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TRENDS OF FDI IN INDIAN RETAIL SECTOR

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ABSTRACT

The study finds out that the retail sector has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. Retail has emerged as one of the most profitable sector worldwide and it is dominating the economies of many countries. Retail sector in India is one of the pillars of economy; it contributes 15% of GDP and 8% of the employment of the total workforce. It is estimated to be US\$ 450 and one of the top five retail markets in the world by economic value. After the reform policy of FDI in retail sector, it is seen that increased FDI inflow has into economy as well as FDI flow in retail sector, also India's share in world FDI has increased. Finally, I have concluded and suggested that such a massive FDI is needed by India in order to achieve the objective of its post economic reform and to growing & maintain the growth rate of the economy.

KEYWORDS

FDI, Indian retail sector.

INTRODUCTION

Foreign direct investment (FDI) plays a very important role in the growth of any economy. The developing countries as like India suffer from low level of income and capital accumulation. However, despite this shortage of capital for Industrialization and economic development. The country depends of foreign capital to achieve the objective of expected economic growth rate economy. Due to these FDI, flow needed such massive. 'FDI an investment made to acquire lasting or long-term interest in enterprises operating outside of the economy of the investor.' Today retailing has emerged as one of the most profitable sectors worldwide and it is dominating the economies of many countries. Indian retail sector contributes 14% to 15% its GDP and absorbs about 8% our labour force. The great Indian retail sector is changing day by day. The various global players are trying to enter into the highly opportunistic Indian retail sector. The global interest grew on release of a press Note-3, in Feb. 2006, which permitted although on a very selective basis. Foreign direct investment (FDI) up to 51% in single brand retail sector. In November 2011 Govt. of India announced retail reform for both single bran and multi brand retail sector.

RESEARCH METHODOLOGY

The researcher has adopted analytical, descriptive and comparative methodology for this paper reliance has been placed on books, Journals, various reports, newspapers and online databases. This study focused on the analysis of emerging trends in Indian retail sector. FDI policy regard to retail sector in India finally certain suggestion are stated.

RETAIL SECTOR IN INDIA

In India, the retail sector is the second largest employer after agriculture. Retail sector in India is highly fragmented and consists predominantly of small independent and owner managed shops. There are some 12 million retail outlets in India. Besides the country is also dotted with low cost. India's retail sector is globally recognized as the sunrise industry. Retailing in India is one of the pillars of its economy and accounts for 14% to 15% it's GDP and absorbs about 8% our Labour force. The Indian retail market is estimated to be US\$450 billion and one of top five retail markets in the world by economic value. India is one of fastest growing retail markets in the world, with 1.2 billion people. India's retailing industry is essentially owner manned small shops account for more than 90% in 2010, larger format convenience stores and supermarkets accounted for about 4% of the industry, and these were present only in large urban centers. India has moved in to 21st Century and is showing marked changes to push the organized retail development.

The Indian retail sector is generally divided in to organized and unorganized retailing.

ORGANIZED RETAILING: Organized retailing refers to trading activities undertaken by licensed retailers, these who have registered for sale tax, income tax etc. These include corporate- backed hypermarkets and retail chains, and also privately- owned large retail business. Hence, organized retail which now constitutes a small four percent of total retail sector is growing at a much faster pace of 45% to 50% per annum and quadruples its share in total retail trade to 16% by 2012.

UNORGANIZED RETAILING: Unorganized retailing refers to the traditional form of low cost retailing, for example local kirana shop, owner- operated general stores, paan/beedi shop, convenience stores, hand cart and street vendors etc. The un organized retail sector is growing at about 10% per annum with sales rising from US\$390 billion in 2006-07 to US\$496 billion in 2012. Its share in total retail to 84%.

TABLE NO. 1: INDIA'S ORGANIZED AND UNORGANIZED RETAIL SECTOR (Rs. Billion)

Years	Organized Retailing	Unorganized Retailing	Total Retail
2003 - 04	350 (3.3)	10241 (96.7)	10591 (100)
2004 - 05	408 (3.6)	10900 (96.4)	11308 (100)
2005 - 06	479 (4.0)	11554 (96.0)	12033 (100)
2006 - 07	598 (4.1)	13976 (95.9)	14574 (100)
2007 - 08	837 (5.0)	18913 (95.0)	19750 (100)
2008 - 09	1214 (5.5)	20769 (94.48)	21983 (100)
2009 - 10	1778 (7.24)	22804 (92.76)	24582 (100)
2010 - 11	2640 (9.29)	24900 (90.41)	27540 (100)
2011 - 12	3946 (12.72)	27079 (87.28)	31025 (100)

Source: www.cci.in A brief report on retail sector in India, August, 2012.

NEED FOR FDI IN RETAIL SECTOR

FDI is a boon for developing countries. It has many benefits, it is increasingly seen as a source of funds. FDI can make an economic growth by bringing new skills in workers and integrating economy.

- India is second largest country in view of population. Percentage of educated unemployment is more than any other country. So with the help of FDI in retail sectors we can create more employment opportunity.
- India needs FDI for growth of knowledge and new technology. New technology will lead India to the top most rank.
- Agriculture sector contributes more to Indian economy. FDI plays an important role to circulate Agriculture product in the market with more benefit for farmers.
- for keeping food and commodity process under control, FDI in food restaurant help to some extent.

FDI POLICY WITH REGARD TO RETAIL SECTOR IN INDIA

As part of the economic liberalization process set in place by Industrial policy of 1991, India in 1997 allowed foreign direct investment in cash and carry wholesale. Then, it required government approval. Requirement was released and automatic permission was granted in 2006. The Indian government has opened the retail sector to FDI slowly through a series of steps.

- 1995 WTO general agreement on trade in services, which include both wholesale and retailing services, come into effect.
- 1997- 100% FDI being permitted in cash and carry wholesale trading under the government approval route.
- 2006- FDI permitted in cash carry wholesale trading comes under the automatic route. Up to 51% investment in single- brand retail out let permitted.
- 2010- DIPP (Department of Industrial policy and promotion) had put up a discussion paper proposing FDI in Multi-Brand retail.
- 2011- Union cabinets approved 100% FDI in single brand and 51% FDI in multi-brand retail.

FDI TRENDS IN INDIA'S RETAIL SECTOR

- FDI inflow in Indian has increased due to adoption of more liberal foreign policy. The Govt. of India most effects to attract FDI in order to achieve the objective of economic development. Although India's share in world FDI inflows has increased from 0.3% to 1.6 % from 2001 to 2013. Through, this is not an attractive share when it is companied with china, Brazil etc.
- FDI inflows in India show positive trend during the study period. Gross inflows of FDI include 63% share of direct investment in equity and 37% share of portfolio investment. It is found that service sector tops in attracting highest FDI in equity inflows, followed by manufacturing sector.
- In between period 2000-2013, Indian retail sector attracted about US\$ 1.9 Billion in foreign direct investment representing a very small 1.5 of total FDI flow in India. After reform of FDI policy we have shown that FDI inflow in India has increased from Rs. 10368 crores to Rs. 165146 crores, its growth rate 25.5% and also India's share in GDP has increased from 0.50 to 3.64. (table No.2)

TABLE NO. 2: INDIA'S FDI INFLOWS IN RETAIL SECTOR AND ITS PERCENTAGE OF TOTAL FDI AND GDP

Years	FDI Flow in				FDI in retail sector		
	Amounts in US\$. Million	Growth rate (%)	FDI % age GDP at Factor cost	Share of India in World FDI	Amounts in US\$. Million	FDI in retail sector % age total FDI	
2000 - 01	4029	-	0.56	0.2	-	-	
2001 - 02	6130	52	0.94	0.5	-	-	
2002 - 03	5035	-18	0.67	0.5	-	-	
2003 - 04	4222	-14	0.53	0.7	157	3.64	
2004 - 05	6051	40	0.61	0.8	179	2.96	
2005 - 06	8961	48	0.91	0.8	298	3.34	
2006 - 07	22826	146	2.46	1.4	450	1.98	
2007 - 08	34843	53	3.15	1.3	392	1.13	
2008 - 09	41873	20	3.68	1.6	420	1.0	
2009 - 10	37745	-10	3.72	1.7	536	1.42	
2010 - 11	34847	08	2.02	1.4	391	1.12	
2011- 12	46556	34	3.78	1.8	567	1.21	
2012-13	36860	-21	3.64	1.6	551	1.49	
Dec.2013	11709						
2000 -2013 FDI in retail sector 1.16							

Source: i) various issues of SIA Bulletin

ii) Compiled from the various issues of WIR, UNCTAD, World Bank

iii) RBI's Bulletin 2013, dt. 10-09-2013

CONCLUSION

- The retail sector has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. Retail has emerged as one of the most profitable sector worldwide and its dominating the economies of many countries.
- Retail sector in India is one of the pillars of economy, its contributes 15% of GDP and 8% Of the employment of the total workforce. It is estimated to be US\$ 450 and one of the top five retail markets in the world by economic value.
- After the reform policy of FDI in retail sector, we have see that increased FDI inflow has into economy as well as FDI flow in retail sector, also India's share in world FDI has increased.
- Finally I have concluded and suggested that such a massive FDI is needed by India in order to achieve the objective of its post economic reform and to growing & maintain the growth rate of the economy.

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