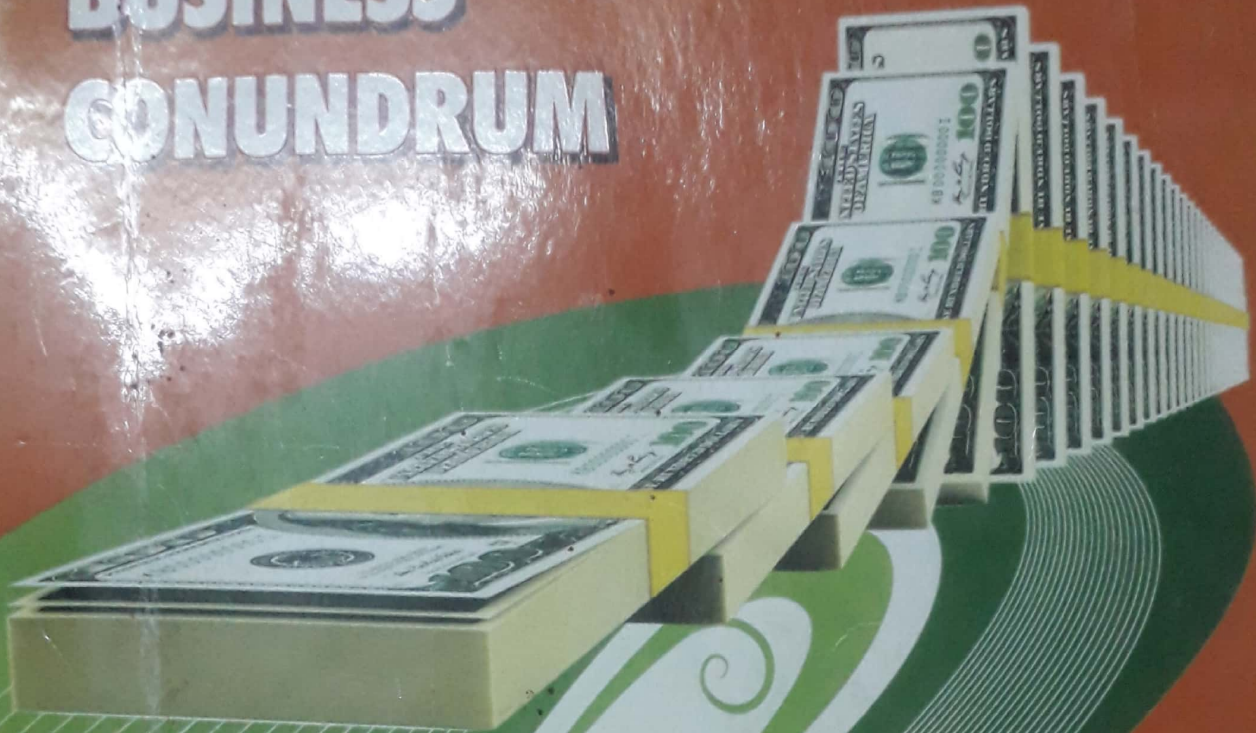


CONTEMPORARY BUSINESS CONUNDRUM



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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).

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 guide lines for FDI with regard to conduct of trading activities.

- a) FDI upto 100% for cash and carry whole sale trading and export trading allowed under the automatic route.
- b) FDI upto 51% with prior Government approval (i.e. FIPB) for retail trade of Single Brand products.
- c) FDI is not permitted in Multi Brand Retailing in India.

Reasons for allowing FDI in Retail Sector

Foreign Direct Investment (FDI) complements and supplements domestic investment. Domestic companies are benefited through FDI, by way of enhanced access to supplementary capital and state – of – the art technologies; exposure to global managerial practices and opportunities of integration into global markets. Government had instituted a study, on the subject of “ Impact of Organized Retailing on the Unorganized sector”, through the Indian Council for Research on International Economic Relations (ICRIER), which was submitted to Government in 2008. The ICRIER study indicated significant benefits for various stakeholders, such as consumers, farmers and manufactures, arising from the growth of organized retail.

Based upon the study, as well as the experience of other countries, it is the Government's assessment that implementation of the policy permitting FDI, up to 51% , in multi-brand retail trading, is likely to facilitate greater FDI inflows into front and back-end infrastructure; technologies and efficiencies and quality employment; and global best practices. This, in turn, is expected to benefit consumers and farmers in the long run, in terms of quality and price.

The 30% mandatory sourcing condition incorporated to encourage local value addition and manufacturing. The increased level of activity, in the front-end, is expected to be back-end, resulting from greater FDI inflows, is expected to create additional employment opportunities for rural and urban youth. Further, expected to encourage existing traders and retail outlets to upgrade and become more efficient, thereby providing better remuneration to consumers and better remuneration to the producers from whom they source their products. There is no procedure to submit applications for multi brand or single brand) in India are required to submit applications are examined to determine whether the proposed investment satisfies the notified guidelines, before considered by the Foreign Investment Promotion Board, in the Ministry of Finance for Government approval.

As per some news items published on 17.11.2012, Wal-Mart USA, is stated to be inquiring into allegations of potential violation under the Foreign Corrupt Practices ACT of USA, in certain countries where the company is operating. India has stringent anti-corruption laws. Any corrupt practices are liable to be dealt appropriately under applicable laws. This information was given by the Minister of State for Commerce & Industry Dr. Jagathrakshakan in written reply to questions in Rajya Sabha. With the advent of FDI, retail sector is likely to make massive strides, and catalyze the growth of the country's economy. As far as developing nations are concerned, it is the life blood of economy.

Need for FDI in Retail Sector

FDI is needed because India is at a stage where it needs not only US Investment, but also technology, and management policies to sustain and enhance its economic growth. FDI is sought by the countries for so many reasons.

- To gain market potential and accessibility
- It increases a firm's global competitiveness and positioning.
- It would help to build infrastructure and competitive market.
- It reduces wastages of agricultural produce.
- It enables our farmers to get better prices for their crops.

- The consumers will get commodities of daily use at reasonable prices.
- The government will gain through more transparent and accountable monitoring of goods and supply chain management systems.
- It helps to take advantage of advanced technology, management practices and assured markets.
- It contributes to GDP and foreign exchange earnings.

Opportunities

- It is detected that, FDI decreases the production cost of goods and services. Elimination of transaction and transporting cost between host and guest country is possible under FDI. Its effects, people acquire goods and services at low prices, Savings are possible from routine transactions and Deposit increases from domestic. Good flow of money certainly lead towards sound position of host country.
- The Role of FDI in job creation and conservation is found more favorable for host country. Good inflow of FDI creates new employments in industries and market sectors of host country. Guest country becomes motivate to transfer expertise and professional education with host country.
- It is examined that, balance of payment status of host country turns into cheering position. FDI increases the industrial productivity of host country. With the step of large output, home country boosts export area and repairs the deficit between import and export.

Finally it is analysis that FDI can formulate large supply of products and services by implementing advanced infrastructure and technology in industry. It is good sign regarding purchasing power of low income holder peoples in host country.

Challenges:

- It is observed that FDI eliminates to the small producers from international and national level competition. Domestic industries are in old traditions and infrastructures. It can not compete in globalize market with the advanced industries.

- Foreign companies always try to achieve quick and easy refunds on their invested capital. They take interest only in profit oriented ventures and neglect domestic and traditional business from investment.
- Problem of employment in rural area is not adequately solved. Most of the population of India is lived with unemployment in rural region. FDI favors only urban regions for the investment and neglect rural & backward regions.
- Only profit making from FDI projects is become primary thing in global economy. Economic growth, Infrastructure development and education transformation are become secondary things. FDI may lead for profit maximizations.
- Lastly, there are no provisions for the improvement of handicraft industries and there are few provisions for the small scale industries under FDI in India.

Recommendations

- The study recommends the regional industrial equilibrium by inviting FDI in India. Must spotlight on product diversification, particular service or product should not be judged while attracting FDI inflow. The policy maker should be aware about overall development of Indian economy.
- The study enforces the proper utilization of foreign investment. The related authority should plan strategies where FDI must be employed as medium of enhancing infrastructure, industrial production, healthcare, savings and deposits, technological education, employments, exports and competitions.
- It is suggested that most of the FDI inflows should invest in the export oriented products and services then India can diminish its deficit financial position in the international trade.
- It is advocates that government should design such policies under FDI which must be related with agriculture base industry. It will be an important step in reducing unemployment from rural region because 60% human resources live in rural area. Give maximum reward to the

farmers for their agricultural crops and try to increase the wages level of the skilled and unskilled labour.

- It is suggested that try to make decentralization of FDI projects in all over India. Do not grant them in only urban or facilitated region but must spread them in whole India.
- Finally, it is insisted that hard punishment should be given to investors or responsible persons about the wastage of natural resources under FDI in India.

CONCLUSION

We believe direct foreign investment in retail will grow markets in India as it has in China, Brazil, and many other developing economies. Foreign direct investment can create opportunities for small businesses, for farmers, spur investment

In infrastructure, and bring benefits to consumers. FDI in multi-brand retail will support the government's goal of achieving remunerative prices for farmers, and will also increase quality and choice for India's increasingly sophisticated consumer base. Recognizing that it will be up to individual states to implement this big bang reform, USIBC is keen to work with progressive state governments including Uttar Pradesh, Gujarat, Maharashtra, Karnataka, Tamil Nadu, Andhra Pradesh, Punjab, and Bihar, and in 2013, will lead many of its 350 member companies to visit these states. Anyway the apex court said that interest of small traders should not be affected by FDI in retail sector. The apex court said that, there is apprehension in the mind of small traders that their business world will be affected with the coming of multinational companies in retail sector which needs to be analyzed by the government by putting some regulatory mechanism.

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