"Knowledge Scholar"
An International Peer Reviewed E-Journal Of Multidisciplinary Research
Volume: 07, Issue: 06, Nov. – Dec. 2020 eISSN NO. 2394-5362
Impact Factor (SJIF) – 5.266

IMPACT OF FDI WITH SPECIAL REFERENCE TO RETAIL SECTOR IN INDIA

Dr. Mohammad Anzar
Asst. Professor
Department Of commerce
Akbar Peerbhoy College of Commerce & Economics,
Mumbai, Maharashtra, India

Abstract: - *Indian economy has been experiencing unprecedented up-surge in terms of foreign investment ever since it adopted the economic reforms in the 90s decade and the constant up gradation of FDI policy till date. The up surge in economic activity by foreign investors has led to, no matter, development; but it also tried to shake the traditional commercial patterns in urban and rural areas. In order to boost the socio-economic activity*.

Keywords: FDI, Retail Sector, single brand, multiple brand

Introduction:

The ultimate effect of this was a massive overhauling discussion on whether FDI was beneficial for Indian retail market or not. Thus, this research also undertakes to discuss the impact of FDI in retail industry in India in general and in Maharashtra in particular.

Literature Review:

The research works help in reviewing, analyzing and broadening the outlook of the study area research studies in concerned area helps in clearing concepts, issues related to the study undertaken. The research scholars try to seek direct or indirect relevance of the topic pointed out positive contribution of FDI to the growth and development in India the analysis of the flows of FDI worldwide, he traced large share Of the commercial banks that witnessed increasing level of private sector attracting direct inflows. It was observed that investment climate for FDI inflow is directly related to economies that are in the transition

phase of development. FDI effects in the form of increased rate of technical progression. Apart from this it boosted the management practices, suggested by foreign companies that invested in the host country .Due to FDI a new era of trained and skill oriented man power started to maintain quality standards as a part of management practices and organizational arrangements that could meet the newly evolved market demands.

In this observation regarding FDI in retail that it must eventually flow in countries which import goods and services from foreign counties. The reason is the market imperfection which includes tariffs and quotas. On account of this 'the foreign firms will find it attractive to produce locally in order to satisfy domestic demands of retailers.

Objectives of the study:

The objective of the present study is to study the foreign direct investment (FDI) and its impact on Retail Sector in Maharashtra State:

1. To study FDI in retail sector
2. To analyze the sectors attracting highest FDI equity inflows
3. To know the impact of FDI on retail sector in Maharashtra.

Hypothesis:

- Hypothesis for study retail sector in India
- Growth in economy
- Job opportunities
- Benefits to farmers
- Benefits to the consumers
- Lacks of infrastructures
- Cheaper production facilities

Availability of new technology of long term cash liquidity conducive for the country economic growth FDI opens up new avenue for franchising

Methodology: it is purely secondary base data no part of it is an imperative study .rather official websites and reports are the source of data .secondary information has also been taken from journals, articles, etc.

The Concept of FDI or (Foreign Direct Investment):

Foreign Direct Investment, in short FDI, is described from two points of views first at the macro level or International level the second as at micro or domestic level The macro aspect of FDI refers to inflow of funds in a host country i.e. native country to host country. The fund flow is often measured in Balance of Payment statistics .On other hand, the micro view is explained in terms of encouragement for limited investment in industry operations by foreign investors. Thus, FDI is the investment made by an investor from native country in the host country. Foreign Direct Investment (FDI) relationship established between parent enterprise and a foreign affiliate can lead to an international business or multinational corporation (MNC)."Few things must be considered while attracting FDI: the investor must pay for the parent enterprise for control over its foreign partner. The United Nations organization have defined the limit of control up to 10% or more of the ordinary shares or voting power of an integrated company.

The concept of retail Retailing is market activity in which the shop owner or vendor sells goods to the customer for ultimate consumption or end users i.e. the goods are no more involved in the Sale and purchase the term retail refers to the original word 'retailer' its means 'to cut a piece off ' or 'to break bulk'.

In other words, direct transactions with the customer retailing is the buying and selling of goods and services; it is the timely delivery of goods and services demanded by consumers at prices that are competitive and affordable.

'Retail' as a sale for final consumption in contrast to a sale for further sale or processing (i.e. wholesale), a sale to the ultimate consumer. Thus, retailing a market activity between the manufacturer or producer and an individual customer wherein the goods and services are purchased for ultimate use instead of reselling. "It does not cover direct interface between the manufacturers and institutional buyers for instance, the government and other bulk customers. It is the last link that connects the individual consumers with the manufacturing and distribution chain. A retailer is involved in the act of selling goods to the individual consumer at a margin of profit.

When foreign investor wants to open a shop in host country it is termed as foreign direct investment in retail market of that country. India, in present situation, has not allowed so far any such foreigner investors to set up their shops, but they can have

partnership with domestic retailers. Of late foreign investors are, as the amendments in for the years 2000 to 2012

Foreign investors found India as the new destination, but 70% of the inflows came from five countries. From Mauritius India received US $ 64,169 million equity inflows since April, 2000. T

he double-taxation treaty between India and Mauritius was one of the major reasons for this rise in equity inflows. Advantage of Double Taxation Avoidance Agreement (DTAA) between Mauritius and India helped them to avoid the capital gain taxes payable to India. Next country was Singapore as the largest investor investing $ 17, 153 million (10% of the total FDI in flows). U.K, Japan and USA with invested $ 15,896 million, $ 12313 million and $ 10,564 million respectively

Impact of FDI on Retail Sector in Maharashtra State:

Maharashtra has been prime destination for FDI inflow during the 2001- 2011 decade hence; the determining factors of FDI must have had deep impact on the livelihood of general public. Thus the following analysis will surely help us in comprehending actual impact of foreign direct investment in retail sector.

When the respondents asked about impact of Malls on their day to day business, out of 100 respondents, only 30 respondents told that there is decrease in customers.70 per cent of the respondents told that there is no direct impact on their business. It means that more than 70 per cent of the shop owners felt negligible impact after the opening of a mall in their locality. One of the possible reasons is that the small shop owners cater to the middle and lower middle class customers' needs .it is believe that entry of FDI will not create job opportunities and only 30 per cent of the retail shop owners felt that it will generate new jobs for the local people.

Do you think that entry of FDI in retail will yes, we need more funds for improving basic facilities like transportation, storage, trained manpower etc.

Foreign retail firms will grab our entire market and government should take this responsibility to improve infrastructure for smooth running of retail industry

As the above responses indicate, establishment of foreign retail firms will have some impact on development in India. When asked about it, out of 100 respondents, 38 percent told that allowing FDI in retail will surely improve conditions of retail market as it will inflow of funds for basic infrastructure such as transportation, storage, road and

electricity facilities for the areas whereabouts the foreign companies will set up malls. And 62 percent responses No, foreign retail firms will grab our entire market and government should take this responsibility to improve infrastructure for smooth running of retail industry. Foreign Direct Investment is important development tools for the growth and development of the Indian Economy is tested with chi-square test. Here the minimum expected value is more than expected count so that the concern hypothesis is accepted.

1. The foreign retail companies must be under continuous monitoring ensuring that the economic development happens to the country, generate employment and enhance living standard of common people, especially farmer community in India.
2. The Govt. of India must decide over the number of foreign retail players in every city so that prospect of domestic retail companies is protected.
3. Govt. of India opened up gates to FDI in economy FDI but consumers, farmers, and general stores are really unclear about its motive.
4. The strict rule for the foreign companies FDI will not hurt. FDI is, at its very core, a means of funding and expertise. It can only bring in better financial viability, expertise, knowledge and means of staying put in a business that is very competitive. Retail is real time. It is now or never from fashion to food, from auto to devices. If you are behind the competition, you are dead. So, it requires deep pockets. Multi brand retail is a manner in which companies hedge the inherent risks in the business activity. If someone funds this, the risks become manageable. The play becomes longer. It is that simple. The government has to please different stakeholders including local government, state and centre. It has also please local manufacturers, associations and unions. So, it is an issue that confronts them. But it is an issue that needs to make way. It's time is nearly gone. The clock is ticking away .Allowing foreign firms free play in India's retail sector has always been a political hot potato. The Government has therefore been opening up this sector to foreign players in baby steps. The latest was allowing 100 per cent Foreign Direct Investment (FDI) in single-brand retail trading through the automatic route last week. But not everyone's cheering .While foreign investors may salivate at the thought of selling to a 1.3 billion population retail trade in India is dominated by mom-and-pop outlets. Those opposed to FDI worry that opening the door to 800-pound gorillas will draw away consumers from these tiny outlets to giant departmental stores, and squeeze their suppliers too. The new proposal is a compromise solution which tries to protect such outlets while earning the Government brownie points for liberalizing FDI. The policy allows the Government to test

the waters on how MNC presence affects Indian retailers. And given that many of the global single-brand retailers vend only premium or luxury goods, it was also hoped that their India foray won't impact the mom-and-pop stores much but there's a bit of hair-splitting here. For one, MNCs can sell both premium and mass-market products in these single-brand stores. Two, given that all retailers essentially compete for a share of the same consumer's wallet, spending on premium products or services can come at the cost of splurging on mass market products. Strongly opposing foreign direct investment (FDI) multi brand retail ,few are on the strong opposition said the policy will make India a country of a sales boys and sales girls stating that the entry of international retailing chains without correcting the manufacturing sector will eventually destroy production in the country it is observe the coming generation would left with little options the essence is that domestic retailer source product s locally international retailers source internationally the buy from the cheapest market India

Observation: it is observe that the FDI is bad for the country economy as we are in the category of developing country and to develop properly we need to control the country economy very carefully if the percent in FDI in retail sector(Multi Brand will increased them the investment in the India retail market will be from foreign investors profit will also drain the investors and more in India the retail sector mainly depend upon the agriculture sector of the country very badly and which will affect the country economy 100% in the retail both single and Multiple Brand then Government will lose the control over this sector completely and one the most disadvantages of FDI in retail sector that as we know that the retail sector is that the retail sector is one of the major employment provider and permitting FDI in this sector and leading to loss of livelihood the most favoring example if Wall Mart entry in retail sector is allowed then it will kill the millions of locals shops and job the global retailer would be exercise monopolistic power to reduce the price received by the suppliers and will lose will the profit margin in such charge would go up so from the above points I can say that FDI sector is not good for to minimize the impact of foreign investment in retail sector, the government must act as a catalyst by devising competition commission, which will protect rights and existence of domestic retailers

Conclusion:

FDI in retail will benefit common man: The government of India has approved FDI in retail sector, which was so far reserved for local retailers in India. In order to grab the huge retail market in India, the international retail giants like Wal-Mart, Carrefour etc. somehow tried to enter Indian market by setting up their big malls. Their entry implied many fold recuperations for urban organized and unorganized retailers.

Keeping in view the role of FDI in growing up the Indian Economy

Foreign Direct Investment (FDI) in retail will benefit the common man and create more jobs.

Those who do not supports FDI spreading misinformation regarding policy initiatives taken by the Government it will create a prosperous India but the people have to travel a long distance to achieve that goal that this will harm farmers were We have to take difficult decisions to achieve this.. Elaborating on the defense of FDI we believe that FDI in retail is in the interest of farmers.

"All will be benefited. Farmers will get the right price for their produce. New employment opportunities will emerge. It is wrong that FDI in retail will affect farmers. Such a suggestion is aimed at misleading to the country.

References:

1. Dilip Das (2001), "Global Trading System at the Crossroads: A Post-Seattle Perspective", Routledge Studies in the Modern World Economy. Economics
2. Mundell (1957), Leading Issues in Economic Development, Oxford University Press
3. Kindleberger, ed. The Inter-national Corporation. Cambridge Press, p.25
4. Chaudhary Shalbha Empirical Study of Indian un organized retail sector and the reality of FDI in organized retail, BT Online Bureau New Delhi http:blog our education ;Fdi in retail;