

Impact of FDI in Multi Brand Retail Trade on Consumer: A Case Study in Bangalore City

B. Shamala

Assistant Professor, Department of Economics, LBSGFGC, Bangalore-560032

INTRODUCTION

Retailing is the interface between the producer and the individual consumer buying for personal consumption. Retail is India's largest industry and the sector which has witnessed immense growth in the last few years. The key factors contributing for the retail boom have been the change in consumer profile and demographics, increase in number of international brands available in the Indian Market, increase in urbanization, credit availability, infrastructural development, increased investments in technology, economic implications of government and an upcoming world class shopping environment for the consumers.

Retailing takes two forms namely organized or unorganized. Organized refers to trading activities undertaken by licensed retailers those registered for sales tax and income tax. The share of organized retailing in India is at around 2%. The unorganized retailing refers to the traditional formats of low cost retailing, for ex, local kirana shops, owner manned general stores, Paan/Beedi shops, road side vendors, etc., it is predominating over organized sector constituting of about 92% of total retail trade.

The Retail Sector in India is the fifth largest in the world with huge growth potential and accounts for 14-15% of the country's GDP. Starting from a baseline a less than \$ 1 billion in 1990, a recent UNCTAD survey projected India as the second most important FDI destination (after China) for transnational companies during 2010-12. As per the data the sectors which attracted higher inflows were services, telecommunication, construction activities, computer software and hardware. Mauritius, Singapore, The US and the UK were among the leading sources of FDI.

KEY PLAYERS IN INDIAN RETAIL MARKET

The key players in the Indian retail market are Pantaloons, Retail Ltd, with 1000 stores across 71

cities, Shoppers Stop Ltd, 35 stores in 15 cities, Spencer's Retail, RPG enterprises with approximately 250 stores across 66 cities, Lifestyle Retail, Landmark Group venture, have 15 lifestyle stores and 08 Home centres. Other major domestic players in India are Bharati Retail, Tata Trent, Globus, Aditya Birla, MORE, Reliance Retail etc.,

The major foreign players in India are Carrefour, Germany based Metro Cash & Carry, WalMart, Bharti Retail, Tesco, Marks and Spencers.

FDI IN MULTI BRAND RETAILING IN INDIA

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 the multiple brands will mean that global retailers including Wal -Mart, Carrefour and Tesco can open store offering a range of household items and grocery directly to consumers in the same way as the kirana store.

STATEMENT OF THE PROBLEM

The study is concerned with the impact of FDI in multiple retail brand sector on consumers.

SCOPE OF THE STUDY

It encompasses multiple brand formats, environment of FDI in multiple brand, FDI and other related concepts. The study is confined to Bangalore City.

OBJECTIVES OF THE STUDY

1. To understand the concepts and environment of FDI in multiple brand retail.
2. To examine formats of multiple brand retail in India.
3. To analyse the Impact of multiple brand retail on consumers in the face of FDI
4. To forecast the future of multiple brand retail and offer constructive suggestions.

RESEARCH METHODOLOGY

The study adopted is descriptive and survey research method. 120 samples who are the customers of multiple brand retail were considered for the study. The sample size was 120 and it is a Stratified Random Sampling. The primary data were collected through well structured questionnaires and personal interview. The Secondary data were collected from the various published sources, journals, Articles, Books and Internet.

LIMITATIONS OF THE STUDY

1. Multiple brand retail is yet to come into full play and therefore the findings are based on the perceived opinion on the sample respondents.
2. It is not a comprehensive study.
3. The study was subject to time and money constraint.
4. The conclusions and suggestions are based on available primary and secondary data on the topic.

The Indian Government under UPA II opened its economy to FDI in multiple brand retail on September 14, 2012 subject to specific conditions. Before this at the end of 2011, the cabinet had approved a proposal to introduce FDI in this sector which was rolled back due to protests by numerous political parties. Following an exhaustive consultative process with the state governments, the government has now re-introduced the proposal with certain modifications to increase its acceptability to various stakeholders. The re introduced proposal includes:

(A). Foreign investors can establish operations only in those states which support FDI in multi-brand retail.

As on date, certain states including Delhi, Assam, Maharashtra, Andhra Pradesh, Rajasthan, Uttarakhand, Haryana and Manipur support this move to liberalize the economy. .

(B) The retail outlets must be set up in cities with a population of more than 1 million (as per the 2011 Census). In states with no such cities, the outlets may be set up in the city of choice, preferably the largest city. This is to ensure that the impact of the proposal is confined to urban areas, without any adverse impact on the rural areas.

(C) At least 50% of the FDI has to be for backend infrastructure which includes capital expenditure on all activities, excluding that on front-end units, land cost and rentals. The Government has fixed a three year timeframe for setting up the back-end infrastructure which will include investment made towards processing, manufacturing, distribution, design improvement, quality control, packaging, logistics, storage, ware-house, agriculture market produce infrastructure etc.

(D). Minimum 30% procurement should be from Indian small industries.

IMPACT OF FDI IN MULTI BRAND RETAIL ON CONSUMER

Few structured statements were framed to know the Positive and Negative impact of FDI in Multi-brand retail on consumer. On the basis of their opinions to these framed statements, analysis and inferences have been drawn.

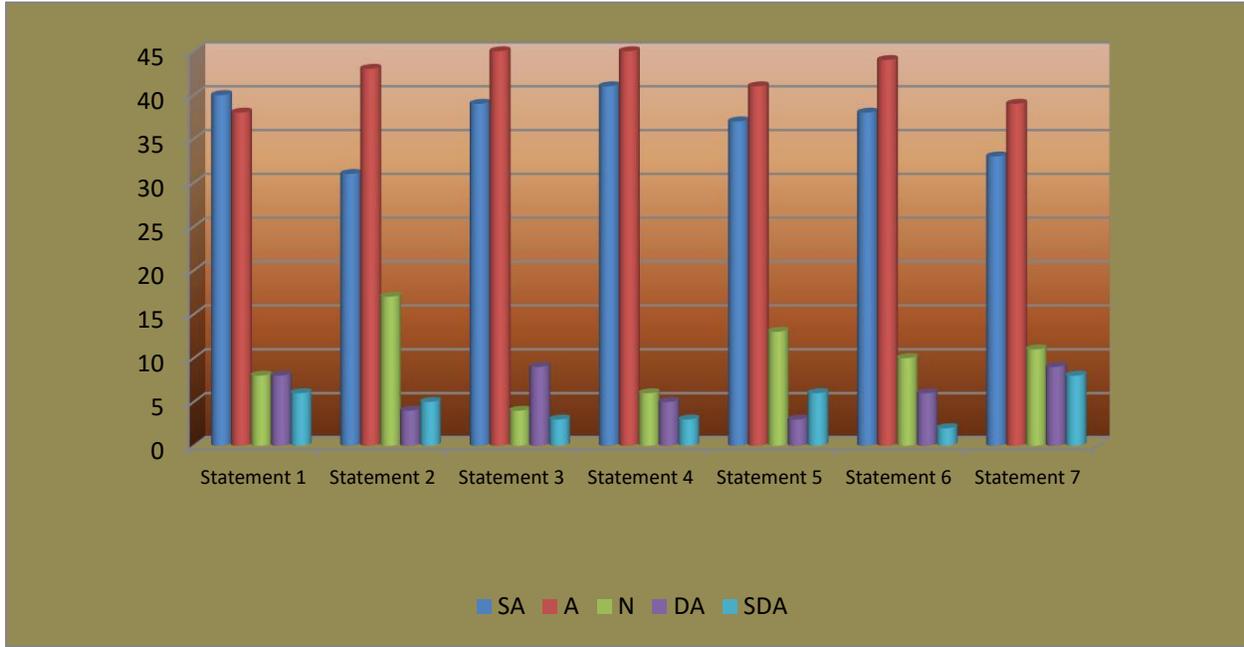
POSITIVE IMPACT ON CONSUMER

Sl.No	Statements	Responses (n=120)					Total
		SA	A	N	D	SD	
1	Consumer price will reduce by 10% on account of FDI in retail	48	46	9	10	7	120
		40%	38%	8%	8%	6%	100
2	Consumer may get better quality products	37	51	21	5	6	120
		31%	43%	17%	4%	5%	100
3	Wider and better choice of goods	47	54	5	10	4	120
		39%	45%	4%	9%	3%	100
4	Extensive product line ranging from cosmetics to electronics	49	54	7	6	4	120
		41%	45%	6%	5%	3%	100
5	Better shopping experience	44	49	16	4	7	120
		37%	41%	13%	3%	6%	100
6	High quality shopping environment	45	53	12	7	3	120
		38%	44%	10%	6%	2%	100
7	Stronger Brands	40	47	13	11	9	120
		33%	39%	11%	9%	8%	100

Analysis

On basis of the opinions given by respondents, Consumers in India will benefit by the presence of foreign retail players. Because, the Maximum Retail Price (MRP) will go down by 10 percent says 78 percent of the sample respondents (n=120). 74% Consumers felt that they may also get better quality

products, Apart from these, a wide range of goods ranging from cosmetics to electronics in a sophisticated environment are available because of FDI in retail. Moreover with the consumerism bent of mind that our Indian consumers have they are looking forward for the better shopping environment with best brands.



Interpretation

Consumers will benefit from FDI in retail trade in many ways because of the entry of foreign retail MNCs. The benefit of price reduction, better quality of

products, wider choice of goods, extensive product range, better shopping experience and high quality shopping environment

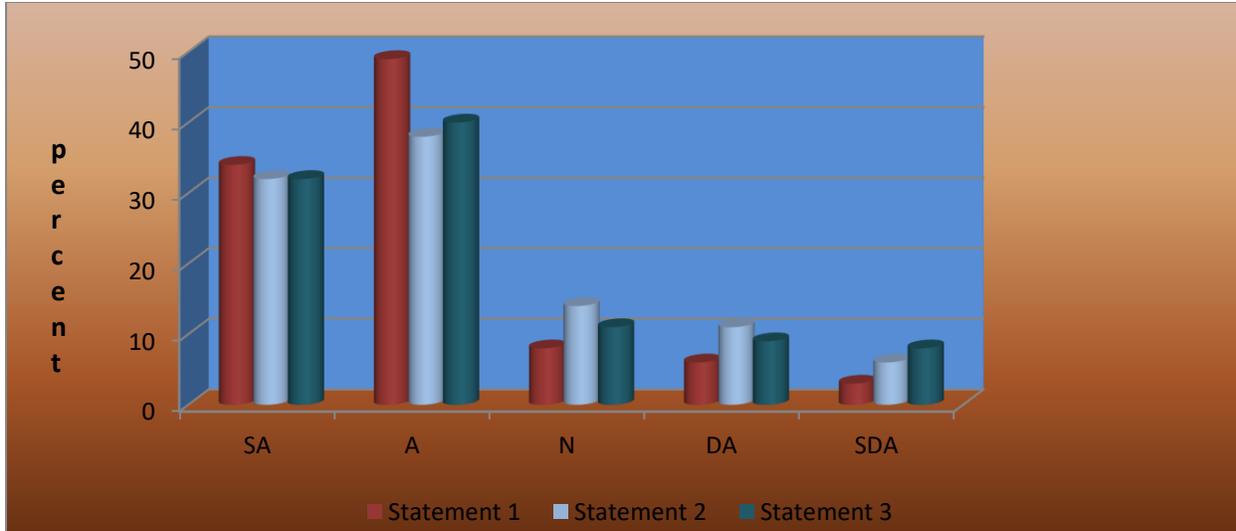
Negative Impacts for consumers

Sl.No	Statements	Responses (n=120)					Total
		SA	A	N	D	SD	
1	Creates possible monopoly syndrome	41	58	10	7	4	120
		34%	49%	8%	6%	3%	100
2	No credit facility	38	45	17	13	7	120
		32%	38%	14%	11%	6%	100
3	No installment facility	38	48	13	11	10	120
		32%	40%	11%	9%	8%	100

Analysis

The other side of the coin is that FDI in Multi-Brand retail in India may pose certain drawbacks. 83 percent the respondents feared that foreign players may create monopoly power. This has also been witnessed in Thailand where Walmart gained monopoly over the market within few years of its installation. As it is very clear that the credit and instalment facility extended to

the middle class people has increased the consumerism in the country, the respondents on the one hand were happy for the shopping experience with wide variety of commodity availability, on the other hand nearly 70 percent of the respondents in unorganized retail told that they may not get credit and installment facility from foreign retailers.



Interpretation

The shortcomings of FDI in Multi-Brand retail are that the customer are devoid of credit facility and installment facility which are now available from kirana shops, street vendors and local vendors.

Future of Multi-brand Retail in India

It creates curiosity to know the future trend of FDI in retail sector in a country like India, which is a land of diversity. A few structured statements were put forth for the respondents to know their opinion towards this.

Statement	Scale	Response (n=120)	
		Number	Percent
The ill- effects of FDI will be known only after 10 to 20 years from now and at present it cannot be known	SA	48	40
	A	38	32
	N	20	17
	D	9	7
	SD	5	4
Total		120	100

Analysis

72 percent of the respondents indicated that the advantages or disadvantages of FDI in Multi-Brand Retail can be known only after 10-20 years down the line and not now.

Interpretation

In Thailand FDI in Multi-Brand Retail grown to 47 percent from 2 percent .within 15 years Walmart captured monopoly in retail in Thailand. The same impact in multi brand retail sector might happen in India too unless careful measures are not taken.

With foreign money, foreign retail players will bring foreign culture and there is always a fear that local Indian culture will slowly disappear. This was felt by 82 percent of the sample respondents.

Statement	Scale	Response (n=120)	
		Number	Percent
There are chances that Indian cultural values will get eroded over a period of time	SA	46	38
	A	53	44
	N	8	7
	D	9	8
	SD	4	3
Total		120	100

Interpretation

India is a land of rich culture heritage; it is also called as “Karma Bhoomi”, “Punya Bhoomi”, and “Yoga Bhoomi”. Cultural values are the utmost priority but the entry of foreign players may drive away our rich culture.

FINDINGS OF THE STUDY

- The shortcomings of FDI in Multi-Brand retail are that the customer are devoid of credit and installment facility which are now available from kirana shops, street vendors and local vendors.
- In Thailand FDI in Multi-Brand Retail grown to 47 percent from a mere 2 percent .Within 15 years Walmart captured monopoly in retail in Thailand. The same impact might happen in India too.
- With foreign money, foreign retail players will bring foreign culture and local Indian culture may slowly disappear. This was felt by 82 percent of the sample respondents.

CONCLUSION

The government's green signal to allow 51% of FDI in Multi-Brand Retail is a long-awaited measure. Many stake holders opposed the entry of foreign retail players into India. The decision to allow has both advantages and equal disadvantages. This is perceived by the sample respondents. The entry of foreign players will bring the needed inducers to open-up and tune-up the retail sector in India.

India enjoys retail democracy, and it is a favorable destination in the globe for retail business as pointed out by world management consultancy A.T Kearney. Some fear that FDI in Multi-brand Retail will create monopoly Power for Foreign Retail Players. In due course they also resort to dominance, pre-datory Pricing and dictatorship. The positive benefits are, they bring Capital, Technology and Professionalism for the growth of Indian retail sector. And what will happen 10 years down the line in retail Sector for India is yet to be seen.

SUGGESTIONS

- Government should have hold on the foreign retailers.
- Foreign retailers should exhibit and be committed for the welfare of the people.
- The major players such as Walmart, Carrefour and Tesco need to be supervised and monitored for the violation of retail laws.
- The political decision makers should not budge to foreign retailers for any consideration as this will pull our country further down.
- The government should regulate the prices of organized retailers from time to time. They should not be allowed to manipulate prices and huge Indian population

REFERENCE

- [1] Nizamuddin, Mohammed (20 April 2013) FDI in Multi Brand Retail and Employment Generation in India Center for Studies in Economics Planning, School of Social Science, Central University of Gujarat .
- [2] Vinay Kumar (2014) Trend of FDI in India and Its Impact on Economic Growth in International Journal of Science and Research ISSN : 2319-7064, vol 3 , Issue 10, October 2014

- [3] https://r.search.yahoo.com/_. foreign-direct-investment-fdi-flow/ -
- [4] https://r.search.yahoo.com/_ sources-economic-data-statistics-reports
- [5] <https://r.search.yahoo.fwww.bls.gov>