CHAPTER 6

LIMITATION AND FUTURE SCOPE OF THE STUDY

All the research studies are faced with various limitations and this study is no exception to the phenomena. The various limitations of the study are:

1. At various stages, the basic objective of the study is suffered due to inadequacy of time series data from related agencies. There has also been a problem of sufficient homogenous data from different sources. For example, the time series used for different variables, the averages are used at certain occasions. Therefore, the trends, growth rates and estimated regression coefficients may deviate from the true ones.

2. The assumption that FDI was the only cause for development of Indian economy in the post liberalized period is debatable. No proper methods were available to segregate the effect of FDI to support the validity of this assumption.

3. Above all, since it is a Ph.D. project and the research was faced with the problem of various resources like time and money.

4. Predatory pricing could strangulate the domestic retailers.

5. It has been seen MNCs retailers uses there big size to kill competitors.

6. In order to bring goods at lowest possible price for customers they squeeze the margins of their suppliers. So as claimed by thousand that suppliers will benefit, it still doubted

7. In order to correct these anomalies, India need to have strong regulator for the sector. And at the same time strengthen the Competition Commission of India before these Big Retailers prows into the Indian Territory.
CHAPTER 6 Limitation And Future Scope of The Study

FUTURE SCOPE OF THE STUDY

1) Proposed FDI In retail

Government allowed 51% FDI in multi brand retail and increased FDI limit in single brand retail from 49% to 100%. This is right now put on the back burner due to opposition from the political parties. Following are some scope of the FDI in retail.

- FDI is not likely under the automatic route implying that FIPB approval on case by case basis.
- Minimum Investment to be done is $100 million.
- 50% of the investment should be done in improving the back end infrastructure.
- 30% of all raw materials have to be procured from the small and medium enterprises.
  Permission to set retail stores only in cities with a minimum population of 10 lakhs.
  Government has the first right to procure material from the farmers.

2) Opposition party stands on the FDI in retail

Following are the concern regarding the FDI in Retail.

- Govt does not have any clear stands on the FDI in Retail. They have not done any survey and cost benefit analysis of this issue.
- As claimed by the Govt that it will create Jobs, opposition does not buy it. They claim million of retailers have to shut their shops.
- As claimed by Govt that it will bring down price, opposition thinks otherwise.

3) Govt stands on FDI in retail

Following are the facts that Govt is giving to support FDI in Retail.

- FDI in retail will create 80 lakhs jobs.
- It will bring growth and prosperity.
- Prices of products will come down. This will tame inflationary pressure in the economy.
4) **Global retailing scenario**

- Retail has played a major role in improving the productivity of the whole economy at large. The positive impact of organized retailing could be seen in USA, UK, and Mexico and also in China. Retail is the second largest industry in US. It is also one of the largest employment generators. It is also important to understand that Argentina, China, Brazil, Chile, Indonesia, Malaysia, Russia, Singapore and Thailand have allowed 100% FDI in multi brand retail. These countries benefited immensely from it. Also small retailers co-exist. The quality of the services has increased. China permitted FDI in retail in 1992 and has seen huge investment flowing into the sector. It has not affected the small or domestic retail chains on the contrary small retailers have increased since 2004 from 1.9 million to over 2.5 million. Take for example Indonesia where still 90% of the business still remains in the hand of small traders.

5) **How farmers to get benefited**

- Farmers in India get only 10%-12% of the price the consumer pays for the agri-products. Coming of organized retailing will benefit farmers in big way. Big retailers sell their product at very competitive prices. So, they source it directly from the farmers. Middle man does not have any place in this format of retailing. This will not only benefit farmers but also help in checking the food inflation.

Also India has very inadequate facilities to store the food grains and vegetables. As the investment will flow into back end infrastructure, supply chain will get strengthened. Storage is a major problem area and 20%-25% of the agri products get wasted due to improper storage.

6) **Immense growth opportunity to the retailer**

- India is Asia’s third largest retail market after China and Japan. Organized retailing is very virgin space in India. It provides immense growth opportunity. Only 5% of the total sales are being done by organized retailer. Currently Indian Retail sector have sales of around $500 billion. Retail sector is expected to have sales of $900 billion by 2014. It still far behind China, whose retail sales by 2014 is expected to cross $4500 billion mark.
CHAPTER 6 Limitation And Future Scope of The Study

- Purchasing power of Indian urban consumer is growing and branded merchandise in categories like Apparels, Cosmetics, Shoes, Watches, Beverages, Food and even Jewellery, are slowly becoming lifestyle products that are widely accepted by the urban Indian consumer.

- The Indian retail sector can be broadly classified into:
  - Food Retailers
  - Health and beauty Products
  - Clothing and Footwear
  - Home Furniture & Household goods
  - Durable goods
  - Leisure & Personal Goods

Of these above segment Food and beverage and clothing segment is expected to grow exponentially.

7) **Growth drivers of Indian retail sector**

- Rising Income and increase in convergence of consumer taste and preferences.
- Dual family Income.
- Knowledge about different product through different medium like Internet, Television etc. Also knowledge about the latest trend and fashion.
- 47% of the India’s population is under the age of 30. This category is driving the consumption story.
- Emergence of new retailing format.
- Availability of Credit Facilities.

8) **FDI could benefited stressed companies**

- FDI in multi brand will stimulate investment in the sector. There are companies in the retail sector that are reeling under debt. These companies could get fresh lease of life.

- Beneficiary of FDI in Multi – Brand Retail:
  - Multi Brand Retail Stores: 51% in multi brand retail.
    - Pantaloon Retail
    - Vishal Retail
    - Shoppers Stop
CHAPTER 6 Limitation And Future Scope of The Study

- **Single Brand Retail:** 100% FDI in Single Brand Retail.
  - Koutons
  - Trent
  - Archies
  - Cantabil
  - VIP Ind
  - Titan
  - IFB Industries

- **Real Estate:** Especially mall developers. Retailers like Wal-Mart, Tesco operates in large area of 50,000 – 60,000 sqft. They generally pay to the builders certain percentage of the total revenue. Real Estate companies into retailing space to be benefitted.
  - Unitech
  - DLF
  - Sobha Developers

- **FMCG Companies:** Big retailers generally sources from the producers, FMCG companies are going to be benefited.
  - HUL
  - GSK
  - Godrej Consumer
  - Dabur
  - Marico