FDI IN INDIAN RETAIL: A THREAT OR A POTENT SOURCE OF GROWTH

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ABSTRACT

India is one of the fastest growing retail markets in the world, with 1.2 billion people and the second most attractive market for investment in the globe. According to the Investment Commission of India, the retail sector is expected to grow almost three times its current levels to $750 billion by 2015. However, in spite of the recent developments in retailing and its immense contribution to the economy, retailing continues to be the least evolved industries and the growth of organized retailing in India has been much slower as compared to rest of the world. Undoubtedly, this dismal situation of the retail sector stems from the absence of an FDI encouraging policy in the Indian retail sector. In this context, the present paper attempts to discuss the trends of retailing in India. It also discusses the FDI policy of government relating to retail particularly multi-brand retail. The paper analyses the effects of these changes on major sectors of Indian economy. The findings of the study point out that F.D.I is more of a potent source of growth than a threat, more so given the capital and technology gaps that India needs to fill to provide much needed fuel to the GDP growth rate. Thus, as a matter of fact FDI in the buzzing Indian retail sector should not just be freely allowed but should be significantly encouraged.

KEYWORDS: Foreign direct investment, organized and unorganized retailing, FDI policy, multi-brand retail, single-brand retail, potent source of growth.