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IMPACT OF FDI ON RETAIL SECTOR IN INDIA

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Abstract :

Retailing serves as a crucial link of connecting producer and consumer. The Retail industry is emerging as an attractive market and has seen a remarkable boost to the Indian economy in the past 10 years. India ranked first in Global retail development index, 2017 and is expected to become world's third largest retail market by 2025. Currently, India rank fifth in terms of retail space. The retail market in India is divided into two sector-organized and unorganized sectors. The organized sector contributes to about 93% of the retail market whereas unorganised constitutes about 7%. Due to growing economy, advancing technology and other factors, India is viewed as a destination attractive for inflow of FDI.

KEY WORDS: FDI, Global Retail Development Index, Indian Retail Sector, Mom and Pop Stores, Multi Brand Retail.

INTRODUCTION:

However, there has been some sector which is closed for the inflow of FDI. Retail industry is divided into two: - single brand retailing and multi brand retailing. Government of India has taken an initiative to promote "made in India" and "E-Commerce" by allowing 100% FDI in online retailing of goods and services through automatic route. This initiative of the government is taken to boost the sale and growth of domestic made goods and services of small and large retailers.

According to CRISIL the market share of organized retail sector in India will increase by 10% by year 2020 compared to a growth rate of 7% in last fiscal year. The study found that a better operating environment and relaxation of rules for single-brand retail would lead to a faster pace in addition of the stores. Global single-brand retailers facing growth headwinds in their key geographies will now be more than keen to peg tent in India. Those already present could step up investments. The previous sourcing norms were a bottleneck to scaling-up of operations. CRISIL has rated 93 organised retailers and it is found that their credit quality has been improving as reflected in the credit ratio. Organised retail market share is seen rising 300 bps to 10% by 2020.

Rajput et al (2012) analysed the impact of the present retail FDI policy on Indian Consumer and economy using SWOT analysis. The strengths where it boosts up competition, provides benefits to farmers and consumers and generate employment opportunities, weakness identified were lack of infrastructure, complex tax and fiscal policies and an unstable government. Opportunities were improving quality standards, distribution and warehousing technologies, rural retailing, threats were job losses, inequitable competition, repatriation of profit outside India. The analysis reveals that the strength and opportunities outweighs the weakness. The threats have to be taken care by adopting innovative solutions and minority friendly policy by government.

Malhotra (2012) made an attempt to study the trends and pattern of flow of FDI and find the determinants of FDI inflows, evaluate the impact of FDI on the Indian economy and to know the flow of investment in India.

A comparison of the growth rates of FDI inflow and GDP in a tabular form for the years from 1991-92 to 2011-12 (post liberalization period) was made and a positive relationship was found and concluded that inflow in beneficial to domestic capital, as well as technology and skills of existing companies. It was also being found that there is a need for improvement in solving challenges of resource, equity, political and fereral.

Pandey (2018) discusses the implications of the FDI policies in single brand retail, multi-brand retail and e-commerce. The policy issued by Department of Industrial Policy and promotion (DIPP), states that automatic route is to be followed in case of 100% foreign direct investment in single brand retail, however in case of FDI being more than 51%, 30% of the value of goods should be sourced from India. The compliance of e-commerce retail should be done by India firms and the proof is provided by investing foreign companies. In case of multi-brand retail, an enabling policy where only 51% FDI is allowed is framed by the central government. The study also explores the scope of the topic by discussing the effect of liberalization on the multi brand retail, comparison of e-commerce policies with that of the multi brand policy and their implementation. The example of Flipkart enables to understand the e-commerce structure better in the recent times. It is believed that the small retailers need to spend time to revive their strategies required to attract customers towards their retail stores. In today's world, with new concepts like e-tailing, customized product, a big shift is seen in the response of the customers unlike in those old days, when customers were dependent on nearby retail stores for fulfilling their needs. The small retailers must concentrate more on CRM practices, bring improvement in SCM, use feedback facility, keep a track record on customers, bring improvement in ambience and most importantly provide a personal touch to the services provided. It has been found that liberalization of FDI policy towards Retail Sector bears positive as well as negative results. It has also been recommended for Government to frame strict policies, taking care of small retailers, so that organised and unorganised sector may co-exist and flourish together.

FDI IN INDIAN RETAIL

FDI means investment by non-resident entity/person resident outside India in the capital of an Indian company under Schedule 1 of Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 (Ministry of Finance, 2015).

Indian retail is one of the most hunted sectors that hold great potential for attracting FDI as foreign investors are extremely enthusiastic for investing in Indian retail sector. According to Survey, India stands as the fifth most attractive destination for international players (IBEF, 2018) and enjoyed the second highest growth in FDI inflow in the world during 2011. The cumulative amount of FDI inflows from April 2000 to February 2012 stood at USD 246.6 billion. The liberalization of the FDI policy in last decade has opened the Indian economy for foreign investments (Deloitte, 2011). In 2006 international retailers have been allowed to operate in India in joint venture with the domestic players under the approval of Foreign Investment Promotion Board (FIPB), 60 brands were set up for operations in India (PWC, 2011). According to the Department of Industrial Policy and Promotion, FDI inflow in the single-brand retail in September 2009 was US$ 47.43 million. In 2013, the government permitted 51 percent FDI in multi-brand retail with few caveats, but left implementation to individual states, which has made it hard for new retailers to form unified strategies for the Indian market as a whole. In January 2012, India approval reforms for single-brand stores welcoming anyone in the world to innovate in Indian retail market with 100% ownership but imposed the requirement that the single brand retailer must source 30% of its goods from India (ASA & Associates, 2012). These reforms paved the way for retail innovation and competition with international multi-brand retailers such as Wal-Mart, Carrefour and Tesco, as well single brand majors such as IKEA, Nike, and Apple. These positive steps encourage international brands to set up shop in India on other hand, this leads to competition among Indian players. In this situation consumer gains and the change in the market dynamics is not immediate but takes time to fructify (Murtaza, 2015).

FDI IN PRE REFORM PERIOD

The government of India (GOI) followed a policy of "Close Door" till 1950s. In late 1960s and 70s it become restrictive and selective due to the improvement in the technical capacity of domestic industry and to manage the large scale outflows of foreign exchange from India because of remittances of dividends, profits, royalties and technical fees by foreign investors, on the other side it was found that the main motive behind adoption of restrictive attitude towards FDI during these periods was to protect growing industries of India from the threat imposed by private capital from outside country. It was found that the foreign products are going to be huge challenge for domestic industries to compete in domestic market.

In 1973 GOI adopted more restrictive approach towards FDI by enforcing the Foreign Exchange Regulation Act (FERA). FERA discriminated domestic and foreign investors more strictly. It made mandatory for foreign investors to convert their foreign equities to minority holdings.

FDI IN POST REFORM PERIOD

Policy towards FDI changed since 1991. Now it became the source of capital, technology and managerial skills that is considered vital factors for an open and competitive economy. There was a need to change the policies to attract a greater share of the world FDI inflows. With the introduction of Liberalization, Privatization and Globalization (LPG) India allowed foreign investment in nearly all sectors of the economy (Kaushik, 2012). During the economic reform it was supposed that FDI inflows would be more intense towards manufacturing sector that raise the domestic productivity that further leads to increase in production and revenues due to its strong backward and forward linkage effect. At that time retail was not considered as an attractive and promising sector for FDI. Because it assumed that it might spoil the local retails brand & interest. But gradually the government understood the importance of FDI in retail sector and opened retail sector for FDI in phase wise manner.

Table -1: Phases of FDI in Indian Retail Sector

Years	FDI Policy in Retail
1990s	No FDI in Retail
1995	World Trade Organization's General Agreement on Trade in Services, which includes both wholesale and retailing services came into effect
1997	FDI open in wholesale sale cash & carry brought under approval route
2006	FDI cash & carry brought under automatic route Apart it 51% FDI allowed in single retail under approval route
2011	100% FDI permitted in single retail-brand through approval route. & 51% FDI allowed in multi-brand by approval route
2017	Sourcing norms applicable for FDI relaxed and will not be applicable up to 3 (three) years from commencement of the business i.e. opening of the first store for entities undertaking single brand retail trading of products having 'state-of-art' and 'cutting-edge' technology.
2018	100% FDI permitted in single brand through automatic route

Source: Industrial Policy GOI 1980, 2010 and 2012

Table-1 shows the phases of FDI policies in Indian retail sector from 1990-2018. In 1990, India had no FDI policy in retail sector. After that with the establishment of WTO in 1995, a general agreement on trade and service was considered in retail that included both wholesale and retailing services. In 1997, FDI was opened in wholesale (cash & carry) through approval route. Further in 2006 wholesale was brought under the automatic route and on the other side 51% FDI was permitted in single retail brand under approval route. 100% FDI was permitted single brand through approval route along with it significant step was taken in multi brand retail by opening the approval route up to 51% in 2011. Moreover, in 2017, GOI relaxed the sourcing norms & regulations in FDI policy in retail. It was an attempt to make business friendly environment for all foreign investors. The investors were given relaxation from state of art & cutting edge technology and from use the local sources up to first three years.

Thus, above discussion describes that it was a crucial step of GOI to integrate itself with the world economy through the member of World Trade Organization (WTO). It was not an easy decision for Indian government. There were various fears like job losses, procurement from international market, competition and loss of entrepreneurial opportunities. But on the side this step enabled the Indian retailers to be part of global retail market and provided an opportunity to know the global retail market scenario. Apart from it also offered the Indian consumers more choices in the form of branded goods and facilitated the greater inflows of investments that further help to improve the Balance of Payment (BOP) of Indian foreign trade. It also lead to the development of more competent and lower cost supply chains, resulting in better quality as well as better priced products for Indian consumers. This increased the consumer spending, which in turn, act as driving force for the growth of all sectors of the Indian economy.

On the other side there was a great concern in multi-brand retail FDI, that by not allowing direct FDI in multi-brand retail, India was losing investment and Indian consumers are left with limited choices. To overcome this concern GOI allowed FDI in multi brand retail (51%) with conditions in 2011. To make India a more ease business going destination for global investors' government has relaxed some norms such as in starting phase (3 Year) foreign investors it is not mandatory to follow the "state of art" & "cutting edge technology" and using the local resources. These relaxations have positively affected the growth of FDI in Indian retail.

Table -2: Growth in FDI in Retail Sector

Sector	April 2000 to March 2016	April 2000 to March 2015	Increase in 2015-2016
Retail	537.61(USD Million)	275.38 (USD Million)	262.23 (USD Million)

Source: Pricewater House Cooper, 2018

Table 2 shows the growth of FDI in Indian Retail as it can be depicted from the data that in 2015 to 16 there had been a tremendous growth in FDI in the retail sector, the growth was about 262.23 USD million. It revealed that recent FDI retail policy brought India a more competitive and attractive market for foreign investors and utilized the potential growth of Indian retail sector. The Indian retail registered significant growth during the last decade shows a promising growth of Indian retail industry in near future.

So, the studies describes that gradually Indian FDI policy in retail was designed to attract the foreign investments in production and marketing, and focused on improving the availability of consumer goods, as well as enhancing the competitiveness of Indian retail industries through the global access. Moreover with the development of global economy FDI considered as a powerful mechanism to increases competition in the retail industry. This became necessary to boost Indian retail sector because it was suffering from low competition and poor productivity.

In this regard the FDI policy in retail was adopted to allow Indian consumers access to foreign brands. Various studied shows that Indians spend much money on shopping abroad in comparisons to the rest of the world consumers. These steps of GOI enable them to spend the same money on the same goods in India. It has been found that till May 2010, 94 proposals have been received out of which 57 proposals were approved. Since April 2006 to September 2010 FDI inflow in retail (Single brand) was registered US$ 196.46 million that comprised of 0.16 percent of the total FDI inflows during this period (AT Kearney, 2008).

Impact of FDI on Indian Retail Sector

The Confederation of Indian Industry (CII) conducted a survey during December 2011 to January 2012 on the impact of FDI on Small and Medium Enterprises (SMEs) based on a sample size of 250 companies covering different categories of SMEs according to sales turnover. A majority of the SME companies, surveyed have supported the government's decision and the notification allowing 100% FDI in single brand retail and about 52 percent of respondents hope for early implementation of 51% FDI in multi-brand retail. On the question how the SME industry consider entry of MNC retailers as a threat or opportunity, majority of respondents (66.7%) see it as an opportunity for their sector while around 21 % of respondents perceive it as a threat. About 12.5 percent of respondents are of the opinion that the decision would have little or no impact on their company.

Effect on Traditional Mom and Pop Stores- Traditional retailing has been established in India for many centuries, and is characterized by small, family-owned operations. Because of this, such businesses are usually very low-margin, are owner-operated, and have mostly negligible real estate and labour costs. Such small shops develop strong networks with local neighbourhoods. The informal system of credit adds to their attractiveness. Moreover, low labour costs also allow shops to employ delivery boys, such that consumers may order their grocery list directly on the phone. These advantages are significant, though hard to quantify. In contrast, players in the organized sector have to cover big fixed costs, and yet have to keep prices low enough to be able to compete with the traditional sector. Getting customers to switch their purchasing away from small neighbourhood shops and towards large-scale retailers may be a major challenge. The experience of large Indian retailers such as Big Bazaar shows that it is indeed possible. The oppositions, on the other hand, believe that local kirana shops will not be affected. The kirana stores operate in a different environment catering to a certain set of customers and they will continue to find new ways to retain them.

Effect on Farmers- It is being claimed by the advocates of FDI in retail that the elimination of intermediaries and direct procurement by the MNCs would secure better prices for the farmers. The fact is that the giant retailers would have far greater buyer power vis-à-vis the farmers compared to the existing intermediaries. The entry of giant MNCs into agricultural procurement would make the problems worse for the farmers. As against the „mandis" that operate today, where several traders have to compete with each other in order to buy the farmers" produce, there will be a single buyer in the case of the MNCs. This will make the farmers dependent on the MNCs and vulnerable to exploitation. On the contrary, the advocates of FDI believe that FDI in retail in the agriculture will help in improving supply chain, infrastructure and ensure economic security for farmers through the elimination of middlemen in the country.

Case Study:

Case 1- PepsiCo India- Helping Farmers Improve Yield and Income-

Today PepsiCo India's potato farming programme reaches out to more than 12,000 farmer families across six states. We provide farmers with superior seeds, timely agricultural inputs and supply of agricultural implements free of charge. They have an assured buy-back mechanism at a prefixed rate with farmers. This insulates them from market price fluctuations. Through our tie-up with State Bank of India, we help farmers get credit at a lower rate of interest. They have arranged weather insurance for farmers through our tie-up with ICICI Lombard.

Case 2- Bharti Walmart initiative through Direct Farm Project-

Corporate Social Responsibility (CSR) initiatives in Bharti Walmart are aimed at empowerment of the community thereby fostering inclusive growth. They focused on enhancing opportunities in the areas of education, skills training and generating local employment, women empowerment and community development.

In conjunction with the farmers" development program in Punjab, community-building activities have been implemented in village, Haider Nagar. Due to lack of sanitation facilities, households tend to use the farm fields, thereby affecting yields and impacting the produce that is being supplied to stores. In order to improve the yields and the community's way of life, we are working on the issues of Sanitation and Biogas, Education, Awareness Building and Health and Hygiene.

Effect on Consumers- With liberalization, economic growth and changes in Indian consumers" demographic and economic profile and their shopping behaviour, the retail sector is undergoing changes. At present, foreign retailers operate in India through both store and non-store formats. In terms of the shopping behaviour of Indian consumers across different retail outlets, traditional outlets are preferred as consumers can bargain while modern outlets are preferred because they link entertainment with shopping. Those who purchase at modern outlets have reported better product quality, lower prices, one-stop shopping, choice of more brands and products, better shopping experiences with family and fresh stocks as some of the reasons for their choice of outlet. On the other hand, proximity to residence, goodwill, credit availability, possibility of bargaining, choice of loose items, convenient timings, home delivery, etc., are some of the benefits of traditional outlets (Joseph and Soundararajan, 2009). Consumers are the major beneficiaries of the retail boom as organized retailers are initiating measures such as tracking of consumer behaviour and consumer loyalty programmes to retain their market share (Mukherjee and Patel, 2005).

Authors of ICRIER Policy series paper (August, 2011) and various other surveys have pointed out that most consumers are willing to experiment to different brands and so they are in favour of allowing FDI in retail. Apart from providing Indian consumers more choices in the form of reputed, good quality brands, liberalizing multi-brand retailing in India is likely to facilitate much greater inflows of investments. This, in turn, will lead to the development of more efficient and lower cost supply chains, resulting in better quality as well as lower-priced products for Indian consumers. This will increase consumer spending, which in turn, will drive growth in all sectors of the economy in a virtuous cycle.

Case Study:

Consumers of Indian Telecommunication and Automobile Retail Sector have benefited a lot from liberalizing FDI. In the telecommunication sector, it has led to more access, better quality, better services and lower prices for consumers. The entry of foreign players in the automobile sector has made the domestic industry globally competitive and even middle and low-income consumers in India can now afford to own cars. Global experiences show that FDI in retail can sometimes negatively impact consumers if corporate retailers adopt anti-competitive practices such as predatory pricing. In India, the Competition Act 2002 has provisions to check abuse of dominant position by major players, including predatory pricing.

Effect on Existing Indian Organized Retail Firms- The existing Indian organized retail firms (such as Spencer's, Foodworld Supermarkets Ltd, Nilgiri's and ShopRite) support retail reforms and consider international competition as a blessing in disguise. They expect a flurry of joint ventures with global majors for expansion capital and opportunity to gain expertise in supply chain management.

Case Study:

Case 1: Spencer's Retail with 200 stores in India, and with retail of fresh vegetables and fruits accounting for 55% of its business claims retail reform to be a win-win situation, as they already procure the farm products directly from the growers without the involvement of middlemen or traders. Spencer„s claims that there is scope for it to expand its footprint in terms of store location as well as procuring farm products.

Case 2: Foodworld, which operates over 60 stores, plans to ramp up its presence to more than 200 locations. It has already tied up with Hong Kong-based Dairy Farm International. With the relaxation in international investments in Indian retail, India's Foodworld expects its global relationship will only get stronger. Though it is too early to assess the true impact of allowing FDI in single-brand and multi-brand retailing in India, but still the Govt. argues strongly in favour on the ground that it will provide huge gainful employment in agro-processing, marketing and logistics, help farmers‟ secure remunerative prices by eliminating exploitative middlemen, ensure supply chain efficiencies, bring investment in back-end infrastructure and also create a multiplier effect for employment, technology up gradation and income generation by sourcing of a minimum of 30% from Indian micro and small industry. The opposition, however, argues that there will be a large-scale job loss according to international experience and global retail giants will resort to predatory pricing to create monopoly/oligopoly. So, opening up of FDI in multi-brand retail in India could potentially be a mixed blessing for domestic players. Hence adequate safeguards should be built in so that it does not end up in a losing proposition.

Sectoral Analysis of Impact of FDI: Indian Retail Sector Perspective

A study on impact of foreign direct investment in retail industry in India is being made for below mentioned five sectors Viz.

- Pharmaceutical
- Automobile
- Service
- Construction

- Telecommunication

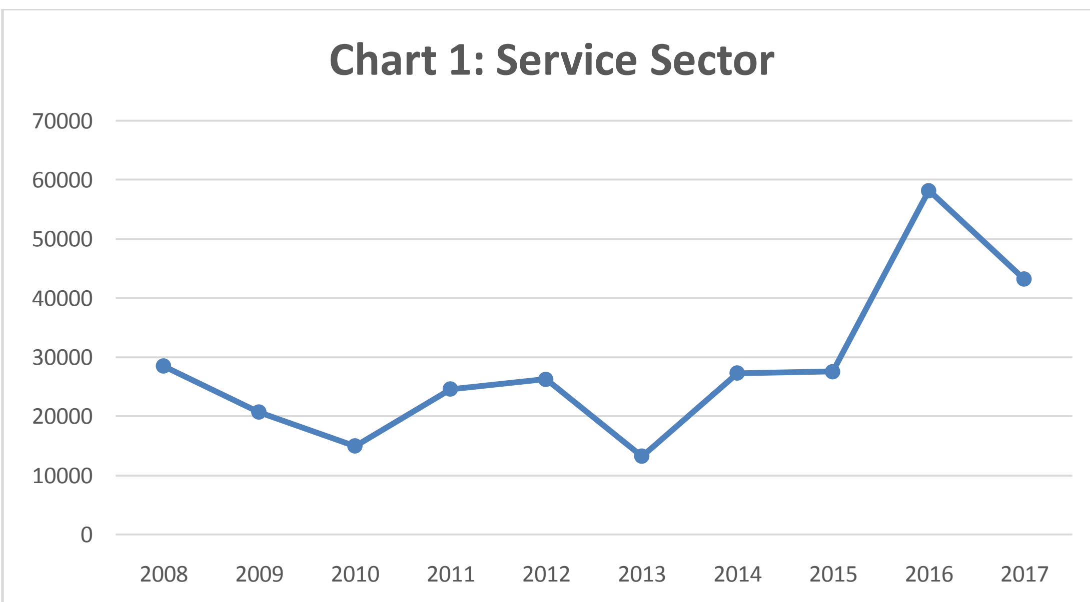
A trend analysis on the total foreign direct investment inflow in the country has been studied. The trend concludes that there has been an increase in foreign direct investment. The raise in foreign direct investments has been from 2006 but it boosted from 2012. The reason for the boost is the change in government policy, India emerging as global market and advancing technology. In 2012, Government has increased the foreign direct investment inflow from 51% to 100% in single brand retail whereas in multi brand retail the increase is to 51%. The multi brand retail was restricted to inflow of foreign direct investment in Indian before 2012.

Service Sector

Table -3: Service Sector

Year	Service Sector	Growth
2008	28,516	
2009	20,776	-37.25%
2010	15,053	-38.02%
2011	24,656	38.95%
2012	26,306	6.27%
2013	13,294	-97.88%
2014	27,369	51.43%
2015	27,630	0.94%
2016	58,214	52.54%
2017	43,249	-34.60%

Source: www.dipp.nic.in



Source: www.dipp.nic.in

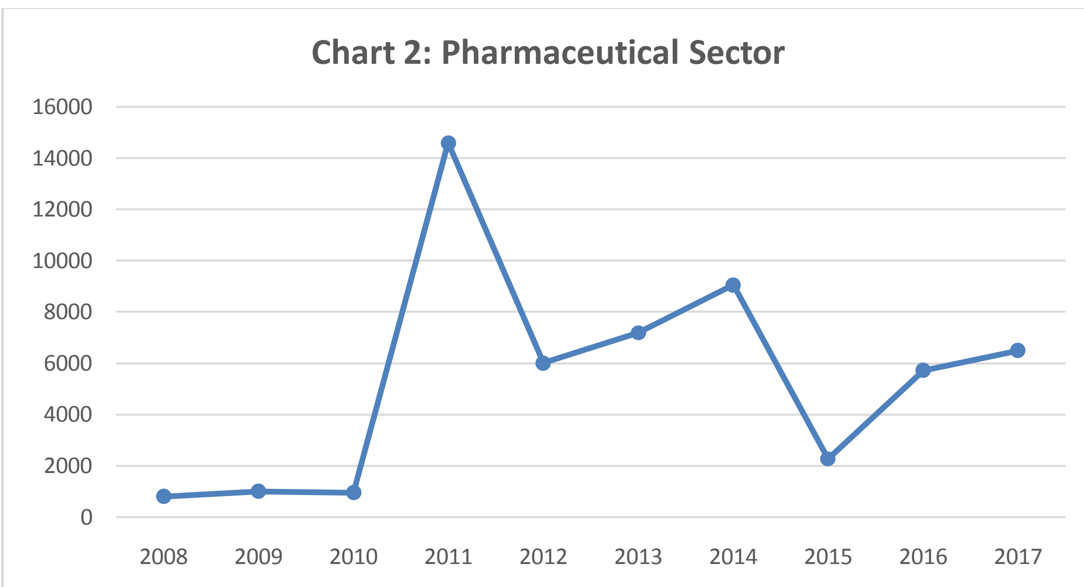
From the above chart, the FDI inflow started growing rapidly in the service sector since 2012 but except for the year 2013. Again, in the year 2014, the FDI inflows grew as the government took steps to improve ease of doing business and attracting investments.

Pharmaceutical Sector

Table -4: Pharmaceutical Sector

Year	Pharmaceutical Sector	Growth
2008	800	
2009	1006	20.48%
2010	961	-4.68%
2011	14605	93.42%
2012	6011	-142.97%
2013	7191	16.41%
2014	9052	20.56%
2015	2267	-299.29%
2016	5723	60.39%
2017	6502	11.98%

Source: www.dipp.nic.in



Source: www.dipp.nic.in

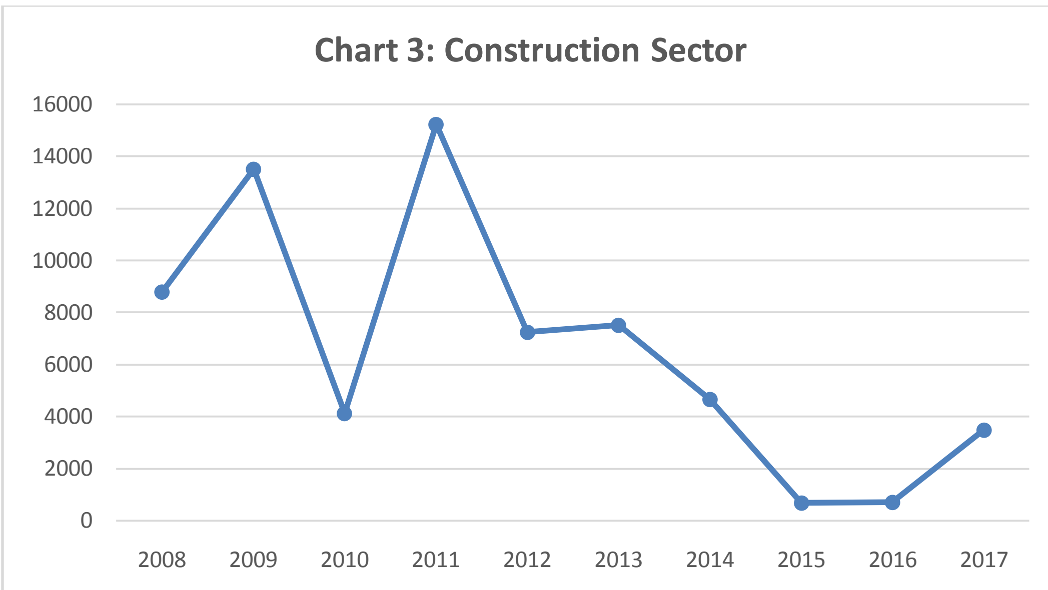
From the above chart, the FDI inflows in the Pharmaceutical sector has seen a massive growth in the year 2011 but since then has seen a stable growth over the years. The reasons for such stable growth over the years. The reasons for such stable growth could be the price control and rigid labour laws, weak patent regime. The government with an expectation to increase the FDI inflows into the industry, is hoping to attract more foreign capital with further liberalization of policies.

Construction Sector

Table -5: Construction Sector

Year	Construction Sector	Growth
2008	8792	
2009	13516	34.95%
2010	4109	-228.94%
2011	15236	73.03%
2012	7248	-110.21%
2013	7508	3.46%
2014	4652	-61.39%
2015	673	-591.23%
2016	703	4.27%
2017	3472	79.75%

Source: www.dipp.nic.in



Source: www.dipp.nic.in

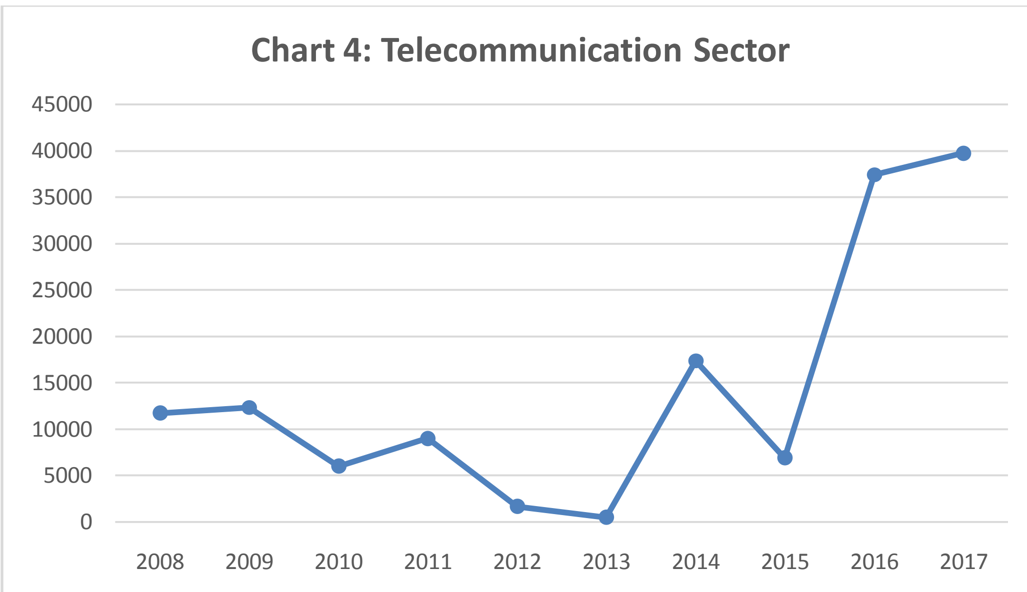
From the above chart, the FDI inflows in the Construction Industry has been a massive growth in the years 2009 & 2011 although the government had allowed 100% FDI in this sector since 2005. The reason for massive growth could be the relaxation of certain rules such as reducing minimum built-up area as well as capital requirement and easing the exit norms. The recent decline in the FDI inflows in this sector could be due to cash crunch and demonetization.

Telecommunication Sector

Table 6: Telecommunication Sector

Year	Telecommunication Sector	Growth
2008	11727	
2009	12338	4.95%
2010	6021	104.92%
2011	9012	33.19%
2012	1654	444.86%
2013	502	229.48%
2014	17372	97.11%
2015	6936	150.46%
2016	37435	81.47%
2017	39748	5.82%

Source: www.dipp.nic.in



Source: www.dipp.nic.in

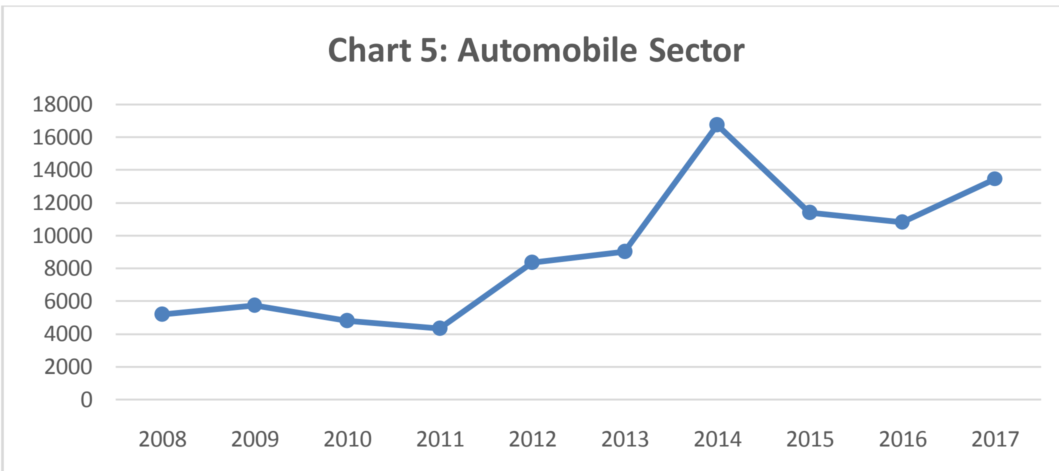
The Telecommunication sector has witnessed a sudden growth in the FDI inflows over the past two years. With the rapid growth in technology and introduction of services such as 3G, 4G & 5G and the massive increase in number of users of telecommunication services due to the entry of Reliance JIO, the FDI inflows

Automobile Sector

Table -7: Automobile Sector

Year	Automobile Sector	Growth
2008	5212	
2009	5754	9.42%
2010	4805	-19.75%
2011	4347	-10.54%
2012	8384	48.15%
2013	9027	7.12%
2014	16760	46.14%
2015	11405	-46.95%
2016	10824	-5.37%
2017	13461	19.59%

Source: www.dipp.nic.in



Source: www.dipp.nic.in

The automobile sector had witnessed a massive growth in the year 2014 and is growing at a stable rate since then. Since the manufacturing of cars in Japan and South Korea has become costly over the past few years. Several automobile companies have opted for shifting their bases in countries like India and China with an intention of getting cheap resources.

CONCLUSION

The inflow of foreign direct investment has boosted growth in the retail industry and increased the gross domestic product of India. Government policy and other determinants have been discussed to study and analyse the impact. The Indian retail market is a developing market and has potential for investments. There had been a restriction in the inflow of foreign direct investment till 2006. But, since 2006, there has been a positive change in the government policy thereby allowing foreign companies to invest in India and become an owner.

Online retail business is the next generation format which has high potential for growth in the near future. It has also been found that India's e-commerce is growing at an annual rate of 51 percent, the highest in the world. Foreign direct investment has a significant impact on the growth and development of the industry. The FDI inflow in the retail sector has increased during the last 10 years. It has been observed that there is no significant growth among the sectors chosen. The analysis has resulted in determining the relationship between the five sectors of the Indian retail industry over a period of 10 years, the changes in FDI distribution among the sectors is normal.

We may conclude that Indian retail sector has grown by leaps and bounds in the recent years. The growth and employment rates in terms of FDI in form of direct and institutional investment have been increasing at a phenomenal rate. Starting from the colonial period to the modern era, the impact FDI has on the Indian economy has changed tremendously. The changes in the government policies, introduction and adoption of technology, availability of labour and capital have contributed to high performance of the Indian retail industry which in turn has increased the FDI inflow in the country. This has resulted in the diversification, expansion and introduction of various businesses in the retail industry. The amendment of 2012, to allow 51% FDI in multi-brand retail and the recent policy allowing 100% FDI in single brand retail through automatic route has lead to reduced prices and better management of inflation, creation of employment, induced investment and enabled the small and medium enterprise to expand their market. The project enables to understand the role of FDI in the development of the retail sector in the past years. Thus based on the calculations and analysis it is determined that FDI is a great boost to the Indian economy.

FDI can be a powerful catalyst to spur competition in the retail industry, due to current scenario of low competition and poor productivity. Permitting foreign investment in food-based retailing is likely to ensure adequate flow of capital into the country, & its productive use in a manner likely to promote the welfare of all sections of society, particularly farmers and consumers. It would also help bring about improvements in farmers' income & agriculture growth and assist in lowering consumer prices inflation. Apart from this, by allowing FDI in retail trade, India will significantly flourish in terms of quality standards and cost-competitiveness of Indian producers in all the segments. It is therefore obvious that we should not only permit but encourage FDI in retail trade.

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