



Economy Coupled Trade & Turbulences of Central India with Specific Reference to Foreign Direct Investment

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Abstract

Retailing is the largest private industry in India and second largest employer in the Indian economy. Comprising of both organized and unorganized sectors, Indian retail industry is one of the fastest growing industries in India. India has witnessed a revolution in Retail trade during the last two decades owing to rapid urbanization and changing consumption. The entry of the leading corporate houses into retail created a surge into the growth of the industry. One of the spectacular growth during the last two decades is the global economic landscape. FDI can be a powerful catalyst to spur competition in industries characterized by low competition and poor productivity. Foreign Direct Investment (FDI) is an investment made by a company or the individual based in one country into a company based in other country. In India foreign investment was introduced in 1991 under Foreign Exchange Management Act (FEMA). Economic Liberalization started in India due to the economic crisis.

Keywords: Indian economy, Retail trade, FDI, Foreign Exchange Management Act etc.

Research Methodology

The research paper based on secondary data collected.

The Objective of Research:

- To study and understand FDI Policy with regard to retailing in India
- To study and analyse the impact of FDI on Logistics management and front end retail in Central India.

Data Collection



Data has collected from newspaper, books, magazines, reports, and websites.

Introduction

India is the fifth largest preferred retail destination globally. It is also among the highest in the world in terms of per capita retail store availability. After the entry of big foreign players in the market, the Indian Retail market has become more competitive. The retail sector in India is very fast growing sector, which contributes more than 10% in the GDP and generate nearly 8% of employment. Indian B2B, B2C and online retail is expected to get great hike till 2020. India's online market is also growing fast. According to the department of Industrial policies and Promotion, the Indian Retail trading has received FDI equity inflows of US\$537.61 million during April 2000-March 2016. FDI plays a major role for any country to remove the problem like poverty and unemployment. So if investment is done in retail sector, it will directly help to remove the basic problem of the country.

Govt Policy for Retailing in India

Indian government policy with regard to development of retail industry has been liberal and motivating. FDI is allowed in various sectors of the economy by the Central Govt. but FDI in retailing is still restricted and not allowed in full swing. In January 2012, India approved reforms for single brand stores welcoming anyone in the world to innovate in Indian retail market with 100% ownership but imposed the requirement that the single brand retailer source to 30% of its goods in India. Indian govt continues to hold on retail reforms for multi brand stores. Non banking finance companies have got 100% approval for FDI which is expected to attract foreign capital in the country. The National Authority of India is offering a risk cover to the foreign investors who are willing to invest in govt. owned operational national highways, which could cover risk associated with structural design fault, sub standard quality of construct and lose of traffic.

Impact of FDI in retail in India

Huge investment in retail sector will see gainful employment opportunities in agro-processing, sorting, logistics management and front end retail. At least 10 million jobs will be created in the next three years



in the retail sector. Foreign retail majors will ensure effective supply-chain efficiencies. That will also create an opportunity for the local players in retail to learn from them. Sourcing of a minimum of 30% from Indian micro and small i.e. scales to encourage domestic industry is mandatory. This will provide the scales to encourage domestic value addition and manufacturing, thereby creating a multiplier effect for employment, technology upgradation and income generation.

Limitation of Retail in India in Infrastructure

In case of infrastructure, there has been a lack of investment in the logistics of the retail chain, leading to an inefficient market mechanism. Though India is the second largest producer of fruits and vegetables (about 180 million MT), it has a very limited integrated cold chain infrastructure. It has only 5386 stand alone cold storages having a total capacity of 23.6 million MT. But 80% of this capacity is used by potatoes alone.

Hence perishable items find it difficult to link to distant markets, including overseas market round the year. Storage infrastructure is necessary to carry out the agriculture produce for the rest of the period, other than production periods, to prevent distress sales. Lack of adequate storage facilities cause heavy losses to the farmers in terms of wastage in quality and quantity of produce in general. Though FDI is permitted in cold – chain to the extent of 100% through automatic route, FDI flow to the sector has not been significant, in the absence of FDI in retailing.

Supply Chain and Logistics

Supply chain management means purchasing, operations, integrating and distribution. As supply chain becomes more complex, it deals with multiple vendors to co ordinate. This results to easy creeping of inefficiency. Hence Logistics is required. Logistics is that part of the Supply Chain management which enables effective and efficient storage. This results in the flow of goods from point of origin of the raw materials-through the manufacturing cycle- to the point of consumption. Logistics providers offer critical value enhancing functions for all the stages of Supply Chain Management. Thus broadly speaking , the Indian logistics comprises of the entire inbound and outbound segments of the manufacturing and service supply chain.

The liberalizing economy is experiencing entry of large domestic and global firms in new businesses as well as enlargement of distribution network of many regional firms. The announcement of large retail



projects by Reliance and Bharti will bring new technology, add additional warehouse capacity and will require fast and reliable movement of the goods in the country.

The e-choupal project was launched by ITC – a large diversifies company with strong FMCG presence-in-200 in Central Indian State of Madhya Pradesh to re-organize the distribution of soyabean in rural market. Today, e-choupal reaches out to more than 3.5 million farmers in 35000 villages through 6100 kiosks across 10 states (Madhya Pradesh, Haryana, Uttarakhand, Uttar Pradesh, Rajasthan, Karnataka, Kerala, Maharashtra, Andhra Pradesh and Tamil Nadu). through internet connectivity and now covers a variety of agro business products. ITC was able to overcome the hurdles of Infrastructure inadequacy in villages. It uses solar energy to power the batteries of the computer kiosks. Farmers are now able to make informed decisions as they understand the market better leading to high productivity. Various seeds and fertilizer companies are now able to reach wider market with lesser transaction costs. The e-choupal has provided market for more than 64 companies. ITC is now building a rural retail infrastructure on the foundation of e-choupal network thereby changing the rural distribution network.

Conclusion :

As logistics and supply chain management is vital for smooth flow of trade in the economy, tremendous growth is expected in the outsource of logistic service. While logistics outsourcing has been in existence for several decades, it was limited to transportation and logistics. Post liberalization, country has seen the outsourcing of the value added services like freight forwarding, fleet management, import/export and custom clearance.

The logistic and supply chain Industry is evolving rapidly and is the interplay of infrastructure, technology and new types of service providers. Changing govt policies on taxation and regulation of service providers will also play an important role in this process. Co-ordination across various govt agencies require govt approval and is a road block of multi modal transport in India. At the firm level, the logistics and supply chain management will have to move towards reducing the cycles times in order to add value to their customers.

Website

- <https://www.itcportal.com/businesses/agri-business/e-choupal.aspx>
- <https://corporatefinanceinstitute.com/resources/knowledge/economics/foreign-direct-investment-fdi/>



Newspaper

- 1) Times of India
- 2) Indian Express
- 3) Economy Times