Investment (FDI) has become a battle ground in the emerging markets. T[illegible] objective behind allowing FDI is to complement and supplement domes[illegible] investment, for achieving a higher-level of economic development a[illegible] providing opportunities for technological up gradation, as well as acce[illegible] to global managerial skills and practices.

Nations' progress and prosperity is reflected by the pace of i[illegible] sustained economic growth and development. Investment provides th[illegible] base and pre-requisite for economic growth and development. Apart fro[illegible] a nation's foreign exchange reserves, exports, Government's revenu[illegible] financial position, available supply of domestic savings, magnitude an[illegible] quality of foreign investment is necessary for the well-being of a countr[illegible] United Nations Conference on Trade and Development report on worl[illegible] investment prospects India has been ranked at the third place in glob[illegible] foreign direct investments in 2009 and will continue to remain amon[illegible] the top five attractive destinations for international investors 2010-11.

Foreign Direct Investment (FDI) in India has played an importa[illegible] role in the development of the Indian economy during the recessio[illegible] FDI in India has – in a lot of ways – enabled India to achieve a certai[illegible] degree of financial stability, growth and development. This money ha[illegible] allowed India to focus on the areas that may have needed economi[illegible] attention and address various problems that continue to challeng[illegible] the country. The factors that attracted investment in India are stabl[illegible] economic policies, availability of cheap and quality human resource[illegible] and opportunities of new unexplored markets. Mostly FDI are flowing i[illegible] service sector and manufacturing sector recorded very low investment[illegible] The investments in service sector will enhance the benefit of flow [illegible] funds to the home country. Presently India is contributing about 17[illegible] of world total population but the share of GDP to world GDP is 2[illegible] India has been ranked at the second place in global foreign dire[illegible] investments in 2010 and will continue to remain among the top fiv[illegible] attractive destinations for international investors during 2010-12 perio[illegible] according to United Nations Conference on Trade and Developme[illegible] (UNCTAD) in a report on world investment prospects titled, 'Worl[illegible] Investment Prospects Survey 2009-2012'.

ELEMENTS OF FOREIGN DIRECT INVESTMENT

The determinant varies from one country to another due their uniqu[illegible] characteristics and opportunities for the potential investors. In specific th[illegible] determinants of FDI in India are:-

- **AVAILABILITY OF NATURAL RESOURCES:** As we know that India has large volume of natural resources such as coal, iron ore, Natural gas etc. If natural resources are available they can be used in production process or for extraction of mines by the foreign investors.
- **STABLE POLICIES:** India stable economic and socio policies have attracted investors across border. Investors prefer countries which stable economic policies. If the Government makes changes in policies which will have effect on the business. The business requires a lot of funds to be deployed and any change in policy against the investor will have a negative effect.
- **CHEAP AND SKILLED LABOR:** There is abundant labor available in India in terms of skilled and unskilled human resources. Foreign investors will to take advantage of the difference in the cost of labour as we have cheap and skilled labors. Example: Foreign firms have invested in BPO's in India which require skilled labor and we have been providing the same.
- **BASIC INFRASTRUCTURE:** India though is a developing country, it has developed special economic zone where there have focused to build required infrastructure such as roads, effective transportation and registered carrier departure worldwide, Information and communication network/technology, powers, financial institutions and legal system and other basic amenities which are must for the success of the business. A sound legal system and modern infrastructure supporting an efficient distribution of goods and services in the host country.
- **UNEXPLORED MARKETS:** In India there is large scope for the investors because there is a large section of markets have not explored or unutilized. In India there is enormous potential customer market with large middle class income group who would be target group for new markets. Example: BPO was one sector where the investors had large scope exploring the markets where the service was provided with just a call, with almost customer satisfaction.
- **ECONOMIC FACTORS:** Different economic factors encourage inward FDI. These include interest loans, tax breaks, grants, subsidies and the removal of restrictions and limitation. The Government of India has given many tax exemption and subsidies to the foreign investors who would help in developing the economy.

ESSENTIAL CONDITIONS FOR FOREIGN DIRECT INVESTMENT IN INDIA

India is a developing country, capital has been one of the scare resour that are usually required for economic development. Capital is limited a there are many issues such as Health, poverty, employment, educati research and development, technology obsolesce, global competition. T flow of FDI in India from across the world will help in acquiring the fun at cheaper cost, better technology, employment generation and upgrad technology transfer, scope for more trade, linkages and spillovers to domes firms. The following arguments are advanced in favor of foreign capita

- **SUSTAINING A HIGH LEVEL OF INVESTMENT:** As all t under-developed and the developing countries want to industriali and develop themselves, therefore it becomes necessary to raise t level to investment substantially. Due to poverty and low GDP t saving are low. Therefore there is a need to fill the gap between incon and savings through foreign direct investments.
- **DEVELOPMENT OF BASIC ECONOMIC INFRASTRUCTURE** In the recent years foreign financial institutions and Government advanced countries have made substantial capital available to the und developed countries. FDI will help in developing the infrastructure b establishing firm's different parts of the country.
- **TECHNOLOGICAL GAP:** In Indian scenario we need technic assistance from foreign source for provision if expert services, trainin of Indian personnel and educational, research and training institution in the industry. It only comes through private foreign investment c foreign collaborations.
- **UNDERSTANDING THE INITIAL RISK:** In developing countrie as capital is a scare resource, the risk of investments in new venture or projects for industrialization is high. Therefore foreign capital help in these investments which require high risk.
- **EXPLOITATION OF NATURAL RESOURCES:** in India we hav abundant natural resources such as coal, iron and steel but to extrac the resources we require foreign collaboration.

IMPACT ON INDIAN ECONOMY

Foreign Direct Investment have helped India to attain a financial stability and economic growth with the help of investments in different sectors. FDI has boosted the economic life of India and on the other hand there are critics who have blamed the Government for ousting the domestic inflows. After liberalization of Trade policies in India, there has been a positive GDP growth rate in Indian economy. Foreign Direct Investments helps in developing the economy by generating employment to the unemployed, Generating revenues in the form of tax and incomes, Financial stability to the Government, development of infrastructure, backward and forward linkages to the domestic firms for the requirements of raw materials, tools, business infrastructure and act as support for financial system. Forward and back ward linkages are developed to support the foreign firm with supply of raw and other requirements. It helps in generation of employment and also helps poverty eradication. There are many businesses or individuals who would earn their lively hood through the foreign investments. There are legal and financial consultants who also guide in the early stage of establishment of firm. It is the world largest democracy and crown at an impressive rate of over 6 percent, on an average per annum in the last decades. The number of proposal approved by the foreign investment board from the period of February 2003 to December 2009 were 3511 proposals and the proposed inflows of foreign direct investment is 194708.83 (Rs. in crores). During 2009 alone FIPB approved 300 proposals with FDI inflow of Rs.404111 crores. In the thirteenth round second quarter of financial year 2011 of the professional forecasters survey conducted by the RBI, expects the real GDP growth to be marginally higher at 8.5 percent in financial year 2011 from the last survey.

CONCLUSION

Government should design the FDI policy such a way where FDI inflow can be utilized as means of enhancing domestic production, savings and exports through the equitable distribution among states by providing much freedom to states, so that they can attract FDI inflows at their own level. FDI can help to raise the output, productivity and export at the sectoral level of the Indian economy. However, it can observed the result of sectoral level output, productivity and export is minimal due to the low flow of FDI into India both at the macro level as well as at the sectoral level. Therefore for further opening up of the Indian economy, it is advisable to open up the export oriented sectors and higher growth of the economy could be achieved through the growth of these sectors.

According to UNCTAD in its World Investment Report 2010 "If the situation continues to improve, India is likely to be among the most promising investor-home countries in 2010-12 as well as the third high economy for FDI in 2010-12". India has all the variables such as fi infrastructure, potential markets, abundant labour, availability of natur resources and at last the economic and trades policies which has be favouring FDI. India is now rated as the second-most favoured destinatio for FDI in the world after China, but it is expected that in future Ind would out beet china as it has a large proportion of young populatio with one of the fastest growing economies. Instead of the Governme should formulate the policies which can attract more foreign investme in manufacturing sector rather than service sector.

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Challenges of FDI in Retail in India

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ABSTRACT

The forces of Liberalization, Privatization and Globalization have made a remarkable surge in the volume of business in the last couple of decades. The wide expansion of global markets has greatly influenced the movement of funds. To deal with new global economic realities innovative financial instruments have been evolved. The spectacular and unprecedented growth of FDI in the global economic landscape over the last two decades has made it an integral part of the development strategy of both the developed and developing nations. It acts as a major catalyst in the development of a country through up-gradation of technology, managerial skills and capabilities in various sectors. Rise in purchasing power, growing consumerism and brand proliferation has led to retail modernization in India. The growing Indian market has attracted a number of foreign retailers and domestic corporate to invest in this sector. FDI in the retail can expand markets by reducing transaction and transformation costs of business through adoption of advanced supply chain and benefit consumers and suppliers (farmers). Oppositions have raised concerns about employment losses, promotion of unhealthy competition among organized domestic retailers resulting in exit of small domestic retailers from the market and distortion of urban cultural development. The present paper focuses on the overview of the Indian retail sector along with the major challenges that it faces.

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