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Foreign Direct Investment in Retail Marketing

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Abstract
FDI plays a vital role in improvement of Indian economy.FDI is a crucial element for surviving local industries in global market. FDI inflow provides strength to the Indian economy. Concerted efforts are needed at the regional, national and international levels in order to attract FDI Inflows for the growth of Indian economy. FDI is an easy path to enter the market of developing countries. Vast consumer market, big retail sector, reach aggregate demand, inadequate domestic supply, weak infrastructure, lack in technological background, political instability, low GDP, poor management skill, sick investment promotion strategies, government outlook towards investment, ill local industries, inadequate finance and unemployment all these factors are responsible for the attraction of developed countries about FDI in India. Quick and large capital refund is key factor in the globalization. Adequate attention should pay to improve the relations with foreign investors and offer them incentives for investment in domestic industries of India. The paper consist some responsibilities and recommendations for FDI in India. Government, Investors and Producer should give attention towards making healthy economy. Government should make favorable legal frame for India in FDI policies. Agreement must be included some
measures about the quality and prices of goods. Preference should be given to exchange technological and skillful education between host and guest country. The goal of this research paper is to examine the opportunities, challenges, responsibilities and Recommendations for Foreign Direct Investment (FDI) in India.
Keywords: FDI, FDI Inflow, Opportunities, Challenges, Recommendations, Responsibilities.

Introduction
India is one of the most stirring and promising markets in the globe. Technical and Skilled Human resources are the finest available in the world. Private sector is the lifeblood of economic Activity in India which is energetic and well spirited. Middle class population of India is greater than the population of the USA or the European Union which provide India a key place in International competition. Under the new economic policy, India provides open and liberal economic atmosphere and offers considerable scope for foreign direct investment, joint ventures and collaborations. Due to economic crises in 1991, Economic environment at global level was changed. India was recognized the need of advanced technology in science and business therefore India made a new economic policy in July 1991. According to new economic policy foreign investments were greatly essential for India to become regularly competent in International trade. This new policy removed all unnecessary rules and given liberal environment to foreign investors for FDI inflows under automatic route. *Foreign direct investment (FDI) policies play a major role in the economic growth of developing countries around the world. Attracting FDI inflows with conductive policies has therefore become a key battleground in the emerging markets. The prospect of new growth opportunities and outsized profits encourages large capital inflows across a range of industry and opportunity types.*

Foreign Direct Investment (FDI):
Foreign direct investment (FDI) refers to the net inflows of investment to acquire a lasting Management interest (10 percent or more of voting stock) in an enterprise operating in an Economy other than that of the investor. It usually involves participation in management, joint Ventures, Transfer of technology and expertise. Foreign Investment Promotion Board (FIPB) is a
Competent body to consider and recommend FDI, which do not come under the automatic route.

OBJECTIVES OF STUDY
(1) To analyze the growth of Indian states in context of FDI inflow.
(2) To study the factors contributing to the flow of FDI in a particular state.

FDI Inflows in Retail Marketing
India is the fifth largest economy in the world and position third in the Gross Domestic Product
(GDP) in the Asia. India is considered second largest country amongst all further developing countries and ranks fourth in the PPP in the world. These are the major grounds for FDI inflow from developed countries to India. Starting from a baseline of less than $1 billion in 1990, India reached more than $24.2 billion to FDI in 2010. A recent UNCTAD survey projected, India as the second most important FDI destination (after China) for transnational corporations during 2010–2012. The sectors which attracted higher inflows were services, telecommunication, construction activities and computer software & hardware. Mauritius, Singapore, Japan, U.S.A., Netherlands, U.K., Germany, Singapore, France, Switzerland, and South Korea are among the leading sources of FDI .Now a day FDI is encouraged in most of the sectors under the automatic route in India. There are

more than 63 zones in India where FDI is involved. Some sectors are prohibited from FDI because of national security, sensitiveness and to protect interest of the country. At the same time some sectors are reserved by Indian government for public sector.

FDI in Retail Marketing

Service Sector, Computer Software & Hardware, Telecommunication, Construction Activities,
Automobile Industry, Power, Chemical, Real Estate, Drugs & Pharmaceuticals, rical Equipments, Cement & Gypsum Product, Metallurgical Industries, Electronics, Consultancy Services, petroleum & Natural Gas, Hotel & Tourism, Trading, Textiles, Information &Broadcasting, Sea Transport, Fermentation Industries, Hospital & Diagnostic Centers, Air Transport, Rubber Goods, Machine Tools, Sport, Industrial Machinery, Agricultural Machinery, Paper & Pulp, Agricultural Services, Diamond, Gold Ornaments, Glass, Industrial Instruments, Photographic Raw Film & Paper, Scientific Instruments, Non-conventional Energy, Leather and Leather Goods, Tea and Coffee, Sugar, Vegetable Oils & Vanaspati, Railway Related Components, Education, Fertilizers, Earth-moving Machinery, Printing of Books, Soaps, Cosmetics & Toilet, Medical & Surgical Appliances, Mining, Ceramics, Boilers & Steam Generating Plants, Dye-stuffs, Coal Production, Coir, Timber Product, Defense Industries.

Restricted sectors for FDI in India:

Atomic energy, Nidhi company, Betting and gambling, Chit fund business, Plantation or agricultural activities, Real estate business, Business in Transferable Development Rights, Lottery business, Retail trading, Railway transport, Mining of chrome, zinc, gold, diamonds, copper, iron, gypsum, manganese, and sulfur, Ammunition and arms

Industries Reserved for Public Sector and do not receive FDI in India:

Atomic energy, Transport, Rubber Goods, Machine Tools, Sport, Industrial Machinery, Agricultural Machinery, Paper & Pulp, Agricultural Services, Diamond, Gold Ornaments, Glass, Industrial Instruments, Photographic Raw Film & Paper, Scientific Instruments, Non-conventional Energy, Leather and Leather Goods, Tea and Coffee, Sugar, Vegetable Oils & Vanaspati, Railway Related Components, Education, Fertilizers, Earth-moving Machinery, Printing of Books, Soaps, Cosmetics & Toilet, Medical & Surgical Appliances, Mining, Ceramics, Boilers & Steam Generating Plants, Dye-stuffs, Coal Production, Coir, Timber Product, Defense Industries

TRENDSTRENDS OF FOREIGN DIRECT INVESTMENT IN INDIA

India is a resourceful country where there is an adequate market for both capital and consumer goods. The availability of large amount of natural resources in the country as well as excellent market surroundings and highly trained and experienced resources, provide a better platform for investments. As per the latest report of UNCTAD (United Nations Conference on Trade and Development) India stood at fourth position in context of FDI inflow in the region thus surpassing South Korea. (Economic Survey 2007-08)

The FDI had become important in India adoption of the economic reforms

It was only after the reforms of 1991wherein the liberalization process was also introduced by the then Prime Minister Mr. Narsimha Rao that India started getting foreign inflow of funds. This was followed by liberalization of the FDI policies also. But with increased liberalization, equity caps existed only in limited sectors, like FM radio broadcasting(up to 20 per cent), defense production, petroleum refining in PSUs, print and electronic media, current affairs (up to 26 per cent) air transport, single brand retailing (up to 51 per cent), atomic minerals, telecom services, cable network and establishment and operation of satellites. (up to74 per cent) (Economic Survey 2006-07)

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FDI envelops with it many advantages. They are:

- New capital inflow and technology,
- Increased competitiveness
- Transfer of knowledge and skills,
- Increase in overall productivity,
- Managerial efficiency,
- Creates more employment opportunities.

All these are very useful tools for an all round development and future of any country. FDI engulfs with it the process of dynamism which is a very important component for the economic development and growth of a country. India has emerged as a major recipient of FDI in South Asia after China. Though we cannot compare the FDI inflows in China to that of India, as China is much ahead of us and we have to still burn midnight oil to get maximum FDI in our country. In short, we have miles to go before we sleep.

DETERMINANTS OF FDI INFLOWS INTO THE STATE OF INDIA

Looking at the inflow of FDI, we can observe a wide variation across the Indian states. Though, some of the Foreign Direct Investment is in strict adherence to geographical locations due to the availability of natural resources or the closeness to the market area; it is the states with metropolitan cities which are the major hub of Foreign Direct Investment in India. For example the state of Maharashtra has an advantage of two metropolitan cities i.e. Mumbai and Pune, if we
go down in the south of India, the states of Andhra Pradesh, Karnataka and Tamil Nadhu all have metro cities – Hyderabad, Bangalore and Chennai. If we compare the same with Gujarat it has a disadvantage of not having any metropolitan city. Due to this reason it attracts less FDI.

No doubt, the pace with which Indian economy is moving, it will sooner transform from a Developing country to a developed country. And this road to transformation will need huge amount of resources (both financial and managerial). Under this transformation process, Foreign Direct Investment remains the most convenient and effective option for financial resources in India.

Foreign Direct Investment can be defined as a financial process of incoming of capital from a country outside the political boundaries of a nation. This capital inflow which increases the production capacity of various sectors of the economy is termed as Foreign Direct Investment. According to the Planning mission, FDI is "usually preferred over other forms of external finance because they are non-debt creating, non-volatile and their returns depend on the performance of the projects sanction by the investors. FDI also facilitates international trade and transfer of knowledge, skills and technology."1 It is the duty of the government of a country to formulate, implement and administer the FDI policies. To a large extent the size and amount of FDI inflows in any country depends upon its macroeconomic policies.introduction of disinvestment in the public sector industries and encouragement to privatization followed by liberalization of the FDI policies, increased the total amount of FDI inflow in India. From the available data it appears that most of the FDI in India has gone to the richer states and a meager or nothing is left for the poorer states.

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. It 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 put, home country boosts export area and repairs the deficit between import and export.
- It is found that, FDI improves the GDP rate of host country. It is a symptom of healthy economy. Better GDP rate repairs living standard of peoples in host country. It is observed that, FDI enhance the competition at global level. FDI inflow develops the efficiency and sustains the growth rate of developing country.
- State-wise industrial development of developing country can be possible through FDI. It is viewed that, FDI releases broad opportunities in the traffic of goods and services in India. Products of finer quality are manufactured by various industries in India. It provides fine status in International trade.
- It is found that, FDI helps for upgrading the existing old working process with developed process in India. Developing countries can implement advanced technology in industrial and IT sector by inviting FDI.
- It is observed that, now foreign firms are investing large amounts in joint ventures of India. For occupying better position in the Indian market they spent large amount on Quality and distribution of product. FDI increases the level of competition in the host Country. It will result products and services with fine quality and economical prices can be easily available at urban and rural area in India.
- It is studied that FDI has also ensured a number of employment opportunities by backing the creation of industrial units in various corners of India. Equilibrium economical Development of various states of India can be possible through FDI.
- It is also watched that FDI has given an inducement to small and domestic producers. They become efficient for competition in their local and outside markets. It will result in Enhancing the economy growth.
- 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 large refunds on their invested capital. They take interest only in profit oriented ventures and neglect domestic and traditional business from investment.
- Due to open-minded business policy of India, the problem of surplus FDI will create in future. It will create hurdles in the economy growth of India.
- 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.
- Problem of centralization of FDI projects is occurring in India. Foreign investors prefers only facilitated areas for the establishment of their ventures therefore the projects are Centralized in a particular area. Only profit making from FDI projects is became primary thing in global economy.

Economic growth

- Infrastructure development and education transformation are became secondary things. FDI may lead for profit maximizations.
- Indian political environment is not constant. Business policies are affected with the change of political environment. It will create constraints in smooth and fine running FDI policies.
- 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 in Retail marketing

- 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 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 important step in reducing unemployment from rural region because 60% human resources lives 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 also suggested that the Indian government must promote research and development to maintain fine economic growth under FDI. Maximum preference should be given to the development of human resources. Try to stabilize the political environment.
- FDI should use as means of controlling inflation and deflation, upgrading the education system, ensuring personal security of the citizens. The study emphasizes on the survival of small industries and handicraft business.

These industries should get benefit from the FDI projects for their existence. The policy makers must consider these industries while making FDI policy. 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. It is advocates that large amount should be spent on product distribution in all the corners of India. It is advised that IT and Software base industries should be preferred under FDI because it gives 15 to 35 thousand jobs at entry level. 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 **.**

Responsibilities

- It is a responsibility of regarding authority that, FDI is not the only way of development for the India. They should remember all business ethics while inviting FDI inflow.
- Restricted business should not start with FDI. Fraud, corruption, quality fault and Incomplete legal formalities should not take place in FDI. Consumer, Society and Environmental welfare should keep in the mind while inviting FDI.
- Involved investors should be responsible for any exploitation of consumers and human Resources as well as wastage of natural resources under FDI projects.
- It is the responsibility of policy makers that regional industrial development and equilibrium should be achieved through FDI policies and structure.
- The policy makers should conscious about the control structure of ventures under FDI. Policy should design in such a way which will give maximum control of business in the Hand of host country.
- The related authority should take liability about the consent of ventures under FDI. India is on developing stage therefore FDI should not be granted in every sector of economy.
- Do not make such FDI policies which will give all economy control to the foreign country.
- The policy makers must take responsibility for increasing the number of employment at Rural level in

India. Permission should be given only those foreign investors who will ready to invest in urban and rural region.

- The related authority should take duty to improve the living standards of skilled and Unskilled lab ours and to increase savings and deposits from domestic under FDI.
- Ultimately the development of India is in my hand, this emotion should be created in the heart of every Indian. It is our collective responsibility.

FDI policies

- Simplification of procedure under FDI,
- An increase in the equity caps to 100 per cent through automatic route,
- Extension of horizon of FDI,
- Removal of restrictive conditions.

As a result of this comprehensive review of the FDI policy, the equity cap in civil aviation was increased, events like Destination India were organized in association CII (Confederation of Indian Industry) and FICCI (Federation of Indian Chambers of Commerce and Industry) to attract more investments, bringing into force the Foreign Investment .

Conclusion

The path of economy growth and development certainly navigate with the help of FDI. India is an over populated country; infrastructure facility is not much developed therefore supply term is became week and inflation is occurred. Proper investment policies and Population welfare outlook should be preferred while calling FDI in India. FDI is an additional part of the Indian economy without it the present status of economy never be maintained by India. To compete in International level, to survive local business, to upgrade old technology and primarily to increase the number of employments FDI plays a vital role in Indian economy. FDI in the direction of giving a boost to sales, acquiring resources, improving infrastructure, increasing the supply in the market and making it less risk oriented. Keeping in view the global crisis which may hit investments badly, such policies should be adopted which aim at sustainable elopement of the state at the macro level and gives more cohesive and pragmatic atmosphere for FDI. FDI will specifically help the country in removing infrastructure bottlenecks, increasing exports, providing skilled and trained manpower, removing regional disparity in the state and help in achieving an all round development of each and every part of the states.

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