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FOREIGN DIRECT INVESTMENT: IMPACT ON INDIA

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Abstract

This paper is focuses on Foreign Direct Investment and its impact on India. The traditional practice of selling goods to the consumer is unorganized retail like Kirana store, Momstore. They have contact with local customer in relation seeming to be relatives, Usually they are mingled with their customer as neighbor. By the time and economy goes up, the consumers purchasing power and preference is changing. Based on the taste & preference, now the unorganized sector is converting into organized sector that starts from the urbanized area. Compared to other industry, the retail industry is bigger booming potential industry. Each and every in need of product approach the retail shop. The domestic organized players are very few in comparison of unorganized player. Compared with the international organized player, the domestic players who are in the lack of capital are not effective in healthy competition.

Keywords

Foreign Direct Investment, Marketing, Retail

Introduction

E-accounting is new development in field of accounting. It means all your transactions will record in online server or data base. E-accounting involves performing regular accounting functions, accounting research and the accounting training and education through various computer based internet accounting tools such as digital tool kits, various internet resources. International web-based materials, institute and company databases which are internet based, web links, internet based accounting software and electronic financial spreadsheet tools to provide efficient decision making. An E-accounting system could be thought of as an inter-organizational system because of its capability to electronically integrate a set of firms.

According plays a critical role in the success or failure of contemporary business institutions. Accounting systems are responsible for recording, analyzing, monitoring and evaluating the financial condition of companies, preparation of documents necessary for tax purposes, providing information support to many other organizational functions and so on. Prior to the advent of personal computers, businesses were limited to manual methods for keeping track of financial data. In many operational applications the accounting entries can be generated as a byproduct of the underlying transactions. A computerized accounting system is able to handle financial data efficiently, but the true value of an accounting system was that it was able to generate immediate reports regarding the company.

Objectives of the Research Study

1. To study the conceptual background of Retail Sector in India.
2. To study the position of Foreign Direct Investment in India
3. To study the Impact of Foreign Direct Investment

Research Methodology

The present research paper is based on secondary data only. The secondary data is collected from various references books, research articles and websites.

Foreign Direct Investment in India

Under Foreign exchange Management Regulations, 2000 the Indian Companies are allowed to raise funds from overseas investors. An Indian company which is not engaged in any activity or in manufacturing of item included the list a and b appended may issue fresh shares subject to the condition and sectoral cap as indicated under Foreign Direct Scheme, subject to the terms and condition specified.

Who can Invest in India

There are following categories of person resident outside India who may invest in the capital of Indian Company :

1. A non-resident entity.
2. A citizen or entity of Bangladesh under Govt. Route.
3. NRI resident as well as citizen of Nepal and Bhutan on repatriation basis.
4. Erstwhile OBCs as incorporated non-resident entities.
5. An FLL under the Portfolio Investment Scheme.
6. SEBI registered FLLs or NRIs through a registered broker on recognized India Stock Exchange.
7. SEBI registered Foreign Venture Capital Investor.

Foreign Direct Investment (FDI) is permitted as under the following forms of investments :

1. Through financial collaborations.
2. Through joint ventures and technical collaborations.
3. Through capital markets via Euro issues.
4. Through private placements or preferential allotments.

Indian Entities Into Which FDI Can Be Made

There are below mentioned entity registered or incorporated under Indian law can raise funds against capital :

i. An Indian Company.
ii. Partnership Firm.
iii. Proprietary Concern.
iv. Indian Venture Capital Undertaking (ICVF)
v. Ventures Capital Fund (VCF)
vi. Limited Liability Partnership (LLP)

A Non-resident Indian or a person of Indian Origin resident outside India can invest in the capital of a firm or a proprietary concern in India on non-repatriation basis.

Foreign Direct Investment in Trust other than Venture Capital Funds is not permitted. FDI is not allowed to invest in the above mentioned entities engaged in any agricultural activity or real estate business or print media. FDI in resident entities other than those mentioned above is not permitted.

Type of Instruments

An Indian company arrange fund from a person resident out of India by issue of following type of instrument which are given below:

1. Equity Shares.
2. Preference Shares.
3. Debentures.
4. Issue of Foreign Currency Convertible Bonds.
5. Depository Receipts.
6. Foreign Currency Exchangeable Bonds.

Impact of Foreign Direct Investment

Forex Reserve

As the limit is increased to 51% in the multi brand retail, the direct investment from abroad called FDI would inflow to start the business. The inflow of capital would increase the capital reserve in the Balance of payment which shows the ability of the nation in terms of Forex.

Farmers

The one of the current problem of Indian economic is fiscal deficit which is mostly caused by subsidy give to the farmers which is considered as unproductive. The one way to cut such subsidy is to make the farmers independent by making the system securing them to be paid good price for the commodity. The organized retailers that are capital giant are able to purchase directly from the farmers paying good price. So the govt. should be ensuring that the farmers are getting paid the price of what they are eligible to.

SME

In the norms that are instructed to the foreign player, they should purchase 30% of the product they deal with from the small and medium Enterprise. This ensures the development of SME. The foreign player would like to provide the quality product. The SME would be encouraged to produce the commodity that is of high quality.

Infrastructure

The players are imposed with the restriction of investing 50% of their investment on the Back end infrastructure. the ruling party in India where the economic development is suffered by lack of infrastructure is very cautions about to invest in such area. It would become base for economic in many ways, say transportation.

Distribution

The distribution system is one of the factors determining the cost of product. As they are invested in the infrastructure, they could follow JIT. Say Wal-Mart, they are not interested in expending in the stock maintenance.

Food Wastage

With the poverty in one side, the wastage of food is no another side in the same country. It requires the effective distribution system to avoid food wastage. With the good back end infrastructure, they can able to serve the goods in an optimization way.

Employment

The more employment would be created in the country either directly or indirectly where youth pass out is increasing as much as creation of employment. It would be generated in the agriculture, manufacturing, service industry which, consists of GDP. The more people get employed would rehabilitate the economic cycle.

Retail Industry

Allowing FDI in multi brand retail would infuse the new blood into the industry that has potential. Foreign players that are competitive oriented would implement new strategy.

Another Side Impact

Middle Man

The middle man in the supply chain including non hoarders shall get affected. In the long run, they will be deprived of trade business that causes unemployment. So it could be matched with the need of employees by the organized sector by appropriate policy by the govt.

Dependability

The country may depend on another country as FDI inflow is increasing where the country independency is decreasing. The economic growth may become more endangered on depending on another country economic. The capital giant may dominate the industry exceeding the domestic player. The revenue would outflow abroad affecting Forex reserve.

Conclusion

The expectation behind the opening of FDI in multi brand retail is gigantic. The govt. should take precautionary measure framing the rules to ensure that any industry would not get affected. On the periodical manner, it should checked how much it contributes towards the growth of the economy and impact in other industry.

On the unorganized sector, the traditional players are side to get affected on account of opening of FDI in multi brand retail. Whereas those same kind of retailers are surviving in US. France, etc. These players who are having close relationship with the customers and know their demand need to enhance the modern trend in retail inorder to survive. Practically speaking, most of the consumers are reluctant to shop in organized retail shop spending more time. Whatever may be the opening, the put forward is stifle healthy competition that would change the retail industry. As any industry greeting modernized in the globalization, the FDI in retail is not to be eluded in the developing country where other developing countries like China are implemented this practice before a decade.

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