

# FOREIGN DIRECT INVESTMENT ON RETAIL SECTOR IN TAMILNADU

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**Abstract :** 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 Foreign Investment is always accompanied with new technology and idea and leads to skill formation. This fact cannot be denied while weighing the disadvantages of FDI. This paper examines the formats and functioning of retail outlets in Tamilnadu .

**IndexTerms** –FDI, Retail Sector, Tamilnadu.

## INTRODUCTION

India being second most-populous country has immense scope for retail expansion as along with time urbanization and consumerism has also been increasing. Further, India's GDP has also been growing at fast rate as it continued to be the second fastest growing economy in the world after China. As the income of the country increases, demand for goods also increases because there is positive relation between demand and income. Initially India was conservative regarding FDI; it imposed restriction on foreign companies to limit their share in equity capital of their Indian subsidiaries but over the time Government of India gradually liberalized foreign investment in various sectors.

## RETAIL SECTOR IN INDIA

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.

## TYPES OF RETAILING IN INDIA

- ❖ **Single Brand-** Single brand implies that foreign companies would be allowed to sell goods sold internationally under a „single brand“, viz., Reebok, Nokia and Adidas.
- ❖ **Multi Brand-** FDI in Multi Brand retail implies that a retail store with a foreign investment can sell multiple brands under one roof. Opening up FDI in multi-brand retail will mean that global retailers including 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.

**STATEMENT OF THE PROBLEM:**

World bank attributes to the opening of the retail sector to FDI to be beneficial for India in terms of price and availability of product as it would give a boost to food products, textiles and garments, leather products, etc., to benefit from large scale procurement by international chains; in turn, creating jobs opportunities at various levels.

Shopping for food and grocery products has witnessed a revolution in Indian retail market with the changes in the consumer buying behavior driven by strong income growth, changing lifestyles and favorable demographic patterns. Most of the food and grocery products reach the consumers through traditional kirana stores which are unorganized. But the very fast changing trends in consumption patterns, food and eating habits of consumers have contributed immensely to the growth of 'Western' format typologies such as super markets, convenience stores, discount stores, and hyper markets.

**SCOPE OF THE STUDY:**

The present study being a fact finding research, aims at finding out the inflows of FDI in India from various countries; state, industry wise analysis as to point out those sectors which attract high share of FDI and ultimately to ascertain whether the industrial development in India is being influenced by the inflows of FDI or not. Since the topic itself is a contemporarily relevant, the findings of this study assume greater significance. India is a developing country and Indian consumers spend a larger of their income on food & Grocery, Beverages, Personal care product. This retail segment is expected to accurately reflect the performance of organized retail and hence the scope of study as limited to organized retail formats with food and grocery, Beverages, Personal care as the major product category.

**SIGNIFICANCE OF THE STUDY:**

The most significant aspect of this study that it is collected the necessary information from food and grocery, Beverages, Personal care product in supermarkets. The importance of FDI extends beyond the financial capital that flows into a country. In addition, FDI inflows can be a tool for bringing knowledge, managerial skills and capability, product design, quality characteristics, brand names, channels for international marketing of products and consequent integration into global production chains, which are the foundation of a successful exports strategy. FDI could benefit both the domestic industry as well as the consumer, by providing opportunities for technological transfer and up gradation access to global managerial skills and practices, optimal utilization of human capabilities and natural resources, making industry internationally competitive, opening up export markets, providing backward and forward linkages and access to international quality goods and services and augmenting employment opportunities.

**OBJECTIVES OF THE STUDY:**

1. To know the various routes of Foreign Direct Investment on retail sector in India.
2. To study the formats and functioning of retail outlets in Tamilnadu.
3. To determine the impact of Foreign Direct Investment on retail outlets with specific focus on Supermarkets in Tamilnadu.
4. To study the prospects of organized retail business with special reference to supermarket in Tamilnadu.
5. To know the perceptions on the new FDI policy in retailing in Tamilnadu

**HYPOTHESIS:**

- H<sub>01</sub>- There is no significant difference in opinion on growth of Supermarket among different demographic variables of supermarket owners in Tamilnadu.
- H<sub>02</sub>- There is no significant difference in marketing strategies adopted among different demographic variables of supermarket owners in Tamilnadu.

**METHODOLOGY OF THE STUDY:**

Proportionate Random Sampling method was used for the selection of sample units. 260 supermarkets were selected from Ten districts on the basis of numbers available in each District . Ten percentage(10%) among the ten selected districts Cuddalore, Erode, Madurai, Salem, Tiruchirappalli, Tirunelveli, Tiruppur, Vellore, Chennai, Coimbatore were selected for data collection.

**LIMITATION OF THE STUDY:**

The following are the limitations of the study

1. The study covers only 260 samples units from select ten district Cuddalore, Erode, Madurai, Salem, Tiruchirappalli, Tirunelveli, Tiruppur, Vellore, Chennai, Coimbatore hence the result cannot be universalised.
2. I have not selected all district in Tamilnadu. Because constraints of money and time.

**FDI INFLOWS IN INDIA (FROM 2000-2019):****Financial Years Wise FDI Inflow From 2000-01 to 2018-19 (up to March, 2019)**

S. Nos	Financial Year (April – March)	Amount of FDI Inflows		%age growth over previous year (in terms of US \$)
		In Rs Crores	In US\$ Million	
FINANCIAL YEARS 2000-01 TO 2018-19				
1.	2000-01	10,733	2,463	.
2.	2001-02	18,654	4,065	(+) 65 %
3.	2002-03	12,871	2,705	(-) 33 %
4.	2003-04	10,064	2,188	(-) 19 %
5.	2004-05	14,653	3,219	(+) 47 %
6.	2005-06	24,584	5,540	(+) 72 %
7.	2006-07	56,390	12,492	(+)125 %
8.	2007-08	98,642	24,575	(+) 97 %
9.	2008-09	142,829	31,396	(+) 28 %
10.	2009-10	123,120	25,834	(-) 18 %
11.	2010-11	97,320	21,383	(-) 17 %
12.	2011-12 ^	165,146	35,121	(+) 64 %
13.	2012-13	121,907	22,423	(-) 36 %
14.	2013-14	147,518	24,299	(+) 8%
15.	2014-15 #	181,682	29,737	(+) 22%

16.	2015-16 #	262,322	40,001	(+) 35%
17.	2016-17#	291,696	43,478	(+) 9%
18.	2017-18#	288,889	44,857	(+) 3%
19.	2018-19#	309,867	44,366	(-) 1%
CUMULATIVE TOTAL (from April, 2000 to March, 2019)		2,378,887	420,142	

### ANALYSIS OF PERSONAL VARIABLES.

Sl. No	Personal Variables	No. of Respondents	Percentage	Sl. No	Personal Variables	No. of Respondents	Percentage
<b>Gender wise classification</b>				<b>Nature of Ownership</b>			
1	Male	228	87.7	1	Proprietorship	220	84.6
2	Female	32	12.3	2	Partnership	40	15.4
<b>Age wise classification</b>				<b>Other Professional Experience</b>			
1	Below 25 years	6	2.3	1	Less than 3 years	19	7.3
2	26 - 35 years	63	24.2	2	3 < 6 years	35	13.5
3	36 - 45 years	91	35	3	6 < 9 years	57	21.9
4	46 - 55 years	61	23.5	4	Above 9 years	24	9.2
5	above 55 years	39	15	5	No experience	125	48.1
<b>Annual income</b>				<b>Reason for choose supermarket business</b>			
1	Below 5 Laksh	22	8.5	1	Hereditary	31	11.9
2	5 < 10 Laksh	71	27.3	2	Livelihood	59	22.7
3	10 < 15 Laksh	94	36.2	3	Easy to Form	41	15.8
4	Above 15 Laksh	73	28.1	4	Personal Interest	129	49.6
<b>Number of years running the supermarket</b>				<b>Number of Supermarket Owned</b>			
1	Less than 3 years	11	4.2	1	Single	188	72.4
2	3 < 6 years	40	15.4	2	Two	49	18.8
3	6 < 9 years	67	25.8	3	Three	18	6.9
4	Above 9 years	142	54.6	4	More than Three	5	1.9
<b>Management of Supermarket</b>				<b>Educational Qualification</b>			
1	Self	100	38.5	1	Illiterate	5	1.9
2	Family	49	18.8	2	Literate with no formal education	57	21.9
3	Relatives	52	20	3	Primary/5 <sup>th</sup> Standard	40	15.4
4	Partner	40	15.4	4	High school / 10 <sup>th</sup> Standard	31	11.9
5	Employee	19	7.3	5	Intermediate / 12 <sup>th</sup> Standard	23	8.8
<b>Any other professional experience other than supermarket retail business</b>				6	Diploma	14	5.4
1	Yes	135	51.9	7	Graduate	54	20.8
2	No	125	48.1	8	Post Graduate	36	13.8

## SUMMARY OF FINDINGS

### FINDINGS ON IMPACT OF FDI IN RETAIL SECTOR:

- Among the most advantages of FDI in retail sector, all product in one place and quality product are ranked to be important ones. Price and availability of branded items are the next most advantages of FDI in retail sector.
- Among the most disadvantages of FDI in retail sector, against of Swadeshi policy and discourage of domestic products are ranked to be important ones. High penetration is possible and cultural change are the next most disadvantages of FDI in retail sector.
- It is observed that 52.3 per cent of the retailers aware about foreign direct investment and 47.7 per cent of the retailers not aware about foreign direct investment.
- Majority of 33.1 per cent of the retailers know about foreign direct investment through TV, 26.5 per cent of the retailers know about foreign direct investment through internet, 20.8 per cent of the retailers know about foreign direct investment through Newspaper/Magazines and 19.6 per cent of the retailers know about foreign direct investment through discussion with others.
- It is found that 82.7 per cent of the retailers have experienced impact on the current business and 17.8 per cent of the retailers have not experienced any impact on the current business.
- It is observed that majority of 65 per cent of the retailers said that FDI in retail will close supermarket and the remaining 35 per cent of the retailers mentioned that FDI in retail will not close supermarket.

### SUGGESTION

- Margin should be increased to the retailers in order to increase the sales.
- Sales promotion schemes should be introduced to the retailers and customers at frequent intervals.
- More schemes are expected by the retailer's like-displays and discounts.
- Supermarkets should modernize their stores by introducing computerized billing system whereby the customers may know the savings in their money when discounts offered.
- Government should take steps to control the prices.
- Major cosmetic companies like Unilever, Nestle, Coco cola, etc. may avoid supplying commodities directly to such Supermarkets which helps them to get commodities at lesser prices.

### CONCLUSION

After analyzing retail Industry, it is concluded that the organized retail trading has opportunities to grow up in spite of the Foreign Direct Investment because of the economic growth of the country. Many retailers are facing financial, as well as non-financial problems. There is a serious problem in respect of their financial resources. Majority of the retailers suffering from lack of funds for investment. However Tamilnadu retail market has a bright future to spread out their business in all corners by satisfying the needs of customers.

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