3.1 Introduction

a) Retail and Retailing

The word ‘Retail’ means the sale of goods or commodities in small quantities directly to consumers. Retailing involves the sale of goods from a single point (malls, markets, department stores etc) directly to the consumers in small quantities for his/her end use. In a layman’s language, retailing is nothing but transaction of goods between the seller and the end user as a single unit (piece) or in small quantities to satisfy the needs of the individual and for his/her direct consumption.

Definition

According to Philip Kotler, “All the activities involved in selling goods and services, directly to the final consumer for personal and non-business use” is retailing”.

According to Cundiff and Still, “Retailing consists of those activities involved in selling directly to ultimate consumers”.

b) Foreign Direct Investment (FDI)

According to Investopedia, “An investment made by a company or entity based in one country, into a company or entity based in another country is foreign direct investment. Foreign direct investments differ substantially from indirect investments such as portfolio flows, wherein overseas institutions invest in equities listed on a nation’s stock exchange. Entities making direct investments typically have a significant degree of influence and control over the company into which the investment is made. Open economies with skilled workforces and good growth prospects tend to attract larger amounts of foreign direct investment than closed, highly regulated economies”.

3.2 The Evolution of Retail in India

While barter is considered to be the oldest form of retail trade, since independence, retail in India has evolved to support the unique needs of our country, given its size and
complexity. Haats, Mandis and Melas have always been a part of the Indian landscape. They will continue to be present in most parts of the country and form an essential part of life and trade in various areas. The PDS (Public Distribution System) is the single largest retail chain existing in the country.

The evolution of the public distribution of grains in India has its origin in the ‘rationing’ system introduced by the British during the World War II. The System was started in 1939 in Bombay and subsequently extended to other cities and towns. By the year 1946, as many as 771 cities / towns were covered. The system was abolished in post war, however, on attaining Independence, India was forced to reintroduce it in 1950 in the face of renewed inflationary pressures in the economy. Tracing the evolution of Indian retail would be incomplete without the mention of the Canteen Stores Department and the Post Offices in India. The Khadi & Village Industries (KVIC) was also set up in post independence.

One of the pioneers in the retail field was Raymonds which was set up stores to retail fabric. It also developed a dealer network to retail its fabric. These dealers sold a mix of fabrics of various textile companies. Today, the Raymond’s distribution network consisted of 20,000 retailers and over 429 showrooms across the country. Other textile manufacturers who also set up their own retail chains were reliance – which set up Vimal Showrooms – and Garden Silk Mills with Garden Vareli. It was natural, because of that the growth of textile retail, readymade branded apparel could not be far behind. The next wave of organized retail in India saw the likes of Madura Garments, Arvind Mills, etc, set up showrooms for branded men’s wear.

With the success of the branded men’s wear store, the new age departmental store arrived in India in the early nineties. This was in a sense, the beginning of new era for retail in India. The fact that post liberalization, had opened up economy and a new large middle class with spending power had emerged, helped shape this sector. The vast middle class market demanded value for money products, a better shopping ambience, more
convenience and one stop shopping. This has fuelled the growth of departmental stores, supermarkets and other specialty stores. The concept of retail as entertainment came to India with the advent of malls. The development of malls is now visible not only in the major metros but also in the other parts of the country (Sanjay Manocha and Anoop Pandey, 2012)

3.3 An Overview of Indian Retail Industry

The Indian retail industry was presently emerging as one of the most dynamic and fast paced industries as several players have started to enter the market. It accounts for over 10 percent of the country’s Gross Domestic Product (GDP) and around eight percent of the employment in India. India has the highest number of retail outlets in the world. It accounts for over 13 million retail outlets in 2014. It also has the highest number of outlets (11,903) per million inhabitants. The various major retail formats in India are departmental stores, hypermarkets, supermarkets / convenience stores, specialty stores and cash and carry stores. Presently the country is considered as the fifth largest global destination in the world for retailing. With the growth in the retail industry, the corresponding demand for real estate is also being created. Further, with the acceptance of online medium of retailing, there is a tremendous growth opportunity for retail companies, both in domestic and international (www.ibef.org).

3.3.1 Market Size

India’s retail market is expected to double from US$ 1 trillion by 2020 to US$ 600 billion in 2015 driven by income growth, urbanisation and attitudinal shifts and it has highlighted by the Boston Consulting Group and Retailers Association of India’s report entitled, “Retail 2020: Retrospect, Reinvent, Rewrite”. According to the report given by them the overall retail market will grow at 12 percent per annum, modern trade will grow twice as fast at 20 percent per annum, and traditional trade at 10 percent.

The retail spending in the top seven Indian cities of India currently amounts to Rs. 3.58 trillion (US$ 57.56 billion), with organised retail penetration at 19 percent in 2014. It
is expected that the online retail will be at par with the physical stores in five years. India is expected to become the world’s fastest growing e-commerce market on the back of robust investment activity in the sector and the rapid increase in internet users. It is expected that India’s e-commerce market will grow from US$ 2.9 billion in 2013 to over US$ 100 billion by 2020 (www.ibef.org).

3.3.2 Division of Indian Retail Industry

The Indian retail industry is generally divided into two major segments namely a) organized retailing and b) unorganized retailing (Rajib Bhattacharyya, 2012).

a) **Organized Retailing:** It refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses.

b) **Unorganized Retailing:** It refers to the traditional formats of low-cost retailing, for example, the local Kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc. This sector constitutes about 98% of the total retail trade. But Foreign Direct Investment in the retail sector is expected to shrink the employment in the unorganized sector and expand that in the organized one.

<table>
<thead>
<tr>
<th>Year</th>
<th>Organized Retail Market</th>
<th>Unorganized Retail Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>3.6</td>
<td>96.4</td>
</tr>
<tr>
<td>2007</td>
<td>4.1</td>
<td>95.9</td>
</tr>
<tr>
<td>2010</td>
<td>5</td>
<td>95</td>
</tr>
<tr>
<td>2012</td>
<td>8</td>
<td>92</td>
</tr>
<tr>
<td>2015E</td>
<td>21</td>
<td>79</td>
</tr>
<tr>
<td>2020E</td>
<td>24</td>
<td>76</td>
</tr>
</tbody>
</table>

E = Expected

The above table reveals that before the entrance of FDI in Indian retailing, the organized retail market is at nascent stage. In 2012, after the approval given by government regarding 100% entry in single brand and 51% entry in multi-brand retailing, rapid changes have been made in retail sector and therefore the percentage share of organized retail in total retail market share has started increasing.

### 3.3.2 Forms of Retail Trade in India

#### Table 3.3.2

<table>
<thead>
<tr>
<th><strong>Mono/Exclusive/Single Brand Retail Shops</strong></th>
<th><strong>Multi-Branded Retail Shops</strong></th>
<th><strong>Convergence Retail Outlets</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Exclusive showrooms either owned or franchised out by the manufacturer. A complete range of all the products manufactured by the said manufacturer under one brand name.</td>
<td>In these kinds of stores, almost all brands are available for a single product type. Consumer will have a wide choice for the kind of product he is willing to buy.</td>
<td>These kinds of stores have almost all kinds of products according to the requirements of the consumer.</td>
</tr>
<tr>
<td>The focus is on the brand name. Now a days people buy images and not the products.</td>
<td>The focus is on the diverse nature of products.</td>
<td>The focus is on the diverse nature of consumer needs.</td>
</tr>
<tr>
<td>Ex: Samsung, Nokia, Liberty, etc.</td>
<td>Ex: Shoppers Stop, Croma, Max, etc.</td>
<td>Ex: Big Bazaar, In &amp; Out, Subhiksha, Grand India Bazaar, etc</td>
</tr>
</tbody>
</table>

(Source: Dr. Namita Rajput et al., 2012)
3.4 FDI in Indian Retailing

Foreign Direct Investment (FDI) refers to cross border investment made by a resident or company in one economy (the direct investor) with the objective of establishing a lasting interest in an enterprise (the direct investment enterprise) that is a resident in a country other than that of the director investor (OECD, 2008). Foreign Direct Investment is the sum of equity capital, reinvestment of earnings and other long or short term capital as shown in the balance of payments. In market potential, India ranks seventh place next to United States, China, Canada, UK, Brazil and Germany.

3.4.2 Types of FDI retailing in India

a) Single Brand- Single brand implies that foreign companies would be allowed to sell goods sold internationally under a ‘Single Brand’, viz., Reebok, Nokia and Adidas. FDI in ‘Single Brand’ retail implies that a retail store with foreign investment can sell only one brand. For example, if Adidas were to obtain permission to retail its flagship brand in India, those retail outlets could sell products only under the Adidas brand and not the Reebok brand, for which separate permission is required. If permission is granted, Adidas could sell products under the Reebok brand in separate outlets (Rajib Bhattacharyya, 2012).

b) Multi Brand- FDI in Multi Brand retail implies that a retail store with a foreign investment can sell multiple brands under one roof. Opening up FDI in multi-brand retail will mean that global retailers including Wal-Mart, Carrefour and Tesco can open stores offering a range of household items and grocery directly to consumers in the same way as the ubiquitous ‘Kirana’ store. The approval for single and multi brand includes a set of riders for the foreign investors, aimed at ensuring that the foreign investment makes a genuine contribution to the development of Indian infrastructure and logistics, at the same time facilitating integration of small retailers into the upgraded value chain (Rajib Bhattacharyya, 2012).
3.4.3 Factors Influencing FDI to Emerge in Indian Retailing

The following are the factors which influence the FDI to enter into Indian Retailing (Leena Singh, 2012):

a) **Per-capita income**: The income per head of an economy is an important determinant for choice of locations of FDI. Due to considerable improvement in per capita income and burgeoning of middle class with new tastes and lifestyles, the purchasing power of people in India is increasing. This let the FDI to emerge into India.

b) **Infrastructure**: This includes not merely physical infrastructure in terms of metalled road, proximity to various mode of transportation and banks but also availability of warehousing, gold chains, logistics, distribution infrastructure and various mode of communication which influence the FDI to enter into Indian market.

c) **Urbanization**: The place for investment of FDI in retail is mostly in urban areas. The hypermarkets are mostly located in the posh cities where urban gentry have access to lifestyle goods. Greater the urbanization greater the foreign favour for direct investment. Even China has experienced unparallel level of urbanization since the onset of organized retail which started in 1978 (BRIC, 2011). It is said that attractive urbanization of India has driven the retail boom.

d) **Consumerism**: The predominantly young and fast growing affluent consumers both in India and China are making their presence felt (BRIC, 2011). Their preference for branded retail goods, accessories and luxury goods are driving consumerism in urban markets. There is growing tendency to spend rather than saving among in the young population.

e) **Productive Age Group**: Majority of Indians fall in the productive age-group. As such number of youths in the population is relatively large. Youths are brand and fashion conscious, have craze for lifestyle products and believe in investing more.

f) **Taxation**: The investors enjoy hassle free environment with minimum interference of Government machinery. Some even like tax free environment and avoid double taxation. Indian government’s effort to introduce General Anti Avoidance Rule (GAAR) and retrospective taxation would encourage foreign investors to enter into Indian market.
g) **Credit availability**: Retailers have increasing access to credit and loans from bank to establish their business which solves the major problem of mobilizing finances for setting up business to learn their livelihood.

### 3.4.4 Entrance Routes for FDI in Indian Retailing

In view of the restrictive entrance policies for the foreign investors in the retail sector, they followed one or more of the following routes to expand their business in India (Dr. Namita Rajput et al., 2012):

a) **Franchise Agreement**: It is an easiest track to come in the Indian market. In franchising and commission agents’ services, FDI (unless otherwise prohibited) is allowed with the approval of the Reserve Bank of India (RBI) under the Foreign Exchange Management Act. This is the most usual mode for entrance of quick food bondage which is quite opposite to natural food. Apart from quick food bondage identical to Pizza Hut, players such as Lacoste, Mango, Nike, Spencers etc., have entered Indian marketplace by this route.

b) **Cash and Carry Wholesale Agreement**: 100% of FDI is allowed in wholesale trading which involves building of a large distribution infrastructure to assist local manufacturers. The wholesaler deals only with smaller retailers and not Consumers. Metro AG of Germany was the first significant global player to enter India through this route.

c) **Strategic Licensing Agreement**: Some foreign brands give exclusive licences and distribution rights to Indian companies. Through these rights, Indian companies can either sell it through their own stores, or enter into shop-in-shop arrangements or distribute the brands to franchisees. Mango, the Spanish apparel brand has entered India through this route with an agreement with Piramyd, Mumbai, SPAR entered into a similar agreement with Radhakrishna Food Lands Pvt. Ltd.

d) **Manufacturing and Wholly-owned Subsidiary**: The foreign brands such as Nike, Reebok, Adidas, etc., have wholly-owned subsidiaries in manufacturing and are treated as Indian companies and therefore, allowed to do retail business in India. These companies have been authorised to sell products to Indian consumers by franchising, internal
distributors, existent Indian retailers, own outlets, etc. For instance, Nike entered through an exclusive licensing agreement with Sierra Enterprises but now has a wholly owned subsidiary, Nike India.

3.4.5 Major FDI Players in India

A 2012 PWC report states that modern retailing has 5% market share in India with about $27 billion in sales, and is growing at 15% to 20% per year. There are many modern retail format and mall companies in India. Some examples are presented in the following table.

<table>
<thead>
<tr>
<th>Indian Retail Group</th>
<th>Stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pantaloon Retail</td>
<td>65 stores and 21 factory outlets in 35 cities, 2 million square feet space</td>
</tr>
<tr>
<td>Shoppers Stop</td>
<td>51 stores in 23 cities, 3.2 million square feet space</td>
</tr>
<tr>
<td>Spencers Retail</td>
<td>200 stores in 45 cities, 1 million square feet space</td>
</tr>
<tr>
<td>Reliance Retail</td>
<td>708 mart and supermarkets, 20 wholesale stores in 15 cities, 508 fashion and lifestyle</td>
</tr>
<tr>
<td></td>
<td>Rs.1206 crore (US$190 million) per month sales in 2013</td>
</tr>
<tr>
<td>Bharti Retail</td>
<td>74 Easy day stores, plans to add 10 million square feet by 2017</td>
</tr>
<tr>
<td>Birla More</td>
<td>575 stores nationwide</td>
</tr>
<tr>
<td>Tata Trent</td>
<td>59 Westside mall stores, 13 hypermarkets</td>
</tr>
<tr>
<td>Lifestyle Retail</td>
<td>15 lifestyle stores, 8 home centers</td>
</tr>
<tr>
<td>Future Group</td>
<td>193 stores in 3 cities, one of three largest supermarkets retailer in India by sales</td>
</tr>
<tr>
<td></td>
<td>Rs. 916 crores (US$150 million) per month sales in 2013</td>
</tr>
</tbody>
</table>

(Source: www.wikipedia.org)

3.4.6 Government Policies and Initiatives towards FDI in Indian Retailing

a) Government Policy

i) In 1995 in retail and wholesale sector, World Trade Organization’s General Agreement on Trade in Services came into effect.
ii) In 1997 under the Government approval route, 100 % rights were allowed in FDI in cash and carry (wholesale).

iii) In 2006 under the automatic route, FDI in cash and carry (wholesale) was introduced.

   In single brand retail upto 51% of investment was allowed.

iv) In 2011 in single brand retail upto 100% FDI was permitted with certain pre-conditions.

v) In 2012 in multi brand retail upto 51% FDI was permitted with certain pre-conditions (Devonshire Chris et al., 2012).

b) **Government Initiatives** Ms. Nirmala Sitharaman, Union Minister of Commerce and Industry, Government of India has stressed on India, building a culture of branding and marketing its products to the rest of the world. The ministry is also willing to take steps to start a Free Trade Agreement (FTA) with the European Union (EU). The Government of India has taken various initiatives to improve the retail industry in India. Some of these initiatives are:

i) The Foreign Investment Promotion Board (FIPB) has cleared five retail proposals worth around Rs 420 crores (US$ 67.53 million) from companies such as Bestseller, Puma SA and Flemingo. Additionally, the board cleared three 100% single-brand retail proposals worth Rs 222.5 crores (US$ 35.77 million), suggesting renewed interest in India’s growing retail market.

ii) IKEA (Ingvar Kamprad, Elmtaryd and Agunnaryd) has entered into a memorandum of understanding (MoU) with the Government of Telangana to set up its first store in India at Hyderabad. IKEA retail outlets have a standard design and each location entails an investment of around Rs 500-600 crores (US$ 80.38-96.46 million).

iii) The Government of India is also in the final phase of talks with the states for the Goods and Services Tax Bill to be implemented. This bill is seen as a key to facilitating industrial growth and improving the business climate in the country.
3.4.7 Improvement in the Indian Retail Sector due to FDI in Indian Retailing

The following are the improvement acquired due to FDI in Indian retailing:

a) **Market Size of Indian Retail Industry**

The total market size was US$ 490 billion in 2013, registering a CAGR of 6.1% since 1998.

![Figure 3.4.1](Source: www.ibef.org)

**Figure 3.4.1**
**Market Size of Indian Retail Industry**

![Market Size of Indian Retail Industry](Source: www.ibef.org)

b) **Indian Retail Industry Break-Up by Revenues**

In 2013, food and grocery accounted for nearly 69% of total revenues in the retail sector, followed by apparel (8%).

![Figure 3.4.2](Source: www.ibef.org)

**Figure 3.4.2**
**Indian Retail Industry Break-Up by Revenues (2013)**

(Source: www.ibef.org)
3.4.8 SWOT Analysis of FDI in Indian Retailing

The strategic analysis of environmental factors is referred as SWOT analysis. The environmental factors which are internal to the retail sector can be classified as strengths and weakness. The factors which are external to the sector can be classified as opportunities and threats. This analysis provides the information that is helpful in understanding the retail sector resource mobilization and capabilities to the competitive environment in which it operates. Finally, this will be instrumental in the formulation of strategies for future growth and development of the sector (Dr. Namita Rajput et al., 2012)

a) **Strength**

i) **Boosts up Competition:** Welcoming the FDI in retail industry can prove advantageous for India as it increases the competition in retail chain at domestic level. The competition always demands innovation and differentiation and the outcome of these two is the quality goods. As the competition increases, the competitor is compelled to serve quality goods at competitive and reasonable price.

ii) **Benefits to Farmers:** In most cases, in the retailing business, the intermediaries have dominated the interface between the manufacturers or producers and the consumers. Hence the farmers and manufacturers lose their margins as the major share is eaten up by the middle men. This issue can be resolved by FDI, as farmers might get contract farming where they will supply to a retailer based upon demand and will get good cash for that. Hence they need not search for buyers and lose their profit.

iii) **Benefits to Consumers:** Because of competitive prices, consumers will get assortment of products at lesser price compared to the market rate. They have more options to get international brands at one place, and will also improve their standard of living.

iv) **Generates Employment Opportunities:** Bharti Walmart, a joint venture between Bharti Enterprises and Wal-Mart Stores, will open a training centre at Jalna in Maharashtra on a public private partnership basis, according to a press note released on April 27, 2012. Bharti Walmart currently runs three such training centres under the PPP model in
Amritsar, Delhi and Bangalore, and three training centres at its modern wholesale stores in Zirakpur, Jalandhar and Ludhiana. The domestic retail sector is growing fast and providing growth opportunities. However, the industry lacks the talent pool with required skill sets to leverage this huge potential. Bharti Walmart training centres aim to bridge this gap by imparting training in various aspects of retailing to under-privileged youth making them employable in the retail sector.

v) Efficient Banking Services: After the entry of foreign players to India, effective competition between the retailers has been increased. This results in increased efficient and customized services from banks to customers in the way of credit and debit cards, loans etc.

vi) Large Scale Investments: It has also contributed to large scale investments in the real estate sector with major national and global players investing in devolving the infrastructure and construction of the retailing business.

vii) Increased Purchasing Power: Due to the emergence of FDI, the domestic market has been enlarged with availability of all type of goods for all classes of customers which in turn increase the purchasing power of middle class and potential customers.

viii) Potential Sector: FDI is ranked second in Global Retail Development Index of 30 developing countries drawn up by AT Kearney and hence considered as a potential sector.

ix) Growth: The Annual Growth of departmental stores is estimated at 24% which will add to substantial surge in the country’s overall economic development.

b) Weakness

i) Lack of 'Industry' Status, thereby Creating Financial Issues for Retailers: The retail sector in India does not enjoy the status of an "Industry", thereby making difficult for the retailers to raise funds for the expansion projects as it is easier to access the flow of funds with that status.

ii) Lack of Infrastructure: Lack of infrastructure in the retailing chain has been one of the major issues of concern which has led the process to an incompetent market
mechanism. For example, in spite of India being one of the largest producers of vegetables and fruits, lack of proper count of cold storages has significantly affected the selling of these perishable items. FDI might help India overcome such issues by channelizing the resources in the right manner.

iii) Catering to High End Customers: FDI will mainly cater to high-end consumers placed in metros and will not deliver mass consumption goods for customers in villages and small towns.

iv) Volume of Sales is Very Low: Due to the largest population and slow growth in economy, the volume of sales in Indian retailing is low.

v) Rising Retail Real Estate Rentals: The rapid development of retail sector is the sharp improvement in the availability of retail space. But the current surges in property prices and retail real estate rentals have escalated significantly, which may render a few retailing business houses unavailable. Retail companies have to pay high rentals which block the profits. More than 96% of the outlets are lesser than 500 sq.ft and are also smaller than those in the developed countries.

vi) Inadequate Merchandise Mix: Retail chains are not settled down as on date with proper merchandise mix for the mall outlets. Retailing today is not about selling at the shop, but also about researching and surveying the market, offering choice, competitive prices and retailing consumers; hence there is a long road ahead.

c) Opportunities

i) Improvement in Quality Standards: The inflow of FDI in retail sector is bound to pull up quality standards and cost-competitiveness of Indian producers in all the segments and hence India will significantly flourish in terms of consumer expectations.

ii) Improving Distribution and Warehousing Technologies: The technical know-how from global firms, such as warehousing technologies and distribution systems, will lend itself to improving the supply chain in India, especially for agricultural products.
iii) **Attractive Market:** Global retail giants take India as the key market and rate it as fifth most attractive retail market. An Indian retail industry has come forth as one of the most dynamic and fast paced industries with several players entering the market. The organised retail sector is expected to grow stronger than GDP growth in the next five years driven by changing lifestyles, increase in income, purchasing power and favourable demographic outline. Food and apparel retailing are key drivers of growth.

iv) **Employment Generation.** There are numerous empirical evidences across the globe relating to massive increase in the employment opportunities as the sector grows after the reforms were initiated in countries like US and China. India is likely to experience the same situation in this liberalised and open regime of FDI in retail sector in India. It can become one of the largest industries in terms of number of employees and establishments. Once the concept picks up, due to demonstration effect, there will be an overall upgradation of domestic retail trade.

v) **Rural Retailing** is still unserved up to the expectations of the customers in India and could act as an opportunity for the giants to venture into the retail market.

vi) **Promotes Healthy Competition Check on Inflation:** Retail giants such as Wal-Mart, Carrefour, Tesco, Target, Metro, Coop and 350 other global retail companies are already having operations in many countries for over 30 years. Contrary to a view prevailing across the globe that these MNCs will become a source of monopolies, rather they have managed to keep a check on the food inflation through their healthy competitive practices and giving variety and reasonably priced products to the customers.

vii) **More Transparency Compared to Traditional ‘Mandi’ System:** The intermediaries operating in the Indian system are not adhering to transparency in the system relating to their price strategies. According to some of the reports, an average Indian farmer realises only one-third of the price, which a final consumer pays, but there will be more rationality and transparency in the pricing policies of these MNCs.
viii) **Eviction of Intermediaries and Directly Benefitting the Farmers and Producers at Large:** The prices of the commodities will be automatically checked. For example, according to the Business Standard, Walmart has introduced "Direct Farm Project" at Haider Nagar near Malerkotla in Punjab, where 110 farmers have been connected with Bharti Walmart for sourcing fresh vegetables directly. These strategies will benefit the farmers and producers at large in respect of realisation of true prices evicting the intermediaries.

ix) **Quality Control and Control over Leakage and Wastage:** There is number of issues relating to malpractices and inefficiencies of the traditional system by which children are not able to get the proper food (malnourished) i.e., food gets rotten in the transit etc., In order to correct this system and make of cheap products available with good quality, MNCs endeavour the market and hence making food available according to the needs of the weakest and poorest segment of Indian society.

x) **Heavy Flow of Foreign Capital will Help in Building up the Infrastructure for the Growing Population:** India is a capital deficit country with big challenges of growing population, developmental needs and with its present budgetary deficit cannot satisfy the growing needs (education, health, transport, and infrastructure) of the ever growing Indian population. Hence foreign capital inflow will bridge this gap and will enable to create a heavy and good capital base.

xi) **Sustainable Development and Regulated System:** There will be sustainable development and many other vital economic issues will be focused upon, like child labour, overtime and not taking of their welfare. These issues will not have any room in this transparent open system as contract between the employer and worker will evict corruption from grass root level and will control black money.
d) Threats

i) Massive Job Losses: Indian economy is a developing economy and the level of development is not as desired. Due to paucity of infrastructure resources in Indian economy, there is a direct threat from big giants like Wal-Mart, which is fully automated and needs very few people to operate, which will compel current independent stores to close their outlets. This will lead to massive job losses; also the sector won’t be able to employ retail staff on contract basis. This becomes the biggest threat for the Indian economy.

ii) Sustaining of Loss Strategy: Another challenge and threat Indian companies perceive is that sustaining of loss by initially lowering the price to penetrate the market and this is a very usual policy adopted by these big players. They can afford to lower the prices in initial stages in order to knock-out the competition and become a monopoly and later on raise the prices as done by Pepsi and Coke.

iii) Inequitable Competition: It would lead to very inequitable competition and eventually result in large-scale exit of domestic retailers, especially the small family managed outlets, leading to large scale displacement of persons employed in the retail sector. Further, as the manufacturing sector has not been growing fast enough, the persons displaced from the retail sector would not be absorbed there.

iv) Repatriation of Profits outside India: India doesn't need foreign retailers, since home grown companies and traditional markets may be able to do the job. Just as in BPO industry, work will be done by Indians, profits will go to foreigners hence it is not a viable solution for Indians. We cannot ever forget the example of East India Company which entered India as a trader and then took over politically.

v) Persistence of Political Inconclusiveness of Issues: There is still no consensus made by government. In a politically and culturally diverse country like India, every economic
issue turns out to become a political issue and there is a persistence of inconclusiveness on the issue.

vi) Immature, Undersize and Nascent Stage of India Retail Sector: Another concern of Government of India is that the Indian retail sector, particularly organized retail, is still immature, undersized and is in a nascent stage and that, therefore, it is important that the domestic retail sector is allowed to nurture and strengthen first, before fully opening this sector to foreign investors.

vii) Monopolistic Tendencies and Unnatural Price Trends: Another concern is that the global retailers would conspire and exercise monopolistic power to raise prices and monopolistic (big buying) power to reduce the prices received by the suppliers.

viii) Asymmetric Growth of Cities: It would lead to asymmetrical growth in cities, causing discontent and social tension elsewhere. Hence, both the consumers and the suppliers would lose, while the profit margins of such retail chains would go up.

ix) Labour rules and regulation are also not followed properly by the organized retail outlets.