CHAPTER 3

RESEARCH METHODOLOGY AND CONCEPTUAL MODEL

Research Methodology is a way to find out the result of a given problem on a specific matter or problem that is also referred as research problem. In Methodology, researcher uses different criteria for solving/searching the given research problem. Different sources use different type of methods for solving the problem. If we think about the word “Methodology”, it is the way of searching or solving the research problem.

This chapter contains conceptual model, research hypotheses, research methodology, methodology used in the research. Conceptual model will also be used to undertake for analysis of study. In last research methodology will be offered so that set objectives can be attained successfully.

figure 7 Methodological Framework
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PROBLEM FORMULATION

India is without doubt a 'growth' economy and many consider it an attractive country to invest in, particularly in its rapidly growing and changing retail market. However, Foreign Direct Investment (FDI) is restricted in the retail sector, and despite many years of debate, the regulations are still only changing very slowly and there are still lots of uncertainties.

Foreign Investors are watching India, ready for a piece of the action in the retail market, but there are still plenty of uncertainties, restrictions and potential socioeconomic risks.

This division of the retail sector, which has a very heavy weighting towards, unorganized, is just one of the issues contributing to the sensitive debate on FDI in India at the moment. What are the potential risks to the unorganized retail sector, and of course to the wider Indian economy? There are several groups who are strongly opposed to FDI in the Indian retail sector, but are their concerns unfounded?

Equally, could FDI in retail be a disaster for the sector and the Indian economy? What reforms are necessary, if any, to protect the subcontinent's domestic retail sector and national interests?

Thus, retailing can be said to be the interface between the producer and the individual consumer buying for personal consumption. This excludes direct interface between the manufacturer and institutional buyers such as the government and other bulk customers retailing is the last link that connects the individual consumer with the manufacturing and distribution chain. A retailer is involved in the act of selling goods to the individual consumer at a margin of profit. With this keeping in mind, the following objectives are formulated.

MAIN OBJECTIVE OF RESEARCH WORK

The Government of India was initially very apprehensive of the introduction of the Foreign Direct Investment in the Retail Sector in India. The unorganized retail sector as has been mentioned earlier occupies 98% of the retail sector and the rest 2% is
contributed by the organized sector. Hence one reason why the government feared the surge of the Foreign Direct Investments in India was the displacement of labour.

The unorganized retail sector contributes about 14% to the GDP and absorbs about 7% of our labour force. Hence the issue of displacement of labour consequent to FDI is of primal importance.

There are different viewpoints on the impact of FDI in the retail sector in India. According to one viewpoint, the US evidence is empirical proof to the fact that FDI in the retail sector does not lead to any collapse in the existing employment opportunities. There are divergent views as well. According to the UK Competition Commission, there was mass scale job loss with entry of the hypermarkets brought about by FDI in the UK retail market.

India being a signatory to World Trade Organization’s General Agreement on Trade in Services, which include wholesale and retailing services, had to open up the retail trade sector to foreign investment. There were initial reservations towards opening up of retail sector arising from fear of job losses, procurement from international market, competition and loss of entrepreneurial opportunities. However, the government in a series of moves has opened up the retail sector slowly to Foreign Direct Investment (FDI). In 1997, FDI in cash and carry (wholesale) with 100 percent ownership was allowed under the Government approval route. It was brought under the automatic route in 2006. 51 percent investment in a single brand retail outlet was also permitted in 2006. FDI in Multi-Brand retailing is prohibited in India.

The specific objectives of the study are:

1. To understand the strategic marketing management processes of Foreign direct Investment in an Indian Economy with Special Reference to Retail Sector In Indore (M.P).
2. To study the intelligence gathering systems that is relied upon.
3. To understand the intricacies of analysis and decision making processes in the FDI and interpersonal /interdepartmental interface management.
4. To analyze the trends, growth and patterns of FDI inflows into India with special focus on Retail Sector.
5. To investigate the Indian market place and review current policy and regulations with regards to foreign investors so as to gain an understanding of the current position on FDI, as well as an overview of the Indian system.

6. To understand the intricacies of analysis and decision making processes in the small units and interpersonal /interdepartmental interface management.

**SCOPE OF STUDY**

A. Target population –target population for the study was retail companies (malls) in Indore M.P. customers and kirana shopkeepers.

B. Place of study-The research was mainly carried out from Indore .I(researcher) visited malls in Indore and recorded observations of mall managers about the operational aspect s and conducted informal interviews with the customers and kirana shopkeepers wherever possible.

C. Reference period -The reference period for the study was 2013 to 2016

D. Source s of data – A combination of primary and secondary data was used.

**RESEARCH DESIGN**

The research design for the present study was basically descriptive and exploratory in nature. The study started with exploratory research design in order to have a deeper insight of the changing retailing environment of FDI in INDIA. This help to formulate the research hypothesis for the present study.

Owing to the fact that management is a relatively speaking a nascent field compared to other disciplines it is quite natural that most of the research studies will be of the type – exploratory. This study therefore, will be an exploratory research based in a large measure on the collection of primary data and also the secondary sources. This study The impact of foreign direct investment on Indian economy: with special reference to retail sector will particularly cover the units based in Indore (M.P).

(A) **Nature of the study**

It is exploratory type of research.
(B) Sample Design

(i) Sampling units / Population: The retail industrial units in the selected sector from Indore (M.P).

(ii) Sampling type: Stratified random sampling.

(iii) Sample size: The total sample size will be divided into three parts:

<table>
<thead>
<tr>
<th>Segment</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mall</td>
<td>20</td>
</tr>
<tr>
<td>Retail Kirana Shop</td>
<td>100</td>
</tr>
<tr>
<td>Customer</td>
<td>300</td>
</tr>
</tbody>
</table>

(c) Data collection

The data to be collected from Primary sources as well as Secondary sources:

**Primary sources:**

For Primary source a questionnaire will be prepared and this questionnaire will be filled by and scheduled interviews / personal observations.

And also three sources of evidence that Yin (2003) discusses were used in this study i.e. Interview, Documentation and Archival Records.

Secondary sources:

Data collected from internet, journals, magazines, text books etc. A sample of typical secondary source can be seen as per selected bibliography & references.

**DATA ANALYSIS**

Data collected was mainly qualitative in nature. Data were collected from the mall managers, Kirana shopkeepers and customers. Data was tabulated. Charts, and graphs were used for comparative analysis. In addition to this, statistical tool like averages, ranking and chi square test were used.
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HYPOTHESIS

Problem Definition

The problem selected by the researcher for research is “A Study the impact of foreign direct investment on the Indian economy with special reference to retail sector in Indore (M.P).

The main Hypothesis:

The main hypothesis of the study is that the foreign direct investment in retail sector postulates that a positive relationship exists between the inflows of FDI and the size of the host market in terms of GDP or GNP. As per the market growth hypothesis, FDI is positively related to the growth potential of the host market in terms of GDP or GNP growth.

Subsidiary hypotheses:

The study will also have the following Subsidiary hypotheses:

• The key issues concerning FDI policy change in India's retail sector
• The policy helps to reduce the risk of FDI in retail for India and its domestic market.

Null Hypothesis

• μ0= there is no impact of foreign direct investment on Indian economy
• μ1= there is impact of foreign direct investment on Indian economy

CONCEPTUAL MODEL

To study the impact of FDI in an INDIAN economy, two models were framed and fitted. The foreign direct investment model shows the factors influencing the foreign direct investment in India. The economic growth model depicts the contribution of foreign direct investment to economic growth. The two model equations are expressed below:

1 FDI = f [TRADEGDP, RESGDP, R&DGDP, FIN. Position, EXR.]

2 GDPG = f [FDIG]
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Where,

FDI = Foreign Direct Investment

GDP = Gross Domestic Product

FIN. Position = Financial Position

TRADEGDP = Total Trade as percentage of GDP.

RESGDP = Foreign Exchange Reserves as percentage of GDP.

R&DGDP = Research & development expenditure as percentage of GDP.

FIN. Position = Ratio of external debts to exports

EXR = Exchange rate

GDPG = level of Economic Growth

FDIG = Foreign Direct Investment Growth

Regression analysis (Simple & Multiple Regression) was carried out using relevant econometric techniques. Simple regression method was used to measure the impact of FDI flows on economic growth (proxied by GDP growth) in India. Further, multiple regression analysis was used to identify the major variables which have impact on foreign direct investment.