



## FDI IN RETAIL SECTOR

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### ABSTRACT

*In India Retail industry remains unorganized whereas in almost all developed countries it is in organized form. Retail industry is considered a sunrise industry today after software, is the most happening industry with almost all the big players vying for a share of the coveted pie. Retail trade consists of sale of goods & services to consumers for their personal, family or household use. Based on turnover and volume, retail trade is world's biggest economic activity. In our country there are about 1,25,00,000 retail outlets and providing employment to about 4 crore people.*

**KEYWORDS:** India Retail industry , sunrise industry , economic activity.

### INTRODUCTION

In comparison to world, India has largest number of retail traders. Total turnover of retail sector is about Rs. 8,75,000/- crores. The foreign direct investment (FDI) inflows in single-brand retail trading during the period April 2000– September 2013 stood at US\$ 97.29 million, as per data released by Department of Industrial Policy and Promotion (DIPP). After agriculture, Retail trade provides employment to maximum number of persons. A study conducted by Reserve Bank of India, India Retail Traders charge less margin. The sale of retail sector in India is estimated to be worth around US \$ 450 billion but share of organized retailing is estimated about 5 % of the total retail market. India's solid development basics alongside expanded urbanization and commercialization have opened up tremendous extension for retail development. Further, simple accessibility of Debit/Credit cards has contributed fundamentally to a solid and developing on the web shopper culture in India. With the online mode of retail increasing increasingly more acknowledgment, there is a colossal development open door for retail organizations, both household and universal. At present, the online retail entrance in India remains at around 60 percent, as indicated by a report by a mechanical body. "India has a youthful, accomplished and proficient populace, center clients. It has an excellent market. We decided to be in India before China," according to Mr. Jonathan D Caplan, President and Chief Executive, Genesco Inc.

**India is becoming an exciting and dynamic retail destination due to the following:**

- A large market size
- Low organized retail penetration
- Strong GDP growth
- Increasing personal incomes
- Large number of aspirational consumers (middle-class, young Indians, rural population, etc.)

Many study conducted by experts expect the organized retail industry to continue to grow rapidly and will restructure the Indian economy and would beneficial to society at large. The retail Industry is set grow exponentially over the next couple of years.

### ORGANIZED RETAILING GLOBALLY

Name of Country	% of Market Share
America	80%
England	80%
Western Europe	70%
Brazil	40%
Thailand	40%
Korea	35%
China	20%
Malaysia	20%
India	5%

Organized retail penetration in India low compared to other countries such as America, England. This indicates strong growth potential for organized retail in India.

The retail sector witnessed transformation of unorganized family-owned retail formats to organized retailing. A.T. Kearney Inc. places India 12<sup>th</sup> on a Global Retail Development Index. A number of international giants including TESCO, Wal-Mart Care four are considering entry into India. Increasing purchasing power of the Middle class and Higher Middle class and untapped retail industries are the guiding factors for retailers to enter in the emerging Indian market.

In china the organized retail has grown from 10% to 20% after FDI permitted in the retail sector. Until 2011, Indian focal government denied remote direct venture (FDI) in multi-brand retail, denying outside gatherings from any possession in general stores, comfort stores or any retail outlets. Indeed, even single-brand retail was restricted to 51% possession and a bureaucratic procedure.

In November 2011, India's focal government declared retail changes for both multi-brand stores and single-brand stores. These market changes made ready for retail development and rivalry with multi-brand retailers, for example, Walmart, Carrefour and Tesco, also single brand majors, for example, IKEA, Nike, and Apple

In April 2013 the Central Government announced further reform for Multi-brand and single-brand stores. It is the intent and objective of the Government of India to attract and promote foreign direct investment (FDI) in order to supplement domestic capital, technology and skills, for accelerated economic growth. FDI, as distinguished from portfolio investment, has the connotation of establishing a 'lasting interest' in an enterprise that is resident in an economy other than that of the investor.

### The Highlights of FDI Policy: April 2013

A non-resident entity can invest in India, subject to the FDI Policy except in those sectors/ activities which are prohibited.

Qualified foreign investors (QFI) are permitted to invest through Securities and Exchange Board of India (SEBI) registered Depository Participants (DP) only in equity shares of listed Indian companies through recognized brokers on recognized stock exchanges in India as well as in equity shares of Indian companies which are offered to public in India in terms of the relevant and applicable SEBI guidelines/ regulations.

Indian companies can issue equity shares, fully, compulsorily and mandatorily convertible debentures and fully, compulsorily and mandatorily convertible preference shares subject to pricing guidelines/ valuation norms prescribed under Foreign Exchange Management Act (FEMA).

The capital instruments should be issued within 180 days from the date of receipt of the inward remittance received through normal banking channels including escrow account opened and maintained for the purpose or by debit to the NRE/ FCNR (B) account of the non-resident investor.

Investments can be made by non-residents in the equity shares/ fully, compulsorily and mandatorily convertible debentures/ fully, compulsorily and mandatorily convertible preference shares of an Indian company, through the automatic route or government route.

India's significant global positioning of the Retail sector is due to India strong growth fundamentals along with increased urbanization and consumerism opened immense scope for retail expansion for foreign players, constant improvements in supply chains and logistics by retailers for competitive advantages and meeting consumer demands. Also recent government initiatives for attracting FDI and boosting investor's sentiment, and rapid emergence of organized retail outlets like mega malls and hypermarkets are augmenting the growth of organized retail in the country. There are multiple drivers that are leading the strong growth in Indian retail through a consumption Boom. Significant growth in discretionary income and changing lifestyles are counted among the major growth drivers of Indian organized sector. The size of the upper middle class and middle class has increased substantially during the past ten years and advertisement has led to greater spending on luxury products and high brand consciousness. India has largest young population and also working class women. The infrastructure development in real estate sector increased considerably, Supply chain management is improving and developing every year, credit facilities are easily available. India's net retail sales are also quite significant among emerging and developed nations. The country is ranked third after China and Brazil. These reasons are attracting FDI in retail sector.

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