International Journal of Research in Engineering, Science and Management
Volume-2, Issue-8, August-2019
www.ijresm.com | ISSN (Online): 2581-5792

Impact of FDI in Multi-Brand Retail Sector: With Special Reference to India

Virendra Kumar Gupta
Research Scholar, Department of Commerce, Mahatma Gandhi Kashi Vidyapith, Varanasi, India

***Abstract*: The term 'multi-brand retailing' which is basically the combination of three different terms, refers to the marketing of the different unrelated competitive products under the same firm though being under the same firm, the various brands tend to bite into each other's sales, for example 'Pantaloon' & 'Central' of Future Group. Now a days it is equipped with Foreign Direct Investment, which is popularly known as FDI. Basically it is a very new trend in multi-brand retailing. Though it is a new tend still it created surprising euphoria for few and fear for others who have kept themselves busy in multi-brand retailing. The notion of the impact of allowing FDI in multi-brand retailing seems to move in the direction of bringing the flood of opportunities for foreign retailers to invest and to change the retail landscape forever in India. The scenario is much more interesting because India is the only country in the world where the top five business houses with market caps running into trillions are into retail business. This paper examines the impact of FDI on multi-brand retail sector of India. The paper is divided into major parts. The first part deals with the concept of multi-brand retail in India. The second part covers the current status of FDI in multi-brand retailing in India. The third and last part speaks about the impact of FDI on multi-brand retail sector of India.**

***Keywords*: Retail, Multi-brand, FDI**

1. Introduction

Retail sector is one of the most important sector of Indian economy. It contributes 15 % of Indian GDP. Having its estimated value of 450 billion US $ it secured its position in the top five retail markets of the world. Retail sector is directly related to the growth in the population. Since Indian population is growing very fast, hence, retail sector is also growing with very fast pace. Indian retail industry are in the form of small shops and business units whose main aim is to satisfy the needs of people residing in their locality. It gave employment to 40 million people which is 3.3 % of total Indian population. The major portion of retail industry in India is unorganized. It is estimated that as on date 96-97% of retail industry is unorganized. Remaining 3-4% are organized. 'Multi-brand retailing' refers to the marketing of the different unrelated competitive products under the same firm though being under the same firm, the various brands tend to bite into each other's sales, for example 'Pantaloon' & 'Central' of Future Group.
FDI means foreign direct investment.

Now-a-days these three are interrelated. The Indian Central Government didn't permit the foreign direct investment in multi-brand retailing since 2011. But there was a turnaround in the policy. The government permitted the FDI in Indian multi-brand retailing. FDI operators got permission for 51% equity in multi-brand retail market of India. Several studies of this field are indicating about this interrelationship. Gegowada (2014) concluded that the flow of FDI in developing countries since 1990 is a chief source of drawing external finance and it is the key component of economic development. In 2013 Chnadrachud and Gajalakshami conducted a study and analysed that the policy of Indian Central Government regarding FDI is very liberal and transparent among all other emerging economies. Thus, it became a major recipient of FDI inflows. The decision of Indian government to open the Indian retail sector for FDI in both single-brand and multi-brand category has been critically analysed by Moghe (2012) and found that it has impact on several components of the economy of India. Fernandes, Banu, A. and Simon (2012) concluded that FDI in multi-brand retail sector is an important step to revive the economy. Vaidehi and Alekhya (2012) concluded that to maintain the pace of Indian GDP FDI should be encouraged by government. All these studies are indicating that FDI in multi-brand retail sector of India is putting its impact on Indian economy.

2. Impact of FDI

Impact of FDI can in multi-brand retail sector can be listed as follows:

- Capital investment and growth rate of the country is increased (Bhattcharya, 2012). A remarkable inflow of FDI in multi-brand retailing has boosted the economic life of country.
- It produces competition among different companies producing or selling same goods. Such competition ensures the availability of variety of same goods at conducive price. Thus, consumer welfare is increased (Bhattcharya, 2012).
- Customer satisfaction is also increased by getting hygienic environment and better customer care (Nath, 2013).
- Display of products in larger space and availability of various types of commodities under a roof also increases the customer satisfaction (Nath, 2013).

- Farmers' welfare is also increased because they are getting better price after cut down of intermediaries because of the direct purchase of products by MNCs. Productivity of farmers is also increased with the help of new technology after allowing FDI (Bisaria, 2012).
- Local Kirana stores, Local markets, etc. were badly effected by FDI (Baisaria, 2012).
- It decreased the opportunities of employment because persons involved in retail sector are purchasing the goods directly from the main supplier and intermediaries of the system is harmed (Bhattacharya, 2012).
- Foreign Direct Investments have opened a wide spectrum of opportunities in the trading of goods and services in India both in terms of import and export.
- Production. Products of superior quality are manufactured by various industries in India due to greater amount of FDI inflows in the country.
- FDI have also ensured a number of employment opportunities by aiding the setting up of industrial units in various corners of India.
- FDI apparently helps in the outsourcing of knowledge from India especially in the Information Technology sector. It helps in developing the knowledge of how to process in India in terms of enhancing the technological advancement in India.
- Various foreign firms are now occupying a position in the Indian market through Joint Ventures and collaboration concerns. The maximum amount of the profits gained by the foreign firms through these joint ventures is spent on the Indian market.
- Economically backward section of the host country is always inconvenienced when the stream of foreign direct investment is negatively affected.
- Foreign direct investment may entail high travel and communications expenses. The differences of language and culture that exist between the country of the investor and the host country could also pose problems in case of foreign direct investment.

3. Conclusion

Foreign direct investment would allow India to secure foreign infrastructure into India, which would increase India's capital base rapidly. If anything if India can attract FDI in the big picture it's nothing but positive things. China has grown tremendously because of FDI.

References

[1] Bhattacharyya R, "The Opportunities and Challenges of FDI in Retail in India," IOSR Journal of Humanities and Social Science (JHSS) Volume 5, Issue 5. 2012.
[2] Bisaria, G. (2012). Foreign Direct Investment in Retail in India. International Journal Of Engineering and Management Research, 2 (1), 31-36.
[3] Chandrachud, S. and Gajalakshmi, The Economic Impact of FDI in India. International Journal of Humanities and Social Science Invention, vol. 2, Issue 2, pp. 47-52, 2013.
[4] Fernande, "FDI in Multi-Brand Retail: Issues and Implications On Indian Economy," Pacific Business Review International, vol. 5, Issue 5, 2012.
[5] Gegowada, "FDI in Multi band Retailing in India–A Swot Analysis," International Journal of Marketing, Financial Services & Management Research, Vol.3, No.1, 2014.
[6] Moghe, D, "Critical Study of Foreign Direct Investment in Indian Retail Sector with Special Reference to Multi Brand Retail Sector. Journal of Research in Commerce and Management,1(3), 29-39, 2012.
[7] Nath, Hiranya K, "Foreign Direct Investment (FDI) in India's Retail Sector," Journal Space and Culture, India, vol. 1, no. 1, May 2013.
[8] Vaidehi and Alekhya, "Role of FDI in Retailing," Asia Pacific Journal of Marketing & Management Review, vol.1, no. 2, 2012.