CHAPTER – II

REVIEW OF LITERATURE

Introduction

This chapter deals with the review of literature pertaining to the impact of FDI in Indian Retailing. Retailing is one of the largest sectors of Indian economy. The unorganized retail sector in India occupies 97% of the retail business and the rest 3% is contributed by the organized sector. The unorganized retail sector contributes about 13% to the GDP and absorbs 6% of our labour force. On 20th September, 2012 the Government of India has approved 51% FDI in Multiband retail and 100% (revised) in Single Brand retail sector through Government Route with some riders. FDI in the retail sector in India will lead to economic growth and creation of new jobs along with rural infrastructure development. But the other viewpoint is that mass scale job loss will happen particularly in manufacturing sector with the entry of the big MNCs like Wal-Mart and Carrafuer, Metro PLC and IKEA etc. (K. R. Kaushi and Dr. Kapil Kumar Bansal, 2012). After FDI has entered in retail, it is possible to set up a properly organised chain of retail stores according to the expectations of the customers. The following are the studies undertaken by foreign authors and Indian authors to prove that there is a significant impact of FDI in Indian Retailing.

2.1 Impact of FDI in Indian Retailing

a) Foreign Studies

Cardoso and Dornbusch (1989)¹ analysed the impact of FDI in two models. The first model assumes that FDI would be more useful to the economies with the vicious

circle of under development. In this case, the potential host economy is mired in poverty laden equilibrium with a vicious circle of poverty. FDI can break this circle by complementing local savings and by supplying more effective management, marketing and technology to improve productivity. The gain in national income depends on the size of the capital flows and the elasticity of the demand for capital. Furthermore, technological and managerial inputs, transfers and spillover to local firms may cause the nation's production function to shift upward. Thus, under competitive conditions which the presence of foreign firms may enhance FDI should raise efficiency, expand output and lead to higher economic growth in the host economy. The emphasis on the new resources that the foreign investors bring to remove the bottlenecks that deter the development process is a common theme among international business groups and multilateral agencies that urge greater acceptance of FDI in the developing countries.

Jun and Singh (1996)\(^2\) have argued that in addition to the size of the domestic market in the host country, FDI also depends on export markets. Though the market size hypothesis argues that inward FDI is a function of the size of the host country market, many export oriented countries attract more FDI as they serve the export market of the product. Thus, if host country's firms are export oriented, these firms attract MNEs who are interested in exporting that product.

John Andreas (2006)\(^3\) discussed the potential of FDI inflows to affect host country’s economic growth. The study argued that FDI should have a positive effect on economic growth as a result of technology spillover and physical capital inflows. Based on both cross-sectional and panel data analysis on a data set covering 90 countries during


the period from 1980 to 2002, the study found that economic growth increases the size of the host country market and strengthens the incentives for market seeking FDI which result in a situation where FDI and economic growth are mutually supporting. However, most of the developing economies growth is unlikely to result in market – seeking FDI due to the low income levels of people. The study also indicated that FDI inflows enhance economic growth in developing countries not in developed countries.

**Chaturvedi Ila (2011)**

analysed the sector wise distribution of FDI to know the dominating sector which has attracted the major share of FDI in India. It also finds out the correlation between FDI and Economic Development. The study is analytical in nature and has made use of secondary data. The relevant secondary data are collected from various publications of Government of India, RBI and World Investment Report 2009, published by UNCTAD. Based on the analysis, the study revealed that there is a high degree of significance between FDI and economic development. Therefore the study concluded that FDI provides an opportunity for technology and upgradation, access to global managerial skills and practices, optimum utilization of human capabilities and natural resources, making industry internationally competitive, access to international goods and services and augmenting employment opportunities.

**Azeem Ahmad Khan (2014)**

evaluated the FDI flows in India through Mergers and Acquisitions (M&As), a composite view of effective practices that have been emerged from inbound investors’ experience conducting M&As in India. The study suggested that FDI has a beneficial impact on developing countries but recent work also points out some

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potential risk. Mergers & Acquisitions help in increasing the FDI inflows in India and the result of the study shows that a large amount of FDI comes through Mergers and Acquisitions in India. However the relationship between FDI inflows (Inward) and GDP of India are not significant for the reason that they fail to attract the foreign Investors. But the difference between FDI through FIPB /Acquisitions Route and Equity Capital of Unincorporated Bodies is statistically significant and it leads to conclusion that other sources of Investment rather than mergers and acquisitions are least effective and still efforts are required for attracting foreign Investors.

**b) Indian Studies**

Chakraborty and Basu (2002)\(^6\) used a Vector Error Correction Model (VECM) to find out the short-run dynamics of FDI and growth in India. The model revealed three important features namely, (a) GDP in India was not Granger caused by FDI; the causality ran 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 tended to lower the unit labour cost suggesting that FDI in India was labour displacing.

Dukhabandhu Sahoo (2004)\(^7\) examined both the negative and positive impacts of FDI on the Indian economy and suggests policy measures for promoting higher FDI inflows which make a significant contribution to the economic growth in India. The study was analysed in two dimensions, one at macro level and the other at sector level. For the macro analysis, aggregate Indian economy had been taken as one unit and for sector analysis ten sectors namely power and fuels, telecommunication, electrical equipment, transportation, chemicals, food processing, metallurgical, industrial machinery, drugs and

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pharmaceuticals and textiles are included for analysis. These sectors accounted for more than 75% of FDI inflows into India. The study period chosen was between 1979-80 and 2000-2001. The study concluded that the FDI inflows have the potential to give a boost to the Indian economy, but the flow of FDI should be high enough for a large economy like India. However, as of now, given the size and potential of the economy, the flow of FDI into India is very minimal. India’s poor performance in terms of competitiveness, quality of infrastructure, skills and productivity of labour making India a far less attractive ground for direct investment than the potential she has. Given that India has a huge domestic market and a fast growing one, there is every reason to believe that with continued reforms that improve institutions and economic policies, and thereby create an environment conducive for private investment and economic growth so that substantially large volumes of FDI will flow to India. It is the deficiency in the plan rather than the role of FDI is in question as India is not able to attract sufficient FDI to her land. It requires a judicious and sustained decision on the part of the policy makers to lure more foreign firms into India, which may bring positive effects on the Indian economy in the future.

Mohan Guruswamy et al. (2005)\(^8\) clearly stake out a position against the entry of FDI into Retail. They argued that FDI in retail given the current economic realities of India and the national failure to reorder the composition of the GNP – might do more harm than good. It was implicit in this study that large format retailing and the entry of FDI will bring many good things with it, but we must also be cognizant of the harm it will also do. They also argued that while large format retailing was inevitable one day we must not hasten it. The task right now is of transforming the composition of the GNP and creating jobs so that the rush into self-employed retailing slows down. This has not even begun and we are

preparing to embark on a policy that will displace tens of thousands of retailers, if not millions. Instead of replying to this the protagonists of FDI in Retail keep repeating that new jobs will be created. It’s true that some new jobs will be created, but this will be at the cost of thousands more that will be lost.

Mukherjee and Patel (2005)\(^9\) investigated the structural, regulatory, fiscal and other barriers affecting the performance of retail trade and suggested reforms for the removal of such barriers. The study also provided valuable policy inputs in terms of the time-frame and the process through which the Indian government can open up this sector to FDI so as to maximise the welfare and minimise the adjustment. It also lists the conditions that may be imposed on foreign retailers if FDI is allowed. The study concluded 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 this, retailing being a non-tradable service there is no possibility of improved efficiency through import competition and foreign investment is the way forward.

Jaya Gupta (2007)\(^{10}\) made an attempt to review the change in sectoral trends in India due to FDI inflows since liberalization. It also examined the changed policy implications on sectoral growth and economic development of India as a whole. The study concluded that increasing integration of countries through growing volumes of trade and capital flows has been a characteristic of the world economy. Access to international

\(^9\) Arpita Mukherjee and Nitisha Patel, 2005, ”FDI in Retail Sector: India”, Academic Foundation in association with ICRIER, New Delhi.

capital, as a result of globalization, enables a country to supplement its domestic savings. This could strengthen the growth process and development in the recipient country. Most of the developing countries, including India, consider FDI as an important channel for accessing resources for economic development in this era of globalization.

**Tanay Kumar Nandi and Ritankar Saher (2007)**\(^{11}\) made an attempt to study the Foreign Direct Investment in India with a special focus on retail trade. The study stresses the need of FDI in Indian retailing and used the argument that FDI is allowed in multiple sectors and the effects have been quite good without harming the domestic economy. The study also tried to stress on the fact that FDI in retail sector must be allowed in India.

**Kakali Majumdar (2008)**\(^{12}\) made an attempt to study the Current Scenario of FDI in Indian Retail highlighting the positive and negative impacts of it in the Indian Economy. The study concluded that FDI will enrich our country with more employment opportunities, modernized agriculture sector, systematic tax deduction and foreign earnings. On the other hand the government need to evolve suitable policies to make domestic retail sector efficient and competitive, by means of which it is possible to reap the benefit of both FDI and improvement of retail sector.

**Joseph and Soundararajan, (2009)**\(^{13}\) based on the largest survey ever of various stakeholders conducted in India, an extensive review of international experience, and many case studies, this work analyzes commerce in India. The findings of this study are based on the largest ever survey of various stakeholders and an extensive review of

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international experience, particularly emerging countries of relevance to India. There has been competitive response from traditional retailers through improved business practices and technology upgradation. Consumers and farmers gain considerably from the entry of organized retail. The organized retail sector is capable of taking care of itself, but public policy needs to help create a level playing field for traditional retailers. The study concluded 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 spill over 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. Based on the results of the surveys, the authors have 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 traditional retailers.

Mohammed Shamim Ansari et al. (2010)\textsuperscript{14} conducted empirical analysis of status of current status of FDI in India. The study aims to find reasons for comparatively lesser flow of FDI and suggests measures to boost flow of FDI to India. The study was analytical in nature and made use of secondary data. The relevant secondary data were collected from various publications of Government of India, Reserve Bank of India and World Investment Report 2009 Published by UNCTAD etc. The reference period is restricted from 2000 to 2009. The study concluded that FDI is now regarded as one of the key indicators of economic health. They also said that FDI can complement local development by boosting export competitiveness, employment generation and strengthening skills, transfer-

diffusion-generation of technology and enhanced financial resources for development. The investment climate in India has become much friendlier today than previous decades. Infrastructure is being developed and FDI policy is being liberalized to improve the situation. Investors are showing their growing confidence in the immediate and medium term prospects of Indian Economy. FDI of course might be one of the important sources of financing the economic development. However, one should not forget that FDI alone is not a solution for poverty eradication, unemployment and other economic ills. India needs a massive investment to achieve the goals of vision 20-20. Policy makers need to ensure transparency and consistency in policy making along with comprehensive long term development strategy.

Arjun Singh Sirari et al. (2011)\(^\text{15}\) attempted to analyze the significance of FDI inflows in Indian service sector since 1991 and relating the growth of service sector FDI in generation of employment in terms of skilled and unskilled. The study was based on secondary sources of data. The main source of data are various Economic Surveys of India and Ministry of Commerce and Industry data, RBI bulletin, online data base of Indian Economy, journals, articles, news papers, etc. The study concluded that at the sectoral level of the Indian economy, FDI has helped to raise the output, productivity and employment in some sectors especially in service sector. Indian service sector is generating the proper employment options for skilled worker with high perks.

Anand Ramu Patil (2012)\(^\text{16}\) explained the various innovations and growth in the field of retailing in India. The study concluded that Indian retail sector is progressing


tremendously with unbelievable innovations. It has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. The Indian retail industry is the largest among all the industries, accounting for over 10 percent of the country’s GDP and around 8 percent of the employment. The retail industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. The Indian retail industry is gradually getting innovated and stepping towards becoming the next boom industry. Provided with economical, social and political support for the innovators of the nation and rest of world they will definitely produce miracle in the field of retail management in India.

Anusha Chari and Madhav Raghavan (2012) argued that the potential benefits arrived from allowing large retailers to enter the Indian retail market may outweigh the cost. The study was based on secondary data source. Based on the analysis between 2006 and 2009, the study concluded that India’s retail sector remains off-limits to large international chains especially in multi-brand retailing. A number of concerns has been raised about opening up the retail sector to FDI in India. The first concern is the potential impact of large foreign firms on employment in the retail sector. A second related concern rose in the Department of Industrial Policy and Promotion (DIPP)’s report is that opening up FDI would lead to unfair competition and ultimately result in large-scale exit of incumbent domestic retailers, especially the small family-owned business. A third concern raised by domestic incumbent firms in the organized retail sector is that this sector is under-developed and in a nascent stage. Evidence from the United States suggested that FDI in organized retail could help tackle inflation, particularly with wholesale prices. It is also expected that technical know-how from foreign firms, such as warehousing

technologies and distribution systems, for example, will lend itself to improving the supply chain in India, especially for agricultural produce. Creating better linkages between demand and supply also has the potential to improve the price signals that farmers receive and by eliminating both waste and middlemen also increase the fraction of the final sales prices that is paid to farmers. An added benefit of improved distribution and warehousing channels may also come from enhanced exports. India’s experience between 1990 and 2010, particularly in the telecommunications and IT industries, showcases the various benefits of opening the door to large-scale investments in these sectors. Arguably, it is now the turn of retail.

**Gaurav Bisaria (2012)**\(^{18}\) analysed the impact of FDI in Indian Retailing in Lucknow, Uttar Pradesh, India. The sample Size was 100 consisting of all sections of the society and the sampling technique adopted was simple random sampling. Both primary and secondary data source were used. From the analysis it was found that majority of people are supporting the foreign direct investment in retail. There are some who for their own advantage are opposing the entry of foreign retailers into India. They are trying to mislead the people of India for their own profits. There is a point in the agreement between the government and the foreign retailer that any moment of time if the Indian government finds irregularities or any fear then Indian government can break the agreement and the foreign retailer has to leave India. The future of foreign retail players is also uncertain like that of Indian retail players. Apprehensions were raised on many such occasions in the past on virtually every measures of liberalization of Indian economy but most of the apprehensions proved wrong while many others come true. It is better to act and watch than not to act at all.

Namita Rajput et al. (2012)\textsuperscript{19} 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. The main objective of the study is to deeply analyse the recent FDI policy in retail sector of India i.e. to discuss its recent legal framework and provisions, forms, conditions, impact, strengths and weakness in view of changing dynamics of Indian retail landscape. The study concluded that if we try to balance the opportunities and prospects attached to the given economic reforms, it could be advantageous for Indian economy once executed. The amendments made in ‘Circular 1 of 2012- Consolidated FDI Policy’, dated 10.04.2012, issued by the Department of Industrial Policy & Promotion (DIPP) will have a positive impact on the retail industry and the country by attracting more foreign investments. With big retail giants coming to India, it will surely improve our back-end storage and procurement process. Once these multi-chain retailers establish themselves, they will create infrastructure facilities, which will also propel the existing infrastructure. This has been evident on January 11 & 12, 2012, when the notification increasing FDI limit in single-brand retail from 51% to 100%, was announced. FDI in multi-brand retail' should also be given a green signal as soon as possible. Keeping in view the above benefits (or opportunities mentioned above), it is very reasonable to say that the period for which we delay these reforms will be a loss for the Government only, since majority of the public is in favour of this reform. The farmers will benefit from FDI as they will be able to get better prices for their produce. The elimination of the intermediate channels in the procurement process will lead to reduction of prices for consumers respectively. The whole economy will be benefitted including government and people at large with the

reform process. Retailers venturing the Indian market must ensure that they have considered the opportunities and the challenges to maximize their returns. Retailers will need to bank on the local knowledge brought in by their partners, employees, service providers to reduce the lead time required by them to establish operations and get a firm place in the Indian market. There is a need for a symbiosis approach for the welfare of the public at large.

**Surender Kumar Gupta (2012)** paints a verbal picture of the impending retail boom likely to happen sooner. His paper gives a glimpse of the slow evolution of retail market over the years. A concise description of the drivers of this phenomenon was discussed. The likely positive and negative impact of this revolution is enumerated. The signs are all over the place. For a few years foreign retailers will have the role of facilitator to standardize the agribusiness and to unify customer’s preference across the country. The competition will help to increase the quality of service of the existing local retailers and greater customer satisfaction in Indian society. Concept of self-employment will vanish and sustainable small industries will be roped with the big chains.

**Harish Babu (2012)** made a SWOT analysis for opening FDI in Indian retailing. The study is secondary source in nature. Based on the data collected from 2002 to 2007, he concluded that consumers are always hungry for modern ways of shopping. Indian retail sector is growing fast and its employment potential is growing fast too. The retail scene is changing really fast. Retailers are rethinking their approaches towards the suppliers so that they can get the best pricing strategies for them. There is no surprise why from an Abani to Mittal, Godrej to Birla, everybody is ready with the plans to kick start retail revolution in

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India. Apart from above, retail sector in India is also a catalyst for the growth of stalling tactics of below the line marketing used by major retail players like Spencer, Big bazaar, Reliance fresh etc., for tapping customers by creating points of sales displays. So we can say that India is a rising star and going to be one of the fastest growing regions of the future. Allowing healthy FDI in the retail sector would not only lead to a substantial surge in the country’s GDP and overall economic development, but would inter alia also help in integrating the Indian retail market with that of the global retail market in addition to providing not just employment but a better paying employment, which the unorganized sector (Kirana and other small time retailing shops) have undoubtedly failed to provide to the masses employed in them. Allowing FDI in multi brand retail can bring about supply chain improvement, investment in technology, manpower and skill development, tourism development, greater sourcing from India, upgradation in agriculture and efficient small and medium scale industries.

**Kamaladevi Baskaran (2012)**\(^{22}\) points out the Indian retail story with the objective of highlighting some of the major concerns that organized retailers will have to consider as they venture into the Indian market. The study discussed the myths and realities of global giant’s entry to India, status of organised food retailing in India with SWOT Analysis and highlights on farmer’s issues towards FDI in multi brand retailing. Therefore the study is secondary source in nature. The study concluded that to have modernization in Indian retail, we need to move on three fronts. Firstly, the government to proactively assist traditional retailers in competing successfully with the organized retail by modernizing themselves, secondly, remove the domestic regulatory and interstate movement restrictions on retail; and thirdly, allow foreign entry into multi-brand retail. He also concluded that retailers entering the Indian market need to ensure that they have

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considered the opportunity along with the challenges to maximize their returns. Retailers will need to bank on the local knowledge brought in by their partners/employees/service providers to be able to reduce the lead time required by them to set-up operations and get a foothold in the Indian market.

**Leena Singh (2012)**\(^{23}\) focused more on factors which influence Foreign Direct Investment in organized retail, the impact of organized retail on stakeholders namely farmers, retailers, traders, small enterprise, consumers, real estate, job market and wholesalers; and comparison with FDI in organized retail in China. The study is exploratory and descriptive in nature which highlighted the role of FDI in organized retail. The data source is secondary in nature. The study concluded that FDI in Organized retail in India would prove to be a challenge for foreign investors. Foreign investors must read the mind of Indian consumers accordingly to the design global product, pricing, place of sale, packaging and promotional policies. They should keep the Indian consumers taste and preferences in mind. Issues regarding cost and quality relating to Indian consumers need to be adequately addressed. The Chinese and South Korean experiences are like two poles apart. Any miscalculation would invite problem for foreign investors and would lead to their consequent winding up their operations from Indian shores. They should draw their lessons from China and create similar marketing strategy as they will either sweep the Indian market or close down much sooner than they have arrived.

**Sudha Vemaraju (2012)**\(^{24}\) analysed the impact of FDI policy in three critical areas like customers perceptions on Impact of FDI in retailing, impact of FDI on retailers (organized & unorganized) and impact of FDI on economy in Hyderabad. It also highlights

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the challenges and opportunities of FDI policy in Indian retail industry. The sample size of the study is 100 customers. Secondary data was used to analyse the impact of FDI on retailers (organized & unorganized) and impact of FDI on economy. The results of the study revealed that the customers perceive that the current FDI policy would increase the prices of products and result growth in the economy. They also perceive that the current FDI policy would affect the unorganized retailers and improve the quality of products. These were the important factors that the customers perceive to have profound impact due to the current FDI policy. Furthermore he concluded that the idealistic way to see is not whether local or foreign retail players lead this next wave of retail revolution in India but to see Indian consumer benefits in terms of way in to innovative retails formats, best practices and gain from new servicescape from all over the world along with great shopping experience.

Paresh Pande and Prafulla Pawar (2012)²⁵ analysed the awareness and perception of Indian retail consumers towards Foreign Direct Investment (FDI) in Pune city. The study is exploratory in nature. A sample of 180 retail consumers was selected. The sampling technique adopted was convenience sampling. Questionnaire was used to collect data. The study observed that for the retail consumers there is a need to know about the role of FDI in retail such as scope, limitations, opportunity from FDI in retail with the consideration of Indian retail industry. This approach will enhance the awareness of FDI amongst Indian retail consumers. Another finding of this research shows that there is a positive perception in the mind of consumers about FDI, but this positivity towards the FDI depends on the level of awareness about FDI amongst Indian consumers. Indian administration authorities should set appropriate strategies for the enhancement of FDI awareness amongst Indian consumers.

Rajib Bhattacharyya (2012) focuses on the overview of the Indian retail sector along with the opportunities of expansion of FDI in retail in India and the major challenges that it faces. The objective of our study is to analyze the current retail scenario in India, investigate the controversial views of the various stakeholders and evaluate the likely challenges and threats of FDI in both single and multi-brand retail in India. The whole paper is based on descriptive arguments, statistical data, case studies, comparative study and analytical logic developed through the understandings from various research papers, reports, books, journals, newspapers and online data bases. Based on the debates and discussions on the issue of estimating the costs and benefits of allowing FDI in both single and multi-brand retail in India, the study concluded that opening up of the retail sector to FDI could provide a boost to small-and medium enterprises. Moreover, expansion in the retail sector could also generate significant employment potential, especially among rural and semi-urban youth. So it is very difficult to predict the future of Indian retail sector. But the government of India must be cautious about the apprehensions raised by the critics and adequate safeguards must be taken so that the positive effects may outweigh the negative ones and the traditional retailers co-exist even after big foreign retailers enter the market.

Selvamani and Ramachandran (2012) focused on the phenomenal changes and developments happening in retailing in view of the burgeoning consumerism. It focused upon the overview of the selected organized retail formats like food, apparel and entertainment sector and throws light upon changing trends of retailing and prospects associated with it. The study is secondary source in nature. The study found that riding on economic growth and widespread consumerism, the Indian consumer market and retail

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tread has become Siamese twins and growing in tandem. With the rising affluent middle class society, changing consumption patterns, rise in number of dual income nuclear families and the youth driven culture are some of the factors fuelling the new wave of consumerism. The rapidly evolving Indian consumers are now seeking out a different shopping experience with increasing awareness of information and technology. India is now ready to leapfrog into the next stage of evolution where a large number of Indian and International retailers build sizeable scale models across the country. Opportunities are abundant, across all formats and categories, as the new Indian consumer has clearly demonstrated a readiness for all organized retailing segments. FDI will make domestic players grow bigger and more innovative in the face enhanced competitive pressures. The Indian retail sector is at an inflexion point where the growth of organized retail and growth in the consumption by the Indian population going to take a higher growth trajectory.

**Srikant Gokhale and Piyush Kumar Sinha (2012)**\(^\text{28}\) analysed the impact of FDI in retailing by taking into consideration the top 250 global retailers of India and China, 2010. Based on evidence and experiences of transnational retailers in other emerging economy of limited success, and considering the bottlenecks in India, diverse customer demographics, and fragmented industry they feel that this opening up will attract very few global retailers particularly in food and grocery segment. Out of top 250 retailers, the 36 retailers who are successful in China are most likely to enter into India as 17 retailers out of this have already entered India; hence scope for many global players to enter is very limited. At best, the global players already present in India will expand faster due to opening up. As retailing is still a very local industry (over 90%), the FDI in multi-brand

retailing will only benefit existing organized players in terms of attracting foreign capital and will not change significantly the retail landscape in terms of formats proliferations benefiting customers, generating huge employment or investment in supply chain or back end investment as has been envisaged in the policy. Many transnational retailers will use online route to attract Indian consumer to start with before setting up physical presence to test the market. With global uncertainties, slow down of growth and cash flow issues, the transnational retailers will be cautious in terms of expansion into unchartered territories in near to medium term. Instead of paying too much attention to FDI and banking on it as game changer, Indian Government should fast track infrastructure especially road development, set up economic zones for warehousing facility, streamline labour laws, planned urbanisation to ensure adequate availability of quality real estate, high street and implement GST to facilitate modern organized retail to takeoff in India. Ultimately, it does not matter whether the local or foreign retail players will lead this next wave of retail revolution in India as long as Indian consumer benefits in terms of access to innovative retails formats, best practices and availability of goods and services from all over the world along with great shopping experience.

Alka Golani (2013)\textsuperscript{29} analysed the current scenario of FDI in India and investigated the controversial views of the various stakeholders. The study is based on comparative study and analytical logic was developed through the understandings from various research papers, reports, books, journals, newspapers and online data bases. He concluded that with respect to the impact of entry by big-box stores such as Wal-Mart on retail employment and earnings, evidence from the United States is mixed. Using county-level data, a recent study found that Wal-Mart entry increases retail employment in the

year of entry while contrasting evidence indicates that each Wal-Mart worker replaces approximately 1.4 retail workers representing a 2.7 percent reduction in average retail employment. Apart from prices, the report stated that smaller farmers came under severe pressure from supermarkets due to the latter’s requirement for large volumes of each product, pushing farmers to grow single crops rather than the multiple produce they would usually grow to minimize risk. Supermarket chains routinely sell some products at lower price than market prices, which appears to benefit consumers, but this puts pressure on small local stores and has an adverse impact on low-income and elderly consumers who rely on local shops. The Indian Government, however, recommended that retail firms source a percentage of manufactured products from the small and medium domestic enterprises. Moreover, expansion in the retail sector could also generate significant employment potential, especially among rural and semi-urban youth. So it is very difficult to predict the future of Indian retail sector. But the government of India must be cautious about the apprehensions raised by the critics and adequate safeguards must be taken so that the positive effects may outweigh the negative ones and the traditional retailers coexist even after big foreign retailers enter the market.

Sheetal Mundra et al. (2013) examine the global trends of FDI in retailing and its contribution in economic development by taking into consideration the different sectors. This article discusses that the intense competition will have positive impact for all the stakeholders. The results of the study finds out 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. FDI has proved to stimulate growth and development of the countries. In addition to direct capital financing, FDI can be a source

of valuable technology and know-how while fostering linkages with local firms, which can help jumpstart an economy. In order to promote competitive markets, restrictions on FDI must be reduced. FDI's potential for impact can be greater because of the combination of scale, capital, and global capabilities which allow MNCs to close existing large productivity gaps more aggressively. The intense competition will have positive impact for all the stakeholders.

Bhavani (2013)\textsuperscript{31} has undertaken a study to identify the emerging trends in Indian retail sector. The data is secondary in nature. The study concluded that as consumer behaviour and lifestyle have changed, the buying pattern of the consumer also changed. The Technology used in retail helps in reducing costs, increasing efficiency and giving value added services to customers. The retailers also trigger the visitors’ sensory experiences (smell, sight, and sound) to the hilt. The selling ambience has become a key strategic element for effective differentiation. This will facilitate retailers to achieve the advantage. Retailers may develop customized retail formats and deal with customized products suitable for consumers.

Manoj Kumar (2013)\textsuperscript{32} made an attempt to study the likely impact of FDI on Indian retail sector whether good or bad, opportunities and challenges. It also analysed the reason why foreign retailers are interested in India and their prospects in India. The study concluded that the concept of FDI is a part of India’s economic future but the term remains vague to many, despite the profound effects on the economy. FDI is also an advantage to the government as the tax revenue collected can be used for infrastructure development which benefits the farmers and customers to a large extent. It will also provide job opportunities which are a crucial factor for the developing countries. On the other hand, it


will cause cut throat competition especially in the organized retail sector promoting cartels, creation of monopolies, increase in real estate prices etc. Opponents of FDI in retail argue that it will bring major job losses but frankly it will cause only redistribution of job with some drying up (like middle men) and new ones sprouting up. Finally, the advantages and disadvantages of FDI in Indian economy depend on the way our country implements it. FDI should be implemented in a limited way without affecting negatively our organized and unorganized retailers so that it releases good impact on Indian market. The Indian retail industry is gradually stepping its way towards next boom industry.

Mohammed Nizamuddin (2013)\textsuperscript{33} analysed the role of FDI in employment generation in Indian retail sector. He assumed FDI as an independent variable whereas employment as dependent variable. The study is exploratory and quantitative in nature. The secondary information is extensively used for analysis purpose. Further the secondary data pertaining to the study is originated from various sources like National Sample Survey Organization (NSSO), SIA reports, newspapers, and websites of Reserve Bank of India (RBI), Department of Industrial Policy and Promotion (DIPP), Economic Survey 2010-11, 2011-12 and a number of leading journals. In order to compare the FDI inflow over the period under study, the percentage method and simple statistics were used. By using time series data from 2001-02 to 2009-10 and applying ordinary least square (OLS) method he found that FDI have negative impact on employment generation in retail sector in India because the result shows that 10% increase in FDI inflow in retail sector will decrease approximately 1% jobs.

Naik Parth Pradipbhai (2013)\textsuperscript{34} analysed the FDI inflows coming in India with special reference to sector-wise flows. The study identified whether FDI has any role for


economic development in India. The study puts forward the case for allowing FDI in developing countries. The sample size for the study was yearly inflow of FDI for the last 22 years, GDP at factor cost of last 22 years of India’s top ten sectors, FDI inflow for the last three years and top ten Country’s FDI Inflow for the last three years. The study concluded that there is a very high degree of positive correlation between FDI inflow and GDP at factor cost. It means that the trend of Indian economy moves similar to the trend of FDI inflow. So the research has proved that FDI has a role to play in the flow of GDP at factor cost. The study also proved that FDI has impact on Indian economy though there are also other variables which may affect the inflow of FDI and GDP at factor cost in India.

Teli (2013)\textsuperscript{35} analysed the growth and trends and patterns of FDI inflow in India. It also studied impact of FDI on economic indicators in India. The study was based on secondary data and period of the study was from 1991 to 2012. The study found that FDI inflows in India showed positive trend over the period under study. Gross inflows of FDI included 63% share of direct investment in equity and 37% share of portfolio investment. FDI increased due to adoption of more liberal foreign policy and series of measures are undertaken by Government of India. It is observed that Mauritius and Singapore had 48% cumulative inflows of FDI. While, studying sectoral perspective, it is found that service sector tops in attracting highest FDI in equity inflows, followed by manufacturing sector. Even in recent global crisis, FDI inflows showed increasing trend. FDI is expected to grow in the coming years. It was hypothesized that, the FDI inflows would show positive growth trend during the period from 1991-92 to 2011-12’. From the above data analysis and discussion this hypothesis has to be accepted. Correlation analysis results indicated that there is a very high correlation between the FDI inflows and the other related economic indicators as it was hypothesized. Opening FDI in multi-brand retailing has

mixed consequences on retail in India. They have positive impact on the related economic indicators on Indian Economy. Government of India should attract more FDI through favourable policies to avoid uncertainties. Finally, FDI in Indian retailing is considered to be the most significant factor for country’s development.

**Manjunath et al. (2014)** highlighted the importance of FDI in India which plays an important role as an economic catalyst of India’s economic growth. In this study a causal loop diagram is drawn considering the Indian economy as a dependent variable and this cause and effect diagram can be later improvised and simulations can be carried out by converting the causal loop diagram in to a stock and flow diagram. It deals with the development of cause and effect diagram only. The methodology used in this paper is system dynamic approach. The secondary data is used for developing causal loop diagram. Based on the casual loop diagram, the study concluded that FDI plays an important role in the long-term development of a country not only as a source of capital but also for enhancing competitiveness of the domestic economy through transfer of technology, strengthening infrastructure, raising productivity and generating new employment opportunities. India emerges as the fifth largest recipient of foreign direct investment across the globe and the second largest among all other developing countries (World Investment Report 2010). The huge market size, availability of highly skilled human resources, sound economic policy, abundant and diversified natural resources, all these factors, enable India to attract FDI.

**Nidhi Bagaria and Swarup Santra (2014)** studied a few aspects of FDI liberalization into retail sector and mainly analyzed the implication of these policies on

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farmers, traditional retail and employment and on food inflation. The study was based on secondary data source. Based on the analysis, the study found that FDI has positive impact on some sectors while negative on others. In our analysis we have seen that FDI will bring investment for modernizing farm as well as retail sector and will also improve supply chain. As a result of these factors food inflation will come down and it will benefit consumers as well. On the employment side it can have negative impact as a major part of retail sector which is unorganized and as a result of FDI, many global players will enter in this sector and this may displace the small players. The study also argued that the potential benefits from allowing large retailers to enter the Indian retail market may outweigh the costs. Evidence from developed countries like, the United States suggests that FDI in organized retail could help to curb the increasing trend of inflation, particularly with wholesale prices. One can also expect that technical knowledge from foreign firms, such as warehousing technologies and distribution systems, for example, will also help to improve the supply chain in India, especially for the perishable goods, like agricultural produce. It can also create better linkages between demand and supply; and this way it will create the potentiality to improve the price signals that farmers receive. Thus, it eliminates both wastage of food items and middlemen. And it also increases the division of the final sales prices that is paid to farmers. An added benefit of improved distribution and warehousing channels may also come from enhanced exports.

Shitole and Gomathy Thyagarajan (2014) examined the views and perceptions of the consumers with regard to FDI in multi brand retailing trade in India with special reference to Western Suburbs of Mumbai region. This study has used a single cross-sectional descriptive research design and causal-comparative design. Convenient sampling

method was adopted and the sample size was 100 consumers who had awareness about the concept of FDI in Multi-brand retailing in India. From the findings of the study, it is concluded that majority of the educated respondents are in favour of FDI in Multi-brand retailing and the education level of the consumers has an influence on their perceptions.

Kalpana Singh (2014)³⁹ analysed the present structure of Indian retail sector and changes therein during the last few years. He made a segment analysis of Indian retail sector in order to know about the major sub-sectors in organized and traditional retail and changes in the relative share of various sub-sectors over last few years and penetration of organized retail in various segments. The study was based on secondary data and information collected from a variety of sources. The study found that the Indian retail sector is evolving rapidly. The size of India’s retail industry is expected to be more than double to $1.3 trillion by 2020. Further organised retail’s penetration in India’s total retail is increasing rapidly. Recent policy changes and greater external liberalisation of retail sector will bring many more foreign retailers to India. It is expected that FDI will accelerate the growth of organized retail. Organized retail share in total retail was 8% in 2012 and it is expected to assume 24% share of total retail market in India in 2020. Among organized retail segments, mass grocery and apparel segments are growing faster than other segments. In the next few years, multi-brand organized retail is expected to expand in specialty stores such as consumer electronics, footwear, furniture and furnishing etc. In the view of the recent policy changes, both the existing traditional retailers and modern organised domestic and foreign retailers would have opportunities and face challenges. Lastly, the future prospects of Indian retail market are likely to have expected positive impact of new policy on back-end infrastructure and better prospects of an efficient supply

chain (linking farmers and small manufacturers directly with retailers) will minimise agricultural wastages (especially of fresh foods and vegetables). Another important macroeconomic impact that is expected from expansion of modern retail is increasing opportunities of non-agricultural employment for rural youth and a better quality of living for the existing agricultural society. Once individuals become absorbed in retailer operations, they can access more equitable wages and benefits. These changes may make economic growth more inclusive. Further, modern participants in trade are tax-compliant and large tax-payers. The organized retail sector would facilitate the generation of significant tax revenues through the building of a sophisticated supply chain. This impacts the logistics, transportation, warehousing, freight forwarding and other similar service sectors, all of which contribute to the exchequer through payment of indirect taxes, primarily the service tax.

Rajesh Kumar (2014) studied the FDI inflows in Indian service sector from 1991-2010. It also studied the relationship between service sector growth and India economy. The study was based on secondary sources of data. The main sources of data are from various Economic Surveys of India, Ministry of Commerce and Industry data, RBI bulletin, online data base of Indian Economy, journals, articles, news chapters, etc. The study found that FDI has played a vital role in raising the output, productivity and employment specifically in service sector. Good employment options are provided to skilled workers by Indian service sector. India made a widely welcomed strategic shift in its national policy in the early nineties and removed many restrictions to liberalize the Indian economy. This has given an unimaginable impetus for growth of all industrial sectors, and IT was in the forefront to take advantage of the liberalization policies. Growth

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of IT sector has helped many Indian cities to grow. This has brought pressures for infrastructure development and many Indian cities are currently witnessing heavy investments in infrastructure projects. It is being predicted that India is going to be a major developed power possibly in the next 20 years and the growth of IT sector could very well be one of the major contributing factors for getting India into an enviable position.

**Research Gap**

The above reviews revealed the fact that there exists a dichotomous view regarding role played by FDI in a host economy. However, FDI has emerged as a fundamental source of financing for the developing countries like India. It is also evident from the existing studies that there are differences in the findings of various studies. Majority of the reviews have been commonly analysed with the support of secondary data, policies, issues, challenges and structural framework regarding FDI’s impact on India’s economy’s growth. Therefore, this study has been undertaken to identify the impact of FDI in Indian retailing specifically for customers, organized retailers and unorganized retailers through the collection of primary data source from customers, organized retailers and unorganized retailers.