

A STUDY OF PERCEPTION OF SMALL RETAILERS TOWARDS FDI IN INDIAN RETAIL SECTOR

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ABSTRACT

The foreign direct investment is important for Indian economy to sustain the expansion and it's conjointly useful to boost the infrastructure of the country. Retailing is the significant pillar of Indian economy and estimated for about 22% of Indian GDP. Indian retail market has been considered one in the top five retail markets in the world. The foreign direct investment in retail would provide significant benefit to Indian market to cope up with world market. However, it should be supported by well-planned small and political economy policies, in order to produce the possible investment surroundings for foreign investors. Foreign direct investment is extremely a lot of needed by the Indian economy for its own profit in conjunction with the implementation of bound strict rules and laws in order that it cannot become a curse for Indian economy. India must welcome FDI, with talented human resources by motivating institution providing knowledge in retailing. Therefore, FDI in retailing is need of the hour as it would enhance the Foreign exchange level and also help economy in becoming developed nation.

The present study is based on both primary and secondary sources including 100 respondents (small retailers) of NCR area, Sonapat (Haryana). The present study intends to identify the development of FDI in Indian retail sector and analyze the perception of small retailers towards FDI in retail in India.

Key Words: FDI (foreign direct investment), Indian Retail sector, unorganized retailing, small retailers.

INTRODUCTION

FDI in retail business implies that foreign companies in certain categories can sell products through their own retail shop within the country. Organized retailing, in India, refers to trading activities undertaken by licensed retailers, that is, people whose units are registered for sales tax, income tax, etc. Unorganized Retailing, on the opposite hand, refers to the traditional

formats of low-priced selling, for instance, the native corner look, owner manned general stores, kirana stores, convenience stores, hand cart and pavement vendors, etc. Organized retailing was absent in most rural and tiny cities of India in 2010. Supermarkets and similar organized retail accounted for simply 4% of the market. At present, foreign direct investment (FDI) in pure retailing is not allowed under Indian law. Government of India has permitted FDI in retail of specific brand of products. Following this, foreign corporations in certain classes can sell products by opening their own retail outlets within the country. India's retail industry is estimated to be worth approximately US\$ 500 billion and remains growing, expected to achieve US\$804.06 billion in 2020. As part of the Industrial Policy of 1991, the Indian government has allowed the FDI in retail sector through various stages:

1995: World Trade Organization's General Agreement on Trade in Services, Which includes both wholesale and retailing services, came into effect.

1997: FDI in cash and carry (wholesale) with 100% rights allowed under the government approval route.

2006: FDI in cash and carry (wholesale) brought under the automatic route. Up to 51 percent investment in a single-brand retail outlet permitted.

2011: 100% FDI in single brand retail permitted.

The Indian government removed the 51 percent cap on FDI into single-brand retail outlets in December 2011, and opened the market totally to foreign investors by allowing 100 percent foreign investment in this area. Government has additionally created some, albeit limited, progress in permitting multi-brand retailing, which has so far been prohibited in India. At present, this is restricted to 49 percent foreign equity participation. The specter of enormous supermarket brands displacing traditional Indian mom-and-pop stores is a hot political issue in India, and therefore progress and development of the recently liberalized single-brand retail industry are going to be watched with some keen eyes as issues further possible liberalization in the multi-brand sector. Retailing is outlined as all activities concerned in selling goods or services directly to the ultimate consumer for their personal, non-business use through shops, market, door-to-door selling, and over the internet where the customer intends to consume the product. Traditionally they evolved as a source of entertainment (in the form of village fairs, melas etc.) that was within the rural reach. After some time, these were changed into Mom and Pop/ Kirana stores which are of ancient neighbourhood shops. Then came the government supported PDS shops, khadi stores, cooperatives etc. Finally shopping malls, supermarkets, departmental stores have come into existence.

FDI in "Single-Brand" Retail

While the precise meaning of single-brand retail has not been clearly mentioned in any Indian government circular or notification, single-brand retail typically means the selling of goods

under a single brand name. Up to 100 percent FDI is permissible in single-brand retail, according to the Foreign Investment Promotion Board (FIPB) sanctions and conditions mentioned in Press Note 3[8]. These conditions indicate that only single brand products are sold (i.e. sale of multi-brand goods is not allowed, even if made by the same manufacturer). Products are sold under the same brand internationally.

FDI in single-brand retail implies that a retail outlet with foreign investment can only sell one brand.

FDI in “Multi-Brand” Retail

While the government of India has additionally not clearly explained the term “multi-brand retail,” FDI in multi-brand retail generally refers to selling multiple brands under one roof. Currently, this sector is restricted to a maximum of 51 percent foreign equity participation.

These are positive step and it will encourage international brands to establish shop in India. On the other hand, this may additionally result in competition among Indian players. It will be the buyers who stand to gain," This would not amend the market dynamics immediately as it may take some time for these plans to fructify. The growing dominance of international companies in the country's \$200 billion retail business, warned that any move to extend FDI within the retail sector would ruin the business of small retailers scattered over the country.

REVIEW OF LITERATURE

Gupta (2010) explained that Indian retail industry is one of the sunrise sectors with vast growth potential. As per the Investment Commission of India, the retail sector is anticipated to grow virtually three times its current levels to \$660 billion by 2015. However, in spite of the recent developments in retailing and its huge contribution to the economy, retailing continues to be the least evolved industries and the growth of organized retailing in India has been much slower as compared to rest of the world. Moreover, with the recent move of the government to allow FDI in the multi brand retailing sector, FDI in retail would undoubtedly enable India to integrate its economy with that of the global economy. **Deepika et.al (2011)** recommended that permitting FDI is important for Republic of India in order that it will get pleasure from a lot of the advantages than threats. Even the threats of FDI might be handled properly if permitting FDI is planned out strategically. Since, many people involved in Indian retail traditionally shall be displaced by the entry of foreign players, the government should take efforts to strengthen the industries like manufacturing which will accommodate those displaced employees. The arrival of FDI in retail sector is absolute to pull up the quality standards and cost-competitiveness of Indian producers in all these segments. It will profit not solely the Indian shopper however additionally open the door for Indian merchandise to enter the broader world market. **Ajit (2012)** examined that India to the world known as an agrarian nation and it is completely true that about 65% of Indian population is engaged in agriculture. FDI in retailing can be taken a

rescue work for Indian farmers to free them from the clutches of n- numbers of middlemen. Authors highlighted that how FDI in retail will work wonder forever exploited and suppressed community of farmers in emerging India. **Chandu (2012)** discussed that though the small retailers are not so apprehensive about the big stores, they oppose allowing FDI in retailing in India. This may be because they are not well informed about the pros and cons of the proposed policy change. Thus, a country-wide discussion through the mass-media is highly pertinent regarding this issue. Moreover, FDI in retailing should not be seen as just another policy decision because it has a direct impact on agriculture sector as well. Allowing FDI may not be as bad as some of us feel. But the policy must be well-drafted for which a countrywide perceptual study of the stakeholders of retailing is solicited.

Arun et.al (2013) explained that for India, FDI in multi-brand retail should be seriously considered by the government and, as with many other sensitive sectors (like defence), a gradual opening up could be made possible. India needs to take a lesson from China where organized and unorganized retail seem to co-exist and grow together. Further, India's local enterprises will potentially receive an up gradation with the import of advanced technological and logistics management expertise from the foreign entities. In our view, the government has an opportunity to utilize the liberalization for achieving certain of its own targets: improve its infrastructure, access sophisticated technologies, generate employment for those keen to work in this sector. **Monika et.al (2013)** explored that the organized retailers are having a greater advantage because of the store image, product availability, and price discounts. From the study it was found that when compared to the unorganized retail format most of the respondent had a good image about the organized retailers. . Even the unorganized retailers had a good share in Market, but due to factors such as space, parking etc. a gap existed between both the formats. The customers wished for more outlets being opened. In spite of the enormous potential and growth opportunities available for the organized sector, it will not create a major impact on the unorganized retailers because of the mindset of the Indian consumers will who cannot think of a life without having a local kirana store near their locality. **Desti et.al (2014)** explained that the retailers in organized and unorganized sector are adopting new strategies to enhance their market share. The study was conducted with the purpose of identifying the impact of FDI in retailing with the perception of unemployed youth on employment opportunities in India. Authors concluded that FDI in retail will help integrate the Indian economy with the global economy. It will also help increase the experience in organized retailing sector and the availability of quality human resources at low costs. FDI in retail would reduce the intermediate costs and the costs of production and impose setting up of integrated supply chains that would minimize wastage, give producers a better price and will be beneficial to producers/manufactures and consumers. **Harinder et.al (2014)** made an attempt of developing

an insight as to what are the trends in the Indian Retail Industry and to the benefits and drawbacks of FDI in retail sector. This is because of consumers in the young generation, urbanization of villages, growth of personal disposable income of the consumers and the requirement of development of infrastructure in India. Now, the Retailers in Organized and Un-organized sector are adopting new strategies to retain their customers and to enhance their market share. Authors observed that there are tremendous changes in the demographic system of consumers in India. Due to the awareness of quality consciousness consumption both the organized and unorganized retailers endeavour to implement various value added services to provide pleasant shopping experiences to consumers. **Irfan (2015)** explored that the Foreign Direct Investment in multi brand retail format is one of such most talked about decision. This can be finalized any time in near future. Local retailers will be going to face some competition from the multi brand retailers. It has been observed that some retailers are too confident and has perception that no one can touch their business.

OBJECTIVES OF THE STUDY

- To identify the development of FDI in Indian retail sector.
- To analyze the perception of small retailers towards FDI in retail.

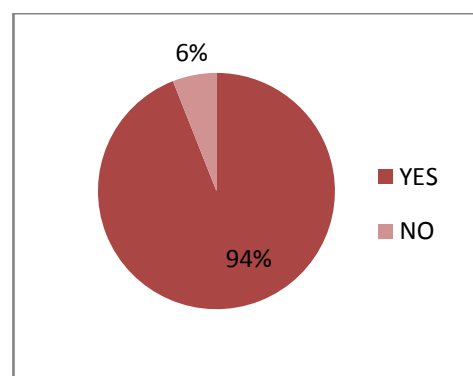
RESEARCH METHODOLOGY

The present study is an attempt to analyze the perception of small retailers towards FDI. In order to achieve the objectives of research, an exploratory approach has been used. 100 respondents (small retailers) were randomly selected from NCR area (sonapat, Haryana). Data for the present study has been collected from both primary and secondary resources. Structured questionnaire was filled by the selected respondents. Secondary data were collected from Books, magazines, newspaper, Internet, publications, journals and report etc.

DATA ANALYSIS

OPTIONS	%
1.yes	94%
2.no	6%

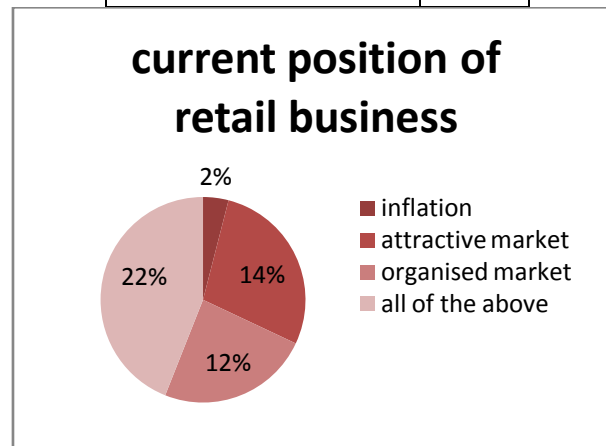
1. Do you know about entry of FDI in retail sector in India?



Interpretation: Most of the retailers know about the FDI entry in INDIA it can be due to the newspapers and the news channels.

2. Retail business in India is currently at which point?

OPTIONS	%
1.inflation	2%
2.attractive market	14%
3. organized market	12%
4.All of the above	22%



Interpretation: The maximum number of the retailers think that India is in very good position to invest by the different companies because they think India is at position where all companies can gain profit if succeed.

3. Is it true that India has the largest number of shops per habitant?

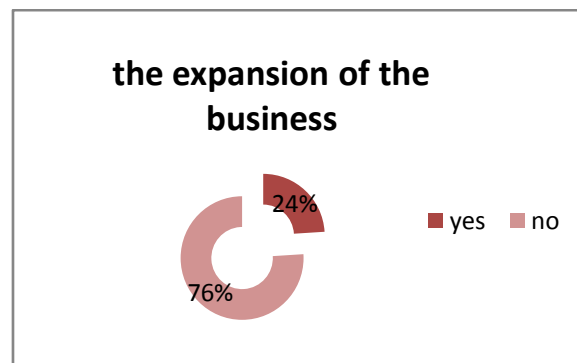
OPTIONS	%
1.yes	86%
2.no	14%



Interpretation: maximum number of the respondents give a positive answer of this question that there are largest number of shops per inhabitant that shows that there are very less chances of the foreign companies to full fill their objectives and cover very less market area.

4. Do you think about the expansion of your business due to FDI in retail?

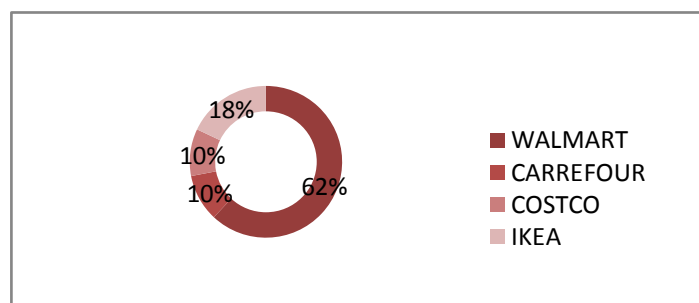
Options	%
1.yes	24%
2.no	76%



Interpretation: this results show that there's not any quite concern within the mind of the small retailers as a result of FDI, they assume their sale won't impact in order that they don't need to expand their business.

5. According to your knowledge who will be the largest retailer by sales in India?

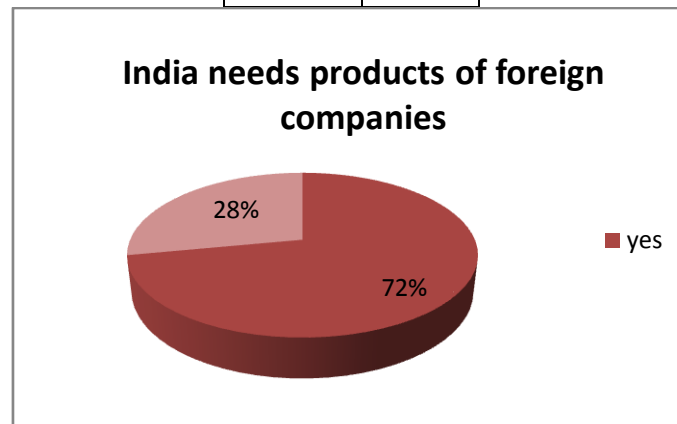
OPTIONS	%
1.WALMART	62%
2.CARREFOUR	10%
3.COSTCO	10%
4.IKEA	18%



Interpretation: maximum retailers indicate the name of the WALMART which shows that there is a good brand image in the mind of the retailers in INDIA.

6. Does India need products of foreign companies?

Options	%
1.yes	72%
2.no	28%

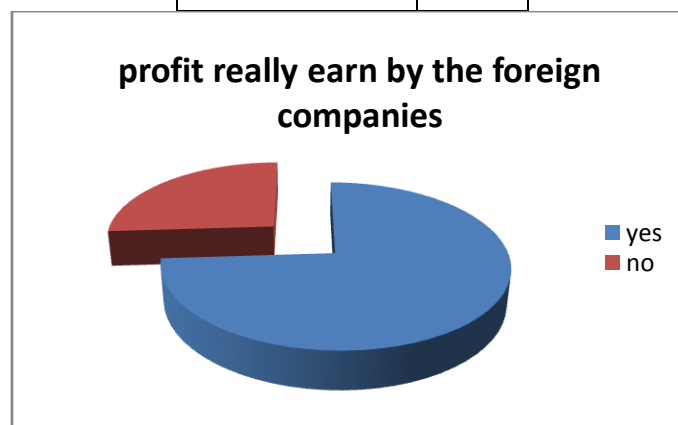


Interpretation: maximum retailers said that there is need of foreign products but they are enough for sale of the foreign products in India because they know about the demand of the local customer.

7. Are you satisfied with this statement or not?

“Work is going to be done by Indians, profits can move to foreigners”

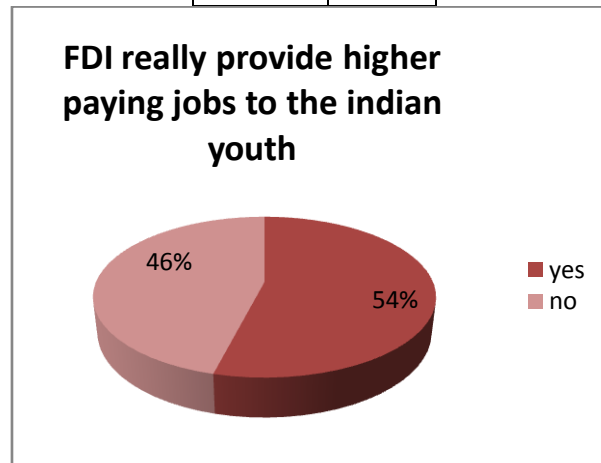
Options	%
Yes	74%
No	26%



Interpretation: most of the retailers assume that if the FDI come in India then it is true up to a limit that the profit will go in the pocket of the foreign companies.

8. Do you think that the FDI entry will provide the higher paying jobs to youth?

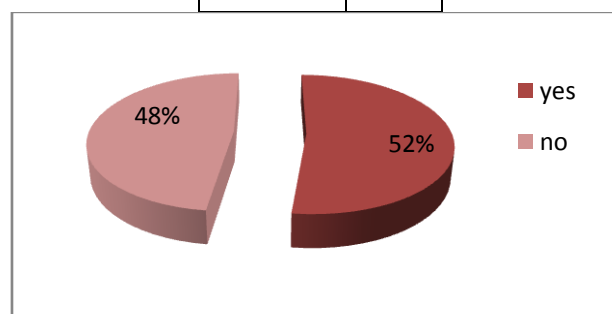
Option	%
Yes	54%
No	46%



Interpretation: yes maximum number of the retailers think that the foreign companies give higher paying jobs because they need to know about the scenario and they want the persons which know about the market and demand in the different areas so they pay high remuneration.

9. Do you think that the FDI entry provides benefits to the farmers?

options	%
Yes	52%
No	48%

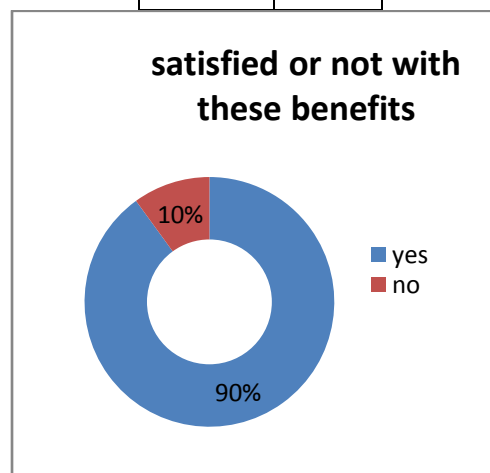


Interpretation : Maximum number of the retailers said the farmer get some benefits but up to a specified limit.

10. Are you satisfied with these benefits provided through the foreign companies if allow them to enter

- It will modernize the other sector of Indian economy
- It brings foreign investment & expertise
- Increase employment

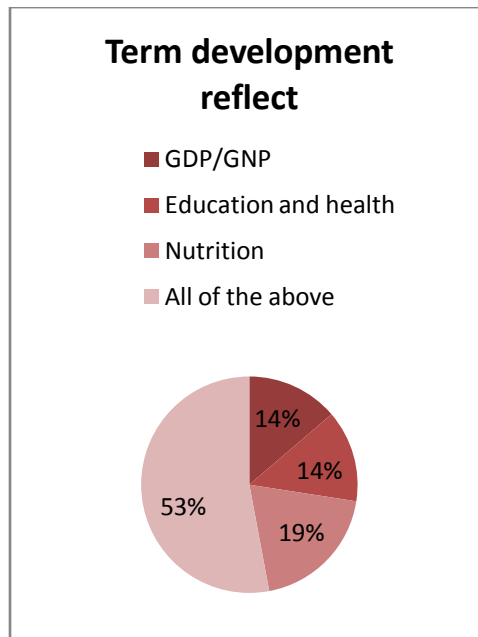
options	%
yes	90%
no	10%



Interpretation: These benefits are good for the growth of the Indian economy but the retailers Said that if these are applicable and the foreign companies think that they want to really successful for a long time period.

11. If come with the development of Indian retail sector then what do you think about term Development?

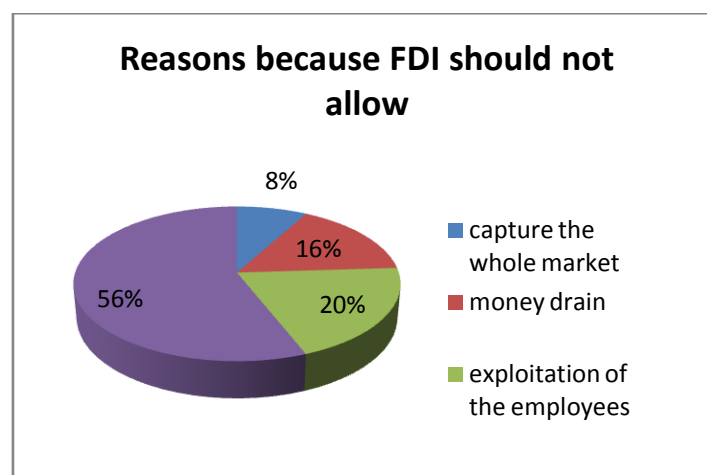
OPTIONS	%
1.GDP/GNP	14%
2.Education & health	14%
3.Nutrition	19%
4. All of the above	53%



Interpretation: If we are talking about the growth and the development then the maximum retailers think that the FDI provides the better facilities than the local retailers specially in the field of the different foreign brands.

Q.12 Why should FDI not be allowed in India?

OPTIONS	%
1.capture the whole market by MNCs	8%
2.money drain	16%
3.exploitation of employees	20%
4 All of the above	56%



Interpretation: The retailers assume that the FDI mustn't be allowed as a result of the high income group, that purchases the branded products of the Indian companies as well as the foreign companies and if the foreign companies provide the better facilities then the Indian brands wipe out from the market and it may be possible that the small retailers may come in a troublesome problem of the demand of their local products.

LIMITATIONS OF THE STUDY

- There are many retailers who even don't know about the entry of the FDI so the questions are not of their interest.
- Retailers don't know about the foreign companies even about the products which they are selling in their country or outside the country so the retailers can't specify the name of the different companies.
- Maximum retailers don't assume that FDI really come in INDIA.
- The size of the respondents was very small for the present study.

FINDINGS

- ♦ Small retailer sales are not affected by FDI because their customers would not go anywhere who generally takes the items on credit basis.
- ♦ The whole-seller who provides the facility to the different number of the small retailers in the village and the nearby area will not be affected by the FDI.
- ♦ There is very small number of the cities than the town so the high income group can attract towards the retail outlets of the foreign companies.
- ♦ All retailers have their shops in each and every corner of the city so, it seems impossible that customers will go for the small things in the retail outlets of the foreign companies.
- ♦ Credit facility given by small retailers reflects the negative sign for FDI.

CONCLUSIONS

FDI in retailing is need of the hour for creation of more jobs for youth in India, expansion of existing manufacturing industries, development of the new one and it would also help India in becoming developed country. This would generate more jobs and increase foreign exchange reserves. FDI in retailing is going to attract foreign retail players, but India must welcome FDI, with talented human resources by promoting institution imparting knowledge in retailing. Protection should be provided to Indian small retailers as retailing is the source of their livelihood. It is imperative for the govt. to facilitate this sector for the economic development and welfare of the country. If worn out the correct manner, it will persuade be a boon and not a curse.

SUGGESTIONS

The Indian economy desires policy reforms in order to maintain the expansion and development. It needs to think logically and liberally. The small retailers should bring some amendment in their attitude, affairs and perspective. Special reforms and provisions should be designed for unorganized sector. These retailers may form a collection and build bulk purchase this can lower down their price of purchase. Each state must set an observance committee to stay watch on the operations of foreign retailers. This committee ought to make sure that proper investments are done by the foreign entities within the space of transportation & logistics and cold storage. A high level national commission must be discovered to check the benefits and drawbacks of the FDI in retail sector, in order to give their valuable suggestions to the government. The policy designer must build such policies within which the foreign investment may be used for enhancing domestic production, savings and exports through technological advancement.

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