Abstract
The retail industry is considered as the SUNRISE industry as it has contribution of 14% in GDP and 7% in employment sector therefore proved to be a strong pillar of Indian economy. The LPG liberalization, privatization, globalization of trade policy during the last two decades has resulted in India becoming an investment friendly nation. India is the most lucrative market for retail investment according to Global retail development index (GRDI). The size of Indian industry is above $28 billion & is estimated to grow $260 billion by 2020. FDI plays an extraordinary ever increasing role in global business era. It not only provides new markets, marketing channels, cheaper production facilities, access to latest technology, products, management skills, financing to a firm but also is an integral part for nation's development and is a great source of non-debt inflow for achieving competitive efficiency in cutthroat competition where the rule Survival Of The Fittest governs. There are few sectors in which FDI is permitted by government, in single brand retail it is 51% but in multi brand retail allowing FDI is a debated issue over the past few years. The present paper focuses on the current scenario of FDI its benefits and challenges faced by Indian economy.

1. Introduction
FDI as defined in Dictionary of Economics (Graham Bannock et.al) is investment in a foreign country through the acquisition of a local company or the establishment there of an operation on a new (Greenfield) site. To put in simple words, FDI refers to capital inflows from abroad that are invested in or to enhance the production capacity of the economy. 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. The retail industry is mainly divided into: -
1) Organized and 2) Unorganized Retailing
Organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, Paan/Beedi shops, convenience stores, hand cart and pavement vendors, etc. The Indian retail sector is highly fragmented with 97 per cent of its business being run by the unorganized retailers. The organized retail however is at a very nascent stage. The sector is the largest source of employment after agriculture, and has deep penetration into rural India generating more than 10 per cent of India’s GDP.

2. Review Of Literature
Baskaran (2012) speaks about the global giants’ entry to India and their myths and realities and shows the status of organized food retailing in India with SWOT Analysis and highlights on farmer’s issues towards FDI in multi brand retailing. He also overviews the two faces of retail sector Challenges and key success factors and reviews the impact of Organized Retailing on the Unorganized Sector. Lastly, reveals the recommendations before allowing FDI in Multi brand Retailing.

Subhdip Mukherjee (2011), in his paper An Economic Analysis on Organized and Unorganized retail attempts to know which factors influence market shares using multiple regression. He found that GDP, women's participation rate, foreign investment freedom, urbanization rate of a country influence the relative share of organised retail sector positively.

3. Objectives of study
1. To study the current scenario of FDI in multi-brand retail.
2. To know the benefits from FDI in multi-brand retail.
3. To know the opportunities and challenges to FDI in multi-brand retail.

4. Research Methodology:
The data for the present study is collected from the secondary sources. Various news in the newspapers, videos of parliament while discussions on FDI are seen for collection of the data. As well as the reference books, magazines, Newspaper, Internet & Books also used for the purpose.

5. Entry Options for Foreign Players prior to FDI Policy
Although prior to Jan 24, 2006, FDI was not authorized in retailing, most general players had been operating in the country. Some of entrance routes used by them have been discussed in sum as below:-

- Franchise Agreements: It is an easiest track to come in the Indian market. In franchising and commission agents’ services, FDI (unless otherwise prohibited) is allowed with the approval of the Reserve Bank of India (RBI) under the Foreign Exchange Management Act. This is a most usual mode for entrance of quick food bondage opposite a world. Apart from quick food bondage identical to Pizza Hut, players such as Lacoste, Mango, Nike as good as Marks as good as Spencer, have entered Indian marketplace by this route.
- Cash And Carry Wholesale Trading: 100% FDI is allowed in wholesale trading which involves building of a large distribution infrastructure to assist local manufacturers. [7] The
wholesaler deals only with smaller retailers and not consumers. Metro AG of Germany was the first significant global player to enter India through this route.

- **Strategic Licensing Agreements:** Some foreign brands give exclusive licenses and distribution rights to Indian companies. Through these rights, Indian companies can either sell it through their own stores, or enter into shop-in-shop arrangements or distribute the brands to franchisees. Mango, the Spanish apparel brand has entered India through this route with an agreement with Pyramid, Mumbai. SPAR entered into a similar agreement with Radhakrishna Foodland’s Pvt. Ltd.

- **Manufacturing and Wholly Owned Subsidiaries:** The foreign brands such as Nike, Reebok, Adidas, etc. that have wholly-owned subsidiaries in manufacturing are treated as Indian companies and are, therefore, allowed to do retail. These companies have been authorized to sell products to Indian consumers by franchising, internal distributors, existing Indian retailers, own outlets, etc. For instance, Nike entered through an exclusive licensing agreement with Sierra Enterprises but now has a wholly owned subsidiary, Nike India Private Limited.

6. **Present FDI Policy For Retail Sector In India**

Foreign Investment in India is governed by the FDI policy announced by the Government of India and the provision of the Foreign Exchange Management Act (FEMA) 1999. The Reserve Bank of India (‘RBI’) in this regard had issued a notification, which contains the Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000. This notification has been amended from time to time. The Ministry of Commerce and Industry, Government of India is the nodal agency for monitoring and reviewing the FDI policy on continued basis and changes in sectoral policy/sectoral equity cap. The FDI policy is notified through Press Notes by the Secretariat for Industrial Assistance (SIA), Department of Industrial Policy and Promotion (DIPP). The foreign investors are free to invest in India, except few sectors/activities, where prior approval from the RBI or Foreign Investment Promotion Board (FIPB) would be required.

1. India will allow FDI of up to 51% in multi-brand sector.
2. Single brand retailers such as Apple and Ikea, can own 100% of their Indian stores, up from previous cap of 51%.
3. FDI up to 100% for cash and carry wholesale trading and export trading allowed under the automatic route.
4. The retailers (both single and multi-brand) will have to source at least 30% of their goods from small and medium sized Indian suppliers.
5. All retail stores can open up their operations in population having over 1 million. Out of approximately 7935 towns and cities in India, 55 suffice such criteria.
6. Multi-brand retailers must bring minimum investment of US$ 100 million. Half of this must be invested in back-end infrastructure facilities such as cold chains, refrigeration, transportation, packaging etc. to reduce post-harvest losses and provide remunerable prices to farmers.
7. The opening of retail competition (policy) will be within parameters of state laws and regulations.

<table>
<thead>
<tr>
<th>Year</th>
<th>FDI</th>
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<tbody>
<tr>
<td>1990-91</td>
<td>97</td>
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</table>
The above data reflects the increase in the foreign investment in India.

Opportunities And Threats Of FDI In Retail In India Market liberalization, a growing middle-class, and increasingly assertive consumers are sowing the seeds for a retail transformation that will bring more Indian and multinational players on the scene. India is tipped as the second largest retail market after China, and the total size of the Indian retail industry is expected to touch the $300 billion mark in the next five years from the current $200 billion. But the recent debate has centered on the issue of whether FDI in retail in India will be a “boon or a bane”. Many studies and surveys were conducted to analyze the impact of FDI in retail sector in various segments of the economy. According to a policy paper prepared by the Department of Industrial Policy and Promotion (DIPP, 2010), FDI in retail must result in backward linkages of production and manufacturing and spur domestic retailing as well as exports. According to the World Bank, opening the retail sector to FDI would be beneficial for India in terms of price and availability of products. While FDI in multi-brand retail has been opposed by several in the past citing fears of loss of employment, adverse impact on traditional retail and rise in imports from cheaper sources like China, adherents of the same indicate increased transfer of technology, enhanced supply chain efficiencies and increased employment opportunities as the perceived benefits.

The following may be regarded as major perceived benefits of allowing FDI in retail in India:

1. **Capital Infusion**: This would provide an opportunity for cash-deficient domestic retailers to bridge the gap between capital required and raised. In fact FDI is one of the major sources of investments for a developing country like India wherein it expects investments from Multinational companies to improve the countries growth rate, create jobs, share their expertise, back-end infrastructure and research and development in the host country.

### Table 2: The major sources of FDI in India

<table>
<thead>
<tr>
<th>Serial no.</th>
<th>Countries</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mauritius</td>
<td>39.9</td>
</tr>
<tr>
<td>2</td>
<td>USA</td>
<td>8.8</td>
</tr>
<tr>
<td>3</td>
<td>Singapore</td>
<td>7.2</td>
</tr>
<tr>
<td>4</td>
<td>UK</td>
<td>6.1</td>
</tr>
<tr>
<td>5</td>
<td>Netherlands</td>
<td>4.4</td>
</tr>
<tr>
<td>6</td>
<td>Japan</td>
<td>3.4</td>
</tr>
<tr>
<td>7</td>
<td>Germany</td>
<td>2.9</td>
</tr>
<tr>
<td>8</td>
<td>Cyprus</td>
<td>2.1</td>
</tr>
<tr>
<td>9</td>
<td>France</td>
<td>1.5</td>
</tr>
<tr>
<td>10</td>
<td>Switzerland</td>
<td>1.1</td>
</tr>
</tbody>
</table>

(Source: Compiled & Computed From The Various Issues Of Economic Survey, Ministry Of Commerce)
II. **Boost Healthy Competition and check inflation**: Supporters of FDI argue that entry of the many multinational corporations will obviously promise intensive competition between the different companies offering their brands in a particular product market and this will result in availability of many varieties, reduced prices, and convenient distribution of the marketing offers.

Table 3: Share of Retailing in employment across different countries

<table>
<thead>
<tr>
<th>Countries</th>
<th>Employment (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>8</td>
</tr>
<tr>
<td>USA</td>
<td>16</td>
</tr>
<tr>
<td>Poland</td>
<td>12</td>
</tr>
<tr>
<td>Brazil</td>
<td>15</td>
</tr>
<tr>
<td>China</td>
<td>7</td>
</tr>
</tbody>
</table>

*Source: Presentation to FICCI by Alan Rosling (Chairman, Jardine Matheson group): “International Experience on Policy Issue.*

III. **Improvement in Supply Chain**: Improvement of supply chain/ distribution efficiencies, coupled with capacity building and introduction of modern technology will help arrest wastages (in the present situation improper storage facilities and lack of investment in logistics have been creating inefficiencies in food supply chain, leading to significant wastages).

IV. **Improvement in Customer Satisfaction**: Consumers in the organized retail will have the opportunity to choose between a numbers of internationally famous brands with pleasant shopping environment, huge space for product display, maintenance of hygiene and better customer care. There is a large segment of the population which feels that there is a difference in the quality of the products sold to foreign retailers and the same products sold in the Indian market. There is an increasing tendency to pay for quality and ease and access to a “one-stop shop” will have a wide range of different products. If the market is opened, then the pricing could also change and the monopoly of certain domestic Indian companies will be challenged.

V. **Improved technology and logistics**: Improved technology in the sphere of processing, grading, handling and packaging of goods and further technical developments in areas like electronic weighing, billing, barcode scanning etc. could be a direct consequence of foreign companies opening retail shops in India. Further, transportation facilities can get a boost, in the form of increased number of refrigerated vans and pre-cooling chambers which can help bring down wastage of goods.

VI. **Benefits for the Farmers**: Presumably, with the onset of multi-brand retail, the food and packaging industry will also get an impetus. Though India is the second largest producer of fruits and vegetables, it has a very limited integrated cold-chain infrastructure. Lack of adequate storage facilities causes heavy losses to farmers, in terms of wastage in quality and quantity of produce in general, and of fruits and vegetables in particular. With liberalization, there could be a complete overhaul of the currently fragmented supply chain infrastructure. Extensive backward integration by multinational retailers, coupled with their technical and operational expertise, can hopefully remedy such structural flaws. Also, farmers can benefit with the “farm-to-fork” ventures with retailers which helps (i) to cut down intermediaries; (ii) give better prices to farmers, and (iii) provide stability and economics of scale which will benefit, in the ultimate analysis, both the farmers and consumers.
VII. Creation of More and Better Employment Opportunities: The entry of foreign companies into Indian Retailing will not only create many employment opportunities but will also ensure quality in them. This helps the Indian human resource to find better quality jobs and to improve their standard of living and life styles on par with that of the citizens of developed nations.

7. Threats To The Domestic Retailers In India

Key Potential Threats Critics of FDI feel that liberalization would jeopardize the unorganized retail sector and would adversely affect the small retailers, farmers and consumers and give rise to monopolies of large corporate houses which can adversely affect the pricing and availability of goods. They also contend that the retail sector in India is one of the major employment providers and permitting FDI in this sector can displace the unorganized retailers leading to loss of livelihood. The major threats to the domestic retailers in India are specified below:

I. Domination of Organized Retailers - FDI in single-brand retail will strengthen organized retail in the country. These organized retailers will tend to dominate the entire consumer market. It would lead to unfair competition and ultimately result in large-scale exit of domestic retailers, especially the small family managed outlets (local “mom and pop” stores will be compelled to close down).

II. Create Unemployment - Retail in India has tremendous growth potential and it is the second largest employer in India. Any changes by bringing major foreign retailers who will be directly procuring from the main supplier will not only create unemployment on the front end retail but also the middleman who have been working in this industry will be thrown out of their jobs.

III. Loss of Self Competitive Strength: The Indian retail sector, particularly organized retail, is still underdeveloped and in a nascent stage and that, therefore the companies may not be able to compete with big global giants. If the existing firms collaborate with the global biggies they might have to give up at the global front by losing their self-competitive strength.

IV. Distortion of Culture: Though FDI in Indian retail will indirectly or directly contribute for the enhancement of Tourism, Hospitality and few other Industries, the culture of the people in India will slowly be changed. The youth will easily imbibe certain negative aspects of foreign culture and lifestyles and develop inappropriate consumption pattern, not suited to our cultural environment.

8. Conclusion:

We had initially started with the revolution of the retail sector in India, and then moved onto its size, distribution and growth. It can be said that advantages of allowing unrestrained FDI in retail sector evidently outweigh the disadvantages attached to it and the same can be deducted from the examples of successful experiments in countries like Thailand & China; where too the issue of allowing FDI in the retail sector was first met with incessant protests, but later on turned out to be one of the most
promising political and economic decisions of their governments and led not only to enormous developments of their country's GDP. To take care of the concerns of the govt. before allowing 100% FDI in single & 51% in multi brand retail the following are some recommendations:-

- Preparation of legal & regulatory framework and enforcement mechanism to ensure that the large retailers are not able to dislocate small retailers by unfair means.
- Extension of institutional credit at lower rates by public sector banks, to help in improving efficiency of small retailers; undertaking of proactive programs for assisting small retailers to upgrade themselves.
- Enactment of a national shopping mall regulation act to regulate the fiscal & social aspects of entire retail sector.
- Formulation of a model central law regarding FDI of retail sector.

References

[8] Prof Rajesh Khurandwad, Prof Chaitany and Prof Deepak Nyamgoudar, "FDI in retail: A conceptual study", 2013, FDI issues in Indian retail sector, page no 77.