References


3. Abhishek Ranganathan (2010). Retail Carrefour’s view on FDI in Retail and strategy in India, DIPP discussion paper response p1.


According to industry experts, the next phase of growth is expected to come from rural and semi-rural markets.

There are reports of international retailers like TESCO, Carrefour analyzing business opportunities in India; Reliance, the largest Indian corporation is investing $3.4 billion to become India's largest contemporary retailer.

There are also reports of investments for Hypercity Retail by K.Raheja Group to establish 55 hypermarkets by 2015. All these factors will contribute in taking Indian retail business to unexpected growth based on the consumer preference for shopping in cordial environment.

Suggestions

The national commission must be established to study the problems of the retail sector and to evolve policies that will enable it to cope with FDI as and when it comes. To provide greater benefits to economy there should be stiff local sourcing requirements and investments in back end infrastructure should be compulsory. Opening of FDI should be done in a calibrated manner so that domestic retailers both organized and unorganized get breathing space and are able to upgrade their practices. FDI in multi-brand retail should not remain limited to big cities, to provide rural youths opportunities to get fruitful employment in Retail Sector.

The conditions must be aimed at encouraging the purchase of goods in the domestic market, size and specify details like construction and storage standards etc. Entry of foreign players must be slow and with social safeguards so that the effects of the labour displacement can be analyzed and policy fine tuned.

Conclusion:

To summarize, debate on opening up multi-brand retail is a welcome first step. There is sincere expectation that the government will open the sector to FDI, and act fast on this front, even if it means opening the sector in a gradual and phased manner.

At present it is also not desirable to increase FDI ceiling to more than 51% for single brand store. It will help us to ensure check and control on business operation of global retailers and look after the interests of domestic players. Foreign players should not be allowed to trade in certain sensitive products like arms & ammunition, defense equipment etc. and the list of excluded product should be clearly stated in the FDI policy. Once India gets integrated into Global economy with FDI in multi-brand retail sector, it would be placed at an advantage if it made mandatory for foreign retailers to bring with them technology and management.
The FDI in India are in spite of the fact that more than 100 of Fortune 500 companies are already investing in India. These FDI are already generating various employment opportunities, income, technology transfer and economic stability. India is focusing on maximizing political and social stability along with a regulatory environment. In spite of the obvious advantages of FDI there are few difficulties facing multi brand FDI in India. The Department of Industrial Policy and Promotion has floated a discussion paper on the issue related with permitting FDI inflows in multi-brand retail sector. It is important to point out that technological development is always needed for a developing country like India and therefore it is a boon that MNCS are interested to bring their advanced and innovative technology and high end products to India. In order to build back end infrastructure, it is essential to develop the front end as well. FDI in multi-brand retail sector needs to be declared laudable as it is expected to benefit not only the retail traders but even the interest of people of other sections including farming, cooperative, service sector in non corporate enterprises and consumers as well. The best standards and the highest quality of the goods for which these global retailers are known if brought, will change the face of retailing in India.

FDI in multi-brand retail will create markets for cash crops and motivate the farmers to farming products like fruits, vegetables etc which may be more suitable to the soil and climatic conditions of that area.

It is feared that opening of the multi-brand retail to foreign competition would adverse affect to the small retailers and would lead to huge job losses. In a large and developing economy like India this might not be true as there is a room for both big as well as small retailers to grow. One more point to be considered is that when a large modern domestic multi-brand outlets start operating in the economy, they led to shift some consumers from small retail outlets to the big ones. Thus FDI in multi-brand retail is not the sole culprit as far as adverse effects on them is concerned.

The Future Prospects and Changing Indian Consumer

- There are various factors which drive the big retailers for seeing India as a lucrative market for its business.

- The greater disposable incomes for the Indian middle class, which currently comprises 22% of the total population. Disposable incomes are expected to rise at an average of 8.5% p.a. till 2015.

- More than 50% of the population is less than 25 years of age and strong growth is expected to continue in this age bracket.

- The Indian urban population is projected to increase from 28% to 40% of the total population by 2020 and incomes are simultaneously expected to grow in these segment.
The table 1 shows FDI inflows in single brand retail sector for the period Jan 2007 - July 2010. Till July 2010 an FDI inflow of US $ 196.13 million had been received by India in this sector, comprised 0.17 percent of total FDI inflows during the period April 2000 to July 2010. (DIPP Discussion Paper 2010) Single brand retail outlets with FDI generally comprise of highend products and focus on brand conscious customers.

Since April, 2000 to March, 2010, this sector had received US $ 1.779 billions FDI inflow. This comprises 1.54 percent of the total FDI inflow received during this period.

Reserve bank of India said that, the cumulative foreign direct investment inflow was US$ 258575 millions including ‘reinvestment earnings and other capital’ (RBI in monthly bulletin July 2012). Lastly, it is to be noted that the Indian Council of Research in International Economic Relations (ICRIER), a premier economic think tank of the country, which was appointed to look into the impact of BIG capital in the retail sector, has projected the worth of Indian retail sector to reach $496 billion by 2011-12 and ICRIER has also concluded that investment of ‘big’ money (large corporate and FDI) in the retail sector would not harm the interests of small, traditional retailers in the long run perspective.

**TABLE 1: STATEMENT ON RETAIL TRADING (SINGLE BRAND) FDI INFLOWS**

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Year FDI Flows</th>
<th>U.S. $</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Jan 2007 - Dec 2007</td>
<td>1.68</td>
</tr>
<tr>
<td>2.</td>
<td>Jan 2008 - Dec 2008</td>
<td>23.32</td>
</tr>
<tr>
<td>3.</td>
<td>Jan 2009 - Dec 2009</td>
<td>162.78</td>
</tr>
<tr>
<td>4.</td>
<td>Jan 2010 - June 2010</td>
<td>8.35</td>
</tr>
<tr>
<td>5.</td>
<td>Jan 2012 - June 2012</td>
<td>42.70</td>
</tr>
</tbody>
</table>

**Sources:** compiled from FDI inflow database from DIPP Ministry of commerce and industry, Govt. of India

**FDI in Multi-Brand Retail Sector: Prospects and Challenges**

Consumption pattern and standard of living has drastically changed with urbanization. With emergence of a large middle and upper middle sector, substantial increase in the income of the people and growth in the nuclear families Indian retail sector has witnessed a big change in attitude of the consumers. India has a large young population who is more trends conscious and is ready to pay a higher price for better quality and branded products. People are ready to spend on lifestyle improvement. Entertainment, leisure, food, and shopping all are under one roof have highly welcomed. All this makes India a very attractive destination for foreign investors.
The Problem

Retail is the second largest sector next to agriculture in terms of employment generation. It employs more than 40 million people as on July 2012 and it contributes more than 33 percent to GDP of India in last few years. There is great potential of growth in this sector but it is not able to exploit its potential to the fullest due to infrastructural constraints and some policy issue. Retail sector is in grim, need of investment to overcome this constraint. As of now FDI in multi-brand retailing is completely prohibited and investment by local investors has not been able to bridge the gap between the need and actual investment currently. India’s supply chains require substantial back-end investment in order to build retail businesses. This has greater implication for agriculture sector as a substantial percentage of agricultural output is lost, due to lack of proper infrastructure like cold chain storage and warehousing, food processing machinery and equipments etc. The retail back-end in India needs huge investments, therefore the Government could open its door to foreign investors in multi-brand retail sector.

Multi brand retailing

The marketing of two or more similar and competing products, by the same firm under different and unrelated brands. While these brands eat into each other’s sales, multi-brand strategy does have some advantages as a means of

1. Obtaining greater shelf space and leaving little for competitor’s products,
2. Saturating a market by filling all price and quality gaps,
3. Catering to brand-switchers users who like to experiment with different brands, and
4. Keeping the firm’s managers on their toes by generating internal competition.

Foreign Direct Investment in Retailing

FDI in multi brand retail sector is completely prohibited in India. In 1997, India allowed FDI with 100 percent equity in Cash and Carry wholesale trading through government approval route. Since 2006 it is permitted under automatic route upto 51 percent in single brand retail. FDI inflows in single brand product trading forms a very small percentage of the total FDI inflows in India, but it is seen as a driver to attract investments in production and marketing, improving the availability of such goods for the consumers, encouraging increased sourcing of goods from India, and enhancing competitiveness of Indian enterprises through access to global designs, technologies and management practices. From August, 1991 to July, 2011 India had received US$227894 million total FDI inflows (UNCTAD).
FDI in Multi Brand Retail: Is It the Need of the Hour

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Abstract
The early nineties was a period when the Indian economy faced a severe Balance of Payment crisis. The crippling external debts were putting pressure on the economy. It was in the light of such adverse situations that the policy makers decided to adopt a more liberal and global approach thereby, opening its door to FDI inflows in order to restore the confidence of foreign investors. The contribution or impact of FDI has been well acknowledged in various discussion papers and studies. The government has allowed FDI into retail outlets owned by their domestic partners in limited way for on selling to retail customers. This paper aims to study the significance of FDI in multi-brand retail for economy development.

Introduction
India is a land of retail democracy. Thousands of weekly Haats, Bazaars are located across the economy of our country by people’s owned self-organizational capacities and interests. India has and number around 15 millions, giving India the highest retail shop density in the world. Despite of this, India had severe scarcity of capital. Since the second five year plan which led to development of the local Government adopted various restrictive industrial policy resolutions, early nineties was a period when the Indian economy faced a severe Balance of Payment crisis. Exports began to experience serious difficulties. The crippling external debts were putting pressure on the economy. In view of all these developments there was a serious threat of the economy defaulting in respect of external payments’ liability. It was in the light of such adverse situations that the policy makers decided to adopt a more liberal and global approach thereby, opening its door to FDI inflows in order to restore the confidence of foreign investors.