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# Prospects and Challenges of Foreign Direct Investment Inflow in Multi-Brand Retail-In India

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**Abstract**
In the year 2012 India faced severe balance of payment and trade deficit. This forced to bring about changes in Foreign Direct Investment [FDI] policy. India is the top most attractive economy for FDI among the rest of economies in world. The government has allowed FDI in to retail outlets owned by their domestic partners in a limited way for on - selling to retail customers. This provides a window to them for benefiting from the retail boom in the country. The present study aims to understand and analyze the challenges and opportunities faced by FDI Inflow and the future outlook towards FDI in multi brand retail Sector. It extrapolates that inward FDI can intensify competition and accelerate the process of innovation in the local Retail Sector. This paper tries to establish the need of the community to invite FDI in multi brand retailing. The final decision in this respect is yet to be taken by the government of India.
**Key words:** Foreign direct investment policy, FDI inflows, Single brand retail and Multi brand retail sector.

## 1. Introduction

Aa India is a land of retail democracy. Thousands of weekly Haats, Bazaars are located across the economy of our country by people's owned self organizational capacities and interests. India has 11 shops per 1000 people and number around 15 millions, giving India the highest retail shop density in the world. Despite of that, India had severe scarcity of capital resources since independence. That welcome foreign investment in a restricted manner, since the second five year plan period since 1956-1961 greater emphases was given to Industrialization which led to development of the local industries. To protect the domestic industry from foreign competition, Government adopted various restrictive measures towards FDI in the late 1960s. In the 1980s, as a part of the industrial policy resolutions, the measure towards FDI was liberalized in a limited manner. "The year 1991 was marked with severe balance of payments deficits. Foreign exchange reserves went down to US$ 1.1 billion in June 1991 – less than sufficient for two weeks of import requirements" (Misra, S.K. 2000). India was on the verge of default and it got financial assistance from IMF on certain terms and conditions. This involved "Structural Adjustment Program (SAP)" by India. These "SAP" apart from bringing about changes in fiscal policy, industrial policy and changes in other important economic policies involved a major change in FDI policy of India. In these circumstances, it was not possible for India to continue with its past policy of restrictions and it became essential to liberalize the economy. Liberalization involves free operations of international market forces. This led to removal of most of the restrictions in FDI. The Indian retail market variously estimated at $400 to 450 billions, is dominated by the highly unorganized sector As a result, India is now among the top five most attractive economies for FDI.

### Statement of the Problem

Retail is the second largest sector next to agriculture in terms of employment generation. It employs more than 40 million people as on July 2012 (businessmapsofIndia.com) and it contributes more than 33 percent to GDP of India in last few years (survey report of cci.in). There is great potential of growth in this sector but it is not able to exploit its potential to the fullest due to infrastructural constraints and some policy issue. Retail sector is in grim, need of investment to overcome this constraint. As of now FDI in multi brand retailing is completely prohibited and investment by local investors has not been able to bridge the gap between the need and actual investment currently. India's supply chains require substantial backend investment in order to build retail businesses.

This has greater implication for agriculture sector as a substantial percentage of agricultural output is lost, due to lack of proper infrastructure like cold chain storage and warehousing, food processing machinery and equipments etc. The retail back-end in India needs huge investments, therefore the Government could open its door to foreign investors in multi brand retail sector.

 

**Mathodology**

The study is exploratory and qualitative in nature. An extensive use of secondary data is made. Further the secondary data pertaining to the study is originated from various published sources, websites, Department of Industrial Policy & Promotion (DIPP) reports and number of leading journals. In order to compare the FDI inflow over the period under study, the percentage method is used.

**Objects of the Study**

Differentiating The overall objective of the study is to apply a micro approach to evolve an objective method for analyzing FDI in multi brand retail sector in India and specifically intend to identify the opportunities and challenges. The following are the main objectives of the study-

To study the need of opening up of FDI in multi brand retail.
To review the challenges faced by FDI in multi brand retail sector recently.
To study the future prospects towards the phase of FDI initiated at Multi Brand Retail Sector.
Explore the roles of FDI in multi brand retail sector and its positive impact on Indian economy.
To offer suggestions in FDI policy about FDI inflow in multi brand retail sector.

**Scope of the Study**

The study will highlight the current position of the FDI inflows in India. It is concerned with FDI in multi brand retail sector and discusses the relevant reforms to formulate, create and force regulatory and legal reforms in this sector and achieve its aim of economic growth and quality services through the investor's dynamic relationship to attract India as their FDI destination. The study is confined to a period from 1991 to 2012. This study reviews existing studies conducted by the Government and other entities on this topic examines, its likely impact on farmers, employment, consumers and retailers.

**Foreign Direct Investment: Present Scenario**

Presently FDI is allowed in India in almost all the sectors; except a few which are of strategic concerns. It is prohibited in activities not opened to private sector investment including Atomic Energy and Railway Transport, Multi-Brand Retail Trading, Lottery Business including Government and private lottery, online lottery, Real Estate Business or Construction of Farm Houses , Gambling and Betting including casinos , Manufacturing of Cigars, cheroots, cigarillos and cigarettes, or of tobacco substitutes, Business of chit fund, Nidhi company and Trading in Transferable Development Rights (TDRs).

In all the other sectors it is permitted with different equity limits ranging from 26 percent to 100 percent subject to certain terms and conditions what so ever are applicable.

FDI is permitted in India through two routes; the Automatic Route and the Government Route. Under the Automatic Route, the non-resident investor or the Indian company does not require any approval from the RBI or Government of India for the investment. Under the Government Route, prior approval of the Government of India through Foreign Investment Promotion Board (FIPB) is required. Proposals for foreign investment under Government route as laid down in the FDI policy from time to time are considered by the Foreign Investment Promotion Board (FIPB) in Department of Economic Affairs (DEA), Ministry of Finance (DIPP). Table 1 shown, entry route and FDI caps in some selected sectors.

Since 1992 to 2000 the growth of FDI most of the years has been positive. Table 2 highlights the fact that there has been positive growth in FDI inflows over most of the years for the period 2000-01 to 2010-11. During 2002 - 04, 2009 - 10 and 2010-11 a negative growth rate was found in the FDI inflow due to the economic meltdown in the world.

Services sector has attracted the highest FDI equity inflows of 20.93 percent for the period April 2000 to June 2010. It is followed by Computer software & Hardware, Telecommunications, Housing & Real Estate, Construction Activities and Power having 8.78, 8.49, 7.50, 7.13, and 4.37 percentage shares respectively in total FDI inflows for the same period.

**Foreign Direct Investment in Retailing**

FDI in multi brand retail sector is completely prohibited in India. In 1997 India allowed FDI with 100 percent equity in Cash and Carry wholesale trading through government approval route. Since 2006 it is permitted under automatic route up to 51 percent in single brand retail. FDI inflows in single brand product trading forms a very small percentage of the total FDI inflows in India, but it is seen as a driver to attract investments in production and marketing, improving the availability of such goods for the consumers, encouraging increased sourcing of goods from India, and enhancing competitiveness of Indian enterprises through access to global designs, technologies and management practices. From August, 1991 to July, 2011 India had received US $227894 million total FDI inflows (UNCTAD).

In the table 3 shows FDI inflows in single brand retail sector for the period Jan 2007 – July 2010. Till July 2010 an FDI inflow of US $ 196.13 million had been received by India in this sector, comprised 0.17 percent of total FDI inflows during the period April 2000 to July 2010. (DIPP Discussion Paper 2010) Single brand retail outlets with FDI generally comprise of high - end products and focus on brand conscious customers.

Since April, 2000 to March, 2010, this sector had received US $ 1.779 billions FDI inflow. This comprises 1.54 percent of the total FDI inflow received during this period.

Reserve bank of India said that, the cumulative foreign direct investment inflow was US$ 258575 millions including 'reinvestment earnings and other capital' (RBI in monthly bulletin July 2012).

Lastly, it is to be noted that the Indian Council of Research in International Economic Relations (ICRIER), a premier economic think tank of the country, which was appointed to look into the impact of BIG capital in the retail sector, has projected the worth of Indian retail sector to reach $496 billion by 2011-12 and ICRIER has also concluded that investment of 'big' money (large corporate and FDI) in the retail sector would not harm the interests of small, traditional retailers in the long run perspective.

**FDI in Multi Brand Retail Sector: Prospects and Challenges**

Consumption pattern has drastically changed with urbanization. With emergence of a large middle and upper middle sector, substantial increase in the income of the people and growth in the nuclear families Indian retail sector has witnessed a sea change in attitude of the consumers. India has a large young population who is more trends conscious and is ready to pay a higher price for better quality and branded products. People are ready to spend on lifestyle improvement. Entertainment, leisure, food, and shopping all are under one roof have highly welcomed. All this makes India a very attractive destination for foreign investors. The FDI in India are in spite of the fact that more than 100 of Fortune 500 companies are already investing in India. These FDI are already generating various employment opportunities, income, technology transfer and economic stability. India is focusing on maximizing political and social stability along with a regulatory environment. In spite of the obvious advantages of FDI there are few difficulties facing multi brand FDI in India.

The Department of Industrial Policy and Promotion has floated a discussion paper on the issue related with permitting FDI inflows in multi brand retail sector. It is pertinent to point out that technological development is always needed for a developing country like India and therefore it is a boon that MNC'S are interested to bring their advanced and innovative technology and high end products to India. In order to build back-end infrastructure, it is essentials to develop the front-end as well. FDI in multi brand retail sector needs to be declared laudable as. It is expected to benefit not only the retail traders but even the interest of people of other sections including farming, cooperative, service sector in non corporate enterprises and consumers as well. The best standards and the highest quality of the goods for which these global retailers are known if brought, will change the face of retailing in India.

Growth of the rural area in general and agriculture in particularly depends to a large extent on the infrastructural facilities and assured markets for the farm produce. In the absence of nearby & adequate markets for cash crops, most of the farmers remain captive to the production of wheat and other traditional crops, even though the soil conditions may not be suitable for their cultivation. FDI in multi brand retail will create markets for cash crops and motivate the farmers to farming products like fruits, vegetables etc which may be more suitable to the soil and climatic conditions of that area. The Bharti-Wal-Mart, the joint venture between Bharti Enterprises and US-based Wal-Mart Stores, said it plans to buy agriculture produce directly from 35,000 small and medium farmers in India by the end of 2015. The retail joint venture proposes to bring in the best farm management practices and grooming farmers to grow more with less resources and optimum use of fertilizers and pesticides. Wal-Mart Stores Inc chief executive Mike Duke said, "We are confident that these initiatives would result in a 20 percent increase in the income of farmers and have a multiplier effect to benefit one million farmers and other workers associated with agriculture" (Economic Times 2010), investment in infrastructure like storage, transport, food processing etc will help in reducing the intermediaries and it will help in reducing the gap between prices paid by the consumers and prices received by the farmers. Investment in back end infrastructure will reduce the wastage of farmer produce, time and quality deterioration. If these facilities are shared with farmers on reasonable prices would help in increase income for the farmers.

FDI in multi brand retail will increase the competition leading to improvement in quality standard of the products offered for sale, more choices to consumers due to increase in variety of products offered and a reduction in prices. All this will increase the consumers' surplus.

It is feared that opening of the multi brand retail to foreign competition would adverse affect to the small retailers and would lead to huge job losses. In a large and developing economy like India this might not be true as there is a room for both big as well as small retailers to grow. One more point to be considered is that when a large modern domestic multi brand outlets start operating in the economy, they led to shift some consumers from small retail outlets to the big ones. Thus FDI in multi brand retail is not the sole culprit as far as adverse effects on them is concerned. If it is made mandatory for these foreign outlets to create a back end cash and carry for small retailers, then they will be able to reap the benefits of scale on the sourcing side. Mom and Pop shops will continue to have an advantage in their locality because of convenience factor.

Even than very important among the major challenges facing larger FDI, is the need to speed up the implementation of policies, rules, and regulations. The vital part is to keep the accomplishment of policies in all the states of India at par. Thus, asking for equal speed in policy implementation among the states in India is important.

The support of the political structure has not be there towards the investing countries abroad. This can be worked out when foreign investors put forward their persuasion for increasing FDI capital in various sectors like banking, and insurance. So, there has not been a common opinion between the Parliament and the foreign countries investing in India, because various national and regional political parties are not favoring the multi retail FDI. The government is facing various political problems too, to allow FDI in multi retail as it is a co-alliance government UPA, and their member parties are create hurdles- as the president of TMC, CPI, and various other parties used to oppose FDI in multi retail. The government must also focus on areas of poverty reduction, trade liberalization, and banking and insurance liberalization. Challenges facing larger FDI are not just restricted to the ones mentioned above, because trade relations with foreign investors will always bring in new challenges in investments. This would increase the reforms in the FDI area of the country. It is said that FDI would provide employment opportunity. But the fact is that they can not provide employment opportunities to semi illiterate people and this argument gets more attention because in India semi illiterate people are in quite large in number.

Some fear that if FDI in multi brand retail is allowed then it would result in lowering of prices because FDI will result in good technology, supply chain etc. if prices were lowered then it would lower the margin of unorganized players. As a result the unorganized market will be affected.

**Policy Comparison with China**

Two decades ago, China was a different story — very little organized retail, virtually no malls and a not-too-significant middle-class, with the average Chinese not exposed to foreign brands. China allowed FDI in the year 1992. When FDI was allowed WTO played an important role. Today, China's retail industry is worth upwards of $700 billion with more than 14 global mega retailers setting up shop in the last ten years. In the first phase, China allowed FDI in retailing with some restrictions:

1. Foreign ownership initially restricted to 49% of joint ventures.
2. Foreign retailers that operate large retailers will be limited to 50 units.
3. It was restricted to six major cities namely (including Beijing, Shanghai and Guangzhou, Tianjin, Dalian, Qungdao) and Special Economic Zones.

**The Future Prospects and Changing Indian Consumer**

- There are various factors which drive the big retailers for seeing India as a lucrative market for its business.
- The greater disposable incomes for the Indian middle class, which currently comprises 22% of the total population. Disposable incomes are expected to rise at an average of 8.5% p.a. till 2015.
- More than 50% of the population is less than 25 years of age and strong growth is expected to continue in this age bracket.
- The Indian urban population is projected to increase from 28% to 40% of the total population by 2020 and incomes are simultaneously expected to grow in these segment.
- According to industry experts, the next phase of growth is expected to come from rural and semi- rural markets. According to a market research report published in June 20093 by RNCOS titled, “Booming Retail Sector in India”, organized retail market in India is expected to reach US$ 50 billion by 2011. The key findings of the report are:

➢ Number of shopping malls is expected to increase at a CAGR of more than 18.9 per cent from 2007 to 2015
➢ Rural and semi-rural market is projected to dominate the retail industry landscape in India by 2012 with total market share of above 50 per cent.
➢ Driven by the expanding retail market, the third party logistics market is forecasted to reach US$ 20 billion by 2012
➢ Leading watch manufacturer Titan Industries Limited plans to invest about US$ 21.83 million for opening 50 premiums watch outlets Helios in next five years to attain a sales target of US$ 87.31 million. "We are looking to open Helios outlets in Mumbai, Delhi, Hyderabad, Kolkata, Chennai, Pune, Ahmedabad etc in next 12 months," said Ajoy Chawla, Vice President (Retail), Titan.
➢ Bharti Retail reinforced its position in northern India by opening 59 stores; Bharti Wal- Mart is expected to

open 10 to 15 wholesale locations in the next three years.

- Constituted retailers are tapping into the growing retail market by introducing innovative store formats. Spencer's Retail, More (owned by Aditya Birla Group) and Shoppers Stop (owned by K Raheja Group) already plan to expand
- British high street retailer, Marks and Spencer (M&S) plans to significantly increase its retail presence in India, targeting 50 stores in the next three years. M&S currently operates 17 stores in India through a joint venture (JV) with Reliance Retail.
- Chinese retailer, Yishion has entered the Indian market and plans to have at least 125 points of sales, including exclusive stores and multi-brand outlets, across India by 2012. It has opened its first exclusive store in New Delhi.
- Spain's Inditex, Europe's largest clothing retailer opened the first store of its flagship Zara brand in India in June 2010. It further plans to open a total of five Zara outlets in India.
- Bharti Retail, owner of Easy Day store, supermarkets and hyper marts plans to invest about US$ 2.5 billion over the next five years to add about 10 million sq ft of retail space in the country by then, according to a company spokesperson.
- Raymond Weil plans to invest US$ 883,665 in India, according to Olivier Bernheim, President and CEO, Raymond Weil.
- While there are reports of international retailers like Tesco, Carrefour analyzing business opportunities in India; Reliance, the largest Indian corporation is investing $3.4 billion to become India's largest contemporary retailer.
- There are also reports of investments for Hypercity Retail by K.Raheja Group to establish 55 hypermarkets by 2015. All these factors will contribute in taking Indian retail business to unexpected growth based on the consumer preference for shopping in cordial environment.

**Limitations of the Study**

The study suffers from the following limitation

The study is limited to India. Hence, the result arrived from the study may or may not be applied to other countries. This study covers only the limited caps of the FDI flow.

The result cannot be generalized for the FDI flow in other challenging sectors.

This study does not cover the FDI inflow in unorganized sector.

The generalization of the finding of the study is subject to limitations.

**Suggestions**

The national commission must be established to study the problems of the retail sector and to evolve policies that will enable it to cope with FDI as and when it comes.

To provide greater benefits to economy there should be stiff local sourcing requirements and investments in back end infrastructure should be compulsory. Opening of FDI should be done in a calibrated manner so that domestic retailers both organized and unorganized get breathing space and are able to upgrade their practices. FDI in multi brand retail should not remain limited to big cities, to provide rural youths opportunities to get fruitful employment in Retail Sector.

The conditions must be aimed at encouraging the purchase of goods in the domestic market, size and specify details like construction and storage standards etc.

Entry of foreign players must be slow and with social safeguards so that the effects of the labour displacement can be analyzed and policy fine tuned.

**Conclusion**

To summarize debate on opening up multi brand retail is a welcome first step. There is sincere expectation that the government will open the sector to FDI, and act fast on this front, even if it means opening the sector in a gradual and phased manner.

At present it is also not desirable to increase FDI ceiling to more than 51% for single brand store. It will help us to ensure check and control on business operation of global retailers and look after the interests of domestic players. Foreign players should not be allowed to trade in certain sensitive products like arms & ammunition, defense equipment etc. and the list of excluded product should be clearly stated in the FDI policy.

Once India gets integrated into Global economy with FDI in multi - brand retail sector, it would be placed at an advantage if it is made mandatory for foreign retailers to bring with them technology and management skills. There is a vast scope of employment generation as these retail stores will need manpower to run these stores. Carrefour estimates its retail operations in India, in about 10 years, would provide direct and indirect employment opportunities to approximately 20,000 people in the stores itself (Abhishek Ranganathan 2010). Wal‐Mart Stores Inc chief executive Mike Duke says that easing the rules of FDI in retail will create 3 million jobs in the next five years. (Images Food Bureau 2010). Greater sourcing from India will give assured markets for farmers and thus will bring in increased income for them. Investment in cold chain facilities will reduce the post harvest losses to farmers leading to greater revenue generation. Increased income for small and medium size business entities is also expected as the MNCs will turn to them to meet the standards of local tastes and product preferences. For successful operation of the retail trade, heavy investment in backend infrastructure is must thus it is expected that FDI in multi brand retail sector will be conducive in building world class supply chain. The move would present a massive opportunity to the world's biggest retailers such as Wal‐Mart, France's Carrefour and Britain's Tesco to enter a market and near double‐digit economic growth. Between 30‐40 percent of post‐harvest produce goes to waste in the country where nearly half the people are malnourished (Thomson Reuters & Alistair Scrutton 2010). Consumers will get their share in the form of greater variety, better quality, and world – class customer services at lower prices.

DIPP has floated the discussion paper at the right time. It has got a positive feedback from many of the stakeholders. While the Ministry of Finance is opposed to any change in the existing retail FDI policy, the agriculture and consumer affairs ministries, along with the Planning Commission, are open to the proposal for debate by the Ministry of Commerce and Industry. Consensus on opening up of multi‐brand retail to FDI looks unlikely anytime soon, with many states opposing liberalize the sector. So far, 18‐19 states have responded, including Uttar Pradesh, West Bengal, Kerala, West Bengal and Chhattisgarh, have opposed allowing FDI in multi brand retail. States' support is important, as they can always deny retailers permission to open stores within their boundaries on various grounds.

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**TABLE 1: ROUTE WISE FDI INFLOWS IN SPECIFIC SECTORS WITH EQUITY & CAP**

| S. No. | Sector/Activity | Percent of FDI Cap/Equity | Entry Route |
|---|---|---|---|
| 1.1 | **Agriculture & Animal Husbandry** | | |
| | Floriculture, Horticulture, Development of Seeds, Animal Husbandry, Pisciculture, Aquaculture and Cultivation of Vegetables & Mushrooms under controlled conditions and services related to agro and allied sectors. **Note: Besides the above, FDI is not allowed in any other agricultural activity** | 100 | Automatic |
| 1.2 | **Tea Plantation** | | |
| | Tea sector including tea plantations **Note: Besides the above, FDI is not allowed in any other plantation** | 100 | Automatic |
| 2 | **MINING** | | |
| 2.1 | Mining and Exploration of metal and non-metal ores but excluding titanium bearing minerals and its ores. | 100 | Automatic |
| 2.2 | **Coal and Lignite** | | |
| | 1. Coal & Lignite mining for captive consumption by power projects, iron & steel and cement units and other eligible activities. | 100 | Automatic |

| | | | |
|---|---|---|---|
| | (2) Setting up coal processing plants like wateriest **subject to** the condition that the company shall not do coal mining and shall not sell washed coal or sized coal from its coal processing plants in the open market and shall supply the washed or sized coal to those parties who are supplying raw coal to coal processing<br>Plants for washing or sizing. | 100 | Automatic |
| 2.3 | Mining and mineral separation of titanium bearing minerals & ores, its value addition and<br>Integrated activities. | 100 | Government |
| 3. | **Electric Generation, Transmission,<br>Distribution and Trading** except in atomic power. | 100 | Automatic |
| 4. | **Airports** | | |
| | (a) Greenfield projects | 100 | Automatic |
| | (b) Existing projects | 100 | * |
| 5. | **Air Transport Services** | | |
| | Helicopter services/seaplane services requiring DGCA approval | 100 | Automatic |
| 6. | **Other services under Civil Aviation sector** | | |
| | Maintenance and Repair organizations; flying training<br>Institutes; and technical training institutions. | 100 | Automatic |
| 7. | **Setting up hardware facilities such as up-linking, HUB etc.** | | |
| | Up-linking a Non-News & Current Affairs TV Channel | 100 | Government |
| 8. | **Development of Townships, Housing, Built-up infrastructure and Construction- development projects.** | | |
| | Townships, housing, built-up infrastructure and construction development projects | 100 | Automatic |
| 9. | **Industrial Parks - both setting up and already established Industrial Parks** | | |
| | Industrial Parks - both setting up<br>And already established Industrial Parks | 100 | Automatic |
| 10. | **Petroleum & Natural Gas Sector** | | |
| | Exploration activities of oil and natural gas fields, infrastructure related to marketing of petroleum products, actual trading and marketing of petroleum products, petroleum product pipelines, natural Gas /LNG pipelines, market study and formulation and Petroleum refining in the private sector. | 100 | Automatic |
| 11. | **Print Media** | | |
| 11.1 | Publishing/printing of Scientific and Technical Magazines/specialty journals/ periodicals. | 100 | Government |
| 11.2 | Publication of facsimile edition of foreign newspapers | 100 | Government |
| 12. | (a) Infrastructure provider providing dark fiber, right of way, duct space, tower (IP Category<br>(b) Electronic Mail<br>(c) Voice Mail | 100 | ** |
| 13.1 | **Cash & Carry trading Wholesale Trading/ Wholesale Trading** | 100 | Automatic |
| 13.2 | **Trading for exports** | 100 | Automatic |
| 13.3 | **E-commerce activities** | 100 | Automatic |
| 13.4 | **Trading of items sourced from MSE sector** | 100 | |

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| | | | |
|---|---|---|---|
| 13.5 | **Test marketing** of such items for which a company has approval for manufacture, provided marketing facility will be for a period of two years, and investment in setting up manufacturing facility commences simultaneously with test marketing. | 100 | Government |
| 13.6 | **Single Brand product trading** | 51 | Government |
| 14. | **Non-Banking Finance Companies (NBFC)** | | |
| | Foreign investment in NBFC in selected activities | 100 | Automatic |
| 15. | **Courier services for carrying packages, parcels and other items which do not come within the ambit of the Indian Post Office Act,1898** | 100 | Government |

**Note:**
*Automatic up to 74 percent, Government route beyond 74 percent.
**Automatic up to 49 percent, Government route beyond 49 percent.
**Source:** Compiled from Consolidated FDI Policy-Circular 2 of 2010, Department of Industrial Policy & Promotion, Ministry of Commerce and Industry, Govt. of India

**TABLE 2: FACTS ON FOREIGN DIRECT INVESTMENT – EQUITY CAPITAL COMPONENT**

| S. Nos | Financial Year (April – March) | Amount of FDI Inflows | | %age growth over previous year (in terms of US |
|---|---|---|---|---|
| FINANCIAL YEARS 2001 to 2012-13 (up to April, 2012) | | In ` crores | In US$ million | |
| 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 # | 88,520 | 19,427 | ( - ) 25 % |
| 12. | 2011-12 # | 173,947 | 36,504 | - |
| 13. | 2012-13 # ( for April, 2012) | 9,620 | 1,857 | |
| CUMULATIVE TOTAL (from April, 2000 to April, 2012) | | 784,627 | 172,265 | - |

Sources: DIPP Ministry of commerce & industry Govt. Of India FDI data base - Equity capital components

**Note:**

(i) FEDAI (Foreign Exchange Dealers Association of India) conversion rate from rupees to US dollar applied, on the basis of monthly average rate provided by RBI (DEAP), Mumbai.
(ii) # Figures for the years 2009-10, 2010-11, 2011-12 & 2012-13 (for April, 2012) are provisional subject to reconciliation with RBI.
(iii) „*" An additional amount of US$ 4,035 million pertaining to the year 2008-09, since reported by RBI, has been included in FDI data base from February 2012.

**TABLE 3: STATEMENT ON RETAIL TRADING (SINGLE BRAND) FDI INFLOWS**

| S. No | YEAR | FDI Flows U.S. $ |
|---|---|---|
| 1 | Jan 2007 – Dec 2007 | 1.68 |
| 2 | Jan. 2008 – Dec. 2008 | 23.32 |
| 3 | Jan. 2009 – Dec. 2008 | 162.78 |
| 4 | Jan. 2010 – Jun. 2010 | 8.35 |
| Total | Total till July 2010 | 196.13 |

(From August 2007 to July 2010 - Amounts in U.S. $ million)
***Sources****: compiled from FDI inflow database from DIPP Ministry of commerce and industry, Govt. of India*