ROLE OF FDI (FOREIGN DIRECT INVESTMENT) IN RETAIL SECTOR

Kanta
Department of Commerce,
P.I.G. Govt. College for Women, Jind (Haryana)

ABSTRACT

On November 24, 2011, the Union Cabinet of the Indian government approved a proposal of allowing 51 percent FDI in the multi-brand retailing in India and 100 percent FDI in the single-brand retailing, subject to certain conditions. Foreign direct investment (FDI) plays an important role in India's growth dynamics. There are several examples of the benefits of FDI in India such as industrialization, employment generation, export promotion, technology up gradation, etc. Among them Retail sector is also there which is benefited by the FDI. FDI in the retail sector can expand markets by reducing transaction and transformation costs of business through adoption of advanced supply chain and benefit consumers and suppliers. As a result, the Indian government has stalled the implementation of this proposal which has temporarily washed off the wishes of the global retail players awaiting a bite of the Indian retail market. This paper attempts at outlining the government's policy on FDI in retailing and tries to examine it pros and cons while examining the perceptions of small retailers on the government's decision.

INTRODUCTION

The Prime Minister said "FDI" should be understood as "First Develop India" along with "Foreign Direct Investment." He urged investors not to look at India merely as a market, but instead see it as an opportunity. In the past few years the whole concept of shopping has been altered in terms of format and consumer buying behavior. With the increasing urbanization, the Indian consumer is emerging as more trend-conscious. There has also been a shift from price considerations to designs and quality as there is a greater focus on looking and feeling good (apparel as well as fitness). At the same time, the Indian consumer is not beguiled by retail products which are high on price but commensurately low on value or functionality. However, it can be said that the Indian consumer is a paradox, where the discount shopper loyalty takes a backseat over price discounts. Indians have grown richer and thus spending more on vehicles, phones and eating out in restaurants. The spending is focused more outside the homes, unlike in other Asian countries where consumers have tended to spend more on personal items as they grow richer (CII, Logistics and Freight News, March 2006.). Spending on luxury goods have increased twice as fast with 2/3 of India's population is under 35, consumer demand is clearly growing. The mall mania has bought in a whole new breed of modern retail formats across the country catering to every need of the value-seeking Indian consumer. An average Indian would see a mall as a perfect weekend getaway with family offering them entertainment, leisure, food, shopping all under one roof. The liberalization of Foreign Direct Investment (FDI) policy of the Indian Economy in 1991, that has made most business sectors in India eligible to receive foreign investment, has opened up front doors to many a multinational corporation. But the policy framework for the retail and the trading sector has continued to be highly restricted. Ever since, the multinational corporations have been eagerly waiting for the opening of the Indian retail sector for the FDI. Discussions pertaining to FDI in retail trade in India have always yielded a mixed bag of reactions. In the recent times FDI in retailing has been the most heard buzzword in the Indian Corporate World. And finally the big news seems to have arrived i.e. India is ready to open up the doors for FDI in retailing.

RETAILING TYPES IN INDIA

As of 2013, India's retailing industry was essentially owner manned small shops. In 2010, larger format convenience stores and supermarkets accounted for about 4 percent of the industry, and these were present only in large urban centers. India's retail and logistics industry employs about 40 million Indians (3.3% of Indian population).

(a) Single Brand Retailing: - On 11 January 2012, India approved increased competition and innovation in single-brand retail. The reform seeks to attract investments in operations and marketing, improve the availability of goods for the consumer, encourage increased sourcing of goods from India, and enhance competitiveness of Indian enterprises through access to global designs, technologies and management practices. In this announcement, India requires single-brand retailer, with greater than 51% foreign ownership, to source at least 30% of the value of products from Indian small industries, village and cottage industries, artisans and craftsmen.

Mikael Ohlsson, chief executive of IKEA, announced IKEA is postponing its plan to open stores in India. He claimed that IKEA's decision reflects India's requirements that single-brand retailers such as IKEA source 30 percent of their goods from local small and medium-sized companies. This was an obstacle to IKEA's investment in India, and that it will take IKEA some time to source goods and develop reliable supply chains inside India. Ikea announced that it plans to double what it sources from India already for its global product range, to over $1 billion a year, within three years. IKEA in the near term plans to focus expansion instead in China and Russia, where such restrictions do not exist.

Single brand implies that foreign companies would be allowed to sell goods i.e. a retail store with foreign investment can only sell one brand. For example, if Adidas were to obtain permission to retail its flagship brand in India, those retail outlets could only sell products under the Adidas brand and not the Reebok brand, for which separate permission is required. If granted permission, Adidas could sell products under the Reebok brand in separate outlets.

(b) Multi Brand Retailing: -

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. On 7 December 2012, the Federal Government of India allowed 51% FDI in multi-brand retail in India. The Feds managed to get the approval of multi- brand retail in the parliament despite heavy uproar from the opposition. Some states will allow foreign supermarkets like Wal-Mart, Tesco and Carrefour to open while other states will not.

Development of back-end infrastructure can cut the wastage of farm output, time and can improve quality. Improved facilities will enable farmers increase their income. FDI in MBR will intensify the competition paving path to improvement in the standard of quality of the merchandise and widening the consumer choice. On the contrary, it is argued that opening up of the MBR to MNCs would badly affect the small retailers and may lead to huge unemployment. For a mammoth-size economy like India this might not be the case as there is room for accommodating both big as well as small retail outlets to grow. Another point worth-noting is that when large modern domestic Multi Brand Retail outlets start operating in the economy, some consumers from small retail outlets may shift to the big modern outlets.

Distinction of Indian Retail: -

The Indian trading sector, as it has developed over centuries, is very different from that of the developed countries. In the developed countries, products and services normally reach consumers from the manufacturer/producers through two different channels: (a) via independent retailers;

(b) Directly from the producer. In India, however, the above two modes of operation are not very common. Small and medium enterprises dominate the Indian retail scene. The trading sector is highly fragmented, with a large number of intermediaries. So also, wholesale trade in India is marked by the presence of thousands of small commission agents, stockiest and distributors who operate at a strictly local level. Retail giants like US-based Wal-Mart and French Carrefour are very keen to enter in the segment. Bharti Enterprises and Wal-Mart Stores entered into a joint venture in August 2007 and started cash-and-carry stores named 'Best Price Modern Wholesale' in 2009.

DIVISION OF INDIAN RETAIL INDUSTRY

(a) Organized Retailing: - refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses.

(b) Unorganized Retailing:- refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart

and pavement vendors, etc. The pace of growth in retail in India is very fast as it is expected that it will grow up to US$ 833 billion by the year 2013 and US$ 1.3 trillion by 2018 (at a CAGR of 10%). Simultaneously, the consumer spending has also gone up as in the last four years, the consumer spending in India surged to 75%. Also, the organized sector is promising to grow at a CAGR of 40% by the year 2013.

This has lead to more complex relationships involving suppliers, third party distributors and retailers, which can be dealt with the help of an efficient supply chain. A proper supply chain will help meet the competition head-on, manage stock availability; supplier relations, new value added services, cost cutting and most importantly reduce the wastage levels in fresh produce. Large Indian players like Reliance, Ambanis, K Rahejas, Bharti AirTel, ITC and many others are making significant investments in this sector leading to emergence of big retailers who can bargain with suppliers to reap economies of scale. Hence, discounting is becoming an accepted practice. Proper infrastructure is a pre-requisite in retailing, which would help to modernize India and facilitate rapid economic growth. This would help in efficient delivery of goods and value- added services to the consumer making a higher contribution to the GDP. International retailers see India as the last retailing frontier left as the China's retail sector is becoming saturated. However, the Indian Government restrictions on the FDI are creating ripples among the international players like Wal-Mart, Tesco and many other retail giants struggling to enter Indian markets. As of now the Government has allowed only 51 per cent FDI in the sector to 'one-brand' shops like Nike, Reebok etc. However, other international players are taking alternative routes to enter the Indian retail market indirectly via strategic licensing agreement, franchisee agreement and cash and carry wholesale trading (since 100 per cent FDI is allowed in wholesale trading).

The central government commissioned the Indian council for research on international economics relation (ICRIER) to examine the impact of organised retail an unorganised retail. The standing committee on commerce also tabled a report on foreign and domestic investment in retail sector in May 2009 while the department of industrial policy and promotion (DIPP) released a discussion paper examining FDI in multi – brand retail in July 2010. Other experts have also made argument – both in support of, and in opposition to the move to permit FDI in retail sales. The table below summarise some of these arguments from the perspective of various stakeholders as collated from the above report examining the issue.

OPPORTUNITIES AND THREATS OF FDI IN RETAIL IN INDIA

Market liberalization, a growing middle-class, and increasingly assertive consumers are sowing the seeds for a retail transformation that will bring more Indian and multinational players on the scene. India is tipped as the second largest retail market after China, and the total size of the Indian retail industry is expected to touch the $300 billion mark in the next five years from the current $200 billion. But the recent debate has centered on the issue of whether FDI in retail were conducted to analyze the impact of FDI in retail sector in various segments of the economy. According to a policy paper prepared by the Department of Industrial Policy and Promotion (DIPP, 2010), FDI in retail must result in backward linkages of production and manufacturing and spur domestic retailing as well as exports. According to the World Bank, opening the retail sector to FDI would be beneficial for India in terms of price and availability of products. While FDI in multi-brand retail has been opposed by several in the past citing fears of loss of employment, adverse impact on traditional retail and rise in imports from cheaper sources like China, adherents of the same indicate increased transfer of technology, enhanced supply chain efficiencies and increased employment opportunities as the perceived benefits.

Table- 2: A Comparison of Norms under Single-brand and Multi-brand Retail in India

Parameters	**Multi-brand**	**Single-brand**
Ownership / Investment	Minimum investment of US$ 100 million	The foreign investor should be an owner of the brand
Requirement	By the foreign investor	No condition
Investment towards backend infrastructure	At least 50% of the investment by the foreign company to be in back-end infrastructure	No condition

Location of stores Sourcing	Stores to be restricted to cities with a population of one million or more (53 cities as per 2011 Census); given constraints around real estate, retailers are allowed to set up stores within 10 km of such cities At least 30% of manufactured items procured should be through domestic small and medium enterprises (SMEs)	In respect of proposal evolving FDI 51%, 30% sourcing would mandatorily have to be done from domestic SMEs and cottage industries artisans and craftsman
Sales	No Condition	Products to be sold should be of a „single brand" only those brands which are branded during manufacturing) only; sold under the same brand name internationally
Approval of State Governments required	While the proposals on FDI will be sanctioned by the Centre, approvals from each State Government would be required	While the proposals on FDI will be sanctioned by the centre, approvals from each state government would be required

SOME OF THE KEY BENEFITS THAT CAN PERMIT FDI IN MULTIBRAND RETAIL ARE:

a.) Plenty opportunities: There is a huge opportunity for FDI in multi-brand retail. At the present moment, Indian manufacturers are exporting different and various types of products to innumerable retailers worldwide. There are a significant number of people in the population which feels that there is a considerable difference in the quality of the products sold to foreign people and the same products sold in the local market. In view of the availability of disposable incomes for Indians, there is an increased thinking to pay for quality and ease and access to a "one-stop buying" which will have a wide range of different products. If the economy is opened, then the prices can also be changed and the monopoly of specific Indian manufacturers will be challenged. In the eventual analysis, the Indian consumers will get benefit in the form of possible lower prices due to free, enhanced and, possibly, tough competition in the retail sector.

b.) Benefits for the Indian farmers: It can be assumed that, with the establishment of multi-brand retail, the essential commodity industry like food and packaging industry will also get benefits and boost also. India is on of the largest producers of fruits and vegetables; it has not enough integrated cold-chain infrastructure. Non-availability of adequate storage facilities is a cause for heavy losses to the farmers, as well in terms of wastage in quality and quantity of fruits and vegetables in particular. With adoption of liberal, there could be a complete overhaul of the currently fragmented supply chain infrastructure. Extensive backward integration by MNC retailers, coupled with their technical and operational expertise, can hopefully remedy such structural flaws. Also, farmers can get benefit with the "farm-to-fork" the chain of food supply, from the farm where it is produced to the consumer ventures with retailers which helps

(i) to reduce number of intermediaries ; (ii) give fair prices to farmers, and (iii) provide stability and economies of scale which will benefit, in the ultimate analysis, both the farmers and consumers.

c.) Advanced technology and transportation: Advanced technology for processing, grading, handling and packaging of goods and further technical improvements in areas like electronic weighing, billing, barcode scanning etc. could be a direct result of MNCs opening retail shops in India,. Further, transportation facilities can get an incentive, in the form of increased number of refrigerated vans and pre-cooling chambers which can help to reduce wastage of goods and financial losses.

d.) Boost to the real-estate business: Organized retail sector is closely dependant on real estate as any retailer will require large spaces for setting up retail stores. Without real estate it is not possible to grow the retail business. Real estate business in India has gone through a revamp due to the demand of high-end retail malls and people's changing perception towards an enjoyable shopping experience. Thus real estate can get a further benefit in India and receive more investment with the starting of FDI in multi-brand retail.

SOME OF THE THREATS WHICH HAS GENERATED WIDE CRITICISMS ON FDI IN MULTIBRAND RETAIL ARE:

People those who oppose to the FDI in multi-brand retail, feel that FDI will pose some threats before the unorganized retail sector and will adversely impact the small retailers, farmers and consumers and will give boost to monopolies of large multinational retailers, which may adversely affect the pricing and supply of the goods. They also claim that the unorganized retail sector in India is one of the major employment generators and granting permission to FDI in this sector can hurt financially the unorganized retailers, which would lead to losing the livelihood. It would also lead to unfair competition and ultimately result in large-scale exit of domestic retailers, especially the small family managed outlets, leading to large scale displacement of persons employed in the retail sector. Further, as the manufacturing sector has not been growing fast enough, the persons displaced from the retail sector would not be absorbed there. Another concern is that the Indian retail sector, particularly organized retail, is still under-developed and in a nascent stage and that, therefore, it is important that the domestic retail sector is allowed to grow and consolidate first, before opening this sector to foreign investors. Antagonists of FDI in retail sector oppose the same on various grounds, like, that the entry of large global retailers such as Wal-Mart would kill local shops and millions of jobs, since the unorganized retail sector employs an enormous percentage of Indian population after the agriculture sector; secondly that the global retailers would conspire and exercise monopolistic power to raise prices and monopolistic (big buying) power to reduce the prices received by the suppliers; thirdly, it would lead to asymmetrical growth in cities, causing discontent and social tension elsewhere. Hence, both the consumers and the suppliers would lose, while the profit margins of such retail chains would go up. Many have identified loopholes in this policy and their reasons are: condition which is proposed by the government is that, the minimum amount to be brought in as FDI would be $100 millions of which 50 per cent has to be necessarily invested towards processing, manufacturing, distribution, design improvement, quality control, packaging, logistics, storage, ware-house, agriculture market produce, infrastructure etc. but is there any bench-mark for measuring all these subjective issues! New policy is silent regarding it. Another question which has come up is 'how can farmers benefit with higher prices while consumers simultaneously benefit through lower costs?' Well its answer is yet to be found out.

But It can be said that the advantages of allowing unrestrained FDI in the retail sector evidently outweigh the disadvantages attached to it and the same can be deduced from the examples of successful experiments in countries like Thailand and China; where too the issue of allowing FDI in the retail sector was first met with incessant protests, but later turned out to be one of the most promising political and economical decisions of their governments and led not only to the commendable rise in the level of employment but also led to the enormous development of their country's GDP. It is also pertinent to note here that it can be safely contended that with the possible advent of unrestrained FDI flows in retail market, the interests of the retailers constituting the unorganized retail sector will not be gravely undermined, since nobody can force a consumer to visit a mega shopping complex or a small retailer/sabji mandi. Consumers will shop in accordance with their utmost convenience, where ever they get the lowest price, max variety, and a good consumer experience as is the case with Burger and Pao bhaji.

Rationale behind Allowing FDI in Retail Sector

FDI can be a powerful catalyst to spur competition in the retail industry, due to the current scenario of low competition and poor productivity. Permitting foreign investment in food-based retailing is likely to ensure adequate flow of capital into the country, & its productive use in a manner likely to promote the welfare of all sections of society, particularly farmers and consumers. It would also help bring about improvements in farmers" income & agricultural growth and assist in lowering consumer prices inflation.10 Apart from this, by allowing FDI in retail trade, India will significantly flourish in terms of quality standards and consumer expectations, since the inflow of FDI in retail sector is bound to pull up the quality standards and costcompetitiveness of Indian producers in all the segments. It is therefore obvious that we should not only permit but encourage FDI in retail trade.

Indian Council of Research in International Economic Relations (ICRIER) has projected the worth of Indian retail sector to reach $496 billion by 2011-12 and ICRIER has also come to the conclusion that investment of „big" money (large corporate and FDI) in the retail sector would in the long run not harm interests of small traditional retailers.

Entry Options for Foreign Players Prior to FDI Policy (2006)

Although prior to Jan 24, 2006, FDI was not authorized in retailing, most general players had been operating in the country. Some of entrance routes used by them have been discussed in sum as below:-

(a) Franchise Agreements: It is an easiest track to come in the Indian market. In franchising and commission agents" services, FDI (unless otherwise prohibited) is allowed with the approval of the Reserve Bank of India (RBI) under the Foreign Exchange Management Act. This is a most usual mode for entrance of quick food bondage opposite a world. Apart from quick food bondage identical to Pizza Hut, players such as Lacoste, Mango, Nike as good as Marks as good as Spencer, have entered Indian marketplace by this route.

(b) Cash And Carry Wholesale Trading: 100% FDI is allowed in wholesale trading which involves building of a large distribution infrastructure to assist local manufacturers. The wholesaler deals only with smaller retailers and not Consumers. Metro AG of Germany was the first significant global player to enter India through this route.

(c) Strategic Licensing Agreements: Some foreign brands give exclusive licences and distribution rights to Indian companies. Through these rights, Indian companies can either sell it through their own stores, or enter into shop-in-shop arrangements or distribute the brands to franchisees. Mango, the Spanish apparel brand has entered India through this route with an agreement with Piramyd, Mumbai, SPAR entered into a similar agreement with Radhakrishna Foodlands Pvt. Ltd.

(d) Manufacturing and Wholly Owned Subsidiaries: The foreign brands such as Nike, Reebok, Adidas, etc. that have wholly-owned subsidiaries in manufacturing are treated as Indian companies and are, therefore, allowed to do retail. These companies have been authorised to sell products to Indian consumers by franchising, internal distributors, existent Indian retailers, own outlets, etc. For instance, Nike entered through an exclusive licensing agreement with Sierra Enterprises but now has a wholly owned subsidiary, Nike India Private Limited.

Opportunities and Threats of FDI in Retail in India

Market liberalization, a growing middle-class, and increasingly assertive consumers are sowing the seeds for a retail transformation that will bring more Indian and multinational players on the scene. India is tipped as the second largest retail market after China, and the total size of the Indian retail industry is expected to touch the $300 billion mark in the next five years from the current $200 billion. But the recent debate has centered on the issue of whether FDI in retail in India will be a "boon or a bane". Many studies and surveys were conducted to analyze the impact of FDI in retail sector in various segments of the economy. According to a policy paper prepared by the Department of Industrial Policy and Promotion (DIPP, 2010), FDI in retail must result in backward linkages of production and manufacturing and spur domestic retailing as well as exports. According to the World Bank, opening the retail sector to FDI would be beneficial for India in terms of price and availability of products. While FDI in multi-brand retail has been opposed by several in the past citing fears of loss of employment, adverse impact on traditional retail and rise in imports from cheaper sources like China, adherents of the same indicate increased transfer of technology, enhanced supply chain efficiencies and increased employment opportunities as the perceived benefits.

Key Perceived Opportunities

The following may be regarded as major perceived benefits of allowing FDI in retail in India:

1. Capital Infusion- This would provide an opportunity for cash-deficient domestic retailers to bridge the gap between capital required and raised. In fact FDI is one of the major sources of investments for a developing country like India wherein it expects investments from

Multinational companies to improve the countries growth rate, create jobs, share their expertise, back-end infrastructure and research and development in the host country.

2. Boost Healthy Competition and check inflation- Supporters of FDI argue that entry of the many multinational corporations will obviously promise intensive competition between the different companies offering their brands in a particular product market and this will result in availability of many varieties, reduced prices, and convenient distribution of the marketing offers.

3. Enhancement in Supply Chain- Improvement of supply chain/ distribution efficiencies, coupled with capacity building and introduction of modern technology will help arrest wastages (in the present situation improper storage facilities and lack of investment in logistics have been creating inefficiencies in food supply chain, leading to significant wastages).

4. Enhancement in Customer Satisfaction- Consumers in the organized retail will have the opportunity to choose between a numbers of internationally famous brands with pleasant shopping environment, huge space for product display, maintenance of hygiene and better customer care. There is a large segment of the population which feels that there is a difference in the quality of the products sold to foreign retailers and the same products sold in the Indian market. There is an increasing tendency to pay for quality and ease and access to a "one-stop shop" which will have a wide range of different products. If the market is opened, then the pricing could also change and the monopoly of certain domestic Indian companies will be challenged.

5. New technology and logistics- Improved technology in the sphere of processing, grading, handling and packaging of goods and further technical developments in areas like electronic weighing, billing, barcode scanning etc. could be a direct consequence of foreign companies opening retail shops in India,. Further, transportation facilities can get a boost, in the form of increased number of refrigerated vans and pre-cooling chambers which can help bring down wastage of goods.

6. Advantage for the Farmers- Presumably, with the onset of multi-brand retail, the food and packaging industry will also get an impetus. Though India is the second largest producer of fruits and vegetables, it has a very limited integrated cold-chain infrastructure. Lack of adequate storage facilities causes heavy losses to farmers, in terms of wastage in quality and quantity of produce in general, and of fruits and vegetables in particular. With liberalization, there could be a complete overhaul of the currently fragmented supply chain infrastructure. Extensive backward integration by multinational retailers, coupled with their technical and operational expertise, can hopefully remedy such structural flaws. Also, farmers can benefit with the "farm-to fork" ventures with retailers which helps i) to cut down intermediaries; ii) give better prices to farmers, and;

iii) Provide stability and economics of scale which will benefit, in the ultimate analysis, both the farmers and consumers.

7. Creation of More And Better Employment Opportunities- The entry of foreign companies into Indian Retailing will not only create many employment opportunities but, will also ensure quality in them. This helps the Indian human resource to find better quality jobs and to improve their standard of living and life styles on par with that of the citizens of developed nations.

Impact of FDI on Various Stakeholders

The Confederation of Indian Industry (CII) conducted a survey during December 2011 to January 2012 on the impact of FDI on Small and Medium Enterprises (SMEs) based on a large sample size of 250companies covering different categories of SMEs according to sales turnover. A majority of the SME companies, surveyed have supported the government"s decision and the notification allowing 100% FDI in single brand retail and about 52 percent of respondents hope for earlyimplementation of 51% FDI in multi-#he Opportunities and Challenges of FDI in Retail in India brand retail. On the question how the SME industry consider entry of MNC retailers as a threat or opportunity, majority of respondents (66.7%) see it as an opportunity for their sector while around 21 % of respondents perceive it as a threat. About 12.5 percent of respondents are of the opinion that the decision would have little or no impact on their company.

1. Impact on family-owned business- Traditional retailing has been established in India for many centuries, and is characterized by small, family-owned operations. Because of this, such businesses are usually very low -margin, are owner-operated, and have mostly negligible real estate and labour costs. Such small shops develop strong networks with local neighbourhoods. The informal system of credit adds to their attractiveness. Moreover, low labour costs also allow shops to employ delivery boys, such that consumers may order their grocery list directly on the phone. These advantages are significant, though hard to quantify. In contrast, players in the organized sector have to cover big fixed costs, and yet have to keep prices low enough to be able to compete with the traditional sector. Getting customers to switch their purchasing away from small neighbourhood shops and towards large-scale retailers may be a major challenge. The experience of large Indian retailers such as Big Bazaar shows that it is indeed possible. The oppositions, on the other hand, believe that local kirana shops will not be affected. The kirana stores operate in a different environment catering to a certain set of customers and they will continue to find new ways to retain them.

2. Impact on Farmers Occupation- It is being claimed by the advocates of FDI in retail that the elimination of intermediaries and direct procurement by the MNCs would secure better prices for the farmers. The fact is that the giant retailers would have far greater buyer power vis-à-vis the farmers compared to the existing intermediaries. The entry of giant MNCs into agricultural procurement would make the problems worse for the farmers. As against the „mandis" that operate today, where several traders have to compete with each other in order to buy the farmers" produce, there will be a single buyer in the case of the MNCs. This will make the farmers dependent on the MNCs and vulnerable to exploitation. On the contrary, the advocates of FDI believe that FDI in retail in the agriculture will help in improving supply chain, infrastructure and ensure economic security for farmers through the elimination of middlemen in the country.

3. Impact on Indian Consumers- With liberalization, economic growth and changes in Indian consumers" demographic and economic profile and their shopping behaviour, the retail sector is undergoing changes. At present, foreign retailers operate in India through both store and non-store formats. In terms of the shopping behaviour of Indian consumers across different retail outlets, traditional outlets are preferred as consumers can bargain while modern outlets are preferred because they link entertainment with shopping. Those who purchase at modern outlets have reported better product quality, lower prices, one-stop shopping, choice of more brands and products, better shopping experiences with family and fresh stocks as some of the reasons for their choice of outlet. On the other hand, proximity to residence, goodwill, credit availability, possibility of bargaining, choice of loose items, convenient timings, home delivery, etc., are some of the benefits of traditional outlets (Joseph and Soundararajan 2009). This, in turn, will lead to the development of more efficient and lower cost supply chains, resulting in better quality as well as lower-priced products for Indian consumers. This will increase consumer spending, which in turn, will drive growth in all sectors of the economy in a virtuous cycle.

4. Impact on Existing Indian Organized Retail Firms- The existing Indian organized retail firms (such as Spencer's, Foodworld Supermarkets Ltd, Nilgiri's and ShopRite) support retail reforms and consider international competition as a blessing in disguise. They expect a flurry of joint ventures with global majors for expansion capital and opportunity to gain expertise in supply chain management.

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