from small scale units, cities in which roll-out will be permitted etc., do remain. However, the sector continues to be attractive in terms of growth potential. Foreign Direct Investment (FDI) as a strategic factor of investment is desired by India for achieving the economic reforms and maintains the pace of growth and development of the economy. FDI in the retail can enlarge markets by falling transaction and conversion costs of business through implementation of advanced supply chain and benefit consumers, suppliers and farmers.

Keywords: FDI, retail, organized, economic, challenges, prospectus

INTRODUCTION

Retailing is defined as all activities involved in selling goods or service directly to the final consumer for their personal, non business use via Kiran shops, supermarket, Food Bazaar, malls, door-to-door selling, weekl bazaar, hand car, mail-order or over the internet. India is acknowledged a the biggest retail market in the world next to China. Thousands of weekl Haats, Bazaars are located across the economy of our country by people owned self organizational capacities and interests. Food constitutes 7 per cent of retail sector. The sector is the largest source of employmen after agriculture. Indian retail industry accounted for 9.4% employmen and 22% of the country's GDP in the financial year 2011.The inflatio rate also cut down from twice digits in 2010 to a single digit figure i 2011 thereby heavy growth of grocery retailing. One of the key driver in the growth in retailing is the increased consumer demand resulting du to the growth of consumer groups with non-refundable income betwee USD 2,500 and USD 10,000 per annum which grew from 47% in 2010 t 50% in 2011. In grocery retailing, hyper markets were increasing rapidl boosting growth in modern retailing in 2011. India's retail is dominated b a large number of small retailers consisting of the local kirana shops, owne manned general stores, chemists, footwear shops, apparel shops, paan & beedi shops, hand-cart hawkers, pavement vendors etc., which togethe make up the so-called Unorganized retail. Organized retail is reflected i sprawling shopping centers, multiplex-malls & huge complexes which offer shopping, entertainment and food all under one roof. The last 3- years have witnessed the entry of a number of organized retailers Openin stores in various modern formats in metros and other important cities Organized retailing has begun to tap the enormous market but its share i nall. A number of large business houses have entered the retail business ith very ambitious expansion plan. However, opinions are divided on the npact unorganized 96% organized 4% unorganized 96% organized 4% rivate label products for grocery retailers were most prominent across ipermarkets and hypermarkets, accounting for between 15% and 30% of tal value sales of these two sectors respectively. The retailing division as move towards with various new forms of selling to the consumers. tore based retailing is the traditional form of retailing which is limited to e presence of a physical store. Non store based retailing has developed ecently with e- commerce gaining footing. However, the share of sales of on store based retailing has been quite low but is on a gradual increase ith the increasing literacy levels and changing lifestyle of the Indian opulation.

DI IN RETAIL

Foreign Direct Investment (FDI) is considered as an important gent in the process of accelerated economic growth in the developing ountries. FDI is more attractive in compare to other forms of external nance since it is non-debt creating, non-volatile and the returns depend n the performances of the projects financed by the investors (Planning ommission, 2003).Foreign Direct Investment take place when an investor ased in one country acquires asset in another country, in this process e company investing in the host country also transfers assets such as chnology, management and marketing. In addition to this the investing ompany also gets chances of authority to exercise control over decision aking in a foreign land enterprise to the extent of which it detained quity control such investment could also be in the form of reinvestment of arning in the shape of retained earnings by the host country's enterprises at also strengthen the control of foreign investors. FDI can also be in e form of equity, debenture or bond in the Indian companies by foreign vestors, it is channelized in the form of direct foreign contribution to e equity capital of company and is similar to domestic equity invested y the Indian shareholders of the companies. The Government of India as established high powered foreign investment promotion board to rovide for single window approval channels for the inflow of FDI and any restrictions on the inflow of foreign capital have been withdrawn uring the recent past which is the sign of encouragement for foreign vestors. Before 1991, the Indian financial system was isolated from the ternational financial markets. Indian companies could only access the

Indian capital markets that is their sources of finance were restricted in India. After the economic liberalization, the openness was introd in the Indian financial system and option of global market was opene Indian business entrepreneur they can tap international sources for debt and equity the main market instruments used by the Indian compa are Global Depository Receipts (GDR) and American Depository Rece (ADR). International finance also comes in the form of Foreign Di Investment (FDI) under this source direct equity contribution by M s are made to expand their operation beyond their national bounda in the form of new enterprises as a branch or as subsidiary, expans of overseas branch or subsidiary and acquisition of an overseas busin and tremendous change has occurred in the Indian financial system w regard to its integration with the global financial markets. There is increasing trend towards global capital markets and similar efforts w made to invite international investment to India.

Since the initiation of economic and financial reforms of 1991, FDI inflow in India is increasing, however India has vast potential absorbing greater flow in the coming years. Many efforts are being ma to attract greater in flow of FDI in the country by taking several actic both on policy and implementation front FIPB has been shifted to department of economic affairs under the ministry of finance and compa affairs with more power and freedom more over the matters relating to F policy and its promotion and facilitation as also promotion and facilitati of investment by NRI and overseas corporate bodies will continue to handled by this department as the application form for Carrying On Busine (COB) licenses has been revised, liberal promotion on the merit and prop monitoring scheme has been gear up by the concern ministry the bas requirement of foreign investing community in making their investme decision is availability of timely and reliable information about polici and procedures governing FDI in India time and again has often provid to them. The different factors like Rate of interest, speculation, profitabili cost of production, Government policies economic conditions, politic stability, resources, preference of investors, cross border M&A, portfol investment, FII, security of life and property and market sentiments a to be looked in order to attract FDI into country.

In 2005, the move by the Indian Government to allow FDI in re estate incorporated townships had been an appropriate move and althoug multi-brand retailing was still not allowed, FDI in single-brand retailin elicited discriminating interest. The Government created a specific Boar o deal with promotion of FDI in India and to be the sole agency to handle natters related to FDI. The 'Foreign Investment Promotion Board' (FIPB) s it is known, is chaired by the Secretary Industry (Department of Industrial Policy & Promotion or DIPP) within the office of the Prime Minister. Its nain objectives are to encourage FDI in India with investment promotion ctivities both domestically and internationally by facilitating investment n the country via international companies, NRIs (non-resident Indians) ınd other forms of foreign investors.

In November 2011, India's Central Government announced retail eforms for both multi-brand stores and single-brand stores. These market eforms paved the way for retail innovation and competition with multi-brand retailers such as Wal-Mart, Carrefour and Tesco, as well single brand najors such as IKEA, Nike and Apple. The announcement sparked intense activism, both in opposition and in support of the reforms.

In September 2012, India's Central Government announced its policy hat allows for 51% FDI in multi-brand retail, with some pre-conditions. It now involves a 2-step approval once from the Central Government & another from the local State Government. The minimum FDI limit is set o USD 100 million and it also mandates that retail outlets may be set up only in cities with a population of more than 1 million as per 2011 Census and may also cover an area of 10 kms. The policy also states hat 50% of total FDI should be towards development of infrastructure (processing, manufacturing, distribution, design improvement, quality control and packaging, logistics, storage and warehouse development) within 3 years of introduction of FDI.

FDI IN RETAIL SECTOR- CHALLENGES AND FUTURE PROSPECTUS

Accelerated urbanization in India has ushered in drastic changes in he consumption pattern. Appearance of new social classes and growth of middle and upper middle classes, substantial rise in the income of he people and growth of the nuclear family system have brought in a great deal of change in the attitude of consumers. India's population predominantly consists of youth who are more brand-conscious and are ready to pay a premium for quality, environment and brands. People, now days, are keen to spend on lifestyle. Today, the typical Indian consumer expects everything to be available under a single roof. All his makes India a very attractive destination for foreign investment n retail sector.

To elicit the opinions of stakeholders of the economy, with resp to allowing FDI in Multi Brand Retail Sector in India, the Departmen Industrial Policy and promotion floated a discussion paper. Some of voices heard after those are such that the MNCs would bring in advanc technologies and methods that would bring in huge advantages for a techn hungry country like India. It is opined that FDI in Multi-Brand Ret Sector can be considered appreciable as it may bring the latest cuttin edge technologies to India that would benefit a host of the sectors of t economy such as, the retail traders, farming, cooperative, service sect in non corporate enterprises and end consumers. The face of the Indi Retail Industry will change with the entry of Global Retail Majors w are known for their quality, service and technology of highest standard Infrastructural facilities and assured markets for the farm produce are t prerequisites for the growth of the rural agricultural sector. Most farme be inclined to prefer wheat and traditional crops if they don't find adequa market for cash crops. FDI in Multi-Brand Retail can create market fo cash crops and may move the farmers to grow commercial products lik fruits, vegetables depending on the suitability to the soil and climat conditions of that area. Bharti-Wal-Mart, a joint venture between India' Bharti Enterprises and US-based Wal-Mart Stores, has plans to buy farm produce directly from over 35,000 small and medium farmers in India b 2015. Bharti-Walmart envisages to usher in modern farm managemen practices and to train farmers to become more productive with less wate usage and minimal use of fertilizers and pesticides. Wal-Mart is confiden that this initiative will result in an increase of 20 per cent in the income o farmers and will have a multiplier effect benefiting one million farmers and agricultural labour. Investment in infrastructure will help in reducing the intermediaries and thus, will reduce the gap between prices paid by the consumers and prices received by the farmers.

Development of back-end infrastructure can cut the wastage of farm output, time and can improve quality. Improved facilities will enable farmers increase their income. FDI in Multi Brand Retailing will build up the competition concrete path to improvement in the standard of quality of the merchandise and widening the consumer choice. On the contrary, it is argued that opening up of the Multi Brand Retailing to MNCs would badly affect the small retailers and may lead to huge unemployment. For a mammoth-size economy like India this may not be the case as there is room for accommodating both big as well as small retail outlets to grow. Another point worth-noting is that when large modern domestic Multi d Retail outlets start operating in the economy, some consumers small retail outlets may shift to the big modern outlets. Thus FDI in i Brand Retailing may not have unfavourable effects of a substantial ee as feared by some of the stakeholders. 4 Big retail outlets can play jor role by providing back-end to small retailers by establishing iesses on cash and carry front. Mom and Pop shops will continue to the benefit and may remain untouched by the FDI in Multi Brand l because of the expediency factor. FDI in retail will ultimately to increased income to farmers because of amplified sourcing by ompanies from them. Farmers get benefited through investments in structure such as cold storage and other machinery so that they can erate their post harvest loss and thereby get guaranteed and better ne. Micro, Small and Medium Enterprises are expected to be benefited the foreign companies will approach them for the know-how local s and commodities preferences. Investments in back-end infrastructure lead to more efficient retail trade and thus, it can be felt that FDI in i-Brand Retailing will definitely aid in developing world-class supply n for the retail sector in India. The move to allow FDI in India may ase the chances of achieving a double digit economic growth as it ttract global retail stalwarts such as Walmart, Tesco, HomeDepot, efour etc., to participate in retailing in India. Experts discourse that 's agrarian infrastructure would especially develop as the foreign panies must invest in infrastructural facilities such as cold storage and tics to maintain their operations. At present around 35 percent of the harvest produce is going waste in India while about half of the people nderfed. Consumers will be allowed to understanding variety, high-ty commodities and superior customer service at reasonable price.

LLENGES IN FRONT OF FDI

India has a massive domestic market and a fast increasing one, there is reason to believe that with constant reforms that progress institutions conomic policies and thereby create an environment favourable for te investment and economic growth those substantially large volumes I will flow to India. We can say the given below challenges have e by them:

Restrictive FDI system: The FDI system in India is still quite restrictive. Foreign ownership of between 51 and 100 percent of equity still requires long procedure of governmental approval baring few sectors. In our view, there does not seem to be any explanation for ongoing with this rule. This rule should be scrapped in favour of automatic appr 100 % foreign ownership except on a small list of sectors th continue to require Government authorization. The banking *for example,* would be an area where India would like to ne reciprocal investment rights. Besides, the Government also n simplicity the restrictions on FDI outflows by non-financial enterprises so as to allow these enterprises to enter into joint ve and FDI arrangements in other countries. Further deregulation in industry and simplification of FDI procedures in infrastruc called for. The Government is facing various political problem to allow FDI in multi-retail as it is a co-alliance Governmen and their member parties are create hurdles as the President of CPI and various other parties used to oppose FDI in multi reta Government must also focus on areas of poverty reduction, liberalization and banking and insurance liberalization. This increase the reforms in the FDI area of the country. It is said tha would provide employment opportunity. But the fact is that they c provide employment opportunities to semi illiterate people an argument gets more attention because in India semi illiterate p are in quite large in number.

2. **Require of Clear Cut and Visible Sectoral Policies for** Expeditious translation of approved FDI into actual investment w require more transparent visible sectoral policies and a drastic redu in time-consuming and unauthorised delays by the governm officials.

3. **High Duty Rates by International Standards:** India's duty rate still along with the highest in the world and continue to block In prettiness as an export platform for labour-intensive manufactu production. Much better sincerity is mandatory which among o things would consist of further reductions of tariff rates to aver in East Asia (between zero and 20 percent). Tariff rates on impo capital goods used for export and on imported inputs into ex production, should be duty free, as has been true for decades in successful exporting countries of East Asia.

4. **Require Decision-making Authority with the State Governme** The reorganization process so far has mainly concentrated at central level. India has yet to free up its State Governments am so that they can add much greater vitality to the reorganizations

most infrastructure areas, the Central Government remains in control or at least with veto over state actions. Greater freedom to the states will help promote superior struggle among themselves. The State Governments in India need to be viewed as potential agents of rapid and beneficial change. Brazil, China and Russia are examples where regional governments take the lead in pushing reforms and prompting further actions by the Central Government.

Inadequate Scale of Export Processing Zones: The very modest contributions of India's export processing zones to attracting FDI and overall export progress call for a revision of policy. India's export processing zones have lacked vitality because of several reasons, such as their relatively limited scale and the Government's general ambivalence about attracting FDI, the unclear and changing incentive packages attached to the zones; and the power of the Central Government in the regulation of the zones, in comparison with the major responsibility of local and provincial Government in China.

No Liberalization in way out Barriers: While the reorganizations implemented so far have helped take away the entry barriers, the liberalization of way out exit barriers has so far to take place. This is a major restriction to huge volumes of FDI flowing to India. An exit policy needs to be formulated such that firms can enter and exit freely from the market. While it would be incorrect to ignore the need and potential merit of certain safeguards, it is also important to make out that safeguards if incorrectly designed and poorly enforced would turn into barriers that may unfavorably affect the health of the firm. The regulatory framework does not allow the firms to take on reformation.

Rigorous Labour Laws: Big firms in India are not permitted to cut back or suspend any workers, or close down the unit without the permission of the State Government. While the law was enacted with a view to monitor unfair cutback and suspend, in effect it has turned out to be a provision for job security in privately owned large firms. This is very much in line with the job security provided to public sector employees. Most importantly, the continuing barrier to the dismissal of unnecessary workers in Indian establishments with 100 or more employees paralyzes firms in hiring new workers. Labour intensive mechanized exports require competitive and flexible enterprises that can differ their employment according to changes in market demand