Original Research Paper Commerce

FDI in Multi Brand Retail: New Opportunities

PROF. (DR.) Baldev M. Patel
PRIN.M.C.SHAH COMMERCE COLLEGE, NAVGUJARAT CAMPUS, ASHRAM ROAD, AHMEDABAD-380014

ABSTRACT

India is without doubt a growth economy and many consider it an attractive country to invest in, particularly in its rapidly growing and changing retail market. FDI in multi brand retail in India has been a hotly debated issue for last few years. The ruling government and corporate houses argue that following FDI will user in huge benefits and create jobs, By creating a sustainable back, supply chain, benefiting the farm sector. But opposite's sides' traders argue that FDI will hurt, small stores and kirana shops. However a government taking steps to open the sector.
The papers focus to investigate the Indian market place and review current policy and regulation with a view point of foreign investor so as to gain an understanding of current position on FDI, as well as an overview of Indian policy.

KEYWORDS FDI, Retail, Multi Brand

Introduction:
Foreign direct investment broadly encompasses any long term investment by an entity that is not a resident of the host country. In 2006 the government of India promoted limited FDI in single branch retiling and considered opening up further in a phased system with emphasis on joint venture between wal-mart with Bharti group. Studying other countries such as China, Where restrictions were initially imposed on the location and formats in which foreign retailers could operate was always on the agenda of the Indian government. Retail sector is one of the most important pillars of Indian economy. FDI in multi brand retail can be seen as an important reform to receive the economy and to ease supply side pressure in unorganised sector. FDI in multi brand retail can go a long way in improving the efficiency of supply chain, Infrastructure facilities and technological advancement in retail sector. The FDI policy on multi brand retail creates opportunities for the micro, small and medium enterprise (MSMEs) to reach out the international market. Farmers and consumers would benefit from new entry of organised retailers in multi brand.

Retail sector in India – Overview:
Retailing in India is slightly different than in developed markets, in that is divided into organised and unorganised retail. Organised retail means when trading is taking place under license or threw that are registered for sale tax or income tax. Unorganised retail is India's more traditional style of law cost retailing, for example the local kirana shops, Hand carts and pavement vendors. This section of the retail is very heavy weight towards, unrecognised is just one of this issues contributing to the sensitive debate on FDI in India at the moment. Each time FDI reforms are enounce in retail sector, The following questions are most often raised. Could FDI in India's single and multi brand be a disaster for the Indian economy? What reforms are necessary, if any, to protect the sub continent's domestic retail Sector; however the above questions show the arguments in retail sector. The following benefits are being increasingly acknowledged as a function of introducing FDI reforms. Consumers are assured of product quality and better service, increased speed of development in modern formats, and led to integrators of suppliers, logistic service providers and retailers reductions in the number of intermediary's low cost global retailers likely to lower prices. The arguments against FDI in retail focus particularly on regarding the potential risk of displacing labour in the retail sector. Retail employees a huge number of people in the unorganised sector, majority of them do not have any skills. This has made retail a major political issue as there is pressure on the government to compensate the people who are displaced.

OBJECTIVES:
Now a day in India every where the people are talking about the FDI in retail sector. The government of India is also going to pass the bill allowing FDI in retail. The present study is conducted to know the following things related to FDI in retails.

- To know benefits from FDI in multi brand retail.
- To know threats due to FDI in multi brand retail.
- To know what may happen after starting organised retail stores in India by MNCs.

Research Methodology:-
To achieve research objectives, the descriptive research design is used in the study. The study is based on the secondary data collected mainly from the various journals and websites.

What is Multi Brand Retailing?
Single brand retail means selling products under one brand, which are also sold internationally. Examples are Rebook, Adidas, Nike, Gucci, Lotto, Levis etc. Multi branding is the process of selling or marketing of two or more widely similar, competing and sometimes substitute products by the same firm under different brand. Multi brand retail has the different formats like super market, hyper market, and the shopping malls etc.

Current Status of FDI:
The retailing India is the largest employer with an estimated 35 million people engaged by the industry. There has been opening of Indian economy to foreign organization for foreign direct investment threw organised retail. The union government has sanctioned 51% foreign direct investment in multi brand like wall-mark, Carrefour and Tesco. The new policy will allow multi brand foreign retailers to set up shop only in cities with a population of more than 10 lakhs as per the 2011 census. There are 53 such cities at present. This means that big retailers can move beyond the metropolises to smaller cities. The final decision will however lies with the state government. Foreign retailers will require a minimum investment US$ 100 million of which at least 50% of the total FDI should be investment in back structure which would include capital expenditure on the entire spectrum of related activities including cold chain infrastructure, food processing, logistic. Big retailers will need to source at least 30% of manufactured products from Indian small industries. As of 2013, the government of India allowed FDI in the following sectors:

- Up to 100% in single brand retail trading.
- By only one non-resident entity whether owner or the

brand or otherwise.
- 30% domestic saucing requirement eased to preferable sourcing rather compulsory.
- 305 domestic sourcing computations further clarified.
- Further clarification on FDI companies that cannot engage in B2C e-commerce
- Up to 51% in Multi-Brand Retail Trading
- Fresh agriculture produce is permitted to be sold unbranded
- Indian states have been given the discretion to accept or refuse to implement FDI. More than 8 states have already given their consent.

Effect of FDI in Multi Brand Retail for Different Stakeholders:
To begin with, one should assess the pros and corns of FDI in multi brand retail over the next 10 to 20 years, not in immediate terms. In the short term, there is no denying that foreign capital will flow into the country and the government can claim that its economic reform agenda is intact. However, the adverse implications will be felt over long time in terms of job loss and the displacement of small retailers and traditional supply chains, the oft-repeated argument that "As China has done, so India should do" is flawed, and does not take into account the key difference between two economics. Unlike India, China enjoys a huge trade surplus with US and other major trading partners.

In contrast, Indian economy is services-led, with services outpacing industry and agriculture. The services sector accounts for 5%% of India's GDP. Indian's retail; sector is highly fragmented, with self-organized retailing accounting for as much as 95% of the total retail trade. India's low cost retail trade exists in various forms and acts as a social security valve.

Retail Workers:
Presently, retail market structure in India is just the opposite of west, with no single player dominating any segment of the market. This structure tends to benefits both consumer and suppliers. The multinational players can superimpose their retail model on the Indian markets due to strong financial muscle and global sourcing. In the process, millions of jobs will be displaced not merely in the self-organized sector but also in the corporate retail sector as they will find it difficult to survive the onslaught of big retailers such as wal-Mart. Unlike developed countries, 51 percent of the India's total work force is self-employed. One of the biggest avenues of self-employment is in retail trade due to very little entry barriers.

Local shopkeepers & Retailers
Allowing FDI in multi-brand retail will lead to the growth in number and sales for India's modern retail outlets and these stores will compare both with formal domestic retailers and with the informal sectors, including kiranas and hawkers. Retail giants' entry into the India retail market is likely lead to increased market consolidation in the formal sector. As small, less capitalized retailers are less able to absorb losses in the face of unsustainably low prices charged by big competitors, these small business will be forces to close their doors. Some argue that kiranas will likely change with the influx of modern retailers' cheap goods. Wal-mart and its peers redefine the markets that they enter, changing consumption habits over time, and this factor combined with the company's ability to underbid other retailers, means inevitable economic displacement for these involved in the existing system.

Conclusion:
Despite of the current policy and regulatory environment not being perfect for foreign investors, there are clearly moves towards improving the current position and facilitating FDI inflows without having a detrimental impact on various sectors of the economy. The current policy is trying to encourage joint ventures in multi brand retailing so as to boost the domestic retailer's growth in this area. However there is also the risk that some foreign retailers will not be interested in investing unless they have 100% ownership and that the current policy will prevent them from choosing India as a Retail destination. In our view, the advantages outweigh the disadvantages of allowing unrestrained FDI in the retail sector, as successful experiments in countries like Thailand and China demonstrate. In both countries, the issue of allowing FDI in the retail sector was first met with incessant protests, but allowing such FDI led to GDP growth and a rise in the level of employment. With this, a plethora of business opportunities in India has been thrown open to the foreign investors. India has seen an eightfold increase in its FDI during 2013, at a time when the aforesaid norms were not even approved- a sign that suggest India is set to be one of the favoured destinations for foreign investors in the retail sector.

Reference:
1. A case for FDI in Multi-Brand Retail in India by Jatin Prasad
2. The pitfalls of FDI in Multi-Brand Retailing in India by Kavaljit singh
3. Wal-Mart's Global Track Record and the implications for FDI in Multi-Brand Retail in India- A report by UNI Global Union
4. Foreign Direct Investment in Retail in India by Dr. Gaurav Bisaria
5. Foreign Direct Investment: The Big Bang in Indian Retail Arun Kr.Singh and P.K.Agarwal
6. Critical study of foreign Direct Investment in Indian Retail with special reference to Multi Brand Retail sector by Dr. Deepali Moghe
7. Multi-Brand Retailing in India: curse or boon? By Priyanka Das