



Importance of marketing reforms in the light of the FDI in retailing

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Abstract: Foreign direct investment is an integral part of an open and effective international economic system introduced in the development of an country with an aim of up-gradation of technical skills managerial skills innovative skills and highest capabilities in various sectors amongst Indian retail sector is one of the growing sectors with huge growth potential INDIA's large and ever growing population needs employment in agriculture and retailing a major source for the poor unskilled labor, superfluous labor and also the educated unemployed. Retail industry of INDIA is divided into two sectors organized and unorganized. After the adoption of liberal policy the organized sector in retailing has grown excellently and it is a testament of the Indian middle class's burgeoning buying power therefore the opening of the wholesale and the single brand retail sector to foreign direct investment was unavoidable. An attempt is made in this paper to examine the prospectus of FDI in multi-brand retail in INDIA and builds a case as to why sector needs to be opened. The government of INDIA allowed FDI sent percent in single brand retail like ADIDAS, NIKE, GUCCI to have their full commands for their operations in INDIA.

Key Words: Brand, Direct, Employment, Foreign, Investment, Retail

Introduction

India is a fast country after china in the world. India has opened very widely its doors to free FDI's entry in to Indian retail market. The issue was raised in the parliament and UPA seek the opinion of its member by voting on 4th and 5th Dec, 2012, where it the bill was succeeded by 261 votes favoring and 218 members opposed the entry of FDI's into Indian retail market. All opposition parties criticized and against the FDI including BIP, TMC, & S.W.P. etc., only because of the blessings of the mayavathi, the former chief minister of the Uttar Pradesh, they were in safe zone. Otherwise we would have been in trouble to f new lokh-sabha elections.

Concept of FDI

- In the first case the foreign investor may put their investment directly into the Indian retail markets like establishing wall-marts tesco etc.,
- In the second case the foreign investor may invests their bonds in our stock markets. This is one kind of portfolio- investment.

-The central government has made it clear that to invite fdi

In the above two cases getting assent from the state governments and union territories is made compulsory.



Importance of retail sector in India

Retailing is one of the pillars of Indian economy and accounts for 14 to 15 percent of the GDP of our country. The economic value of Indian retail market is estimated to be us dollar(\$450) billion and is marked as one of the top 5 retail markets in the world. Further, India is one of the fastest growing retail market in the world with 1.2billion people. India 's retail and logistics industry employees about 40million people i.e 3.3% of Indian population.

FDI RETAIL PATTERN:

SINGLE BRAND: It implies that foreign companies would be allowed to sell goods sold internationally under a “single brand”, viz., REEBOK, NOKIA AND ADIDAS. FDI in single brand”. Retail implies that the retail store with foreign investment can only sell one brand. For example, if ADIDAS were to obtain permission to retail its flagship brand in india, those retail outlets could only sell products under the ADIDAS brand and not the REEBOK brand, for which separate permission is required. If granted permission, ADIDAS could sell products under the reebok brand in separate outlets.

Multi brand: FDI in multi brand retail implies that the retail store with a foreign investment can sell multiple brands under one roof. Opening up FDI in multi brand retail will mean that global retailers including WALLMART, CARREFOUR AND TESCO can open stores offering a range of household items and grocery directly to consumers in the same way as the ubiquitous “kirana store”

The features of FDI :

The government of India under the leadership of Dr.manmohan singh has announced the following reforms of FDI's in the Indian retail marketing.

- The FDI's investment in multiband retailing is 41-51%.
- 100% in single brand retailing
- Allowing to do business upto 49% in the fields of airlines
- Increasing the range upto 74% in communication sectors
- Allowing 4 important public sector industries of their dis-investments.
- Opened doors very widely for reforms in power sectors
- The retail markets in Indian economic system was in between 14-15%
- The estimated value of the retail market in India 450 billion dollars.
- India is having the best retail market place in the world.
- 4 crores people were benefited and they have the it livelihood in retail and transport fields.
- This is equal to 3.3% of its popular
- The states the favors the FDI's are Delhi, Jammu& Kashmir, Assam, Maharastra, Rajasthan,Uttaranchal, Haryana, Manipura, Andhra Pradesh, Dayyu, Daman.
- FDI'S entry into the cities with the population above 10lakhs is made compulsory.
- According to sri.n. kirankumar reddy, chief minister of Andhra Pradesh, it was much beneficiary to the



agricultists who can directly sell their agricultural products in their respective states. it is a very much beneficial to them.

- The cities like Hyderabad, vizag will get many benefits.
- According to dr. Rangarajan, the former government RBI- it was no harm to the retailers in the INDIAN market.

Recent Policy Measures:

- Government eases FDI norms in 15 major sectors.
- Townships, shopping complexes & business centres – all allow up to 100% FDI under the auto route. Conditions on minimum capitalisation & floor area restrictions have now been removed for the construction development sector.
- India's defence sector now allows consolidated FDI up to 49% under the automatic route. FDI beyond 49% will now be considered by the Foreign Investment Promotion Board. Govt approval route will be required only when FDI results in a change of ownership pattern.
- Private sector banks now allow consolidated FDI up to 74%.
- Up to 100% FDI is now allowed in coffee/rubber/cardamom/palm oil & olive oil plantations via the automatic route.
- 100% FDI is now allowed via the auto route in duty free shops located and operated in the customs bonded areas.
- Manufacturers can now sell their products through wholesale and/or retail, including through e-commerce without Government Approval.
- Foreign Equity caps have now been increased for establishment & operation of satellites, credit information companies, non-scheduled air transport & ground handling services from 74% to 100%.
- 100% FDI allowed in medical devices
- FDI cap increased in insurance & sub-activities from 26% to 49%
- FDI up to 49% has been permitted in the Pension Sector.
- Construction, operation and maintenance of specified activities of Railway sector opened to 100% foreign direct investment under automatic route.
- FDI policy on Construction Development sector has been liberalised by relaxing the norms pertaining to minimum area, minimum capitalisation and repatriation of funds or exit from the project. To encourage investment in affordable housing, projects committing 30 percent of the total project cost for low cost affordable housing have been exempted from minimum area and capitalisation norms.
- Investment by NRIs under Schedule 4 of FEMA (Transfer or Issue of Security by Persons Resident Outside India) Regulations will be deemed to be domestic investment at par with the investment made by residents.
- Composite caps on foreign investments introduced to bring uniformity and simplicity is brought across the sectors in FDI policy.



➤ 100% FDI allowed in White Label ATM Operations.

FDI inflows in India:

YEAR	Amount of FDI (in million dollars)
2000-01	2463
2001-02	4065
2002-03	2705
2003-04	2188
2004-05	3219
2005-06	5540
2006-07	12492
2007-08	24575
2008-09	31396
2009-10	25834
2010-11	19427
2011-12	28403

Source: UNCTAD'S World Investment Report-2012

FDI investments- world wise

The following table gives about flow and FDI. In 2011, the developing countries received 6,84,389 million American dollars, India's take was 4%.

These are the particulars of the investments:

CHINA	-	1,23,985
HONG KONG	-	83,156
BRAZIL	-	66,660
SINGAPORE	-	64,003
BRITISH VARGIN, ISLANDS	-	53,717
INDIA	-	31,554
MEXICO	-	19,554
INDONESIA	-	18,906
CHILI	-	17,299



PROS OF FDI :

- Elimination of the brokers or middle men
- Chance to control inflation
- To eliminate wastages in vegetables, fruits because of the huge cold storages, ware houses with lot of infrastructure
- Chance for the small and medium in enter industries to enter into big market with their own branding and technology.
- There is a chance for the flow of investments into India .
- Provides job opportunities for the unemployed.

CONS OF FDI :

- Chance of shutting down of various small business organization.
- Directly it effects 4 crores people by means of unemployment.
- Prizes may increase in long run because of the influence of multinational vision.
- Cultivators may be effected by multinational companies
- Chance for international retails monopoly

Conclusion:

With the above commitment the former prime minister Dr. Manmohan Singh gave an assurance to the people of India that all to state government and union territories must be consulted and should take assent to implement all the above mentioned proposals, with an aim to make all the adventurous reforms only in order to provide job opportunities for the unemployed section especially in

organized sector what we have mentioned earlier. My conclusion is FDI entry into retail marketing is appreciable and inevitable at the same time the government must be very careful to observe each and every stage of FDI in order to correct the situation, if anything goes in a wrong way relating to economic disturbance. After the B.J.P government came into the power the honorable prime minister Sri. NARENDRA SINGH MODI has changed his political scenario to support FDI's entry into Indian market. It is one kind of favor to the FDI's into the Indian capital markets.

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