rank to against of Swadeshi policy as the most disadvantages of FDI in retail sector. The table further shows that the sample retailers had given second rank to discourage of domestic products. The table reveals that the sample retailers had given the third rank to high penetration is possible. It is further clear from the table that the sample retailers had given the last rank to cultural change.

**Table3****Aware about Foreign Direct investment**

Sl.No	Aware about Foreign Direct Investment	No.of Respondents	Percentage
1	Yes	136	52.3
2	No	124	47.7
	Total	260	100

Source: Primary data

Table 3 shows that 52.3 per cent of the retailers aware about foreign direct investment and 47.7 per cent of the retailers not aware about foreign direct investment

**Table 4****Source through which know more details about Foreign Direct Investment**

Sl.No	Sources	No.of Respondents	Percentage
1	Newspaper/Magazines	54	20.8
2	TV	86	33.1
3	Internet	69	26.5
4	Discussion with Others	51	19.6
	Total	260	100

Source: Primary data

Table 4 shows that majority of 33.1 per cent of the retailers know about foreign direct investment through TV. 26.5 per cent of the retailers know about foreign direct investment through internet, 20.8 per cent of the retailers know about foreign direct investment through Newspaper/Magazines and 19.6 per cent of the retailers know above foreign direct investment through discussion with others.

Table 5

**Experienced any impact on the current business**

Sl.No	Experienced any impact on the current business	No.of Respondents	Percentage
1	Yes	215	82.7
2	No	35	17.3
	Total	260	100

Source: Primary data

Table 5 shows that 82.7 per cent of the retailers have experienced impact on the current business and 17.8 per cent of the retailers have not experienced any impact on the current business.

Table 6

**FDI in retail will increase job opportunity**

Sl.No	FDI in retail will increase job opportunity	No.of Respondents	Percentage
1	Yes	89	34.2
2	No	171	65.8
	Total	260	100

Source: Primary data

Table 6 clearly reveals that 65.8 per cent of the retailers said that FDI in retail will not increase job opportunity and 34.2 per cent of the retailers mentioned that FDI

Table 7

**FDI in retail will increase standard of living**

Sl.No	FDI in retail will increase standard of living	No.of Respondents	Percentage
1	Yes	78	30.0
2	No	182	70.0
	Total	260	100

Source: Primary data

Table 7 shows that 70 per cent of the retailers said that FDI in retail will not increase the standard of living and 30 per cent of the retailers mentioned that FDI in retail will increase the standard of living.

**Perceptions of Retailers on the new FDI policy in Retailing based on gender**

An attempt was made to know the perception of retailers on the new FDI policy in retailing based on gender group such as male and female. To test the perception of retailers on the new FDI policy in retailing based on gender, the following null hypothesis was proposed.

$H_0$  : There is no significant difference in perception on the new FDI policy in retailing among different gender group of retailers in Tirunelveli District.

The details of the result of Mann-Whitney U test is illustrated in table 8.

Table 8

**Mann-Whitney U Test: Perception on the new FDI policy in retailing among different gender group of retailers**

Particulars	U-value	Z-value	p-value	Mean rank	
				Male	Female
Supermarket has cheaper priced products	3321.000	-0.848	0.397	131.93	120.28
Supermarket customers are different than other outlets	3318.000	-0.861	0.397	131.95	120.19
Supermarket would bring more customers in the area	3540.000	-0.287	0.389	130.97	127.13
Supermarket has problems because of the presence of big retailers	3358.500	-0.774	0.774	129.23	139.55
Average expenditure of my customer would decrease because of Big retailers	3432.500	-0.562	0.439	129.55	137.23
My customers would increase with the presence of Big store	3548.000	-0.259	0.574	130.94	127.39
My supermarket has different attraction than Big store	3323.500	-0.837	0.796	131.92	120.36
My regular customers would still be here	3374.500	-0.714	0.475	129.30	139.05
Big store affects my sales	3620.000	-0.081	0.935	130.38	131.38
Smaller retailers have own strategy to attract customers	3095.000	-1.435	0.151	132.93	113.20
Oppose the FDI in multi-brand retail in India	3296.500	-0.912	0.362	132.04	119.52

Source: Primary data

The null hypothesis ( $H_0$ ) is retained at the 5% level of significance with regard to perception on the new FDI policy in retailing such as supermarket has cheaper priced products, supermarket customers are different than other outlets, supermarket would bring more customers in the area, supermarket has problems because of the presence of big retailers, average expenditure of my customer would decrease because of big retailers, my customers would increase with the presence of big store, my supermarket has different attraction than big store, my regular customers would still be here, big store affects my sales, smaller retailers have own strategy to attract customers would still be here, big store affects my sales, smaller retailers have own strategy to attract customers and oppose the FDI in multi-brand retail in India due to the p value is more than 0.05. It shows that gender wise there is no significant difference in perception on the new FDI policy in retailing such as supermarket has cheaper priced products, supermarket customers are different than other outlets, supermarket would bring more customers in the area, supermarket has problems because of the presence of big retailers, average expenditure of my customer would decrease because of big retailers, my customers would increase with the presence of big store, my supermarket has different attraction than big store, my regular customers would still be here, big store affects my sales, smaller retailers have own strategy to attract customers and oppose the FDI in multi-brand retail in India among retailers in Tirunelveli District.

**Perceptions of Retailers on the new FDI policy in Retailing based on age**

An attempt was made to know the perceptions of retailers on the new FDI policy in retailing based on age. The age of the retailers was classified as below 25 years, 26 to 35 years, 36 to 45 years, 46 to 55 years and above 55 years. To test the perceptions of retailers on the new FDI policy in retailing based on age, the following null hypothesis was proposed.

$H_0$ : There is no significant difference in perception on the new FDI policy in retailing among different age group of retailers in Tirunelveli District.

The details of the result of Kruskal-Wallis test is reported in Table 9.

**Table 9**

**Kruskal –Wallis Test: Perceptions of Retailers on the new FDI policy in Retailing based on age**

Particulars	Chi-Square X <sup>2</sup>	p value	Mean rank				
			Below 25	26-35	36-45	46-55	Above 55
Supermarket has cheaper priced products	6.988	0.137	161.50	145.12	129.59	127.06	109.62
Supermarket customers are different than other outlets	7.651	0.133	137.75	148.54	122.81	133.03	114.23
Supermarket would bring more customers in the area	6.470	0.167	146.50	127.53	121.50	129.83	154.88
Supermarket has problems because of the presence of big retailers	4.792	0.309	138.17	145.98	126.52	128.06	117.42
Average expenditure of my customer would decrease because of Big retailers	7.549	0.110	134.67	115.98	129.63	129.85	156.36
My customers would increase with the presence of Big store	0.453	0.978	147.08	128.25	129.35	131.26	133.09
My supermarket has different attraction than Big store	5.353	0.253	167.83	116.07	135.17	127.70	141.54
My regular customers would still be here	28.845	0.000	115.58	159.72	120.77	144.40	86.55
Big store affects my sales	7.371	0.118	138.42	145.39	132.54	123.01	112.18
Smaller retailers have own strategy to attract customers	4.295	0.368	164.42	116.55	131.86	134.54	138.33
Oppose the FDI in multi-brand retail in India	1.867	0.760	134.50	136.52	131.71	130.88	116.76

Source: Derived data

The table discloses that the null hypothesis (H<sub>0</sub>) is rejected at the 5% level of significance with regard to the perceptions on the new FDI policy in retailing such as my regular customers would still be here due to the p value is less than 0.05. It shows that age wise there is a significant difference in perceptions on the new FDI policy in retailing such as my regular customers would still be here among retailers in Tirunelveli District. The null hypothesis (H<sub>0</sub>) is retained at the 5% level of significance with regard to the perceptions on the new FDI policy in retailing such as supermarket has cheaper priced products, supermarket customers are different than other outlets, supermarket would bring more customers in the area, supermarket has problems because of the presence of big retailers, average expenditure of my customer would decrease because of big retailers, my customers would increase with the presence of big store, my supermarket has different attraction than big store, big store affects my sales, smaller retailers have own strategy to attract customers and oppose the FDI in multi-brand retail in India due to the p value s more than 0.05. It shows that age wise there is no significant difference in perceptions on the new FDI policy in retailing such as supermarket has cheaper priced products, supermarket customers are different than other outlets, supermarket would bring more customers in the area, supermarket has problems because of the presence of big retailers, average expenditure of my customer would decrease because of big retailers, my customers would increase with the presence of big store, my supermarket has different attraction than big store, big store affects my sales, smaller retailers have own strategy to attract clients and oppose the FDI in multi-brand retail in India.

## VI. SUGGESTIONS

- The retailers will have to invest time and resources in continuous improvement of service standards and product assortment keeping in view the speedily evolving consumer dynamics.
- Margin should be increased to the retailers in order to increase the sales.
- Sales promotion schemes should be introduced to the retailers and customers at frequent intervals.
- Television advertisements are one of the strongest media to influence the prospective customers. Hence, the retailers should concentrate more on television advertisements.
- More schemes are expected by the retailer's like-displays and discounts.
- The retailer should introduce more varieties.
- The retail malls should maintain broad product line to minimize regional difference. All categories of people should be in a position to get their required goods or products. The malls are to be maintained in such a way that they are not associated or meant for one or two segments of the people in the city.

## VII. CONCLUSION

Retailing is one of the largest sectors in India and one of the largest sources of employment in the country. Though India is one among the largest Asian economies to liberalize its retail sector, a number of Indian retailers are entering this arena. Merchandising involves the set of business activities that adds value to the products and services sold to the final consumers for their personal, family or household use. Retailers play an important role in the distributing system to reach out to the customers and at the same time, offering an array of value added services like breaking bulk, providing assortment holding inventory and providing information to their customers. However, with excellent possibility, Tirunelveli District poses a complex situation for retailers, as this is a state where each region is a mini-district by itself. In order to reach all classes of society in Tirunelveli District, organized retail formats should design a comprehensive and prospective business model which offers the quality products/services at affordable price and generate more socially balanced business. After analyzing retail Industry, it is concluded that the organized retail trading has opportunities to grow up in spite of the Foreign Direct Investment because of the economic growth of the country. Many retailers are fronting financial, as well as non-financial problems. Majority of the retailers suffering from lack of resources for investment. Still Tirunelveli District retail market has a bright future to spread out their business in all corners by satisfying the requirements of customers.

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