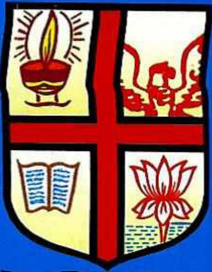

"STRENGTH THROUGH HARDSHIP"

NINAD

A Multi Disciplinary Journal

ISSN No. 2250-1037

Vol. XIII June 2015

SPECIAL ISSUE

ON

FOREIGN DIRECT INVESTMENT IN INDIA : INDIAN MARKET INVASION OR ECONOMIC REFORMS

NINAD

St. Aloysius College (Autonomous)

(Reaccredited 'A' (CGPA 3.5/4) by NAAC, Bengaluru)

(College with Potential for Excellence)

Sadar, Cantt., Jabalpur- 482001 (M.P.)

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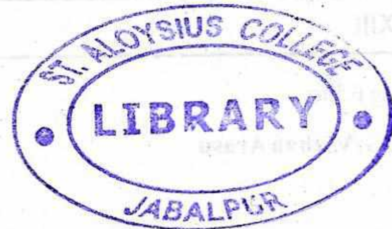

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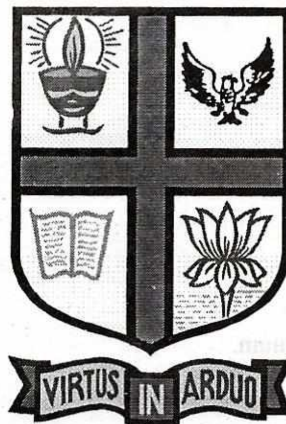

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NINAD

A Multi Disciplinary Journal

Vol. XIII Dec. 2015

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Subscription Rate: Institutional Rs. 500/-per annum.

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Editorial

Foreign capital mobilization plays a very significant role in resource mobilization, needed for achieving higher growth and increasing potential. Foreign direct investment supplements, to a great extent, the domestic capital mobilization, and technology up gradation, infrastructure development, and development of industries. Enhancing both technical skills and managerial capabilities over the years, India has become the second most preferred destination for foreign direct investment, next only to China. The economic reforms initiated in 1991 have contributed significantly to the inflow of foreign direct investment in India. Further on account of liberalization of trade and other economic policies, FDI shows a gradual increase and has become a staple for the success of India. FDI has become the game of numbers where the justification for growth and progress is the money that flows in and the specific problems plaguing the individual sub sectors.

Unprecedented globalization has visit double digit economic growth resulting in fierce completion and accelerated pace of innovation. As a result inflow of foreign direct investment has become a striking measure of economic development in developed and developing countries. FDI and FII have thus become instruments of international economic integration and stimulation.

The government of India finally recognizes the importance of foreign direct investment in accelerating the growth of our country's economy and its primary focus is now on mingling the Indian economy with global economy. It cannot be ignored that the FDI inflows in our country have increased over the years and we have immense potential to absorb greater flow of FDI even in the coming years. It has come in to notice that India being the developing country has also changed its approach and is now slowly moving from a restrictive regime to a liberal one.

The Department of Commerce St. Aloysius (autonomous) College Jabalpur Madhya Pradesh had organized a two days national conference on foreign direct investment: Indian market invasion or economic reform sponsored by University Grant Commission (CRO Bhopal MP) this conference aimed to gather the collective wisdom of the scholars, businessman, corporate and academicians for insight into the inflow in India and its impact, challenges, and the prospects in future and. provided opportunities to participants for a critical understanding of the role of FDI in India and its impact on the Indian economy.

Dr. Sunil Pahwa and Dr. Mita Ashish Shah present their article on the topic "Foreign Direct Investment: A Win Win Situation for a Developing India" that FDI is the best solution for the prices.

Dr. Neelkanth Pendse's paper expresses that foreign direct investment (FDI) can have important positive effects on a host country's development effort. In addition to the direct capital financing it supplies, FDI can be a source of valuable technology and know-how while fostering linkages with local firms, which can help jumpstart an economy. Based on these arguments, industrialized and developing countries have offered incentives to encourage foreign direct investments in their economies.

Dr. (Capt.) Sapna Chawla presents her paper on "FDI In Multi Brand Retail Market : Prospects And Constraints" and discusses that it has been observed that FDI comes to MNCS generally located in urban areas and the products produced by such companies are largely consumed by upper middle classes and rich classes of the country. Consumers living in semi-urban, rural and remotest parts of the country are devoid of the benefits accorded by MNCs Therefore, this section of society remains disconnected with the main stream of market

Mohd. Irfan maintains in his article that the CSR and Dividend of the Shariah Index& KMI and benchmark indices (BSE & KSE) during the period from 1stJan 2012 to Dec 2013. The closing prices of the Shariah Index& KMI and closing value of the benchmark indices (BSE & KSE) were collected from the BSE, KSE, Scottrade and Yahoo finance websites. The study employed the CAGR, BETA, Market Volatility model and correlation to examine the study objectives. It found that there is healthy relationship between KMI, Shariah and KSE, BSE during the study period.

Prashant Thote discusses in his paper Plus and minus of foreign direct investment, how FDI boost our economy and infrastructure development. The paper also highlights some negative aspects.

Neha Shouri's paper applies the opening up of the retail sector to FDI will provide a boost to small-and

medium enterprises. Moreover, expansion in the retail sector could also generates significant employment potential, especially among rural and semi-urban youth. The opening of retail industry to global competition is expected to spur a retail rush to India. It has the potential to transform not only the retailing landscape but also the nation's ailing infrastructure

Bhupendra Kumar and Dr.Mrituunjay's paper on Role of FDI in the development of Indian economy highlights the inadequacy of infrastructure facilities, rigid labour laws, bureaucratic delays etc problems related to FDI and its potentiality. It also highlights the various FDI policy reforms undertaken by the government which is a step towards the growth of FDI in Indian economy.

Dr. Chitra Rai studies Impact of FDI in Indian economy with special reference to retail sector in India- - this paper focuses on the changes introduced in the regulatory economic policies in the FDI policy regime. It has highlighted about the change in investments in the retail sectors. With the change in policy structure for FDI investment has increased to an extent in the retail sector and is predicted to increase in future too leading to an enormous development in the country's GDP.

Dr. Dhirendra Ojha and Dr. Aslam Sayeed express their views on Impact of FDI in India's economic development (with special reference to retail sector)- - this paper has highlighted the need and modes of FDI and also includes government policies to attract more number of foreign investors towards Indian economy. It also contains the impact of FDI in Indian retail sector and the structural change in various sectors due to change in government policies.

Aradhana Tiwari explores in her paper the liberalisation in the government policy which leads to an increase in the inflow and outflow of foreign investment in the various service sector units. The paper has also highlighted the structural change in the service sector units and trend of FDI in the sector.

Khushboo Keshri's Paper on FDI: Issues and Remedies focuses upon various issues like insufficient infrastructure, corruption, heavy duty of tax etc. relating to FDI in India which is hindering the foreign investment in India. It also provides various remedies to overcome these issues related to FDI which would help in increasing inflow of foreign investment in our country.

Komal Taneja ends her paper by saying that allowing healthy FDI in the retail sector would help in overall economic development. In addition it will also create employment But on the contrary FDI is creating fear in the minds of Indians that initially it will bring prosperity but afterwards it will hamper society as soon as its monopoly will be created. Thus, as a matter of fact FDI in the buzzing Indian retail sector should not just be freely allowed but per contra should be significantly encouraged.

Dr Rita Ghosh Guin writes in her article that FDI would help to integrate India's economy with that of the global economy. Indian infrastructure must be developed to capture more FDIs. Present reforms for FDI must be continued for the desired economic growth. The government should reduce service charges to encourage FDI and allied foreign investments. Special benefits for investment in India should be given to NRI as they can rely more on Indian economy to grab the attention of the world.

Ms.Ritu Shrivas focuses on foreign direct investment in pharmaceuticals. Indian Pharmaceutical market is expected to grow at a Compound annual growth rate of 15.3 per cent during 2011-12 to2013-14.Although India has substantially liberalized its foreign investment policy,the foreign direct investment inflows had been much below the targets until recently.Market leaders in Pharma industry should raise their expenditure towards Research&Development.Academic collaboration would help the pharma industry with regard to Drug development.

Dr. Shilpa Mishra's paper studies The Effect of Foreign Direct Investment on Indian Economy with Special Reference to Retail Sector. She discusses that a large number of changes that were introduced in the country's regulatory economic policies heralded the liberalization era of the FDI policy regime in India and brought about a structural breakthrough in the volume of the FDI inflows into the economy maintained a fluctuating and unsteady trend during the study period. It might be of interest to note that more than 50 per cent of the total FDI inflows received by India came from Mauritius, Singapore and the USA.

Dr. R. K. Gautam and Dr. N.P. Prajapati discuss in their paper the impact of multi brand Foreign Direct Investment in Retail Sector in India. FDI's basic principle is to raise world output by moving managerial skills and capital. FDI acts as protection in capital formation in under developed country. The main objective of the study is to find out pros and cons of multi brand FDI in retail sector in India.

Prof. Rajesh Jain's paper studies the Foreign Direct Investment Sectoral Policy and Regulatory Aspects for India.The retail industry in India is the second largest employer. The investment commission which was established in Dec,2004 as a part of ministry of finance to facilitate and enhance investment in India the decision to allow entry to foreign players in multi brand retail is clearly a game changer for Indian retail sector.

Sunita Ramchandani and Deepak Motwani present their views on FDI in multi brand retailing in India.Retailing in India is one of the pillars of its economy. Indian retail scenario is changing with the fast speed due to the change in Indian retail consumer attitude. FDI in multi brand retail would offer wide range of choice to the consumer.

Dr. Vijay Singh Parihar and Mr. Akhilesh Mishra's Paper is based on FDI and Economic Reforms in India. They discuss that Infrastructure development in India has contributed majorly to the country's economy. FDI is defined as investment made to acquire lasting interest in enterprises operating outside of the economy. The Government of India is trying to accommodate and utilize the conducive investment climate of the country by relaxing and even introducing new policies.

Mr. Nitin Jain in his paper on Rural India: Potential Hub for FDI state expresses that the government of India has initiated policies for encouraging FDI in various sectors. India has a large number of people residing in the rural areas. If the fruits of FDI reach our rural India, then definitely the economy can achieve high growth. Efforts are to be made to remove the barriers in the implementation of FDI in rural India.

Mr. Sapan Kumar Gupta shared his views on Online Retailing: A Conceptual Study of FDI in Multi Brand Retail. The paper expresses that the e-commerce industry is growing at a rapid pace and changing the dynamics of the retail industry. In the coming years, e-commerce is expected to contribute close to 8-10% of the total retail segment in India. This growth is bound to continue provided e-commerce companies focus on innovating, building strong technology infrastructure and delivering the best customer experience.

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Foreign Direct Investment a Win-Win Situation for a Developing India

*Dr. Sunil Pahwa
**Dr. Mita Ashish Shah

Foreign Direct investment is "investment into the business of a country by a company in another country."

The Foreign Direct Investment means "cross border investment made by a resident in one economy in an enterprise in another economy, with the objective of establishing a lasting interest in the investee economy. Mostly the investment is into production by either buying a company in the target country or by expanding operations of an existing business in that country". Such investments can take place for many reasons, including to take advantage of cheaper wages, special investment privileges (e.g. tax exemptions) offered by the country. The simplest explanation of FDI would be a direct investment by a corporation in a commercial venture in another country. A key to separating this action from involvement in other ventures in a foreign country is that the business enterprise operates completely outside the economy of the corporation's home country. The investing corporation must control 10 percent or more of the voting power of the new venture.Foreign direct investment (FDI) refers to capital inflows from abroad that are invested to enhance the production capacity of the economy. However, FDI in retail is different from the investment in corporate, manufacturing, or infrastructure sectors. Retail can be single or multi brand and may be described as a sale to the ultimate consumer at a margin of profit. While the FDI in single-brand retailing was allowed earlier, FDI in multi-brand retailing is being allowed now; meaning a retail store with a foreign direct investment can sell multiple brands under one roof. So it is the link between the producer/manufacturer and the individual consumer. India had to open up the retail trade sector to foreign investment as it is a signatory to the World Trade Organization's General Agreement on Trade & Services, which include wholesale and retail services.

Foreign Direct Investment as a boon

1. Indian retail sector is highly fragmented with around 97% of its business being run by the unorganized retailers. The organized retail is in the initial stage. With the entry of FDI the retail sector will become organized.

2. Foreign investment in food-based retailing would ensure adequate flow of capital into the country and its productive use, multiplying the same. It will promote the welfare of farmers by agriculture growth, and thereby increasing their income level.

3. Intermediaries, known with different names in different parts of the country, flout the business ethics. Prices lack transparency, due share of farmer is not paid to him. Regulated markets also have developed monopolistic character. Indian farmers at present realize only 1/3rd of the final price paid by the consumer as against the 2/3rd price realized by the farmers in the countries with a greater share of organized retail. FDI will assist in reducing the dominance of value chain by intermediaries.

4. FDI in retail will make the consumer happy as well. In the absence of intermediaries, the consumer will end up paying less for a better product. Besides in the unorganized sector, consumer has to argue and fight a lot in case he has to return some faulty product to the retailer. This process will be standardized.

5. It will serve as an antidote to inflation. The producer will get direct payment from the retailer and the same will be higher than what he was getting earlier due to the foul play by the intermediaries.

6. In accordance to the provisions made, any company going for 51% partnership in retail, will have to tie-up with a local partner. This will improve the income levels of all concerned and will make economy flourish with quality branded products at a lower price.

7. FDI will improve the investment in logistics of the retail chain leading to an efficient market mechanism. India is one of the biggest producers of fruits and vegetables, it does not have a strong integrated cold-chain infrastructure with only around 5400 cold storages which have total capacity of about 24 million MT. The irony is that 80% of the capacity is used only for preservation of potatoes. The perishable horticultural commodities find it difficult to link to distant markets, including overseas market. FDI will become catalyst in avoiding this distress sale and erosion & wastage in quality and quantity of the produce.

8. FDI in the retail sector will spur competition as the current scenario is of low competition and poor productivity. India will flourish in terms of quality standards and consumer expectations.

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Foreign Direct Investment as a Bane

FDI is all not goodie-goodie situation if we try to look at the negative aspects the following issues would emerge-

1. The unorganized retail sector is the largest source of employment after agriculture and has deep penetration in rural India. It generates more than 10% GDP of India. There is all probability that there will be a great job loss in this sector. The worst affected would be the rural youth.

2. The foreign big shots like Wal-Mart coming with huge investment may not procure material from the domestic producers and might import the same from international market. This will add to the woes of already crumbling Indian producers.

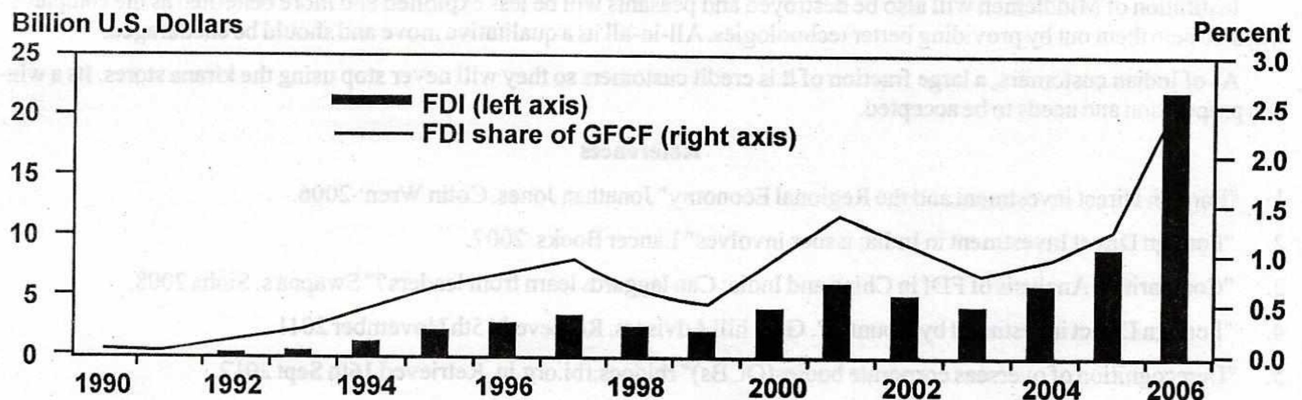
3. The present PDS (Public Distribution System) on which a large urban and rural population depends will also receive a setback and it will be difficult to procure and redistribute the material, once the dependence on FDI increases.

4. The fear is rampant on the existence of micro, small and medium enterprises with the introduction of FDI in India. They will lose their existence.

5. Foreign capital will penetrate in the country and will seek ways to multiply itself with unthinkable application for profit. In the long run, given the socio-economic structure, it may cast doom and widen the gap between the rich and the poor.

6. Foreign investment in products will mark their presence but our local products would be degraded.

Foreign Direct Investment the Indian scenario



Source : Government of Indian, Ministry of Finance, Economic Survey.

Apart from the government laws and jurisdictions, there are various other factors behind the success of foreign direct investment initiatives in the country. The most crucial factors include the tremendous support base provided by India to aid the success of the projects laid out by these foreign investors. The unending supplies of electricity and water services and facilities are one of the most crucial components of these. This has been possible as India is blessed by nature with a host of ever flowing rivers, which are like the lifeline to every activity that takes place in India. Apart from this, various types of raw material desired by these manufacturing projects such as coal, metals, minerals etc. are available abundantly in India thus; the instant availability of these raw materials is crucial in saving any kinds of delays and cutting down costs. Another favorable factor in India is the availability of a large workforce, which majorly dwells in villages and rural areas of the country. All these factors and more can be distinctly be recognized as the various factors that have led to the success of the foreign direct investment initiatives in the country.

The Indian economy has been booming ever since India came out of the shackles of imperialism and emerged as a politically, socially as well as financially independent nation. Although India attained its freedom more than about sixty years ago, the emergence of the Indian economy on the global scene has been a rather recent development. This is because of the realization of the true economic growth potential of India, by the foreign investors as well as business houses. Till about the recent times. India continued to be a whole soul agricultural economy, which had been impregnated with various types of bureaucracy, exploitation and corruption. In spite of this, the westerners saw tremendous potential in India to develop as an economically strong adobe for investment and ploughing in of cash in order to start off a new venture. But till recently, there were various jurisdictions prevalent in the code of law in India,that prevented the full strength inflow of foreign direct investment in India. But fortunately for all, the Indian government was quick to realize the actual potential embattled in the Indian economy and what was holding it back. finally in the year 2005, the Indian central government passed a jurisdiction allowing a cent percent foreign direct investment into the Indian economy, in various sectors.

This was one of the major steps taken into the direction and it opened the doors for a number of foreign investors to come to India and plough in their money into various segments of the market. The sectors of the Indian economy to benefit the most from this were telecom, automobiles, retail, real estate and construction business of lately, other sectors such as pharmaceuticals as well as chemicals have also seen the magic of foreign direct investment. There are still some sectors like arms and ammunitions, transport and railways etc, which are still prohibited to entertain any type of foreign investment. The main problem with the current status of foreign direct investment (FDI) in retail in India is that it does not provide a level playing field to other players of the domestic and small sort. In addition, it appears to take a rather naive and simplistic view on certain aspects, which like myths being repeated, tend to become urban legends. On the other hand, no country can afford to take on an isolationist approach.

Conclusion

"Consumer is king and if that is the philosophy working behind the policy then what is wrong in it."

Our country is facing some severe levels of fiscal deficits with dwindling foreign currency reserve. To add to that we have a falling currency and US taper is creating more pessimism among the investors who are withdrawing their money from the market and which in turn is pushing up the inflation rate. So in short it can be said that we are in real need of a massive level of cash influx in a short term into the Indian market so as to rejuvenate the market. FDI is the best solution for the crisis even the rationales presented against FDI do not hold good if seen in depth. First of all giants like WALMART will be opened in metro cities which already have so many Marts installed in them. But their the small shops are functioning as they used to. Through FDI many other foreign companies like TESCO etc will also enter the Indian Market not just WALMART so there is no chance of monopoly rather competition among the foreign and Indian companies will increase which will bring the prices down, create more employment and thereby better services to customers. The kirana shops will also lose their strong hold and practices like black market, hoarding will stop and they will also be forced to sell at legitimate prices.

Institution of Middlemen will also be destroyed and peasants will be less exploited and more benefited as the companies will also help them out by providing better technologies. All-in-all its a qualitative move and should be encouraged.

As of Indian customers, a large fraction of it is credit customers so they will never stop using the kirana stores. Its a win-win proposition and needs to be accepted.

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Economic Reforms, Foreign Direct Investment and Its Economic Effects in India

*Prof. Neelkanth G. Pendse

Foreign direct investment (FDI) can have important positive effects on a host country's development effort. In addition to the direct capital financing it supplies, FDI can be a source of valuable technology and know-how while fostering linkages with local firms, which can help jumpstart an economy. Based on these arguments, industrialized and developing countries have offered incentives to encourage foreign direct investments in their economies.

Recently, however, the special merits of FDI and particularly the kinds of incentives offered to foreign firms in practice have begun to be questioned. Fueling this debate is that empirical evidence for FDI generating positive spillovers for host countries is ambiguous at both the micro and macro levels.In a recent survey of the literature, Hanson (2001) argues that evidence that FDI generates positive spillovers for host countries is weak. In a review of micro data on spillovers from foreign-owned to domestically owned firms, Gorg and Greenwood (2002) conclude that the effects are mostly negative. Lipsey (2002) takes a more favorable view from reviewing the micro literature and argues that there is evidence of positive effects. Surveying the macro empirical research led Lipsey to conclude, however, that there is no consistent relation between the size of inward FDI stocks or flows relative to GDP and growth. He further argues that there is need for more consideration of the different circumstances that obstruct or promote spillovers.

It is widely believed that the type of FDI and its structural composition matter at least as much for economic growth effects as does the overall volume of inward FDI. Agrawal and Shahani (2005) reckon that it is the quality of FDI that matters for a country like India rather than its quantity. FDI is often supposed to be of higher quality if it is export oriented, transfers foreign technologies to the host country, and induces economic spillovers benefiting local enterprises and workers (Enderwick2005). All the more surprisingly, the structure and type of FDI are hardly considered in previous empirical studies on the FDI-growth links in India.

We find some support to the proposition that the character of FDI in India has changed in the post-reform period, though possibly not to the extent as the proponents of a further liberalization of FDI regulations might implicitly assume. Moreover, the growth impact ofFDI is shown to differ significantly across sectors. Most notably, there is at best weak evidence for a causal link between FDI and output growth in the services sector, which attracted the bulk of additional FDI in recent years. This leads us to conclude that the current euphoria about FDI in India rests on weak empirical foundations. FDI is rather unlikely to work wonders in India.

Earlier Literature and Open Questions

Several earlier studies on the growth impact of FDI in India are in striking contrast to the currently prevailing euphoria. Agrawal (2005) estimates a fixedeffects model based on pooleddata for five South Asian host countries, amongwhich India figures prominently, and the period 1965-1996. The coefficient of the FDI-to-GDP ratio turns out to be negative, though not significant. However, this approach ignores that FDI is endogenous. Moreover, the inclusion of exports as a right hand side variable maybias the coefficient of the FDI variable downwards to the extent that the growthimpact of FDI may run through export promotion. Similar qualifications apply to Pradhan (2002)who estimates a Cobb-Douglas production function with FDI stocks as additional input variable. FDI stocks have no significant impact when considering the whole period ofobservation (1969-1997)

Most studies accounting for the fact that causation may run both ways tend to find that higher growth leads to more FDI, rather than vice versa. Chakraborty and Basu (2002) explore the two-way link between FDI and growth by using a structural cointegration model with vector error correction mechanism. Using aggregate data for 1974-1996, they find that causality runs more from GDP to FDI. In the long run, FDI is positively related to GDP and openness to trade. Furthermore, FDI plays no significant role in the short-run adjustment process of GDP. In an earlier study, Dua and Rashid (1998) report similar results. Kumar and Pradhan (2002) consider the FDI-growth relationship to beGranger neutral in the case of India as the direction of causation was not pronounced. Sahoo andMathiyazhagan (2002) corroborate whatappeared to be the consensus until recently, while the Granger causality andDickey-Fuller tests presented by Bhatet al. (2004) provide no evidence of causality in either direction.

Another explanation, which has received particular attention in the literature, concerns FDI-induced exports as a possible transmission mechanism from FDI to GDP growth. Findings have remained ambiguous. In some contrast to Kumar (1990), Sahoo (1999) shows that foreign firms had somewhat higher export ratios than comparable domestic firms in selected industries in 1990-1994. However, several studies are more in line with the ADB's (2004: 224) verdict that FDI accounts for a "trivial share" of India's exports.According to Sharma (2000), FDI had no significant impact on the country's export

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performance.Pailwar (2001) argues that India has not been able to attract FDI in export oriented areas. Banga (2003) agrees that FDI has not played a significant role in export promotion, but points out that export effects differ between home countries of foreign investors and between traditional and non-traditional export industries.

It is open to question which of these findings still apply. Earlier studies may fail to fully capture the effects of the changing policy framework in the post-reform period. The ADB (2004: 244) expects a fundamental shift in the behavior of foreign investors and in the benefits host countries may derive from FDI when the policy environment changes as it did after India's reform program of 1991. The New Industrial Policy, triggered by the severe liquidity crisis and the ensuing structural adjustment program agreed with the IMF, marked the departure from restrictive FDI regulations and included the liberalization of trade barriers. Policy changes relevant to FDI included: automatic approval of FDI projects meeting certain conditions; opening up to FDI in various sectors, including mining, financial services and telecommunication (though still subject to limits of foreign ownership); lifting foreign ownership restrictions in most manufacturing industries; gradual dismantling of performance requirements; and incentives for companies operating in export processing zones, the number of which increased. Trade policy reforms that may have induced more world-market oriented FDI included sharply reduced import tariffs.

Even if one rejects the view of Gupta (2005: 199) that "India fully liberalized its economy and became completely open to FDI", the reforms appear to be comprehensive enough to have a say on both the type of FDI entering India and the economic impact of FDI. The liberalization of technology policy seems to have had the effect that foreign investors increasingly entered into technical collaboration agreements, most of which involved some form of financial and equity participation (Athreye and Kapur 2001: 418).Moreover, if Gupta (2005) is right in that India's earlier import substitution strategy had impaired the economic benefits to be derived from FDI, trade liberalization should have resulted in larger benefits. As a consequence of trade liberalization, India may no longer belong to the group of relatively closed host countries for which, according to Basu et al. (2003), long-run causality is uni-directional from GDP to FDI.

Yet it remains open to question whether economic reforms and liberalization resulted in major changes inthe type and character of inward FDI. The same is true with regard to the growth effects of FDI in India in the post-reform era. This is for several reasons. First, Kumar (2003) argues that some changes in the structure of inward FDI may rather have impaired the growth impact of FDI. For example, Kumar refers to the increasing role of M&As which, according to this author, are inferior to greenfield FDI. Second, the (admittedly limited) information on FDI characteristics available from surveys of so-called FDI companies has hardly been used in the literature to reveal the type of FDI India has attracted recently. Third, and most importantly, studies based on disaggregated FDI data, whether for India or for any other country, are extremely rare. To the best of our knowledge, Alfaro (2003) is the only study that analyzes FDI flows at the sector level, though in the context of a heterogeneous group of host countries. Utilizing cross-country panel data on sector level FDI flows and controllingfor a series of macroeconomic and institutional factors, Alfaro shows that the growth impact of FDI varies across sectors, with positive and significant effects visible only in the manufacturing sector. While providing a differentiated picture on FDI effects, it remains open to question whether findings apply to a specific host country like India. Further, Alfaro's analytical approach is limited tocross-section regressions and, hence, does not address questions regarding the cointegration process and the causal links in the FDI-growth relationship. Weattempt to fill these gaps by making use of recent developments in econometrictechniques as well as disaggregated data on FDI stocks in India. As shown below, the sector structure of FDI has changed dramatically. This provides additional reason to expect that the growth consequences of FDI in India depend on what kind of sectors receive FDI (Dua and Rashid 1998: 155).

Stylized Facts

It is beyond serious doubt that India's reform program of 1991 has boosted FDI inflows, even though Kumar (1998) is probably right in that the worldwide surge of FDI has played an important role, too. Annual average inflows of US$ 200 million in 1987-1990 pale against annual average inflows of US$ 4.1 billion in 2001-2004 (UNCTAD online database). FDI has gained prominence in relative terms, too (Figure 1). FDI inflows accounted for 3.2 percent of gross fixed capital formation in 2001-2004. Compared with all developing countries (10.5 percent in 2004) and China (14.9 percent in 2004), this share is still low. However, in the pre-reform period of 1987-1990, FDI inflows accounted for just 0.3 percent of gross fixed capital formation in India. Inward FDI stocks, relative to GDP, soared from less than one percent in the late 1980s and early 1990s to almost six percent in 2004. This ratio isapproaching the corresponding ratio for China (8.2 percent in 2004), though still lagging considerably behind the corresponding ratio for all developing countries (26.4 percent).

As discussed below, these changes in the structure of inward FDI may have important implications for the typeand characteristics of FDI in India as well as its economic effects. However, the data situation leaves much to be desired when it comes to FDI in services. This is mainly because booming FDI stocks in the services sector are largely confined to the unspecified category of "other services."Presumably, FDI in this category is heavily concentrated in information and communication services. While it is impossible to assess the relative importance of branches such as the software industry and telecommunications on the basis of stock data, Kumar (2003: 7) notes that telecommunications accounted for about 60 percent of FDI approvals in the services sector during 1991-2000. Recent information on actual FDI inflows shows that services subsumed by the Reserve Bank of India under "computer services" and "financing, insurance, realestate and business services" accounted for 30 percent of total FDI inflows in2002/03-2004/05 (Reserve Bank of India 2005: 82).

Survey data compiled by the Reserve Bank of India (var. iss.) on so-called FDI companies indicate that, in addition to the increased significance and changing composition of FDI, the type and character of FDI has changed in several respects since the reform program of 1991 (Table 1). Indicators point to an increasing world-market orientation of FDI. Exports accounted for almost 15 percent of production by all FDI companies surveyed in 2002-03, compared to less than 10 percent in 1990-91. Accordingly, FDI in India continues to be motivated by serving local markets in the first place. But the increasing export orientation may have favorable effects on India's economic development. Balasubramanyam et al. (1996)argue that world-market oriented FDI is superior to purely local-market oriented FDI because the former is more in line with comparative cost advantages of host countries (see also Nunnenkamp and Spatz 2004). The increasing export orientation of FDI appears to be due to two factors: (i) the emergence of new industries thatattracted FDI (most notably "computer and related activities"), and (ii) rising shares of exports in the production of industries in which FDI has a longer tradition (such as tea plantations, rubber products, and engineering).

Overall imports increased by the same order as exports, leaving the ratio of exports to imports constant. However, imports of capital goods still account for a minor share in overall imports, though this share varies widely across industries. As a consequence, the extent to which India may benefit from technology transfers embodied in imports of capital goods seems to be limited. On the other hand, concerns that rising imports by FDI companies would crowd out local suppliers seem to be unfounded. The ratio of imported to indigenous supplies of raw materials, stores and spares stayed more or less constant when comparing this indicator for all surveyed FDI companies in 1990-91 and 2002-03.

Another major change in FDI characteristics concerns its technological sophistication. This has two aspects. First, rising payments of royalties (in percent of production) suggest that FDI companies have increasingly transferred foreign technologies which may support India's industrial upgrading. In 1990-91, such transfers were largely confined toFDI in engineering. They still figure most prominently in this area, with transport equipment standing out with the highest ratio of royalties toproduction by far.However, other industries, notably the chemical industry, have also drawn increasingly on technologies available abroad. The second aspect relates toR&D undertaken by FDI companies inIndia. Measured as a percentage ofproduction, local R&D has gained in significance by still more than transfers of foreign technology. This applies to all industries for which data are available. Yet local R&D isconcentrated in exactly the same industries, namely chemicals and engineering, which stand out in terms of transfers of foreign technology.This strongly suggests that transfers of foreign technology and local R&D represent complementary means for industrial upgrading, rather than the former substituting the latter.

Comparing FDI and export trends, Figure 3 indicates that export growth in the primary and secondary sectors may have been stimulated by rising FDI stocks immediately after reforms in 1991.But exports stagnated in the second half of the 1990s even though FDI peaked in 1998, and exports resumed a higher growth path recently when FDIin the primary and secondary sectors suffered a setback. Different patterns are shown for selected manufacturing industries. The chemical industry reported high export growth prior to reforms when FDI stagnated. During most of the post-reform period, exports and FDI in this industry developed more or less on parallel trends, but exports continued to grow after FDI had declined in 1998-1999. As concerns machinery, it appears that ups and downs in FDI were typically preceded by export developments in Comparing FDI and export trends, export growth in the primary and secondary sectors may have been stimulated by rising FDI stocks immediately after reforms in 1991.But exports stagnated in the second half of the 1990s even though FDI peaked in 1998, and exports resumed a higher growth path recently when FDIin the primary and secondary sectors suffered a setback. Different patterns are shown for selected manufacturing industries. The chemical industry reported high export growth prior to reforms when FDI stagnated. During most of the post-reform period, exports and FDI in this industry developed moreor less on parallel trends, but exports continued to grow after FDI had declined in 1998-1999. As concerns machinery, it appears that ups and downs in FDI were typically preceded by export developments inthe 1990s. By contrast, the transport equipment industry seems to provide an example for FDI having promoted export growth in the post-reform period.

FDI and output trends for major sectors are portrayed in Table 2. India experienced only minor changes in GDPgrowth rates when comparing the pre-reform period of 1987-1991 with three sub-periods of the post-reform era. This is in striking contrast to FDI which boomed especially since the mid-1990s. Yet, when considering that GDP growth was subdued in the late1990s by adverse exogenous factors, including the (limited)fallout from the Asian crisis, export-depressing effects of the global economic slowdown and unfavorable weatherconditions, it appears that India has embarked on a somewhat higher growth path.

As concerns the primary sector, output growth was on a declining trend. This trend was not stopped by the relatively strong increase in FDI in 1991-1995. It should be noted, however, that FDI trends diverged significantly within the primary sector; while FDI stocks have soared in mining and quarrying since 1997, they have fallen considerably in agriculture (not shown). The manufacturing sector experienced a temporary growth acceleration after reforms in 1991 when FDI stocks doubled. But output growth in manufacturing weakened in 1995-2000, even though FDI stocks continued to rise. Patterns within the manufacturing sector are too diverse for a simple data inspection to reveal a clear picture on the links between FDI and output growth. The evidence for manufacturing industries in which FDI stocks are concentrated may be summarized as follows (details not shown):

The food industry (including beverages and tobacco) experienced stable and relatively low output growth throughout the

period of observation, while FDI stocks were on a steep upward trend, though with considerable fluctuation.

- In the pre-reform period, output growth was highest in the chemical industry and in (electrical and non-electrical) machinery. In both industries, it was immediately after reforms of 1991 that FDI stocks increased most significantly. This may have contributed to higher rates of output growth in 1995-2000. At least in machinery, however, higher rates of output growth were sustained in the most recent past, even though the growth of FDI stocks suffered a setback in the previous sub-period.

- Since 1991 annual average output growth has been most pronounced in the transport equipment industry. At the same time, this industry witnessed the steepest increase in FDI stocks within the manufacturing sector. It thus appears that, similar towhat has been observed before with respect to exports; FDI is most likely to be associated with higher output growth in the transport equipment industry.

Finally, the services sector reported relatively high output growth even before the FDI boom started. Soaring FDI stocks since the mid-1990s went along with somewhat higher output growth. This may suggest that FDI was attracted to the services sector by its favorable growth performance and, at the same time, was a stimulus to still better performance. However, it should be kept in mind that the FDI boom in this sector was largely confined to a few services.

Summary and Conclusions

Inward FDI has boomed in post-reform India. At the same time, the composition and type of FDI has changed considerably. Even though manufacturing industries, too, have attracted rising FDI, the services sector accounted for a steeply rising share of FDI stocks in India since the mid-1990s. While FDI in India continues to be local-market seeking in the first place, its world-market orientation has clearly increased in the aftermath of economic reforms. It is against this backdrop that we assess the growth implications of FDI in India. By using industry-specific FDI and output data and applying a panel cointegration framework that integrates long-run and short-run dynamics of the FDI-growth relationship, we address important gaps in the earlier literature.

For the Indian economy as a whole, we find that FDI stocks and output are cointegrated in the long run. At the aggregate level, Granger causality tests point to feedback effects between FDI and output both in the short and the long run. However, the impact of output growth in attracting FDI is relatively stronger than that of FDI in inducing economic growth. In other words, causation is mainly running from output growth to FDI stocks.

It may be tempting to conclude from the sector-specific results that the pre-reform approach to FDI in India was notso bad after all. Traditionally, selective approval procedures and performance requirements were meant to promote FDI in technologically advanced and more export-oriented manufacturing industries, and to discourage FDI in the tertiary sector where foreign investors might replace local service providers. However, such a conclusion would be misconceived. Our results do support the view that the quality of FDI matters at least as much as the volume of FDI for the growth implications in host economies. More specifically, our results are in line with findings of cross-country analyses according to which the growth implications depend on various factors, including absorptive capacity and local skills, technological spillovers and linkages between foreign and local firms, and export orientation - all of which may differ across industries and sectors in the host economy. Yet all this does not speak in favor of selective FDI policies and policymakers attempting to target preferred types of FDI in specific industries. For such an approach to be successful in attracting growth-promoting FDI, policymakers would have to know exactly about the quality of each FDIproposal and its effects on the local economy. This appears to be an overly heroic assumption. Otherwise, it would be difficult to explain why earlier studies on the FDI-growth nexus in India, the results of which should be shaped more strongly by pre-reform selectivity and targeting, do not produce "better"results than the present study.

On the other hand, our results clearly suggest that the currently prevailing euphoria about FDI in India rests on weak empirical foundations. FDI isunlikely to work wonders if only remaining regulations wererelaxed and still more industries opened up to FDI. This is not to ignore that policymakers may contribute to maximizing the benefits ofFDI in India. Their contribution has less to do with specific FDI policies. Rather, the policy challenge is to improvelocal conditions that may render FDI more effective. Openness to trade and financial sector development seem to beimportant in this regard. The sameapplies to the promotion of local entrepreneurship and human capitaldevelopment. This is even thoughIndia is widely acclaimed for its entrepreneurship and highly skilled workforce. However, these undisputable achievements seem to be highly concentrated in a few clusters, both region-wise and industry-wise, whereas large parts of the economy provide by far less favorable conditions for FDI to have stronger growth effects.

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FDI in Multi Brand Retail Market: Prospects and Constraints

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Objectives of the Research Paper

(1) The foremost objective is to high light the need of FDI for India to attain a growth rate of 7% to 8 % a year.

(2) To analysis the inflow and impact of FDI in Multi Brand Retail Market in India.

Keywords used- Investment-Savings Gap, Portfolio Investment, Joint Venture, Subsidiary Company, Automatic Route, Government Route, Equity, Foreign Equity Holdings and FDI destination.

There is a strong relationship between foreign investment and economic growth. FDI was introduced in 1991 under Foreign Exchange Management Act (FEMA). Larger inflows of foreign investments are needed for a country to achieve a high trajectory economic growth.

Why do we seek FDI ?If a country plans to grow by 7% to 8% a year there is a need to invest around 35-40% of GDP. Our National Savings fall far short of this, nearly by 10%.

Therefore, foreign borrowings and foreign investments have to meet this investment- savings gap. This is generally realized by our country and hence the need of FDI has emerged in India.

FDI was sluggish in the year 2010. Why ?

There are many conditions which must be met to attract foreign investors.

Besides peace and security conditions in country, there is a need to have investment friendly climate, consistent macroeconomic policies, good governance, economic and political stability, guarantee of property rights, rule of law and corruption free environment.

Foreign Investment comes in many forms, such as-

* FDI or Direct Investment.
* Portfolio Investment or Indirect Foreign Investment.
* Foreign Loans or Loans chiefly for Infrastructure Investment.

Of these investments, foreign direct investments in Industry and services are the most useful. It is risk free to the country. Foreign loans are generally used for investment in infrastructure.

As far as direct foreign investment is concerned, the private foreign investor either sets up a branch or a subsidiary company in the recipient country. Egs are Multinational Companies (MNCs) which bring with them new technological expertise, machinery and equipment, better management and organization and superior marketing techniques.

Indirect foreign investment or Portfolio Investment takes place when one country purchases shares, fully convertible preference shares or debenture floated by another country.

A foreign company can set up business in India either by incorporating a company under the companies Act, 1956, as a Joint Venture or a wholly owned subsidiary company or by setting up a Branch Office of the foreign company with the permission of the Foreign Exchange Management Regulations, 2000.

An Indian company receives Foreign Direct Investment under the two routes-

1) Automatic Route and (2) Government Route

Under Automatic Route, FDI is allowed without prior approval of the Government or the Reserve Bank of India in all activities and sectors as specified in the FDI policy. FDIs not covered under the automatic route requires prior approval of the Government and are considered by the Foreign Investment Promotion Board (FIPB), Department of Economic Affairs, Ministry of Finance. The Indian company having received FDI either under the Automatic Route or Government Route is required to follow the provisions of FDI policy.

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FDI is prohibited in Automatic Route as well as Government Route in Sectors like-

1) Atomic Energy
2) Lottery Business Gambling and Betting
3) Business of Chit Fund and Nidhi Company
4) Agriculture and Plantation Activities
5) Real Estate Business
6) Manufacture of cigars and tobacco substitutes
7) Railway Transport
8) Arms and Ammunition
9) Coal and Lignite
10) Mining of Iron, Sulphur, Manganese, Chrome Gypsum, gold, diamonds, copper silver and zinc.

Foreign Direct Investment Inflows In India

* The 1991 economic policy introduced foreign investment policy formed by the then Finance Minister Mr Manmohan Singh. This policy invited foreign equity holdings upto 51% by international trading companies. In addition to hotels, 51% equity was allowed in tourist related areas. Largest inflows of FDI over the period 1991 to 2006 have been received from Mauritius its share in these inflows being 37.8 %

* USA was second with a share of 15.92 %

* The USA investments in India are routed through Mauritius because of tax agreement . This agreement means that a foreign investor has the option of paying tax once only either in India or in Mauritius . As the tax rates prevailing in Mauritius are the lowest in the world therefore many multinational corporations prefer to route their investments through Mauritius.

* Other important sources of FDI in India are Japan, Netherlands, UK, Germany, Singapore, France, South Korea and Switzerland.

* Almost 40% of the inflows are used for acquiring existing industrial assets and their managerial control.

FDI received in India in the following years as -

1999 -2004	US $ 19.52 billion
2004-2009	US $ 114.55 billion
2009-2013	US $ 172.82 billion
2012-2013	US s 22.42 billion

In this regard, the Tourism, Pharmaceuticals, Services, Chemical and Construction Industries were the biggest beneficiaries.

Positive Impact of FDI In Multi-Brand Retail Market in India

Seeing the positive impact of FDI on the Indian Economy, Indian government is taking strong measures to make FDI Policies liberal in order to attract more foreign investors.

According to United Nations Report, India ranks among the top 3 global FDI destination countries after china by all International bodies including World Bank in 2010-2012. FDI helps India in the following ways-

1. Increases Economic Growth. The economic growth of India has increased due to the inflow of FDI as it provides domestic capital. Countries like Mauritius, Singapore, US and UK are among the leading sources of FDI.

2. FDI brings in Technology. In retail business UK based "TESCO" company is going to start a supermarket chain business with Tata Group Unit Trent in India.

3. FDI establishes new companies and expands existing exciting companies. In civil aviation Malasia based Air Asia and Singapore Air Lines are working jointly with Tata Group to launch two two new airline services. The current FDI limit in aviation sector is maximum 49%.

4. India to become an education hub. India has tied up with New Zealand to become an education hub for its students in 2013. Thus India itself is becoming a faster growing students market for New Zealand. Beside this, India has highly skilled manpower including engineers who can understand the technical aspects of production and therefore are in great demand by

MNCs. India also has educated English speaking youth who can provide customer care services in MNCs This leads to 50-60% approximately cost saving for MNCs.

5. FDI brings in new technology in electric power exchanges.Korean ElectricPower Corporation has Signed up an agreement with Mumbai for its project to be laid up in Maharashtra. The 600 mega watt. power plant to be set up in Yavatmal district of Mumbai will be materialized by 2016.

6. FDI agreements for wind power and solar energy. India and UAE have agreed to work jointing in the areas of wind power and solar energy by an agreement on 18 January, 2014.

7. Indian Companies themselves acting as Multi Nationals. Some of the large Indian companies like Tata Motors (for Automobiles), Infoyses (IT), Ranbaxy (Medicines), Asian Paints (Paints) Sundaram Fastners (Nuts and Bolts) have emerged as multi-nationals themselves across the boundaries of our country and earning good amount of foreign exchange.

8. Export of Indian services. A host of services such as data entry, accounting, administrative tasks, engineering are now being done cheaply in India and are exported to developed countries.

9. Aggregate demand and aggregate supply. A boost to aggregate demand and aggregate supply due to FDI helps domestic producers to become more efficient.

10. International Recognition. FDI helps to improve our country's position at international level.

Constraints of FDI in Multi-Brand Retail Market in India

In order to attract foreign companies to invest in India, The Centre and the State Government are setting up industrial zones, called Special Economic Zones (SEZ'S) SEZ'S are to have world class facilities, such as communication network, power, road, rail and air connectivity, storage and warehousing and good infrastructure.

Companies who set up production units in SEZ'S do not have to pay taxes for an initial period of five years. It has also allowed flexibility in labour laws.

In contrast to this, the negative side of this bouncing FDI inflows in India cannot be overlooked, such as-

1. Less number of SEZ'S. The number of SEZ'S are far less than required. Constant monitoring by the concerned authorities are not done. So the purpose for which they were being set up, is not fulfilled.

2. Domestic firms and companies may suffer due to competitiveness by foreign companies. Luxury watch brand Jaeger-Coultre from Switzerland is the single brand company to enter the Indian retail market as there is constant fear of disruption of the domestic watch market.

3. Fear of a country to become Dependant on FDI.

(i) Cargill a very large American MNC has bought over smaller India companies such as Parakh goods,

(ii) Parakh foods had four (04) oil refineries whose control has shifted to Cargill

(iii) Cargill is new the largest producer of edible oil in India with a capacity to make 5 million oil pouches daily.

Now it is but natural for us to depend upon American MNC for our edible oil requirements in the local area.

4. MNC's use their own brand names. MNC's purchase in bulk from a large number of producers and then sell these under their own brand names to the customers. Thus large MNCs have tremendous power to determine price, quality, delivery and labour conditions for these distant producers . As a result, a large number of small producers suffer as they do not get the desired profits which they deserve.

5. Foregin investors and their tantrums.

(1) Foreign investors can sell off unprofitable portion of the company to local investors.

(2) Foreign investors can also borrow against the company's collateral or security and send back the profit to the parent company .

6. Capture of Indian market. With the advent of MNC in Multi Retail Brands there is constant fear of the Indian markets being captured and taken over by them. For Eg France's Lacteals, the biggest dairy product group in the world has finalized to buy out Hyderabad based Tirumala Milk Products in 2013-14.

7. FDI Vs Economic growth. FDI would always boost up economic growth of the country is not guaranteed. It holds true in the case of China. But as against this if we consider the development of Brazil with FDI it proved contrary to this. The economic growth of Brazil with foreign inflows could not attaint as expected because maximum part of its FDI was utilized in acquiring domestic assets. Therefore, FDI and economic development would depend only for the purpose it is utilized for.

8. Establishment of MNC in limited places.The products manufactured by the MNCs with FDI do not see fair marketing and distribution channels as it is concentrated in few areas only. As a result, consumers remain ignorant about it.

9. Uncertainty of Agricultural Production. Ups and downs in Indian agriculture plays a major role in constraining India's growth rate and it discourages foreign inflows.

10. Poor Infrastructure. Bad and poor infrastructure, broken roads, undeveloped flyovers, incomplete airport facilities are also restricting smooth foreign inflows which is hampering the economic growth of India.

Conclusion

It has been observed that FDI comes to MNCS generally located in urban areas and the products produced by such companies are largely consumed by upper middle classes and rich classes of the country. Consumers living in semi-urban, rural and remotest parts of the country are devoid of the benefits accorded by MNCs Therefore, this section of society remains disconnected with the main stream of market.

But the future of Indian economy is brighter because of its huge human resources, improved service sector, availability of large number of competent professionals and a vast market for every product. A country can grow rapidly if the Government encourages foreign investment-friendly environment. Today, India provides highest returns on the FDI than any other country in the world. Thus we can positively say that India is seen for growth in almost all the sectors including manufacturing, infrastructure, automobiles, auto-parts, food processing sectors and real estate development in the years to come.

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Islamic Finance and Corporate Social Responsibility: an Empirical Study of Indian & Pakistani Companies

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Introduction:

In ancient time, organization aimed to achieve the goal of maximizing firm value. The concept of business ethics arises to examine how a firm could meet the goal of maximizing firm value while in the meantime meditating the conflicts among all the stakeholders ethically. There is currently a debate on the extent to which company directors and managers should consider social and environmental factors in commercial decision making. An approach todecision making that routine encompasses these factors may be described as corporate social responsibility. A view is emerging that corporate social responsibility can contribute to the financial performance (Dividend distribution) of a company.This approach, which has been described as the 'enlightened shareholder approach', in terms of dividend suggests thatcorporate decision-makers must consider a range of social and environmental matters if they are to maximize long-term financial returns. This paper focuses on dividend policy by which the shareholder can enjoy the whole activity of the company. Dividend policies have benefit for the shareholder and also promote company growth prospective and so on.

Socially responsible investment (SRI)

'Socially responsible investment (SRI) has been creating waves in the sea of global investment since last couple of years. It has been more so in recent years when crisis has become normal phenomena and natural calamity has been very frequent owing to global warming and other related reasons. SRI has emerged as a specific investment class with several global investment banks creating special team to work on this.

SRI seeks to balance financial return and social good at the same time. The focus remains on sustainable, socially conscious, green and ethical investing. Through investment vehicle of SRI, effort is made to promote and support companies who practice environmental stewardship, social justice, social development, human rights, gender equality, good corporate governance and diversity among others. In brief, SRI includes investors who apply various environmental, social and governance (ESG) criteria in their investment analysis and selection.

While globally SRI has emerged as one of most powerful trends among the investment community of the developed world, concept is still in a nascent stage in India. Leave alone fledged SRI, even good corporate governance and transparent financial reporting are not yet very prevalent among Indian corporate. Enter "socially responsible investment" in Google search engine, you will get more than 4.5 million results. Now enter "socially responsible investment in India" in Google search engine, you will get one million results and even then most of the results are not indicating at Indian origin. One noticeable result was though socially responsible equity investment programme at Yes Bank known as "Tatva". Well, leave Google results here itself and move on to socially responsible investment in India.'

Companies spending 2% on CSR will have a multiplier effect: Finance Minister : 'Finance Minister P Chidambaram said if corporates spend 2 per cent of their profit on CSR activities, then it will have a multiplier effect in bringing out much greater inclusiveness.

"Corporate Social Responsibility (CSR) is now mandatory. The mandate is that corporates must spend 2 per cent of their profit on CSR, I think if 2 per cent of India's corporates profit is spent on CSR activities then it will have great multiplier effect in bringing out much greater inclusiveness," Chidambaram said at an event here. Under the new Companies Act, 2013, all profitable companies with a sizable business will have to spend every year at least 2 per cent of three-year average profit on CSR works. This would apply to companies with a turnover of Rs 1,000 crore and more, or networth of Rs 500 crore and more, or a net profit of Rs 5 crore and more. The new rules would be applicable from fiscal 2014-15. The new rules also require the companies to set up a CSR committee, including at least one independent director. Recently, Corporate Affairs Minister Sachin Pilot has said: "Our assessment is that if every company that is qualified for doing the CSR does so, then Rs 15,000-20,000 crore would be spent in a year in various projects such as environment, skill development, water, sanitation, etc." The companies have been asked to give preference to their local area of operations for such CSR activities, while those not being able to spend the required amount would need to specify the reasons for for the same in their annual CSR report.'

Objective of the Study

In this paper researcher has examined the relationship between BSE Sharaih Index and KMI Index.And compare the dependency of corporate social expenditure on financial performance. In which comparison between CSR and Dividend of companies of India and pakistan.

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Literature Review

Based on the problem statement, the scholar has tried to go through the available researches in the field of Islamic Finance. Mostly, these have been carried out in developed country like UK, USA. It also works in developing country like Malaysia, China, Pakistan and India. There is a dearth of studies on Shariah investment in India and Pakistan, the following is a glimpse of the available literature for designing the objectives:

Dr. A.K. Tyagi and Rizwan (2012) the present study analysed the movement of the selected Tasis Shariah and Sensex during the period from December 2011 to November 2012. The closing values of the selected Shariah and Sensex are collected from BSE websites. The study employed table and graph analysis to examine the study objectives. It found that Tasis Shariah and sensex move almost in the same direction in a particular month. Hence, the study infers that the equity based ethical investors can gain more or less the same by investing in the Shariah companies? shares as other are gaining from Sensex. To summarise, the paper has shown that the screens commonly used to assess shariah compliance of companies for the purpose of including them in the list of acceptable companies, need to be modified.

P. Natarajan and M. Dharani (2012) in their paper observed that shariah compliant stock a viable and ethical investment vehicle.The present study empirically analysed the risk and return of the selected Shariah Compliant Stocks and benchmark indices during the period from 2nd January 2007 to 29th July 2011. The closing prices of the selected Shariah Compliant stocks and closing value of the Nifty Shariah index, Nifty index and BSE Sensex index were collected from the CMIE Prowess, NSE and BSE websites. The study employed the t-test, market model and correlation to examine the study objectives it found that there is no difference between Shariah Compliant Stocks and benchmark indices returns and also from among the Shariah index and common index in India during the study period.

Dharani and Natarajan (2011) compared the risk and return of the S&P CNX Nifty Shariah index and S&P CNX Nifty index at day wise, moth wise and quarter wise during 2nd January 2007 to 31st December 2010. The study finds that there is a significance return difference between both indices during third quarter in India. Finally, the study found that Ramalan effect prevailed in the Shariahindex during third quarter of the study period.

Sadegi (2008) investigated the impact of the introduction of Bursa Malaysia Islamic index on the financial performance and liquidity of the screening securities involved in the Islamic index in Malaysia. The study employed event study methodology to estimate mean cumulative returns of the Shariah compliant stocks in the days surrounding the event and also investigate the changes in liquidity using trade volume and bid ask spread surrounding the event days as liquidity proxies. The study found that the introduction of the Shariah index has positive and strong impact on the financial performance of the Shariah compliant stocks.

Ahmad (2005) made an attempt to examine the relationship among the daily closing price of the Bursa Malaysia Shariah index, EMAS index and the daily Malaysian three months T-bills rate during the period April 1999 to December 2004 in Malaysia. The study employs the unit root test, Johansen-Juseliuscointegration test, Granger Causality test and Vector Error Correction Model (VECM) to find the relationship among the variables. The results of the study reveal that the Bursa Malaysia Shariahindex, EMAS index and three months T-bills share a long run relationship. In the short run, only changes in EMAS index tent to raise the value of BMSI and t-bills do not significantly affect both indices in Malaysia.

Hypothesis

H1 CS Rand FP (Financial Performance) is an independent from each other and CSR does not depend upon FP as dividend of company.

Research Design

The study is descriptive in nature because the study is a comparative analysis of expected with actual expenditure in curredandanat tempt has been made to explore the relation between CSR expenditure and financial performance. KSE (Krachi Stock Exchange), KMI (Krachi Meezaan Index) from Pakistan and also BSE (Bombay Stock Exchange), BSE 500 Shariah is examined for the financial year 2012-13, which are rated by Shariah Complaint Organization, but for the purpose of research only 05 companiesare considered and then relationship between their financial performance and expenditure on corporate social responsibility is measured. The top 5 companies have been selected from BSE Shariah and KMI Index. The top 5 companies in Krachi Meezaaan Index as follows CESC, Godrej Consumer, Crompton Greave, Tech Mahindra, Biocon. The top 5 companies in BSE Shariah as follows Oil & Gas Development Co., Pakistan Petroleum, Fauji fertilizer, Hub power, Pakistan oilfields. Datahas been collected from annual report of the all top five companies and analyzed by using correlation and CAPM, BETA.

Results And Emirical Analysis

It is being observed under various studies that there is a positive relationship between financial Performance and Social expenditure. To validate the same has been applied on financial performance (FP) i.e, NPAT, Dividend and Corporate Social Responsibility(CSR).

Empirical Results

Risk and Return behavior of Nifty Shariah and DJIM on Benchmark Indices

This part of study narrated the risk and return behavior of Shariah, BSE, KMI and KSE of Benchmark Indices. The daily return of Shariah, BSE, KMI and KSEBenchmark Indices were calculated as natural logarithm of today price divide by tomorrow price.

Table 1: Performance of BSE with SHARIAH from 1st Jan. 2012 to Dec. 2013.

Indices	Returns	Volatality	CAGR (%)
BSE	30.607	22.619	-0.530
Shariah	33.104	17.024	-0.262

Source: Authors' estimates.

The table 1 explain the respectively of Shariah is lower as compare to the volatility of BSE. However, CAGR of Shariah is greater then the CAGR of BSE. Hence, Shariah is less risky than BSE. But growth (returns) of shariah is increase because of Shariah law.

Table 2: Performance of KSE with KMI from 1st Jan. 2012 to Dec. 2013

Indices	Returns	Volatality	CAGR (%)
KSE	81.223	18.652	-199.895
KMI	63.435	81.288	-0.239

Source: Authors' estimates.

The table 2 explain the respectively of KSE is lower as compare to the volatility of KMI, However, CAGR of KMI is Greater then the CAGR of KSE. Hence, KMI is less risky then KSE. But growth of KMI is increase because of Shariah law.

Table 3: Performance of Beta Shariah over the BSE

Property	Beta value
Shariah with BSE	0.059157

Source: Authors' estimates.

The table 3 described the results of the beta with respective to BSE. The beta value of Shariah over the BSE is 0.05 that means that 5% movement in Shariah is dependent on market movements and rest 95% depends on the other factors.

Table 4: Performance of Beta KMIover the KSE

Property	Beta value
KMI with KSE	0.170364

Source: Authors' estimates.

The table 4 described the results of the beta with respective to KSE. The beta value of KMI over the KSE is 0.17 that means that 17% movement in KMI is dependent on market movements and rest 83% depends on the other factors.

Table 5: Correlation Matrix of Benchmark Indices

Indices	BSE	Shariah	KSE	KMI
BSE	1			
Shariah	0.044523	1		
KSE	-0.031	0.044781	1	
KMI	0.006258	-0.02896	0.039091	1

Source: Authors' estimates.

The table 5 described the results in comparing the returns relationship of the all indices with correlation matrix, the correlation between the returns of the BSE&KSE and Shariah & KMIareNegative correlated to each other But Shariah & KSE and KMI & BSE are positive correlated to each other. This indicates that there is a linear relationship between returns of the Islamic Indices and Benchmark Indices. This relationship is very similar to the result of Ahama and Ibrahim (2002) in Malaysia and P. Natarajan and M. Dharani (2012) in India.

Table 6:Expenditure by Indian Companies on CSR of the Shariah and BSE, 2013

S.N.	Indian Companies	Industry	NPAT (Rs. in Crore)	CSR Exp. 2%
1	CESC	Power	618	12.36
2	Godrej Consumer	Consumer Goods	510	10.2
3	Crompton Greave	Elecrical	445.84	8.91
4	Tech Mahindra	IT	12,878	257.56
5	Biocon	Biopharma	5,089.00	101.78

Source: Authors' estimates.

The table 6 described the results of the selected Indian Companies which are top five in Shariah Index. Table shows the net profit after tax and corporate social responsibility 2% of NPAT.

Table 7:CSRand Dividend of Indian Companies of the Shariah and BSE, 2013

S.N.	Indian Companies	Industry	CSR Per Share	DPS
1	CESC	Power	2.06	10.44
2	Godrej Consumer	Consumer Goods	0.51	8.19
3	Crompton Greave	Elecrical	0.04	0.42
4	Tech Mahindra	IT	20.1	46.28
5	Biocon	Biopharma	5.08	58.1

Source: Authors' estimates.

The table 7 described the results of the selected Indian Companies which are compared by CSR per share and Dividend per share. Here CESC having DPS greater then the CSR per share that means company is going to eminent way. In the same way Godrej Consumer, Crompton Greave, Tech Mahindra, Biocon all companies having DPS are greater then CSR per share. All companies are going to ethically and proper way.

Table 8:Expenditure by Pakistani Companies on CSR of the KMI and KSE, 2013

S.N.	Pakistani Companies	Industry	NPAT (Rs. in '000')	CSR Exp. 2%
1	Oil & Gas Development Co.	Oil & Gas	90,776,709	1,815,534
2	Pakistan Petroleum	Energy	41,951,196	839,023.92
3	Fauji fertilizer	Chemical	4,586,350	91,727
4	Hub power	Power	9,387,880	187,757.60
5	Pakistan Oilfields	Oil & Gas	10,828,354	216,567.08

Source: Authors' estimates.

The table 6 described the results of the selected Pakistani Companies which are top five in KMI Index. Table shows the net profit after tax and corporate social responsibility 2% of NPAT.

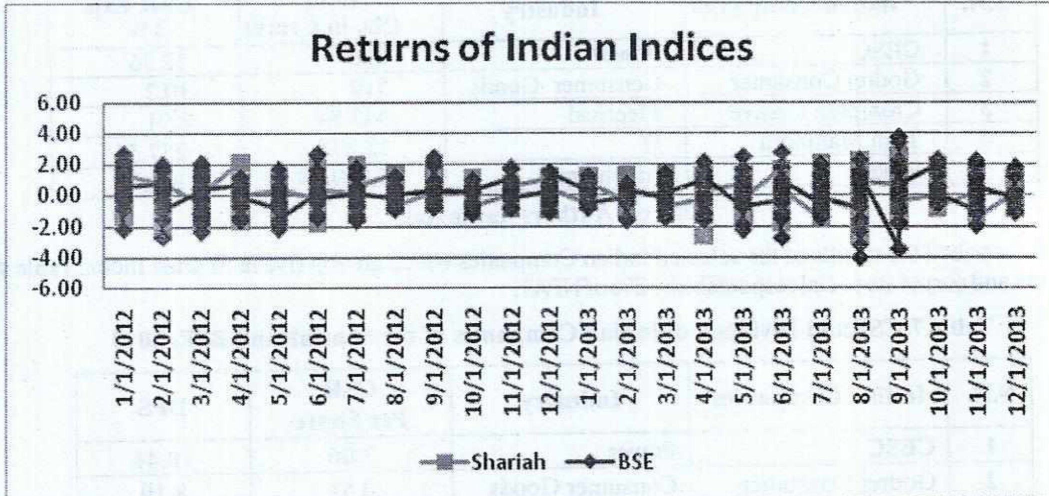
Table 9: CSR and Dividend of Pakistani Companies of the KMI and KSE, 2013

S.N.	Pakistani Companies	Industry	CSR Per Share	DPS
1	Oil & Gas Development Co.	Oil & Gas	0.36	6.78
2	Pakistan Petroleum	Energy	33.56	670.37
3	Fauji fertilizer	Chemical	0.35	41.74
4	Hub power	Power	0.15	6.25
5	Pakistan Oilfields	Oil & Gas	0.43	25.98

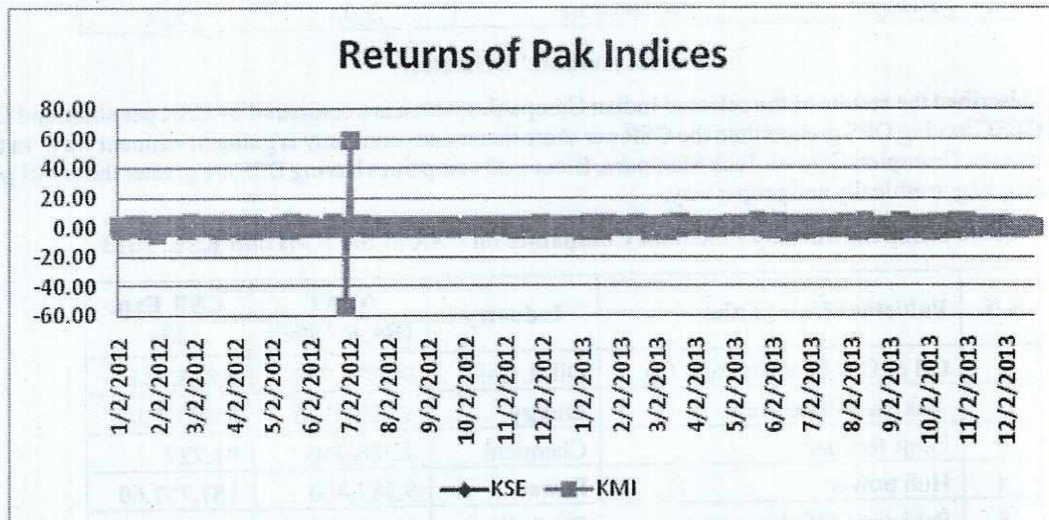
Source: Authors' estimates.

The table 9 described the results of the selected Pakistani Companies which are compared by CSR per share and Dividend per share. Here Oil & Gas Development Co. having DPS greater then the CSR per share that means companies are going to eminent way. In the same way Pakistan Petroleum, Fauji fertilizer, Hub power, Pakistan Oilfields foods all companies having DPS are greater then CSR per share. All companies are going to ethically and proper way.

Graphical Table: 1 Comparative Returns of Shariah and BSE during the time period of 1st Jan. 2012 to Dec. 2013.



Graphical Table: 2 Comparative Returns of KMI and KSE during the time period of 1st Jan. 2012 to Dec. 2013.



Conclusion

The present study empirically analysed the CSR and Dividend of the Shariah Index& KMI and benchmark indices (BSE & KSE) during the period from 1stJan 2012 to Dec 2013. The closing prices of the Shariah Index& KMI and closing value of the benchmark indices (BSE & KSE) were collected from the BSE, KSE, scstrade and Yahoo finance websites. The study employed the CAGR, BETA, Market Volatility model and correlation to examine the study objectives. It found that there is healthy relationship between KMI, Shariah and KSE, BSE during the study period. Even speculation and gambling activities were prohibited in Shariah Index& KMI. In this study researcher observed there CAGR of KMI & Shariah are high in comparison of BSE & KSE But Volatility of KMI & BSE higher is comparison to KSE & Shariah that means in India growth of BSe is Higher and in Pakistan KMI Index is Growing faster as compare to benchmark indices (KSE).CSR is less of all companies in include Indian and Pakistani in comparison to the DPS of all companies in which include Indian and Pakistani. That means in India BSE is more in Comparison to Shariah Index. And In Pakistan KMI is more popular in comparison to KSE. The study infers that the equity based Shariah Index& KMIare the social responsible investment avenue to the investors especially to small and individual ethical investors.

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Plus and Minus of Foreign Direct Investment

*Prashant Thote

Introduction

The international movement of capital, in all variety in forms, aspirations and impacts, is the prominent feature of the economic landscape. Facing deep economic crisis and seeking after effective ways of recovery governments are supposed to be more attentive to economic and not political rationale in their decision-making. It gives for scientists a hope to be heard and motivation to move forward.

Two main types of international capital movement can be distinguished. First is international borrowing and lending which can be seen as intertemporal trade. Country, abundant with capital, exports future consumption at a price of interest rate. Borrowing country imports current consumption at the same price (Krugman, Obstfeld, 1994). The other part of international capital movement takes a different form, that of foreign direct investment. In most common sense, foreign investment is international capital flows in which a firm in one country creates or expands a subsidiary in another. To put it in other words, it is a measure of foreign ownership of productive assets, such as factories, mines and land.

The politicians in our home country seem to have no doubt about the growth effects of foreign capital. The world economic literature and numerous empirical researches proved that positive effects of FDI are often overwhelmed by negative ones. Positive effects of FDI are more featured in case of green field investment. When FDI takes a form of simple merge and acquisition (M&A) actions positive externalities are much lower if not negative. In the early stage of market economy, foreign direct investments may produce some externalities in the form of higher employment rates and technology transfers, often filling the "idea gaps" between old and emerging market economies. Nevertheless, they often cause a lot of harm too as not a charity but the aspiration to earn more via cheep(er) resources- land and labor is the primary aim of investors. Foreign investors can reduce employment by dismissing local workers, by crowding out local businesses that cannot compete with multinationals; technology transfers may not occur if the degree of market integration is insufficient; positive capital flows often turn to negative if investors use cheep local raw materials and resources and sell expensive final goods. In the years of booming economy, domestic producers in advanced economies are strong enough not to be forced out of business by foreign competitors. The effects of FDI became more positive. Enhanced competition, knowledge and technology spillovers, financial stability of incoming investors can bring externalities that are more positive.

In a high turbulence, economic environment governments need to be strategic and more calculative inviting multinational competitors to operate side by side with home industry. According to numerous literatures (Lipsey, Pourvis, Courant, 1994; Epstein, 1999, Han X.Vo, 2004), effort to attract investment by subsidies and tax breaks can lead to substantial reduction of government revenues, which could otherwise be used to invest in education and infrastructure what ultimately fastens economic growth and increases total welfare.

Manning & Shea (1989) argue that strong economic rationale must lay behind the incentives to attract the FDI, as the economic impact of foreign direct investment is dependent of what form it takes. This includes the type of FDI, sector, scale, duration, location of business, density of local firms in the sector and many other secondary effects. One more aspect that is important is that FDI might serve not only a way of doing money, but also a way of acquiring a certain control, both economical and political, in the host country (Krugman, Obstefeld, 1996). Mažeiki? Nafta -Williams- Yukos story can serve as a brilliant example of such concern. On an empirical level, there is a body of evidence that suggests possible positive correlation between FDI and economic growth in developing countries. Yet, while much evidence indicates a one-way causality between FDI and growth, there are many indications that the causality may run both ways (Han.X.Vo, 2004). The evidence also appears to suggest that FDI is favorable to economic welfare only if appropriate conditions exist in the host economy. This includes such factors as adequate absorptive capacity and human capital, a capacity of domestic businesses to face and hold out foreign competition, abundance of projects and market gaps that cannot to be filled up by home producers (Lipsey, Pourvis & Courant, 1994; Epstein, 1999; Han X.Vo, 2004). Therefore, the article analyses different approaches towards this particular form of international capital movement, namely foreign direct investment.

The economic effects of foreign direct investment

FDI was an important source of developing country external finance for about 25 years after World War II. Lithuania skipped that period under the veil of command economy. Over the 1970 global role of foreign direct investment declined in importance. During the early 1980s direct investment declined in volume further. FDI in developing countries (this includes Latin America, Asia and Central and Eastern Europe) made a comeback in about 1994 (Krugman, Obstfeld, 1996; Han.X.Vo, 2004)). The reason of eased restrictions on FDI was diminishing lending of commercial banks to developing economies. The composition of external capital underwent a dramatic transformation during this period. Because of the Asian and Russian financial and economic crises, official capital flows in these countries either stagnated or declined. In their place, private capital flows became the major source of external finance for a good number of emerging market economies. Foreign direct investment accounted for only about 30 per cent in early 1980s but over 60 per cent of private capital flows in 2000 and next few years then (Carkovic, Levine, 2002).

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Latest picture is different again. Amid a sharpening financial and economic crisis, global FDI inflows have made one more significant slide down. This slide was from historic high of $1,979 billion in 2007 to $ 1,697 billion in 2008, a decline of 14%. The slide continued into 2009. Preliminary data suggest that FDI fell a further 44% compared with their level 2008 (World Investment Report, 2009).

Nerveless, there is a good chance that foreign direct investments will increase rapidly at the first signs of economic stability. Moreover, there is a good chance that the effects of such actions will be very different (depending from countries and firms involved) and not always positive for both investors (core) and host economies. Theory provides conflicting predictions concerning the effects of direct foreign investments. Several approaches regarding the effects of FDI exist: Neo-liberal, Keynesian, so called dependency and new dependency schools are among best- known ones.

Neo-liberals have a number of arguments defending foreign direct investment and explaining how they are beneficial for developing country as they contribute to development. They advocate free flow of capital arguing that it ensures economic efficiency; allows capital to seek the highest return across the borders; fastens economic growth as the free flow of capital reduces investors risk enabling them to diversify their investment better.

Pro- FDI economists assert that the result of coming FDI is limited ability of host government to implement bad policies. If the government tends to do so. Moreover, that foreign flow of capital might spread the best practices of corporate governance, accounting rules, and legal traditions to less developed countries (LDCs) (Ciburiene& Zaharieva, 2006).

Some more arguments used by supporters of FDI are that they, firstly, enable technology transfer in form of capital inputs, which could not be achieved by trade (Brock, Urbonavicius, 2008). Secondly, via FDI a competition is likely to be encouraged in domestic input markets. Thirdly, FDI contributes to human capital development as foreigners engage in employee training. In addition, profits from corporate taxes may be used to encourage host country's development while investing in infrastructure for example. In addition, sometimes the investment from a core country encourages domestic investment as well (Bernatonyte, Normantiene, 2009).

In IMF World Investment Report (1999) we can find a number of ways stated in which FDI encourages development. In addition to already mentioned FDI brings in financial resources, which arescarce in receiving country, creates new jobs, increases exports by raising efficiency and enhancing marketing opportunities, increases the availability and reduce the costs of public utilities, consumption goods and investment goods.

There is one more argument in favour of foreign direct investment that has some practical grounds. FDI has an advantage over other investments such as portfolio or loans as it proved to be much more resilient in times of economic crisis. During financial crisis of 1997-98 it was stable compared with other types of investment especially short-term, which were subject to large reversals. The same was apparent during Mexico crisis and Latin American debt crisis of 1980 (Loungani, Razin, 2001). On the other hand, latest events show that during recent crisis some large transnational companies, in example American car producers who were broadly settled in European Union (Spain, Poland, England), are closing European factories paying little attention on huge negative economic and social distortions.

While claiming that FDI benefits receiving country, encourages growth and development, Neo-liberals would say that countries should open up and let the market to work freely; that all the efforts should be concentrated on attracting FDI because it means development of the country; that every country should welcome FDI because it will improve economic conditions and increase potential of the receiving country's development (Sabonien? 2009). Implementation of this purely Neo- liberal pro- foreign direct investment policy seems to be the only approach recognized by Lithuanian authorities. At least theoretically.

While admitting that benefits mentioned above can be provided by FDI many economists have reasonable doubts whether it happens every time in every country. Many scientists strongly disagree that one size fits all. That particular, more cautious approach is characteristic to representatives of so- called Keynesian school.

Keynesians argue that if FDI brought benefits in one country it does not necessary mean that the same will happen in another. Many things depend on prevailing conditions in receiving country. This means that the effects should differ not only across countries but also within countries at different time as conditions change (Lipsey, Pourvis & Courant, 1994; Epstein, 1999; Sims&Lake, 2000; Han X.Vo, 2004, Buoziute-Rafanaviciene, Pundziene, Turauskas, L. 2009).

Advocates of Keynesian approach believe that there exist market failures what means that free market it self cannot ensure efficiency. Firstly, information is not always perfect. Insufficient or incorrect information can lead to attraction of insufficient or wrong kind of investment. Secondly, sometimes interests of investors diverge from interest of receiving economy. That is why government regulations must be in place.

Increased competition may be beneficial for the host economy, however, not always. Coming international corporations may push out potentially more productive local business as they are yet not able to compete. In that case many jobs might be lost instead of creating. According to Loungani & Razin (2001) and Kazlauskaite & Buciuniene (2008), therefore government protection of local activities is needed.

When attracting FDI governments can use tax cuts, subsidies and many other means. When deciding to slow down the

volume of incoming foreign capital governments most commonly use institutional barriers of FDI: ownership restrictions, rate of return restrictions, project approval requirements, trade and financial restrictions etc. China's government proved as very rational decision maker in attracting FDI when economic rationale suggested they should and hampering the flow foreign capital when positive effects approached the apex (Blakman and Wu, 1998).

However, often it is difficult for developing country governments to manage foreign investment to their advantage as there is a large asymmetry in bargaining power between core countries investors on the one hand and host governments - especially those from countries that are poor, lack scarce natural resources and/or small - on the other (Han X.Wo, 2004).

Countries not clearly understanding all the effects that FDI can bring to their economies sometimes engage in such kind of actions which ultimately can actually hamper growth. Epstein (1999) claims that countries trying to attract investment by subsidies and tax breaks can lead to substantial reduction of government revenues which could otherwise be used to invest in education and infrastructure what ultimately creates attractive environment to FDI it self, fastens economic growth and increases total welfare. Such environment may be even more important than tax breaks. Finally, the country finds it self in a situation when it is not attractive to FDI though their actions should have attracted it.

Authors, who argue that developing countries should try to attract FDI, agree, that rather than doing so by giving away the candy store in the form of subsidies and tax breaks, developing country governments should mobilize resources for 'infrastructure and labour resources' that will complement the economic structures and needs of the particular developing country. They should make efforts to inform the world of these resources and opportunities to attract different investors, both local and foreign. Goverments should bargain with TNCs to ensure that these investments contribute to the long term and dynamic benefit of the developing country.

Finally, not all types of FDI equally contribute to the development of local economy. As it is stated in World Investment Report 1999, "greenfield investment are likely to encourage development most while mergers and acquisitions (M&A), that entail a simple change of ownership can be of dubious value". The same idea is underlined in the works of Xan.X.Wo (2004), Loungani & Razin (2001), Snieska (2008) and many other authors.

Unfortunately, time when greenfield investment was a major form of foreign direct investment is in the past. In the last two decades more and more FDI has taken a form of mergers and acquisitions of domestically owned firms by foreign- owned firms. Most FDI that come to Lithuania have a form of M&A too.

Xan X.Wo (2004) presents the principles of so- called "dependency" school that can not be left aside. Representatives of that approach argue that FDI benefits the core industrial economies at the expense of the peripheral underdeveloped countries. As a result FDI can be contributing to increasing world inequality instead of giving positive externalities of FDI.

According to the dependency school, in the long- run, FDI tends to impede economic growth and development of recipient economies. Although underdeveloped countries lack capital and industrial technology, they often are rich in natural resources and/or inexpensive labour. While income or wealth is created in the host country, it does not lead to an accumulation of wealth that would benefit the host economy. On the contrary, this wealth is transferred to the core countries. Consequently, the core stands to benefit from this structural dichotomy of the host economy because the foreign sector (i.e., the sector associated with FDI) does not benefit the rest of the host country because of lack of integration. Therefore, as the argument of Han X. Vo (2004) runs, there are cases when it is in the interest of the core countries to keep the periphery underdeveloped and dependent on the core.

Some authors (Lipsey, Purvis& Courant, 1994; Krugman, Obstfeld, 1997) argue that a distinctive feature of foreign direct investment is that it involves not only a transfer of resources but also the acquisition of control. In some cases the extension of control is the essential purpose of incoming foreign capital. This implicates a necessity to screen foreign investments on economic as well as military grounds.

All cases mentioned above proved that incoming FDI needs more thorough examination and decisions about policy towards FDI should not be simply straightforward. Greenfield foreign direct investment really can contribute to development of host economy (Snieska, 2008). However, some control over them is essential in order to ensure that a country will benefit. M&A investment can not only contribute to the development but even impede the economic growth of the particular country.

As a final note of this theoretical framework can be statement of different authors developing countries should focus on improving the investment climate for all kinds of capital, domestic as well as foreign (Epstein, 1999, Loungani, Razin, 2001, Blomstrom, 2002). Effective investment packages should be part of countries industrial policy and be available on equal terms to all investors (Martinkus, Lukasevicius, 2008). The idea of attracting foreign direct investors as a special effort lies behind the economic rationale.

Conclusions

1. The economic rationale for offering special incentives to attract FDI derives from the belief that it will facilitate faster economic growth; produce externalities in form of larger employment, technology transfers, skills to local industry, boosted productivity or filled 'idea gaps" between rich and poor countries.
2. Strong economic rationale should be behind the incentives to attract the FDI, as the economic impact of foreign direct

investment is not always positive. The impact of FDI is dependent of what form it takes. This includes the type of FDI, sector, scale, duration, location of business, density of local firms in the sector and many other secondary effects. Greenfield FDI has more positive externalities; M&A proved to have little positive and often negative effects to host economies.

3. One more aspect that is important is that FDI might serve not only a way of doing money, but also a way of acquiring a certain control, both economical and political, in the host country.

4. There are market failures, imperfect information, and different conditions in receiving countries, different needs and level of development which all has to be taken into the consideration while setting an appropriate strategy towards foreign investments. One size cannot fit all.

5. Large country is able to affect its trading partners' accumulation of capital, and so it can alter future market conditions. A danger in attracting FDI is that capital movements can be regulated by perfectly discriminatory policy to maximize the welfare of the large country.

6. Individual strategy needs to be created and properly implemented what would ensure that FDI will provide those benefits and local economy will be able to absorb them. But governments may be imperfect as well as market. The question is then whether market or government failures are more costly for the economy's growth and development.

7. There are cases when incoming capital together with foreign know-how may have positive impact on other domestic firms, not only those receiving a capital from abroad. On the other hand, there is no clear evidence that FDI always has an advantage over other kinds of investment, like loans for developing local businesses.

8. The use of investment incentives focusing on foreign firms is not a recommendable strategy. The main argument in support of this is that the strongest theoretical motive for financial subsidies to inward FDI tends to be based on external effects such as spillovers of technology and human capital, which do not follow automatically from foreign direct investment.

9. Incentives of motivating economic activities should, following the same logic, focus on those activities that create the strongest potential for spillovers, including linkages between foreign-owned and domestic firms, education, training and R&D. Rather than proposing narrowly defined FDI policies, attractive terms to investors should be seen as part of a country's overall industrial policy and be available on equal terms to all investors, foreign as well as domestic

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ISSN No. 2250-1037 Vol. XIII June 2015

Foreign Direct Investment in Retail in India

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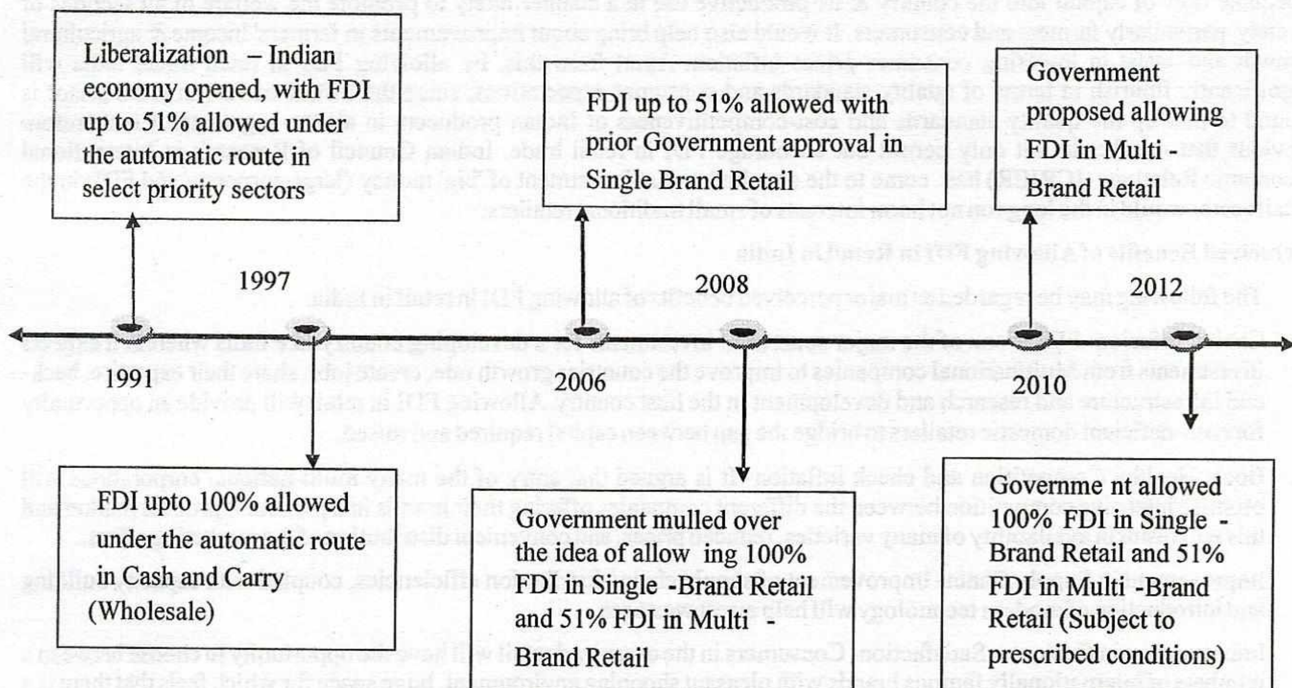
The retail sector in India is expanding and modernizing rapidly in line with India's economic growth. With such rapid growth, we are at a point where consumption growth will witness not just increased penetration in existing categories but also the launch of a number of new products and categories in India. The overall retail market (organized and unorganized) is expected to grow at a compounded rate of 15% over the next 5 years from INR 23 trillion in 2011-12 to INR 47 trillion in 2016-17. Rising incomes will be the primary driver of this growth. Favourable demographics, increasing urbanization and nuclearisation of families are other factors which will drive retail consumption in India.

Organized retail, which constituted a low 7% of total retail in 2011-12, is estimated to grow at a CAGR of 24% and attain a 10.2% share of total retail by 2016-17. In short, both unorganized and organized retail are bound not only to coexist but also achieve rapid and sustained growth in the coming years. This is clearly not a case of a zero sum game as both organized and unorganized retail will see a massive scaling up of their activities. In fact, the retail sector, left entirely in the unorganized and informal segment of the economy, could well emerge as a major bottleneck to raising productivity in both agriculture and industry.

The Government of India recently launched a package of landmark reforms on September 14, 2012 allowing Foreign Direct Investment in multi-brand retail among other sectors. The policy is a strong statement of intent from the Government with respect to multi brand retailing and will assure international retailers about the long term opportunity for retail in India. This opportunity will see investments happening in frontend retail, supply chain and wholesale. Some implementation issues such as permission from State Governments, 30% sourcing from small scale units, cities in which roll-out will be permitted etc. do remain. However, the sector continues to be attractive in terms of growth potential.

Timeline of FDI Policy In Retail In India



Source: YES BANK Analysis

The Government of India opened up 51% FDI in single brand retail outlets since 2006. And as the government is in a process to initiate a second phase of reforms, it has in January 2012 permitted 100% FDI in single brand retailing.The Government of India announced on 24 November 2011 the following allowing 100% FDI in single brand retailing and on 7 December 2012, the Federal Government of India allowed 51% FDI in multi-brand retail in India.

* India will allow foreign groups to own up to 51 percent in multi brand retailers, as supermarkets are known in India.
* Single brand retailers, such as Apple and Ikea, can own 100 per cent of their Indian stores, up from the previous cap of 51 per cent.

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* Both multi brand and single brand stores in India will have to source nearly a third of their goods from small and medium sized Indian suppliers.

* All multi-brand and single brand stores in India must confine their operations to 53 odd cities with a population over one million, out of some 7935 towns and cities in India. It is expected that these stores will now have full access to over 200 million urban consumers in India.

* Multi brand retailers must have a minimum investment of US$100 million with at least half of the amount invested in back end infrastructure, including cold chains, refrigeration, transportation, packing, storing and processing to considerably reduce the post-harvest losses and bring remunerative prices to farmers.

* The opening of retail competition will be within India's federal structure of government. In other words, the policy is an enabling legal framework for India. The states of India have the prerogative to accept it and implement it, or they can decide to not implement it if they choose. Actual implementation of policy will be within the parameters of state laws and regulations.

The opening of retail industry to global competition is expected to spur a retail rush to India. It has the potential to transform not only the retailing landscape but also the nation's ailing infrastructure.

Rationale behind Allowing FDI in Retail Sector

FDI provides a win - win situation to both the host and the home countries. The 'home' countries want to take the advantage of the vast markets opened by industrial growth. On the other hand the 'host' countries want to acquire technological and managerial skills and supplement domestic savings and foreign exchange. Moreover, in order to overcome the deficiencies of all kinds of resources viz. financial, capital, entrepreneurship, technological know- how, skills and practices, access to markets-abroad - in their economic development, developing nations accepted FDI as a sole visible panacea for all their scarcities. FDI can be a powerful catalyst to spur competition in the retail industry, due to the 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 & agricultural 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 consumer expectations, since the inflow of FDI in retail sector is bound to pull up the 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. Indian Council of Research in International Economic Relations (ICRIER) has come to the conclusion that investment of 'big' money (large corporate and FDI) in the retail sector would in the long run not harm interests of small traditional retailers.

Perceived Benefits of Allowing FDI in Retail in India

The following may be regarded as major perceived benefits of allowing FDI in retail in India:

1. Capital Infusion- FDI is one of the major sources of investments for a developing country like India wherein it expects investments from Multinational companies to improve the countries growth rate, create jobs, share their expertise, back-end infrastructure and research and development in the host country. Allowing FDI in retail will provide an opportunity for cash-deficient domestic retailers to bridge the gap between capital required and raised.

2. Boost Healthy Competition and check inflation- It is argued that entry of the many multi-national corporations will promise intensive competition between the different companies offering their brands in a particular product market and this will result in availability of many varieties, reduced prices, and convenient distribution of the marketing offers.

3. Improvement in Supply Chain- Improvement of supply chain/ distribution efficiencies, coupled with capacity building and introduction of modern technology will help arrest wastages.

4. Improvement in Customer Satisfaction- Consumers in the organized retail will have the opportunity to choose between a numbers of internationally famous brands with pleasant shopping environment, huge space for which feels that there is a difference in the quality of the products sold to foreign retailers and the same products sold in the Indian market.

5. Improved technology and logistics- Improved technology in the sphere of processing, grading, handling and packaging of goods and further technical developments in areas like electronic weighing, billing, barcode scanning etc. could be a direct consequence of foreign companies opening retail shops in India,. Further, transportation facilities can get a boost, in the form of increased number of refrigerated vans and pre-cooling chambers which can help bring down wastage of goods.

6. Benefits for the Farmers- Presumably, with the onset of multi-brand retail, the food and packaging industry will also get an impetus. Though India is the second largest producer of fruits and vegetables, it has a very limited integrated cold-chain infrastructure. Lack of adequate storage facilities causes heavy losses to farmers, in terms of wastage in quality and quantity of produce in general, and of fruits and vegetables in particular. With liberalization, there could be a complete overhaul of the currently fragmented supply chain infrastructure. Extensive backward integration by multinational

retailers, coupled with their technical and operational expertise, can hopefully remedy such structural flaws. Also, farmers can benefit with the "farm-to fork" ventures with retailers which helps (i) to cut down intermediaries ; (ii) give better prices to farmers, and (iii) provide stability and economics of scale which will benefit, in the ultimate analysis, both the farmers and consumers.

7. Creation of More And Better Employment Opportunities- The entry of foreign companies into Indian Retailing will not only create many employment opportunities but, will also ensure quality in them. This helps the Indian human resource to find better quality jobs and to improve their standard of living and life styles on par with that of the citizens of developed nations.

Conclusion

Opening up of the retail sector to FDI will provide a boost to small-and medium enterprises. Moreover, expansion in the retail sector could also generate significant employment potential, especially among rural and semi-urban youth. The opening of retail industry to global competition is expected to spur a retail rush to India. It has the potential to transform not only the retailing landscape but also the nation's ailing infrastructure.

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Role of Foreign Direct Investment in the Development of Indian Economy

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Introduction:

Foreign direct investment (FDI) or foreign investment refers to the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the

Balance of payments

It usually involves participation in management, joint-venture, transfer of technology and expertise. There are two types of FDI: inward foreign direct investment and outward foreign direct investment, resulting in a net FDI inflow (positive or negative) and "stock of foreign direct investment", which is the cumulative number for a given period.Direct investment excludes investment through purchase of shares.FDI is one example of international factor movement. An investment abroad, usually where the company being invested. In is controlled by the foreign corporation. The simplest explanation of FDI would be a direct investment by a corporation in a commercial venture in another country. A key to separating this action from involvement in other venture in foreign country is that the business enterprise operates completely outside the economy of the corporation's home country.

Foreign direct investment in India:

Most important thing post 1991 reforms is the permission given to private capital flow in the form of foreign direct investment (FDI).

Advantages Of Fdi

* New Investment comes in the country. It is in various forms like capital, labour,technology, etc.
* Brings Better technology
* Brings knowledge
* Management expertise
* Export Markets
* it increases the efficiency of the market concerned.
* It acts as a source of foreign exchange & helps to reduce the pressure on the Balance of Payments (BOP).

Some Major Reforms in FDI

Recent FDI Reforms

Recent years have witnessed a slowdown in investment because of financial crisis, policy paralysis, and deterioration of business environment. Various economic problems in India led to the sharp fall in the business confidence in India. Because of this various sectors have been made open under FDI equity to regain the confidence of both domestic and foreign investors.

Major FDI Reforms Since September 2012

* Allowing 100% FDI ownership in single brand retail trading and up to 51% FDI in multi brand retail.
* Allowing foreign airlines up to 49% FDI.
* Increasing FDI equity from 49% to 74% in certain broadcasting sectors.
* Allow up to 49% FDI in power exchanges.
* Increasing FDI limit from 26% to 49% in insurance sector.

* Allowing 49% FDI in several sectors such as petroleum and natural gas, commodity and stock exchanges, power exchanges, asset reconstruction, single brand retail and telecommunications. Foreign investment up to 49% in these industries may be made under the automatic route which does not require approval from the RBI or the Indian government Sectors such as asset reconstruction and telecommunications are eligible for 100% FDI upon approval by the FIPB.

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* The defense sector will also be eligible for greater FDI under the recent changes. For present it is 26%. But 100 equity is also allowed if the projects are likely to result in access to modern and state of the art technology.

Increase in pension sector have been proposed and await parliamentary approval.

Challenges in FDI

* FDI inflow has increased in India in the past 20 years but it still lags behind (quantitatively) countries like China, Singapore or Brazil.

* FDI inflow to India is concentrated in a few sectors only.

* FDI has been seen to come in some states only.

* Various problems that are in the way of FDI flow to India: 1) Infrastructure bottlenecks 2) rigid and complicated labour laws 3) lack of coordination between the centre and states 4) FDI caps/ceiling in many sectors where 100% FDI equity is not allowed for feasible investment projects and 5) difficult bureaucratic controls and procedures to get the necessary clearances and approvals. First time investors in India are always skeptical about whether projects will progress from screening to operation.

Necessary Reforms That Must Come in FDI

1. A better environment for infrastructure development with an appropriate institutional framework such as a dispute resolution mechanism, independent regulatory authority and special investment law.
2. A uniform labour code after an independent review and proper consultation with stakeholders.
3. Proper design and planning of SEZs including local level solutions for land acquisition and sector-specific policies with incentives to attract FDI into SEZs
4. Proper infrastructure connectivity to SEZs and allowing the private sector to provide infrastructure services to SEZs.
5. Increasing FDI caps in sectors with FDI potential and allowing more sectors under the automatic route.
6. Revisiting outdated laws, controls, regulatory systems and government monopolies affecting the investment environment.
7. Encouraging non-governmental facilitation services for foreign investors.

Further trade reforms and reforms in public services to attract foreign investment.

FDI in the Retail Sector

While the government was keenly awaiting approvals from the cabinet on these reforms, they had already increased FDI in single brand retail (SBPRT) from 51% to 100% subject to certain conditions being met. The revised policy has ensured that FDI in multi-brand retail (MBRT) will lead to a 30% increase in domestic outsourcing of the finished products sold in the market as one of the pre-conditions is that raw materials need to be sourced from small and medium scale companies in India. This will promote domestic production capacities in the agricultural sector as well as in the manufacturing sector; it will create jobs and help build quality human resources. Increased FDI in retail will also address a key issue of supply chain management that has become the bane of farmers and consumers. A smooth supply chain management will reduce wastage by improving distribution and is likely to reduce inflation. U.S. super market giant Wal Mart in all likelihood will be the first to come into the Indian retail market in a joint venture with Bharti. Ikea the Swedish home furnishing chain is looking at investing INR 10,000 crores over the next few years and has planned to open 25 stores in India within a short span.

FDI in the Airline Industry

Earlier this year in the Union Budget 2012-13 the then Finance Minister Pranab Mukherjee had put forth a proposal allowing foreign airlines to hold a stake of up to 49% in the equity of domestic carriers. In an attempt to tackle the crisis in the severely cash strapped airline industry, the finance minister had also proposed to permit external commercial borrowings (ECB) for working capital requirements with a ceiling of one year. ECB is a financial instrument used by the government to facilitate access to foreign funds by Indian corporations and public sector undertakings. The government previously permitted FDI investment of 49% in the airlines industry by non airline players but not by foreign airlines, as it traditionally has been deemed as a security risk. The government has now permitted FDI in airport infrastructure and has made a landmark decision to permit foreign investment of up to 49% in the airline industry itself. Foreign airlines will now be able to either partner Indian carriers or start a new airline with an Indian collaboration. This proposal will hopefully infuse much needed liquidity and reverse the decline in the aviation sector as a whole.

FDI in Insurance

In all likelihood the government is expected to push through amendments to the Insurance Laws (Amendments) Bill 2008 to cap FDI at 49% in the winter parliament session. The major sticking point for the opposition has been the proposal to increase FDI to 49% in the insurance sector. The Government has clarified that the increase to 49% in the insurance industry

will be a "composite one" and will combine investments in the forms of FDI's and FII's. As always there have been dissenting voices that believe that by retaining the cap at 26% the government would send out negative signals to investors, as many foreign insurance firms have been lobbying ceaselessly for amendments to the Bill. The insurance industry has been another sector that has been struggling and could well do with a shot in the arm. According to Finance Minister P. Chidambaram "The immediate requirement of capital for the insurance sector is estimated at around US$5-6 billion."

Implementation of the FDI policy is bound to encounter certain challenges. Some of which include:

Implementation at State level:

It is for the first time that FDI policy is introduced as an enabling policy and implementation of the same is left to the discretion of the State Governments/Union Territories and draws support from the fact that 'trade and commerce within the State' is a subject of the State under the Constitution of India. Such a policy may give unrestricted powers to the State Government/Union Territories to impose conditions in addition to those prescribed by the DIPP. State level regulations could lead to an inconsistent policy framework at the state level which will need to be carefully understood and followed by potential investors. There is also the risk of a State Government changing its policies and reversing earlier decisions, especially in the event of a change in political power as this scenario has not been construed by the DIPP in the Press Note. In effect, a foreign investor will have to be mindful of the local rules and regulations of each State before finalizing the transaction structure/business model, especially when the investor intends to set up outlets in all the States. Furthermore, for the existing entities operating across India, it would get complicated to get in increased FDI in that particular unit without restructuring its operations.

Conclusion

In short, India needs to address its lack of adequate infrastructure, rigid labour laws, bureaucratic delays and state level reforms to realize its FDI potential. This may be due to the low flow of FDI into India both at the macro level as well as at the sartorial level. It implies that the spirit in which the economy has been liberalized and exposed to the world economy at the late eighties and early nineties has not been achieved after so many years. This calls for a judicious policy decision towards FDI at the sartorial level. A large number of changes that were introduced in the country`s regulatory economic policies heralded the liberalization era of the FDI policy regime in India and brought about a structural breakthrough in the volume of the FDI inflows into the economy maintained a fluctuating and unsteady trend during the study period.

The new amendments in the FDI policy is a step forward in the right direction as in the long run it aims at enhancing India's economic growth, through enhanced job opportunities and growth in vital sectors. It will additionally open out the Indian economy for prospective global opportunities. In 1990 Dr. Singh as Finance Minister had pulled back the Indian economy from the brink of collapse and set it on the path of globalization with path breaking reforms. Will these reforms be enough to revive an economy that has been sluggish or is it just too little too late? The answers will be debated for a long time to come, so till then let us wait and watch.

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ISSN No. 2250-1037 Vol. XIII June 2015

Impact of FDI in Indian Economy with Special Reference to Retail Sector In India

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Introduction:

Indian being a signatory to World Trade organization's General Agreement to Trade in Services, which include wholesale and retailing services, had to open up the retail trade sector to foreign investment. There were initial reservations towards opening up of retail sector arising from fear of job losses, procurement from international market, competition and loss of entrepreneurial opportunities. However, the government in a series of moves has opened up the retail sector slowly to Foreign Direct Investment (FDI). In 1997, FDI in cash and carry (wholesale) with 100 percent ownership was allowed under the Government approval route. It was brought under the automatic route in 2006. 51 percent investment in a single brand retail outlet was also permitted in 2006.

Foreign Direct Investment

FDI stands for Foreign Direct Investment, a component of a country's national financial accounts. Foreign direct investment is investment of foreign assets into domestic structures, equipment, and organizations. It does not include foreign investment into the stock markets. Foreign direct investment is thought to be more useful to a country than investments in the equity of its companies because equity investments are potentially "hot money" which can leave at the first sign of trouble, whereas FDI is durable and generally useful whether things go well or badly

FDI Policy in India

FDI as defined in Dictionary of Economics (Graham Bannock et.al) is investment in a foreign country through the acquisition of a local company or the establishment there of an operation on a new (Greenfield) site. To put in simple words, FDI refers to capital inflows from abroad that is invested in or to enhance the production capacity of the economy. Foreign Investment in India is governed by the FDI policy announced by the Government of India and the provision of the Foreign Exchange Management Act (FEMA) 1999. The Reserve Bank of India ('RBI') in this regard had issued a notification, which contains the Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000. This notification has been amended from time to time. The Ministry of Commerce and Industry, Government of India is the nodal agency for motoring and reviewing the FDI policy on continued basis and changes in sectoral policy/ sectoral equity cap. The FDI policy is notified through Press Notes by the Secretariat for Industrial Assistance (SIA), Department of Industrial Policy and Promotion (DIPP). The foreign investors are free to invest in India, except few sectors/activities, where prior approval from the RBI or Foreign Investment Promotion Board ('FIPB') would be required.

FDI Policy With Regard To Retailing In India

It will be prudent to look into Press Note 4 of 2006 issued by DIPP and consolidated FDI Policy issued in October 2010 which provide the sector specific guidelines for FDI with regard to the conduct of trading activities.

a) FDI up to 100% for cash and carry wholesale trading and export trading allowed under the automatic route.

b) FDI up to 51 % with prior Government approval (i.e. FIPB) for retail trade of 'Single Brand' products, subject to Press Note 3 (2006 Series)

c) FDI is not permitted in Multi Brand Retailing in India.

FDI In Multi Brand Retail

The government has also not defined the term Multi Brand. FDI in Multi Brand retail implies that a retail store with a foreign investment can sell multiple brands under one roof. In July 2010, Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce circulated a discussion paper on allowing FDI in multi-brand retail. The paper doesn't suggest any upper limit on FDI in multi-brand retail. If implemented, it would open the doors for global retail giants to enter and establish their footprints on the retail landscape of India. Opening up FDI in multi-brand retail will mean that global retailers including Wal-Mart, 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.

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Advantages

* Increase economic growth by dealing with different international products
* 1 million (10 lakh) employment will create in three years - UPA Government
* Billion dollars will be invested in Indian market
* Spread import and export business in different countries
* Agriculture related people will get good price for their goods

Objectives Of The Study

* 1. To Know the reasons for investing retail industry in India.
* 2. To Analyze the impact of FDI in retail sector in India.

Data Collection

The analysis will be done with the help Secondary data (from internet site and journals). The data is collected mainly from websites, annual reports, World Bank reports, research reports, already conducted survey analysis, database available etc.

The Reasons For Investing Retail Industry In India

AT Kearney (a globally famous international management consultancy) recognized India as the second most alluring and thriving retail destination of the world, among other thirty growing and emerging markets. At present, other profitable retail destinations of the world are China and Dubai of Asia. Diverse foreign direct investment in Indian retail is greatly cherished by most of the major and leading retailers of USA and European countries, including Walmart (USA), Tesco (UK), Metro (Germany), and Carrefour (France).

Table - 01

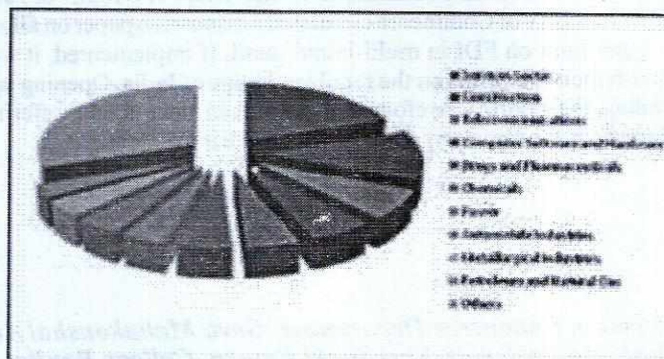
FDI Inflows in Different Sectors in India

Sl. No.	Sector	FDI inflows 2000 -2012 August in US$	%
1	Services Sector	158252	19
2	Construction	97028	12
3	Telecommunications	57188	7
4	Computer Software and Hardware	51149	6
5	Drugs and Pharmaceuticals	45440	5
6	Chemicals	39468	5
7	Power	34936	4
8	Automobile Industries	34201	4
9	Metallurgical Industries	30142	4
10	Petroleum and Natural Gas	24783	3

Source: DIPP, Federal Ministry of Commerce & Industry, Government of India

Figure - 01

FDI Inflows in Different Sectors in India



Impact Of FDI In Retail Sector In India

Retail Growth story in India is not only prodding domestic players to take their businesses to a new orbit but is also attracting foreign players as they are left with little

or no hope to grow further in their structured home markets. The increasing disposable income among the Indian middle class, the burgeoning young population is touted as the main reason for such attractive optimism. The positivity about Indian retail scene has also led to an intense lobbying by certain sections for opening Foreign Direct Investment in this sector. India has positioned itself as a promising market for retailers worldwide by virtue of its undernoted

Strengths :-

* India has witnessed a fantic pace of retail development over the past five years.
* Goldman Sachs has estimated that the Indian Economic growth could actually exceed that of China by 2015.
* Retail which contributes 10 per cent of our GDP is the largest source of employment after agriculture.
* The Indian Retail market was estimated to be US $ 427 billion by 2010 & US $ 637 billion by 2015.
* This will bring modern technology to the country

Conclusion

A large number of changes that were introduced in the country's regulatory economic policies heralded the liberalization era of the FDI policy regime in India and brought about a structural breakthrough in the volume of the FDI inflows into the economy maintained a fluctuating and unsteady trend during the study period. It might be of interest to note that more than 50 per cent of the total FDI inflows received by India came from Mauritius, Singapore and the USA. The main reason for higher levels of investment from Mauritius was that the fact that India entered into a double taxation avoidance agreement (DTAA) with Mauritius were protected from taxation in India. Among the different sectors, the service sector had received the larger proportion followed by computer software and hardware sector and telecommunication sector. It can be said that the advantages of allowing unrestrained FDI in the retail sector evidently outweigh the disadvantages attached to it and the same can be deduced from the examples of successful experiments in countries like Thailand and China where too the issue of allowing FDI in the retail sector was first met with incessant protests, but later turned out to be one of the most promising political and economical decisions of their governments and led not only to the commendable rise in the level of employment but also led to the enormous development of their country's GDP.

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Impact of FDI in India's Economic Development (with Special Reference to Retail Sector)

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Introduction

Foreign direct investment (FDI) is a direct investment into production or business in a country by an individual or company of another country, either by buying a company in the target country or by expanding operations of an existing business in that country. Foreign direct investment is in contrast to portfolio investment which is a passive investment in the securities of another country such as stocks and bonds.

Types of FDI in India:-

1. Horizontal FDI :-It arises when a firm duplicates its home country-based activities at the same value chain stage in a host country through FDI.
2. Platform FDI :-Foreign direct investment from a source country into a destination country for the purpose of exporting to a third country.
3. Vertical FDI :-takes place when a firm through FDI moves upstream or downstream in different value chains i.e., when firms perform value-adding activities stage by stage in a vertical fashion in a host country.

Process of FDI in India:- Post liberalization of India has not only openedits doors to foreign investors but also made investment easier for them by adopting following measures:-

1. Easy foreign exchange control for trade.
2. Foreign investors can also transfer their funds to their home countries from their operation in India.
3. The regulations and tariff levels also came down in last two years.
4. While most Foreign Investments in India (up to 51 %) are allowed in most industries, foreign equity up to 100 % is encouraged in export-oriented units, depending on the merit of the proposal. In certain specified industries reserved for the small scale sector, foreign equity up to 24 % is being permitted now.
5. Indian companies got freedom to collect funds from overseas foreign market and can also invest in foreign companies in order to expand their business across world.

As the industry progresses, opportunities abound in India, which has the world's largest middle class population of over 300 million, is attracting foreign investors by assuring them good returns. The scope for foreign investment in India is unlimited.

Impact of FDI in Indian Economy to retail business:-

1. Sufficient flow of capital towards development in various sectors as well as revenue generation.
2. Improvement in technology and skill which reduce the cost and increase the efficiency of working process.
3. Increase in job opportunities in many sectors, resulted as uplifting in their life style and acceptability.
4. Infrastructure and administrative reforms which create effectiveness and accountability of nation.
5. Social and economic growth due to awareness from various sources like schools, colleges, constitutional body and information technology etc. which is possible due to FDI.
6. The healthy competition will increase, so at the end customer will be in profit.
7. Highest FDI was recorded in the services, telecommunication, construction activities and computer hardware and software and hospitality sectors.
8. According to UNCTAD's world investment report India is the second lucrative place for FDI after China.
9. Few sectors are not permitted for FDI like atomic energy, railway, stock markets, real estate and mining of coal and metals.
10. Due to foreign companies entering into retail sector, new infrastructure will be built thereby bolstering the jagging real

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estate sector. In turn, banking sector will also grow as the funds needed to build infrastructure will be provided by banks.

11. It has been estimated according to government, that approximately ten million jobs will be created mostly in retail and real estate sectors.
12. In the retailing business, the intermediaries have dominated the interface between the manufacturers or producers and the consumers. Hence the farmers and manufacturers lose their actual share of profit margin, as the lion's share is eaten up by the middlemen.
13. Consumers will get variety of good quality products at low prices compared to market rates and will be able to choose from various international brands at one place.
14. This has been one of the common issues in the retailing chain in India for years, which has led to the process of an incompetent market mechanism.
15. FDI will assure operations in production cycle and distribution. Due to economies of operation, production facilities will be available at a cheaper rate and thus resulting in availability of variety products to the ultimate consumers at a reasonable and cheaper price.
16. FDI allows transfer of skills and technology from abroad and develops the infrastructure of the domestic country. Greater managerial talent will flow in from other countries. Domestic consumer will get the benefit of getting great variety and quality products at all price points.
17. FDI will render necessary capital for establishing organised retail chain stores. It is a long term investment because the physical capital in the domestic company is not easily liquidated.
18. FDI will create a competition among the global investors, which will ultimately guarantee better and lower prices, thereby benefiting people in all sections of the society. The market growth and expansion will increase. It will step-up retail employment. It will ensure better managerial techniques and success. Higher wages will be paid by the international companies. Urban consumers will be exposed to international lifestyles.
19. Restrictions on FDI are regarded as trade barriers as they traverse direct market access to foreign firms. Retail giants who are very keen in looking for entry into foreign markets look for other available alternatives. These restrictions on the global retailers regarding the inflow of FDI, leads them towards getting the market entry through franchises. Thus, countries which offer promising market potentialities for retail growth offer substantial growth in the franchising sector also.

Tabular representations of the key changes proposed under the FDI Limits areas follows :

Sector/Activity	Before the proposal		After the proposal	
	% of FDI /Equity	Entry Route	% of FDI / Equity	Entry Route
Defense Sector	26%	Government Route	No Change	Higher limits of foreign investment in "stateof - the-art" manufacturing would be considered by the CCS
Insurance Sector	26%	Automatic Route	49%	Automatic Route
Telecom Services	74%	Automatic up to 49% Government route beyond 49% and up to 74%	100%	Automatic up to 49% Government route beyond 49% and up to 100%
Tea Plantation	100%	Government Route	100%	Automatic up to 49% Government route beyond 49% and up to 100%
Asset Reconstruction Company	74% of paid -up capital of ARC (FDI+FII)	Government Route	100%	Automatic up to 49% Government route beyond 49% and up to 100%
Petroleum & Natural Gas	49%	Government Route	49%	Automatic Route
Commodity Exchanges	49% (FDI & FII) + [Investment by Registered FII under Portfolio Investment Scheme (PIS) will be limited to 23% and Investment under FDI Scheme limited to 26%]	Government Route (For FDI)	49%	Automatic Route

Conclusion

In order to liberalize Foreign Investment in India and to attract more number of foreign Investors the Government attempts to maintain a practice to continuously review the Foreign Investment policy. The acceptance of the recommendations to increase the Foreign Investment Limits in the respective sectors will not only attract Foreign Investment in India but will also provide growth opportunities to Indian Companies who can collaborate with Foreign Companies to start business in various new sectors. The withdrawal of requirement of Government Approval for Investment in different sectors will also act as an incentive to initiate various business prospects and will expedite the launch of new projects.

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Foreign Direct Investment in Service Sector

* Aradhana Tiwari

Introduction

An investment made by a company or entity based in one country, into a company or entity based in another country. Foreign direct investments differ substantially from indirect investments such as portfolio flows, wherein overseas institutions invest in equities listed on a nation's stock exchange. Entities making direct investments typically have a significant degree of influence and control over the company into which the investment is made. Open economies with skilled workforces and good growth prospects tend to attract larger amounts of foreign direct investment than closed, highly regulated economies. 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.

Entry routes for FDI

Investments can be made by non-residents in the equity shares/fully, compulsorily and Mandatorily convertible debentures/ fully, compulsorily and mandatorily convertible preference shares of an Indian company, through two routes;

1. The Automatic Route: under the Automatic Route, the non-resident investor or the Indian company does not require any approval from the RBI or Government of India for the investment.

2. The Government Route: under the Government Route, prior approval of the Government of India through Foreign Investment Promotion Board (FIPB) is required. Proposals for foreign investment under Government route as laid down in the FDI policy from time to time, are considered by the Foreign Investment Promotion Board (FIPB) in Department of Economic Affairs (DEA), Ministry of Finance.

Who can invest in India:

1. A non-resident entity (other than a citizen of Pakistan or an entity incorporated in Pakistan)

can invest in India, subject to the FDI Policy. A citizen of Bangladesh or an entity incorporated in Bangladesh can invest in India under the FDI Policy, only under the Government route.

2. NRIs resident in Nepal and Bhutan as well as citizens of Nepal and Bhutan are permitted to invest in the capital of Indian companies on repatriation basis

3. An FII may invest in the capital of an Indian Company under the Portfolio Investment Scheme which limits the individual holding of an FII to 10% of the capital of the company and the aggregate limit for FII investment to 24% of the capital of the company

4. A SEBI registered Foreign Venture Capital Investor (FVCI) may contribute up to 100% of the capital of an Indian Venture Capital Undertaking (IVCU)

5. No person other than registered FII/NRI as per Schedules II and III of Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations of FEMA 1999, can invest/trade in capital of Indian Companies in the Indian Stock Exchanges directly i.e. through brokers like a Person Resident in India.

FDI Policy in India: Sector Specific Limits of Foreign Investment in India

Sector	FDI Cap/Equity	Entry Route	Other Conditions
Civilaviation (Greenfield projects and Existing projects)	100%	Automatic	
Asset Reconstruction companies	49%	FIPB	
Banking (private) sector	74% (FDI+FII). FII not to exceed 49%	Automatic	
NBFCs : underwriting, portfolio management services, investment advisory services, financial consultancy, stock broking, asset management, venture capital, custodian, factoring, leasing and finance, housing finance, forex broking, etc.	100%	Automatic	s.t.minimum capitalisation norms

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Broadcasting			
a. FM Radio	20%	FIPB	
b. Cable network; c. Direct to home; d. Hardware facilities such as up -linking, HUB.	49% (FDI+FII)		
e. Up -linking a news and current affairs TV Channel	100%		
Commodity Exchanges	49% (FDI+FII) (FDI 26 % FII 23%)	FIPB	
Insurance	26%	Automatic	Clearance from IRDA
Petroleum and natural gas :	49% (PSUs).	FIPB (for PSUs).	
a. Refining	100% (Pvt. Companies)	Automatic (Pvt.)	
Print Media			
a. Publishing of newspaper and periodicals dealing with news and current affairs	26%	FIPB	S.t.guidelines by Ministry of Information & broadcasting
b. Publishing of scientific magazines / speciality journals/periodicals	100%	FIPB	
Telecommunications			
a. Basic and cellular, unified access services, national / international long - distance, V -SAT, public mobile radio trunked services (PMRTS), global mobile personal communication services (GMPCS) and others.	74% (including FDI, FII, NRI, FCCBs, ADRs/GDRs, convertible preference shares, etc.	Aut omatic up to 49% and FIPB beyond 49%.	

Overview of FDI in Service Sector:

In the post-liberalization period, services sector has attracted significant foreign investment due to the availability of skilled labour at lower wages and the large and unsaturated domestic market. According to AT Kearney Global Services Location Index, in 2011, India was the leading outsourcing destination among 50 countries, followed by China. India's rank is highest due to human resource (2nd) but it ranked poorly in terms of business environment (43rd).

According to the A.T. Kearney's FDI Confidence Index29, in 2012, India ranked as the second most attractive destination for FDI after China. The Inward FDI Performance Index of the UNCTAD, which compares relative performance of 141 countries in attracting FDI inflows, found that India has performed poorly compared to other developing countries. In 2010, India was ranked 97th. Comparative ranks of China, Brazil and Mexico were 79th, 69th, and 84th respectively. Thus, while multinational companies have shown confidence in India, the country has not been able to attract much FDI. This may be because the reform process has slowed down in the last couple of years and this has resulted in uncertainties. The Inward FDI Potential Index of UNCTAD, which evaluates the host country's ability to attract FDI inflows vis-a-vis other countries based on the selected factors, shows that India has improved its ranking from 86 in 1990s to 79 in 2010. Thus, India has the potential to attract more FDI inflows in future, if appropriate policy measures are undertaken and business hurdles are addressed.

Trend & Pattern of Inflow And Outflow:

The economic reforms in general and liberalization of FDI policy in particular have led to manifold increase in FDI inflows since the 1990s. In 1980s, India received $0.08 billion worth of FDI inflows, which increased to $42.5 billion in 2008 and then declined due to the global slowdown to $24.6 billion in 2010. The cumulative FDI equity inflows were $179 billion during April 2000 to August 2012. Bulk of the FDI inflow into India is routed through Mauritius. Other important investing

countries include Singapore, Japan, the US and the UK.

Over the years, India's share in world's FDI inflows has increased. In 2009, India's share in world's total FDI inflows was 2.44%, which increased from 0.15% in 1980s. However, India's share declined to 1.98% in 2010.

In the pre-liberalization period, bulk of FDI inflow was in manufacturing (87% in 1980)35 but after liberalization services is the largest recipient of FDI inflows. The FDI inflows within each sector, for example telecommunications, do not distinguish between goods and services. Therefore, it is difficult to give the exact amount of FDI inflow in services.

India's total FDI outflows have increased from $4 million in 1980s to $14.6 billion in 2010. In 2010-11, India FDI outflow in the services sector was the largest at $10.3 billion. In 2011-12, a majority (62.1%) of Indian outward investments were in the services sector, followed by the manufacturing sector (31.4%). Within the services sector, financial insurance, real estate and business services accounted for 29% of India's total outward investments followed by transport, communication and storage services (15.3%) and wholesale and retail trade and restaurants and hotel services (11.5%). Many Indian IT companies have opened offices abroad. Due to the shortage of fossil fuels in India, companies have also started to invest in mining and related consultancy services abroad. Indian hospital chains and educational institutes are venturing into other South Asian countries. The major recipients of FDI from India include Mauritius, Singapore, Netherlands, US and United Arab Emirates (UAE). In future, outward FDI flows in services are likely to increase further as Indian companies have globalised

Conclusion:

The government has taken many policy initiatives to liberalize the FDI policy for the services sector. These include liberalizing the policy on foreign investment for companies operating in the broadcasting sector, like increasing the foreign investment limit from 49 per cent to 74 per cent in teleports (setting up up-linking HUBs/teleports) and direct to home (DTH) and cable networks, and permitting foreign investment (FI) up to 74 per cent in mobile TV; permitting foreign airlines to make foreign investment, up to 49 per cent in scheduled and non-scheduled air transport services; permitting FDI, up to 51 per cent, in multi brand retail trading and amendment of the existing policy on FDI in single-brand product retail trading. An analysis of the recent trends in FDI flows at the global level as well as across regions/countries suggests that India has generally attracted higher FDI flows in line with its robust domestic economic performance and gradual liberalization of the FDI policy as part of the cautious capital account liberalization process. It is pertinent to highlight the number of measures announced by the Government of India on April 1, 2011 to further liberalize the FDI policy to promote FDI inflows to India. These measures, inter alia included (i) allowing issuance of equity shares against non-cash transactions such as import of capital goods under the approval route, (ii) removal of the condition of prior approval in case of existing joint ventures/technical collaborations in the 'same field', (iii) providing the flexibility to companies to prescribe a conversion formula subject to FEMA/SEBI guidelines instead of specifying the price of convertible instruments upfront, (iv) simplifying the procedures for classification of companies into two categories- 'companies owned or controlled by foreign investors' and 'companies owned and controlled by Indian residents' and (v) allowing FDI in the development and production of seeds and planting material without the stipulation of 'under controlled conditions'. These measures are expected to boost India's image as a preferred investment destination and attract FDI inflows to India in the near future

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Foreign Direct Investment: Issues and Remedies

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Introduction

FDI is widely regarded as a composite bundle of capital inflows, knowledge, and technology transfers (Balasubramanyam, Salisu, & Sapsford, 1996). Hence, the impact of FDI on growth is expected to be manifold (De Mello, 1997). India being the largest democratic country with second largest population in the world, with its law rule and a well-educated English speaking work force, it is considered as a safe place for foreign investors. Yet, India seems to be suffering form a lot of self-imposed restrictions and problems with opening its market completely to global investors by implementing full scale economic reforms. Some of the major impediments for India's poor performance in the area of FDI are: political instability, poor infrastructure, confusing tax and traffic policies, Draconian labor laws, well entrenched corruption and governmental regulations. While India is a latecomer in drawing heavily on FDI to foster growth, it has attracted booming FDI since the economic reform program of 1991.

Issues: Why FDI's Flow Is Low in India

* Insufficient Infrastructure: One of the major bottlenecks for FDI inflows in to Indian is lack of Adequate Infrastructure. The poor infrastructure drags away foreign investor from investing in India. Inappropriate electric power supply and frequent power cuts are considered as a major flaw which is responsible for closing up of many industries.

* Severe Labor Laws: In India, large firms are not permitted to take decision to reduce the count or lay off workers or close down the unit, it is all a decision of state government. These laws are responsible in stopping valid attempt to restructure the business and protect workers. To filter non-required workers, organization requires approval from both employees as well as state government which is a tough task to do. Also, a huge amount of money gets extorted by Trade Unions in the name of retirement schemes.

* Corruption: Nearly all public services (from defense to distribution of subsidized food to the poor people, to the generation and transmission of electricity) are involved in corruption activities which is a major hurdle in countries development. Some researcher observed the reason why foreign investors are moving away from India. He states that a combination of legal hurdles, lack of institutional reforms, bureaucratic decision-making and the allegations of corruption at the top have turned foreign investors away from country. Corruption is an enemy for poor people because it snatches food from their mouths and adds money to pockets which are already filled. A step in preventing corruption activity can lead to increase in countries GDP AND FDI will also grow by 12 per cent (Vittal 2001)

* Insufficient Authority with Decision Making Due To State Governments: Due to the limited involvement in decision making process for reforms process of liberalizing economy, state government cannot interrupt as most of the decision are made by central government. In most key infrastructure areas the central government remains in control. Countries like Brazil, Chine, and Russia give first priority to regional government and then further actions are taken by central government.

* Heavy Duty of Tax: Due to the high taxation for foreign corporate investment in India, foreign investors change their mind about investing in India. Corporate tax in East Asia is generally in the range of 16 to 30 percent compared with a rate of 48 percent for foreign companies in India.

* Instable Politics and Vacillating Government: The inflow of FDI in India was affected badly due to the too many anomalies on the government side. That effect is still affecting the direct inflow in India such as mismanagement and oppression by the different company, which destroys the country's image and also discourages the prospective investors, who are very particular about their safety and constant return on their investment.

Remedies for Increasing Flow of Fdi in India

* Labour Laws Must Be Flexible: China now has become the manufacturing hub of the world, due to its maximum FDI in the manufacturing sector. In order that India attracts more foreign investors the country should focus on improving its infrastructure and introducing flexible labor reforms. The country should take initiatives to adopt more flexible labor laws.

* Revisit Issues Of Diffferent Sectors: Though there seems to be a hike in sectoral cap for FDI over years, government should plan for a solution to issues pertaining to limits in sectors such as coal mining, insurance, real estate and retail trade, apart from small scale sector. Government should allow more investment into the country under automatic route. Following types of reforms can be performed - bringing more sectors under the automatic route, increasing the FDI cap and simplifying the procedural delays has to be initiated. Also is need to improve SEZs in terms of their size, road and port connectivity, assured power supply and decentralized decision-making.

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* Geographical Area For Fdi Should Be Increased: In spite of huge availability of rich minerals in different states like West Bengal, Jharkhand, Chhattisgarh our state government fail to attract FDI due to the many geographical disparities. Many states are making serious efforts to simplify regulation for setting up and operating the industrial units but the efforts are not yielding positive results. . Even the state like West Bengal which was once called Manchester of India attracts only 1.2% of FDI inflow in the Country.

* Enlarge The Debt Market: A well-developed debt market is considered better than the well-developed equity market, because majority of the companies prefer leveraged investment rather than emptying their own pockets. Therefore it is said that countries with well-developed financial markets tend to benefit significantly from FDI inflows. But India has a better developed equity market rather than a good debt market which goes opposite with FDI transactions.

* Fdi Must Be Encouraged In Education Sector: Due to a weak educational structure of our country both in primary and secondary education there is a shortage of talent. By looking at the state of primary and secondary education in the country, FDI in educational sector can bring a lot of difference. FDI in this sector must be encouraged. The issues such as commercialization of education, regional gap and structural gap should be address first.

* Improved Research and Development: India's technological prowess and competitiveness can be increased if country works more towards attracting FDI into Research and Development.

Conclusion

FDI plays a significant role in the long term development of a country. It is not only a source of capital but can also be used for enhancing competitiveness of the domestic economy through transfer of technology, strengthening infrastructure, raising productivity and generating new employment opportunities. India, being the fifth highest recipient of FDI across the globe and the second highest among developing nations, has the advantage of a huge market size, availability of highly skilled human resources, sound economic policy and abundant and diversified natural resources. Although, FDI in India has increased post the liberalization reforms adopted in the early 90s, India still faces a lot of problems like - lack of proper infrastructure, instable government and political environment, high corporate tax rates and limited export processing zones. These are some of the major reasons for low FDI in the country. To remedy these problems, the Government should revise the sectorial cap and bring more sectors under the automatic route. Further, India should sign the agreement of Double Taxation treaties with other countries in order to increase bilateral trade. Innovative policies and good corporate governance practices on par with international standards are the need of the hour to develop India's economy.

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FDI in Multi Brand Retailing in India - Pros and Cons

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FDI refers to net inflow of investment to acquire a lasting management interest in an enterprise operating in an economy other than that of the investor. It usually involves participation in management, joint ventures, transfer of technology and expertise. India has been recorded at the second place in global foreign direct investment in 2010and will continue to remain among the top five attractive destinations for international investors during 2012-13 period according to UN Conference On Trade And Development.

The service sector comprising financial and non-financial services attracted 21%of the total FDI equity inflow in India with FDI worth US $ 2853 million during 2010.

The major sector attracting FDI inflow in India have been services and Electrical and Electronics amounting to US $ 30,421 million or 32% of total FDI. Service sector tops the chart of FDI inflows in 2008 with India emerged as top destinations for FDI in service sector.

Multibrand Retailing

It refers to the marketing of the different unrelated competitive products under the same firm though being under the same firm, the various brands tends to bite into each other sales for example ' Pantaloon' and 'Central" of future groups. The multi brand retailing has certain advantages which are as follows-

1. Obtaining greater shelf space and leaving little for competitor's product.
2. Saturating a market by filling all price and quality gaps.
3. Catering to brands switching users who like to experiment with different brands.
4. Keeping the firm's managers on their toes by generating internal competition.

Indian Retail Sector

The Indian retail sector is predominantly comprises of unorganized players in the form of locally owned kirana stores, single owner general stores, paan shops, handicrafts and pavement vendors etc. On the other hand, organized retailing involves trading activates by licensed retailers that is, those who are registered for sales tax, income tax basically involving the corporate backed hyper markets and retail chains. The Indian retail is a robust pillar of the economy with a 13% contribution to the GDP and employs 6% of the nation's work force. Retail has played a major role in improving the productivity of the whole economy at large. The positive impact of organized retailing could be seen in USA, UK and Mexico and China. Retail is the second largest industry in US. It is also one of the largest employment generators. The quality of the services has increased.

Growth Drivers Of Indian Retail Sectors

Rising income, increase in convergence of consumer taste and preferences dual family income, knowledge about different products through different mediums like internet, television etc, knowledge about the latest trend and fashion. 47% of the Indian populations who are under the age group of 30 are driving the consumption story.

Govt. of India has recently affected a landmark reform allowing up to 51% in Foreign Direct Investment in multi brand retail set up shops in India. Indian retail is growing at a faster rate backed by a huge population of 1.2 billion people. These market reforms paved the way for retail innovation and competition with International multi brand retailers such as Wal Mart, Corefour and Tisco.Allowing FDI in multi brand retail will lead to a significant improvement in India's GDP and over all economic development. The policy of multi brand retail by Indian Government would bring improvements in rural infrastructure technology, price for the agricultural produce and employmentopportunities.According to RBI deputy governor Subir Gokaran " Government's Decision to allow FDI in multi brand retail will help to increase productivity and ensure an efficient food grains distribution network to tackle high food prices. Increasing the scale of investment on organized retail is one way to increase productivity and distribution efficiency. Because FDI is an enabler of that. "According to the economic survey report permitting FDI in retail in phased manner beginning with metros and incentivizing retail shop to modernize could help address the concerns of farmers and consumers. FDI in retail may also help bring in technical knowhow to set up efficient supply chain which could act as models of development.

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Objectives Of Study

The objective of the present paper is

1. To study the current scenario of FDI in multi brand retail
2. To know benefits and disadvantages of FDI in multi brands
3. To know opportunities and challenges to FDI in multi brand retail

In short period there is no denying the fact that foreign capital will flow into the country and the Government will claim that its economic reforms agenda is intact. We should not imitate China because unlike India China enjoys a huge trade surplus with US and other major trading partners. China can afford to open its retail sector to foreign investment because of its globally competitive manufacturing sector. But in contrast to this Indian economy is service led and the service sector accounts for 55% of India's GDP. India's retail sector is highly fragmented with self-organized retailing accounting for as much as 96% of the total retail trade. India's low cost retail trade acts as a social security valve. Millions of small retailers make a livelihood by serving small communities and neighborhood.

Once the multi brand retail sector is opened up multinational retail giant with turnovers of billions of dollars will compete for a share in the Indian market. Some of the prominent big players keen to enter into India which include Wall Mart from US and Metro from Germany.

Because of their financial strength big multinational players have the capacity to invest and sustain losses for years in order to wipe out competition. As a result of this competition a large numbers of small and local retailers will be wiped out. The big multinational retailer will not be satisfied by setting up a few stores in India. They will collectively setup thousands of shops all over the country and it will become very difficult for small and local retailers to compete with them.

Effects on Farmers

The main model of big multinational retailer is "Buy lowest, sell highest." They aim for size and scale to gain the power to dictate terms in the retail market. They will not give Indian farmers a better price. Since food and vegetables are highly perishable items and refrigeration infrastructure is poor in India producers will have no option but to sell their products at the price demanded by big retailers. This problem can only be solved by undertaking massive public investment in the rural infrastructure such as Roads, Power and Cold storage. Farmers in India get only 10% - 20% of the price the consumer pays for the agricultural products. Coming of organized retail will benefit jammers in big way. Big retailers sell their products at very comparative price. So they source it directly from the farmers. Middleman does not have any place in this format of retailing. This will not only benefit farmers but also help in checking the food inflation. India has very inadequate facilities to store the food grains and vegetables. 20%- 25% of the agricultural products get wasted due to improper storage. Lack of proper transportation of perishable agricultural items and vegetables forces the farmer to sell their products in local markets. This results in the lower realization on the produce.

For perishable horticulture produce average price farmers receive is barely 12%- 15% of the final price consumers pay. Indian potato farmers sell their crop for Rs. 2 to Rs, 3 a kilogram while the Indian consumers buy the same potato for Rs.12 to Rs. 20 a kilogram.Organized retailers will reduce waste by improving logistics, creating cold storage to prevent food spoilage, improve hygiene and product safety, reduce counterfeit trade and tax evasion on expensive items purchases and create dependable supply chains for secure supply of food staples, fruits and vegetables. They will increase choice and reduce India's rampant inflation by reducing waste, spoilage and cutting out middleman. Organized retail will offer the small Indian farmers more competing venues to sell their products and increase income from less spoilage and waste.

Small manufacturers will benefit from the conditionality requiring at least 30% procurement from Indian small industries as this would enable them to get integrated with global retail chains. This in turn will enhance their capacity to export products from India.

Effects on the Consumers

Initially consumers will benefit. The consumers will get range of quality products but once big multinational players establish domination the consumer becomes captive to them. Consumer will have a wider choice and get better deals.

The Role of FDI in Generating Employment

The Indian retail sector at present is such that it benefits both consumers and suppliers. FDI in multi brand retailing would lead to the creation of millions of jobs as massive infrastructure capabilities would be needed to cater to the changing lifestyle needs of the urban Indian who is keen on allocating the disposable income towards organized retailing in addition to the local kirana stores. These stores would be able to retain their importance owing to their unique characteristic of convenience, proximity and skills on retaining costumer.With the entry of branded retailers the market will increase creating additional employment in retail and other tertiary sectors. Given their professional approach, organized retailers will allot some quantity of resources towards the training and development of the resources they employ.

According to known, President, Federation of Indian chamber of commerce and industry there will be a multiplier effect

in terms of employment generation and domestic manufacturers will benefit as they integrate with the supply chains of global retail majors.

Conclusion

1. In fact FDI would help to integrate India's economy with that of the global economy. Indian infrastructure must be developed to capture more FDI's.
2. Present reforms for FDI must be continued for the desired economic growth.
3. The government should reduce service charges to encourage FDI and allied foreign investments.
4. Special benefits for investment in India should be given to NRI as they can more relay on Indian economy to grab the attention of the world.

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Foreign Direct Investment in Pharmaceuticals

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1. Foreign Direct Investment

There are many definition of Foreign Direct Investment provided by different organizations and authors. It is not easy to define FDI because there is no universal acceptable criterion. Some of famous ones are as follows:

According to Moosa, A.L (1998) "Foreign Direct Investment (FDI) is the process whereby residents of one country (the source country) acquire ownership of assets for the purpose of controlling the production, distribution and other activities of a firm in another country (the host country)". According to Buckley, P. J (1995), "Foreign Direct Investment (FDI) is an investment made by Multi-National Enterprises (MNEs) or by a non-resident in an enterprise of Host (recipient)countries over which they have a control and earn private return". The United Nations Conference on Trade and Development (UNCTAD), 1999 World Investment Report defines FDI as 'an investment involving a long-term relationship and reflecting a lasting interest and control of a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise, affiliate enterprise or foreign affiliate). The term 'long term' is used in the last definition in order to distinguish FDI from portfolio investment, the latter characterized by being short-term in nature and involving a high turnover of securities. The common feature of these definitions lies in terms like 'controls' and' controlling interest' which represent the most important feature that distinguishes FDI from portfolio investment, the latter characterized by being short-termin nature and involving a higher turnover of securities.

The International Monetary Fund's Balance of Payments Manual (fifth edition, 1993), defines FDI as 'an investment that is made to acquire a lasting interest in an enterprise operating in an economy other than that of the investor, the investor's purpose being to have an effective voice in the management of the enterprise.' The general rule of thumb presented in the Manual is that the direct investor owns (or controls) at least 10 per cent of the ordinary shares, voting power or equivalent. FDI implies that the investor exerts a significant degree of influence on the management of the enterprise resident in the host country. It is important to distinguish between Direct and Indirect Foreign Investment. The indirect investment includes portfolio investment, acquisition of stock of an enterprise, medium-term and long-term loans by financial institutions and intermediaries, and investment in new issues of national loans, bonds and debentures. The direct investment is a long-term equity investment in a foreign company that gives the investor managerial control over the company (De Mello, L. 1999). The definition of FDI and computation of FDI statistics used by RBI does not conform to the guidelines of the IMF. Some of the main discrepancies are - first, India excludes reinvested earnings (which are part of foreign investor profits that are not distributed to shareholders as dividends and are reinvested in the affiliates in the host country) while estimating actual FDI inflows. According to IMF guidelines, these reinvested earnings are a part of FDI in flows, and should be recorded as inflow on the capital account of host country's balance of payments. Second, India does not include the proceeds of foreign equity listings and foreign subordinated loans to domestic subsidiaries which, according to IMF guidelines, are part of inter-company loans (long- and short-term net loans from the parent to the subsidiary) and should be a part of FDI inflows. Third, India excludes overseas commercial borrowing, whereas according to IMF guidelines financial leasing, trade credits, grants, bonds, etc, should be included in FDI estimates. Fourth, as per IMF standards, if a shareholding of 10 percent or more is acquired eventually by a non-resident who entered initially through the portfolio route but holds investment aggregating over 10 per cent through the purchase of additional shares in subsequent transactions, those additional shares should be regarded as a part of FDI. However, in India some Foreign Institutional Investors (FIIs) hold well over 20 per cent of the equity in the form of American Depository Receipts (ADRs) and Global Depository Receipts (GDRs) but these are not a part of FDI.

Foreign direct investment (FDI) is direct investment into production in a country by a company located in another country, either by buying a company in the target country or by expanding operations of an existing business in that country. Foreign direct investment is done for many reasons including to take advantage of cheaper wages in the country, special investment privileges such as tax exemptions offered by the country as an incentive to gain tariff-free access to the markets of the country or the region. Foreign direct investment is in contrast to portfolio investment which is a passive investment in the securities of another country such as stocks and bonds.

Pharmaceuticals

Pharmaceutics is the discipline of pharmacy that deals with the process of turning a new chemical entity (NCE) into a medication to be used safely and effectively by patients. It is also called the science of dosage form design. There are many chemicals with pharmacological properties, but need special measures to help them achieve therapeutically relevant amounts at their sites of action. Pharmaceutics helps relate the formulation of drugs to their delivery and disposition in the body. Pharmaceutics deals with the formulation of a pure drug substance into a dosage form. Branches of pharmaceutics include:

* Pharmaceutical formulation
* Pharmaceutical manufacturing

* *Guest faculty, UIM, RDVV, Jabalpur*

* Dispensing Pharmacy
* Pharmaceutical Technology
* Physical Pharmacy
* Pharmaceutical Jurispundence

1.1 Objectives Of The Study:

1. To study the Foreign Direct Investment Flows into various sectors of the economy
2. To study the Export and import trends in terms of Drugs and Pharmaceuticals.
3. To study the challenges faced by the Indian Pharmaceutical industry.

1.2 Methodology

The information collected is secondary in nature. Secondary data is the data that have been already collected by and readily available from other sources. Such data are cheaper and more quickly obtainable than the primary data and also may be available when primary data cannot be obtained at all.

Foreign Direct Investment Flows:

2.1 Foreign direct investment (FDI) is direct investment into

Production in a country by a company located in another country, either by buying a company in the target country or by expanding operations of an existing business in that country. Foreign direct investment is done for many reasons including to take advantage of cheaper wages in the country, special investment privileges such as tax exemptions offered by the country as an incentive to gain tariff-free access to the markets of the country or the region. Foreign direct investment is in contrast to portfolio investment which is a passive investment in the securities of another country such as stocks and bonds.

Starting from a baseline of less than $1 billion in 1990, a recent UNCTAD survey projected India as the second most important FDI destination (after China) for transnational corporations during 2010-2012. As per the data, the sectors which attracted higher inflows were services, telecommunication, construction activities and computer software and hardware. Mauritius, Singapore, US and UK were among the leading sources of FDI. According to Ernst and Young, foreign direct investment in India in 2010 was $44.8 billion, and in 2011 experienced an increase of 13% to $50.8 billion. India has seen an eightfold increase in its FDI in March 2012.India disallowed OCB's i.e. Overseas Corporate Bodies to invest in India. On 14 September 2012, Government of India allowed FDI; in aviation upto 49%, in Broadcast sector upto 74%, in multi-brand retail upto 51% and in single-brand retail upto 100%.

Overview of Pharmaceutical Sector

The Indian Pharmaceutical industry has been witnessing phenomenal growth in recent years, driven by rising consumption levels in the country and strong demand from export markets. This segment of Industry has shown tremendous progress in terms of infrastructure development, technology base and wide range of products. The industry now produces bulk drugs belonging to all major therapeutic groups requiring complicated manufacturing processes and has also developed excellent GMP (Good Manufacturing Practices) compliant facilities for the production of different dosage forms.The strength of the industry is in developing cost effective technologies in the shortest possible time for drug intermediates and bulk activities without compromising on quality. This is realized through the country's strengths in organic chemicals' synthesis and process engineering. India is today recognized as one of the leading global players pharmaceuticals. Europe accounts for the highest share of over 23% of Indian Pharma exports followed by North America and Asia. Exports to USA have crossed the land mark figure of US $1 billion during 2006-07. The Indian pharmaceutical industry ranks among the top five countries by volume (production) and accounts for about 10% of global production. The industry's turnover has grown from a mere US$ 0.3 bn in 1980 to about US$ 21.73 bn in 2009-10. Low cost of skilled manpower and innovation are some of the main factors supporting this growth. According to the Depart-ment of Pharmaceuticals, the Indian pharmaceutical industry employs about 340,000 people and an estimated 400,000 doctors and 300,000 chemists.

3.1 Investment in the Indian pharmaceutical industry100% foreign direct investment (FDI) (Chart:-2) is allowed under automatic route in the drugs and pharmaceuticals sector, including those involving use of recombinant technology. Also, FDI up to 100% is permitted for brownfield investments (i.e. investments in existing companies), in the pharmaceuticals sector, under the Government approval route. The drugs and pharmaceuticals industry attracted foreign direct investment to the tune of US$ 9.17 bn for the period between April 2000 and January 2012.The Indian pharmaceutical industry enjoys certain advantages, which attracts FDI in the country:

1) Low cost of innovation and capital expenditure (to operate good manufacturing practices-compliant facilities) which provides leverage in pricing of drugs
2) Transparency in the regulatory framework
3) Proven track record in bulk drug and formulation patents

4) Strong domestic support in production, from raw material requirements to finished goods and

5) India is emerging as a hub for contract research, biotechnology, clinical research and clinical data management.

Factor's Influencing Industry's Growth

The Indian pharmaceutical industry ranks 14th in the world by value of pharmaceutical products. With a well-established domestic manufacturing base and low-cost skilled manpower,

India is emerging as a global hub for pharma products and the industry continues to be on a growth trajectory. Moreover, India is significantly ahead in providing chemistry services such as analogue preparation, analytical chemistry and structural drug design, which will provide it ample scope in contract research and other emerging segments in the pharmaceutical industry. Some of the major factors that would drive growth in the industry are as follows:

Increase in domestic demand:More than half of India's population does not have access to advanced medical servic-es, as they usually depend on traditional medicine practices. However, with increase in awareness levels, rising per capita income, change in lifestyle due to urbanisation and increase in literacy levels, demand for advanced medical treatment is expected to rise. Moreover, growth in the middle class population would further influence demand for pharmaceutical products.

Rise in outsourcing activities:Increase in the outsourcing business to India would also drive growth of the Indian pharmaceutical industry. Some of the factors that are likely to influence clinical data management and bio-statistics markets in India in the near future include:

1) Cost efficient research vis-à-vis other countries

2) Highly-skilled labour base

3) Cheaper cost of skilled labour

4) Presence in end-to-end solutions across the drug-development spectrum and

5) Robust growth in the IT industry.

Growth in healthcare financing products:

Development in the Indian financial industry has eased healthcare financing with introduction of products such as health insurance policy,

life insurance policy and cashless claims. This has resulted in increase in healthcare spending, which in turn, has benefitted the pharmaceutical industry.

Demand in the generics market:During 2008-2015, prescription drugs worth about US$ 300 bn are expected to go off patent, mostly from the US. Prior experience of Indian pharmaceutical companies in generic drugs would provide an edge to them.Demand from emerging segments:Some of the emerging segments such as contract research and development, bio-pharma, clinical trials, bio-generics, medical tourism and pharma packaging are also expected to drive growth of the Indian pharmaceutical industry.

Foreign Trade In Pharmaceutical Products:.

The Indian pharmaceutical industry's growth has been fuelled by exports. Its products are exported to a large number of countries with a sizeable share in the advanced regulated markets of the US and Western Europe. India currently exports drug intermediates, active pharmaceutical ingredients, finished dosage formulations, biopharmaceuticals and clinical services to various parts of the world. The top five export destinations of Indian pharmaceutical products are USA, Germany, Russia, UK and China. Indian exports of drugs and pharmaceuticals grew at a CAGR of 16.5% to ` 451.4 Bn during Feb 2012 to Dec.2012.

Imports of drugs and pharmaceuticals into India recorded a CAGR of 17.6% during FY02-FY12 (up to Dec 2011). During FY12 (up to Dec 2011), pharmaceutical products worth 102.2 bn were imported into India. India is almost self sufficient in formulations; its imports mostly comprise bulk drugs and some intermediaries. These imports are freely permitted, except those that are restricted in the foreign trade policy. Import restrictions are mostly on drugs that contain narcotics and psychotropic components.

Major Challenges Faced By the Industry:

The industry faces several challenges in the form of pricing of pharmaceutical products and impact of some agreements. This section touches upon several key issues and challenges faced by the industry:

Impact of GATT-TRIPS agreement:The General Agreement on Tariffs and Trade (GATT) and Trade Related aspects of Intellectual Property Rights (TRIPS) have an adverse impact on pricing of pharmaceutical products.Pharmaceutical companies are not allowed to re-generate existing drugs and formulations and change the existing process and manufacture the same drug. New investments are required to perform research. Hence, adequate measures should be taken to support the industry's revenue and minimize losses.

Pricing:At present, pricing of 74 bulk drugs and their formulations, which account for a large share in the retail pharma market, are controlled by the Drug Price Control Order (DPCO)-1995. The Government had considered reducing the number of regulated drugs, but it has not been implemented. There is a need to reduce the number of regulated drugs to facilitate the growth of the pharmaceutical industry.

Drug diversions by institutions: Most of the institutional clients of the Indian pharmaceutical companies comprise government hospitals, the Indian defense service and private hospitals; the defense sector is mandated to buy drug stocks through tenders in quantities twice as large as the projected demand for those drugs in the following year at a discounted price. At the year-end, surplus available at the institutions is pushed to regular channels by leveraging the price discounts, resulting in a loss for companies through the regular distribution channel.

4. Conclusion

The pharma market is expected to touch US$74billion in sales by 2020 from the current US$11billion.According to Barclays Capital Equity Research report on India Health care & Pharmaceuticals. Indian Pharmaceutical market is expected to grow at a Compound annual growth rate of 15.3 per cent during 2011-12 to2013-14.Although India has substantially liberalized its foreign investment policy, the foreign direct investment inflows had been much below the targets until recently. Market leaders in pharma industry should raise their expenditure towards Research & Development. Academic collaboration would help the pharma industry with regard to Drug development.

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ISSN No. 2250-1037 Vol. XIII June 2015

Study of the Effect of Foreign Direct Investment on Indian Economy with Special Reference to Retail Sector

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Introduction

India being a signatory to World Trade Organization's General Agreement on Trade in Services, which include wholesale and retailing services, had to open up the retail trade sector to foreign investment. There were initial reservations towards opening up of retail sector arising from fear of job losses, procurement from international market, competition and loss of entrepreneurial opportunities. However, the government in a series of moves has opened up the retail sector slowly to Foreign Direct Investment (FDI). In 1997, FDI in cash and carry (wholesale) with 100 percent ownership was allowed under the Government approval route. It was brought under the automatic route in 2006. 51 percent investment in a single brand retail outlet was also permitted in 2006. India is changing. According to a report by AT Kearney, organized retail is expected to account for 25% of the overall market in India by year 2020, in stark contrast to the existing Indian market place, where the majority of retail is conducted via unorganized, mom and pop sellers. The report also said that India remains one of the most favorable destinations for global retailers and can expect to experience 15 - 20% retail growth over the next five years.

Exactly one year ago, the Indian government (ruled by the United Progressive Alliance, or UPA) tried to introduce a bill in parliament to allow Foreign Direct Investment (FDI). Last year, RSR research published an article detailing what FDI and its implications were for India.

Foreign Direct Investment

FDI stands for Foreign Direct Investment, a component of a country's national financial accounts. Foreign direct investment is investment of foreign assets into domestic structures, equipment, and organizations. It does not include foreign investment into the stock markets. Foreign direct investment is thought to be more useful to a country than investments in the equity of its companies because equity investments are potentially "hot money" which can leave at the first sign of trouble, whereas FDI is durable and generally useful whether things go well or badly

FDI Policy in India

FDI as defined in Dictionary of Economics (Graham Bannock et.al) is investment in a foreign country through the acquisition of a local company or the establishment there of an operation on a new (Greenfield) site. To put in simple words, FDI refers to capital inflows from abroad that is invested in or to enhance the production capacity of the economy.

Foreign Investment in India is governed by the FDI policy announced by the Government of India and the provision of the Foreign Exchange Management Act (FEMA) 1999. The Reserve Bank of India ('RBI') in this regard had issued a notification, which contains the Foreign Exchange Management (Transfer or issue of security by a person resident outsideIndia) Regulations, 2000. This notification has been amended from time to time.

The Ministry of Commerce and Industry, Government of India is the nodal agency for motoring and reviewing the FDI policy on continued basis and changes in sectoral policy/ sectoral equity cap. The FDI policy is notified through Press Notes by the Secretariat for Industrial Assistance (SIA), Department of Industrial Policy and Promotion (DIPP).

The foreign investors are free to invest in India, except few sectors/activities,where prior approval from the RBI or Foreign Investment PromotionBoard ('FIPB') would be required.

FDI Policy with Regard to Retailing in India

It will be prudent to look into Press Note 4 of 2006 issued by DIPP andconsolidated FDI Policy issued in October 2010 which provide the sectorspecific guidelines for FDI with regard to the conduct of tradingactivities.

a) FDI up to 100% for cash and carry wholesale trading and exporttrading allowed under the automatic route.

b) FDI up to 51 % with prior Government approval (i.e. FIPB) for retailtrade of 'Single Brand' products, subject to Press Note 3 (2006 Series)

c) FDI is not permitted in Multi Brand Retailing in India.

FDI in Multi Brand Retail

The government has also not defined the term Multi Brand. FDI in MultiBrand retail implies that a retail store with a foreign investment can sellmultiple brands under one roof.In July 2010, Department of Industrial Policy and Promotion (DIPP),Ministry of Commerce circulated a discussion paper on allowing FDI in multi-brand retail. The paper doesn't suggest

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any upper limit on FDI in multi-brand retail. If implemented, it would open the doors forglobal retail giants to enter and establish their footprints on the retail landscape of India. Opening up FDI in multi-brand retail will mean that global retailers including Wal-Mart, Carrefour and Tesco can openstores offering a range of household items and grocery directly to consumers in the same way as the ubiquitous 'kirana' store.

Advantages

* Increase economic growth by dealing with different international products
* 1 million (10 lakh) employment will create in three years - UPA Government
* Billion dollars will be invested in Indian market
* Spread import and export business in different countries
* Agriculture related people will get good price of their goods Disadvantages
* Will affect 50 million merchants in India
* Profit distribution, investment ratios are not fixed

Data Collection

The analysis will be done with the help Secondary data (from internet site and journals). The data is collected mainly from websites, annual reports, World Bank reports, research reports, already conducted survey analysis, database available etc.

Is FDI in retail bane or boon?

The government's decision to open up Foreign Direct Investment (FDI) in the retail sector has created uproar of opposition in the political arena. However there seems to be a greater diversity of opinion among our readers at least. On Sunday 27 November, Firstpost Published an article titled, Manmohan Singh's big retail risk which has received a number of comments arguing both for and against FDI in the retail sector. We found these comments extremely interesting and thought provoking in terms of the points they raised, and have therefore decided to publish a cross section of them here.

The FDI issue has points both for and against it:

Some readers such as Arul Prakash feel that the measures will put farmers at a disadvantage and also result in a situation where consumers are not given the freshest produce. He writes, "Once they come the farmers who now have several middlemen to sell their goods, will have only a few retail stores to sell in future. Usually that means price he gets will not be as competitive as it is today. Second! the same supermarkets may not actually give the best products grown in India to Indians..third! they can alter the food habits of the nation. Instead of eating fresh foods we will all be eating canned foods soon!""Guest", an anonymous commenter on the article also feels that FDI will be more bane than boon.

He says, "Manmohan Singh and his team may believe that Wal-Mart, Carrefour etc. are coming to India to uplift the condition of agricultural sector and will improve supply chain efficiency. We believe they are coming forsheer profit motives and if that means squeezing the billion+ Indians, selling Chinese goods, killing indigenous ventures - they will do that. Today's independent entrepreneur and businessmen will become their salaried employees."

On the other side of the debate, Shiva Kakkar does not believe that the entry of foreign players such as Wal Mart will necessarily kill off the kirana stores and says that India's bad supply chain management could do with some propping up. He says, "Opening up of foreign store does guarantee one thing - stiffer competition and aggressive pricing and better quality of service. But that doesn't mean that Kirana store guys would die of hunger. They have their own clientele and I have seen that when competition stiffens they tend to adapt to it. When Reliance and Big Bazaar first entered, there was the same opposition but after that it has been seen that many small Kirana store owners turn their stores into departmental format and they seem to have maintained their clientele. Secondly, it should be noted that they tend to have a better hold of tastes of the local public, for e.g. shich variety of rice or wheat sells more than others etc. The one good thing was that it was only after the onslaught of retail chains, the kirana guys started valuing customers. It have been seen that men who wouldn't give a damn if you stomped out of their shops, change their attitude and give better service. Still, there turn policies and complaints department happens to be a problematic affair for local stores. Truly speaking, it is worth thrilling to see how foreign retailers would handle the Indian retail scenario.

Secondly, people arguing on supply lines being 'hijacked' by Wal-Mart need to see the footage rolling on Rice and Wheat rotting in rains that was flashing on every channel barely a month ago. Had efficient supply chain management been there, thousands of tonnes of those grains could have been saved. Accept it - India is BAD at supply chain management, be it PDS or private. We need expertise of foreign retailers. Maybe, it has a lesson or two for us too. Meanwhile another reader, "Catamaran" says that the government decision is a brave one, and the opposition to the move should be ignored in the interest of India's future. In his own words, "Good Move by Government. Every good thing has opposition in this world before the actual fools start to see the benefits of it same happened when India was opened to foreign companies in 1992. Now see where is INDIA at least the world recognize us today Wait and Watch..INDIA will do much well by these kind of brave decisions."

Yet other readers such as Sai, see both the positive sand negatives of the FDI move. On the positive side he cites "Infrastructure build up, more cold storage's, less food rotting, for urban and semi urban's its very good in terms of creating new jobs for those who wanted to work but not finding it and also encourage for part time jobs, introduction of new brands, its will be only allowed to 50-60 cities i.e. only 20% of total population, 80% people still go for kirana's... "However he sees negatives too. "Wal-Mart especially has very bad track record in handling its own employees, developed countries US and Euros have negative statement that Multi Brand retailers cut the jobs and give less returns to the farmers from what they were getting before they enter their market, might hamper Kirana's where they will open store, may in coming years will lead to cane foods in India and at higher prices so will lead to higher inflation. The biggest concern is that may change people's mentality, India is country where people saves more, but after these multi brands enter, people will spend more and save less(as we all know how we be have when we enter a shopping mall) that's there a son why US and Euro went through 2008 meltdown and still won't be able to recover and might in 2-3 years will be declared bankrupt's."

The Reasons for Investing Retail Industry in India

AT Kearney (a globally famous international management consultancy) recognized India as the second most alluring and thriving retail destination of the world, among other thirty growing and emerging markets. At present, other profitable retail destinations of the world are China and Dubai of Asia. Diverse foreign direct investment in Indian retail is greatly cherished by most of the major and leading retailers of USA and European countries, including Walmart (USA), Tesco (UK), Metro (Germany), and Carrefour (France). Liberalization of trade policy and loosening of barriers and restrictions to the foreign investment in the retail sector of India, have collectively made the FDI in retail sector quite easy and smooth. Our services are easily and economically available for the following ways of FDI in Indian retail.

The Retail sector of India is vast, and has huge potential for growth and development, as the majority of its constituents are un-organized. The retail sector of India handles about $250 billion every year, and is expected by veteran economists to reach to $660 billion by the year

2015. The business in the organized retail sector of India, is to grow most and faster at the rate of 15-20 per cent every year, and can reach the level of $100 billion by the year 2015. Here, it is noteworthy that the retail sector of India contributes about 15 per cent to the national GDP, and employs a massive workforce of it, after the agriculture sector.

India's growing economy with a rate of approximately 8 per cent per year makes its retail sector highly fertile and profitable to the foreign investors of all sectors of commerce and economy, of all over the world. Global Jurix, a full-fledged legal organization prominent worldwide, provides all-encompassing services and advice for most lucrative and secured FDI in Indian retail sector.

Table - 1 FDI Inflows in Different Sectors in India

Sl.No	Sector	FDI Inflows 2000-2012 August in US $	%
01	Services Sector	158252	19
02	Construction	97028	12
03	Telecommunications	57188	7
04	Computer Software and Hardware	51149	6
05	Drugs and Pharmaceuti cals	45440	5
06	Chemicals	39468	5
07	Power	34936	4
08	Automobile Industries	34201	4
09	Metallurgical Industries	30142	4
10	Petroleum and Natural Gas	24783	3

Source: DIPP, Federal Ministry of Commerce & Industry, Government of India

Table 1 clearly indicates the FDI inflows in different sector for the period of April 2000 - August 2012. Most of the Foreign countries were liked to invest their amount in service sector, Construction Industry, Telecommunications and Computer software and Hardware, because these sectors earn more profit compared to others.

Figure - 01 FDI Inflows in Different Sectors in India

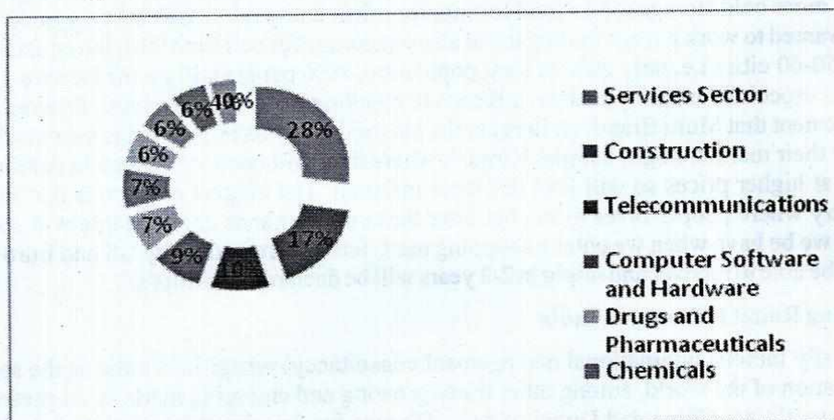

Table - 02 FDI inflows in India (Amount US$ in Millions)

S.No.	Financial Year	Total FDI Inflows %	Growth over previous year
01	2004 - 05	6 ,051	(+) 40
02	2005 - 06	8,961	(+) 48
03	2006 - 07	22,826	(+) 146
04	2007 - 08	34,362	(+) 51
05	2008 - 09	35,168	(+) 02

Source: DIPP, Federal Ministry of Commerce & Industry, Government of India

Table 2 reveals the FDI inflows in India for the period of 2004-05 to 2008-09. The inflows of FDI are increased year by year due to various reasons, such as Heavy Demand of Indian Consumers, Liberalized Government Policy, Communications facilities.

Table - 03 Share of Top ten investing countries FDI inflows in India

S.No.	Country	Cumulative FDI inflows (2000 2012 Aug)	% of Total Inflows US$	Rank
01	Mauritius	3,03,262	37	1
02	Singapore	82,867	10	2
03	U.K.	77,694	10	3
04	Japan	64,297	8	4
05	U.S.A.	49,126	6	5
06	Netherlands	37,319	4	6
07	Cyprus	31,148	4	7
08	Germany	23,031	3	8
09	France	13,871	3	9
10	U.A.E.	10,823	1	10
Total		8,19,586		

Source: Dipp, Federal Ministry Of Commerce & Industry, Government Of India

Table 3 Shows that Top ten countries investing in India. Out of this Mauritius plays major role in FDI inflow in India. The main reason for higher levels of investment from Mauritius was that the fact India entered into a double taxation avoidance agreement (DDTA) with Mauritius were protected from taxation in India. Singapore and U. K. equally invest (10 per cent) in India during the study period. Japan and U.S.A. following countries 8 per cent and 6 per cent respectively.

Impact of FDI in Retail Sector In India

Retail Growth story in India is not only prodding domestic players to take their businesses to a new orbit but is also attracting foreign players as they are left with little or no hope to grow further in their structured home markets. The increasing disposable income among the Indian middle class, the burgeoning young population is touted as the main reason

for such attractive optimism. The positivity about Indian retail scene has also led to an intense lobbying by certain sections for opening Foreign Direct Investment in this sector. India has positioned it selves a promising market for retailers worldwide by virtue of its under noted strengths:-

* India has witnessed a frenetic pace of retail development over the past five years.
* Goldman Sachs has estimated that the Indian Economic growth could actually exceed that of China by 2015.
* Retail which contributes 10 per cent of our GDP is the largest source of employment after agriculture.
* The Indian Retail market was estimated to be US $ 427 billion by2010 & US $ 637 billion by 2015.
* This will bring modern technology to the country
* Improve rural infrastructure. It would help build infrastructure and create a competitive market
* Reduce wastage of agricultural produce.
* Enable our farmers to get better prices for their crops.
* Consumer will get commodities of daily use at reduced prices.
* Biggest beneficiary of this would be small farmers, to would be able to improve productivity and realize higher remuneration by selling directly to large organized players and shorten the change the form to consumers.
* Government too stands to gain by this move through more transparent and accountable monetary goods and supply chain management systems. It can expect to receive an additional US$ 25 to 30 Billion by way of Taxes.
* Opening of retail can be seen solution for food Inflamation, which has been a confirmed policy- maker. FDI in retail would help in building much needed back end infrastructure.

Conclusion

A large number of changes that were introduced in the country's regulatory economic policies heralded the liberalization era of the FDI policy regime in India and brought about a structural break trough in the volume of the FDI inflows into the economy maintained a fluctuating and unsteady trend during the study period. It might be of interest to note that more than 50 per cent of the total FDI inflows received by India came from Mauritius, Singapore and the USA.

The main reason for higher levels of investment from Mauritius was that the fact that India entered into a double taxation avoidance agreement (DTAA) with Mauritius were protected from taxation in India. Among the different sectors, the service sector had received the larger proportion followed by computer software and hardware sector and telecommunication sector. It can be said that the advantages of allowing unrestrained FDI in the retail sector evidently outweigh the disadvantages attached to it and the same can be deduced from the examples of successful experiments in countries like Thailand and China where too the issue of allowing FDI in the retail sector was first met with incessant protests, but later turned out to be one of the most promising political and economical decisions of their governments and led not only to the commendable rise in the level of employment but also led to the enormous development of their country's GDP.

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Impact of Multi Brand Foreign Direct Investment in Retail Sector in India

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Introduction

The role of foreign direct investment (FDI) in economic development in the global investment has witnessed a giant change in the past years. FDI has act as protection in capital formation in under development country. The central element of FDI is that it consist of a package of capital, knowledge, skills, etc.

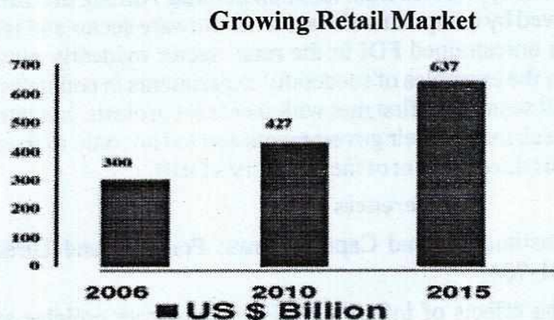
FDI primarily takes place under imperfect market conditions. FDI basic principal is to raise world output by moving managerial skills and capital form regions where these factors are plentiful, and thus earn a low return, to regions where the are scares and thus earn a high returns normally, direct investment will benefit both the investing country and the host country.

1. Overview of Retail Business in India

Retail Growth story in India is not only prodding domestic players to take their businesses to a new orbit but is also attracting foreign players as they are left with little or no hope to grow further in their structured home markets. The increasing disposable income among the Indian middle class, the burgeoning young population is touted as the main reason for such attractive optimism. The positivity about Indian retail scene has also led to an intense lobbying by certain sections for opening Foreign Direct Investment in this sector. India has positioned itself as a promising market for retailers worldwide by virtue of its undernoted strengths :-

* India has witnessed a frenetic pace of retail development over the past five years.
* Goldman Sachs has estimated that the Indian Economic growth could actually exceed that of China by 2015.
* Retail which contributes 10% of our GDP is the largest source of employment after agriculture.
* The Indian Retail market was estimated to be US $ 427 billion by 2010 & US $ 637 billion by 2015. The undernoted Tables depict the Growing Retail Markets in India.

Growing Retail Market



Source :Technopak Analysis, 2006

2. Statement of the Problem and Need for Study

Retailing can be defined as a business activity, which offers products or services in small quantities to ultimate consumers, at a place where consumers prefer to buy. In developing countries like India, theunorganized retailers play a dominant role by offering products or services to the consumers at the convenient locations i.e. Kirana Stores or Apana Bazar with effective selling and buyer's retention strategies. But due to the recent changes in the field of retailing and with the entry of big domestic corporations as well as multinational and foreign companies into the field of various retailing ventures, the existing unorganized retailers have also been forced to change their existing business structure.

3. Objectives of the Study

The main objectives of this Research Paper are :

* To find out the Merits and Demerits of Multi Brand FDI in Retail Sector in India.
* To study the reasons for preference of Organized Retail outlets by the consumers in the National Capital Region of Delhi.

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* To study the reasons for preference of Unorganized Retail shops by the consumers in the National Capital Region of Delhi.

4. Research Methodology :

This study has been done in two parts. In part 1 secondary data has been used from different studies, research papers, journals and websites and the second part consists of the experience survey of 200 consumers from organised and unorganized sector in the National Capital Region of Delhi as per details

i. Sampling Unit : Consumers from different age groups, gender locations, income levels and educational backgrounds.

ii. Sampling Method : Convenience Sampling.

iii. Method of data collection : Personal interview with respondents.

iv. Type of Questionnaire : Structured questionnaire with suitable scaling.

v. Type of questions : Open ended, close ended, Likert scale and multiple choice questions

Advantages of FDI in Retail :

* The decision which has still formally not been announced is having several riders, including one that restricts its application to only 53 citieswhich have a population of 1 million or more to protect the interests of different parties like small shop keepers and farmers.
* Huge investments in the retail sector will see gainful employment opportunities in agroprocessing, sorting, marketing, logistics, and front-end retail.
* At least 10 million. jobs are likely to be created in the next three years in the retail sector.

FDI in Retail: Counter Arguments (Disadvantages)

* South East Asian Countries had to impose stringent zoning and licensing regulations to restrict growth of supermarkets because small retailers were getting displaced.
* India has the highest shopping density in the world with 11 shops per 1000 people.
* It has 1.2 crore shops employing over 4 crore people; 95% of these are small shops run by selfemployed people.

Conclusion

* FDI in Retail appears inevitable and preferable also as it will prevent foreign players entry in to the Indian Market using other routes.
* The entry of retail big players is likely to heat up Competition, giving consumers a better deal, both in prices and choices.
* These global retail chains need to keep their price levels low and lucrative because that is the USP of their business.
* This can be done by smart procurement and effective inventory management. By allowing them in India, Indian retail can also learn from these good practices.
* The argument that farmers will suffer once global retail has developed a virtual monopoly, is also very weak.
* To begin with, it is unlikely that global retail will ever become monopolies.
* Stores like Wal-Mart, TESCO etc. are by definition few, on the outskirts of cities (in order to keep real estate costs low) and they cannot intrude into the territory of local kirana shopkeepers. Given the situation, how will they gobble up the local shopkeeper?
* Further, it cannot be anyone's case that farmers are getting a good deal right now. The fact is that farmers barely subsist while middlemen skim the cream.
* This will create a new source of Income and investment for the Govt., which can be used for the infrastructure development of the country.

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Foreign Direct Investment Sectoral Policy and Regulatory Aspects for India

*** Prof. Rajesh Jain**

Introduction

Retailing in India is slightly different than in developed markets, in that it is divided in to organized and unorganized retail. Organized retail could be described as when trading is taking place under a license or through people that are registered for sales tax or income tax. Unorganized retail is India's more traditional style of low-cost retailing, for example, the local kirana shops, owner-manned general stores, convenience stores, hand carts and pavement vendors. This division of the retail sector, which has a very heavy weighting towards, unorganized, is just one of the issues contributing to the sensitive debate on FDI in India at the moment. The arguments against FDI in retail focus particularly on regarding the potential risk of displacing labour in the retail sector. Retail employs a huge number of people in the 'unorganised' sector, the majority of whom do not have any skills. This has made retail a major political issue as there is pressure on the government to compensate the people who are displaced and provide alternative employment options.

Historical Trends in FDI in India

Starting with the market reforms initiated in 1991, India gradually opened up its economy to FDI in a wide range of sectors. The "licence-raj" system was dismantled in almost all the industries. The infrastructure sector which was in dire need of capital welcomed foreign equity. FDI was especially encouraged in ports, highways, oil and gas industries, power generation and telecommunication. Consumer goods and service sector which was once completely off-limits for foreign equity was also gradually opened up. The reserve bank of India set up an automatic approval system which allowed investments in slabs of 50, 51 or 74% depending on the priority of the industry, as defined by the government. The foreign investment limits were slowly raised and some sectors saw the limits raised to 100%.

Present Shape of FDI

The retail industry in India is the second largest employer with an estimated 35 million people engaged by the industry. There has been opening of Indian economy to foreign organization for foreign direct investment through organized retail. The union government has sanctioned 51% foreign direct investment in multi-brand like Wal-Mart, Carrefour, and Tesco. This will make foreign goods and items of daily consumption available locally, at a lower price, to Indian consumers. The new policy will allow multi-brand foreign retailers to set up shop only in cities with a population of more than 17 lakhs as per the 2013 census. There are 61 such citiesat present. This means that big retailers can move beyond the metropolises to smaller cities. The final decision will however lies with the state governments. Foreign retailers will require a minimum investment US $132 million of which at least 50% of total FDI should be invested in back-end infra-structure which would include capital expenditure on the entire spectrum of related activities including cold chain infrastructure, food processing, refrigerated transportation, logistics. Big retailers will need to source atleast 30% of manufactured or processed products from Indian small industries.

Research Methodology

The researcher has adopted analytical, descriptive and comparative methodology for this report; reliance has been placed on books, journals, newspapers and online databases and on the views of writers in the discipline of Competition law.

Policy and Regulatory Environment

Alongside the Foreign Investment Promotion Board (FIPB) previously mentioned, there is also the Investment Commission which was established in December 2004 as part of the Ministry of Finance to facilitate and enhance investment in India. They make recommendations on policy and procedure to the Government and recommend projects that should be fast tracked through the approval process. They also assist in promoting India as an investment destination. The Investment Commission believes the Foreign Investment regime in India is one of the most transparent and liberal among emerging and developing countries. Foreign investment can be approved via one of two different routes:

1. Automatic Approval route requires no prior approval, and filing of the investment details to the Reserve Bank of India (RBI) post-facto is for data records only. The automatic route is appropriate for a few sectors where there is no 'sector cap' i.e. sectors where 100% foreign ownership is allowed.

2. FIPB Approval route is for proposals where the shareholding is intended to be above a prescribed 'sector cap', or where the activity is one where FDI is currently not allowed, or where it is mandatory for the application to be approved by the FIPB (for example, sectors requiring an industrial licence.)

* Department of Industrial Policy & Promotion and Foreign Exchange Management Act, 1999 The FDI policy is framed by theDepartment of Industrial Policy and Promotion (DIPP), the Ministry of Commerce and Industry and implemented by

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the Reserve Bank of India (RBI) for cases falling under the automatic route (i.e. not requiring prior government approval). For cases under the government route, approval is granted by the Foreign Investment Promotion Board (FIPB), which includes representatives of various central government ministries and grants approval on a case-by-case basis. Apart from the sectors which are of strategic importance that require government approval, there is a small list of sectors in which FDI is currently prohibited. Presently, this list includes retail trading (except ?for single brand' retail trading).

* Agriculture Produce Marketing Committee Act States and union territories have enacted the Agriculture Produce Marketing Committee (APMC) Act regulating the procurement of agricultural and fisheries produce, including fresh fruits and vegetables. A few States permit direct procurement from farmers. Others require the agricultural produce to be brought into designated market yards and sold through an auction mechanism. With a view to streamlining the procurement system, the government has asked state governments to review their APMC Acts and enable direct procurement from farmers, besides simplifying the procedures. The government has also taken measures to improve the existing supply chain and facilitating farm-to-fork integration. For example, tax benefits have been provided and foreign currency loans are permissible for establishing cold chain storage facilities.

* Monopolies and Restrictive Trade Policy Commission (MRTPC)

The MRTP Act was the product of an ideology that made the socialist pattern of society a desired objective of social and economic policy (Khurana 1981). It was passed in 1969 to ensure that the operation of the economic system does not result in the concentration of economic power to the common detriment, and dealt with monopolistic practices, restrictive practices, and unfair trade practices. The provisions for control of unfair trade practiceswas added in 1984, but in the post-1991 period of liberalisation of the economy, provisions relating to concentration of 39 economic power were deleted by omitting Part A of Chapter III of the act. Only the powers to order division of undertakings and severance of interconnected undertakings were retained but even these were never used. The MRTP commission itself was virtually put into cold storage and only cases relating to unfair and restrictive practices were heard. Nothing highlights the state of neglect of competition policy in recent times. The new Competition Law and CCI do not aim to limit the concentration of economic power or to control monopolies directly but aim at (1) prohibiting anti-competitive agreements (2) prohibiting the abuse of dominance, and (3) regulating combinations. Both cover the usual three areas with a much more post-World Trade Organisation orientation and avoid areas such as monopolistic pricing and ?unfair trade practices?, which are now part of consumer protection law.

* Competition Analysis-Interaction with Relevant Provisions of Competition Act of, 2002Competition is not an end in itself - it is a means to the objective of economic efficiency. It benefits consumers by restraining prices and encouraging companies to innovate to provide better quality for the price paid. However, in some circumstances a monopoly or coordinated network of companies may be the most efficient arrangement such as where there are substantial economies of scale. Competition laws usually allow the competition authorities to assess the trade-off between the costs or harm to consumers of permitting a monopoly, versus potential benefits (e.g. economies of scale, better coordinated service).

Competitive Agreements

Section 3[43] of Competition Act, 2002 deals with anti-competitive agreements. Section 3(3) mentions four types of horizontal agreements between enterprises involved in the same industry to which per se standard of illegality will be applied. However, corporate retailers in medium and large format may havehorizontal agreements with property developers (two different industries) that elbow out other retailers particularly smaller ones in geographical zones.

Section 4[44] of the Competition Act of 2002 prohibits abuse of dominance. It is to be noted here that it is not dominance per se that is prohibited but its abuse. Abuse of dominant position is major concern in retail sector which leads to consolidation of the sector to the detriment of traditional retailers. To prove dominance of a corporate retailer, particularly multi product retailer, would not be simple because corporate retailers deal with many products and many geographicalmarkets. Their dominance in one geographical market may be used to enter new markets, and to do so they may use a combination of predatory pricing and high promotional expenditure. To prove that a retail firm indulges in predatory practices, ie, that it is sellingbelow cost price may be difficult if it has vertical agreements with manufacturers or suppliers, and doubly soif such suppliers are located in foreign countries.

Section 5 of the Competition Act prescribes the thresholds under which combinations shall be examined. Section 6 states that ?No person or enterprise shall enter into a combination which causes or is likely to cause an appreciable adverse effect on competition within the relevant market in India and such a combination shall be void.? Besides this, the CCI also has the power to order a demerger under Section 28 of the Competition Act, 2002 if the merged entity is abusing its dominant position. This means that if the merged entity engages in any form of exploitative orexclusionary practice, the CCI can take suitable actionincluding asking the merged firm to break up.

Implications Of The Duty To Protect Upon Competition Laws

As demonstrated above, a plausible argument can be made for the curtailing of buyer concentration and power in agricultural markets, from the standpoint of consumer welfare protection alone. Indeed, the use of competition controls to prevent the occurrence of presently unquantifiable future harms occurs regularly in merger regulation. Some may counter, assuming the existence of credible merger regulation should suffice for competition control of abuses of dominance to apply

only when consumer harms arising from buyer power reach some adequate level of ? ripeness? This would be inadequate. By the time the consumer harms manifest themselves in higher prices and reduced choice and quality; too many producers may have left the market or consolidated in order for competition remedies to have any corrective effect. In other words, it may be far too late to do anything.

Few Recommendations For Formulation Of Policies By Government

Regulate Modern Retail to the extent developing countries have regulated modern retail; their goal has been to reduce the speed and scope of its spread. The regulations have mainly limited the location and hours of modern retail. On balance, these regulations have done little to limit supermarket spread, partly because although regulations tend to target large-format stores (and thus not limit small traditional stores), modern retail comes in a wide variety of formats, including neighbourhood stores and convenience stores.

Upgrade Traditional Retail. A number of good examples of programs to upgrade traditional retail exist. Of particular interest are those of East and Southeast Asia, such as in China, Hong Kong, the Philippines, Singapore, and Taiwan. In most of these countries, the programs in question are municipal, sometimes under a national umbrella policy.

Upgrade Wholesale Markets to Serve Retailers and Farmers Better. Small shops and wet-market stall operators typically source food products from wholesale markets, which typically buy from small farmers. Upgrading wholesale markets' infrastructure and services is thus important to the whole traditional supply chain. Private-sector actors are helping traditional retailers (and supermarket independents and chains) obtain the services and products they need.

Help Farmers Become Competitive Suppliers to Supermarkets. Private-sector programs are emerging to help small farmers get the assets and services they need to supply supermarket channels. Metro, for example, has direct procurement links to fish and vegetable farmers in China. Agri food businesses in India, like ITC, Tata, Godrej, Reliance, and DSCL Hariyali, haverural business hubs that offer consumables, farm inputs, and technical assistance and procure output from farmers.

Urban Planning Laws. The state of urban planning in India is such that there is as yet no ceiling on the size or number of retail outlets that may be started in a designated commercial zone. The ministry of urban development at the central level has no jurisdiction over urban area planning in the states except in the case of exceptional laws pertaining to the coastal regions, forests, the Delhi region and union territories. It is clear that land use laws/zoning laws are not the most commonly used regulatory devices against large format retailing and at present the land use laws in urban centres are in the most pliant condition since the local governments implement them and they are most susceptible to omission and commission on behalf of real estate developers who, in turn, share a common interest with corporate retailers.

Regulation of misleading statements and advertisements. The law against dishonest competition (referred to as unfair trade practices in India) forbids a number of marketing practices which are regarded as dishonest. These include misleading statements or advertisements about business circumstances, especially the nature, origin, manner of manufacture or the pricing of goods or commercial services or the size of the available stock. In a recently reported case in India a leading corporate retailer, Subhiksha claimed in advertisements that its prices were the lowest compared to rivals like Big Bazar, DMART, and Apana Bazar.

Regulatory Framework to avoid monopolistic practices. The possible monopolistic / monoponistic tendencies of the large retailers would have to be pro actively dealt to ensure competition in the market. Appropriate policy formulation can also aide this cause, as was done during the telecom sector liberalisation with the National Telecom Policy mandating that each circle should have at least 4-6 players. It is to be understood that free and fair competition in procurement of farm produce is the key to farmers' enhanced remuneration.

Conclusion

FDI in retail is a very much debatable issue which needs to be resolved by taking into consideration the interest of the stakeholders. The decision to allow entry to foreign players in Multi Brand Retail is clearly a game changer for Indian retail sector. By allowing FDI in retail trade, India will significantly benefit in terms of quality standards since the inflow of FDI in retail sector is bound to pull up the quality standards and cost competitiveness of Indian producers and marketers in all the segments. It will also help in integrating the modern Indian retail market with that of the global retail market. On the other hand, FDI in multi-brand retailing must be dealt cautiously as it has direct impact on a large chunk of population. Foreign capital, if unchecked, may widen the gap between the rich and the poor. Thus, the entry of foreign capital into multi-brand retailing needs to be anchored in such a way that it results in a win-win situation both for India and global players Should there be more regulations to anti-trust laws against big market dominating businesses like Wal-Mart to protect smaller businesses from failure? There has always been a strong push against Wal-Mart from various organizations and people who have had their business defeated. On the other hand, there are also organizations defending Wal-Mart from people who work for the company India may consider writing laws to prevent foreign retailers like Wal-Mart from having a high concentration of business in the country. For example, in Argentina provincial lawmakers passed legislation that no business could control more than 30% of the market in one sector. Given the global experience, it is important to keep the foreign food supermarket expansion slow by using mechanisms such as zoning, business licences, and trading restrictions. There are several instances

in other countries where large stores are kept away from the traditional markets. Hypermarkets are not allowed within 3.5 km of housing estates or city centres in Malaysia. Indonesia prohibits hypermarkets within 500 m of traditional markets, and large stores of more than 40,000 sq ft are to be at least 2.5 km from traditional markets.

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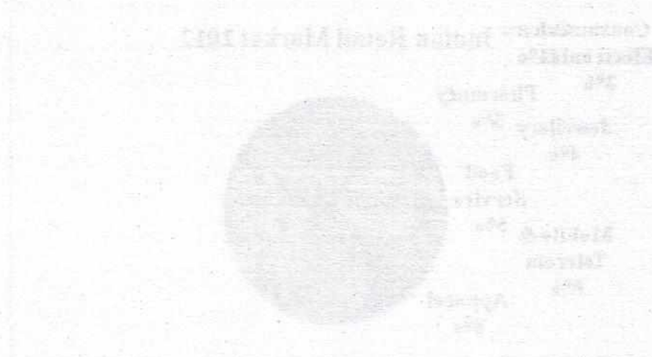


FDI in Multi Brand Retailing in India

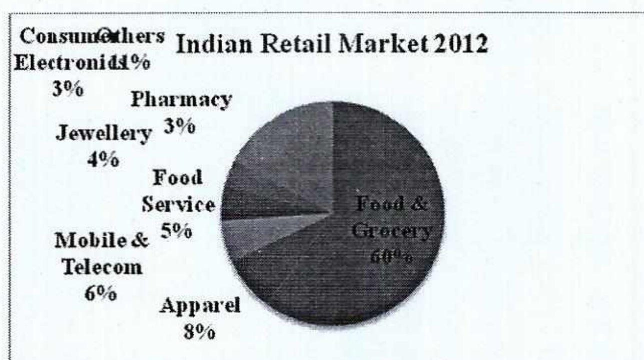
* Sunita Ramchandani
**Deepak Motwani

Introduction

The Indian retail landscape is developed from the brick-and-mortar model to cope-up with the technology for connecting with customers. Retailing in India is the strong pillar of the economy & accounts for 14-15% of its GDP. India is one of the fastest growing retail markets in whole world. Allowance of the FDI in retail & other sectors by government bring a new zeal to the investment climate of India. When Government allowed 51% FDI in multi brand retailing, it became one of the most debated reforms policies.

Retail Market in India

Retailing is the largest private industry in the world, with total sales of $ 6.6 trillion World over the retail sector is not only the oldest but also one of the most advanced users of the technology. Retailing in India is one of the pillars of its economy & accounts for 14-15% of its GDP. With the entry of multinationals retail chain & large corporate houses, Indian retail scenario is changing with the fast speed. Major reason of this fast-changing scenario is the change in Indian retail consumer attitude & their overwhelming acceptance to modern retail formats. The Indian retail industry has experienced a growth of 10.6% between 2010 & 2012 and till 2015 it is expected to increase by USD 750-850. Within the retail sector the Food & Grocery is the largest category with 60% share followed by Apparel & Mobile segment



FDI share of organized sector in selected countries:

Table 1

Country	Share of Organized Sector (%)
U.S.A.	85
U.K.	80
Japan	66
Russia	36
India	04

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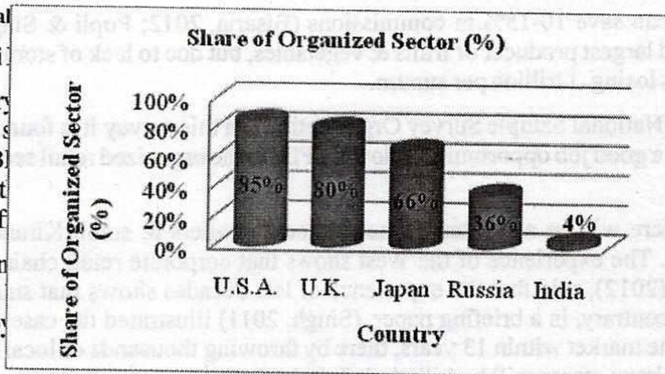
(Source: Planel Retail & Technopal



Advantages of FDI in Multi

FDI has benefitted the country … e of investment in each of this sector. It is providing better s … service further (Shrikhande, 2010). Similarly, FDI in MB … s of employment generation, infrastructural growth, smoot … n competition within the local market & this brings higher ef … e describes as follows:

- Employment Generation … 49% FDI in retail. The study recommended that there will … ance of FDI. But the reality is FDI will provide more employ … organized retailing & can lead a job-led economic growth.

- Inflow of Technical Know-How: FDI would invite global payers in Indian retail sector that will help in up gradation of technology. Big retail stores will use software to maintain the inventory & to track the status of sales as well. People will be able to learn about new technology & keep themselves update for the same.

- Increase in Competition: FDI will increase the competition within the local market. Local organized retailers will face the stiff & tough completion. To survive they need to formulate strong strategies & should keep update themselves with the customer preference & choice.

- Control on inflation: FDI would help the consumers, farmers & suppliers. It would also help in control on inflation by offering more competitive & rationalize prices of products to consumers & reduction of wastage across India's farms-to-fork supply chain (Sify Finance, 2010). The Indian economy is facing the acute problem of high inflation. The main reasons of this are the shortage of supply of goods or excess supply of money. These both reasons are very sensitive in nature. Supply of money can be regulated by RBI (Reserve Bank of India) & it has its own mechanism to control the supply of money. Shortage of supply of goods can be due to less manufacturing/production of goods. FDI can eradicate both the reasons by supplying goods from global market. Farmers would directly supply the goods to the retailers that will help in strengthening the supply chain & will reduce the prices as well.

There are many other advantages such as:

- Greater level of exports due to increased sourcing by major players.
- Long term Benefits in terms of up gradation of agriculture.
- Development of efficient small & medium size industries.
- Would provide Better Lifestyle.
- It will develop the market and many more.

Objectives of the study

This paper tries to throw some light on the FDI in retailing in Indian context by taking the perception of retail buyers of Bhopal. The basic objective of the study is to scrutiny the various advantages of FDI and its impact on the Buyers.

Review of Literature

FDI in multi brand retailing refers to the investment done by foreign investors in a retail store which can sell brands under a single roof. Review of the literature shows, how farmer & retailers will felt major impact of FDI in multi brand retailing. Some studies are discussed below:

Impact on Farmers: According to (Bisaria, 2012), farmers would be able to improve their productivity & will get the maximum benefit of direct selling. Ultimately they will be the biggest beneficiary of FDI in retailing. By purchasing fruits &

vegetables directly, large retailers can save 10-15% in commissions (Bisaria, 2012; Popli & Singh, 2012). According to Baskaran (2012), India is the second largest producer of fruits & vegetables, but due to lack of storage facility & difficulty to link far-away markets, the country is losing 1 trillion per annum.

A survey conducted by NSSO (National Sample Survey Organization), in this survey it is found that 40% of farmers are ready to quit farming if they will get a good job opportunity. Allowing FDI in the organized retail sector will open the doors of opportunities for farmers.

Impact on Local Retailers: There will be a greater impact on local retailers & small Kirana stores, if FDI will get permission in multi brand retailing. The experience of the West shows that corporate retail chains kill the small business (Baskaran, 2012b). Popli & Singh (2012), said that the experience of last decades shows that small retailers grown up in harmony with large retailers. On a contrary, in a briefing paper, (Singh, 2011) illustrated the case of Thailand, where three foreign retailers took over 38% of the market within 13 years, there by throwing thousands of local retailers out of business. Hence the local retailers & small Kirana stores will be killed; definitely there is competitive response from the traditional business practices in terms of technology up gradation to support themselves against the onslaughts by large retailers (Baskaran, 2012a).

Impact on Employment Opportunities:

According to the DIPP Discussion Paper on MBR (2010), more than 2/3rd of the total employment, in the broad category of the trade, hotels, and restaurants, is in the retail sector. It will provide huge job opportunities across the country by opening malls & retail stores. FDI would expand the market & will provide job opportunity from an ordinary worker to specialized officers (Bisaria, 2012).

Impact on Consumers:

Consumers will be benefited by getting the good quality of goods at reasonable prize. They will get variety of products under one roof. According to the (Bisaria, 2012), the Indian consumers will get access to quality goods at a low cost.

Research Methodology

The research methodology adopted in FDI in multi Brand Retailing is a descriptive research taking 100 respondents as the sample population and sample size. To collect the data both primary and secondary sources were used. In primary source, observation, interview & structured questionnaire was developed for the perception of people regarding FDI in MBR in the city Bhopal. Questionnaire contains the 15 relevant questions & data was collected in the month of March, 2014.

Data Analysis & Interpretation

Data collected with the help of questionnaire, observation and interview shows that FDI is affecting consumers and due to changing attitude of consumers they are in the favor of this decision. Analysis and interpretation is described below:

Males who belong to the age group of 18-25 Yr go to the mall for window shopping.

Females who belong to the age group of 25-35 Yr mainly prefer to but things for household and daily use from multi brand retail store (mall).

People who have completed their graduation and those who are working professionals are aware about FDI in Multi Brand Retailing as compare to the others.

Study shows that convenient stores are majorly preferred for purchasing. If we rank multi brand retail store, super market and convenient store then, convenient store are one number one and multi brand retail store are least preferred.

Above graph depicts the clear picture that nuclear families visit more multi brand retail stores as compare to the joint family.

This shows that working professionals, students and people who belong to the age group of 18-25 Yr frequently visit the multi brand retail stores.

It gives the comparison between the working professionals and students. As students visits more than working professionals but students shop less than working professionals.

Limitation of the study

Definition of perfection differs from individuals to individuals. No matter how meticulous one is, the study that is completely based on responses from a vast variety of people cannot be free from limitations. Though the present study aimed to achieve the above mentioned objectives in full earnest and accuracy, it was hampered due to certain limitations. Some of the limitations of this study may be summarized as follows:

- Selection of the people who are under consideration as sample for the study may not be the best sample selected.
- Sample size was limited due to the limited period allocated for the survey.

- The selection of people to know their perception about FDI in multi brand retailing was tedious and time consuming.
- Getting accurate responses from the respondents due to their inherent Problems, personality traits and mood fluctuations was a very difficult task.

Conclusion & Suggestions

To conclude, Indian retail industry is the largest industry & there are many advantages to the producers, farmers, local retailers, consumers so, the decision taken by Government to allow FDI in India is a favourable decision. Sample population also agrees for the same. Perception of the respondents differs as per their age group, education qualification & income group. FDI in multi brand retail would offer the wide range of choices to the consumers.

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FDI and Economic Reforms in India

***Dr. Vijay Singh Parihar**
****Mr. Akhilesh Mishra**

Introduction

Foreign Direct Investment (FDI) is defined as "investment made to acquire lasting interest in enterprises operating outside of the economy of the investor." The FDI relationship consists of a parent enterprise and a foreign affiliate which together form a Trans-National Corporation (TNC).

India, post liberalization, has not only opened its doors to foreign investors but also made investing easier for them by implementing the following measures:

1. Foreign exchange controls have been eased on the account of trade.
2. Companies can raise funds from overseas securities markets and now have considerable freedom to invest abroad for expanding global operations.
3. Foreign investors can remit earnings from Indian operations.
4. Foreign trade is largely free from regulations, and tariff levels have come down sharply in the last two years.
5. While most Foreign Investments in India (up to 51%) are allowed in most industries, foreign equity up to 100% is encouraged in export-oriented units, depending on the merit of the proposal. In certain specified industries reserved for the small scale sector, foreign equity up to 24% is being permitted now.

As the industry progresses, opportunities abound in India, which has the world's largest middle class population of over 300 million, is attracting foreign investors by assuring them good returns.

Foreign Direct Investment in India

The foreign direct investment into India is a process for facilitating people to invest in India. If you are really interested in doing business in India with the help of foreign capital then make sure that you are investing in the right source and you can do this in a number of ways. Even when India was going through tough times, it was still a good financial breeding ground for all foreign investors. They have never felt the pressure as their genre of investment has always been unleashed for the purpose of ushering more capital within the country. There have been several Indian infrastructures who may have suffered in the field of production and manufacturing due to lack of essential capital. However, a good way for them to survive is by offering FDI equity to companies or individuals who would be interested in making huge capital investments.

Investment options for NRI's in Indian infrastructure sector

Infrastructure development in India has contributed majorly in the country's economic transformation and growth during the last decade. Roads, ports, railways and power are key segments of the infrastructure sector. Some of the key facts related to the same are:

* Indian Shipping segment, with 187 minor ports and 13 major ports, is spread across nine maritime states
* The Indian Railways network is spread over some 64, 000 km, with 12, 000 passenger and 7, 000 freight trains plying each day from 7, 083 stations carrying around 23 million travelers and 2.65 million tonnes (MT) of goods daily
* Indian road network is the second largest in the world with a total length of 4.1 million kilometers (km)

Investment Opportunities for NRI's

Overseas investors looking for high return on investments are going to target Indian infrastructure companies in the coming years, says a report by research agency Preqin. As per the study, India is attracting the highest number of unlisted, closed-end funds that focus on a single country, making it the most preferred choice among the business investors. India is expected to require around US$ 1 trillion worth of infrastructure investment over the next five years. Non-resident Indians (NRIs) investing in India can choose from sub-sectors such as power, telecom, roads and ports. The Preqin report says 74 per cent of India-focused funds will invest in green field projects, 84 per cent in brown field assets, and 42 per cent will buy out the stakes of other PE funds.

Investments Policy in India

* FDI up to 100 per cent under the automatic route is permitted in exploration activities of oil and natural gas fields, infrastructure related to marketing of petroleum products, actual trading and marketing of petroleum products, petroleum product pipelines, natural gas/LNG pipelines, market study and formulation and Petroleum refining in the private sector. This

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will be subject to the existing sectoral policy and regulatory framework in the oil marketing sector and the policy of the Government on private participation in exploration of oil and the discovered fields of national oil companies

* FDI up to 49 per cent is permitted under the Government route in petroleum refining by the Public Sector Undertakings (PSU)

FDI up to 100 per cent under the automatic route is allowed both in setting up new and in established industrial parks from overseas investors.

Recent Investments in Indian Infrastructure Industry

* IVRCL Ltd has entered into an MoU with the Haryana Government for the development of Rai Malikapur-Kharak road corridor which would cover a stretch of 151 km of Rai Malikapur close to the Rajasthan border up to Kharak corridor and enhance the north-south connectivity. The Rs 1, 605 crore (US$ 292.23 million) project will take about 30 months to execute.

* Indian Railways has recently launched an application namely RailRadar which envisages an interactive map to allow users to track train movements on real-time basis. Such an application has been launched for the first time in India, wherein any of the public transport system can be tracked on the internet and mobile.

Future of Indian Infrastructure

India is betting high on business investors in infrastructure as the Government hopes that the private sector, through public-private partnerships (PPP), will invest US$ 350-400 billion in infrastructure sectors (like roads, ports, railways and airports) between 2012 and 2017.India is the largest democracy in the world. It ranks second in terms of population. The policy of liberalization has transformed the prospects for the Indian economy. Today India is one of the favorite destinations for global investments. The major investors in India are Mauritius, Singapore, the US, the UK, the Netherlands, Japan, Germany, etc. Foreign direct investment (FDI) in India went up by 31 per cent to US$ 27.5 billion last year. The sectors that attracted maximum FDI last year include services (financial and non financial), telecom, housing and real estate, and construction and power.

The government has come up with several incentives like import of capital goods at concessional customs duty, liberalization of external commercial borrowing norms, tax holiday to encourage investments, etc. "The government should allow 100 per cent FDI in sectors like domestic airlines and insurance sector to boost inflows and generate employment, "as per Rajiv Kumar, Secretary General, FICCI. Sectors like automobiles, chemicals, food processing, oil and natural gas, petrochemicals, power, services and telecommunications have witnessed tremendous investments.

Investment options in India

There are number of options available for foreign investment in India for both short term and long term. The major options are real estate, bonds, mutual funds, money markets, gold, and financial assets (non-marketable, LIC policies & equity shares). Today, there are businesses and industries that are even 100% open for such investment. Some of the sectors that are still not open for foreign investment include, rail transport, lottery business, tobacco business, certain agricultural activities, atomic energy, mineral oils, etc. There are following categories of non-Indian resident who may invest in the capital of Indian Company:

* A non-resident entity (other than citizen of Pakistan)
* A citizen or entity of Bangladesh under Government route.
* NRI resident as well as citizen of Nepal and Bhutan on repatriation basis.
* SEBI registered NRIs through a registered broker on recognised India stock exchange.
* Foreign venture capital investor registered by SEBI.

An FII (foreign institutional investor) may invest in the capital of an Indian company under the portfolio investment scheme.

Business Opportunities in India

There are various factors that create favorable business opportunities in India are:

- There are huge business opportunities in Indian retail sector as people have become more conscious about branded products. Improvement in purchasing power and huge middle class population results in the growth of the economy.
- India's competitive advantage in information technology can be used to enhance productivity in industries.
- Availability of large number of technical manpower has led to the expansion of manufacturing base across different industries.
- India's rich natural resources, availability of better infrastructure, well established banking system, better agriculture, etc. have created more investment opportunities.

- The capital markets in India are one of the fastest growing markets in the world, attracting huge investments from foreign institutional investors.

The economic reforms have brought in policy changes in terms of freedom of entry, investment, location, usage of technology, import and export. These changes have created an investment friendly environment.

Increasing Investment Opportunities in India

India has become one of the fastest growing economies. Investment growth is eventually linked to the growth of the economy. So most of the investors look for emerging markets like India, where the growth rate is higher than the developed economies. Investing in India is becoming a big attraction for the foreign investors especially due to the booming Indian economy.

- Every individual wants to invest his/her money in the right means. There are various wonderful investment options in India. The challenge is to find out the right option that can not only offer flexibility, but also provide good returns in the future.

Some of the fruitful investment options in India are:

Fixed deposits: It is the most common among the investment opportunities in India. These are safe investments and provide decent return.

Insurance sector: There are a lot of insurance companies emerging these days as the health is becoming less secured because of the unhealthy life style of present generation. Some of the common insurance policies are life insurance, health insurance, home insurance and the car insurance policies.

Investment in Stock: The investment in stock market in India is one of the fastest means of earning. As the stock prices are always fluctuating, the chances of risk are also high along with high profits.

Mutual Funds: It is a collective investment scheme that pools money from many investors or foreign investors in India to purchase securities such as stocks, bonds, money market instruments and similar assets. It is an easy and safe investment with periodic withdrawals.

Real Estate: The population in India is increasing and therefore land is always in demand. Besides the need to reside, the establishment of industries also requires land. The projection of real estate includes sectors such as hospitality, manufacturing, housing, retail, commercial etc. Thus it is obvious that the cost of real estate is not going to fall down. Thus the investment opportunities in India are high and by investing in a land and selling it on demand by others is an easy source to earn money. Also, there are many other exciting business investment opportunities in India, especially, for industrialists dealing in outsourcing technology, internet ventures, software development, e-commerce, etc.

Advantages of FDI in Retail in India :

(1) Growth in Economy : Due to foreign companies entering into retail sector, new infrastructure will be built thereby bolstering the jagging real estate sector. In turn, banking sector will also grow as the funds needed to build infrastructure will be provided by banks.

(2) Job Opportunities : It has been estimated according to government, that approximately ten million jobs will be created mostly in retail and real estate sectors.

(3) Benefits to Farmers : In the retailing business, the intermediaries have dominated the interface between the manufacturers or producers and the consumers. Hence the farmers and manufacturers lose their actual share of profit margin, as the lion's share is eaten up by the middlemen.

This issue can be resolved by FD1, as farmers might get contract farming, where they will be able to supply an organised retailer based upon demand and will get paid handsomely for that and they need not run in search of buyers.

(4) Benefits to consumers : Consumers will get variety of good quality products at low prices compared to market rates and will be able to choose from various international brands at one place.

(5) Lack of Infrastructure : This has been one of the common issues in the retailing chain in India for years, which has led to the process of an incompetent market mechanism. To cite an example, in spite of India being one of the largest producers of fruits and vegetables, lack of proper cold storage facility significantly affects the selling of these perishable items and also in huge losses. Allowing FDI might help India have better logistics and storage technologies resulting in avoiding wastage. Due to FDI foreign companies will invest around $ 100 million in India. Thereby, infrastructure facilities, refrigeration technology, transportation sector will get a boost.

(6) Cheaper Production facilities : FDI will assure operations in production cycle and distribution. Due to economies of operation, production facilities will be available at a cheaper rate and thus resulting in availability of variety products to the ultimate consumers at a reasonable and cheaper price.

(7) Availability of new technology : FDI allows transfer of skills and technology from abroad and develops the infrastructure of the domestic country. Greater managerial talent will flow in from other countries. Domestic consumer will

get the benefit of getting great variety and quality products at all price points.

(8) Long term cash liquidity : FDI will render necessary capital for establishing organised retail chain stores. It is a long term investment because the physical capital in the domestic company is not easily liquidated.

(9) Conducive to the country's economic growth : FDI will create a competition among the global investors, which will ultimately guarantee better and lower prices, thereby benefitting people in all sections of the society. The market growth and expansion will increase. It will step-up retail employment. It will ensure better managerial techniques and success. Higher wages will be paid by the international companies. Urban consumers will be exposed to international lifestyles.

(10) FDI opens up a new avenue for Franchising : Restrictions on FDI are regarded as trade barriers as they traverse direct market access to foreign firms. Retail giants who are very keen in looking for entry into foreign markets look for other available alternatives. These restrictions on the global retailers regarding the inflow of FDI, leads them towards getting the market entry through franchises. Thus, countries which offer promising market potentialities for retail growth offer substantial growth in the franchising sector also.

(11) According to the Indian Government's condition, foreign companies have to source a minimum of 30% of their goods from Indian micro and small industries. This will encourage the domestic manufacturing by creating a big effect for employment and technology up gradation and income generation.

(12) Countries like China, Indonesia and Thailand have 100% FD1 in retail. Reports show that these countries have experienced high growth in agro processing industry, refrigeration technology and infrastructure.

(13) Foreign countries will also create a supply chain management in the Indian market. This will result in avoidance of food wastage and perishables.

Conclusion

This paper states that the Government of India is trying to accommodate and utilise the conducive investment climate of the country by relaxing and even introducing new policies. The change in government policy, availability of cheap resources, strong operational units, etc. are the important reasons for FDI in India. It is important for foreign investors in India to have some trend analysis of investment scope before they plan to start or set up a business in India, thus the role of investment advisors to prepare extensive investment guides to help and direct the trade investments and the scope of foraying into a particular business in India becomes crucial.

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Rural India: Potential Hub for FDI

* Mr. Nitin Jain

Introduction

FDI plays an imperative role in the advancement of a country. It has the potential for making contribution to the development through the transfer of financial resources, technology and innovative and improved management techniques along with raising productivity. Developing countries like India need substantial foreign inflows to achieve the required investment to accelerate economic growth and development. It can act as a catalyst for domestic industrial development. It has also been shown that FDI works as a means of integrating developing countries into the global market place and increasing the capital available for investment, thus leading to increased economic growth needed to reduce poverty and raise the standard of living.

Rural India

In our country more than 700 Million people live in rural areas in some 6, 30,000 villages. There are states like UP, MP, Chhattisgarh, Bihar and Orissa where rural population varies from 80 to 90%. Only 6,300 villages have a population of more than 500 or less and about two - third of its workforce is engaged in agriculture and allied activities with a contribution of 29% of India's GDP. There are different factors which have an impact on the Rural Market. These have shaped the total performance of Rural Market like population, occupational, literacy, location, irrigation, land distribution, infrastructure and communication.

India's economy is predominantly rural in character. The Indian rural markets are being beckoned by companies, Indian and foreign, from consumer products to telecom to electronics, the list is indeed limitless. Describing rural India as a powerhouse, which can be bigger than the urban areas. As rural markets dominate Indian marketing scene and they need special attention for the expansion of marketing activities. Over the past few years rural India has witnessed an increase in the buying power of consumers, accompanied by their desire to upgrade their living standard.

FDI

FDI is generally defined as "A form of long term international capital movement, made for the purpose of productive activity and accompanied by the intention of managerial control or participation in the management of foreign firm."

FDI can pave the way for the development of a country. It holds bright prospects for making contribution to the development through the transfer of financial resources, technology and innovative and improved management techniques along with raising productivity. Developing countries like India need substantial foreign inflows to achieve the required investment to accelerate economic growth and development. It can act as a catalyst for domestic industrial development. Further, it helps in speeding up economic activity and brings with it other scarce productive factors such as technical knowhow and managerial experience, which are equally essential or economic development.

FDI has been shown to play an important role in promoting economic growth, raising a country's technological level, and creating new employment in developing countries. It has also been observed that FDI works as a means of integrating developing countries into the global market place and increasing the capital available for investment, thus leading to increased economic growth needed to reduce poverty and raise living standard.

Aims & Objectives

This paper focuses on how the foreign direct Investment (FDI) can help in development process of rural areas of India.

Research Methodology

This paper is based on secondary data and literature available on websites, journals and books. This is a literature review based study.

Literature Review

Recently The Indian Minister said India's "strong" agricultural base and "accelerating" economy growth holds a "Significant" potential for the food processing industry which provides a strong link between agriculture and consumers. India's rural markets are being beckoned by companies, Indian and foreign, from consumer products to telecom to electronics, the list is indeed limitless. Describing rural India as a powerhouse, which can be bigger than the urban areas, HUL Chairman Harish Manwani says, "Rural India is an incredible opportunity of potentially adding $ 1.8 trillion to our economy, equal to current GDP." Inevitably companies have been making a beeline for the rural markets, which promise sustained growth. A large growth in irrigated areas coupled with the expanding road network brings in multiplier effects for the economy, contributing both to bringing the hinterlands and the unconnected pockets into the mainstream and generating job opportunities along the way.

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FDI plays a significant role in increasing productivity by offsetting the investment and technological gap. The FDI Inflows to Agriculture Services are allowed up to 100% and allowed through the automatic route covering horticulture, floriculture, development of seeds, animal husbandry, pisciculture, aqua culture, cultivation of vegetables, mushroom and services related to agro and allied sectors.

Apart from the above options, villages need to have -

1. Proper land reforms to make sure land is held, owned, cultivated, irrigated to make the most efficient use and maximum output.
2. Rural credit - Banking services need to be popularized and credit should be available for basic services like agriculture.
3. Electrification - Many villages still receive only 2 to 6 hours of electricity per day which needs to drastically improve to empower the villages of India.

Research Analysis

69% of population of India lives in rural area. This population contributes significantly as consumer and labour. Development of the country aims at developing all sectors and it aims at inclusive growth. Rural India is full of potential. There is a need for development of this area and FDI can help much. If we remove the basic hurdles then definitely we can have a balanced growth of rural and urban India.

India lives in many generations and visiting rural areas very easily shows that they lag behind cities by decades. While we have latest services and products available in our cities now, villagers are still coping with age old products. It is easy to see the rising disconnect between cities and villages. Some examples are -

1. While we have international fully air conditioned schools in our cities, the schools in villages still don't have benches and chairs, leave alone computers. We have a huge shortage of teachers in rural areas, and the school dropout rate is huge.
2. In cities, we have wide roads, flyovers and underpasses while many villages still don't have proper roads. Urban-rural road links can play a vital role in rural growth.
3. Employment opportunities are hardly there in villages which forces youth to move to cities creating an imbalance in the ecosystem and leaving the villages deprived.
4. While we may have numerous hospitals, nursing homes and medical facilities in cities, villages neither have health awareness nor health facilities. See the condition of major hospitals like AIIMS to know how many villagers have to flock to cities for even basic treatments.

The Ministry of Agriculture, the Ministry of Rural Infrastructure, and the Planning Commission of India are the main governing bodies that define the future role of agriculture in India and it aims at developing agricultural sector of India. No FDI / NRI / OCB are allowed in the Indian Agriculture sector. Only in Tea sector 100% FDI is allowed, including plantations of tea.

The present policy with regard to FDI in agriculture and plantation is as follows:

1. FDI up to 100% is permitted under the automatic route in the under mentioned activities viz., floriculture, horticulture, development of seeds, animal husbandry, pisciculture, aquaculture and cultivation of vegetables and mushrooms, under controlled conditions and services related to agro and allied sectors.
2. FDI up to 100% with prior government approval is permitted in tea plantation subject to the conditions of divestment of 26% equity of the company in favor of an Indian partner / Indian public within a period of five years; and prior approval of the state government concerned in case of any future land use change.
3. Besides the above two, FDI is not allowed in any other agricultural sector / activity.
4. The government has announced 100 per cent Foreign Direct Investment (FDI) in the agriculture sector including seeds, plantation, horticulture and cultivation of vegetables.

Problems in Rural India

1. Rural unemployment
2. Illiteracy in rural India
3. Issues in the agricultural sector
4. Transportation & Distribution
5. Rural infrastructure
6. No Modern Facilities
7. Health Sector
8. Socio & cultural challenges

Potential Opportunities for FDI

As rural markets dominate Indian marketing scene and they need special attention for the expansion of marketing activities. Over the past few years rural India has witnessed an increase in the buying power of consumers, accompanied by their desire to upgrade their standard of living. Some projects are very important of the government and the private companies, such as NREGA, ITC?s e-chaupal, HLL's project Shakti, and retail hubs like Kisan Sansar (Tata), Haryali Kisan Bazar (DMC). Recently the Minister said that India primarily remains an agrarian economy with 70 per cent of population and 94 per cent of the land mass in rural areas, underlining that potential for private investment including FDI in rural areas has remained untapped for "far too long".

Rural housing is an area where private investment could be "most valuable", he said pointing out that a shortage of about 47.43 million houses in rural areas has been estimated in the 11th Five Year Plan. "Twelfth Five Year Plan has estimated shortage of a total 73.96 million housing units, of which 47.43 million units pertain to rural housing alone. This is an areas where private vestment would be most valuable.

"Government has accorded a high priority to the sector and has provided many fiscal incentives. In addition to FDI in the food processing industry, there is huge requirement for support infrastructure. Seeking to reach out to Non-Resident Indians (NRIs) for investment in rural sector, "Think of 18,000 Indian villages that will continue to be without electricity for at least the next 10 years. Some changes are very much required such as:-

Irrigation & Water Technologies: Managing the release and distribution of water is critical for maximizing production. Sophisticated power transmission systems use information and communication technologies to optimize and monitor the distribution of electricity.

Transportation & Distribution: Cold storage and cold-chains for transportation to market is of great importance for many agricultural products particularly, fruits and vegetables, but they remain insufficient.

Information: Commodity prices, agricultural practices, weather, etc. are crucial for the farmer. Technology can now provide this information easily and instantaneously either at a village computer kiosk or on a mobile handset. Transactions, including the purchase of agricultural inputs as well as other goods and services, can be handled on kiosks, wireless cable TV or a mobile phone. All these technologies are proven; the challenge now is to ensure connectivity and scale them for wider usage and application.

Pricing: While Sachet pricing may have worked very well for Chik shampoo, the overheads involved in payment collection do not always allow easy execution of sachet pricing. It is easier to collect in larger amounts as every instance of collection and carrying of cash has associated costs. Disposable income, though, isn't always high since the bulk of rural India is agricultural and income cycles in agricultural are very erratic and not as predictable as in the case of us salaried individuals.

Social and cultural challenges: The concept of cyber café is not successful in rural area and in especially in women. Therefore we need to provide education to all and especially to women. Information Technology awareness amongst rural society needs to be developed so that fruits of the development can be reached to all.

Conclusion

Growth in Rural area is considered for achieving sustainable growth and significant reduction in poverty in developing countries. The government of India has initiated policies for encouraging FDI in various sectors. India has a large number of people residing in the rural areas. If the fruits of FDI reach our rural India then definitely the economy can achieve high growth. Efforts are to be made to remove the barriers in the implementation of FDI in rural India.

Basically, what we need is to empower the rural people by providing them education and proper health care. They need to have infrastructure like electricity and water so that they are free from the cycle of droughts and floods. Self-employment should be encouraged at the village level, to avoid migration towards the cities. There is a need to empower the villagers, not merely by facilitating them with food subsidies, but against the loan waivers which end up crippling them. India will grow only when rural India gains parity with the cities of the twenty first century. This can be possible with the help of FDI in Rural area with the support of public private partnership.

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Online Retailing: A Conceptual Study of FDI in Multi Brand Retail

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Introduction

Global retailers have already been sourcing products to India. Their presence in the Indian market will enhance exports from India, as they develop and leverage relationships with local suppliers. The extent of sourcing from India will increase when global retailers are allowed to operate in the Indian market. PwC's research indicates that China is the most important sourcing destination for many R&C companies. Having said that, since factors like quality control, risk profiles, innovation capabilities, logistics and existing relationships are also important, countries like the US, Germany, China, India, and Brazil are considered some of the most important future suppliers

1. Wal-Mart plans to source 'hundreds of millions of dollars' from India
2. In India, Wal-Mart and its Indian partner plan to locally source a range of agricultural products
3. Retailers who source locally-made products can avoid import duties and pass on better prices to consumers. Global retailers are not the only winners in the sourcing game.

Domestic retailers who source locally-made products can meet market needs and remain competitive. Some global food and grocery retailers are sourcing locally-procured food items that include fruits, vegetables, poultry, fish and lamb, as outlined in the case example below. These participants are working with local suppliers and farming communities to improve quality and hygiene levels, farming and processing practices, etc. Since the late 1990s, online shopping has taken off as an increasing number of consumers purchase increasingly diversified products on the Internet. Given that how to attract and retain consumers is critical to the success of online retailers, research on the antecedents of consumer acceptance of online shopping has attracted widespread attention. There has yet to be a holistic view of online shopping acceptance from the perspective of consumers. In this research, we conducted an extensive survey of extant related studies and synthesized their findings into a reference model called OSAM (Online Shopping Acceptance Model) to explain consumer acceptance of online shopping. Our literature survey reveals that a myriad of factors have been examined in the context of online shopping and mixed results on those factors have been reported. The proposed model helps reconcile conflicting findings, discover recent trends in this line of research, and shed light on future research directions.

Taking their businesses online is one of the best things Indian retailers can do because of the huge opportunities that exist in that segment, according to Venkatesh Shankar, eminent speaker and director of research at Mays Business School, Texas. Speaking at a lecture titled 'Guruspeak' organised by the IIM Calcutta Alumni Association, Chennai Chapter on Friday, Shankar pointed out that India had huge potential in the online shopping segment because it had a very young demographic. "Almost 50 per cent of India's population is below 25 years of age. So, we have a very favorable demographic dividend," he said. But before the shift can happen significantly, the infrastructure needed to be improved drastically, he added. Pointing out to the broadband penetration in the country, just 1.1 per cent currently, he said that improving this side of the infrastructure was very important.

Other problems with online retailing crop up at the delivery chain. "Right now shipping a product to a tier 2 town in a rural area is difficult and most of these purchases are Cash on Delivery, because credit cards haven't penetrated enough either," he said. But on the plus side, Indian customers were ready to shop online if provided with the means to do so. "Most of

Top ten online retail sites: India

This research highlights Amazon's popularity with the Indian online community. Amazon sites have nearly twice as many unique visitors as Apple.com

	Total Unique Visitors (000)	% Reach
Total Internet : Total Audience	46,390	100.0%
Retail	27,171	58.6%
Amazon Sites	6,805	14.7%

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Apple.com world wide sites	3,426	7.4%
Samsung group	2,759	5.9%
Flipkart.com	2,675	5.8%
Homeshop18.com	2,286	4.9%
Naaptol.com	2,145	4.6%
Bookmyshow	2,125	4.6%
Myntra.com	2,110	4.5%
Priceindia.in	2,047	4.4%
Alibaba.com corporation	1,973	4.3%

www.DigitalStragoryConsulting.com

Source: comScore Media Metrix, November 2011

Notes: India visitors, agod 15+, accessing the internet at home or work locations

the younger generations are very tech savvy, online retailing doesn't require any real estate cost and the growth trajectory is very high," he added. And that is where the up gradation needed to happen, according to him, the Indian retail market was worth 550 billion USD, of which only 7 per cent was organised.

Figure 1: Top ten Indian Retail sites

"The percentage is expected to be about 20% by 2020. Right now almost 14 million retailers in the country run small family oriented 'mom and dad' shops. Those are the people who need to upgrade their businesses. Indian retailers needed to learn how to understand, educate, attract, engage and give their customers a satisfying experience. This is where FDI is important, there are lots of things that retailers in the country can learn from global influences, like shopper profiling and market segmenting," .

"The successful retailer of the future will be the one, who understands what every customer of his wants, why he wants it and how to attract and engage his attention,"

Online Retailing Types & Models

B2B

B2B e-commerce is simply defined as e-commerce between companies. This is the type of e-commerce that deals with relationships between and among businesses. About 80% of e-commerce is of this type, and most experts predict that B2B e-commerce will continue to grow faster than the B2C segment. The B2B market has two primary components: e-infrastructure and e-markets. E-infrastructure is the architecture of B2B, primarily consisting of the following:

* logistics - transportation, warehousing and distribution (e.g., Procter and Gamble);
* application service providers - deployment, hosting and management of packaged software from a central facility (e.g., Oracle and Link share);
* outsourcing of functions in the process of e-commerce, such as Web-hosting, security and customer care solutions (e.g., outsourcing providers such as e-Share, Net Sales, iXL Enterprises and Universal Access);
* auction solutions software for the operation and maintenance of real-time auctions in the Internet (e.g., Moai Technologies and Open Site Technologies);
* content management software for the facilitation of Web site content management and delivery (e.g., Interwoven and ProcureNet); and
* Web-based commerce enablers (e.g., Commerce One, browser-based, XML-enabled purchasing automation software).

E-markets are simply defined as Web sites where buyers and sellers interact with each other and conduct transactions. The more common B2B examples and best practice models are IBM, Hewlett Packard (HP), Cisco and Dell. Cisco, for instance, receives over 90% of its product orders over the Internet. Most B2B applications are in the areas of supplier management (especially purchase order processing), inventory management (i.e., managing order-ship-bill cycles),

distribution management (especially in the transmission of shipping documents), channel management (i.e., information dissemination on changes in operational conditions), and payment management (e.g., electronic payment systems or EPS).

B2C

Business-to-consumer e-commerce, or commerce between companies and consumers, involves customers gathering information; purchasing physical goods (i.e., tangibles such as books or consumer products) or information goods (or goods of electronic material or digitized content, such as software, or e-books); and, for information goods, receiving products over an electronic network. It is the second largest and the earliest form of e-commerce. Its origins can be traced to online retailing (or e-tailing).13 Thus, the more common B2C business models are the online retailing companies such as Amazon.com, Drugstore.com, Beyond.com, Barnes and Noble and ToysRus. Other B2C examples involving information goods are E-Trade and Travelocity.

The more common applications of this type of e-commerce are in the areas of purchasing products and information, and personal finance management, which pertains to the management of personal investments and finances with the use of online banking tools (e.g., Quicken).

B2C e-commerce reduces transactions costs (particularly search costs) by increasing consumer access to information and allowing consumers to find the most competitive price for a product or service. B2C e-commerce also reduces market entry barriers since the cost of putting up and maintaining a Web site is much cheaper than installing a "brick-and-mortar" structure for a firm. In the case of information goods, B2C e-commerce is even more attractive because it saves firms from factoring in the additional cost of a physical distribution network. Moreover, for countries with a growing and robust Internet population, delivering information goods becomes increasingly feasible.

B2G

Business-to-government e-commerce or B2G is generally defined as commerce between companies and the public sector. It refers to the use of the Internet for public procurement, licensing procedures, and other government-related operations. This kind of e-commerce has two features: first, the public sector assumes a pilot/leading role in establishing e-commerce; and second, it is assumed that the public sector has the greatest need for making its procurement system more effective. Web-based purchasing policies increase the transparency of the procurement process (and reduce the risk of irregularities). To date, however, the size of the B2G e-commerce market as a component of total e-commerce is insignificant, as government e-procurement systems remain undeveloped.

C2C

Consumer-to-consumer e-commerce or C2C is simply commerce between private individuals or consumers. This type of e-commerce is characterized by the growth of electronic marketplaces and online auctions, particularly in vertical industries where firms/businesses can bid for what they want from among multiple suppliers.16 It perhaps has the greatest potential for developing new markets.

This type of e-commerce comes in at least three forms:

* auctions facilitated at a portal, such as eBay, which allows online real-time bidding on items being sold in the Web;
* peer-to-peer systems, such as the Napster model (a protocol for sharing files between users used by chat forums similar to IRC) and other file exchange and later money exchange models; and
* Classified ads at portal sites such as Excite Classifieds and eWanted, Pakwheels.com (an interactive, online marketplace where buyers and sellers can negotiate and which features "Buyer Leads & Want Ads").

C2B

Consumer-to-business (C2B) transactions involve reverse auctions, which empower the consumer to drive transactions.

Advantages Of C2C Sites

Consumer to consumer e-commerce has many benefits. The business model of C2C is very interesting. The primary benefit which consumers get is reduction in cost as compared to buying space of their ads on other e-commerce sites which seem to be quite expensive. People interested in selling their items can post their respective items for free or with minimal charge depending on the c2c website. This leads to formation of a profitable customer base. C2C websites form a perfect platform for buyers and sellers who wish to buy and sell products of similar interest.

Disadvantages Of C2C Sites

There are a couple of disadvantages to these types of sites as well. Doing transaction on these types of websites requires co-operation between the buyer and seller. It has been noted many times that these two do not co-operate with each other after a transaction has been made. They do not share the transaction information which may be via credit or debit card or internet banking.

Customer Prospective- What Consumer Has To Say?

Benifits To Customers

1. **Wide range of choices:-**

- Consumers can select from many vendors and many more products than they could locate otherwise.
- Consumers can get customized products, from PCs to cars, at competitive or bargain prices.
- Consumers can find unique products and collectors items through virtual auctions that might otherwise require them to travel long distances to a particular auction place at a specific time.

2. **High mode of convenience:-**

- Consumers can conduct online quick comparisons to find less expensive products and services.
- Customers can shop and get product information 24 hours a day, year round, from almost any location.
- Consumers can interact with other consumers in electronic communities and can exchange ideas as well as compare experiences.
- Enables more individuals to work at home and to do less traveling

Allows some merchandise to be sold at lower prices

Enables people in less developed countries and rural areas to enjoy products and services that otherwise are not available to them

Facilitates delivery of public services, reducing the cost of distribution and fraud and increasing the quality of the social services, police work, health care and education

Disadvantages for the Customers

1. Customer resistance to the change from a physical to virtual stores
2. Online Purchasing Security - Possibilities of credit card no. theft.
3. Perception that electronic commerce is expensive.

Indian Online Retailing

India has a large and aspirational middle-class of 75 million households or 300 million individuals. Middle-class consumers want products which are value-driven. India also has 500 million Indians under the age of 25. Young Indians are driving purchases in mobile phones, fashion, accessories, food and beverages, quick service restaurants, etc. Young Indians have access to more money than before and with this has come independence, aspirations and a demand for products. According to the 2010 World Wealth Report by Cap Gemini and Merrill Lynch Wealth Management, the rise in the total number of millionaires (or Indians with investible assets, excluding main residence and consumer durables, of more than US$ 1 million) grew almost 51%, the second fastest in the Asia- Pacific region. The 700 million Indians residing in rural India are an opportunity that retail and consumer (R&C) companies cannot ignore. Penetration levels for several products, such as personal care, hair care, skin care, consumer durables and electronics are low in rural India. Retail and consumer companies who localize their products for this market, with regard to price points, packaging, stock-keeping units (SKU) size, promotion, will succeed. Since 2005-06, India has been growing at an average GDP of 8.6%. Foreign investment into India is increasing, Indian companies are stepping outside their national borders to acquire companies overseas, incomes are increasing and capital markets are buoyant reflecting the strength of the company. Studies have also ranked Indian consumers as some of the most confident in the world. The more confident consumers are about the strength of the economy, their

personal finances, their career growth, etc., the more they will increase their consumption, purchase non-essential products, experiment with products, brands, categories, etc.

India's e-tailing market is at an early stage. India's e-Commerce market today is small but growing rapidly. From a revenue perspective, India is on par with other early stage e-Commerce markets such as Mexico, while substantially smaller than more mature online retail markets such as Brazil and China.

Online buyers in India are not all concentrated in metropolitan areas. Where India differs from its BRIC counterparts is in the degree to which rural buyers have embraced e-Commerce. In early stage e-Commerce markets, it is typical for most sales to come from major urban areas. In India, however, rural consumers have already started to buy online. This dynamic is partially due to the large percentage of rural households in India: The United Nations estimates that just 31% of India's population lives in urban areas, compared to 50% in China, 74% in Russia and 85% in Brazil. As a result, sales from consumers outside of metropolitan areas already make up half of total sales at some leading online retailers in India.

Companies tend to work with multiple logistics partners. India's diverse online buying population presents challenges to retailers interested in serving all parts of the country effectively. To overcome logistical issues, retailers and brands selling online tend to have to partner with multiple providers: They will often work with global logistics companies for part of the delivery process, but rely on bicycle couriers for the last mile. Online retailers like Flip kart operate their own delivery networks, as do a variety of other emerging market e-Commerce leaders including Ozon in Russia and 360buy in China.

Just like in other emerging markets, a variety of localized payment options is a must. Consumers in India have the option to pay online using bank transfers from a wide assortment of banks, credit cards, debit cards, "card on delivery" and cash on delivery (COD). COD tends to be a highly popular payment option in emerging markets, with India being no exception. High return rates on COD orders, however, can be a rude awakening to online retailers unused to offering this type of payment method.

Opportunities For Online Retailing

Why should the retail sector be liberalized?

* Technology transfer
* Improvements to the quality of produce locally available
* Boosts to local economy since local suppliers are engaged and integrated into global retailers' food and grocery procurement practices
* More competitively priced products

Increase employment

Once individuals become absorbed in retailer operations, they can access more equitable wages and benefits. Modern trade's effect will be most apparent at the bottom of the population pyramid, as it will unleash opportunities such as nonagricultural employment for rural youth and a better quality of living for the existing agricultural society.

Strengthen India's position as a sourcing hub

Global retailers have been sourcing from India for years and their retail presence in the Indian market will enhance exports from India, as they develop and leverage relationships with local suppliers. Most global retailers who have entered India have expressed their intentions to source and export a range of products from the country. The extent of sourcing from India will increase when global retailers are allowed to operate in the Indian market.

Riders For Online Retailing

The Indian retail sector is one of the most exciting and under penetrated markets in the world Growth opportunities exist in India's apparel market…

The Indian apparel market is relatively untapped across all categories. Clothing sales have been rising steadily inrecent years, supported by a large market of young consumers and an increasing interest in Western fashion. Apparel companies are using marketing strategies to build their brand, increase awareness and create a fashionable, lifestyle-oriented image. Efforts to raise funds from PEs are enabling apparel brands to grow their store networks, boost production capacity, offer new styles, hire design talent, develop larger format stores, establish shop in shops etc.

Max's focus on providing "fashion at keen prices" is generating strong current growth...

Keenly priced apparel is priced lesser than affordably priced apparel even! Keenly priced apparel is especially important in developing markets since customers need to be educated about fashion, before making the purchase. Max uses its design strength to produce sharply-priced apparel that has a high fashion component. Designers in the Middle East along with those in India create and localize fashion for global and local markets respectively and present long-term potential for its parent company, Landmark Group. By March 2013, Max will operate 100 stores, doubling operations from the current 51 stores. Max is the Landmark Group's fastest growing offering in India, across its formats (food and grocery, department stores, apparel, etc.). Tier 2 cities like Coimbatore, Indore, Bhopal, etc. are showing strong growth. Consumers in these locations are aspirational and view Max as a strong fashion brand.

Fashion And Pricing

Providing fashion at very competitive prices is a major driver of success for Max. Max does not compromise fashion for price or vice versa. Providing apparel that is beyond normal pricing levels has enabled the chain to grow rapidly both within the Landmark Group and within India.

The Customer Experience

Customer needs and expectations evolve given their exposure to international travel, media, the Internet, etc. Today, the Indian consumer expects a better experience overall:

Availability of apparel

The consumer wants sharply priced, fashionable apparel to expand their wardrobe both at the workplace and at home. Customers no longer want to dress up just for work, they also want to look good at home, implying access to choice and range.

Store experience

From the time a customer enters the store to when she/he leaves, she/he must have a good experience across several touch points that include: Trial room, interacting with staff, After-sales experience, Billing at the POS, tore ambience

Freshness of category

Freshness takes into account new product promotions, new designs, new colors, new styling, etc. Keeping fashion exciting helps engage and retain customers, results in sales, generates repeat traffic, etc.

Long-term business model

Participants need to build a sustainable business model given that the gestation period for success in the retail sector is long. Sustainable product pricing, offering products that imply longevity, expanding operations in a calibrated but determined manner, etc. are some of the ways in which retailers can convey their commitment to building a long-term presence.

Challenges for Online Retailing

Today, efficient management of logistics and the supply chain is not just important for survival, but a necessity for retailers to gain a competitive advantage. Looking at the rapidly evolving retail sector, it is essential to develop robust supply chains. The following supply chain issues affect retailers:

Inappropriate planning and forecasting: In the race for operationalexcellence, optimal demand and supplyforecasting determine the winners.Sub-optimal forecasting, which does not take into account seasonality, promotions and factors leading to sudden increase in demand, often lead to issues like stock-outs. High inventory levels, due to improper forecasting, also exist in the Indian retail sector.

Purchase, logistics and distribution: India's large geographical distances,fragmented nature of transporters and poor transport infrastructuredevelopment are the reasons behind high lead times and transportationcosts. Also, due to the diverse location ofsuppliers and the presence of several largeintermediaries, product costs increaseartificially. This results in decreased margins for retailers. A large number of retailers lack the ability to effectively manage the less than truck load (LTL) sized shipments. Besides, the benefits of aggregation and appropriate route planning have not been fully exploited by Indian retailers. By consolidating or aggregating the goods to be distributed to various distribution centres, retailers can reduce the number of times a merchandise is handled, thereby reducing the likelihood of freight damage. The absence of long-term relationships with transporters during peak season on spot rates also leads to an increase in product costs.

Store replenishment: At times, retailers store inventory at several locations to shorten the lead time in reaching stores. With multiple distribution centres stocking the same items, difference in inventory is observed and store replenishment arrives from different centres.

Underdeveloped infrastructure: Issues such as lack of good roads, communication infrastructure, electricity and water shortages and a limited number of ports impede the development of a pan-India network. Besides, the lack of a robust cold chain system also results in high wastage levels. The rugged Indian terrain and use of old vehicles by transporters further increases inefficiencies.

Inconsistent tax rates: Although the Indian government is trying to regulate it, the tax structure is heavily impeded by differential tax rates. Also, due to large geographical distances, suppliers need to operate a regional network and nation-wide redistribution centres, which in turn increase the size of supply chain. It is important to shorten this chain to save time and money. Once the tax structures are standardized, operations will be streamlined and retailers will be able to reduce costs.

Skills shortage

This gap exists in varying degrees in India's retail sector. There are very few supply chain management professionals with significant experience in the country. Retail professionals need to keep pace with the rapidly evolving retail management processes and operations, demanding customers, etc. The absence of structured skill development initiatives, lack of attraction for new recruits arising from poor working conditions in warehouses, lack of incentives and benefits, and the emergence of attractive alternate career options also aggravate the issue.

Technology implementation and usage: It is a challenge for organizations to achieve their business goals due to inefficient implementation of IT systems in vendor management, merchandising and inventory management, supply chain management, warehouse management, business intelligence, customer relationship management, stores management, etc. Further, forecasting demand becomes difficult in the absence of proper knowledge and skills among users to feed data into the various IT systems, to retrieve historical data, analyze and create meaningful results. This, in turn, results in stock outs, low inventory turns and a high pilferage rate. Proper and efficient usage of the IT systems will help derive meaningful results out of the available data. This will create efficiencies across the value chain and help meet the critical demand and supply issue, thereby benefitting all stakeholders six.

Gaining the competitive edge: Creating efficient supply chains and achieving competitive advantage for retailers is a function of the following:

Integrating vendor-managed inventory (VMI) programmes with planning and forecasting processes: In VMI programmes, the vendor, or supplier, takes complete responsibility of maintaining the inventory at the buyer's, or retailer's, premises. The vendor's representatives are also present at the supplier's premises to help gather important information regarding market trends. VMI programmes also help reduce problems of stock-outs and excess inventory at the buyer's premises. Creation of a collaborative VMI and replenishment programmes aid in enhancing planning efficiency, maintaining appropriate levels of inventories, risk-sharing for unsold inventory between vendors and buyers and providing better customer service.

Integrating components of the value chain: It is important for participants in the value chain to integrate activities and work together. Manufacturers should work in close association with service providers, distributors, wholesalers and retailers. Indian retailers can follow examples set by global retailers who have embarked upon backward integration and have developed captive logistics, transports and warehouse capabilities.

Using a multi modal transport network: Currently, a majority of the goods in India are transported through the extensive road network. A multi modal transportation network involving a combination of roads, rail, air and water needs to be explored. This can help overcome some of the bottlenecks experienced during road Transportation.

Encouraging skill development: Considering modern trade emerged in the 90s, the organised retail sector in India is relatively young. Retail talent is still developing and some large retailers are establishing training academies for hiring new recruits. Retailers also need to invest in training and development of their employees in areas of vendor management, merchandising and inventory management, supply chain management, warehouse management, business intelligence, customer relationship management and store management.

Using innovative techniques in retail logistics: Voice-based technologies have been created to increase the efficiency of the logistics and supply chains across industries. These solutions are being used by retailers in warehouses and sales-floors. They aid in monitoring real-time sales, collecting data inventory, tracking schedule changes, meeting requests, improving worker productivity, etc.

Utilizing technology: Modern logistics and supply chain management are not limited to the flow of merchandise in packed boxes and packets but are dependent on the flow of information. Monitoring and controlling appropriate and authentic information can enable retailers to match demand and supply. Companies should invest in technology to store and retrieve key data for successful forecasting. The need of the hour is to adopt best-in-class IT systems across the retail value chain such as merchandise, financial planning and forecasting systems, vendor and merchandise management systems, warehouse management systems, logistics and channel management systems, customer relationship managements systems, RFID, etc. These are also essential in generating efficiencies for retailers.

Points Of Concerns For Online Retailing

- Succeeding in India's retail market is not easy given the following:
- There is a large heterogeneous group of consumers who have significantly varying buying power.
- The majority of Indian consumers are value-conscious.
- India-based retailers with a first mover advantage have aggressive and ambitious expansion plans.
- New brands are entering the Indian market Succeeding in India's retail sector is a combination of the following factors:

Ways to Overcome Concern Areas-

1. Securing the right retail real estate

When it comes to the retail sector, it is location, location, location! A fundamental aspect of retailers operations is the availability of good quality retail real estate. A few years ago, there were not enough retail real estate options and many retailers were forced to rent (high-priced) space that skewed their profitability metrics. Today, the scenario is different in that there are more retail real estate options to choose from. Positive market and consumer sentiments, the entry of new foreign brands, incumbents' expansion plans and increasing hiring needs are helping drive demand for retail space in Tier I cities. Industrial growth and expansion is also ensuring that several retailers are planning to expand operations to Tier II and Tier III cities given that there are aspirational consumers earning increased incomes who would like better access to products.

2. Localizing products to delight and excite Indian consumers

R&D, innovation and new product development are emerging as key drivers of success. As part of this effort, product localization has emerged as a driver of sales, customer excitement, customer interest, etc. Indian consumers, while they want access to products available overseas, also want to feel that a product has been created especially for them. Localization can take several forms which include but are not limited to the following:

- Creating and launching products specifically for Indian consumers
- Making changes to store layout to appeal to Indian consumers
- Customizing production or food preparation practices for cultural sensitivities and local palettes

3. Mastering the supply chain as a driver o competitive advantage

Mastery of supply chain dynamics is a critical enabler for the growth of modern trade. India is a large and fragmented country and the absence of strong infrastructure and logistics systems make it challenging to reach consumers located across vast distances. With the Indian government making investments into state highways, an overall decline of logistics costs is bound to occur. Studies suggest that logistics costs are between 10 to 12% of total GDP. Creating efficient supply chains and achieving competitive advantage for retailers is a function of the following:

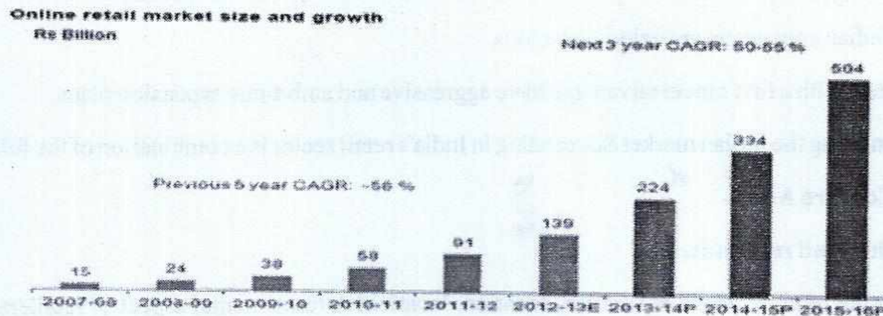
- Integrating vendor-managed inventory programmes with planning and forecasting processes
- Integrating components of the value chain
- Using a multi modal transport network
- Encouraging skill development
- Using innovative techniques such as use of voice-based solutions in retail logistics
- Leveraging technology

Future For Online Retailing

Digital Marketing E-commerce

We all know that wherever there are buyers and sellers, there is trade and wherever there is trade, there is marketing. If the trade is online, so is marketing. The trade is called "e-commerce" and marketing is called "digital marketing". Growth of e-commerce industry offers a direct economic incentive for companies to spend on digital marketing and efficient and engaging digital incentives compound the growth of online commerce. Each has their own sphere of existence and both are independently on the rise but there is also a significant overlap and this overlap is really

Figure 3: Online retail market size and growth



M-Commerce

Mobile Commerce is any transaction, involving the transfer of ownership or rights to use goods and services, which is initiated and/or completed by using mobile access to computer mediated networks with the help of an electronic device.

Conclusion

The e-commerce industry is growing at a rapid pace and changing the dynamics of the retail industry. In the coming years, e-commerce is expected to contribute close to 8-10% of the total retail segment in India. This growth is bound to continue provided e-commerce companies focus on innovating, building strong technology infrastructure and delivering the best customer experience.

Poor Knowledge and Awareness: When it comes to ratio of internet consumers, scenario is not so admirable one. Majority of Indian rural population are unaware of internet and it uses. Surprisingly, most of internet savvies or urban population are also suffering from poor knowledge on online business and its functionalities.

Online Transaction: Most of Indian customers do not possess plastic money, credit card, debit card and net banking system, which is one of the prime reasons to curtail the growth of e-commerce.

Cash on Delivery: Cash on Delivery (COD) has evolved out of less penetration of credit card in India. Most of Indian E-commerce companies are offering COD as one of mode of payment for the buyers.

Online Security: In case of start up and small business, Business owners are ignoring the importance of authentic software due to budget constraints.

Logistics and Shipment Services: In India, logistics and courier services required lots of improvement.

Tax Structure: Tax rate system of Indian market is another factor for lesser growth rate of e-Commerce in India in comparison to other developed countries like USA and UK.

Fear factor: Fear of making online payment is a universal psychological factor of Indian customers. 'Touch and Feel' factors: Indian customers are more comfortable in buying products physically. There are many big problems and challenged on the way of an online merchant. Factors like safety and security of online money transaction being the biggest problem along with others have curbed the smooth expansion of the online industry in the country. Although, major portion of e-business sectors have affected by the below mentioned challenges but still there are few online giants like Makemytrip.com, flipkart.com, Snapdeal.com who have overcome the challenges and represents the perfect growth trends of e-Commerce in India.

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