

Pros and Cons of FDI in Multi-Brand Retailing in India

Dr. Rupesh Pallav*

*Assistant Professor (Principal Incharge) Govt. College, Rajoudha Porsa, Morena (M.P.) INDIA

Abstract : FDI plays an essential role in the overall development of the economy of the Country. The contribution of FDI through financial resources, technology and innovative techniques raises the overall productivity of the economy of the country. There is a mixed response about FDI in the retail sector. Still, some of the retailers are not in favour of the FDI and feel that FDI in retail is harmful to local retailers in India. Everyone has the reasons for supporting or opposing the issue. However, there is some pros and cons of FDI which we are discussing in this paper. This Paper investigates the pros and cons of FDI in multi brand retailing business. The purpose of this research was conducted with the use of both primary and secondary databases. The primary source data was collected by the researcher's observations at different multi-brand retail stores. And the Secondary data was collected with the help of comprehensive literature available in the form of secondary data i.e., Magazines, Journals, e-journals, Websites, Books, and Newspapers etc has been taken. After conducting a deep review of collected data, findings are presented to understand the pros and cons of FDI in Multi Brand Retailing.

Keywords: Pros and Cons, FDI, and Multi Brand Retailing.

Introduction - Foreign Direct Investment broadly known as any long-term investments by an organisation or company that is not a resident of the host country. The investment for a long duration of time is to make an initial investment and then subsequently keep investing in the host country for the betterment of business and market scenario. This long-term relationship benefits both the investor as well as the host country. The investor benefits in getting higher returns for his investment and the host country can benefit by the increase in market scenario like new technologies, infrastructures, retailing chains, multi branding areas, more employments, etc. Retail Sector is one of the most important pillars of Indian economy and it is growing at anegregious pace. Now a days we see that Retail sector contribute more for country's GDP and economy. Foreign Direct Investment (FDI) in retail sector plays an integral role in the economic growth. FDI in Multi-brand retail can be seen as an important revolution to revive the Indian economy. To revive the Indian economy, FDI policy in multi-brand retail reform that would ease supply-side pressures and reduces inflation. FDI in multi-brand retail can go long way in improving the efficiency of supply chain, low wastages, systematic working, infrastructural facilities, technological up gradations and other relevant areas of growth in retail sector. Even the FDI policy on multi-brand retail creates opportunities for the Micro, Small and Medium Enterprises to reach out the International markets. Farmers also get help to tame food inflation by improving agro-

commodity management.

Present scenario of FDI: There has been opening of Indian economy to foreign players for foreign direct investment through organized retail. The Indian government has sanctioned 51% foreign direct investment in multi-brand like Wal-Mart, Carrefour, and Tesco. Due to this foreign goods and items of daily bases available locally at a lower price to Indian consumers. The new policy will allow multi-brand foreign retailers to set up shop only in cities with a population of more than 10 lakhs. In 2024, India's foreign direct investment (FDI) inflows grew significantly, with a gross inward FDI of \$42.1 billion from April–September. This was a 26% increase from the same period in 2023. This means that big retailers can move not only in the metropolises but also in the small cities. However the final decision will lies with the state governments. There is a need of talented officials to take appropriate decision in the right direction for the betterment of foreign companies as well as our small and big retailers.

Retail Sector of India: The retail industry of India is the third largest in the Asia and if we talk about India itself it is second largest sector which contributes more for GDP and Indian Economy. Employer with an estimated 48 million people engaged by the industry. India truly does embrace diversity with a passion like very few places in the world. Retailing in India is slightly different than in developed markets. It is divided in two section that is organized and unorganized retailing. Organized retail could be described

as when everything is run in a right manner with full legal rules and regulations. Trading is taking place under a license or through people that are registered for sales tax or income tax. But when we talk about unorganized retail it is India's more traditional style of low-cost retailing, for example, local shops, departmental stores, own-managed general stores, convenience stores, hand carts and pavement vendors, etc. This section of the retail sector which is unorganized in nature is just one of the issues contributing to the sensitive debate on FDI in India at the moment. There is a need of much awareness and complete information channel.

Research Objectives:

1. To analyse pros and cons of FDI in multi brand retail sector.
2. To identify the current scenario of FDI in multi brand retail sector.

Review of Literatures:

- K. R. Kaushik and Dr. Kapil Kumar Bansal (2012) identified in their study that if we are assuming advantages of FDI there is also a disadvantage attached with it. This is an era of change, everyone wants change. As the living style and purchasing power of consumer improves they want changes in their environment. The current market scenario should have to be change if marketers want new hikes. There is a need of big investments which can only be done through the help of foreign companies. Development of Indian markets means development of Indian economy. Everything is related with each other. That's why it is also the responsibility of Indian Government to allow FDI in India with a right manner and in right direction. Talented officials should decide the policies for FDI. However there is some disadvantages and risks in this deal but we talk about the advantages they are a lot. In every business deal there is some risk but if we want profit and success we have to take some risk and it is natural because risk is a part of every business deals. So forget about this FDI is very advantageous for our Indian economy instead of loss.
- Professor Santosh Karmani (2013) identified in their study that although the permission of allowing FDI in Indian retail sector taken by the Indian government but there are several conditions including 50% local people's employment in multi brand setups, 30% in procurement, etc. The Indian Government says that if companies don't paid these amounts then it will not be beneficial for Indian economy to allowing FDI in India. If there is some conditions of Outsiders and then here is also some conditions apply in permitting investments in India.
- Dr. M. Shahul Hameedu (2014) said in their research that FDI in India has plays a very important role in the development of economic growth of India. FDI in India is helpful in accessing the jobs and improving the existing manufacturing industries. The inflow of FDI in Indian retailing Business aware and make active the other sectors like Computer Software and Hardware, Drugs and Pharmaceuticals, Electronic sector, etc. These sectors in Indian retailing business

have much to expand by the FDI.

- Krish Kumar and Arbinder Chatwal (2012) found that as per the current conditions new policies and regulations not being perfect for foreign investors. There should be done some changes in Indian market scenario then allow FDI in India by which it is beneficial for both insider and outsider. The current policy is trying to encourage Joint Ventures in multi-brand retailing to increase the domestic retailer's growth in this area but there is also the risk that some foreign retailers want to spend with a condition of complete ownership while the current policy of India will not permitted them to invest in such conditions. To sort out this problem both the parties have decide an appropriate solution than start the business.
- Nirmal Gogia said that entering of FDI in Indian retail sector is very negotiable matter. There is many issues which have to be resolved by taking appropriate action. The decision to allow entry of foreign players in Multi Brand Retail is definitely an overall changing issue for Indian retail sector. Allowing FDI in retail trade will be beneficial in terms of quality standards in retail sector. It improves the quality standards as well as cost-competitiveness of Indian producers and marketers. It will also helpful in introducing the modern Indian retail market with that of the global retail market.
- Rajib Bhattacharyya (2012) said in their study that allowing FDI in India provide a boost to small and medium enterprises. Moreover, expansion in the retail sector may also generate significant employment potential, especially among rural and semi-urban people. But the government of India must be cautious about the pros and cons of FDI and safeguards must be taken so that the positive effects may overcome the negative ones and the local small retailers easily survive even after big foreign retailers enter into the market.
- Anusha Chari and T.C.A. Madhav Raghavan (2011) described in their research that India's retail sector remains limited especially in multi-brand retailing. Competition by large retailers become threats for domestic retailers, especially the small family-owned business. Another problem is that local retailers are under-developed and in a nascent stage in this field. The potential benefits from allowing large retailers to enter the Indian retail market may increase the costs. It also seems that technical knowledge from foreign firms like warehousing technologies and distribution systems will lend itself to improving the supply chain for agricultural sector in India. Providing better linkages between demand and supply also improve the price signals. It also enhanced exports in India. As far as IT sector is concern, it also opening the door to large-scale investments in these sectors.
- Agarwal Anuradha and Maithili R.P. Singh (2013) said in their study that retail sector grows very fast in India and encouraging large number of global players to enter in the market. As we talk about Indian policies, it is also change according to the current market scenario which promote

FDI in this sector for the betterment of Indian economy. It can be very beneficial if government takes right decision in right direction.

- "Oppose FDI in Retail: Defend Indian Livelihoods" (2011) identified in their research that there is some backdrops where private companies are entering both in retail trade and agriculture in a big way. It is necessary to frame new rules in order to regulate the operations of corporates in these sectors, which gives employment to the Indian population.

Research Methodology: For analysing the pros and cons of FDI in multi brand retailing the research is conducted with the help of both the primary and secondary database. In primary source the data is collected by the researchers own observations at different retail stores. And the secondary data is collected with the help of comprehensive literature available in the form of secondary data i.e. Magazines, Journals, e-journals, Websites, Books, and Newspapers etc. has been taken. The Opinion and views of the Retailing Professionals and experts on the subject were also obtained through personal interactions and telephonic interview.

Research Findings

Positive Outcomes of FDI:

1. FDI generates new employment opportunity by pooling youth and providing them training in various aspects of retailing.
2. Entry of FDI has developed the infrastructure & the construction of the retail industry.
3. From when the FDI comes in India the market scenario is change and it increases the purchasing power of middle class families in urban areas.
4. Increase in working of women population which will decrease the difference of men and women in India.
5. Welcoming FDI in Indian retail sector will help to boost up the competition in domestic level retail chain.
6. Farmers also get benefit by FDI as it will help them to enter into a contract farming where they can supply directly to the retailer on demand without searching for buyers and could earn good cash.
7. Consumers will have more options to get number of international brands at one place at a reasonable price.

Negative Outcomes of FDI:

1. FDI transfers the profits outside the India.
2. FDI would lead to unfair competition & ultimately result in large-scale exit of domestic retailers which will lead to large scale displacement of person employed in the retail sector.
3. Indian retailing business is still immature and under-developed and in the improving stage, so it is necessary to make ourself strengthen first then merging with foreign investors.
4. Another problem is the monopolistic tendencies and unnatural price trends of Indian retailing sectors which is directly effects the multi brand retailing system.

5. Due to competition small retailers are faces the problem and unable to get profit.
6. FDI is beneficiary only for big retailers who want to expand or upgrade themselves.
7. It is harmful to our small manufacturing units of India.

Suggestions:

1. The Government should create an awareness amongst the customers about the services and policies.
2. Government should keep eye on every action taken by foreign players.
3. Government policies should be beneficial to big as well as small retailers.
4. Channel of distribution should be effective and prompt to satisfy the customers.
5. The business house should provide friendly environment to the visitors so that they will not hesitate to enter in big multi brand shops'
6. Government should maintain the ratio of foreign investors in everything like in investment, employee's jobs, brands, etc.
7. Proper marketing research should be conducted in this direction.

Conclusion: The retail sector of India is moving under the phase of golden sunshine, encouraging large number of foreign investors to enter in the market. Changes in the Indian government policy regarding FDI in retail sector would promote this sector on the whole economic development as well as social welfare of India. It can be very profitable for the country if it is done in the right manner and in the right direction. However it depends on the Indian government officials that how they take decisions and make policies which will appropriate for small and big retailers as well as foreign investors. In future FDI in multi-brand retail upto 100 percent can bring about huge investment in technology and real estate which will expand the Indian economy. Now the government has added a new element of social benefit to opening of the multi-brand retail sector to foreign direct investment (FDI). Every consumer in India wants change, they want some new in their lifestyle. As we all know that the lifestyle and purchasing power of the people change at a very fast speed in India. For this FDI become successful in the fulfilment of consumer needs. At last I want to say that as far as FDI is concern the pros and cons is depends on the government policies. How government officials decide the policies and rules and regulation which is beneficial to small and big retailers of India as well as Indian consumers.

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