

MNC'S ENTRY IN INDIAN RETAIL MARKET

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Retail philosophy - "By the people, for the people and of the people"

Abstract

India is a land of retail democracy. Retail as an industry is one of the most rapidly growing industry in the country contributing to the overall development of the country. Retail design first began to grow in the middle of the 19th century. The Indian retail industry is the fifth largest in the world and one of the fastest growing industries in India. It is divided into organised sector and unorganized sector. It is interesting to note that India has 12 million retail outlets and the retail sector is the second largest source of employment and it is estimated to create 50,000 jobs a year in the forthcoming years. Besides, the policy of the Government towards FDI has also played a major role in attracting MNC's in India. India's rural market has started to have bright viable option and will grow to the incredible height. New International companies are focusing on the lower and lower middle class people than before. This paper focuses on FDI in Indian retail market.

Keywords

- * FDI (Foreign Direct Investment), MNC (Multi National Company) Retailing
- * FDI - Type of Investment, involves foreign funds into an Indian enterprises.
- * MNC - Integrating the whole world into a huge market.
- * Retailing - The process of selling goods to the ultimate consumer.

Introduction

The distribution sector bridges the gap between the producer and consumer and forms a crucial link. Retailing is the interface between the producer and the individual consumer for personal consumption. A retailer is one who stocks producers goods and involved in the activity of selling it to the individual consumer at a margin of profit. As such it is the last link that connects the individual consumer with the manufacturer in the distribution channel.

Objectives

- * To assess the FDI policy in Indian retail sector.
- * To analysis the impact of MNC's in retail industry through SWOT analysis.
- * To offer suggestions based on the major findings.

Scope

This paper is a case study, gives a general idea about Impact of MNC's, Entry in Indian Retail Market.

FDI in Indian Retail at Global Level

A recent UNCTAD survey projected India as the second most important FDI destination (after china) for transnational corporation during the year 2010 - 12. Moreover the sector which is attracted with higher inflows are service sector, telecommunication, construction, computer software and hardware.

The following table helps to have an idea about FDI in Indian retail sector at Global level.

Table 1 Organised and Unorganised Retail Sectors at Global level

Sector	Indonesia	US	Taiwan	Malaysia	Thailand	China	India
Organized	30%	85%	81%	55%	40%	20%	5%
Unorganized	70%	15%	19%	45%	60%	80%	95%

Source: Compiled from various issues of secretariat for industrial assistance, Government of India, New Delhi.

It is observed from Table No.1, that the unorganised sector plays a major role in retail business in India, China, Indonesia, Thailand and Malaysia compared to organised sector in US (85%) and Taiwan (81%).

FDI Policy in Indian retail sector

Single Brand Retailing - 100%

Multi Brand Retailing - 51%

Table 2 FDI Inflows in India

[In US Million]

Sector Wise Inflows	2009-10	2010-11	Change	% of Change
Manufacture	5,143	4,793	-350	-6.81
Construction	3,516	1,599	-1917	-54.52
Financial Service	2,206	1,353	-853	-38.67
Real Estate Activities	2,191	444	-1747	-79.74
Electricity And Other Energy	1,877	1,338	-539	-28.72
Communication Service	1,852	1,228	-624	-33.69
Business Service	1,554	569	-985	-63.38
Miscellaneous Service	888	509	-379	-42.68
Computer Service	866	843	-23	-2.66
Restaurant & Hotel	671	218	-453	-67.51
Retail & Wholesale Trade	536	391	-145	-27.05
Mining	268	592	324	120.89
Transport	220	344	124	-56.63
Trading	198	156	-42	-21.21
Education R&D	91	56	-35	-38.46
Other	384	506	122	31.77
Total FDI	22,461	14,939	-7522	-33.49

Source: Compiled from various issues of secretariat for industrial assistance, Government of India, New Delhi.

It is seen from the Table No. 2 that all sectors inflow started showing declining trend except in transport, mining and other sectors.

Table 3 MNC in retail sector

Organised retails	% of share
Watches	6.9
Books, Music, and Gifts	18.9
Footwear	9.1
Clothing, Textiles	10.6
Fashion Accessories	2.9
Health and Beauty care services	10.6
Consumer durables and Home appliances	45.6
Furniture (Home and Office), Utensils	5.4
Catering services	10.4
Entertainment	4.1
Jewellery	87.8
Pharmacy	18.9

Source: Compiled from various issues of secretariat for industrial assistance, Government of India, New Delhi

It is evident from the above Table No. 3 that the consumer durables and home appliances account for major share (45.6%) followed by Jewellery (37.8%), Pharmacy (18.9%) Books, Music and Gifts (18.9) Health and Beauty care services (10.6%) respectively.

MNC's Entry in Retail Marketing

SWOT Analysis

STRENGTH	WEAKNESS
* Boosts up competition	* Lack of Infrastructure
* Benefits to farmers	* Catering to high end customers
* Benefits to consumers	* Volume of sales is very low
* Generate employment opportunities	* Small size outlets
* Efficient Banking service	* Big retail kills small jobs
* Large scale Investments	* Low capital Investment
* Increased purchasing power	* Inadequate merchandise.
OPPORTUNITIES	THREATS
* Improvement in quality and standard.	* Massive jobs losses
* Control on inflation	* Sustaining of loss strategy [Lower price in the initial stage and becomes a monopoly in later stage.]
* Farmer will get their dues from their produce	
* Quality control	* Inequitable competition
* Building up of infrastructure facilities	* Profit will go to foreigners
* Sustainable development of regulated market.	
* More variety for the consumers.	

Major Findings

- * It is revealed that unorganized sector plays a major role in retail sector compared to organised sector.
- * It is seen that FDI inflows started declining in all sectors except in mining, Transport and other sectors.
- * It is observed that MNC's concentration in retail organised sector stands first in consumer durables and home appliances followed by jewellery.

Suggestions

- * Overall entry of MNC will boost the profitability of local farmers and producers because of direct purchase without the involvement of middlemen.
- * Better quality, lower cost with organised retail sector and Government control over them helps to have an immense advantage to the consumers at large.
- * It helps to have established research and developing system which is lacking in developing countries like India.
- * Indian companies can enter into joint venture with foreign countries to sell its product in the International market.
- * Proper lawful agreement ultimately enhances the flagship of Indian Industry.

Conclusion

Even though small retailing is customer friendly, Indian Government should frame policies by collaborating foreign investors keeping in mind safety, security and profitability of the business operation in foreign countries to upgrading the existing retailers to develop the retail industry in India as one of the main retail hubs in the world. This in turn make Indian retailers to become the largest retailers like Wal - mart (first largest retailer).

Eventually, India would accelerate its economic growth and mitigate the unemployment problem by seizing a huge opportunity provided by the combination of global development in Industry, trade and demographics of Retail marketing.

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