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VIVEKANANDA INSTITUTE OF MANAGEMENT STUDIES
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VIVEKANANDA INSTITUTE OF MANAGEMENT STUDIES promoted by a group of professionals and run by **Coimbatore Education Foundation**, is an emerging stand-alone B-School with an avowed goal of achieving human excellence by means of Academic and Allied programmes. The Institute is dedicated to the Nation on the 150th birth anniversary of Swami Vivekananda to transform the youth of India into a potent knowledge power. In the horizon of contemporary management education, one can visualize the emergence of great opportunities and formidable challenges. In the field of management education the real challenge is how to make the education relevant to the realities of business and industry environment. Such connectivity between theory and practice, the conceptual and empirical domains is established only through research, management cases, diagnostic studies and publications. An academic journal is a perfect medium to bring about such connectivity, besides dissemination of knowledge and information and amplify the experience.

Vichaara in Sanskrit language means academic activities deeply engaged in systematic studies and researches on socio-political and economic topics. It also means reflective thinking and self enquiry.

Objectives of *Vichaara*

1. To be a vehicle of academic research, documentation and dissemination of management innovation and practice.
2. To maintain the quality of publication by means of achieving high Impact Factor and securing a coveted place in the Social Science Index Citation and online databases.

VICHAARA An International Journal of Management, ISSN print version (ISSN NO: ------------) is a bi-annual double blind and peer-reviewed journal promoted by Vivekananda Institute of Management Studies. ***Vichaara*** is a medium for academicians to share the current developments and perspectives on research stratagem, business/ management diplomacy and paradigms of Business, Management and allied Social Sciences. The journal invites robust papers that contribute to the area of research in business management and related disciplines. Every issue of the journal carries the following features:

Business Research

This section is designed to be quantitative, empirical in nature and can include the summary or findings of completed research or work in progress.

Contemporary Management Thoughts

Articles based on current issues and contemporary trends in business and management will be included in this section.

Case Studies

Business and management practices in diverse, institution – context specific cases will find place in this section.

Book Reviews

Reviews on books pertaining to contemporary management thoughts, general and professional practices are incorporated in this segment.

Management Practices

The best management practices are to be included under this section:

- The interviews of CEOs / Young Entrepreneurs,
- Success stories of High Performance Enterprises,
- Analogies, etc

Revisiting Native Wisdom

To disseminate Indian Ethos and Values in management learning and business practices and evaluate the same as success ingredients in management.

(INSIDE FRONT COVER PAGE)

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Vichaara invites the submission of spontaneous book reviews on current management themes.

- The reviews can range from 1500-3000 words.
- The reviews can be written either by a single reviewer or by more than one.
- Reviews should give a brief introduction about the title of the book and author (s).
- Reviews should make a clear attempt to comprehend the issues or problems highlighted in the book.
- It should objectively evaluate conceptual foundation of the book with its strengths and weaknesses
- The usage of references should be avoided to the maximum. If used APA reference style is preferred.

Manuscript submission

Manuscripts must be sent as an email attachment to editorvichaara@gmail.com along with scanned copy of Declaration Form and Copyright Form

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- ✓ Acknowledgement of paper received via e-mail: 5 working days
- ✓ Intimation of paper status: 60 days

Important Dates

First Issue	**Second Issue**
Month of Publication: September	Month of Publication: February
Last date for Submission: July 15th	Last date for Submission: December 15th

Publication Decisions

The editor is responsible for deciding which of the papers submitted to the journal should be published. The editor may be guided by the policies of the journal's Editorial Board and constrained by such legal requirements as shall then be in force regarding defamation, copyright infringement and plagiarism. The editor may confer with other editors or reviewers in making this decision.

The editor at any time evaluates manuscripts for their intellectual content without regard to race, gender, religious belief, ethnic origin, citizenship, or political philosophy of the authors. The editor and any editorial staff must not disclose any information about a submitted manuscript to anyone other than the corresponding author, reviewers, potential reviewers, other editorial advisers, and the publisher, as appropriate. Plagiarism is considered to be undesirable and unethical. All types of plagiarism like verbatim copying; paraphrasing and self plagiarism should be avoided. The authors should ensure that their contribution is entirely original, and if the authors have used the work and/or words of others that should have been appropriately cited or quoted.

Editorial

It is heartening to see that the first issue of the VICHAARA AN INTERNATIONAL JOURNAL OF MANAGEMENT has been brought out successfully. An educational journal is a platform where knowledge gets amplified and disseminated; research results and innovations are documented and unique experiences are shared for enhancement of knowledge.

The design architecture of ***Vichaara*** is made in such a way that it becomes a comprehensive document to reflect the different dimensions of Management discipline. ***Business Research*** forms the core part wherein original, empirical based research papers are included. Four such studies find a place in the current issue: 1) "Impact of Person Environment Fit on Job Satisfaction" 2) "A Study of Financial Position of Selected Steel Industries Ltd in BSE" 3) "Impact of Advertisement on Jewel Purchase Decision: A Study in Coimbatore District" 4) "Feasibility of Online Marketing: A Study in Coimbatore District".

Another Dimension is about ***Contemporary Management Thought*** which include a new concept namely "Servitude" and another is on FDI in Retail Sector. A concept based ***Case Study*** namely Transformation from CRM to CMR finds its application in yarn marketing. ***Book Review*** is an added feature. An exclusive section on ***Management Practices*** is included to throw insights into successful entrepreneurs as well as robust enterprises and the coordinates and ingredients of success phenomena. The section devoted to ***Revisiting Native Wisdom*** provides scope for rediscovering native management perception and practices prevailing since ancient times in India as well as in other old world countries.

We invite scholarly articles and research papers and write ups on robust cases and highlights of successful enterprises and business leaders

Suggestions and views from readers and scholars are solicited for the qualitative improvement of the journal

Editor

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IMPACT OF FOREIGN DIRECT INVESTMENT ON ECONOMIC GROWTH IN INDIA
FDI IN RETAILING – GLOBAL GIANTS VS. INDIAN KIRANAS

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Abstract

In September 2012, the Indian Government decided to allow 51% FDI in multi brand retail and 100% in single brand retail. This will open the flood gates to allow global capital flow into Indian modern retail. This will positively impact on the Indian market and will also contribute towards the world's fastest growing economics and a preferred destination for international business. There was a strong opposition towards the decision taken by the Government. There was a fear that the Kiranas/petty shop keepers may disappear.

The primary task of government in India is to provide livelihoods and not create so called efficiencies of scale by creating redundancies. As per present regulations, no FDI is permitted in retail trade in India. Allowing 51% FDI (which have been the proposed figures till date) will have immediate and direct consequences. Global retailers have already been sourcing from India; the opening up of the retail sector to the FDI has been fraught with political challenges. The impact of the FDI would benefit the end user or the consumer to a great extent and will help to generate a fair degree of employment as more and more entrepreneurs would be coming forward to invest and taste the new generation opportunities in retail marketing. The opening of FDI should be designed in such a way that many sectors – including agriculture, food processing, manufacturing, packaging and logistics would reap benefits. This paper portrays the entry of FDI in India and its impact in the society.

Key Words: FDI, multi brand retail, Merger & Acquisition, Kirana stores, Indian economy

Introduction

During past two decades many countries including some developing economies have opened their retail sector to foreign direct Investment. This liberalization has resulted in the emergence and rapid expansion of global retail chain. For instance, Wal-Mart, the world's largest retail chain and largest company, has 5651 outlets in 26 countries outside the United States, most of them are in the developing counties. French retailer Carrefour, the second largest retailer in the world and the largest in Europe, operates 9500 outlets in 33 foreign countries, including 28 developing countries. Despite the phenomenal growth of global retail chains, little is known about their potentially profound impact on the economies of host countries.

Indian retail sector is highly fragmented and has the highest retail outlet density in the world. This sector is the fastest growing sector but still the organised segment is in its nascent stage. Organised Retail has been growing at an impressive rate of 35% to 40% Y-O-Y in the last few years compared to 9-10% growth in the overall retail industry. The Rs 18,673 billion (US$ 401 billion) Indian retail market accounts for less than 6% of the entire organised retail segment as of 2010, according to Booz and Co (India) Pvt. Ltd.

India has become the major frontier for globalised retail. There is no doubt that India has been slow to open its retail sector to foreign investment but now as the market has opened up, it'll become at par with other major emerging economies. India permitted foreign direct investment in cash-and-carry wholesale trade up to 100 per cent through the automatic route and in single-brand retail up to 51 per cent in 2006. Shops selling single-branded products like Reebok, forcing overseas companies to sign franchise agreements with Indian firms. Wal-Mart signed a partnership agreement in 2006 with India's Bharti Enterprises while Britain's Tesco formed a tie-up with the giant Tata Group conglomerate.

Allowing 51% FDI in multi-brand retail and 100% FDI in single brand retail which falls short of 100% FDI in multi-brand retail, it is expected that it will be a part of second wave of reforms to give much needed boost to slowing economy. FDI in retail has become a much contested policy issue in a politically charged environment in the country with divergent views. While the traders fear of losing their business in favor of foreign retail giants such as WalMart, the policy makers think that FDI in retail will bring in capital, management expertise and technology and thus boost infrastructure and efficiency in the supply chain. This will help both the farmers through better price realization and the consumers with increased choice and better product quality, besides creating avenues for employment across the supply chains.

The empirical evidence shows that allowing FDI in retail in countries like Argentina, Brazil, China, Indonesia, Malaysia, Russia, Singapore and Thailand has had a positive impact in the overall economy. However it had negative impact on small and medium enterprises in some countries including USA and Thailand.

The entry of global retail chains may transform the retail sector and more importantly may affect the supplying industries in the host countries. Global retail chains differ from indigenous retailers not only in terms of scale but also because of their access to advanced technologies, modern management strategies and global sourcing networks. Their entry may change the landscape of the retail sector in the host country through increased concentration and modernization. More importantly, their expansion may have implications for supplying industries in terms of lowering distribution cost, stimulating economies of scale, and increasing completion due to great ability of foreign retailers to source products from abroad. The completion effect may in turn encourage productivity improvement and innovation among suppliers. Some of these effects have been documented in recent studies focusing in the effects of Wal-Mart entry to detergent producer in Mexico.

The Positive Side

With the analysis of various cases from other countries it is found that there has been impressive growth in retail and wholesale trade after China approved 100% FDI in retail. Thailand has experienced tremendous growth in the agro-processing industry. In Indonesia, even after several years of emergence of supermarkets, 90% of fresh food and 70% of all food is still controlled by traditional retailers. Study of records of the last decade has shown small retailers having flourished in harmony with large outlets and in any case, organized retail through Indian corporate is permissible.

It is believed that with huge investments in the retail sector there will be gainful employment opportunities in agro-processing, sorting, marketing, logistics management and front-end retail. At least 10 million jobs could be created in the next three years in this sector. With the expertise and manpower the foreign retail majors will be able to ensure supply chain efficiencies which will help farmers to secure remunerative prices by eliminating exploitative middlemen.

India has experienced extensive post-harvest losses in the past years, reason being the poor back-end infrastructure. The policy which has been decided by the government mandates a minimum investment of $100 million with at least half the amount to be invested in back-end infrastructure, including cold chains, refrigeration, transportation, packing, sorting and processing. This would guarantee that the food that used to get perished due to inadequate infrastructure will not be wasted. This will have a salutary impact on food inflation from efficiencies in supply chain.

In the policy mandate sourcing of a minimum of 30% from Indian micro and small industry has been made obligatory. This will be able to provide the scales to encourage domestic value addition and manufacturing, which would have a multiplier effect for employment, technology up-gradation and income generation. It is understood that to deal with any anti-competitive practices, including predatory pricing a strong legal framework in the form of the Competition Commission is available.

The Fear Factor

Inspite of the fact that FDI in retail has many positive sides to it, many problematic situations have also been experienced in different countries. It is seen that supermarkets have invariably displaced small retailers and have lead to large-scale job losses. Some-places small retails have virtually been wiped out in developed countries like the US and in Europe.

The ‘farmer-will-benefit' propaganda was not true as it did not happen in the West. “If allowed, foreign retail majors will make huge investments and withstand losses for years. Ultimately they will wipe out small/medium traders and take over the market. Their core operating philosophy will usually be concentration and monopoly. FDI will take the retail sector to global standards in terms of pricing, product quality and link to global markets, the perception that organised retail had wiped out small traders in countries like Thailand was also stressed. The threat of retail majors making huge investments to capture and monopolise the market in the long run was one area of concern voiced by many.

Shopper Habits

The mass retail format requires purchasing behaviour which may not fit with existing Shopper Habit. For instance in (most of) Urban India, milk is delivered at the doorstep early in the morning. How many of us will be willing to break this habit and a) go to a supermarket after 9 in the morning, or b) stock up for the following day(s)? In poultry products, 95 % of chicken are sold ‘live’ – slaughtering and butchering is at the retailer end. To dominate or even get an ‘influencable’ share in these categories, the Shopper habit must change or the retailer will need to offer a superior value to make the shopper switch.

Monopoly

Most of the countries which have allowed FDI in retail have experienced predatory pricing strategy by the Global retail giants which means pricing to create monopoly/oligopoly.

This has resulted in essentials, including food supplies, being controlled by foreign organizations. Consumers have larger options in a fragmented market, allowing foreign players with deep pockets leading to consolidation which would make the consumers captive. International retail does not create additional markets, it merely displaces existing markets.

The comparison that is generally done between India and China is misplaced as China is predominantly a manufacturing economy and is the largest supplier to Wal-Mart and other international majors. India in contrast might lose both manufacturing and services jobs. Jobs in the manufacturing sector might be lost because structured international retail makes purchases internationally and not from domestic sources.

When it comes to the fears of small shopkeepers getting displaced, because of entry of big retailers in India are vastly exaggerated and misplaced. Both supermarket chains and neighbourhood pop-and-mom stores coexisted when domestic majors were allowed to invest in retail. It's not going to be any different when FDI in retail is allowed. Rather, the entry of retail big boys will likely to hot up competition, giving consumers a better deal, both in prices and choices. The mega retail chains would need to keep price points low and attractive – as that's the USP of their business. This they'll be able to do by smart procurement and inventory engagement and such other good practices from which Indian retail would also learn.

Conclusion

In the conclusion the argument that FDI in retail will do more harm than good for the economy is not legitimate. So unless there are convincing reasons, FDI in retail should be permitted, of course with certain riders to safeguard the existing retailers as well as the interest of farmers.

A major point of concern that is generally raised is that of the job losses that might take place with the coming of the global retail giants. However there have been different outcomes in different countries. On a practical note big retail chains have to hire a lot of people to run their show. So, in the short term, there will be a spurt in jobs but eventually, there's likely to be a redistribution of jobs with some drying up (like that of middlemen and closure of small mom and pop stores) and some new ones sprouting up. Infrastructure is expected to be benefited with big retailers bringing in efficient supply chains including cold storage facilities.