Keywords: Liberalization, Privatization and Globalization FDI, Multi-brand Retail. Challenges, Impact

INTRODUCTION

Foreign Direct Investment take place when an investor based in one country acquires asset in another country in this process, the company investing in the host country also transfers assets such as technology, management and marketing. In addition to this the investing company also get chances of power to exercise control over decision-making in a foreign land enterprise to the extent of which it held equity control such investment could also be in the form of reinvestment of earning in the shape of retained earnings by the host country's enterprises that also strengthen the control o foreign investors FDI can also be in the form of equity debenture or bond in the Indian companies by foreign investors, it is channelized in the form of direct foreign contribution to the equity capital of company and is akin to domestic equity invested by the Indian shareholders of the companies the Government of India has established high powered foreign investment promotion board to provide for single window approval channels for the inflow of FDI and many restrictions on the inflow of foreign capital have been withdrawn during the recent past which is the sign of encouragement for foreign investors. The growing Indian market has attracted a number of foreign retailers and domestic corporate to invest in this sector. Being encouraged by India's growing retail boom many multinational companies also started to enter India's retail market. According to the Investment Commission of India, the retail sector is expected to grow almost three times its current levels to $660 billion by 2015. FDI in the retail sector can expand markets by reducing transaction and transformation costs of business through adoption of advanced supply chain and benefit consumers and suppliers (farmers). Opposition to liberalizing FDI in this sector raises 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

OBJECTIVE OF THE STUDY

The objective of our study is to analyze the current retail scenario in India, investigate the controversial views of the various stakeholders and evaluate the likely challenges and threats of FDI in both single and multi-brand retail in India.

ETHODOLOGY OF STUDY

The whole paper is based on descriptive arguments, statistical data, mparative study and analytical logic developed through the understandings om various research papers, reports, books, journals, newspapers and line data bases.

EVIEW OF LITERATURE

India's recently liberalized FDI Policy, 2005 allows up to a 100% DI stake in ventures. Industrial policy reforms have substantially reduced dustrial licensing requirements, removed restrictions on expansion and cilitated easy access to foreign technology and foreign direct investment DI. The upward moving growth curve of the real-estate sector owes me credit to a booming economy and liberalized FDI regime. In arch 2005, the Government amended the rules to allow 100 % FDI the construction business. This automatic route has been permitted in wnships, housing, built-up infrastructure and construction development ojects including housing, commercial premises, hotels, resorts, hospitals, ucational institutions, recreational facilities and city- and regional-level frastructure Although a large portion of the FDI flows has been directed wards developed countries, the developing countries share has increased gnificantly during the last decade. The winners here are Latin America d Asia while Africa only receives moderate amounts of FDI. In Latin merica it is Argentina, Brazil, Chile and Mexico that receive the largest nount of FDI (Ramirez, 2000). India is no exception when it comes to the crease in FDI inward flows. According to the Government's Secretariat for dustrial Assistance, FDI inflows into India reached a record US$19.5bn fiscal year 2006/07 (April-March). This was more than double the total US$7.8bn in the previous fiscal year. Between April and September 007, FDI inflows were US$ 8.2 bn. Many studies on whether or not FDI fect economic growth have been done through the years.

These studies all come to varied conclusions. Some find that FDI deed affect the economic growth while others find no such connection. ne earlier studies focus on country case studies and industry level cross ctional studies. Overall, they find that there is a positive correlation tween average value added per worker and the productivity of a MNE. ater studies gave up on country case studies and instead shifted the focus firm level panel data. Typical for these studies is that the majority find effect from FDI on economic growth. Moreover, they find negative spill er effects from MNEs in developing countries while positive spill over effects only are found in developed countries. Since older studies are fo inadequate, more recent studies have adopted another approach. Th argue that spill over should be thought of as exchanges between differ industries which mean that focus should shift to vertical (inter-indus externalities. This refers to the contacts established between dome suppliers and the foreign firms (Alfaro *et al*, 2006). The enlarged mar and increased innovation will enable economies of scale and encour technology-intensive manufacturing. When the stock of outward di investment exceeds the stock of inward direct investment, the country reached the fourth level. The domestic firms can only compete with fore firms in sectors where they have a competitive advantage. Instead they in abroad in markets where the labor is cheaper. In the domestic market capital-intensive production increases in turn. The fifth stage characteri by a continuous increase in outward and inward direct investment. Thi the stage where advanced industrial nations find themselves. The importa of MNEs is clear here. The domestic supply of natural resources is of l importance and instead the ability to exploit markets in other countrie significant (Dunning and Narula, 1996).

CHALLENGES IN ORGANIZED RETAIL

Although the estimates seem encouraging, this sector is facing seve challenges. A few of them are as follows-

- **Meteoric Rise in Real Estate Prices:** This is one of the formida challenges facing by the organized retail sector in India as in metropoli areas they have to pay 25-30% of their revenues in rentals. Rising r estate prices have halted the expansion plans of retailers (Adidas) have compelled them to change their strategies (Trent).
- **Window Shopping:** Malls are coming out in large numbers a undoubtly attract footfalls but a majority of shoppers do wind shopping over there and do not actually purchase items.
- **Supply Chain Inefficiencies:** Though the magnitude of problem var from market to market yet, this is the major challenge faced by bo food and non food retailers. Factors like poor logistic infrastructu unavailability of proper cold chain network (40-50% of fruits a vegetables and a large quantity of grains gets wasted every yea absence of distribution hubs also affect the retailers performan Due to Indian farmers' low risk and low investment capabilities, lar number of intermediaries sprung up, which leads to cost addition a

a little amount of value addition. Thus, customers end up paying a greater amount for a product then he actually should. If we go through the supply chain of perishable products, product cost goes up around 67%, farmers get one third of what consumer pays.

- **Merchandising Challenges:** Inefficient flow, out of stock or empty shelves conditions, poor packaging etc., also impact the operational performance of retailers.
- **Behaviour of Indian Consumer:** Some unique qualities of Indian consumers like –
  - They prefer noisier and messier shopping ambiences.
  - They want to touch and feel the product rather than buying the packed form.
  - For the average Indian consumer 'dusty and dirty' means fresh from farm.
  - They seek up gradation in certain product categories like housing, mobile phones, durables, education, automobiles etc., while in others like apparel, grocery and eating out they seek value. To come up with the right mix, maintaining healthy margin is a quite big challenge.
- **Lack of Quality Men Power:** There is a lack of trend men power moreover. The odd working schedules and working hours on the shop floor are some of the reasons that cause many employs to leave the retail sector. Arabind Das, Head of Sourcing at Birla Group's Retail Venture opined "In my views the biggest challenge facing is the sourcing function. While we have a lot many purchase managers, we have a very few sourcing strategists".
- **Current Regulatory Framework:** At present, the regulatory regime is quite exhaustive. Depending on the nature of activity, as many as 40 licenses and permissions required to be obtained by the home grown retailers from diverse authorities. If a retailer decides to launch a store in more than one state then, the number of permission taken from Govt. multiply accordingly. Due to these reasons, the total market share of organized retail in India is quite low in comparison to not just the Western countries like US, Brazil but also several Asian countries like China, Thailand etc. Here, the question arises whether the opening up of market for multi-brand FDI in organized retail will be fruitful or not?

CONCLUSION

The country's foreign direct investment regime has witnes progressive liberalization over the past decade. This FDI policy has to an increased inflow over the years and entry of multi brand retail thro 51 percent FDI in this segment will contribute to the same at larger ext The fine print, proposed by the Govt. for entry in this segment accompany the proposal that has been green lighted by the Union Cabinet is qu revealing. Besides these some extra conditions can be imposed. If compile both, a foreign entrant into the Indian multi-brand sector has comply with hosts of conditions like:

- In addition to the regular operating licenses, FDI in multi brand ret would require clearance of the Foreign Investment Promotion Boa (FIPB) because in starting it would come under the approval rout
- The minimum entry threshold of foreign investment is pegged at 100 million.
- At least 50% of the amount invested would necessarily be required allocate in back end infrastructure. It includes investment made towar refrigeration, cold chains, storage, processing, manufacturing, distributio design improvement, quality control and packaging, amongst other However, the cost of land and rentals are excluded for this purpose
- Retail stores established by global giants will be permitted only in th cities having population greater than one million (as per 2011 censu figures, there are nearly 8000 towns and cities in India, of which only 53 have a population more than one million) and may also cover ar area 10 kms. around the municipal limits of such cities.
- Retail locations will be restricted to conforming areas as per the master or zonal plans of the concerned cities and a provision has to be made for requisite facilities such as transport connectivity and parking.
- Foreign entrants have to source at least 30 % of their stock from Indian Micro Small and Medium Enterprises (MSMES), those having a capital investment of not more than $ one million.
- We have federal set-up, so permission to foreign channels to operate will further be subject of the state legislation. State Government. can frame certain conditions before giving clearance to them or prohibit the entry as well.
- Small retailers can be protected by restricted FDI for stores having floor size greater than 2000 sq.ft.

Monopolies can be controlled by enforcement of strict regulation and where needed through the Competition Commission of India, which has powers to assess the abuse of dominant position.

ange is the Need of the Hour

FDI in multi-brand retail is necessary step that is been taken to propel ther growth in this sector. This will transform the retail landscape in a nificant way. Standard Chartered Research says "The world has entered its third super cycle characterized by Industrialization, Urbanization d International trade". FDI would not only prove to be fruitful for the onomy as a whole but will also integrate our retail with the global retail arket, FDI in China is a case in point here. In Chinese market deployment 100% FDI was done in 2004, today its retail sector is the second largest n value) in the world.

"It is important to allow the entry of FDI into this sector in a properly gulated fashion. We must guard against the risk of these new corporations ecoming monopolistic and charging high prices," a working paper of e panel (Inter Ministerial Group appointed by prime minister of India) id. Economic Survey Report 2010-11 suggested that "Permitting FDI in tail in a phased manner could help address the concerns of farmers and onsumers. FDI in retail may also help bring in technical knowhow to set p efficient supply chains which could act as models of development." In true potential scenario, opening up of FDI can increase organized retail arket size to $260 billion by 2020. FDI in multi-brand retail will give boost to the organized retail sector, which positively impacts several akeholders, including producers, workers, employees, consumers, the overnment and, hence, the overall economy.

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FDI in Retail Sector: Concept, Policy and Procedures

*Vikas Yadav**

ABSTRACT

Retailing is the interface between the producer and the individual consumer buying for personal consumption. This excludes direct interface between the manufacturer and institutional buyers such as the Government and other bulk customers. A retailer is one who stocks the producer's goods and is involved in the act of selling it to the individual consumer, at a margin of profit. As such, retailing is the last link that connects the individual consumer with the manufacturing and distribution chain. The retail industry in India is of late often being hailed as one of the sunrise sectors in the economy.

TRODUCTION

An investment made by a company or entity based in one country, into ompany or entity based in another country. Foreign Direct Investments fer substantially from indirect investments such as portfolio flows, wherein erseas institutions invest in equities listed on a nation's stock exchange. tities making direct investments typically have a significant degree of luence and control over the company into which the investment is made. pen economies with skilled workforces and good growth prospects tend

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