FOREIGN DIRECT INVESTMENT – IMPACT AND IMPLICACIES

Satheesh Kumar G, FCA
Research Scholar, Bharathiar University
Coimbatore, India

Abstract: FDI is a supplementary capital for any country for investment in many areas including infrastructure. The domestic investment is from the savings of its people, but this is insufficient for investment requirements in developing countries like India, Particularly. The people in many countries have apprehensions about the FDI on loss of employment and also sustainability of small business enterprises. The awareness of the FDI is very minimal in India. The study focuses the general awareness of the people and the grading of the respondents between rural and urban. The data used for the analysis is from primary sources. The statistical tool used is Anova Test. It is confirmed that there is no significant grading difference between the respondents in rural and urban.

Key words: Foreign Direct Investment (FDI) in India

INTRODUCTION

India is fifth largest retail market in the world. Its population size at 130crores is a good bet for retail trade or any other business activities. A recent phenomenon in the retail sector is the entry of foreign investment in many countries. Most of the countries welcome the foreign direct investment with red carpet. Traditionally, India is the hub of small and marginal traders in the unorganised sector. Almost eight percentage of the employment is in this sector. Further, the share of GDP also is near to ten percentage. The population is also in large percentage in the rural sector. The rural India is not infrastructurally connected so that the local markets has its space. The Kirana stores mom- pop stores serve the needs of rural India. In the recent times, the urbanisation is in a very increased pace which enables the development of formal markets occupied by the organised sector. The purchasing power of the people also has substantially increased. This has changed the formats of modern retail. Most of the studies on developing and transitional countries confirm that the effects of super markets on traditional retailers are minimal. The apprehension of the unorganised sector is mainly loss of employment. The retail system can create jobs whereas, it inevitably results in a loss of traditional retail sector jobs, but depending on the formats used by the modern retailers and the subsequent expansion of consumer market facilitated by the modern retailers lead to more generation of employment. This newly generated modern markets sector have better working conditions if they acquire skills and education by employees in the traditional sector.

After the opening up of the Indian economy, in the year 1991 many large retailers from abroad had shown interest in the Indian retail sector. In 2006, single brand FDI was allowed by the regulators. FDI in multi brand was allowed in the year 2012 with the conditions of local out sourcing, infrastructure investment spending with further restriction on entry to towns with the population more than 100 million.

This study was conducted to analyse the impact of FDI on the Indian retail market, which is largely small Kirana Shops run by family members. Apart from the economic impact, the entry of global retail giants may adversely affect the socio-cultural fabric of our country. The urban conglomeration may be enjoying the benefits of the services rendered by the global players. But, the rural folk of our country, who are not exposed to the game play of these global retail giants, may find it difficult to adjust themselves to the situation. Hence, the relevance of this study. The study is restricted to Ernakulam district of Kerala State.

The purpose of this study is to have better understanding of local unorganised retailers in two places in Kochi, Edappally and Kadavanthara. The city of Kochi has a population near to 12 lakhs as per last census in the year 2011.The study is to understand the impact of large sized Malls, supermarkets etc. on the unorganised small and marginal retailers. The study was piloted by a scheduled questionnaire, a sample of

100 each from the two places of the city was collected. The questions were asked to owners of the shops in all the cases. The business places covered were Kirana stores, mom-and-popstores, apparel stores and vegetable stores.

The result of the analysis is given below :

1. Awareness of FDI : An enquiry was conducted to verify the awareness of the FDI in retail sector. The result is given below :

Table 1
Awareness of FDI among the respondents

Sl.No.	Response	No. of respondents	Percentage
1	Yes	180	92
2	No	15	8
	Total	195	100

Table 1 reveals that the 92 per cent of the traders and business people are aware of the Foreign Direct Investment in India while 8 per cent does not know about the same. The respondents who are not aware of FDI are small vendors and vegetable and fruit sellers. In a literate State like Kerala, it is not surprising that majority of the trading community are aware of the introduction of FDI in the country.

Hypotheses (H1):
There is no significant difference in the grading of awareness of FDI in retail trade in India.

ANOVA Table 2

Source	SS	df	ms	F	P-Value
Total	6.3704	9			
Between Rural and Urban	0.2016	1	0.2016	1.280	P>0.05
Between Ratings	5.5415	4	1.3854	8.835	P<0.01
Error	0.6273	4	0.1508		

Inference :
The hypotheses will be rejected at 1 per cent level of confidence. Therefore it may be concluded that there is significant difference in the grading of awareness in FDI in Retail Trade (P<0.01). 'Very much aware' and 'Much aware' are significantly higher than 'Neutral' and 'Least aware' (P<0.01)

Hypotheses (H2):
There is no significant difference between respondents in rural and urban sector in grading .

Inference :
The test holds the hypotheses correct at P>0.05. Therefore, it may be concluded that there is no significant difference between respondents in rural and urban sector in grading the awareness of FDI in retail trade.
The researcher has conducted an enquiry on the awareness of the respondents regarding 100 per cent FDI in single brand. The response of the urban and rural respondents and their ratings of the response was analysed with the help of ANOVA. The result is given below :

ANOVA Table 3

Source	SS	df	ms	F	P-Value
Total	13.0645	9			
Between Rural and Urban	0.1988	1	0.1988	0.145	P>0.05
Between Ratings	5.4966	4	1.3741	o.909	P<0.05
Error	7.3691	4	1.8423		

Hypotheses :

'There is significant difference between rural and urban people in their ratings with respect to awareness of 100 per cent FDI in single brand'

Inference :

Since the calculated value is less than the table at 5 per cent degrees of freedom, the hypotheses is accepted. Hence it may be concluded that there is no significant difference between the rural and urban respondents as regards the awareness is concerned. It means the knowledge of 100 per cent FDI in single brand is low among all the respondents, irrespective of their location.

The researcher intended to know the response of the respondents whether they agree with the decision of the Govt. for 51 per cent FDI in Multi Brand Retail sector. The data collected from the rural and urban respondents was analysed by applying ANOVA. The result is given in table 4 below :

ANOVA Table 4

Agreeing with the decision of the Govt. for 51 per cent FDI in Multi Brand Retail in India

Source	SS	df	ms	F	P-Value
Total	4.0706	9			
Between Rural and Urban	0.0073	1	0.0073	O.880	P>0.05
Between Ratings	4.0302	4	1.0076	121.398	P<0.01
Error	0.0331	4	0.0083		

Hypotheses :

'There is no significant difference in the ratings of the respondents whether they agree with Govt. decision to allow 51 per cent FDI in Multi Brand Retail in India'.

Inference :

The hypotheses is rejected at 1 per cent level of significance. It may be concluded that there is very significant difference in the ratings of the respondents (P<0.01). When the comparison was made with those of partially agree, the test shows that ratings are significantly higher than others with respect to the decision of the Govt. for 51 per cent FDI in Multi Brand Retail Trade in India.

It may also be conclude that there is no significant difference in the grading of the respondents in the rural and urban sectors at 5% level of significance (P>0.05)

ACKNOWLEDGEMENT

1. Dr. Rajagopalan Nair, Professor and HOD – Dept. of Management, Bharatiya Vidya Bhavan, Royal Institute of Management, Kochi, Kerala, India.
2. Dr. Gilroy, Professor, Commerce Department, Sacred Heart College, Kochi, Kerala, India.

REFERENCES

1. J. Lamba: The art of Retailing, TMH, 2009.
2. Swapna Pradhan: Retailing Management- A Strategic Approach, Pearson Education, 2009.