



## Foreign Direct Investment & Multi – Brand Retail Trading An Economic Situation At Present In India

*Mr krishna kumar*

Email: [krishna.kumar@pearsonlearning.in](mailto:krishna.kumar@pearsonlearning.in)

### ABSTRACT

Foreign direct investment (FDI) is a basic inflow of outsource funds to India for investing profitability venture or project. The government changes the policy on time to time relating to FDI in India as a part of economic policy. A wise policy paves a way for economic development and investment opportunities to foreigners in different sectors of the economy. The fruits of this policy were enjoyed by different types of Indians directly

### FOREIGN DIRECT INVESTMENT – PRESENT SCENARIO

Foreign direct investment provides a wide spectrum of opportunities for investment made by a company or entity based in one country, into a company or entity based in another country. A remarkable investment made by outsiders in India mainly in the form of equity inflow, reinvested earnings and other capital has boosted the economy. The major economic growth of the country through FDI ensure huge amount of domestic capital, increase the production level and hike the employment opportunities. The major advantages in this system is outsourcing of knowledge from India especially in IT sector and developing the know-how process in India. Since 1991, the economic liberalization paves a way for huge investment in India. Since then the investment of foreign countries in India is increased year after year. The growth rate of GDP (Gross Domestic Product) and percentage increase of investment witnessed these changes. If we

or indirectly in big way. Now a days, the new announcement made by the government for the investment of funds in multi- brand retail trading. This is one of the advantages areas of investment called by the government to bring all retail products under one roof system. This policy attract the outsiders with an investment opportunities of 51% .It provide various benefits to Indian farmers, consumers, micro small enterprises, small retailers, rural youths etc.

analyze foreign direct investment inflow, it is very clear that there are drastic changes in the amount of investment in India. During the financial year 1991-1992 the amount of FDI inflow was 129 (US \$ million), then it hike later financial year. In the last two financial years the total FDI equity inflow 2013-2014 went up to 36396(US \$ million), in 2014-2015 (April-August) were 17445 million US \$. In addition to this the foreign institutional investors (FIIs) invest 5010 million US \$ in the FY 2013-2014.

Now a day's foreign direct investment extent to ultimate sectors of the economy like more or less on agriculture, industry and service sectors and the percentage of investment has also increased. There are more than sixty industries of different categories that are working in India by utilizing the advantages of FDI. The remarkable changes occurred in the defence, pension, insurance, print media, civil aviation, public sector banks, private sector banks ,multi brand, single brand and tourism



**FOREIGN DIRECT INVESTMENTS**

*(Since 2000-01 to 2014-15(April to August))*

**(Amount Rupees in Crores ( US \$ million))**

Sl.no	Financial year	Equity inflow	Reinvested earnings	Other capital	FII's investment	Total FDI	Percentage growth
1.	2000-01	2400	1350	279	1847	5876	-
2	2001-02	4095	1645	390	1505	7635	29.93533
3	2002-03	2764	1833	438	377	5412	-29.1159
4	2003-04	2229	1460	633	10918	15240	181.5965
5	2004-05	3778	1904	369	8686	14737	-3.30052
6	2005-06	5975	2760	226	9926	18887	28.16041
7	2006-07	16481	5828	517	3225	26051	37.93085
8	2007-08	36864	7679	300	20328	65171	150.167
9	2008-09	32066	9030	777	15017	56890	-12.7066
10	2009-10	27146	8668	1931	29048	66793	17.40728
11	2010-11	22250	11939	658	29422	64269	-3.77884
12	2011-12	35855	8206	2495	16812	63368	-1.40192
13	2012-13	22884	9880	1534	27582	61880	-2.34819
14	2013-14	25283	9047	2066	5010	41406	-33.0866
15	2014-15 (Apr-Aug)	12389	3451	1605	-	17445	-57.8684
total		242459	84680	14218	179703	521060	



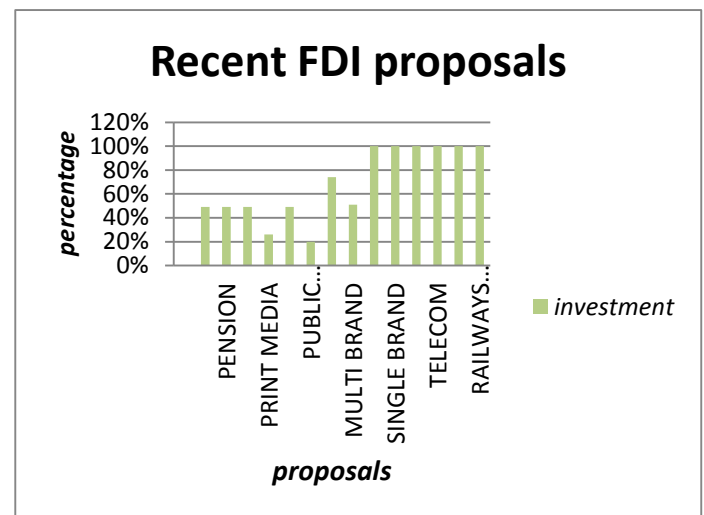
(sources of data – RBI monthly bulletin)

The inflow of resources mainly through FIPB (Foreign Investment Promotion Board), SIA (Secretariat of Industrial Assistance), RBI's automatic route and acquisition of existing shares only. The Sectors like services including financial and non financial services attracted the maximum amount or Rs 13294 Crores during the financial year 2013-2014. Followed by these sectors major contributors in FDI were construction, telecommunication, computer hardware and software, drugs and pharmaceuticals, automobile industry, Chemicals, power, hotel and tourism, metallurgical Industries etc. The service sector includes financial, banking, insurance, non financial or business, out sourcing, R&D, courier, technology testing and analysis. Telecommunication investment mainly concentrates in radio paging, cellular mobiles, basic telephone services etc. The top investing countries list discloses the fact that Mauritius is the main investor among the countries who invest cumulative inflow of Rs 394027 crores during the FY 2000-2014 (march). Singapore is the follower of the Mauritius who invest Rs 137139 crores in Indian market during the financial year 2000-2014(march). U.K, Japan, Netherlands, USA, Cyprus, Germany, France, Switzerland etc are the major utiliser of the fruit of FDI in India. Through this the basic infrastructure is increased day by day

and the product of domestic market is competing with each other in price and quality. So the fruit of FDI is enjoyed by Indians as a consumer in different ways and means. The total mergers and acquisition (M &A) and private equity deals in the month May 2015 were valued at US\$ 3.2 billion (115 deals) which is 21% higher in value as compared to May 2014. Based on the recommendation of Foreign Investment Promotion Board (FIPB), the government approved ten

proposals of FDI amounting to approximately Rs 1675 Crores (US \$ 265 million) on July 15, 2015.

#### GRAPHICAL REPRESENTATION



The recent announcement made by different companies indicate the investment interest of that corporate and share the Indian collaboration along with innovation, technology, market, raw materials Production technology etc. Google proposes the business to Indians with an investment of Rs 1500 crores and is followed by many other companies such as Warburg pincus, Gap inc, Dalian Wanda Group, Microsoft corporation etc. Capital is a scarce resource in the case of a developing nation like India. These companies provide the non debt financial resources which paves the way for economic development of India. The main advantages is that the introduction of new products, new skills, easy approachable market and modern technology to the host countries. As per the figures released by RBI Foreign Direct Investment during 2013-14 (from April to March) stood at approximate US \$ 17445 million and inflow for the last five month alone during 2014-15 (April to August) US \$ 8461 million (growth rate plus 42%). Among the various investment proposals only FDI equity inflow is US



\$ 12014 million. The government takes various initiatives to liberalize FDI policies so as to receive maximum investment from abroad. The investment scenario in India is getting better and better with each passing day due to high confidence level of investors.

Proposals	Investment
DEFENCE	49%
PENSION	49%
INSURANCE	49%
PRINT MEDIA	26%
CIVIL AVIATION	49%
PUBLIC SECTOR BANKS	20%
PRIVATE SECTOR BANKS	74%
MULTI BRAND	51%
TOURISM	100%
SINGLE BRAND	100%
MEDICAL DEVICES	100%
TELECOM	100%
CONSTRUCTION	100%
RAILWAYS (OPERATIONS & MAINTAIN)	100%

(Sources of data – RBI monthly bulletin)

### DIFFERENT SECTORS ATTRACTING FDI EQUITY INFLOW

Amount Rupees in Crores

Ranks	Sectors	2012-13	2013-14	2014-15

		(April – March)	(April – March)	(April – August)
1	SERVICE SECTOR	20306	13294	6521
2	CONSTRUCTION	7248	7508	2666
3	TELECOMMUNICATION	1654	7987	13902
4	HARDWARE AND SOFTWARE	2656	6896	2244
5	DRUGS & PHARMACEUTICALS	6011	7191	5373
6	AUTOMOBILE INDUSTRY	8384	9027	1848
7	CHEMICALS	1596	4738	2418
8	POWER	2923	6519	2210
9	METALLURGICAL INDUSTRIES	7878	3436	1162
10	HOTEL AND TOURISM	17777	2949	1937

(sources of data – RBI monthly bulletin)

### MULTI – BRAND RETAIL TRADING

It is witnessed by a very sensitive decision taken by the government recently in the area of investment called Multi-brand retail trading. The



government opens the door to multi- brand retailers with an investment of 51% under government route. At least 30 per cent of the procurement of manufactured or processed product shall be directed from small industries which have a total investment in plant and machinery, not exceeding USD 1 million. In the first tranche of FDI at least 50 percent of the total investment shall be invested in developing poor infrastructure.

Another point stated is that India is the second largest producer of fruits and vegetables. But there is a limitation factor that India has a very limited cold storage and chain infrastructure facilities. The consequences of this drawback lead the Indian farmers to heavy losses in terms of wastages in quality and quantity. Apart from these limitations, the Indian farmers face post- harvest losses of the farm produces due to lack of adequate storage facilities which have

#### TOP TEN COUNTRY'S EQUITY INFLOWS

**Amount Rupees in Crores ( US \$ million)**

Ranks	Country	2012-13 (April – March)	2013-14 (April – March)	2014-15 (April – August)
1	<b>MOURITIUS</b>	<b>51654</b> <b>-9497</b>	<b>29360</b> <b>-4859</b>	<b>23542</b> <b>-3934</b>
2	<b>SINGAPORE</b>	<b>12594</b>	<b>35625</b>	<b>11332</b>

		-2308	-5985	-1892
3	<b>U.K</b>	<b>5797</b> <b>-1080</b>	<b>20426</b> <b>-3215</b>	<b>4930</b> <b>-827</b>
4	<b>JAPAN</b>	<b>12243</b> <b>-2237</b>	<b>10550</b> <b>-1718</b>	<b>5377</b> <b>-897</b>
5	<b>NETHERLANDS</b>	<b>10054</b> <b>-1856</b>	<b>13920</b> <b>-2270</b>	<b>9379</b> <b>-1562</b>
6	<b>U.S.A</b>	<b>3033</b> <b>-557</b>	<b>4807</b> <b>-806</b>	<b>2367</b> <b>-394</b>
7	<b>CYPRUS</b>	<b>2658</b> <b>-490</b>	<b>3401</b> <b>-557</b>	<b>1693</b> <b>-283</b>
8	<b>GERMANY</b>	<b>4684</b> <b>-860</b>	<b>6093</b> <b>-1038</b>	<b>2262</b> <b>-377</b>
9	<b>FRANCE</b>	<b>3487</b> <b>-646</b>	<b>1842</b> <b>-305</b>	<b>1158</b> <b>-192</b>
10	<b>SWITZERLAND</b>	<b>987</b> <b>-180</b>	<b>2084</b> <b>-341</b>	<b>687</b> <b>-114</b>
<b>total</b>		<b>121907</b> <b>-</b> <b>22423</b>	<b>147518</b> <b>-</b> <b>24299</b>	<b>71976</b> <b>-</b> <b>12014</b>

(sources of data – RBI monthly bulletin)



been estimated to be over Rs 1 trillion per annum. In this situation the farmers can only realize one third of the sale price paid by the final consumer against two-third sale of retail business.

Retailing in India is one of the pillars of its economy and contribute 22 per cent of its GDP. India is one of the top five and fastest growing retail markets in the world with 1.2 billion people. India's retail industrial markets employ about 40 million Indians that are 3.3 percent of our population. Until 2011, the central government denied FDI in multi brand retail, restricted the outside investors to invest in super markets, convenience stores or any retail outlets.

In January 2012, the India government approved single-brand stores and invited the outside investors to innovate in Indian retail market with 100% ownership by adding the requirements that the single brand retail source 30 percent of its goods from India. On 14 September 2012, a new announcement made by government of India which gives the green signal to the foreign retailers to invest in Indian market through multi- brand retail trading. On 7 December 2012, the federal government of India allowed 51 percent foreign direct investment (FDI) in multi brand retail in India. After that some states in India allowed foreign supermarket in India like Walmart, Tesco and Carrefour etc

### Advantage group of Multi – brand retail trading

The fruits of multi brand retail trading were enjoyed by different people in India as different ways and means. Among them some of the advantaged groups are specified below.

❖ **Small retailers** It is to be noted here that the home retail service provided entities like big bazaar, Croma, Shoppers stop, reliance fresh

among others operated in different destination of India. FDI in retail sector initiated the more retail outlets to upgrade and more efficient area.

- ❖ **Consumers** It improves the quality of the product by enhancing the efficiency of supply chain. Through improvised testing and facilities we can maintain safety standard in food product. It helps the poorest section of the economy by providing superior quality product at low cost and makes them to purchase such product at current income.
- ❖ **Farmers** Multi brand retail trading through FDI strengthens the poor infrastructure and the outside retailers directly purchase from farmers. The result of the system will power the supply chain infrastructure of all products from storage to processing which would reduce post harvest losses.
- ❖ **SMEs** It is mandatory that the outside retailers source their 30 percent raw material or product from domestic SMEs. Multi-brand retail system helps small and medium enterprises added with advantage of technology upgradation, increasing productivity, local value addition etc and thereby increasing profitability and earning of the units.
- ❖ **Rural youth** FDI in multi - brand retail trading will also help a large number of young people from rural area to join the workforce.

### CONCLUSION

Globalization and FDI is playing an important role in the development of developing economy like India. India, now a days stands as a global destination of investment. After considering the present needs and advantages of the nation, the government comes up with new policies from time to time in the areas of FDI. The analysis of the data says that Trade, GDP etc are the main determinant



factors of FDI inflow in the country. It provides a sound base for economic growth and development by enhancing the financial position of the country. It also contributes to the GDP and foreign exchange reserves of the country. Multi – brand retail is a new scenario in FDI policy of government of India. After analysis of these investment opportunities, it is sound that FDI and Multi brand is advantage for everyone in India and abroad.

#### REFERENCES

1. RBI, Hand book of statistics on Indian Economy
2. RBI, monthly bulletin, various issues
3. Ministry of finance, department of economic affairs, government of India
4. [www.Investorwords.com/16386/economic\\_forces](http://www.Investorwords.com/16386/economic_forces)
5. [www.tradingeconomics.com/india/foreign-direct-investment](http://www.tradingeconomics.com/india/foreign-direct-investment)