CHAPTER 4

REVIEW OF LITERATURE

The Indian economy remained a highly inward looking one for the first three decades of planning. It was insulated and protected through different trade barriers thus not exposing the domestic players to competition. Post mid 1980’s attempts were made to come out of this protectionism attitude but the real credit of setting out on this path-breaking exercise of liberalizing goes to Dr Manmohan Singh who through his 1991 union budget enabled India to embark on a path of liberalization, privatization and globalization. Since 1991 foreign direct investment has been a part of the long term economic policy. Prior to 1991 FDI was allowed selectively up to 40% which gradually experienced liberalization as in 1991 FDI was allowed up to 51% under the automatic route in 35 priority sectors which in 1997 was enhanced up to 74/51/50% in 112 sectors under the automatic route. This underwent further enhancements in year 2000 which allowed 100% under automatic route in all sectors except a small negative list. Between the periods 2000-05 more sectors were opened for FDI, equity caps raised in many sectors and procedures simplified.

The topic ‘Foreign Direct Investment in Healthcare Retail and its impact on employment in India’ is relatively a contemporary issue. An extensive search was carried out in the libraries of well-known management schools and reputed organizations, including the Reserve Bank of India (RBI). This search revealed that in Mumbai including the RBI currently there are no books / literature available which directly link FDI with retail healthcare and employment particularly in the pharmacy sector. However, books and literatures are available on the subject of FDI / Retail
Industry/employment, (none which interconnects the three topics). Under these circumstances the scholar is motivated to undertake a research study on this issue that would to a certain degree be useful to the industry at large and to the policy makers in particular.

In view of the above, an attempt has been made to review the literature on FDI and retail separately, and then an attempt has been made to meaningfully link them with employment for the purpose of carrying out this study. The review is arranged in a **chronological** order.

Kenneth E Stone, Georgeanne Artz, Albert Myles (1997) examines the impact of Wal-Mart supercenters on the sales of existing businesses in local trade areas and offers two sets of suggestions, one for the officials and the other for local business owners. Local officials should educate the public about the economic impact of commercial development and strive to create an economic development policy taking into consideration the values and concerns of the local population. For local merchants it suggests to develop a new strategy and get back to the basics of running a good business. At any rate local development cannot be compromised and all concerned need to be taken along.

Kenneth E Stone (1997) observes that with the big chains getting in, the rural communities are losing out on their retail trade. Public officials will have to take informed decisions weighing the pros and cons.

Carol Schroeder (1997) essentially deals with the various aspects involved in the setting up of a retail store, the nuances of such a set up including standards and trained manpower for service delivery.
Rosemary Varley: Routledge (2001). essentially deals with vendor level procurement of products, inventory levels, space utilization and the actual act of merchandising. All these activities go to support the bottom line and what is commonly known as margins which have huge variance in the retail segment- one more important aspect of scientific store management and the use of technology in retail which are requirements to operate in an organized environment.

Amanda Perry (2001) recommends a country-specific approach to FDI taking care of both the investor as well as the host country’s interests which would result in quality economic growth. It is a subtle reminder that the investor comes to you with ‘expectations’ which imply costs.

Henry Loewendahl (2001) dwells on how countries attract FDI using marketing-oriented investment promotion agencies with a certain set of guidelines. A very clear message is delivered that you need to draw attention that you are existing and offer a good choice.

Barry Berman & Joel R. Evans (2003) is practical and career oriented. It provides insight into retail planning and decision making in a very practical manner. It provides material on various elements which go to set up a retail store. Aspects like layout, location, customer programs, merchandising, and basic customer relationship management are dealt with thus emphasizing the skill sets required to operate in an organized environment.

Sanjaya Lall, Shujiro Urat (2003) deal with different possible approaches to access and absorb foreign technologies and the importance of its infusion with the domestic technology. What we now call as ‘glocalisation’. It addresses this imbalance aspect
between FDI and technological activity in building export competitiveness with special reference to Japan.

Theodore H Moran (2003) aims at articulating the international set or framework of rules and regulations to govern FDI. It explains the positive and negative aspects of these rules.

Balasubramanyam and Vidya Mahambare –(2003) analyzes the circumstances which favor the flow of FDI and how it facilitates national development. It also analyses the causes of poor flow of FDI with respect to India.

John Fernie, et. al : ( 2003) deals with one of the more contemporary issues like Internet stores, and provides a general but pertinent exposure to global retail by talking about international and Pan European issues. On the guidance issue, it highlights the proactive nature of the retail environment and how to handle the same. It also gives a good understanding of supply chain and mastering the operational issues in retail. The book could be a good general guide for retailing.

Gan Bhukta, (2004) refers to an Associated Chambers of Commerce & Industry of India (ACCI) report which projects Indian retail at US$ 300 billion by end 2008 with the organized segment witnessing a threefold growth. According to this study the unorganized sector will continue to enjoy an edge till such time as FDI is permitted. It mentions that FDI in the retail segment would generate millions of jobs directly besides indirect employment for many more. It cites Thailand and China as positive examples.

Douglas H Brooks (2005) deals with the concept of FDI and its impact on the country’s economy. The author specifically refers to six Asian economies (excluding India) and the various policy implications.
McKinsey (2006) talks about the negative impact which regulations have and what the governments should do to take the right course of action. It points out how inappropriate regulations impact factors of production, competitive sectors, monopoly industries, and the various aspects that the government needs to attend to set matters conducive.

The KPMG/FICCI report (2006) offers a bird’s eye view of the Indian retail scene touching on a number of retail impacting factors notably, retail operations, learning from international brands, and how the Indian retail scene particularly the organized segment will touch US$ 23 billion by 2010. Of particular interest is the issue of human resources and the impending war for talent as this would be one of the key success factors. The report comes out with a suggestion that there needs to be in place processes, systems and practices to enhance competency and retention.

Jonathan Ablett, Aadarsh Baijal, Eric Beinhocker, Anupam Bose, Diana Farrell, Ulrich Gersch, Ezra Greenberg, Shishir Gupta, Sumit Gupta (May 2007) specifically mention the health care sector, pointing out in no uncertain terms that while urban India will see rapid growth, rural areas which are currently State-subsidized to a large extent will also see strong growth. There are major changes taking place on the supply side and this sector could potentially be the most lucrative segment with the patent system, medical tourism and related developments.

McKinsey (2007) very clearly mentions about the drawbacks of giving too much control over too much of the economy in the hands of bureaucrats leading to corruption and the need to address the problems with the country’s infrastructure, financial & educational systems. It very clearly implies the requirement for resources like good infrastructure, availability of finance and the need to instill skills through
education and this is possible only if the timely decisions are made which normally
does not happen with our bureaucratic manner of operations.

Amitendu Palit & Shounkie Nawani (2007) clearly brings out the fact that most of the
FDI in developing Asia is export oriented essentially low labor cost being the
attraction. What is a remarkable observation is the distinction between the Asian
economies, those that embraced technology its development and applications and
those that did not and the fact that the former segment have been successful in
attracting FDI.

Kirk Leigh (2008) discusses about the determination of a nation to attract FDI to
address the mammoth infrastructure deficit, the reasons why FDI may be slow or even
stall. It mentions the good quality of FDI and the pros and cons of inviting FDI. This
is of course with a focus on the Nigerian economy which indeed is one of the largest
African economies.

Arvind Singhal, (2008) recommends an FDI policy that links the scale of investments
to the level of sourcing for exports. He talks about the ICRIER report which studied
the impact of organized retail on the traditional retail and it gives a go ahead to the
government to proceed with the reforms.

A detailed ICRIER study Impact of Organized Retailing on the Unorganized Sector
Mathew Joseph et al (2008) reviews the overall positive impact of organized retail in
India on other linked segments like unorganized retailers, consumers, intermediaries,
farmers and manufacturers and the policy recommendations. What must be noted is
the fact that there is no evidence of a decline in overall employment in the
unorganized sector as a result of the entry of organized retailers and that there is
competitive response from traditional retailers through improved business practices and technology upgradation.