CHAPTER – 2

REVIEW OF LITERATURE

Several studies have been conducted in the area of retailing all over the world and these studies have wide focus on issues relating to retailing such as development of organized retail, foreign investments in retail sector, impact of organized retail on un-organized retail, retail strategies adopted, formatting of retail stores, management of stores, online retailing (e-tailing), customers’ shopping preferences, shopping experience and so on. Given the lead the rest of the world had taken in organised retailing and the number of vibrant activities in this sector, the number of published research work is extensive from the international perspective. But among the studies on impact of FDI in retail with reference to specific issues related to retailing from international perspective, only a few are published and available for reference.

In India, the organised format of retailing, though growing faster than ever before, is still at the nascent stage and so is the number of research works. Although there is a reasonable amount of literature available on FDI and retailing in India, it is by no means abundant in the specific areas of impact of FDI in multi-brand retail with special reference to its impact on unorganised retailers, organized domestic retailers, farmers, suppliers, customers, economy etc., as the decision of permitting FDI in multi-brand retail itself as taken a back seat again which in the present political scenario is very uncertain to take a front seat ever. The researcher has identified those studies, which are closely associated with his research topic such as Foreign Direct Investment, International Retailing, FDI in retail policy, Retail Sector in India, Government of India (GOI) Discussion Paper (GIDP), Impact of FDI on Organised Retail, Unorganised Retail and Customers, Customers’ shopping experience and behaviours, and categorized them into those international reviews and domestic reviews based on their relevance and context.
A broad range of views from institutional and corporate material, academic and business oriented literature, newspapers and online media and internet resources were reviewed. The literature relating to the study were identified and located by the researcher in the form of articles, research reports and review material both in physical and electronic forms.

The bibliographic references of these research works are given briefly in the respective paragraphs and the details of publishers and required information are cited as references at the end of this chapter. The literatures are discussed in brief by highlighting its relevance and importance to the present study.

2.1 Views from different quarters - India’s farmers, economic and corporate community

_Shriram Gadhve of All India Vegetable Growers Association (AIVGA)_ claims his organisation supports retail reform. He claimed that currently, it is the middlemen commission agents who benefit at the cost of farmers. He urged that the retail reform must focus on rural areas and that farmers receive benefits. Gadhve claimed, "A better cold storage would help since this could help prevent the existing loss of 34% of fruits and vegetables due to inefficient systems in place." AIVGA operates in nine states including Maharashtra, Andhra Pradesh, West Bengal, Bihar, Chhattisgarh, Punjab and Haryana with 2,200 farmer outfits as its members.

_Ajay Vir Jakhar, the chairman of Bharat Krishak Samaj_, a farmer association with more than 75,000 members says it supports retail reform. He says a monopoly exists between the private guilds of middlemen, commission agents at the sab-zimandis (India's wholesale markets for vegetables and farm produce) and the small shopkeepers in the unorganised retail market. Given the perishable nature of food like fruit and vegetables, without the option of safe and reliable cold storage, the farmer is compelled to sell his crop at whatever price he
can get. He cannot wait for a better price and is thus exploited by the current monopoly of middlemen. Jakhar asked that the government make it mandatory for organised retailers to buy 75% of their produce directly from farmers, bypassing the middlemen monopoly and India's sabzimandi auction system.

Chengal Reddy, secretary general of Consortium of Indian Farmers Associations (CIFA) announced its support for retail reform saying it could do lots for Indian farmers. Reddy commented, "India has 600 million farmers, 1,200 million consumers and 5 million traders. I fail to understand why political parties are taking an anti-farmer stand and worried about half a million brokers and small shopkeepers". CIFA mainly operates in Andhra Pradesh, Karnataka and Tamil Nadu; but has a growing members from rest of India, including ShetkariSanghatana in Maharashtra, Rajasthan Kisan Union and Himachal Farmer Organisations.

Prakash Thakur, the chairman of the People for Environment Horticulture & Livelihood of Himachal Pradesh, announced his support for retail reforms claimed FDI is expected to roll out produce storage centres that will increase market access, reduce the number of middlemen and enhance returns to farmers. Highly perishable fruits like cherry, apricot, peaches and plums have a huge demand but are unable to tap the market fully because of lack of cold storage and transport infrastructure. Sales will boost with the opening up of retail. Even though India is the second-largest producer of fruits and vegetables in the world, its storage infrastructure is grossly inadequate, claimed Thakur.

Sharad Joshi, founder of ShetkariSangathana, farmers association, has announced his support for retail reforms. Joshi claims FDI will help the farm sector improve critical infrastructure and integrate farmer-consumer relationship. Today, the existing retail has not been able to supply fresh vegetables to the consumers because they have not invested in the
backward integration. When the farmers' produce reaches the end consumer directly, the farmers will naturally be benefited. Joshi feels retail reform is just a first step of needed agricultural reforms in India, and that the government should pursue additional reforms.

*Muthuraman,* president of the Confederation of Indian Industry, claimed the retail reform would open enormous opportunities and lead to much-needed investment in cold chain, warehousing and contract farming.

*Amartya Sen,* the Indian-born Nobel Prize won economist, in a December 2011 interview claims foreign direct investment in multi brand retail can be good thing or bad thing, depending on the nature of the investment. Quite often, claims Professor Sen, FDI is a good thing for India.

### 2.2 Literatures Reviewed from International Perspective

#### 2.2.1 Reviews related to FDI and its impact

*Malhotra D K et al (2014)* evaluate the determinants of foreign direct investment (FDI) in Brazil, Russia, India, and China over 1995 to 2012 time period. In this study, foreign direct investment was modeled as a function of economic and non-economic/institutional variables. It was found that both economic and institutional variables play an important role in influencing the level of foreign direct investment in emerging markets.

*Werner Baer et al (2013)* comparative analysis of FDI in Brazil and India shows the importance of historical and institutional awareness in gaining an understanding of the manner in which each society perceived the role of foreign investments in their societies. This study concluded that these countries adopted different attitudes and policies towards foreign capital.

*YlldezeSokoli et Al (2011)* explains that though Albania has a high potential to attract FDI in various sectors such as industrial processing, agribusiness, tourism, services, agriculture etc. the absorption of FDI in Albania is much lower than its real potential. After 2000, Albania has made visible progress to increase the flow of foreign direct investment not only just from
state privatization companies, but also in the involvement of foreign private sector to obtain the concession strategic sectors.

Marc Lombard Et.al (2010) attempted through a comparative analysis, to assess the significance of foreign direct investment to the growth and development of both China and India, from the period following the introduction of economic reform programs, to the last few years. They suggest that foreign direct investment (FDI) has had a significant positive bearing on the Chinese economy and a considerably more moderate effect on that of India. This discrepancy is attributed, in particular, to the composition and nature of FDI, and the institutional framework within which FDI is received.

Asma Salman et al (2009) aimed to find out the missing link between the Foreign Direct Investment (FDI) and its impact on the Pakistani economy. They utilized co-integration and error correction techniques in estimating the long run behavioral relationship between Pakistan's foreign direct investments and the current account balance and different economic variables. The empirical results advocate that there exists a significant long term relationship between the foreign direct investments and the gross national product, current account balance and official aid during the observed period 1971-2005. FDI has a negligible impact on GNP in the long run.

Tam Bang Vu et al (2008) uses the sectorial FDI inflow data to evaluate the sector-specific impact of FDI on growth. Results show that, for the two developing-transition economies examined, FDI has a statistically-significant positive effect on economic growth operating directly and through its interaction with labor. Intriguingly, the effects seem to be very different across economic sectors, with most of the beneficial impact concentrated in the secondary industries. Other sectors appear to see much less growth benefit from sector-specific FDI.

John S. Henley (2004) compares the performance of India and China in attracting foreign direct investment (FDI). FDI statistics suggest that India's performance has been significantly understated but India still lags absolutely for several reasons. These include a high tariff regime, poor physical infrastructure, a regulatory system that is too often not business friendly and a policy of reservation of many potentially export-oriented sectors for small businesses. The paper concludes that further liberalization of India's FDI regime is likely to be driven by external pressures and state-level initiatives.
Scott R. Fletcher (2000) in his research identified that ninety-five foreign parents operated 108 known British subsidiaries, ranging from many single unit operations of Woolworth and Singer. This paper describes this population of foreign multinational retailers, comparing their crude entry and exit rates and their national origins with those of foreign multinational manufacturers. In using the retrospective approach to identify foreign multinationals in British retailing for the period specified, this study relied on city directories, specialized trade directories, company reports, company and industry histories, and the periodical press for information.

2.2.2 Reviews related to Organised Retailing

Bernhard Swoboda et al (2013) in their study proposed that successful retailers build on the unchanged know-how parts of the format by combining more standardized core elements with adapted peripheral elements. The results show that retailers transfer offers (marketing programs) and processes (marketing and supply chain) differently and hierarchically; that is, peripheral elements are allowed to vary, whereas core elements are transferred in a more standardized manner. Processes are only indirectly associated with performance. These observations hold true for both psychically close and distant countries.

Sharad Tandon et al (2011) points out that only a few studies have empirically analyzed which driver has been more important to the spread of modern food retailing. Using a newly constructed data set of 103 developing countries, they found suggestive evidence of the expansion being primarily driven by growth in demand for non-price characteristics. Specifically, found that variation in demographic characteristics, such as share of the population who would benefit most from the convenience offered by modern formats, are associated with large variations in supermarket growth over the past decade. On the other hand, growth in modern food retailing appears uncorrelated with variation in the ease of developing efficient supply chains.

Ian Mitchell (2010) discovered that commercial bazaars were a short-lived retail innovation of the first half of the nineteenth century, mainly in London. Rather like fairs had done earlier, they offered a wide range of clothing, household and fancy goods and entertainment. Traders in bazaars were often female, and at least some used bazaars as secondary outlets. Shop retailers complained about the unfair competition offered by bazaars, but many bazaars
struggled commercially. Nevertheless they can be seen as precursors of department stores and covered market halls.

*Till Talaulicar (2009)* brings out the case of Wal-Mart in Germany and the lawsuit on its Statement of Ethics demonstrate some of the business ethical complexities and traps that retailers have to consider when they go global. The paper analyzes the impact of different legal and cultural frameworks on the admissibility and appropriateness of codes of ethics, the different types of standardization applicable in codes of ethics as well as the potential conflicts between corporate and personal interests. The analysis tackles the issues of global versus local codes of ethics, rule- versus principle-based approaches to standardization and of restricting versus protecting employees' privacy to advantage corporate affairs.

*Johan Anselmsson et al (2009)* examines four alternative measures of category innovativeness capturing different levels of consumer orientation. The study shows that there is no empirical support for the suggestion that retailer brands have a negative impact on the overall innovativeness in the grocery categories. However, there was a significant positive relationship between growth in the retailer market share in a category and level of innovativeness in the category. Prevalent innovative behavior and line extensions do not rank high with consumers in terms of innovativeness. Companies could allocate resources for more creative products although it might mean fewer new product releases.

*Yusong Wang et al (2009)* found that when independent retailers compete against company stores (instead of just against other independent retailers), they (1) charge higher prices and (2) are more willing to engage in marketing efforts on behalf of the manufacturer’s brand. Furthermore, when company stores and independent retailers compete in the same market, the company store charges higher prices and provides more marketing effort. Anecdotal data are consistent with these model predictions.

*Bart Minten (2008)* in his study analysed the current food retailing in a case study of Madagascar, a poor country where global retail chains have not been hindered. The results of the study show that the demand for food from global retail chains is low as citizens, mostly belonging to poverty line, prefer food with low costs despite the dominance of global food trade, which has affected agricultural supply chains and inadequate producers.
Andrew Alexander (2008) argues that students of retail history need to give more attention to the idea of the retail format. Employing a conceptualization of the format in contemporary retail studies, it reveals the importance of so-called ‘offering’ and ‘know-how’ components to a fuller understanding of the development of the supermarket format in post-war Britain. Supermarket development is shown to be affected by, and itself impact on, a complex interplay of factors. Arguments presented in the article are supported by a detailed examination of supermarket development at the London Co-operative Society between 1960 and 1965. The paper thus also contributes to the knowledge of the history of co-operative retailing in the post-war period.

Georgeanne Artz M et al (2006) examines the impact of Wal-Mart Supercenters on grocery store sales in local markets in Mississippi. Based on the findings, it is inferred that the Supercenters located in nonmetropolitan counties capture 17 percent of the existing grocery market within the first two years of operation. In metropolitan counties, Supercenters capture about four percent of existing grocery stores’ sales one year after entry. In general, it is concluded that Wal-Mart Stores Inc.’s effect on existing local retailers is negative. However, some complementary businesses may benefit from its presence.

Masao Mukoyama (2004) focuses on international retailing that has generally emanated for Europe and North America. The area being targeted by Western retailers has shifted from Europe to Asia. The change from targeting the European markets, which were seen as mature, to targeting the growing Asian markets was a logical move for Western retailers. The Asian region is not only the world's production center but is now positioned as the consumer center. It is the Japanese retail enterprises that have been first to focus on these markets.

Andrew Godley (2003) analyzes the impact of foreign multinationals on British retailing. After the First World War, foreign multinationals were increasingly active in the sector, their market share increasing to around 1.3 per cent in 1929 and 1939, before rising rapidly to around four per cent of the country's retail sector. By 1914 around one-half of one per cent of the British manufacturing workforce was employed by a subsidiary of a foreign multinational. Although, with an above average output per employee, a reasonable conclusion is that foreign direct investment was around three times more significant in British manufacturing than retailing.

Arieh Goldman (2001) ascertains the set of determinants that control the extent of change on the basis of evaluation of executives from twenty-seven different foreign retailers with
respect to their entrance into Chinese home market. These retailers emanated from a variety of other countries and operated a range different retail formats such as supermarkets, hypermarkets, specialty stores, department stores, wholesale-clubs and shopping centers in China. The analysis of these data revealed the existence of six distinct transfer strategies. Basic conditions affecting the extent of transfer change were found to relate to differences in economic conditions between China and the home countries and the market segments that were targeted in China.

2.2.4 Reviews oriented to Customers of retailers

Mohammed AzizulSulaiman et al (2014) conducted a study to examine the CRM strategies practices among retailers and found that Operational Excellence is the most effective CRM Strategies that led to customer loyalty in retail industry in Shah Alam, Malaysia. The researcher believes that the customer felt that they need to trust the company first before they can really commit and be loyal to the company. The findings of this study benefit the organization in many ways such as by using this study as a guideline to conduct business to achieve organizational goals and at the end of the day, creating customer loyalty. However, future research should include other the retail companies in Selangor and other states in Malaysia.

William M C et al (2012) examines the notion that supermarkets, while offering a core product, also provide augmenting services. Customers are not just purchasing merchandise at fair prices when they shop at a store, but are also buying the various services that are provided by the facility. The results of a survey of Singaporean shoppers suggest that while the core product of supermarkets is important, the augmenting services are, perhaps, even more so. Implications for and future research are also discussed.

AnahitaNaderian (2012) in his study tried to find an association between store image attributes and customer satisfaction towards retail stores. In this regards, 7-Eleven Stores of Malaysia have been selected to examine this relationship and to determine which store image
attributes have the most significant effect on customer satisfaction as well. The result of this study could be used by both designers and retail store managers to make a better decision about their store image and this could finally lead them to increase their customer satisfaction.

*El-Amir et al (2010)* utilizes the sociological view of brands to socially construct a conceptual retail brand model from the customer standpoint. An ethnographic study of grocery retailing revealed that the store has, metaphorically, a tree-shaped culture, which can organically model the interplay between building the retailer brand as a culture and the phases constituting the social-self-concept.

*Johney Johnson et al (2009)* in their study identified three important clusters - Grocery Shoppers, Purposeful Shoppers and Fun shoppers. Based on the findings, the study draws implications for merchandising, pricing, store format and suggests that the retailer can look forward for formats that appease all the three segments in order to be successful.

*Jos Gamble (2009)* briefly outlines China's retail sector, provides case study examples of 'demanding' customers and then suggests factors that might account for these characteristics. In particular, it highlights the extent to which China's marketplace is characterized by low trust. Finally, the work notes that China's demanding customers influence the nature of firms' service provision and have positive consequences for staff training and skills upgrading.

*Ahmad Al-Awadi (2002)* explains that his paper was based on a study of store loyalty, specifically related to the Kuwaiti context and addressing cooperative retail outlets. A critical review of store loyalty and the contributing factors of the literature that impact on consumer satisfaction are discussed, together with measuring approaches. The paper then discussed the proposed model, which is based on an empirical study involving consumers in Kuwait. It was
established that, in general, business loyalty could positively and significantly be influenced by good management, image and customer services.

2.2.5 Reviews related to Un-organised retailing

_Coulter Kendra (2014)_ explores how workers in Canada and the United States are using a variety of strategies to challenge exploitative practices within the retail industry, as well as negative and dismissive attitudes about retail workers and the value of their work. In the process, Coulter also looks at the retail sector and its workforce, and the many issues shaping workers’ organizing efforts. A concise and accessible introduction to worker organizing and the retail industry, Revolutionizing Retail will be of interest to anyone interested in service work, worker activism, and issues of social justice.

2.2.6 Reviews related to technology and internet’s impact in retailing

_Vishag Badrinarayanan et al (2012)_ examines the influence of transference of attitude and trust from the multi-channel retailer's physical to online stores, image congruence between the multi-channel retailer's physical and online stores, and image congruence between the multi-channel retailer's online store and a prototypical online store. Further, recognizing that several retailers now operate as multi-channel retailers in different countries, examined the influence of cultural differences in thought processes (i.e., holistic versus analytic thinking) on shoppers' evaluation of online stores of multi-channel retailers. Toward this end, they tested the framework using data collected from respondents in the U.S. (analytic thinkers) and South Korea (holistic thinkers).

_Yusen Xiaet et al (2010)_ drawing from data on more than 100 publicly traded companies, in their study examines the impact of online-channel use on retailers’ performance. The results suggest that the online channel provides significant improvements in sales, cost, inventory,
and return on investments. Also found that timing of online-channel adoption does not play a significant role in performance improvement, but having a local store presence does.

*Anteneh Ayanso et al (2010)* in their research offered an empirical analysis of the relationships between these four service areas and the online sales performance of Web retailers. The results show that the retailers' efforts in content, customer, and multi-channel management features have a significant positive impact on their online sales. However, while retailers expend considerable efforts on attracting visitors to their retail Web sites, the result is inconclusive regarding whether or not the visitor traffic management features have an impact on retailers' sales performance.

*Sharon Cullinane (2009)* analysed the issues involved in online shopping from both a passenger and freight transport perspective. The objectives were first to set out the complex transport relationships involved in online shopping and in particular the interaction between the passenger and freight aspects and second, to shed some light on the environmental impact of online shopping. It concludes that as things currently stand, it cannot be stated with any degree of certainty that clicks are any more environmentally responsible than bricks.

*Rong Chen et al (2003)* developed a conceptual model based on brand theory, risk theory and information theory to understand the causal relationships among brand knowledge, perceived risk, online search action and the intention to adopt an online retailer. The proposed model was tested in an online survey, and structural equation modeling, powerful analytical tool was applied to analyse the data. Results show that brand knowledge has a direct and positive effect on intention to adopt an online retailer and this effect can be mediated by perceived risk to a large extent. In addition, perceived risk also positively relates to online search action, which is important in realizing that searching for information increases the risks faced
by an online retailer through an expansion of the consumers' opportunity to find more favourable choices.

2.3 Literatures from Domestic Perspective

2.3.1 Reviews related to Foreign Direct Investments and its impact in India

*Moloy Ghoshal (2015)* supports FDI in multi-brand retail with his view that the menace-the inflation and unemployment can be fought with FDI, which can provide the life-blood to India economy. This research paper suggests that FDI in multi brand retail can bring about Supply chain improvement, investment in technology, manpower and skill development, tourism development, greater sourcing from India, up gradation in agriculture, efficient small and medium scale industries.

*Murali Patibandla (2014)* elucidates the importance of adoption of an efficient supply chain between producers and consumers by modern large retailers that could reduce average transaction and information costs of market exchange; generate surplus for stakeholders such as producers, farmers, and consumers; expand output; and could thereby contribute to economic growth and net employment gains. Foreign players can introduce a highly advanced supply chain and develop local producers and generate externalities. This paper develops a simple theory of supply chain and economic growth. It shows the implications of adaptation of the Wal-Mart model of retailing on India's retail business.

*Badri Narayan Rath et al (2014)* examined the dynamic relationship between Private Domestic Investment (PDI), Foreign Direct Investment (FDI) and Public Investment (PU) in India for the period 1978-79 to 2009-10. The empirical results derived from structural VAR model indicate that FDI has crowding in effects on PDI, whereas, PU neither 'crowd out' nor 'crowd in' PDI. Further, we found the evidence that shocks in PU and PDI have positively improved the FDI inflows in India.
Mohammad Afzal Saifi et al (2013) examines the likely impact of FDI on Indian retail sector, the challenges posed by organised retail trade to unorganised retail trade and whether FDI in retail sector has led to unemployment in the retail sector. The findings of the study reveal that FDI in retailing has a positive impact.

Sheethal Mundra et al (2013) examines the global trends of FDI in retailing and its contribution in economic development. The paper reviews that post liberalization, FDI has stimulated the growth in different sector in India. The paper finds that FDI in retailing can be a powerful catalyst for development of organized retail and the fears being perceived by unorganized retail have no logical or historical base. The intense competition will have positive impact for all the stakeholders.

Sanjay Nandal (2013) in his paper makes an attempt to study the likely impact of FDI on Indian retail sector. Clearly, except for some existing Indian retail operations, the bulk of the Indian economy would gain, significantly, from the emergence of a well-capitalized retail industry that brings the latest technology and management practices to build modern supply chains in India, connecting country and town, connecting small producers with national and even global markets.

Anusha Chari et al (2012) in their study suggest that allowing entry by large international retailers into the Indian market may help tackle inflation especially in food prices. Moreover, technical know-how from foreign firms, such as warehousing technologies and distribution systems, can improve supply chain efficiency in India, in particular for agricultural produce. Better linkages between demand and supply have the potential to improve the price signals that farmers receive and also serve to enhance agricultural and other exports.

Chackochen M et al (2012) explains that FDI investment in India has been the subject of active debate for a longtime. Its introduction has been challenged and entry has been opposed
by many organizations. The authors give vent to his perception on FDI investment, and its benefits in the Indian context. The authors examine how its introduction could help the country in job creation, infrastructure development, and the country's GDP growth. The paper predicts: FDI

Namitha Rajput et al (2012) in their paper analysed the impact of the present retail FDI policy on Indian consumers and economy using SWOT analysis. The analysis reveals that it will have a positive impact on the growth of Indian economy as a whole.

Kaliappa Kalirajan et al (2010) in their empirical analysis showed that, thus far, FDI has not contributed significantly to poverty reduction, but it did influence structural changes in the economy, particularly with respect to industry, which is an important driver of poverty reduction. The analysis shows that states with dominant industrial sectors have been able to reduce poverty faster than states dominated by agriculture. It is argued that targeting of FDI in India has been misplaced. Had it been in the more labour-intensive manufacturing, it would have more effectively contributed to the reduction of poverty.

Rashmi Umesh Arora (2009) in his study used a novel approach to apply Rostow's stages of economic growth in the context of Indian states and examines whether the states in India are ready for globalization. An important finding of the study is that not only are the different states in India at different stages of growth, but also in some states, features of different stages as set out by Rostow were found co-existing at the same time. Foreign direct investment and other indicators are higher in states which are at higher stages of development and vice versa.

Krishna Chaitanya Vadlamannati et al (2009) examines the impact of FDI on economic output growth per worker using aggregate production function augmented with FDI inflows, economic policy reforms and institutional constraints. Their results highlight the importance
of FDI, policy reforms and institutional development for growth in developing economies. Finally, as they demonstrated that irrespective of reforms and institutions, an increase in FDI affects output growth positively.

Tanay Kumar Nandi et al (2007) in their paper stresses the need of FDI in India in retail sector and uses the augment that FDI is allowed in multiple sectors and the study also suggests that FDI in retail sector must be allowed. Jaya Gupta (2007) in a paper made an attempt to review the change in sectorial trends in India due to FDI inflows since liberalization. This paper also examines the changed policy implications on sectorial growth and economic development of India as a whole.

Devanathan S.V. (2006) explores in their study that in the open economy system, under the disguise of global competition, it is felt that almost all trading activities are aimed at promoting MNCs and major Indian players in the field. The hyper marketing system will also control advertising, retail selling, branding and ultimately the schedule of manufacturing industries. This article tries to give a picture of the negative effects of the hyper marketing system and FDI in the retail industry that has to be addressed before the Indians are subjected to a Retail Colonization War.

Montek S. Ahluwalia (2006) in his article examines India's transition from a closed economy to one open to trade and financial flows as well as the country's valid fears about the dangers of globalization. Presents an overview of the reforms' effectiveness is presented particularly in the areas of growth, poverty reduction and employment generation. The article also discusses the shortfalls in the reforms as compared to the expectations. An important part of India's strategy of opening up the economy was the liberalization of policies towards foreign direct investment.
Nagesh Kumar (2006) presented a panoramic view of the economic development of India and the major reforms it implemented for the dynamic transformation into a global economy. The article discusses various challenges faced by India like poverty, unemployment, infrastructure development and the prospects of export oriented manufacturing. The article also discusses the prospects of foreign direct investment and currency convertibility, which helps India.

Siva Makki S et al (2004) analyzes the role of foreign direct investment (FDI) and trade in promoting economic growth across selected developing countries and examines the interaction among FDI, trade, and economic growth. The study discovered that there is a strong positive interaction between FDI and trade in advancing economic growth. Results also show that FDI stimulates domestic investment. The contribution of FDI to economic growth is enhanced by its positive interaction with human capital and sound macroeconomic policies and institutional stability.

John Andreas (2004) argues that FDI should have a positive effect on economic growth as a result of technology spillovers and physical capital inflows. Economic growth increases the size of the host country market and strengthens the incentives for market seeking FDI. This could result in a situation where FDI and economic growth are mutually supporting. However, for the ease of most of the developing economies growth is unlikely to result in market – seeking FDI due to the low income levels. Therefore, causality is primarily expected to run from FDI inflows to economic growth for these economies.

Chandana Chakraborty et al (2002) identified two-way link between foreign direct investment and growth for India and explored using a structural co-integration model with vector error correction mechanism. The existence of two co-integrating vectors between GDP, FDI, the unit labour cost and the share of import duty in tax revenue is found, which
captures the long run relationship between FDI and GDP. A parsimonious vector error correction model (VECM) is then estimated to find the short run dynamics of FDI and growth. Our VECM model reveals three important features: (a) GDP in India is not Granger caused by FDI; the causality runs more from GDP to FDI; (b) trade liberalization policy of the Indian government had some positive short run impact on the FDI flow; and (c) FDI tends to lower the unit labour cost suggesting that FDI in India is labour displacing.

2.3.2 Reviews related to Organised retail and Retail Sector in general in India

Jamaluddin N (2013) describes that the key barrier to entry of global retailers is the controversy of FDI in Indian retail market. A recent study by CII & BCG (Confederation of Indian Industry and Boston Consulting Group) estimated the size of organized retail was 28 billion US dollars in 2010 to be of 6% to 7% of the total retail market in India. The study predicted that the size of total retail sector would grow to 1.25 trillion US dollars by 2020 (knowledge @ Wharton). This research paper aims to present the challenges faced by the stake holders in the Indian retail sector to FDI in multi brand retail.

Chari Anusha et al (2012) suggest that allowing entry by large international retailers into the Indian market may help tackle inflation especially in food prices. Moreover, technical know-how from foreign firms, such as warehousing technologies and distribution systems, can improve supply chain efficiency in India, in particular for agricultural produce. Better linkages between demand and supply have the potential to improve the price signals that farmers receive and also serve to enhance agricultural and other exports.

Sita Mishra (2012) explains that India’s escalation as an economic power to reckon with, has forced the global companies to view it as one of the key markets from where future growth will emerge. This paper analyses the developments in retailing in India and focuses on how
retailers can capture the opportunities of this paradigm shift from pyramid to new multifaceted consumer class in organized retailing.

*Arpita Mukherjee et al (2012)* examines employment conditions in organised and unorganised retail and provides policy recommendations for the Indian government. The paper is based on a survey of around 500 retail employees and employers, using descriptive techniques. They found that the quality of employment and future job prospects are better in the organised sector than in the unorganised sector. The focus of the government should, therefore, be on generating quality employment.

*K. C. Mittal et al (2011)* presents need to find out the difference in retail purchase behaviour of people with different demographics and geographic locations, which particularly are important in case of food and grocery segment. This paper projects the variation in retail purchase factors across customers with different demographics and geographic locations and suggests ways for formulating retail strategy for the upcoming retailers.

*Arpita Mukherjee et al (2011)* examines the shopping behaviour of customers across different product (branded and non-branded) categories, knowledge of foreign brands and attitude towards further liberalising FDI in retail. The purchase of brands varies across different product categories and some consumers show distinct preference for non-branded products, which are purchased from traditional outlets. Thus, both traditional and modern retail can coexist in India. Knowledge and use of foreign brands, especially luxury brands, is low. A majority of the respondents is in favour of allowing FDI in retail. The paper points out that consumer welfare should be a key determinant of the retail FDI policy. The government should allow FDI in multi-brand retail, which will enhance brand knowledge, choices available to consumers and help to promote branding in certain segments like fruits and vegetables.
Sharma R D et al (2011) attempted to study the various legal norms and ethical values in retail practices through the perception of consumers with special reference to shopping goods. The results provide that retailers are moderate in terms of abidance of legal norms as well as ethical values. The study suggests a plan of action for higher legal norms and ethical values in retailers selling shopping goods so that the expectations of customers can be fulfilled in an ethical manner.

Piyali Ghosh et al (2010) attempt to address issues related to store attributes and their relevance in the store selection process. Eleven variables (store attributes) have been identified in this article based on theory and judgment. Factor analysis has yielded three factors: Convenience & Merchandise Mix, Store Atmospherics and Services. The factors identified and recommendations made in the article would be of use to retailers in designing their outlets with store attributes that would meet the expectations of shoppers and thus motivate them towards store patronage decisions.

Abhishek Saraf et al (2010) explain the attitudinal shift of the Indian consumer and the emergence of organized retail formats that have transformed the face of Retailing in India. With the sign of re-emergence of economic growth in India, consumer buying in retail sector is being projected as a key opportunity area. As a consequence, Indian corporate houses are refocusing its strategic perspective in retail marketing with the idea to use resources optimally in order to create core competence and gain competitive advantage.

Arpita Khare et al (2010) research was directed at retailers with stores in the malls and deciphering their opinions about what generates consumer traffic and profits in malls. The retailers’ selection of malls is driven by the business potential offered by malls. The research was conducted through primary research administered through a structured questionnaire.
The findings demonstrate that an assortment of factors is responsible for mall traffic. These may be categorised under entertainment facilities, services, ambience and mall management. 

*Anu Antony (2009)* describes that the major driver for the development in the retail sector is mainly the consumers 'choice preference'. The increasing purchasing power of the Indian consumers and changing lifestyle also drives towards the development of retail sector. The demographic and psychographic change in the Indian consumer class attracts the foreign players. The prevailing political scenario restricts the investment in India. Though there was a restriction in the direct investment, many foreign players are finding new ways to enter the market. Currently we have 51% Foreign Direct Investment (FDI) in the retail trade of single brand products and to the extent of 100 per cent in Cash and Carry wholesale formats.

*Michael Vinrald Samuel et al (2009)* specifically carried out a research to understand the present organized agri-food retail sector in India as well as the objectives, strategies, and financial performances of six existing companies in this business. The research paper enables business houses to plan and decide at what level they can venture the present highly fragmented Indian market.

*Mukherjee et al (2005)* explains that foreign retailers are working with small manufacturers for in-house labels and are providing them technologies like packaging technologies and bar coding. Sourcing from India has increased with the advent of foreign retailers and they also bring in an efficient supply-chain management system. Joint ventures with foreign retailers are helping the Indian industry to get access to finance and global best practices. Besides, retailing being a non Tradable service there is no possibility of improved efficiency through import competition and foreign investment is the way forward.

2.3.3 Reviews related to Customers of retailers
SathyaSaminadhan R S (2013) investigates and draws out the learning on consumer centric marketing from the Retail Grocery business owners in Tamil Nadu, India. The results showed that Annachis were successful because of their strong affiliation to their community network, and they are too good in understanding the customer requirements and they are very much customer centric and they build the relationship with almost all the customers walk in. The success story of all the Annachis is only because they are customer centric and the way they have the rapport with the customers.

Neena Nanda et al (2013) developed a framework and tested to study service innovations in retail and its impact on customers. The results indicate that customers are more likely to frequent stores that consistently deliver on service expectations and innovations play a major role in customer engagement and retention.

Nandhini Devi et al (2013) emphasize the imperative for the retailers to understand the behavior of the consumers which is highly dynamic in nature. Shopping behaviour of consumer is different in various countries. The reasons of this varying shopping behaviour are the diverse cultures and the changing economies of those countries. Hence there is a need to study the shopping behavior in Indian context.

Dinesh Kumar U et al (2012) in their study aimed to investigate customer satisfaction in the organized retail outlets in Erode city of Tamil Nadu state in India. The result of this analysis suggests the degree of customer satisfaction in terms of services provided by organized retail outlets in Erode concludes that satisfied customers are also likely to tell others of their favorable experiences and thus engage in positive word of mouth advertising.

Malati N et al (2012) research study is based on the five overall dimensions of service quality and the extent to which the customers expect and perceive services provided by two retail outlets Reliance Fresh and More. This paper aims to understand the service quality gaps of
these outlets with respect to the customer expectations and perceptions. The study gives useful and innovative insights to boost customer satisfaction towards Reliance Fresh and More.

_Sudeepa Pradhan et al (2011)_ attempted to find out the effects of store choice dimensions affecting the behavioural aspect of the consumers. Results suggested that the store choice dimensions were more important in explaining satisfaction for the non-card holders, whereas, for the card-holders, the store-choice dimensions were found to explain loyalty to a very low extent. The study puts a question towards the practice of including consumers into loyalty programs as a tool to increase long term loyalty.

_Mohammad Raza Shah (2011)_ explores the emerging trends in the FMCGs' retailing industry. The authors have conducted survey of 30 retail units in twin cities of Hyderabad and Secunderabad. The author supported the premise that the location of the store is decisive, to attract the customers.

_Mohua Banerjee et al (2010)_ examines the activities consumers engage in malls, whether the mall culture is gradually gaining acceptance among consumers and the reasons for such acceptance. The study finds that primarily malls for shopping, consumers prefer eating at food-courts, window shopping and entertainment in the form of movies at multiplexes or video game parlors. They also attend events, promotions, competitions and product launches that are organized in the malls and spend their leisure time with family/friends. Over the period July 2004 to March 2007, the mall culture has gained acceptance and consumers are repeating their visits for successive purchases marked by the increase of regular users.

_Meera Mathur et al (2010)_ in their research paper attempts to evaluate the CRM practices of the retail stores in Udaipur city. The results of this research paper shows that the customers don't take a single second when it comes to change the preference and break the loyalty for
an organization, in such a situation it the CRM of the organization which will compel the customers to visit the retail outlet again and again.

*Michael Vinrald Samuel et al (2009)* specifically carried out a research to understand the present organized agri-food retail sector in India as well as the objectives, strategies, and financial performances of six existing companies in this business. The research paper enables business houses to plan and decide at what level they can venture the present highly fragmented Indian market.

*Gopal Das (2009)* in his article elucidates that with the Indian retail boom many players are entering with different retail formats. As a result, competition is becoming very tough. Keeping in mind that Indian consumers are price sensitive, each player is trying to attract more customers through different sales promotional activities. But the exact picture of the impact of sales promotion on consumer behaviour is yet unclear to the retailers. This paper tries to find out the impact of retail sales promotion on consumer's buying behaviour.

*SudharaniRavichandran et el (2009)* investigated the decision-making styles of Indian shoppers in shopping malls and to study the variations in these styles across different demographic variables. These decision-making styles were price consciousness, quality consciousness, recreational, confused by over choice, novelty consciousness, and variety seeking. Profiling consumers by their decision-making styles provide more meaningful ways to identify and understand various consumer segments and to target each segment with more focused marketing strategies.

### 2.3.4 Reviews related to Un-organised retail including Kiranas

*Ekta Rani (2013)* identifies the problems being faced by kirana merchants such as recovery of credit, inventory management, goodwill in terms of quality, low space, and lack of variety etc. But during the research it has been found out that there are certain areas where these
Kirana stores have an edge over the market such as emotional attachment with the customer, to fulfil the timely need of credit of the customer, easy availability etc. It is concluded that both kirana stores and malls are important to the Indian economy. FDI is important for the growth of the economy but it should come for the rescue of the existing business and not as a threat.

*Sameer Ahmad Shalla et al (2013)* attempts to explore the impact of selected shopping malls on unorganised retail outlets. The results of this study reveals that the shopping malls have a positive impact on various variables like profits, sales. The unorganised retail outlets were classified on the basis of various factors like demographic, social and infrastructure related factors. The study concludes that there is some credible merit in introduction of “FDI in Retail Sector” by the state government of Jammu & Kashmir.

*Prof. S.S. Thenmozhi et al (2012)* elucidates that traditional retail outlets are paving way to newer formats like Supermarkets, Specialty store and Hypermarkets. In India, the organized retailers are entering the grocery market at a rapid rate and posing a threat to the livelihood of Kirana shop-owners. It is important to find out how a retailer is represented in the minds of the consumer and what differentiates one retail experience from another. It is important to analyze whether a retail service quality in unorganised retail outlets. In the emerging Indian retail environment, this study has brought new insights into retail service quality.

*Ravindra Katta (2012)* puts forth his research intention to know the impact of organized retailers on unorganized retailers. In his study, prepared questionnaire and adopted simple random sampling method and sample size is 2000. For analysis used help of frequency and cross tabs statistical. The major finding is a lot of organized retailer's impact on unorganized retailers. My major recommendation is, Government should be protected moms and pops and developed backend infrastructure for unorganized retailers.
Amrindher Singh et al (2011) in their study, has indicated how consumers and farmers benefit from organized retailers. The study has also examined the impact on intermediaries and manufacturers. The results are indicative of the mega-and-mini- metro cities around a limited number of organized retail outlets. Based on the results of the surveys, the study has made a number of specific policy recommendations for regulating the interaction of large retailers with small suppliers and for strengthening the competitive response of the unorganized retailers.

M. Joseph and N. Soundararajan, (2009), reveals that the Indian Council for Research on International Economic Relations (ICRIER) study has shown that hardly 1.7 per cent of small shops have closed down due to competition from organized retail. They have competed successfully against organized retail through adoption of better business practices and technology. FDI has positive spillover effects on the economy as its ownership advantages get disseminated to locally owned enterprises, enhancing their productivity. All these benefits of foreign direct investment have been well proven in India in sectors such as automobiles, telecom and consumer electronics.

2.3.5 Reviews of Internet and Technology impact in Retailing

Rajesh Panda et al (2013) research borrows scales from 'Theory of Planned Behaviour' and 'Technology acceptance model' and uses them in understanding the constructs that determine online shopping behaviour. The implications can be used by Indian online retailers to frame strategies for the promotion of online shopping and shape their retailing strategy.

Shashank Rao et al (2011) in their paper offered a new concept for electronic logistics service quality and investigated the relationship between the quality of online fulfillment and the ensuing retention of customers, using archival data on 260 online retailers. The structural equation model results indicate that satisfaction with the physical distribution quality and cost
are positively related with customer's purchase satisfaction and customer retention. Additionally, the results indicate that while purchase satisfaction is a strong indicator of customer retention, underlying drivers of purchase satisfaction do not have nearly the same impact on customer retention directly as they have on purchase satisfaction.

Ch. J. S. Prasad et al (2009) explored the determinants of shopper behaviour such as convenience, customer service, trust, web store environment, and web shopping enjoyment and to examine the influence of these factors towards willingness to buy and patronage of online retail stores. The results reveal that convenience, web store environment, online shopping enjoyment, and customer service have significant impact on the willingness to buy from online retail stores rather than perceived trust. Except trust and customer service, all other variables are significant with patronage of online retail stores.

2.3.6 Reviews related to Government’s FDI in Retail Policy

Chandhu K L (2012) examines the Indian government’s approval of allowing 51 percent FDI in the multi-brand retailing in India and 100 percent FDI in the single-brand retailing, subject to certain conditions. This paper attempts at outlining the government's policy on FDI in retailing and tries to examine it pros and cons while examining the perceptions of small retailers on the government's decision.

Paresh Pandey et al (2012) analyse Indian retail consumers’ awareness towards the FDI. Being encouraged by India’s growing retail boom many multinational companies also started making beeline to enter India’s retail market. Investment from overseas has also been hailed by Indian industry, by and large, as the same has been considered to be very vital for adding to domestic investment, addition to capacity, higher growth in manufacturing, trade, business, service, demand, consumption and income with multiplier effects. The present study shows
that the demographics of retail consumers have an association with level of awareness towards the FDI, with consideration of Indian retail industry.

2.4 Evidence for conducting this study on impact of FDI in retail with specific reference to retailers and customers in Tamil Nadu

Most of the studies reviewed are related to diverse issues of organized and unorganized segments of retail sector. Wide range of studies have also been conducted on foreign direct investments and its impact on host country’s retail sector in general but there are a very few studies focusing on the impact of FDI on retail sector in India with specific reference to the primary stake holders namely the retailers, farmers and customers. Perhaps there are a very few studies carried on the impact of FDI in retail on unorganized & organized retail sector, consumers, farmers, suppliers and economy of the country and seldom there are any studies carried out on the impact of FDI in retail on kiranas, retail stores and consumers in Tamil Nadu in specific. Hence this gap is the basis to explore, design and develop a research study.

Though FDI in retail has not been permitted in Tamil Nadu despite the lobbying of certain sections in support of FDI in retail, there is a boiling sensation among various other prominent sections of the society that FDI in retail if permitted would create a catastrophe on the lives of millions of small retailers especially the kiranas and those working in other sections of unorganized retail. Thus the present study attempts to understand, analyse and report the impact of FDI in retail on major stakeholders Retailers and Customers.

2.5 Gaps in the existing research

Based on the experience gained through the reviews of literature, the researcher has identified gaps as summarized below:
Taking into consideration the developments in the retail industry happening across the world in general and India in specific, and the research studies carried out on a range of issues about retail industry both from the international and domestic perspective, and also taking cognizance of the studies available in relation to the micro and macro issues of the industry, the researcher is of the pertinent view that, the retail sector still striving harder to earn the ‘industry’ status itself is a sufficient evidence to state that organised retail in India is at nascent stage nevertheless growing. Thus, there is a long way for retail sector to attain the industry status and so are the extensive research studies concerning the significant issues of retail sector to emerge too. Since there are no abundant studies available in the given context including the recent hard talk about ‘impact of FDI in multi-brand retail’ across the country, the researcher believes that there are ample opportunities to explore and study about this sector and issues which have serious concerns from the stated context.

All the preceding studies have focused on a single factor or a limited group of factors concerning retail sector in India whereas this study takes into consideration array of factors that may impact the retailers and customers if FDI in retail is permitted in Tamil Nadu.

Previous studies in the context of impact of FDI in retail have mostly focused on single geographic location or a specific store format or on a stakeholder in retail sector whereas the present study considers as many as three major stakeholders of retail sector and various retail formats.

Impact of FDI in multi brand retail on unorganized retailers though may have been studied from a specific cluster or geography in Tamil Nadu, yet there are no studies made covering the whole state with larger samples considered into.
Moreover, seldom there are any studies available which considered the views among retail stores, kiranas and their customers put together about the impact of FDI in retail if permitted in Tamil Nadu and this was the premises for the researcher to consider the present study.

Though retail sector is still at growth stage, given the robust activities of retailing in Tamil Nadu, this study combines various issues of retailing such as opinion about permitting FDI in multi brand retail and factors considered for and against FDI in multi-brand retail, awareness about specific features of FDI in retail policy, opinion about the impact of FDI in retail policy, views about FDI required for developing back-end retail infrastructure, measures considered for safeguarding small retailers, role of retailers/traders association, impact of FDI in retail on front end retail operations, factors concerning sustainability of domestic retailers business, customers’ shopping preferences, store choice including choice of store formats, expectations and perceptions. Finally based on these factors, the researcher attempts to study the impact of FDI in multi brand retail on Retailers and Customers, which, according to the knowledge of the researcher is a novel work.

2.6 Statement of the Problem

The recent FDI policy that permits 51% FDI in multi-brand retail has induced dramatic changes in retail sector and with the entry of domestic and foreign corporate retail giants into various avenues of retailing, the existing retail ecology of the country is being forced to change. The perception of retailers, consumers, economists, industrialists, academicians and policy makers in respect of the entry of FDI and its impact in retail sector keeps on changing. Further, due to the unpredictable nature of the customers, retailers face difficulty in realigning their business strategies. The most worrying concern of domestic retailers is that
the large format retailers especially the foreign retailers will inevitably drive away the
traditional unorganized retailers. Thus the core issue of allowing foreign direct investment
(FDI) in multi-brand retail is, it does not provide a level playing field to the domestic retailers
that are traditional and small sort. Amidst such kind of emerging issues in today’s retail
sector, this topic ‘Impact of foreign direct investment in multi-brand retail with specific
reference to retailers and customers in Tamil Nadu’ becomes very important, and needs in-
depth probing. Hence this research study endeavours to analyse from the perspective of
unorganized and organized retailers along with the customers as what kind of effect would
foreign direct investment in multi-brand retail would bring upon them.

CHAPTER – 3

RESEARCH FRAMEWORK