Foreign Direct Investment (FDI) in Multi-Brand Retail and its probable impact on employment and investment with special emphasis on retail sector-A study

Analjyoti Basu* & Bodhiswatta Ghosh**

Abstract

Foreign Direct Investment (FDI) is the direct investment done by some companies in other countries either by acquiring other companies in target country or by partial investment in other companies of the target country or by going into partnership with companies of the target country or by expanding the present line of business or operation in the target country. Lot of written volumes have being placed regarding positive and negative impact(s) of FDI entrance in India since the decision of implementation of FDI upto 51% in Multi-Brand retail was tabled by Prime Minister Dr. Manmohan Singh(September 2012). The advantages and disadvantages of FDI were placed by different experts. The discussions in this paper moves from the national scenario and enters into the scenario of the different states of India where the reference of (Gross State Domestic Product) GSDP with respect to Gross Domestic Product (GDP) has been taken care. To elaborate it, first the policy of Indian Government on FDI is been discussed followed by FDI’s previous impact in India (mainly the post liberalization period after 1990 has put into focus). On the backdrop of it, the impact of FDI on Indian States is discussed which is supported by report on Gross State Domestic Product (GSDP), Employment Elasticity Impact, Planning Commission Report, Reserve Bank of India’s Factsheet and many other Financial and Economic data. Lastly few suggestive models with respect to entrance of FDI in the state which will try to put both the positive and negative sides of discussion (with respect to FDI) into balance.

Keywords: FDI in retail, Indian Retail Sector, Impact on Assam

*Analjyoti Basu , Assistant Professor, Institute of Management and Entrepreneurship Development, Siliguri, West Bengal India, email- analjyotione@gmail.com, M:+91(0)9434679226

**Bodhiswatta Ghosh, Ex-student (2008-2011), Siliguri College of Commerce, BBA(Extension Campus), Siliguri, India, email-ghoshbodhiswatta@hotmail.com, M:+91(0)9475395888
Introduction

September 2012 was a landmark for both the Retail market in India as well as for Economical History of India when Indian Prime Minister Dr. Manmohan Singh tabled the decision of implementing of FDI upto 51% in Multi-Brand Retail. Controversies surged up regarding this decision with groups either favoring or opposing the decision. But not going through the controversial statement of good or bad decision it can be spelt out that this was not a sudden decision rather this decision was in synchronization with all the happenings since 1990 when Market Reforms came into play. These lines of events saw FDI in cash and carry (wholesale) with 100% rights allowed under the Government Approval route in 1997 and allowance of 100% FDI in single brand retail was permitted. Though FDI in retail followed the reform routes from 1990’s but the Indian Retail Market started changing slowly since 1980’s. Textile bigwigs Bombay Dyeing, Raymond’s, S Kumar’s, Grasim and watch giant Titan were first to embrace it (Arun Kr. Singh et al/ VS RD International Journal of Business Management Vol 2(7), 2012). It’s not only India who embraced FDI in search of development. UNCTAD Report 2009 reflects the story that – global FDI figure was around US$ 1400 billion in 2000 and it increased to US$ 1697 billion in 2008. Even US were the world’s largest recipient of FDI during 2006 with an investment of 184 million from OECD (Organization for Economic Co-operation and Development). Not only US-France, Greece, Iceland, Poland, Slovak Republic, Switzerland and Turkey also came under the domain of FDI investment (Parag Shil and Prantik Roy, International journal of Market, Financial service and Management Research, Vol 2, No. 1, January 2013). The market is estimated at US$ 400 billion that provides employment to 20 million people (FDI in Retail & Assam, December 12, 2012). The same magazine furnishes the flipside that Global Multi Brand Outlet (GMBRO) Walmart has turnover of US$ 410 billion and employs 2.1 million which is below the Indian figure. A report exposed by New York Times says- Walmart has captured nearly 50% of Mexico’s retail market in 10 years period. In their model they used waging a price war, aggressive pricing to destroy the local market and once the Basu and Ghosh
market is captured they went for monopolistic power ensuring predatory pricing. For its strategy Walmart struggled to open up its store in Brooklyn, New York, USA. Recently, a British Member of Parliament David Amess was quoted in the media, who has said, FDI in retail” Literally change the fabric of life in India”.

Now, with several eminent economist and state heads (e.g.- Assam, Andhra Pradesh) supporting Prime Ministers decision the point comes out not ballooning the controversy- the entry statement for FDI should be – “Use the giant as Aladdin to work for you and not as Frankenstein or Bhasmasur who will spell doom on you”.

**Review of Literature**

Foreign Direct Investment generally known as FDI has gained the focus of the entire globe and all corners of the world. Even the remote corners were/is not cut-off from this discussion. W.Jos Jansen and C.J.Stokman in “Foreign Direct Investment and International Business Cycle Comovement” (Working Paper Series,No-401/October 2004, European Central bank) investigated the relationship between bilateral FDI positions and cross-country business cycle correlations in the period 1982-2001 which said that the countries have comparatively intensive FDI relations. In “Conclusions and Implications for FDI policy in Developing Countries, New Methods of Research, and a Future Research Agenda” by Theodore.H.Moran, Edward M.Graham and Magnus Blomstrom tried to answer the question by their work that- the impact of FDI on development and said that search for so called “universal result” of FDI on developing-country economy is misguiding and FDI can have both positive and negative impacts on the economy. Peter Nunnenkamp and Rudi Stracke in their article named “Foreign Direct Investment in Post-Reform India: Likely to work wonders for regional development? published in “Journal for Economic Development” used new and detailed database on FDI approvals since the early 1990’s to address two major issues related to FDI and regional development in India in post-reform period. In this case Indian authors are also not lagging behind. In the article “Foreign Direct Investment in Multi-Brand Retailing-A study on Indian Scenario” by Parag Shil and Prantik Roy in International Journal of Marketing, Financial Services & Management Research(Vol. 2,No-1,January 2013) have emphasized that FDI is the tool of Economic Growth and it helped in surging the Basu and Ghosh
movement of trade and investments in the last couple of years. Anand Teletumbde in his article “FDI in Retail and Dalit Entrepreneurs” has questioned FDI as it benefitted a small portion of the dalits and major portion of the same is pushed to suffer insecurities and existential uncertainties. In the Research Paper “The influence of Labor Markets on FDI: Some Empirical Explorations in Export Oriented and Domestic Market Seeking FDI across Indian States” by Aradhna Aggarwal investigated the sensitivity of FDI to labor market conditions and presented improvements to the modeling of the labor markets. In the Research Article “Foreign Direct Investment: The Big Bang in Indian Retail” by Arun Kr.Singh and P.K.Agwal scrutinizes the relationship of FDI with the Indian Retail Sector and said that Indian Government should take decision to safeguard the interest of Indian Retail sector. Again in the Research Article “Economic factors and Foreign Direct Investment in India: A correlation study” written by Nilofer Hussaini in “Asian Journal of Management research” highlighted the vital economic determinants of FDI inflow in India and its correlation with the actual FDI inflows.

Objectives and Scope of Study

- To discuss the (maybe) effects on India and Indian Economy after placing 51% share in Multi-Brand retail.
- To gauge the effect of inflow of FDI from 1990’s (starting of reforms) till date in terms of employment, GDP and other parameters by the help of Statistical Analysis.
- Discuss the effect on the Retail Sector in terms of employment and other parameters.
- Producing Models in the effort to fill up the situational gap arising out in case misuse of Economic power by the foreign investors investing through foreign funds in Indian industries.
Methodology and Pathway Followed for the Study

The study mainly takes into count several case studies, secondary data and news published in different national journals. Overall the pathway depicted in words is as follows:

A. Discuss the brief history of FDI in India.

B. On the base of discussing the brief history to discuss the main points tabled by Government of India while allowing 51% in multi-brand retail.

C. Next to find out that what would be the advantages and disadvantages of the proposal.

D. To analyze the proposal on the base of FDI flow statistically in India since liberalization processes were taken up and Indian market was opened to the foreign investors.

E. To discuss briefly the concept of Gross State Domestic Product (GSDP) and have an analysis with India’s Gross Domestic Product (GDP) in Current and Constant prices.

F. Lastly, placing few models which may play the part of inoculation to the Indian incorporation in case any negative situation arises due to entry of FDI.

Brief history of FDI in INDIA

The FDI proposal tabled by Prime Minister Manmohan Singh was not a new one rather it was continuation of the events started since 1990s when the reform processes were started and Indian Government opened the market for the foreign players. The things will be clear if the incidents one after one are described.


1991- Liberalization started with FDI upto 51% allowed under the automatic route but only in selected priority sector.

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1995- World Trade Organization’s General Agreement on Trade in Services both included wholesales and retailing services came into play.

1997- FDI upto 100% allowed under the automatic route in cash and carry (wholesale).

2006- FDI upto 51% allowed with Government approval in Single Brand Retail.

2011- 100% FDI in single brand retail permitted. 14th September 2011- Government of India announces the opening of FDI in Multi-brand retail subject to approval by different states and 7th December, 2012- Federal Government of India allowed 51% FDI in Multi Brand retail in India.

Overview of the FDI tabled by Government of India

1. FDI upto 51% permitted under Union Government approval route (i.e.-prior approval from the government before introduction of FDI).

2. Fresh agriculture produce including fruits, vegetables, flowers, grains and meat products although unbranded may be traded.

3. At least 50% of the FDI to be invested in the backend infrastructure within 3 years of induction.

4. FDI to include investment towards- processing, manufacturing, distribution, design improvement, quality control, packaging, storage, warehousing, agriculture market produce infrastructure and logistics.

5. Expenditure on land cost and rentals would not be counted in terms of back-end infrastructure.

6. Minimum sourcing of 30% of the manufactured /processed products from Small Scale Industries (units with gross value in Plant and Machinery not to exceed USD 1 million).

7. The procurement requirement to be met in the first instance within 5 years beginning from 1st April of the year during which first lot of FDI received and to be met on annual basis thereafter.

8. Government of India has the first right for procurement of Agricultural products.
9. The decision of setting retail outlets has been left to the state governments.

   a. These outlets to be set up in cities with population of more than 1 million as per 2011 census.

   b. For states/UTs if they are not meeting the above criteria in that case retail outlets will be settled up by the decision of the respective State Government.

**After the Decision was Tabled the Following States Accepted the Decision**

- Andhra Pradesh
- Assam
- Delhi
- Haryana
- Uttarakhand
- Daman and Diu (Union Territory)
- Dadra and Nagar Haveli (Union Territory)

After the Decision was Tabled the Following States Accepted the Decision

Again the foreign bigwig companies which accepted the decision and are ready to invest with brief business line and native countries are given below-

<table>
<thead>
<tr>
<th>Company</th>
<th>Status</th>
<th>Origin</th>
<th>Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walmart</td>
<td>Have presence</td>
<td>USA</td>
<td>Runs chains of department and warehouse stores.</td>
</tr>
<tr>
<td>Tesco</td>
<td>Have presence</td>
<td>UK</td>
<td>Grocery &amp; general merchandise</td>
</tr>
<tr>
<td>Carrefour</td>
<td>Have presence</td>
<td>France</td>
<td>Wholesale cash and carry</td>
</tr>
<tr>
<td>Metro</td>
<td>Have presence</td>
<td>Germany</td>
<td>Diversified retail</td>
</tr>
<tr>
<td>IKEA</td>
<td>Yet to come</td>
<td>Sweden</td>
<td>Furniture</td>
</tr>
<tr>
<td>H&amp;M</td>
<td>Yet to come</td>
<td>Sweden</td>
<td>Retail Clothing</td>
</tr>
<tr>
<td>Uniqlo</td>
<td>Yet to come</td>
<td>Japan</td>
<td>Clothes &amp; Accessories</td>
</tr>
<tr>
<td>Canali</td>
<td>Have presence</td>
<td>Italy</td>
<td>Luxury goods</td>
</tr>
<tr>
<td>Thomas Pink</td>
<td>Yet to come</td>
<td>UK</td>
<td>Shirts</td>
</tr>
<tr>
<td>Muffin Break</td>
<td>Yet to come</td>
<td>Australia</td>
<td>Bakery Café</td>
</tr>
</tbody>
</table>
Advantages and Disadvantages of the FDI in India (Likely)

The decision of FDI in Multi-brand retail upto 51% is in the nascent stage and its good or bad side is likely to come up in the coming years or more elaborately to say in the long run. So instead of calling the “Advantages and Disadvantages” it will be logical to term the FDI effect as likely positive and negative effects of FDI.

Advantages

**Growth of Economy**- With the entrance of foreign companies there will be a need to grow infrastructure and automatically real-estate sector will spell the buzz word. Simultaneously for the money lending purpose banking sector will also experience the growth.

**Job Opportunities**- Estimates showed that the entrance of FDI will generate about 80 Lakh jobs mostly by retail sector followed by real-estate and it will be followed by the other sectors.

**Opportunity for the Farmer and Manufacturers**- Previously in the retailing business the intermediaries have dominated the space between the farmers/manufacturers and the retailers. In this process the intermediaries use to eat up the chunk of the profit as the farmers/manufacturers use to enjoy the losers side in terms of profit. But with introduction of FDI the concept of contract farming or manufacturing is going to capture the scenario where there will be no need for the intermediaries and the manufacturer or farmer can directly come into contact with retailers through contract.

**Benefits to Consumers**- With entrance to foreign investment and foreign goods consumers will get variety of products at low prices compared to the market prices. It will give more choice for international brand at one place.

**Infrastructure Development**- India has large production for grains, fruits and vegetables but over the year the problem that surfaced was the lack of storage space which counted for unwanted loss and subsequently supply of crops was hampered. FDI can help it out by putting up lot of technically enabled storage space.
Disadvantages

**Drainage of Country’s Revenue**– It is said that the foreign countries investing in India will earn the profit in India and invest in their own country and in this way they will drain away our country’s wealth and stock it in their country for their own overall development.

**The Domestic Retail Sector will Lose**- The domestic retail marketers may not be competitive enough to tackle the international players and might lose the market and even may perish away.

**Loss of Jobs**- Small retailers and people working under the intermediaries may lose their jobs as the entrance of FDI is going to spell doom upon the intermediaries.

**Bring Down Prices Initially**- The entrance of the foreign players may bring down the prices initially but in the long run when these players gets hold of the market will use their monopoly power to operate the market.

**Remunerative Prices Initially to Farmers** - Again the farmers may get the remunerative prices initially but once the market is captured by the foreign players and local supply-chains are deleted at that time the monopsony will come into action where the farmers will be forced to sell their products to a stipulated foreign buyer.

**Disintegrate Existing Local Supply Chain(s)**-As retailers are going to set up direct linkage with the farmers so local supply chain(s) will be disrupted.

**Interpretation of Different Data Regarding FDI**

In the previous part the probable positive and negative efforts were discussed but this part will be discussed on the basis of real data more specifically taking into count the happenings of 1997 when FDI upto 100% allowed under the automatic route in cash and carry (wholesale).
a. FDI Inflows During PRE LIBERALIZATION Period and POST LIBERALIZATION PERIOD

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**Chart 1: FDI Inflows During Pre Liberalization Period**

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**Chart 2: FDI Inflows During Post Liberalization Period**

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Interpretation

1. In the pre-liberalization period the growth of FDI inflow went up following an upward trend until and unless Gulf-war triggered Balance of Payment (BOP) problem.

2. Again as India went for the Economic Reforms the FDI inflows surged up.

b. **FDI Inflow VS Sales Growth in MODERN Grocery Retailers.**

Table-2

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Inflow</td>
<td>Inflow</td>
<td>E</td>
</tr>
<tr>
<td>FDI(Crores)</td>
<td>56390</td>
<td>98642</td>
<td>1.12</td>
</tr>
<tr>
<td>Sales (in billion)</td>
<td>68</td>
<td>125.4</td>
<td>84</td>
</tr>
</tbody>
</table>

(Yes bank & Assocham Survey 2012 and DIPP’s Financial Year wise FDI Equity Inflows).

* Here E refers to Elasticity. ** GR refers to Growth Rate

Interpretation

1. Always there is a (positive) growth rate in terms of FDI except on 2010 (when the world scenario came under the clutch of recession).

2. The elasticity of FDI to sales (i.e.-increase of sales change due to change of FDI) was negative on 2009 and due to negative growth rate of sales and FDI respectively.

**Inference** - The effect of FDI is not negative.

c. **FDI Inflow VS Employment in Retail**

Table-3

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Inflow</td>
<td>Inflow</td>
<td>E</td>
</tr>
<tr>
<td>FDI(Crores)</td>
<td>56390</td>
<td>98642</td>
<td>0.036</td>
</tr>
<tr>
<td>Employment(Retail)</td>
<td>37000</td>
<td>38000</td>
<td>2.7</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FDI(Crores)</td>
<td>Inflow</td>
</tr>
<tr>
<td></td>
<td>123120</td>
<td>16.25</td>
</tr>
<tr>
<td></td>
<td>88520</td>
<td>-0.05</td>
</tr>
</tbody>
</table>

Employment(Retail Sector)

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>39500</td>
<td>1.3</td>
</tr>
</tbody>
</table>

(Yes bank & Assocham Survey 2012 and DIPP’s Financial Year wise FDI Equity Inflows).

**Interpretation**

1. There was never negative growth rate in terms of employment in retail (except in 2010) though the growth rate may come down.

2. Elasticity (indicating change in employment due to change in FDI flow) is negative in the year 2010 due to negative change of FDI (due to recession).

3. Employment growth rate may come down from year to year but never was it negative.

4. Value of Co-relation Co-efficient r(=0.71) which again indicates there is a high positive co-relation between FDI inflow and employment in retail.

**Inference:** The effect of FDI again on growth of employment in retail sector is not negative.

**d. FDI( % of GDP) vs. Trade( % of GDP)**

**Table 4**

<table>
<thead>
<tr>
<th>Year</th>
<th>1992</th>
<th>1993</th>
<th>1994</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>E</td>
</tr>
<tr>
<td>Trade (% of GDP)</td>
<td>18.7</td>
<td>20.0</td>
<td>0.06</td>
</tr>
<tr>
<td>FDI (% of GDP)</td>
<td>0.1</td>
<td>0.2</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>1995</th>
<th>1996</th>
<th>1997</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>E</td>
<td>GR (%)</td>
</tr>
<tr>
<td>Trade (% of GDP)</td>
<td>23.2</td>
<td>0.14</td>
<td>13.72</td>
</tr>
<tr>
<td>FDI (% of GDP)</td>
<td>0.6</td>
<td>0.1</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>E</td>
<td>GR (%)</td>
</tr>
</tbody>
</table>

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Interpretation


2. Again Elasticity (1% change in trade growth rate due to 1% change in FDI growth rate) went negative in the year 1998, 2001 and 2002.

3. The term NA is applied in those cases where there were no changes in terms of FDI.

4. The value of Co-relation Co-efficient r (=0.64) indicates that there is high positive correlation between Trade (% of GDP) and FDI(% of GDP) which indicates that with the growth of influence of FDI in GDP there is also growth of influence of trade in GDP.

Inference

1. In terms of Growth rate and Elasticity the figures are average but in terms of correlation it is spelling out that increase or decrease of FDI’s influence in Trade is going to have incremental or decremental effect on Trade’s effect on GDP.

2. So, inflows of FDI probably have a positive effect on trade as well as on GDP.

   e. Degree of Correlation(r) between different Economic Factors and FDI inflow in India

<table>
<thead>
<tr>
<th>Year</th>
<th>FDI inflow (Rupees Crores)</th>
<th>GDP at Market Price (Rupees Crores)</th>
<th>Openness of Trade (Rupees Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-92</td>
<td>316</td>
<td>654729</td>
<td>0.140353</td>
</tr>
<tr>
<td>1992-93</td>
<td>965</td>
<td>752591</td>
<td>0.155547</td>
</tr>
<tr>
<td>1993-94</td>
<td>1838</td>
<td>865805</td>
<td>0.164993</td>
</tr>
<tr>
<td>1994-95</td>
<td>4126</td>
<td>1015764</td>
<td>0.169966</td>
</tr>
<tr>
<td>Year</td>
<td>FDI Inflow</td>
<td>GDP at Market Price</td>
<td>Coefficient of Correlation (r)</td>
</tr>
<tr>
<td>--------</td>
<td>------------</td>
<td>---------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>1995-96</td>
<td>7172</td>
<td>1191813</td>
<td>+0.91</td>
</tr>
<tr>
<td>1996-97</td>
<td>10015</td>
<td>1378617</td>
<td>+0.92</td>
</tr>
<tr>
<td>1997-98</td>
<td>13220</td>
<td>1527158</td>
<td></td>
</tr>
<tr>
<td>1998-99</td>
<td>10358</td>
<td>1751199</td>
<td></td>
</tr>
<tr>
<td>1999-00</td>
<td>9338</td>
<td>1952036</td>
<td></td>
</tr>
<tr>
<td>2000-01</td>
<td>18406</td>
<td>2102314</td>
<td></td>
</tr>
<tr>
<td>2001-02</td>
<td>29235</td>
<td>2278952</td>
<td></td>
</tr>
<tr>
<td>2002-03</td>
<td>24367</td>
<td>2454561</td>
<td></td>
</tr>
<tr>
<td>2003-04</td>
<td>19860</td>
<td>2754620</td>
<td></td>
</tr>
<tr>
<td>2004-05</td>
<td>27188</td>
<td>3239224</td>
<td></td>
</tr>
<tr>
<td>2005-06</td>
<td>39674</td>
<td>3706473</td>
<td></td>
</tr>
<tr>
<td>2006-07</td>
<td>103367</td>
<td>4283979</td>
<td></td>
</tr>
<tr>
<td>2007-08</td>
<td>140180</td>
<td>4947857</td>
<td></td>
</tr>
<tr>
<td>2008-09</td>
<td>161536</td>
<td>5574448</td>
<td></td>
</tr>
</tbody>
</table>

Coefficient of Correlation (r) (+0.91, +0.92)

Inference

1. The inference drawn in (c) is again repeated by the table in D, i.e., there is a positive correlation between FDI inflow with GDP at market price and again between FDI inflow and Openness of Trade.

2. It indicates that with increase of FDI inflow there is positive increase of GDP (Very high, r=.91) and again very high (r=.92) positive increase of Openness of Trade.

3. So again it could be said that FDI inflow is good for GDP.

f. FDI approvals and % Gross Value added by Industry

Table-6

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Inference: As the value of correlation-coefficient (r=0.41) it could be inferred that the flow of FDI is positively correlated with Gross value added by the industry, i.e., FDI flow indicated growth of the Indian Industry in terms of value.

Retail Growth in India

Up till now the data were considered in terms of FDI flow. Next data will consider the prospect of Retail Market in India.

Interpretation

1. The Retail Sector in India has experienced a high growth rate (Yes Bank and Assocham survey 2012) which has surged up from 12 INR Trillion to 23 INR trillion. In 2016-17 it is expected to go up to 47 INR Trillion which spells 14.5% and 15% growth respectively.

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2. The Yes Bank and Assocham Survey-2012 has calculated high growth rate and also projected high growth rate.

**Inference:** The Retail Market in India has very high prospect.

**Discussion on Gross State Domestic Product (GSDP)**

Gross State Domestic Product (GSDP) is the counterpart of Gross Domestic Product (GDP). GSDP is considered in case of the states while GDP in case of the whole country. The sum of the monetary values of the goods and services produced in a year in Primary, Secondary and Tertiary sectors of an economy constitutes the Gross Domestic Product (GDP). The components of the three sectors are-

a) **Primary Sector**- It includes the activities and products of agriculture, sericulture, forestry and logging, fishing and mining.

b) **Secondary Sector**- It includes manufacturing, construction, electricity, gas and water supply activities.

c) **Tertiary Sector**- It consists of hotels and restaurants, transport, storage, communications, insurance, real estate and business services, community services and social and personal services.

So from the above discussions of the sectors it is quite obvious that the retail products those come in forms of Business to customers (B2C) and sometimes as Government to customer (G2C) are mainly the product(s) from the Primary Sector and to some extent from Secondary Sector(e.g-manufacturing).

So for any states growth of GSDP with help of Retail Sector is reflected by the growth of Primary Sectors (mainly). Now if Co-relational Analysis between GSDP and GDP for different states and India (on basis of Current Price and Constant Prices) are taken up from 2001-02 to 2011-12 it places a definite trend.

**Table-7**

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<table>
<thead>
<tr>
<th>States</th>
<th>Co-correlation value of GDP and GSDP from 2001-02 to 2011-12 (As on 27-02-2013)</th>
<th>Based on Current Price</th>
<th>Based on Constant Price</th>
</tr>
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<tbody>
<tr>
<td>Andhra Pradesh</td>
<td>0.999462</td>
<td>0.994413</td>
<td></td>
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<tr>
<td>Arunachal Pradesh</td>
<td>0.9917664</td>
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<td>0.9980714</td>
<td>0.9958406</td>
<td></td>
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<tr>
<td>Bihar</td>
<td>0.9935528</td>
<td>0.9854728</td>
<td></td>
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<tr>
<td>Chhattisgarh</td>
<td>0.99432355</td>
<td>0.99681952</td>
<td></td>
</tr>
<tr>
<td>Goa</td>
<td>0.9930024</td>
<td>0.99635112</td>
<td></td>
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<tr>
<td>Gujarat</td>
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<td>0.9994786</td>
<td></td>
</tr>
<tr>
<td>Haryana</td>
<td>0.99857174</td>
<td>0.99937204</td>
<td></td>
</tr>
<tr>
<td>Himachal Pr.</td>
<td>0.99884333</td>
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<td></td>
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<tr>
<td>J &amp; K</td>
<td>0.99858457</td>
<td>0.98851155</td>
<td></td>
</tr>
<tr>
<td>Jharkhand</td>
<td>0.9917327</td>
<td>0.98669952</td>
<td></td>
</tr>
<tr>
<td>Karnataka</td>
<td>0.99770848</td>
<td>0.99443248</td>
<td></td>
</tr>
<tr>
<td>Kerala</td>
<td>0.99902166</td>
<td>0.99895655</td>
<td></td>
</tr>
<tr>
<td>Madhya Pr.</td>
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<td>Maharashtra</td>
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<td>0.998655458</td>
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<td>Manipur</td>
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<td>Meghalaya</td>
<td>0.751364148</td>
<td>0.997484105</td>
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<td>Mizoram</td>
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<td>Odisha</td>
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<td>Rajasthan</td>
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<tr>
<td>Sikkim</td>
<td>0.966433472</td>
<td>0.931849572</td>
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</tr>
</tbody>
</table>
Discussion and Interpretation

Figure places the fact that there is high to very high co-relation between GSDP of states and Indian GDP in terms of Current Prices and Constant Prices. Again if one refers to Section D(Interpretation of Different Data regarding FDI) subsection e(Degree of Co-relation between different Economic Factors and FDI inflow in India) than it places high degree of co-relation(= .91) between FDI inflow and GDP at market price. So, referring to High degree of Co-relation between GSDP and GDP and again between FDI inflow and GDP it could be interpreted that there is a probability of **high degree of co-relation between GSDP and FDI inflow**. So on basis of it could be said that FDI inflow should have probable positive impact on GSDP of states.

GSDP is a counterpart of GDP. The overall growth of an economy is the resultant of the growth (g) of Primary (p), growth of the Secondary(s) and tertiary (t) sectors, weighted (w) by the respective sectoral shares in GDP. The growth equation for an economy can be written as (Dr.A.K.Neog, 2013).

\[
\frac{G}{100} = \frac{[w \cdot g(p) + w(s) \cdot g(s) + w(t) \cdot g(t)]}{[w(p) + w(s) + w(t)]} \quad (A)
\]

\(G\) = Overall growth rate.
\(w\) = weight (share) in GDP.
\(g\) = Sectoral growth rate.
\(p\) = Primary Sector.
\(s\) = Secondary Sector.

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\[ t = \text{Tertiary sector.} \]

So, obviously from the above equation the overall growth of the states depends upon the three sectors. So the states which are having good infrastructure for agriculture, fishing, mining, sericulture (primary sectors) probably may experience growth (like – Bihar, Punjab, West Bengal, Assam, Uttar Pradesh). This growth will induce from GDP to GSDP resulting from FDI inflow.

**Model Based Suggestions**

This is the last part of the study in which instead of placing suggestions some suggestive models are placed whose implementation prior to the entry of the Foreign players may help our Indian companies from being exposed to any negative happenings due to entry of FDI-

**Model1**

It’s a big-buzz in terms of entry of the FDI that it may eat up the jobs of the middlemen. The above model tried to solve the problem.

In these cases the middle-men after the entry of FDI will be converted to company's employee, i.e., foreign player’s employee. In other words Middleman 1 and Middleman 2 (as per the model) will be absorbed by the company in the new form (CM1) and (CM2). This could be done because company needs experts to rule the chain and if they get readymade skill and expertise than for the company it will not be a big deal to train the people who already worked in the chain. Simple training by the company may do for Basu and Ghosh

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the company. On the other hand the persons who were going to lose their income totally may get some amount of income.

The characteristics of different Levels may be as follows:-

**Features of CM1**

1. Procuring seeds/manufacturing inventory material for the farmer/manufacturer.
2. Already have knowledge and skills and so brushing their skills by company training.
3. Should have complete knowledge of “Profile Card” of the farmer/manufacturer.
4. If any problem regarding farming or manufacturing is fatal they will escalate it to experts by the reference of “Profile Card” (Discussed in Model-2).
5. Work side-by-side for work-in-progress inventory and finished goods inventory.
6. Brief technical knowledge of “Profile Card” will be given to them.

**Features of CM2**

1. Managing the inventory and the material previous to the retailer.
2. Will be in a constant touch with the cm1.

**Features of CR**

1. Work in maintenance of the retail outlet.
2. They are already the salesman of their form so simply providing modern selling knowledge and simple training can do well for the company.
3. Still Indian mentality completely doesn’t permit suited and tied salesman to sale the product to them rather they prefer colloquial language in the selling end of the outlets. In context to it this persons are indispensable.

**More than 2 Intermediate Level**

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It may happen that there may be more than two intermediate levels in the previous (old) position (as mentioned by the model). It indicates that the chain is a big one with high amount of transactions taking place throughout the chain. In that the following operation may be carried out-

1. To break cm1 and cm2 as per the numbers of intermediaries in the old position.

2. Instead of making the old chain workers jobless give them all an employment opportunity.

Model 2

In the Model 1 already there was the mention of the Profile Card. Now the details of the card are as follows:-

1. Each and every manufacturer/farmers will have unique Profile Card and a number associated with it known to be Profile Number.

2. As mentioned above in the Model the profile card will contain all the relevant informations (for example-crop to be used, land type, seeds to be used in the Profile card for Farmer and Product Details, machine details about the land occupied by the farmer or for the manufacturing company owned by the manufacturer –Machine Details, Product details, Raw Material Details).

3. The card should be staffed by that sort of information that could be useful to all persons who needs information about the manufacturing unit/farmers land.

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4. Some sorts of information may be very confidential to the farmers/manufacturers which may be blocked by password but still if the farmer/manufacturer wants to share the information they can spell out the password to the persons and if needed change the password later on.

5. They may seek help of the monitoring committee for any help.

6. The “Profile card” will become useful when any investors wants to invest in any manufacturing company or wants to invest for any farming land.(Discussed in Model-3 & 4).

7. Other side is also true for the profile card where the manufacturer or farmers needs investment for their land or for their manufacturing plant may apply to the investors by the help of the said profile card. (Discussed in Model-3 & 4).
Already there was a mention of Model-3. The overview of Model-3 may be.

1. The manufacturers factory/farmers land as per their potentiality (already given in Profile Card) may be divided in four categories - Grade A, Grade B, Grade C and Grade D in the decreasing order of potentiality. Here the potentiality could be measured by their yearly production or yearly yield and simultaneously on the basis of generation of money. So the company which is generating most is given the Grade-A, next generator Grade-B and so on.

2. In the Profile Card itself the Grade of the unit under consideration may be furnished.

3. Now the total money invested by the investor may be divided among the units (farming/manufacturing) as per their Grade. It may be 10, 20, 30 and 40 percent respectively for Grade A, B, C and D as mentioned in the figure.

4. Objective should be the revival of the Indian companies and more efficient company investment measure should come down in those cases.

5. Now if the investment by the foreign investor is quite less than construction of the portfolio of the percentage investment may be done by-

   Responding to the request by the home country’s unit and approving by the monitoring authority.

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Placing preference of investment in front of monitoring authority and approving it by monitoring authority.

Example- A foreign company (FA) is ready to invest a small amount (with respect to the other investors’ amount) of 10 lakh (not going through minimum investment criteria for FDI stipulated by Government of India). Now there may be certain Indian units (Let U1) wanting investment of more than 10 lakhs and they may apply for it by the help of their “Profile Card” in general manner or specific manner (General manner means- the unit needs the 10 lakh Rs. amount of investment and they have applied in general and not specifying any company. While specific manner refers to applying for the investment of specific company. Even in specific manner the Indian Unit may ask for the investment of FA’s 10 lakhs). In this case FA may invest in U1 as per the request of U1 or invest in other companies’ portfolio as per their wish. But the total procedure will be monitored and passed by the monitoring authority.

6. If the investment by the investor is quite big in nature than-
   a. Constructing portfolios of Grade A, Grade B, Grade C and Grade D and approving by the monitoring authority

   Or

   b. Responding to the request by the home country’s company and approving by the monitoring authority.

For example- A foreign company (FB) is ready to invest hopping amount of 100 cr. (not going through minimum investment criteria for FDI stipulated by Government of India). Now this 100 cr. Will be divided as 10 cr, 20 cr, 30 cr, 40 cr among Grade A, B, C and D respectively. Again as discussed in 5’s example this 10 cr may be divided into a single Grade A unit or multiple Grade A unit as per the requirement furnished by the Grade A units in General or Specific mode (discussed in 5’s example).

Again this division of 10 cr may be taken up by FB by themselves without considering the request done through Profile card in General or Specific Mode. The division may be a
mixture of both the types mentioned above. Same pattern may be followed in terms of division of the above mentioned 20, 30 and 40 cr division in terms of Grade B, Grade C and Grade D Company. But again the same word said in 5 prevails that the total dealings and procedure will be monitored by the Monitoring Authority.

Options 5 and 6 should be carried out in order to stop monopoly of the Foreign investors. There may be an option of changing the portfolio by the investors or investee on the basis of:


b. Profit/Loss earned on previous year’s investment.

It should be passed by the Monitoring authority after going through requesters’ request, checking it and finding out to be justified.

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**Model 4**

Monitoring Authority Body should be divided hierarchically starting from National Level followed by State Level and so on.

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Previously lot of discussions and instance came up regarding the work of the Monitoring Authority. The work carried out by the monitoring authority may be divided as furnished in Model 4 above. Another aspect of the Monitoring Body should be kept in mind is the hierarchical division of the Monitoring Body, i.e., the Monitoring Body should be divided first in terms of National Level followed by State Level, District Level.

**Suggestion for Website Development**

Now for placing information’s to the foreign investors regarding Agricultural activities, Manufacturing activities and Retail Sector of different states followed by investment prospects websites could be developed. Modular suggestions (the areas that should be covered by the websites) regarding the website is place in Table 8.

<table>
<thead>
<tr>
<th>Serial No</th>
<th>INFORMATION TO FOREIGN INVESTORS REGARDING</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AGRICULTURAL ACTIVITIES</td>
</tr>
<tr>
<td>1</td>
<td>AVERAGE ANNUAL YIELD CAPABILITY OF LANDS</td>
</tr>
<tr>
<td>2</td>
<td>NO. OF CROPS GROWN IN THE FIELDS</td>
</tr>
<tr>
<td>3</td>
<td>GEOGRAPHICAL LOCATION (PLACING MAPS OF GOOGLE EARTH TYPE)</td>
</tr>
<tr>
<td>4</td>
<td>ATMOSPHERIC DATA</td>
</tr>
<tr>
<td>5</td>
<td>NEAREST MARKET TO TRADE GOODS</td>
</tr>
<tr>
<td>6</td>
<td>RAILWAYS, ROADWAYS AND OTHER CONNECTIVITY MOPES</td>
</tr>
<tr>
<td>7</td>
<td>YEARWISE PRODUCTION DATA</td>
</tr>
<tr>
<td>8</td>
<td>ANY SPECIAL ADVANTAGE TO BE GIVEN BY THE GOVT. ON INVESTMENT</td>
</tr>
<tr>
<td></td>
<td>SPECIAL INFORMATION</td>
</tr>
<tr>
<td>---</td>
<td>---------------------</td>
</tr>
<tr>
<td>9</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>EXISTING OWNER OF LAND</td>
</tr>
<tr>
<td>11</td>
<td>LEGAL PROCEDURE TO BE FOLLOWED ON INVESTMENT</td>
</tr>
<tr>
<td>12</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td></td>
</tr>
</tbody>
</table>

**Modular suggestion for selecting investors (Model-5)**

Now in the next model it will be discussed that – what should be the criteria for selection of the investors and what should be desired from them for each and every stipulated criteria.
Model -5

LEGAL PROCEDURE TO BE FOLLOWED ON INVESTMENT

CRITERIA FOR SELECTION

INVESTOR

AMOUNT OF INVESTMENT

SOURCE OF INVESTMENT FOR THE INVESTOR

WHETHER RELUCTANT TO INVEST 50% IN THE INFRASTRUCTURE GROWTH AND THAT ALSO WHETHER WITHIN 3 YRS. OF INCEPTION

THE TIME FRAME WHICH THE INVESTOR IS GOING TO CARRY OUT THIS BUSINESS IN INDIA

WHETHER THE INVESTOR IS A LONG TERM PLAYER IN THE BUSINESS IN WHICH THEY ARE INVESTING

WHETHER THE INVESTOR COMPANY BELONGS TO SUCH COUNTRY WHERE THERE IS HIGH DEMAND OF THE PRODUCT IN WHICH THE INVESTOR IS INVESTING

WHETHER THE INVESTORS SELLING GOODS WHICH ARE PRODUCED OUTSIDE INDIA

DESIRED

AS STIPULATED BY GOVT. OF INDIA

SOURCE OF INVESTMENT OF INVESTOR SHOULD BE TOTALLY LEGALIZED INVESTMENT

SHOULD DO IT AS PER THE CRITERIAS SETTLED BY THE GOVT. OF INDIA

AT LEAST 10 YEARS

SHOULD HAVE MASTERED THE SKILL SET NEEDED IN THE FIELD FOR NOT LESS THAN 10 YEARS AND PUMP IMPORTANT SKILLS, EXPERIENCE, EXPERTISE IN INDIA’S END

THE MOTHER COUNTRY OF THE INVESTOR HAVE HIGH DEMAND FOR THE PRODUCT IN WHICH THE INVESTOR IS INVESTING

THE INVESTOR SHOULD HAVE MANUFACTURING UNITS IN INDIA FOR GOODS AND PRODUCTS THAT THEY ARE SELLING IN INDIA TO GENERATE EMPLOYMENT FOR LOCAL PEOPLE

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From the above model it’s quite clear that what should be the selection criteria and what are the desired criteria for it. For example, if the last criteria is selected, i.e., whether the investors are selling goods in India which are being manufactured outside India but the desired criteria should be that—the investors should set-up at least one manufacturing unit of the products in India so that both employment and expertise is generated in India.

Models about Using and Working with the Investors

Probable Selection cum Working Model

**Model 6**

- Select Countries those who highly import goods and products of the specific industry.
- Select Foreign Investors/Companies
- Select Investments
- Select Products and industries already present in the state.
- Select Industry Type
- Select Products and industries already present in the state.
- Select High expertise in the present industry/product.
- Select 40%-50% investment in infrastructural growth and that also within 3 years of inception (As per Govt. of India’s guidelines on FDI)

- Small Scale Industry
  - Focus on As not export capable industry so focus on infrastructure development so that it is capable of providing employment opportunity.
  - Focus on Developing present products of the industry and to make them export capable.

- Medium Scale Industry
  - Focus on Export capable large scale industry
  - Focus on Increase Export

- Export capable large scale industry

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Few points regarding above model-

a. The above model mainly focuses on the point that uses FDI for the overall development by three ways- 1. Increasing employment 2. Developing infrastructure and 3. Increase export and earn more foreign currency for state development.

b. The model says select companies from those countries who highly exports/produces(in their countries) goods with respect to India’s specific industry- like China, Kenya, Srilanka and Turkey are the top producers of Tea in the world and the top class tea companies are with USA. So in case of selecting Tea companies they should be selected from USA, China and Turkey.

c. The model also emphasizes for investments in such industries which has/have high potentiality but is/are not explored to that extent still now. For example- Nilachal Hills of Assam has high accumulation of medicinal plants (April 4, 2013 Assam Tribune) which could be explored to build Assam as Medicinal hub.

d. Lastly, it emphasizes that investment should reach small scale industries to provide employment, middle scale to start export and large scale to generate more export. In totality it could be said that when the foreign investments will come use them for development of India.

**Conclusion**

In conclusion it could be said as Indian Government has approved FDI upto 51% in multi-brand retail so it’s inevitable that it will enter India. Government in their end has kept some good provisions for the betterment - 50% of the total investment should be invested in Backend infrastructure, the union government will have the first right to procure the agricultural products and the decision to permit retail outlets depends upon the State Government. Again the analysis taken up in this study says that previous instance of FDI entrance did not etch out any doom syndromes for India rater healthy figures were furnished. Again we have to remember that the foreign bigwigs are coming to do business by investing billions through FDI. So we can’t expect any leniency in terms of earning profit from their side. So we have to keep some strict regulating authority to get hold of the situation which will continuously monitor the interest of our people. In other words we can say once again- “**Use the giant as Aladdin to work for you and not as Frankenstein or Bhasmasur who will spell doom on you.**”

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