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FOREIGN DIRECT INVESTMENT IN RETAIL IN INDIA - AN ANALYSIS

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Abstract
India the Concept of Foreign Direct Investment is now a part of India's economic future but the term remains vague to many, despite the profound effects on the economy. India is the second most attractive retail destination, globally from among thirty emergent markets so foreign investors are curious to invest in India in so many sectors. FDI is allowed up to 51% investment in single brand retail but government is going to open the doors for Multi Brand investment It has made India the cynosure of many foreign eyes. FDI in multi brand can affect our economy by so many ways. In this paper an attempt has been made to analyse the different dimensions of FDI in multi brand retailing and its inflows in India.

Key Words: FDI, Retailing, FIPB, BPCL, GDP.

1. The Background of Foreign Direct Investment in Retail in India

In 1997 India allowed Foreign Direct Investment in cash and carry wholesale. At that time it required Government's approval. The approval requirement was relaxed, and automatic permission was granted in the year 2006. Between 2000 to2010, Indian retail attracted about Rs.9,000 Crore in Foreign Direct Investment, representing a very small 1.5 per cent of total investment flow into India. Single brand retailing attracted 94 proposals between 2006 and 2010, of which 57 were approved and implemented. For a country of 120 Crore people, this is a very small number. Some claim one of the primary restraints inhibiting better participation was that India required single brand retailers to limit their ownership in Indian outlets to 51 per cent. China in contrast allows 100 per cent ownership by foreign companies in both single brand and multi-brand retail presence. Indian laws already allow Foreign Direct Investment in cold-chain infrastructure to the extent of 100 per cent. There has been no interest in Foreign Direct Investment in cold storage infrastructure build out. Experts claim that cold storage infrastructure will become economically viable only when there is strong and contractually binding demand from organized retail. The risk of cold storing perishable food, without an assured way to move and sell it, puts the economic viability of expensive cold storage in doubt. In the absence of organized retail competition and with a ban on foreign direct investment in multi-brand retailers, foreign direct investments are unlikely to begin in cold storage and farm logistics infrastructure. Until 2010, intermediaries and middlemen in India have dominated the value chain. Due to a number of intermediaries involved in the traditional Indian retail chain, norms are flouted and pricing lacks transparency. Small Indian farmers realize only 1/3rdof the total price paid by the final Indian consumer, as against 2/3rd by farmers in nations with a higher share of organized retail. About 60 per cent margins for middlemen and traditional retail shops have limited growth and prevented innovation in Indian retail industry. India has had years of debate and discussions on the risks and prudence of allowing innovation and competition within its retail industry. Numerous economists repeatedly recommended to the Government of India that legal restrictions on organized retail must be removed, and the retail industry in India must be opened to competition. For example, a report noted that an increasing number of people in India are turning to the services sector for employment due to the relative low compensation offered by the traditional agriculture and manufacturing sectors. The organized retail market is growing at 35 per cent annually while growth of unorganized retail sector is pegged at 6 per cent. The Retail Business in India is currently at the point of modulation. As rapid change with investments to the tune of Rs.12,500 Crores were being planned by several Indian and multinational companies in the next 5 years. It is a huge industry in terms of size and according to India Brand Equity Foundation, it is valued at about Rs.2,00,000 Crores. Organized retail is expected to gather about 16-18 per cent of the total retail market in the next 5 years.

1.1 Retail Sector in India

The Indian Retail Sector has primarily comprised of Unorganized Players in the form of locally owned, Grocery Shops (kirana stores), Road side Wooden Structures (paan khokha/shops), Multipurpose Stores (general stores), Hand Cart (redi-wala) and Pavement Vendors (footpath) etc. On the other hand, Organized Retailing involves trading activities undertaken by licensed retailers, that is, those who are registered for Sales Tax and Income Tax. The corporate-backed Super Markets, Hyper Markets and Retail Chains and the privately owned large retail businesses are also present in India. However, the tremendous growth prospect of the sector coupled with successfully established models of organized retail in other Asian markets such as China has paved the way for the establishment of organized retail in India as well. In addition to this, a number of home-grown corporate giants such as Future Group and Aditya Birla Group have furthered the cause of organized retail by setting up exclusive outlets across India. Nevertheless, there is still a long way to go before Foreign Direct Investment in Indian Retail can be realized in its totality. Though the voices have been growing louder for Multi-Brand Foreign Direct Investment to be permitted for retail, there is still a long way to go. The Indian Government aims to take up this case gradually as suggested by the latest Economic Survey Report which states permitting Foreign Direct Investment in retail in a phased manner beginning with Metro Cities and encouraging the existing retail shops to modernize their shops, which may help in resolving the concerns of Farmers and Consumers. Foreign Direct Investment in retail sector may also help bring in technical know-how to set up efficient supply chains which could act as models of development. Retailing is the direct interface between the manufacturers and the end users who are basically individual consumers. The retail business owners stock up all goods after purchasing it directly from the manufacturers and then sell it to individual customers keeping a profit margin for themselves. India's retail industry is divided into organized and unorganized sectors. Post liberalization, organized retail has grown exponentially and is a testament of the Indian middle class's burgeoning purchasing power. As a consequence, the opening up of the Whole sale and single brand retail sector to foreign direct investment ("FDI") was inevitable. India is ranked as the third most attractive nation for retail investment among 30 emerging markets with domestic companies like the Future Group, Tata's Westside, Reliance Fresh, Raheja Group and Bharti Retail competing for market share. Multi-brand retail comes in different formats like supermarket, hypermarket, compact hyper and the ubiquitous mall. The success of this sector is best reflected in the fact that the shares of retail companies are well represented in all top mutual funds. However, the sector is constrained by several factors, primarily by a highly restrictive licensing regime and overall poor infrastructure. These factors have contributed to restrict organized retail to only about 3% of the total retail industry. This newsletter examines the prospects of FDI in multi-brand retail in India, and builds a case as to why the sector needs to be opened. India being a signatory to World Trade Organisation's General Agreement on Trade in-services, which include wholesale and retailing services, had to open up the retail trade sector to foreign investment. There were initial reservations towards opening up of retail sector arising from fear of job losses, procurement from international market, competition and loss of entrepreneurial opportunities. However, the government in a series of moves has opened up the retail sector slowly to Foreign Direct Investment ("FDI"). In 1997, FDI in cash and carry (wholesale) with 100 percent ownership was allowed under the Government approval route. It was brought under the automatic route in 2006. 51 percent investment in a single brand retail outlet was also permitted in 2006. The Organised Retail market stood at Rs.96, 500 crore in 2008. The industry has grown at a CAGR of 36%between 2004 and 2010. This growth was mainly driven by changing lifestyles, rising disposable incomes, favourable demographics, and easy credit availability, etc. the retail business in India is estimated to grow at 13 per cent annually from US$322 billion in 2006-07 to US$ 590 billion in 2011-12.

1.2 Indian Business Houses and the Retail Sector

The Reliance Industries, the Aditya Birla Group, the Bharti Enterprises Limited and the Mahindra Group are focusing either on perishables and groceries, or a range of products, or both. The other players in India are Aaram Shop : a Hybrid Commerce Stores, Aditya Birla Group : 'More' Outlets, BPCL : In and Out Stores , Fabindia : Textiles, Home furnishings, Handloom apparel, Jewellery ,Future Groups : Big Bazaar, Food Bazaar, Pantaloons, Fashion Station, German Metro : Cash & Carry, Gitanjali : Nakshatra, Gili, Asmi, D'damas, Gitanjali, Kapas : Cotton garment outlets, Lifestyle International : Lifestyle, Home Centre, Max, Fun City, Marks & Spencer : Clothing, Lifestyle products, Next retail India Limited : Consumer Electronics, Nilgiris' : Supermarket chain, N-Mart : Retails Stores, Paritala Stores Bazar : Honey shine stores, PGC Retail (T-Mart India) : Switcher, Respect India, Grand India Bazaar, Pyramid Retail : Pyramid Megastore, TruMart , Raymond Limited : Parx, colourplus, Neck Ties, & More, Shirts, Raymond Limited : Textiles, The Raymond Shop, Park Avenue, Park Avenue Woman, Reliance ADAG Retail : Reliance World, Reliance : Reliance Fresh, Reliance Footprint, Reliance Living, Reliance Digital, Shoppers Stop : crossword, Hyper City, Inorbit Mall, Shoprite Holdings : Shoprite Hyper, Spencer's : Spencer's Hyper, Spencer's Daily, Music World , Subhiksha : Subhiksha supermarket, Subhiksha pharmacy, Titan Industries : World of Titans showrooms, Tanishq outlets. Trinethra: Fabmall Supermarket Chain and Fabcity Hypermarket Chain, Vishal Retail Group: Vishal Mega Mart, Viveks: Viveks Service Centre, Viveks Safe Deposit Lockers.

1.3 Objectives and Methodology

The main objectives of the paper to shows the different dimensions of FDI in multi brand retailing and its inflows in India .In order to accomplished the objectives of the study the secondary data and available literature has been used.

2. Growth of FDI in India

Foreign direct investment (FDI) in the retail sector in India is restricted. In 2006, the government eased retail policy for the first time, allowing up to 51per cent FDI through the single brand retail route. Since then, there has been a steady increase in FDI in the retail sector, and the cumulative FDI in single-brand retail stood at $195million by the middle of 2010 (DIPP, 2010). Foreign investment in the single-brand retail sector in India has been resilient to the global economic crisis of2007-08. Given India's large population and rapidly expanding middle-class, there is robust and growing demand and a rapidly expanding market. Table 1shows the growth in private consumption expenditures across categories to highlight this trend. Retail trade sales exclude expenditures on rent, fuel and power; transport and communication; recreation, education and cultural activities; and expenditures on food in hotels and restaurants. FDI in India are permitted through financial collaborations, private equity or preferential allotments, by way of capital markets through Euro issues, and in joint ventures.

With strong governmental support, foreign direct investment has helped the Indian economy grow tremendously. India has continually sought to attract FDI from the world's major investors. Different countries are investing in different sectors. The growth of FDI is evident from table no. 1, 2, 3. Total FDI into India went up to 392262 million dollars from 2000 to 2015.

Table No 1: Foreign Direct Investment (FDI) Inflows from April, 2000 to September, 2015
Cumulative FDI Flows into India (2000-2015)

			US$
1.	**Table no.-2** **CUMULATIVE AMOUNT OF FDI INFLOWS** **(Equity inflows + 'Re-invested earnings' +'Other capital')**	-	392,262 Million
		Rs.	**US$**
2.	**CUMULATIVE AMOUNT OF FDI EQUITY INFLOWS** **(excluding,** amount remitted through RBI's NRI Schemes)	1,339,698 crore	265,143 Million

Table No 2: Share of Top Investing Countries FDI Equity Inflows (Financial Years2013-2015)
Amount Rupees in crores (US$ in million)

Ranks	Country	2013-14 (April - March)	2014-15 (April – March)	2015-16 (April,15 – September, 15)	Cumulative Inflows (April '00 - September '15)	%age to total Inflows (in terms of US $)
1.	**Mauritius**	29,360 **(4,859)**	55,172 **(9,030)**	**23,490 (3,667)**	**449,148 (91,222)**	**34 %**
2.	**Singapore**	35,625 **(5,985)**	41,350 **(6,742)**	**43,096 (6,694)**	**210,253 (38,882)**	**15 %**
3.	**U.K.**	20,426 **(3,215)**	8,769 **(1,447)**	**2,287 (353)**	**111,941 (22,563)**	**9 %**
4.	**Japan**	10,550 **(1,718)**	12,752 **(2,084)**	**5,219 (815)**	**98,615 (19,167)**	**7 %**
5.	**Netherlands**	13,920 **(2,270)**	20,960 **(3,436)**	**7,017 (1,098)**	**84,275 (15,769)**	**6 %**
6.	**U.S.A.**	4,807 **(806)**	11,150 **(1,824)**	**5,435 (854)**	**72,315 (14,605)**	**6 %**
7.	**Germany**	6,093 **(1,038)**	6,904 **(1,125)**	**4,398 (693)**	**42,907 (8,337)**	**3 %**
8.	**Cyprus**	3,401 **(557)**	3,634 **(598)**	**1,821 (284)**	**41,185 (8,328)**	**3 %**
9	**France**	1,842 **(305)**	3,881 **(635)**	**1,624 (254)**	**24,212 (4,767)**	**2 %**
10.	**UAE**	1,562 **(255)**	**2,251 (367)**	**1,686 (262)**	**16,805 (3,307)**	**1 %**
Total FDI Inflows from All Countries*		**(24,299)**	**(30,931)**	**(16,631)**	**(265,265)**	**-**

Source (i) RBI's Bulletin November, 2015.

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Table No 3: Sectors Attracting Highest FDI Equity Flows

Amount in Rs. crores (US$ in million)

Ranks	Sector	2013-14 (April - March)	2014-15 (April- March)	2015-16 (April,15 – September, 15)	Cumulative Inflows (April '00 - September '15)	% age to total Inflows (In terms of US$)
1.	**Services Sector ** **	13,294 **(2,225)**	27,369 **(4,443)**	**9,404 (1,464)**	**222,343 (45,367)**	**17 %**
2.	**Construction Development: Townships, Housing, Built-Up Infrastructure**	7,508 **(1,226)**	4,652 **(769)**	**516 (81)**	**113,726 (24,156)**	**9 %**
3.	**Computer Software & Hardware**	6,896 **(1,126)**	14,162 **(2,296)**	**19,504 (3,057)**	**93,337 (18,170)**	**7 %**
4.	**Telecommunications** (Radio Paging, Cellular Mobile, Basic Telephone Services)	7,987 **(1,307)**	17,372 **(2,895)**	**4,238 (659)**	**88,329 (17,717)**	**7 %**
5.	**Automobile Industry**	9,027 **(1,517)**	16,760 **(2,726)**	**9,318 (1,464)**	**74,274 (14,002)**	**5 %**
6.	**Drugs & Pharmaceuticals**	7,191 **(1,279)**	9,052 **(1,498)**	**1,441 (226)**	**66,563 (13,321)**	**5 %**
7.	**Chemicals (Other Than Fertilizers)**	4,738 **(878)**	4,658 **(763)**	**2,508 (393)**	**52,400 (10,823)**	**4 %**
8.	**Trading**	8,191 **(1,343)**	16,755 **(2,728)**	**14,932 (2,308)**	**58,524 (10,335)**	**4 %**
9.	**Power**	6,519 **(1,066)**	4,296 **(707)**	**2,292 (360)**	**49,243 (9,967)**	**4 %**
10	**Metallurgical Industries**	3,436 **(568)**	2,196 **(359)**	**1,623 (253)**	**42,069 (8,687)**	**3 %**

Note: (i) Services sector includes Financial, Banking, Insurance, Non-Financial / Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis.**

G. Cumulative Sector- wise FDI equity inflows (from April, 2000 to September, 2015) are at - Annex-'B'.

H. FDI Sectoral data has been revalidated / reconciled in line with the RBI, which reflects minor changes in the FDI figures (increase/decrease) as compared to the earlier published sectoral data.

2.1 FDI Policy with Regard to Retailing in India

It will be prudent to look into Press Note 4 of 2006 issued by DIPP and consolidated FDI Policy issued in October 2010 which provides the sector specific guidelines for FDI with regard to the conduct of trading activities.FDI up to 100% for cash and carry wholesale trading and export trading allowed under the automatic route. FDI up to 51 % with prior Government approval (i.e. FIPB) for retail trade of Single Brand' products, subject to Press Note 3(2006 Series). FDI is not permitted in Multi Brand Retailing in India.

3. Retailing the Emerging Force for the Development of Indian Economy

Retailing is the largest private industry in India and second largest employer after agriculture. The sector contributes to around 10 percent of GDP. With over 12 million retail outlets, India has the highest retail outlets density in the world. This sector witnessed significant development in the past 10years from small unorganized family owned retail formats to organized retailing. Liberalization of the economy, rise in per capita income and growing consumerism has encouraged large business and venture capitalist in investing in retail infrastructure. The importance of retail sector in India can be judged from following facts (a) Retail sector is the largest contributor to the Indian GDP (b) The retail Sector provides 15% employment (c) India has world largest retail network with 12 million outlets (d) Total market size of retailing in India Is U.S $ 180 billion (e) Current Share of Organized Retailing is just 2% which comes around to $3.6 trillion (f) Organized retail sector is growing @ 28% per annum. Further ,It is important to understand how retailing works in our economy, and what role it plays in the

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lives of its citizens, from a social as well as economic perspective. India still predominantly houses the traditional formats of retailing, that is, the local kirana shop, *paan/beedi* shop, hardware stores, weekly haats, convenience stores, and bazaars, which together form the bulk. Most importantly, Indian retail is highly fragmented, with about 11 million outlets operating in the country and only 4% of them being larger than 500 square feet in size. Compare this with the figure of just 0.9 million in the US, yet catering to more than 13 times of the Indian retail market size. The Indian retail industry was, and continues to be, highly fragmented. According to the global consultancy firms AC Nielsen and KSA Technopark revealed that India has the highest shop density in the world. In 2001 they estimated there were 11 outlets for every 1,000 people. Further, a report prepared by McKinsey & Company and the federations of Indian Industry (CII) predicted that global retail giants such as Tesco, Kingfisher, Carrefour and Harold were waiting in the wings to enter the retail arena. This report also states that the Indian retail market holds the potential of becoming a $300 billion per year market, provided the sector is opened up significantly. It does not talk about creating additional jobs however, which should be the prime concern of the policy maker.

4. Problems Faced by Retail Industry in India

To become a truly flourishing industry, retailing in India needs to cross the following hurdles:
Absence of developed Supply Chain, Absence of integrated Information Technology Management , Automatic approval is not allowed for foreign investment in retail ,Income Tax Act and Sales Tax Act, which favours small retail businesses, India's labour productivity in food retailing is about 5 per cent compared to Brazil's 14 percent, India's labor productivity in non-food retailing is about 8 per cent compared to Poland's 25 percent, Lack of Retailing Courses and Study Options, Lack of trained work force, Low skill level for Retailing Management, Rapid price changes, constant threat of product obsolescence and low margins, Regulations restricting real estate purchases, and cumbersome local laws, The retail productivity in India is very low compared to international peer measures , Total retail employment in India is about a third of levels in United States and Europe , Training and development of labor for higher productivity is expected to be a challenge.

5. Retail Reforms in India

Till recently the Indian Government was denying the Foreign Direct Investment in multi-brand Indian retail, forbidding foreign groups from any ownership in Supermarkets, Hyper Markets, Super markets, Convenience Stores or any Retail Chain outlets, to sell multiple products from different brands directly to Indian consumers. However the Indian Government has ultimately announced the following reforms in the Retail Sector.

- India will allow foreign groups to own up to 51 per cent in Multi Brand Retailers in the most radical pro-liberalization reform passed by an Indian cabinet in last few years;
- Single Brand Retailers, such as Apple, can own 100 per cent of their Indian stores, up from the previous cap of 51 per cent.
- Both Multi Brand and Single Brand stores in India will have to source nearly a third of their.
- Goods from small and medium sized Indian suppliers.
- All Multi Brand and Single Brand stores in India must restrict their operations to about 50 Cities with a population over 10 Lakh, out of some 8,000 Cities and Towns in India.
- Multi Brand retailers must have a minimum investment of Rs.50,000 Crores with at least half of the amount invested in Infrastructure, including Cold Storage Chains, Refrigeration,
- Transportation, Packing, Sorting and Processing, to considerably reduce the post-harvest losses and bring remunerative prices to farmers.
- The States of India have the right to accept it and implement it, or they can decide to not
- Implement it if they so choose. Actual implementation of policy will be within the parameters of State laws and regulations.

6. FDI Limitations and Regulation in India

India has recently liberalized foreign investment regulations in many of its key sectors, opening up commodity exchanges, credit information services and aircraft maintenance operations. The foreign investment limit in public sector unit refineries has been raised from 26 per cent to 49 per cent. After being debated for years, the Ministry of India has also decided to allow 26 per cent Foreign Direct Investment and 23 per cent Foreign Institutional Investors' investments in commodity exchanges, subject to the proviso that no single entity will hold more than 5 per cent of the stake. Sectors like credit information companies, industrial parks and construction and development projects have also been opened up to more foreign investment. Keeping India's civilian nuclear ambitions in mind, India has also allowed 100 per cent Foreign Direct Investment in mining of titanium, a mineral which is abundant in India. The sector-wise details are as follows:

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Automobile: FDI up to 100 per cent has been permitted under the automatic route to this sector in India.

Biotechnology: FDI up to 100 per cent is permitted through the automatic route for the Manufacturing of drugs and pharmaceuticals.

Cement Sector: FDI up to 74 per cent is permitted in India.

Civil Aviation: FDI up to 100 per cent is allowed in aircraft maintenance and repair operations.
Coal: FDI inflows up to 100 per cent are permitted in the coal and lignite mining for captive consumption in the power generation sector.

Energy and Petroleum: FDI up to 100 per cent into the Petroleum and Natural Gas sector, is allowed under the automatic approval route of the Reserve Bank of India.

Healthcare and Medical Institutions: FDI is permitted up to 100 per cent under the automatic route in Hospitals in India.

Internet-based services: FDI up to 74 per cent is permitted, subject to licensing and security requirements for Internet service (with gateways), Infrastructure providers, Radio paging service.

Manufacturing: In India, any manufacturing project (by a non-micro or small-scale enterprise) that manufactures items reserved for the Medium Size Enterprises sector would need to take the government route if foreign direct investment is more than 24 per cent of the capital.
Steel: FDI up to 74 per cent is permitted in India in Steel Industry.

Refineries: The FDI limit is being raised from 26 per cent to 49 per cent in this sector. **Renewable energy sector:** The Government of India allows 100 per cent FDI in the renewable energy sector.

6.1 Perquisites before Allowing FDI in Retail
FDI in multi-brand retailing must be dealt cautiously as it has direct impact on a large chunk of population. Left alone foreign capital will seek ways through which it can only multiply itself, and unthinking application of capital for profit, given our peculiar socio-economic conditions, may spell doom and deepen the gap between the rich and the poor. Thus the proliferation of foreign capital into multiband retailing needs to be anchored in such a way that it results in a win-win situation for India. This can be done by integrating into the rules and regulations for FDI in multi-brand retailing certain inbuilt safety valves. For example FDI in multi –brand retailing can be allowed in a calibrated manner with social safeguards so that the effect of possible labor dislocation can be analyzed and policy fine tuned accordingly. To ensure that the foreign investors make a genuine contribution to the development of infrastructure and logistics, it can be stipulated that a percentage of FDI should be spent towards building up of back end infrastructure, logistics or agro processing units. Reconstituting the poverty stricken and stagnating rural sphere into a forward moving and prosperous rural sphere can be one of the justifications for introducing FDI in multi-brand retailing. To actualize this goal it can be stipulated that at least 50% of the jobs in the retail outlet should be reserved for rural youth and that a certain amount of farm produce be procured from the poor farmers. Similarly to develop our small and medium enterprise (SME), it can also be stipulated that a minimum percentage of manufactured products be sourced from the SME sector in India.PDS is still in many ways the life line of the people Living below the poverty line. To ensure that the system is not weakened the government may reserve the right to procure a certain amount of food grains for replenishing the buffer. To protect the interest of small retailers the government may also put in place an exclusive regulatory framework. It will ensure that the retailing giants do resort to predatory pricing or acquire monopolistic tendencies. Besides, the government and RBI need to evolve suitable policies to enable the retailers in the unorganized sector to expand and improve their efficiencies. If Government is allowing FDI, it must do it in a calibrated fashion because it is politically sensitive and link it (with) up some caveat from creating some back-end infrastructure. Further, To take care of the concerns of the Government before allowing 100% FDI in Single Brand Retail and Multi- Brand Retail, the following recommendations are being proposed Preparation of a legal and regulatory framework and enforcement mechanism to ensure that large retailers are not able to dislocate small retailers by unfair means.

Extension of institutional credit, at lower rates, by public sector banks, to help improve Efficiencies of small retailers; undertaking of proactive programme for assisting small retailers to upgrade themselves· Enactment of a National Shopping Mall Regulation Act to regulate the fiscal and social aspects of the entire retail sector· Formulation of a Model Central Law regarding FDI of Retail Sector.

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7. Conclusions

Due to FDI in retail Farmers will get a better price, easy credit availability and lower price Psychologically attract the customers to spend more than they otherwise would. FDI should be aggressively promoted in R&D, Manufacturing, and entertainment to accommodate the people who have lost their jobs. FDI could have a favourable short term effect on growth as it expands the economic activity however, in long run it will reduce the growth rate due to dependency, particularly due to recapitalisation. Export oriented sector should be opened for the FDI so that higher growth of economy could be achieved through the growth of these sectors. In principle, governments should not prevent anybody, Indian or foreign, from setting up any business Indian or Foreign unless there are good reason to do so. Further, there are a multitude of reasons being floated around to prevent the liberalization of the Foreign Direct Investment norms for Indian retail Primary among these is the concern regarding the *Kirana Stores* as well other locally operated *General Stores* being adversely affected by the entry of global retail giants such as Wal-Mart, Carrefour and Tesco. As these brands would come with advanced capabilities of scale and infrastructure in addition to having deep pockets, it is argued that this would result in the loss of jobs for lakhs of people absorbed in the unorganized sector. Fears have also been raised over the lowering of prices of products owing to better operational efficiencies of the organized players that would affect the profit margins of the unorganized players. However many Industry experts feel that the doubts against the introduction of Multi Brand retail are mostly misplaced. The successful deployment of 100 per cent Foreign Direct Investment in China is a case in point. Therefore Multi Brand retail, if allowed in India, is expected to transform the retail landscape in a significant way : Firstly, the organized players would bring in the much needed investment that would spur the further growth of the sector. This would be particularly important for nourishment of some of the domestic retailers that don’t have the resources to ride out the storm during an economic slump such as the case with Vishal, Subhiksha and Koutons, which couldn’t arrange for funds to sustain their growth. The technical know-how, global best practices, quality standards and cost competitiveness brought forth through Foreign Direct Investment would predict well for the domestic players to gather the necessary support to sustain their growth. Indian has also been crippled by rising inflation rates that have refused to come within accepted levels.. The infrastructure support extended to improve the backend processes of the supply chain would enable to eliminate such wastages and enhance the operational efficiency. Foreign Direct Investment in Multi Brand retail would in no way jeopardize the jobs of people Employed in the unorganized retail sector. On the contrary, it would lead to the creation of millions of jobs as massive infrastructure capabilities would be needed to cater to the changing lifestyle needs of the urban Indian who is keen on allocating the disposable income towards organized retailing in addition to the local kirana stores. These stores would be able to retain their importance owing to their unique characteristics of convenience, proximity and skills in retaining customers. The numerous intermediaries would be restricted and therefore, the farmers would get to enjoy a bigger share of the pie. Foreign Direct Investment in Multi Brand retail is therefore a necessary step that needs to be taken to push further growth in the sector. This would not only prove to be fruitful for the economy as a whole but will also integrate the Indian retail sector with the global retail market.

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