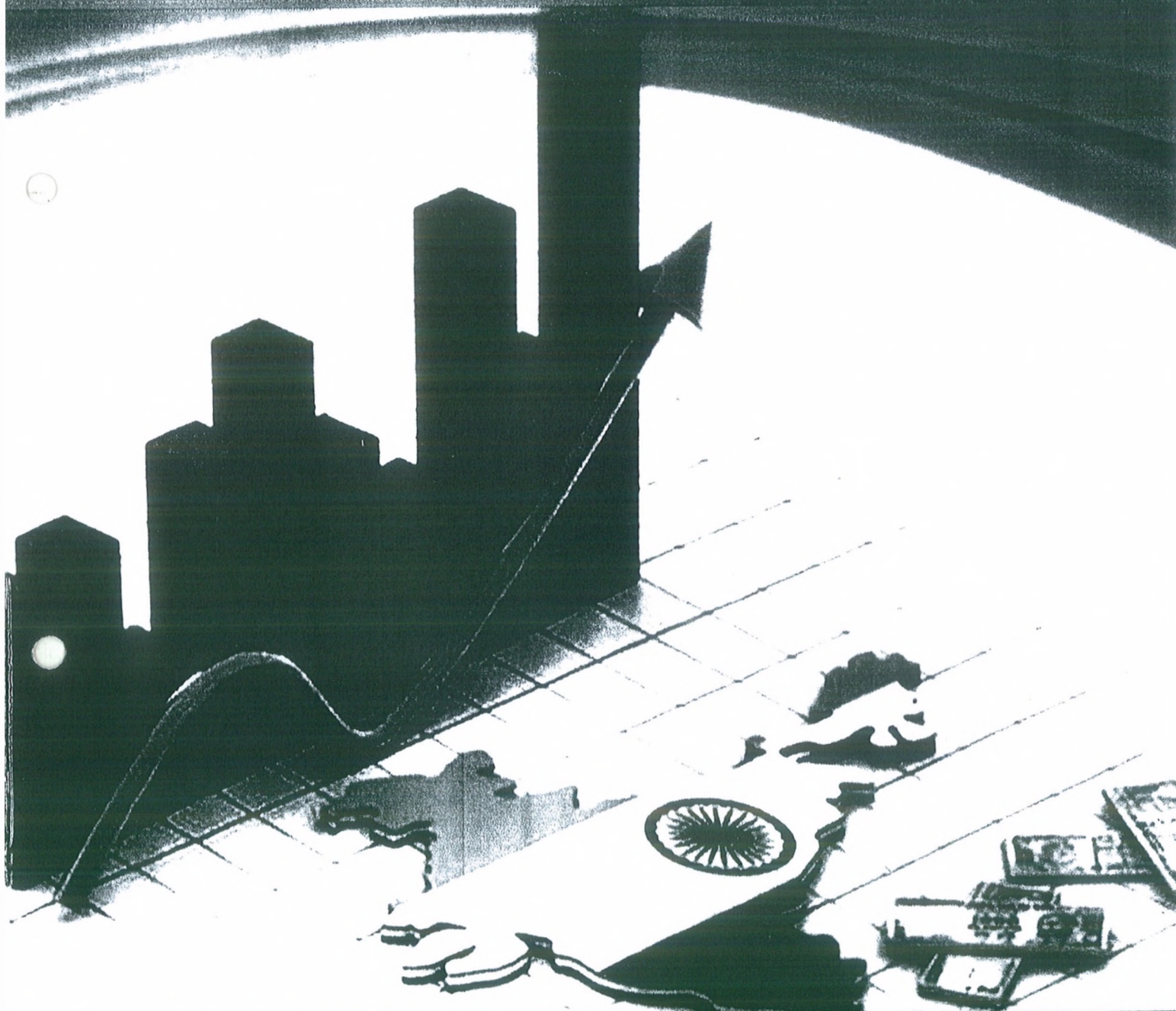


FDI and Economic Development



Dr. C. THILAKAM
Professor & Head
Department of Commerce
MS University
Tirunelveli



27. Entrepreneurial Development - A Gender Comparative Approach in Home-Based Businesses in Ampara District	183
M.A.C. Salfiya Ummah S. Gunapalan	
28. A Study on Women Consumer Buying Pattern of Car at Hyundai Motor India Limited	191
J. Kamala Juliet Isaac	
29. A study on Employee's Job Satisfaction in Tuticorin Port Trust(TPT), Tuticorin	200
F. Cisma	
30. A Swot Analysis of Women Entrepreneurs in Tuticorin District	208
Dr. Arumugam Mrs. Ponnammal @ Shanthi	
31. Foreign Direct Investment in Retail Sector: Opportunities and Challenges	214
T. Amutha, Dr. M. Veeraselvam	
32. Foreign Direct Investment (FDI)- a Tool for Growth : Challenges and Opportunities in Sri Lanka	221
M.A.C. Salfiya Ummah A.M.M. Mustafa	
33. Foreign Direct Investment and Education	230
K. Sivagami Dr. S. Lakshmi	
34. FDI In Retail Sector in India: Opportunities and Challenges	239
Mrs. R. Kavitha	
35. Analytical Study of Foreign Directinvestment in Indian Retail Sectors	243
Mrs. P. Deivanai	

Copyright © 2014, Editon

Published by

Maya Publisher - Salem

FDI and Econmic Development

All rights reserved. No Part of this publication may be reproduced or distributed in any form or by means, electronic, mechanical, photocopying, recording, or otherwise or stored in a database or retrieval system, without the prior written permission of the editors / Publisher, including, but not limited to, in any network or other electronic storage or transmission, or broadcast for distance learning.

This book has been published in good faith that the work of the authors is original. All efforts have been taken to make the material error-free. However, the editor, the institute and publisher disclaim responsibility for any inadvertent errors.

ISBN : 978-81-929581-2-5

Typeset by MAPS Publishing Solutions

Analytical Study of Foreign Direct Investment in Indian Retail Sectors

* Mrs. P. Deivanai

** Assistant Professor, Department of Commerce, Avinashilingam Institute for Home
Science and Higher Education For Women, University, Coimbatore- 43.*

Introduction

Foreign investments mean both foreign portfolio investments and foreign direct investments. FDI Brings better technology and management, marketing networks and offers competition, the latter helping Indian companies improve, quite apart from being good for consumers. Foreign Direct investment is the outcome of the interest of the multinational firm and that of the host countries. Indian retail sector Indian retail industry is the biggest industry in comparison to other industries. It occupied 14% of India's Gross Development Product and near about 8% of the Employment. Retailing is the largest private sector industry in the world economy with the global industry size exceeding \$6.6 trillion and a latest survey has projected India as the top destination for retail investors. India is currently the 12th largest consumer market in the world, and the Indian retail industry is the fifth largest in the world. There are the exciting times for Indian Retail markets in Asian giants like china are getting saturated. In retail growth, India is set to become a US\$ 450 billion retail market by 2015, comparable in size to Italy (US\$ 462 billion) and much larger than Brazil (US\$ 258 billion) today. The present value of the Indian retail market is estimated by the India Retail Report to be around Rs. 12,00,000 crores (\$270 billion) and the annual growth rate is 5.7 percent. Furthermore around 15 million retail outlets help India win the crown of having the highest retail outlet density in the world. Retail sector is the largest source of employment after agriculture, and has deep penetration into rural India. It is also believed that 21 million people are employed in the retail sector which is 7 per cent of the total national workforce whereas the global average is around 10-12 per cent. It is estimated that an additional eight

million jobs will be generated. Foreign direct investment (FDI) plays a significant role in accelerating economic growth in developing countries. The BMI India Retail Report for the third-quarter of 2010, forecasts that the total retail sales will grow to US\$ 543.2 billion in 2014 from US\$ 353 billion in 2010.

Mass grocery retail (MGR) sales in India are forecast to undergo enormous growth over the forecast period. BMI further predicts that sales through MGR outlets will increase by 154 percent to reach US\$ 15.29 billion by 2014. This is a consequence of India's dramatic, rapid shift from small independent retailers to large, modern outlets.

The study covers the following objectives:

- ❖ To assess the trends and pattern of flow of FDI.
- ❖ To study the determinants of FDI inflows.
- ❖ To study impact of FDI on the Indian economy.
- ❖ To evaluate the flow of investment in India

Data Collection:

The study is based on secondary data. The required data has been collected from various sources like World Investment Reports, Asian Development Bank's Reports, Various Bulletins of Reserve Bank of India, Publications from Ministry of Commerce, Govt. of India that available on internet. It is a time series data and relevant data have been collected for the period of 1991 – 2012.

Growth Pattern of FDI in India

Various studies have projected India among the top 10 favoured destination for FDI. Cumulative FDI equity inflows has been 1,26,450 Million US\$ for the period 2000- 2010. This is attributed to contribution from service sector, computer software, telecommunication, real estate etc. India's 80% of cumulative FDI is contributed by 10 countries while remaining 20 per cent by rest of the world. Country-wise, FDI inflows to India are dominated by Mauritius (42 percent), followed by the Singapore (9 per cent), United States (7 percent) and UK (5 percent) (Table 1). Countries like Singapore, USA, and UK etc. invest in India mainly in service, power, telecommunication, fuels, electric equipments, food processing sector.

Top investing countries FDI Equity Inflows

Table 1

Country	Cumulative Inflows (April 2000-December 2010)	In Amount (US\$ in Million)	
		Percentage to total inflows (in terms of US \$)	Ranks
Mauritius	(52,986)	42%	1
Singapore	(11,639)	9%	2
U.S.A.	(9,333)	7%	3
U.K.	(6,359)	5%	4
Netherlands	(5,503)	4%	5
Japan	(4,906)	4%	6
Cyprus	(4,532)	4%	7
Germany	(2,910)	2%	8
France	(2,215)	2%	9
UAE	(1,870)	1%	10
Countries not Indicated	(24197)	20%	11
Total Inflows	(126450)	100%	

Sub sectors of FDI equity inflows in automobile industries (Jan-2000-Dec2010)

FDI Equity inflows (month wise) During the Financial year 2012-2013

A record 2nd highest monthly FDI equity inflow of US\$ 12,103 million, has been received during the month of september, 2012, representing an increase of nearly 4679, in US \$ terms, over the FDI equity inflows of US\$ 1.380 Million received in June, 2011.

Table 2

Financial Year 2012-2013 (April - March)	(In Rs. Crore)	(In US \$ Mn)
April 2012	9,620	1,857
May	7,229	1,327
June	6,971	1,244
July	8,182	1,475
August	12,578	2,264
September	3,552	4,679
October	10,295	1,942
November	5,798	1,058
December	6,012	1,100
January	11,719	2,157
2012-2013 (Upto to January, 2013)	103,956	19,103
2012-2013 (Upto to January, 2013)	146,079	31,281
Percentage of growth over last year	(-) 28%	(-) 39 %

Source : As per DIPP's FDI data base

Growth rate of FDI inflows to India

The FDI inflows into India are increasing trend after the post liberalization regime. The following clearly reveals that, FDI inflows in India during the year from 2000-2013.

Table 3

Financial Year 2012-2013 (April – March)	FDI Flows into India	
	(In Rs. Crore)	(In US \$ Mn)
Year 2000-2001	10,733	
Year 2001-2002	18,654	(+)65%
Year 2002-2003	12,871	(-)33%
Year 2003-2004	10,064	(-)19%
Year 2004-2005	14,653	(+)47%
Year 2005-2006	24,584	(+)72%
Year 2006-2007	56,390	(+)125%
Year 2007-2008	98,642	(+)97%
Year 2008-2009	14,2829	(+)28%
Year 2009-2010	12,3120	(+)18%
Year 2010-2011	97,320	(-)17%
Year 2011-2012	1,65,146	(+)64%
Year 2012-2013 April 2012-January 2013.	103,956	-
Cumulative total	878,962	-

Source : As per DIPP's FDI data base

Table shows the amount of FDI inflows April 2012 to February, 2013. It shows the amount in Rs. crore and in US \$ Mn. The highest FDI inflows in the country is in the month September, 2012 i.e. 25,522 in Rs. crores and 4679 in US \$ Mn. Other months show the fluctuating trend. It has been increased from Rs. 10,733 crore to 103,956 crore. In addition to this compound growth rates also worked out to get the gross root level of the FDI trends in India. Recently the FDI trends have been come down because of the main impact of the global crisis during the year 2007-2008.

Ranking of Sector Wise FDI Inflows in India since April 2000- Dec 2011:

Rank of Sector-wise FDI Inflows

Table 4

S.No	INDUSTRIAL SECTORS	Rank
1.	Service sector	I
2.	Computer hard ware and software	II
3.	Telecommunication	III
4.	Housing and real state	IV
5.	Construction	V
6.	Power	VI
7.	Automobile industry	VII
8.	Metallurgical industry	VIII
9.	Petroleum and natural gas	IX
10.	Chemicals	X

Sources: Fact Sheets on FDI, DIPP

Analysis and Findings:

Government of India has decided to allow 26% FDI and 23% FII investment in commodity exchange, subject to the provision that no single entity will hold more than 5% stake. Although India's share in global FDI has increased considerably, but the pace of FDI inflows has been slower than China, Singapore, Brazil and Russia. Due to continued economic liberalization since 1991, India has seen a decade of 7 plus percent of economic growth. There has been a generous flow of FDI in India since 2000 and its overall direction also remained the same over the years irrespective of the ruling party. During the period under study it is found that India's GDP crossed on trillion dollar mark in 2011. its domestic saving ratio to GDP also increases from 6.06 percent in 2009-2010 to 8.86 percent in 2010-11. The analysis of last thirteen years of trends in FDI inflows in India shows that initially the inflows were low but there is a sharp rise in investment flows from 2005 onwards. It is observed that India received FDI inflows of Rs. 103956 crore during 2012-2013 as compared to Rs. 10733 crore during 2000-2001. India received a cumulative FDI flow of Rs. 878962 crore during 2000 to March 2013.

Conclusion

FDI plays a crucial role in enhancing the economic growth and development of the country. Moreover, FDI as a strategic component of investment is needed by India for achieving

the objectives of its second generation of economic reforms and maintaining the pace of growth and development of the economy. In fact, India's economy has been growing more than 9 percent for three consecutive years since 2007 which make country make a proficient performer among global economies. At present India is the 4th largest and 2nd fastest growing economy in the world. It is the 11th largest economy in terms of industrial output and has the 3rd largest pool of scientific and technical manpower. There has been a generous flow of FDI in India since 1991 and its overall direction also reminded the same over the years irrespective of the ruling party. India has considerably decreased its fiscal deficit from 4.3% in 2002-03 to 2.7% in 2007-08 and 1.15 in year 2009-11.

Reference

1. DIPP, Ministry of Commerce and Industry, Government of India - Fact Sheet On FDI (April 2000 to December 2010)
2. SIA New letter January (2011) [<http://dipp.nic.in>] (2011)
3. DIPP, Ministry of Commerce and Industry, Government of India - SIA News letter with FACT SHEETS in 2008, 2009, 2010, 2011 and January 2013 [<http://dipp.nic.in>] (2013)
4. Annual Survey of Industries 04/05 and ImaCS analysis (ICRA) (2010)

FDI and Economic Development

ABOUT THE AUTHOR



DR. C. THILAKAM has more than 30 years of teaching experience UG, PG, and M.phil. level. She has published more than 48 articles reputed journals. She has presented more than 75 research papers in National and International seminars and conferences. She is having more than 25 years of research experience. Under her guidance, 68 students have completed their M.phil Degree and 5 scholars are doing their M.phil.

Under her guidance, fifteen scholars have awarded their Ph.D. and presently she is guiding Ph.D. Scholars. She has delivered number of guest lectures and chaired the sessions of different seminars at National and International level. She has edited Three book namely, "Banking sector in the Global Scenario", "Trends of Banking Sector in current Scenario", and "Global Changes and Sustainable Consumption Issues & Challenges", She has membership in more than 10 academic bodies. She is recipient of BEST CITIZEN AWARD.

