FDI in Retail- A Economic Growth or a Political strategy

Dr Sunita Dwivedi
(Associate Professor, ITM University, Gwalior)
Dr Abhilasha Sharma
(Assistant Professor, ITM University, Gwalior)
Mr Dheeraj Srivastava
(Student, MBA Vth Trimester, ITM University, Gwalior)

Introduction

The UPA Government conduct a meeting to decide that how this FDI news will be deliver to West Bangal Chief Minister Mamata Banerjee for her support and an idea came at the end of the meeting that she will be available in the Annual International Trade Fair, Pragti Maidan, New Delhi on Nov 27, 2011. This choice was given by Commerce Minister Mr. Anand Sharma, so the authority decided that Anand Sharma will be the person who will approach to her.

On Nov 27, 2011 he reached there and got a chance to talk to her at the time of cultural show. The cameras were watching them till 90 minutes and Mr. Anand did exactly which was planned. He told her about the (1). Foreign Direct Investment (2). 51% Investment and (3). The benefits from FDI to the country.

(1). FDI will provide the opportunity to new firm which can establish their business in the country and the country provide the cheaper production facility, new technology, new channel & market, skills and financing to foreign firms, while the firms will give a source of new technology, capital, process, products and foreign management skills to host country which will suddenly apply the force towards economic growth.

The classical definition is- a company from one country making a physical investment into building a factory in another country. The direct investment will be in Land, Building, Machinery and Equipments. The investing company may make its overseas investment in a number of ways – either by setting up a subsidiary or associate company in the foreign country, by acquiring shares of an overseas company, or through a merger or joint venture.

(2). What is 51% means- Government has decided to allow 51% FDI in Multi-brand retails, Rest of the investment will be from domestic small and medium industries of India.

(3). The benefits from this FDI is-
• 10 lacks jobs will be available in next 3 years.
• Billion dollars will be invested in India market.
• Spread import and export.
• Agriculture related people will get good price for their yield.
• Increase economic growth
• We are 2nd highest producer of fruits and vegetables in the world but we didn’t utilize it because of inadequate infrastructure facility (Exhibit-I).
• Reduce pre-harvest losses and thus help to control inflation.
• Increase competition which is always good for the customers.

But it didn’t look as she was listening to him properly. She was totally against to this. A Cabinet meeting on FDI in retail followed later in the year. Finance minister Mr. Pranab Mukharjee and Mr. Anand Sharma attempted to move a note seeking a Cabinet’s approval to open this sector (FDI). But the Rail Minister (then Mr. Dinesh Trivedi), opposed this move, said he could not be the
part of this move as his leader, Banerjee was against it. Sharma tried to make him sure that he has told her about this trice but Mr. Trivedi said that, “my leader is still opposed to it.” This objection was from other party but a senior congress leader A K Antony opposed the move as well, so at that time the decision was kept in suspension because of less number of supports from the Cabinet members. The reason for this objection was-

- It will affect the 50 million merchandise.
- Economically backward class people will suffer more.
- Inflation may be increase.
- Investment, price and margin ratio was not fixed.
- Again India becomes slave because of FDI in retail.
- Retailer may face losses in business and it will increase the travelling expenses.

Mr. Mukharjee subsequently told to Lok Sabha that further consultations with stake-holders would follow to create a consensus (same opinion by a group as a whole).

Now Congress needs to take some crucial decision which will increase the temper of public and these decisions were 1. To raise diesel prices 2. Cut LPG subsidies 3. FDI in retail and this was not possible without the support of other parties. Ahmad Patel (Sonia Gandhi’s political secretary) has been in touch with both Mulayam Singh Yadav and Mayawati and with many more leaders for support.

When Mr. Mukharjee announced about the FDI, he would resign as finance minister to start a new journey on June 26, 2012. So the decision was taken on June 24 but it actualize on Sep 14, 2012 in a meeting of the Cabinet, where the decision to permit FDI in retail was announced in all over the world. But again there were some changes; the decision was not to just open the multi-brand retail to foreign investment but also in civil aviation, power and in media.

The point to be notice is why the leaders are in favor now but not at that time (Nov. 2011). What changes occurs so that other parties are supporting to UPA? Is this a game to be fair in eyes of people or for the economic development? Many countries has been taken this decision to overcome from slow down, is it the last option for UPA Government to rebranding their fame or the last benefit given by them to public or economy? Is Walmart good for Indian economy and market? And why India has not considered China reform as an example for formulating the India’s FDI reform?

An overview of FDI in India

The historical background can be tracked when East India Company of Britain was established its operation in India. After 2nd world war Japanese company entered in Indian market for trading but Britain was the most dominant investor in India.

Later on after independence foreign investment became the issue of national safety and the policy makers give strict attention towards it. Keeping in mind the national interests the policy maker design the FDI policy which main aim was to make FDI a medium of acquiring advance technology and to mobilize foreign exchange resources. With time and as per the economy and political policies the FDI policy gets some modification in 1965. The industrial policy-1965 allowed the MNCs to come in India by technical collaboration (Exhibit-II). FERA (Foreign Exchange Regulation Act) was introduced by RBI in 1973 to regulate the flow of foreign capital and FDI flow in India.

1980- Government make changes in industrial reform again, aimed to increase competency, efficiency and growth in the industry through a stable and practical policy for FDI flow. At the critical time India became somewhat liberal towards FDI after consulting to the World Bank and IMF. As a result, India opens its door to FDI inflows and adopts a liberal foreign policy in order to restore the confidence of foreign investors.

Future a new foreign investment policy reformed by India, was FIPB (Foreign Investment Promotion Board), whose main function was to invite and facilitate foreign investment through single window system from the Prime Minister’s office. India also became the member of MIGA (Multilateral Investment Guarantee Agency) for protection of foreign investments.

The government also made is easier for MNCs to invest in India. Today, India welcomes foreign investment in virtually all sectors except defense, railway transport and atomic energy. In sectors like road and port infrastructure, mining of gold and minerals, and pharmaceuticals, MNCs can own up to
100 percent of their Indian affiliates without government approval. And the multi-brand companies, media companies, aviation companies can own 51% stake in India.

**Impact of FDI on Developing Countries**

The research revealed (a research conducted by Farell, 2004) that FDI is indeed good for the economic health of developing countries, regardless of the policy regime (authority), industry. In 13 out of 14 case studies, FDI increased productivity and output in the sector, increasing national income while lowering prices and improving quality and selection for consumers.

The McKinsey Global Institute revealed that FDI impact on host countries significantly differed depending on what investors were seeking (1). Lower cost or (2). New market. Investment by companies seeking lower cost known as “efficiency-seeking” investment resulted in improved sector productivity, output, employment, and standards of living in the host countries but there are few negative consequences (effects/threats) are also regarding distribution and supply of export oriented owned business.

Companies seeking new markets “market seeking” in the host countries also had a positive economic impact of employment.

The impact on domestic living standards is one positive result of FDI. In most of the emerging countries studied, the institute saw lower prices and better selection after foreign companies arrived, mainly because they have a tendency to improve the efficiency and productivity of the sector by bringing new capital, technology, and management skills and forcing less efficient domestic companies to either improve their operations or leave.

In market-seeking FDI scenarios, prices to consumers declined in 7 out of 10 cases, and product selection increased in all but not in the retail banking cases. The impact on prices was major in some cases. **Example-** Passenger car prices decrease by more than 30% between 1995 and 2001, although consumer prices more broadly grew by 10% during the same period in China.

**China vs. India**

China’s FDI reform is a remarkable example for world’s every developing economy that how efficiently they took the benefit of FDI. China opened up FDI in 1992, only in the area of retail and there were a limitation of 26%. 10years later, in 2002, that capitalization was raised to 49%. It was only in 2004 that 100% FDI in retail was allowed. The thing which to be notice here that China didn’t allow full FDI initially but slowly-slowly in three times it approved, only when they get to know that the companies are not having any other better option to bring cheaper product from any other country or in other words, when they be sure that Chinese manufacturing is having their own teeth. Now China has claimed that 95% of its goods sold in China are sourced locally.

In a interview (in sep.) it was asked by a reporter (Karan Thapar) on a discussion with Montek Singh Ahluwalia, Deputy Chairman of Planning Commission on CNN-IBN that, “why India is not calibrate (make the unit for measurement) and experiment just like China did regarding limitation, why it is not in less cities for experiment and less than 51% stake. He explains that, “China has introduced it 20years back and to say we have done it suddenly is false.” (Exhibit-III)

Besides from all, China has reaped many benefits from FDI. From the perspective of political authorities the technology transfer and increase to labor productivity from FDI has contributed to China’s ability to transform its economy gradually while enjoying a high rate of growth and development and opening its economy to outside investors. China has realized benefits from the rapid increase in total exports from about $10 billion in 1978 to over $125 billion in 2001, 130.7 billion in 2009 and it becomes number one exporter in the world by defeating Germany and according to recent data of 2011 it is $189.8 billion and having 2nd position. Not only they get the position but also develop the employment, for example- NOKIA has invested heavily in China has bought about 15000 jobs. FDI has given the dynamic style of leadership, openness to change, new technology, and managerial expertise introduced by foreign firms to China.

If we see in the Indian contest- thinking of the opposition is that China is a manufacturing based economy that’s why it is getting more benefit while India is an agriculture based economy. (Comment
of Rajnath Singh Exhibit-IV). Some what it may be right also. Same type of condition is not with every developing economy. If we observe the case of Malaysia, it is totally different.

Malaysia
Malaysia has faced two time oil crises, first in 1971 and second in 1980. After that they focused on the manufacturing of the electronic items but the whole world face electronic crises in 1985 so the demand get down and Malaysia faced again a recession. At that time Chinese were improving their lifestyle (wealthier of local people), Indians middleclass were strengthening while majority of Malaysia’s people were on the bottom of economic wealth ladder.

After the recession, Malaysia’s economy rebound in 1998-99 growing 5.6%. Major factor for this growth were-

• Low level of reserves
• Little foreign debt
• Continuity of the manufacturing and export sector.

So after seeing this growth FDI get attracted by Malaysia and came in 1999 and behind this attraction some other reasons was also like-

• Undervalued currency
• Low cost labor
• Fairly low inflation rate

But there were some negative impact of FDI. Malaysia has experienced some human right violations from U.S. investors in the manufacturing sector. The Malaysian worker suffered hardships and abuses from them. Workers employed by foreign-owned electronic companies sometimes work in deplorable conditions. Situations have been reported where huge electronic industries lacked proper ventilation and workers were subjected to various forms of health hazards.

South Africa-
South Africa is an example for a negative impact of FDI. The companies take the unnecessarily benefits of liberal labor law. Because South African investment laws and labor laws do not require foreign investment companies to hire a specified percentage of its citizens, there is no regulation that can force these companies to hire South African nationals. So as a result FDI didn’t solve or make easy the unemployment problem of South Africa. Some South African companies suffered because their businesses compete with foreign-owned companies. This competition is very frequent in the pharmaceutical, steel, dairy and electronic industries

Wal*Mart-
UPA Government is dreaming a lot with FDI and Walmart is a big player which is going to play a vital and may be controversial role in economy and employment growth. In 1962 Walmart emerge with a simple concept of “PRICE DOWN EVERY DAY” and it was the 1st retail outlet in the world. Slowly-slowly it gain popularity among the people and market and grow year by year with a good pace. According to recent data (2012) the total revenue of Walmart is $446billion. Now in India it came with some proposals which shows the growth and a better future, but exactly is it like that? Foreign companies are so much faithful and the feedback of public and small retailers in other countries are good enough to rely on them?

Well, we have an example for this. PEPISCO an American MNC came in India in 1980s with a proposal to bring 2nd horticulture revolution especially in Panjab. This news hype- all problem related to horticulture, agriculture and wastage is going to be solve after entering of PepsiCo. The expectation of India with Pepsico was (1). To improve modern technology (2). Increase effectiveness of agri-research work (3). Growth in agricultural production. The politicians, bueracrates, economist, scientist, even though the farmer union also give their support and show the green signal to Pepsico but these promises never fulfilled after 20years and all promises forgeted by everyone which was done by Pepsico related to revolution.
Now next big retail company, Walmart, is entering in the Indian market. This time again the politician, economist and experts are assuming that FDI in retail is ultimate option available for agricultural boom. The expected benefits are:

- Infrastructure benefit
- Increase in numbers of cold store chain
- Control on crop (grain) and fruits wastage
- Elimination of middle man
- Beneficial for farmers
- Increase in employment
- Modern technology

Both the parties (Government and retail big giants) are trying to find the win-win situation. It is told to the public that because of big retail giants’ like- Walmart, Tesco, Carryfour etc. the income of the farmer will be improve but the facts which force us to think that Walmart has completed 50 years in the USA and its agricultural population is less than 1% according to current data. In other countries the farmer exists not because of FDI but subsidies given by Government help them a lot.

According to United National Conference Trade and Development it was mentioned that if Government will not give these subsidies than the agriculture in America will be finish. In 2009 a 39% reduction was noticed in agricultural income of France.

Price of products will be lower in upcoming years, as it is proposed. Now the experts are arguing on this point (price taken from customers) after observing the past data which are connected with Indian organized retail houses. A study done by NABARD shows that Relience Fresh in Hydrabad is charging 15 to 20% more than the normal price (from market), than what we can expect that what the benefit Indian consumer will get?

The big giant cut the margin also of the farmers. In 1950 a person get 70cent over $1 in America but now it is only 4cent over a dollar. The margin should be increase after eliminating the middleman but fact is totally opposite and it is only because the small-small retailers and suppliers are replaced by a strong middleman.

There is no any example exist regarding any sever benefit given by FDI to infrastructure. It is very much obvious that if you are going to live in any different place (area) than defiantly you will build your house and the necessary infrastructure development will be done by Government itself. A wastage of food in India is 40% and it is proposed to reduce in future by cold storage but in America also 40% wastage of food item is being while these big retail houses exist there from a long time.

UPA Government is looking for the jobs which will be available in next 3 years (approximately 10million). According to a study of Pennsylvania “the poverty increase where the Walmart reach” and it gives two jobs while cut three (taken from a report ‘Walmart’s Economical FootPrint’ prepared for a New York advocate). In all over world Walmart provides 21Lakhs jobs for the revenue generate in a year is $446billion while 4.4cr people are engaged in India for this amount of turnover. According to an another article (A Mexican warning on retail FDI) written by, R.K. SWAMY HANSA (THE HINDU), Walmart has dominated the Maxican market in two decade from 1991 by 50% and It has given only just 2,00,000 jobs for this half of the market. Even though they have given bribe to government to open more and more outlets so that their next competitors will not have more choices and existing retailer cannot survive. Averagely Walmart is opening 11 outlets every month. The author has suggested that Indian government should frame a regulation against such type of developments.

In first week of September 10,000 people were shouting in Las Angeles on the road that “Meaning of Walmart is Poverty” and this demonstration was in all over continent (USA). New York public was saying that Walmart have destroyed the small retail market and Las Angeles people were saying that Walmart is not having heart and moral.

**Effect on Indian economy**-

Mr. C. Rangarajan, Chairman of the Economic Advisory Council to the Prime Minister, was addressing a seminar, in Hydrabad, on “Organized Retailing vis-a-vis Farm Economy of India” (September-21-2012). He was trying to make sure that, “modern organized retail will be helpful in
containing inflation and farmers will be benefited by infrastructure development (50% investment of total FDI investment bought). Consumers will find lower prices by modern retailing compare to traditional, thus inflation can be control. He also expects that the growth rate will be improved to 8.2% (expected) in next year.

If we see the independent macroeconomic variables which affect the Indian economy are- TradeGDP, R&DGDP, Financial Position (FIN. Position), exchange rate (EXR), and ReservesGDP (RESGDP). According to a study (Trends and Patterns of FDI in India and its Economic Growth) done by Mr. Shashank Goel, IIFT, New Delhi, there is a positive reaction of every variable except R&DGDP. They have done regression analysis over it and get an economic growth model (see Exhibit-V).

Some benefits are recognized by FDI to economy are-

- GDP growth will be recovered to 8-9% in next year. “We should keep that rate of growth as our objective and progress towards achieving that objective.” (P. Chitambaram, The Hindu).
- Reduction in inflation.
- Value of Rupee is an important factor that affects the value of import.
- Control the fiscal deficit. Everybody has lose the confidence from Indian economy because of fiscal instability of the country.
- Generate jobs and income for the large population.
- FDI inflow in India (see the past data Exhibit-VI)
- Export activity will be enhanced (For Example-China improve export after entry of FDI).

FDI’s target is to provide 1million jobs to Indian public but how it will be done? Actually the money will be pump in the economy by the FDI so the production activity will be automatically increase and inflation will be reduce and for more production companies want more work force and in the outlets also requirement of workers will be increase so people will get jobs. But it is fear also that after few years the effect of ‘pumped money (by FDI)’ will keep on reducing and then Indian economy needs to adopt some new strategy again. If the ‘money pumping’ will be more than the devaluation will be start, means the Rupee will be weaker and the debt will be increase.

Stock market is also affect by UPA’s reforms. While Sensex was suffering between 16K to 17K, suddenly rose and reach to point 19Kwithin 2 weeks (Exhibit-VII) and as we know that there is a direct impact of stock market rise to the economic growth, which is good shine for stock market. Impact of FDI was on many sectors like- retail, infrastructure, export-import etc.

Retail has many job opportunities as it is mentioned above, that right now mostly the industries are facing problem because of inflation, decreasing demand, raising fuel prices lower GDP etc. so that’s why the companies are now retrenching (cutting down) the jobs and mostly the they are in growth or maturity stage but only the organized retail sector has not been used and expected to generate employment. 98% of retail sector is unorganized have plenty of jobs.

Politics-

UPA government know that it is going to very tough to win the next election when the public have seen the other facet of game in their ruling period and many scams disclosed as everybody knows. The 1st big scam was 2G scam of worth Rs. 1, 74,000Cr. And again another biggest scam ever in India is coal scam of worth Rs. 1, 86,000cr. Inflation has increased in last 5years so people have to spend more for their daily survival and P. Chitambar (FM) has said that inflation is good for economy.

Rate of fuel has increased more than 30times in last 3-4years. The subsidiary on LPG is not applicable now and now there are limitation is also of 6 cylinders in a year while 9cylinders for those state where the Congress is ruling.

To save themselves from their shortcoming, the UPA government brought the reforms of FDI and simultaneously takes a bad decision for public to increase diesel prices by Rs. 5 and cutting subsidiary from LPG.

The life style of UPA leaders and their family is also very controversial. The congress chairperson Soniya Gandhi is enjoying foreign tours and medical treatment and payment of Rs.1880cr. (disclosed by Narendra Modi) is done from the government treasury. She has travelled 8times to meet to her mother, one secret Switzerland tour, and many more. The son in law of Soniya Gandhi, Mr. Robert
Vadra is also taking the benefits of government and has made property of more than Rs.300cr. by providing unethical contracts and land to DLF Company. Such type of many cases and facts are available which tells the story of UPA politics.

More over these things, the UPA government has pressure from other countries also to apply FDI in India because the main problem in the developed economies is unemployment and somewhat is problem can be solve by India. Mainly the pressure is from USA because this is time of election for 47th president of United State of America and India is the 2nd best option for FDI in world after china and most probably last option for UPA government to be fair in the eyes of India’s people.

**Current opinion of people**-

**Based on the collected data during research** it was found that the people are taking FDI as a good opportunity and welcoming in India but simultaneously they are having some threat also of reducing sales in the future. They are saying that employment will increase, food wastage may be decrease, supply chains will be strong and the mediators will get removed so it is good for them but they are worried about the side effects which may occur in the future and worried about the changes which are going to be in their lifestyle. The stake for FDI is 51% while for MSME or domestic businesses it is 30%. People are saying it should be more for domestic because it is going to be very tricky to manage after increasing competition [opinion is that it is like rat and cat fight- How a rat (small retailers) can fight with a cat (big retail giant) and win].

Local retailers want the changes, innovation, modernization, more connection but not on the cost of suffering losses in their business.

Regarding this reform the opinion has been taken from the other than retailers also. They are saying that it is not a political strategy of UPA government. Not this year but in next few years it was expected to be implement but it is right that UPA government has utilize this issue very well because it could be done before also. Obviously the FDI is for a long term growth, only government need to be strict on their rules and have to take some corrective action, when needed, to save the small retailer from the harm. To avoid the malpractices in the future Indian government should think to form Retail FDI Act because we know that India is a mixed economy. The expert’s opinion is favorable regarding employment- they are saying that India is an agriculture based economy and it is good that employment is shifting from agriculture to retail. Small retailers are now prepare to accept it and seeking for new opportunities.

But it is depend on the government as well as retailers that how they are taking it in the future because big retailers are having a good and bad past record regarding economic growth, modernization, technological improvement, food dumping, harm & benefit to small retailers because of wide expansion of big companies and generation as well as loss of employment etc. So the retailers should also take action over it. One good option can be- They can make a single big entity by joining four, five or many more retailers together because the retail companies are much bigger, and if retailers want to fight and sustain than they have to do something.

**Review of literature**-

- **Trends and Patterns of FDI in India and its Economic Growth**- Mr. Shashank Goel (IIFT, NDLS) Vol. 2nd, April, 2012

  There are some independent variables which are having a positive impact over the Indian economy growth and those variables are- trade GDP, reserve GDP, exchange rate, financial health. In this paper analyze the FDI flows in the country and also is discussed the direct proportionate of the economic growth of the country. The result of this study is that, Economic Growth Model coefficient on FDI has a positive relationship with gross domestic product growth (GDPG).

- **A Study of FDI and Indian Economy** by Ms. Sapna Hooda- Jan, 2011

  The main objective of this study was to analyze the trends and the patterns of flow of India, to assess the determinants of FDI inflows and to evaluate the impact of FDI over the Indian economy. She has also given the same variables which are given by Mr. Shashank Goel in his
paper and has analyze the inflows from 1991-2008. So the economic growth model gives the finding that FDI is vital and significant factors influencing the level of growth in India.

**Impact of Foreign Direct Investment on the development of an emerging economy- the case of China written by Dr. Robert H. Sinclair- 2010**

This paper describes the impact of FDI inflows on the development of economy of emerging markets. He has covered many theories of firm, globalization and economic development and has examine many aspects of China’s economy, market reforms policies, labor standards, productivity, risk and their correlation effect on the country.

**FDI and Economic Growth: evidence from Niegeria by Adeolu B. Ayanwale- April, 2007**

FDI in Niegeria was a good move after overcoming from many crises and this country has tried to strengthen the lower and middle level society. This paper has suggested some determinants of FDI which are important for rational policy formulation and implementation. The specific outcome is that there is positive impact of FDI inflow over GDP but Niegeria is not much FDI friendly.

**Survey of FDI in India- by Sumon K. Bhaumik, P. L. Beena (April 2003)**

The author have focused on the strategies which have been taken by the FDI for different countries like India, Egypt, South Africa, Vietnam and they have tried to find the impact of global reform as well as Indian reform. The single brand reform in India is having some characteristics associated with it. They have mentioned about the resources and Indian market and how it is associated with the Indian economy and the MNCs have maintained their own performance satisfaction level compare to the initial expected level.

**Statement of Problems:**

Till now in India very few researches conducted in this regard even if some research was done by researcher that was pure conceputal than quantitaive, Secondly the study in the area of multi brand retailing there are very few studies have been done till now and it is very new issue in front of everyone in Indian context. hence pertaining to issue, an effort was made to know the effect of the problem in quantitaive terms. This research will also become unique by including political issue as an another veriable influencing whole study.

**Justification of Problem:**

The study has been done in retail area and it gives the result about the impact of FDI on retailers, normal people, country’s economic condition etc. but the FDI is permitted in other industries also like; Aviation, Media & Broadcasting and Insurance so further the study can be in these areas specifically. Quantitatively the data collection can be done and the significance can be measure. Somewhat the result of this study is influenced by politics of UPA government, now in future the researcher can focus on PURE FDI because India is the 2nd best option for FDI in the world after China.

**Research Methodology-**

- **Objective of study-**
  - To highlight the opinion of small retailers
  - To know the expected future economic growth in India
  - To take the opinion about UPA government from different segment of people regarding FDI

- **Hypothesis**
  - There is a positive impact of FDI on retailer’s business, revenue and their lifestyle.
  - Expected future growth of India will increase positively.
  - FDI in India is a political strategy which has a positive effect on the vote bank of UPA government.

- **Research design-** The purpose of this study is to identify the reaction of general people about FDI and what the impact can be on their lifestyle, earning, and on their future. Politics was also a big issue to be considered. It was also important to know that what is the view of educated plus salaried people is. To fulfill this purpose a qualitative data collection has been done from
retailers as well as from the other educated and salaried people and analyzes them. People gave their view by qualitative questionnaire and for more information personal interview has been done by researcher himself from some respondents. Collect information by talking to the people who had been developed some papers in retailing.

It was a study in which collection of data is around of 20 to 25 respondents from Gwalior who was belonging from retailing business, academic and other. After collection of data the analysis has been done on the basis of collected data.

• Data Collection

For this study the data has been collected from the general shopkeepers, retailers and from people as well as from the experts who have enough knowledge about FDI and its impact on the country, economy, and politics and on the normal people’s income and lifestyle. The collected data is qualitative by the questionnaire and by asking questions orally to the respondents and specially by conducting personal interviews.

Data Interpretation-
Mostly the people are taking FDI as a good opportunity and welcoming in India but simultaneously they are having some threat also of reducing sales in the future. They are saying that employment will increase, food wastage may be decrease, supply chains will be strong and the mediators will get removed so it is good for them but they are worried about the side effects which may occur in the future and worried about the changes which are going to be in their lifestyle. The stake for FDI is 51% while for MSME or domestic businesses it is 30%. People are saying it should be more for domestic because it is going to be very tricky to manage after increasing competition [opinion is that it is like rat and cat fight- How a rat (small retailers) can fight with a cat (big retail giant) and win].

Local retailers want the changes, innovation, modernization, more connection but not on the cost of suffering losses in their business.

Regarding this reform the opinion has been taken from the other than retailers also. They are saying that it is not a political strategy of UPA government. Not this year but in next few years it was expected to be implement but it is right that UPA government has utilize this issue very well because it could be done before also. Obviously the FDI is for a long term growth, only government need to be strict on their rules and have to take some corrective action, when needed, to save the small retailer from the harm. To avoid the malpractices in the future Indian government should think to form Retail FDI Act because we know that India is a mixed economy. The expert’s opinion is favorable regarding employment- they are saying that India is an agriculture based economy and it is good that employment is shifting from agriculture to retail. Small retailers are now prepare to accept it and seeking for new opportunities.

More over it is depend on the government that how they are taking it in the future because big retailers are having a bad past record regarding food dumping, harm to small retailers because of wide expansion of big companies and loss of employment etc.

Recommendations-
• Government should think and make a law or act especially for FDI transactions so that India can be safe and nothing wrong happen in the interset of organised as well unorganised retailer and the history should not repeat it self as like happened in South Africa and Malaysia.
• FDI investor should frame their ploicies in a manner sho that it can safeguard the interset of everyone.
• Unorganised retailer can make a joint organisation create a big entity.

Limitations of Study
• As it was the study so the sample size was small.
• Researcher could not cover the other areas like- aviation, insurance, power and broadcasting.
• The sample was collect by convenient data collection technique.

Conclusion-
It is right that the UPA government have utilize this issue very efficiently and simultaneously raise the price of fuel and cut the subsidiary from cylinder but it is also a truth that is was going to be done in future by UPA government or by any other ruling party because slowly slowly it was becoming mandatory for Indian economy. It is also right that FDI is a good option for economic growth and for overcoming from the economic slowdown. The competition will be increase and lifestyle of retailers and middleman will be affected by competition but they are ready for this reform also. Initially there were a lot of issues of people but now it seems to be fine and the people are accepting the changes.

Exhibit-I

India has very inadequate facilities to store the food grains and vegetables. As the investment will flow into back end infrastructure, supply chain will get strengthened. Storage is a major problem area and 20%-25% of the agri products get wasted due to improper storage.

<table>
<thead>
<tr>
<th>Product</th>
<th>Wastage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tomatoes</td>
<td>35%</td>
</tr>
<tr>
<td>Mango</td>
<td>30%</td>
</tr>
<tr>
<td>Potato</td>
<td>25%</td>
</tr>
</tbody>
</table>

Another area which is also the cause of concern is movement of vegetable and other perishable agri item from one place to another. Lack of proper transportation forces the farmer to sell their produce in local market. This results in the lower realization on the produce.

-There’s a wider concern. People say that these are, for many, substantial concerns. So, why did you not introduce FDI in retail in a calibrated and experimental way? In China, when they introduced it in 1992, they first limited it to 26 per cent, to just six cities and there was a cap on the number of stores. In India, you have gone all the way to 51 per cent and it is going to happen in 53 cities and there is no cap on the number of stores.

What do you mean by calibrated? We knew in 1992 that China had introduced FDI in retail and we calibrated to not introduce it for 20 years. So, for 20 years we allowed the rise of domestic modern retail. So, to say we have done it suddenly is visibly false. For 20 years, we allowed a modern retail segment to get into place and it is doing a good job. I am not sure whether Arun or anybody else wants that to be shut down because of the concern of the kirana stores. We have calibrated it precisely for the political sensitivity. A state doesn’t want it, it doesn’t go there.

-You have absolutely no limit on the size of the store and the number of stores that can be set up. We don’t have to do everything the Chinese do.

-But the Chinese removed those limitations as late as 2005. Clearly, the Chinese were saying we need to do it step by step and India has done it at one go.

One big thing India did was to first bring in domestic modern retail. Twenty years to compete with these guys. Second, it (FDI) is only allowed in cities above a certain level. Third, unlike China, they have been forced to build a supply chain. I call that calibrate.

Exhibit-IV

MNCs will monopolise retail if FDI is allowed: Rajnath Singh

Singh alleged that the decision on FDI had been taken in haste by the PM to resurrect his image. Foreign Direct Investment (FDI) in retail will not only compromise India’s economic autonomy, but also imperil internal security, Bharatiya Janata Party (BJP) said on Thursday. “Almost 80 per cent of Walmart products sold worldwide are sourced from China. The same would be replicated in India if the company is allowed entry. This will only flood Indian markets with Chinese products and have a bearing on internal security,” former BJP president and parliamentarian Rajnath Singh said here. He cautioned that if FDI in retail were allowed, multinational retailers would offer

www.theinternationaljournal.org > RJSSM: Volume: 02, Number: 09, January-2013 Page 79
good deals to farmers in initial years, but after “monopolising” the retail sector, they would earn astronomical profits by forcing Indian farmers to sell agricultural produce at cheap prices. “Farmers in other countries have already suffered at the hands of big retailers,” he added. Meanwhile, Singh announced that if voted to power at the Centre, the National Democratic Alliance (NDA) government would order probe in the union cabinet approval of FDI in multi brand retail. “It is now apparent that foreign companies are spending huge sums in India on lobbying in favor of FDI in retail, which needs to be probe,” he said. Singh alleged that the decision on FDI had been taken in haste by the prime minister to resurrect his image after attracting negative press in some international journals. “The prime minister has taken the decision under pressure from the US and other countries,” he said. Singh was in town to lead the BJP’s protest over recent FDI-related proposals and a hike in diesel prices. Singh argued against the suggestion that FDI in retail would generate 10 million jobs, by questioning what would happen to 40 million jobs in the domestic retail segment.

### Exhibit-V

**Economic growth model**

\[
\text{GDPG} = f [\text{FDIG}]
\]

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficient</th>
<th>Standard error</th>
<th>t-statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.060322925</td>
<td>0.0000739315</td>
<td>815.92</td>
</tr>
<tr>
<td>FDIG</td>
<td>0.039174416</td>
<td>0.200661633</td>
<td>1.8959</td>
</tr>
</tbody>
</table>

R² = 0.959   Adjusted R² = 0.956
D-W Statistic = 1.0128, F-ratio = 28.076
Note: * = Significant at 1%.

In the Economic Growth Model, estimated coefficient on foreign direct investment has a positive relationship with Gross Domestic Product growth (GDPG). It is revealed from the analysis that FDI is a significant factor influencing the level of economic growth in India. The coefficient of determination, i.e. the value of R² explains 95.6% level of economic growth by foreign direct investment in India. The F-statistics value also explains the significant relationship between the level of economic growth and FDI inflows in India. D-W statistic value is found 1.0128 which confirms that there is no autocorrelation problem in the analysis. Thus, the findings of the economic growth model show that FDI is a vital and significant factor influencing the level of growth in India.

### Exhibit-VI

**FDI inflow in India-**
(From 1948 to 2010)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount of FDI (in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid 1948</td>
<td>256</td>
</tr>
<tr>
<td>March 1964</td>
<td>565.5</td>
</tr>
<tr>
<td>March 1974</td>
<td>916</td>
</tr>
<tr>
<td>March 1980</td>
<td>933.5</td>
</tr>
<tr>
<td>March 1990</td>
<td>2,705</td>
</tr>
<tr>
<td>March 2000</td>
<td>18,486</td>
</tr>
<tr>
<td>March 2010</td>
<td>123,378</td>
</tr>
</tbody>
</table>
Exhibit-VII

Chart Title

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>15000</td>
<td>15500</td>
<td>16000</td>
<td>16500</td>
<td>17000</td>
<td>17500</td>
<td>18000</td>
<td>18500</td>
<td>19000</td>
<td>19500</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

References-
1. Article- Understanding foreign direct investment which was written by Jeffrey P. Graham and R. Barry.
5. Business standard –September 24, 2012 (we have a very-2 inefficient retailing system by Montek Singh Ahluwalia) & (china’s FDI in retail could inspire India’s own expansion by Jyoti Malhotra)
7. U.S. FOREIGN DIRECT INVESTMENT IN DEVELOPING COUNTRIES: A CASE STUDY OF MALAYSIA, MEXICO AND SOUTH AFRICA By ABENAA A. OTI-PREMPEH
8.  www.thehindu.com › News › National
10. Walmart’s Economic Footprint, New York
11. Article- Aarthik shudhar ya bantadhar- by Mr. S. Gurumurti- a reporter and business advisor (newspaper- patrika 26-09-2012)
12. Article- Khudra se nahi hoga Shudhar- by Mr. Devendra Sharma- Agriculture and Fertilizer Security Specialist. (newspaper- patrika 05-10-2012)
15. Organised retail will help in containing inflation: Rangarajan- www.business-standard.com

17. A Mexican warning on retail FDI- by SHEKHAR SWAMY

18. Trends and patterns of FDI in India and its economic growth- mr.shashank goel; mr. K. Phani kumar; prof. K. Sambasiva rao (ajrbem)


21. Damad per kripa- Patrika news (6-oct-12)

22. Wal-Mart Is Good for the Economy- BY JOHN SEMMENS