

## Foreign Direct Investment in Indian Retail Sector – Re – Evaluation

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### ABSTRACT

Retail part is developing as one of the alluring segments and can pull in outside players. FDI in retail bears an impact on various partners occupied with the way toward retailing, from retailers to end purchasers. The activity of the GOI to pull in FDI in retail, by changing FDI arrangement must be fundamentally energized yet ought not be unreservedly permitted. This paper tries to feature the current issue of Foreign Direct Investment in the retail portions in the two arrangements of single brand and multi-mark. This paper will show the need and its effect of remote venture of retail in both single brand and additionally multi-mark. This paper will be an eye opener with the SWOT Investigation and the key issues and the activities to be taken

in this part. The survey paper is based a portion of the imperative thinks about directed by different scientists for finding the impact of FDI in Indian retail area. The primary point of this paper is to make some exploration situated ways to advance. Based on the survey, it has been discovered that advancement of FDI approach towards retail division bears positive and also negative impacts. The paper proposes that sloppy retailers are required to redesign their retail locations to meet the difficulties of the dynamic retail condition.

**Keywords--** FDI, Retail Sector, Organized Retail, Unorganized Retail

## I. INTRODUCTION

### Definition of Retail

In 2004, The High Court of Delhi defined the term 'retail' as a sale for final consumption in contrast to a sale for further sale or processing (i.e. wholesale). *A sale to the ultimate consumer.* Thus, retailing can be said to be the interface between the producer and the individual consumer buying for personal consumption. This excludes direct interface between the manufacturer and institutional buyers such as the government and other bulk customers retailing is the last link that connects the individual consumer with the manufacturing and distribution chain. A retailer is involved in the act of selling goods to the individual consumer at a margin of profit.

### Division of Retail Industry – Organized and Unorganized Retailing

The retail industry is mainly divided into: - 1) Organized and 2) Unorganized Retailing Organized retailing refers to trading activities undertaken by licensed

retailers, that is, those who are registered for sales tax, income tax, etc.

These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses.

Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local *kirana* shops, owner manned general stores, *paan/beedi* shops, convenience stores, hand cart and pavement vendors, etc.

### Indian Retail Industry

The Indian retail industry is one of the fastest growing in the world. Retail industry in India is expected to grow to US\$ 1,100 trillion by 2020 from US\$ 672 billion in 2017.

India is the fifth largest preferred retail destination globally. The country is among the highest in the world in terms of per capita retail store availability. India's retail sector is experiencing exponential growth, with retail development taking place not just in major

cities and metros, but also in Tier-II and Tier-III cities. Healthy economic growth, changing demographic profile, increasing disposable incomes, urbanisation, changing consumer tastes and preferences are the other factors driving growth in the organised retail market in India.

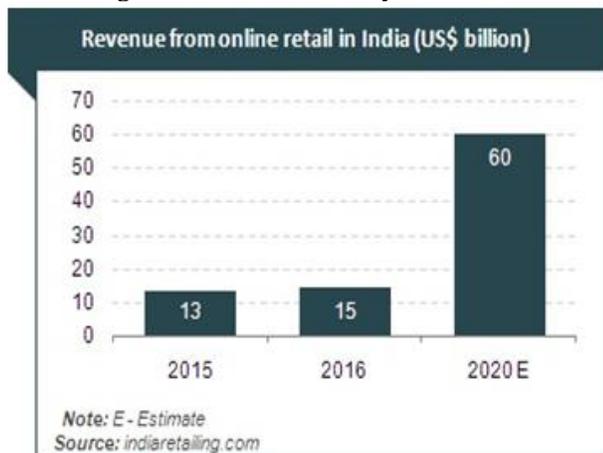
India's population is taking to online retail in a big way. The online retail market is expected to grow from US\$ 14.5 billion to US\$ 60 billion between 2016 and 2020.

Increasing participation from foreign and private players has given a boost to Indian retail industry. India's price competitiveness attracts large retail players to use it as a sourcing base. Global retailers such as Walmart, GAP, Tesco and JC Penney are increasing their sourcing from India and are moving from third-party buying offices to establishing their own wholly-owned/wholly-managed sourcing and buying offices.

The Government of India has introduced reforms to attract Foreign Direct Investment (FDI) in retail industry. The government has approved 51 per cent FDI in multi-brand retail and increased FDI limit to 100 per cent (from 51 per cent) in single brand retail, and plans to allow 100 per cent FDI in e-commerce, under the arrangement that the products sold must be manufactured in India to gain from the liberalised regime. The government has approved 100 per cent FDI in retail trading food products that are manufactured or produced in India.

#### **Growth of Retail Industry**

- Increasing participation from foreign and private players to boost retail infrastructure
- Revenue generated from online retail is projected to grow to US\$ 60 billion by 2020.



## **II. TOP PLAYERS OF RETAIL IN INDIA**

Given below are the top retail companies of India

1. Reliance Retail Limited
2. Pantaloons Retail Limited
3. Provogue India Ltd

4. Shoppers Stop
5. ITC –LRBD
6. Trent Ltd.
7. McDonald's
8. Aditya Birla Retail
9. Titan Industries
10. Kewal Kiran Clothing Limited

#### **FDI Policy in India**

FDI as defined in Dictionary of Economics (Graham Bannock et.al) is investment in a foreign country through the acquisition of a local company or the establishment there of an operation on a new (Greenfield) site. To put in simple words, FDI refers to capital inflows from abroad that is invested in or to enhance the production capacity of the economy.

Foreign Investment in India is governed by the FDI policy announced by the Government of India and the provision of the Foreign Exchange Management Act (FEMA) 1999. The Reserve Bank of India ('RBI') in this regard had issued a notification, which contains the Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000. This notification has been amended from time to time.

The Ministry of Commerce and Industry, Government of India is the nodal agency for motoring and reviewing the FDI policy on continued basis and changes in sectoral policy/ sectoral equity cap. The FDI policy is notified through Press Notes by the Secretariat for Industrial Assistance (SIA), Department of Industrial Policy and Promotion (DIPP).

The foreign investors are free to invest in India, except few sectors/activities, where prior approval from the RBI or Foreign Investment Promotion Board ('FIPB') would be required.

## **III. 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 provide the sector specific guidelines for FDI with regard to the conduct of trading activities.

- a) FDI up to 100% for cash and carry wholesale trading and export trading allowed under the automatic route.
- b) 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).
- c) FDI is not permitted in Multi Brand Retailing in India.

#### **Entry Options For Foreign Players prior to FDI Policy**

Although prior to Jan 24, 2006, FDI was not authorised in retailing, most general players ha\d been

operating in the country. Some of entrance routes used by them have been discussed in sum as below:-

### **1. Franchise Agreements**

It is an easiest track to come in the Indian market. In franchising and commission agents' services, FDI (unless otherwise prohibited) is allowed with the approval of the Reserve Bank of India (RBI) under the Foreign Exchange Management Act. This is a most usual mode for entrance of quick food bondage opposite a world. Apart from quick food bondage identical to Pizza Hut, players such as Lacoste, Mango, Nike as good as Marks as good as Spencer, have entered Indian marketplace by this route.

### **2. Cash And Carry Wholesale Trading**

100% FDI is allowed in wholesale trading which involves building of a large distribution infrastructure to assist local manufacturers. The wholesaler deals only with smaller retailers and not Consumers. Metro AG of Germany was the first significant global player to enter India through this route.

### **3. Strategic Licensing Agreements**

Some foreign brands give exclusive licences and distribution rights to Indian companies. Through these rights, Indian companies can either sell it through their own stores, or enter into shop-in-shop arrangements or distribute the brands to franchisees. Mango, the Spanish apparel brand has entered India through this route with an agreement with Piramyd, Mumbai, SPAR entered into a similar agreement with Radhakrishna Foodlands Pvt. Ltd

### **4. Manufacturing and Wholly Owned Subsidiaries.**

The foreign brands such as Nike, Reebok, Adidas, etc. that have wholly-owned subsidiaries in manufacturing are treated as Indian companies and are, therefore, allowed to do retail. These companies have been authorised to sell products to Indian consumers by franchising, internal distributors, existent Indian retailers, own outlets, etc. For instance, Nike entered through an exclusive licensing agreement with Sierra Enterprises but now has a wholly owned subsidiary, Nike India Private Limited.

### ***FDI IN SINGLE BRAND RETAIL***

The Government has not categorically defined the meaning of "Single Brand" anywhere neither in any of its circulars nor any notifications.

In single-brand retail, FDI up to 51 per cent is allowed, subject to Foreign Investment Promotion Board (FIPB) approval and subject to the conditions mentioned in Press Note 3 that (a) only single brand products would be sold (i.e., retail of goods of multi-brand even if produced by the same manufacturer would not be allowed), (b) products should be sold under the same brand internationally, (c) single-brand product retail would only cover products which are branded during manufacturing and (d) any addition to product categories to be sold under "single-brand" would require fresh approval from the government.

While the phrase 'single brand' has not been defined, it implies that foreign companies would be allowed to sell goods sold internationally under a 'single brand', viz., Reebok, Nokia, Adidas. Retailing of goods of multiple brands, even if such products were produced by the same manufacturer, would not be allowed.

Going a step further, we examine the concept of 'single brand' and the associated conditions:

FDI in 'Single brand' retail implies that a retail store with foreign investment can only sell one brand. For example, if Adidas were to obtain permission to retail its flagship brand in India, those retail outlets could only sell products under the Adidas brand and not the Reebok brand, for which separate permission is required. If granted permission, Adidas could sell products under the Reebok brand in separate outlets.

But, what is a 'brand'?

Brands could be classified as products and multiple products, or could be manufacturer brands and own-label brands. Assume that a company owns two leading international brands in the footwear industry – say 'A' and 'R'. If the corporate were to obtain permission to retail its brand in India with a local partner, it would need to specify which of the brands it would sell. A reading of the government release indicates that A and R would need separate approvals, separate legal entities, and may be even separate stores in which to operate in India. However, it should be noted that the retailers would be able to sell multiple products under the same brand, e.g., a product range under brand 'A' Further, it appears that the same joint venture partners could operate various brands, but under separate legal entities.

Now, taking an example of a large departmental grocery chain, prima facie it appears that it would not be able to enter India. These chains would, typically, source products and, thereafter, brand it under their private labels. Since the regulations require the products to be branded at the manufacturing stage, this model may not work. The regulations appear to discourage own-label products and appear to be tilted heavily towards the foreign manufacturer brands.

There is ambiguity in the interpretation of the term 'single brand'. The existing policy does not clearly codify whether retailing of goods with sub-brands bunched under a major parent brand can be considered as single-brand retailing and, accordingly, eligible for 51 per cent FDI. Additionally, the question on whether co-branded goods (specifically branded as such at the time of manufacturing) would qualify as single brand retail trading remains unanswered.

### ***FDI IN MULTI BRAND RETAIL***

The government has also not defined the term Multi Brand. FDI in Multi Brand retail implies that a retail store with a foreign investment can sell multiple brands under one roof.

In July 2010, Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce circulated a discussion paper on allowing FDI in multi-brand retail. The paper doesn't suggest any upper limit on FDI in multi-brand retail. If implemented, it would open the doors for global retail giants to enter and establish their footprints on the retail landscape of India. Opening up FDI in multi-brand retail will mean that global retailers including Wal-Mart, Carrefour and Tesco can open stores offering a range of household items and grocery directly to consumers in the same way as the ubiquitous 'kirana' store.

#### **Foreign Investor's Concern Regarding FDI Policy in India**

For those brands which adopt the franchising route as a matter of policy, the current FDI Policy will not make any difference. They would have preferred that the Government liberalize rules for maximizing their royalty and franchise fees. They must still rely on innovative structuring of franchise arrangements to maximize their returns. Consumer durable majors such as LG and Samsung, which have exclusive franchisee owned stores, are unlikely to shift from the preferred route right away. For those companies which choose to adopt the route of 51% partnership, they must tie up with a local partner. The key is finding a partner which is reliable and who can also teach a trick or two about the domestic market and the Indian consumer. Currently, the organized retail sector is dominated by the likes of large business groups which decided to diversify into retail to cash in on the boom in the sector – corporates such as Tata through its brand Westside, RPG Group through Foodworld, Pantaloon of the Raheja Group and Shopper's Stop. Do foreign investors look to tie up with an existing retailer or look to others not necessarily in the business but looking to diversify, as many business groups are doing?

An arrangement in the short to medium term may work wonders but what happens if the Government decides to further liberalize the regulations as it is currently contemplating? Will the foreign investor terminate the agreement with Indian partner and trade in market without him? Either way, the foreign investor must negotiate its joint venture agreements carefully, with an option for a buy-out of the Indian partner's share if and when regulations so permit. They must also be aware of the regulation which states that once a foreign company enters into a technical or financial collaboration with an Indian partner, it cannot enter into another joint venture with another Indian company or set up its own subsidiary in the 'same' field without the first partner's consent if the joint venture agreement does not provide for a 'conflict of interest' clause. In effect, it means that foreign brand owners must be extremely careful whom they choose as partners and the brand they introduce in India. The first brand could also be their last if they do not negotiate the strategic arrangement diligently.

#### **Concerns for the Government for only Partially Allowing FDI in Retail Sector**

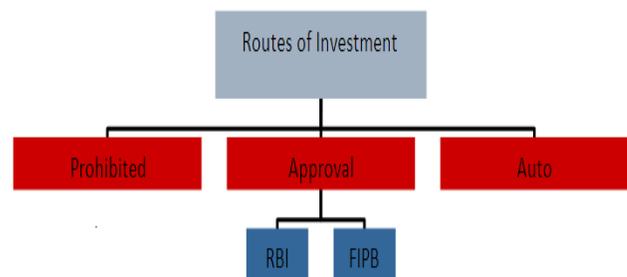
A number of concerns were expressed with regard to partial opening of the retail sector for FDI. The Hon'ble Department Related Parliamentary Standing Committee on Commerce, in its 90th Report, on 'Foreign and Domestic Investment in Retail Sector', laid in the Lok Sabha and the Rajya Sabha on 8 June, 2009, had made an in-depth study on the subject and identified a number of issues related to FDI in the retail sector. These included:

It would lead to unfair competition and ultimately result in large-scale exit of domestic retailers, especially the small family managed outlets, leading to large scale displacement of persons employed in the retail sector. Further, as the manufacturing sector has not been growing fast enough, the persons displaced from the retail sector would not be absorbed there.

Another concern is that the Indian retail sector, particularly organized retail, is still under-developed and in a nascent stage and that, therefore, it is important that the domestic retail sector is allowed to grow and consolidate first, before opening this sector to foreign investors.

Antagonists of FDI in retail sector oppose the same on various grounds, like, that the entry of large global retailers such as Wal-Mart would kill local shops and millions of jobs, since the unorganized retail sector employs an enormous percentage of Indian population after the agriculture sector; secondly that the global retailers would conspire and exercise monopolistic power to raise prices and monopolistic (big buying) power to reduce the prices received by the suppliers; thirdly, it would lead to asymmetrical growth in cities, causing discontent and social tension elsewhere. Hence, both the consumers and the suppliers would lose, while the profit margins of such retail chains would go up.

#### **Routes of Investment**



#### **IV. REGULATORY FRAMEWORK OF FDI**

The regulation is framed by Government FDI in sectors, not covered under automatic route requires prior approval of the government which is considered by

Foreign Investment Promotion Board (FIPB), Department of Economic Affairs, and Ministry of Finance

#### **FDI Monitoring and Reviewing Agencies**

1. Ministry of Commerce and Industry, Government of India.
2. Reserve Bank of India
3. Foreign Exchange Promotion Board.
4. Department of Industrial Policy and Promotion

Foreign direct investment (FDI) into the country grew by 37 per cent to USD 10.4 billion during the first quarter of the current fiscal, DIPP said today.

According to the figures of the Department of Industrial Policy and Promotion (DIPP), India had received USD 7.59 billion FDI during April-June 2016-17.

- The main sectors which attracted the highest foreign inflows include services, telecom, trading, computer hardware and software and automobile.
- Bulk of the FDI came in from Singapore, Mauritius, the Netherlands and Japan.
- The government has announced several steps to attract foreign inflows.
- The measures include liberalisation of FDI policy and improvement in business climate.
- Foreign investments are considered crucial for India, which needs around USD 1 trillion for overhauling its infrastructure sector such as ports, airports and highways to boost growth.
- A strong inflow of foreign investments will help improve the country's balance of payments situation and strengthen the rupee value against other global currencies, especially the US dollar.

The DIPP through its 'Make in India' twitter handle also stated that FDI equity inflow in manufacturing sector grew by 31 per cent to USD 4.19 billion during April-June this fiscal.

FDI equity inflow in glass, Leather cement & gypsum products, sea transport, air transport, construction development, mining, sugar and medical & surgical appliances recorded five fold jump during the quarter.

It added that since the launch of 'Make in India' initiative (October 2014 - June this year), foreign inflows jumped 64 per cent to USD 110.12 billion from USD 67.26 billion in the same period last year.

## **V. LITERATURE REVIEW**

**Abrar (2012)** discussed the nature of relations which international retailers share with their suppliers, their effect on workers and cultivators in country like India. The paper discussed in detail the source of pressure for allowing FDI in India, possible impact on marginal producers and workforce along with the pressure to ensure irreversibility of allowing FDI in retail. The researcher concluded that allowing healthy FDI in retail sector will help to increase GDP and leads to economic development.

It will help Indian retail market to integrate with global market. It is likely to provide better employment opportunities to people in India. The consumers on the other side will be benefited by a good consumer experience.

**Babu (2012)** used SWOT analysis to analyze retail sector in India. Strengths of the sector such as young working population with median age of 24 years, nuclear families, increased disposable income, increasing working women, emerging opportunities in service sector, low share of organized retail were discussed along with weaknesses of the sector such as small size outlets, high rentals of space, low volume of Indian retailing, proper merchandize mix is not settle. The study highlighted the opportunities of the sector such as demonstration effect, an attractive retail destination, untapped retail market and threats like underdeveloped SCM, difficult to target all sections of the society, lack of uniform tax system, heavy initial investments, parking problem in urban areas. The study highlighted that India as a rising star is able to attract foreign players. Allowing healthy FDI in retail sector will lead to overall development of the economy and will further help Indian economy to integrate with the world's economy.

**Fulzele & Zodage (2013)** pointed out the positive impacts of FDI in Indian retail sector. India possesses a number of opportunities to attract foreign players to invest. The study concluded that FDI is necessary for growth and development of farmers, generating new employment opportunities, benefits to customers, development of SSI's, capital inflow, infrastructure development, inflation control, improvement in retailing services, technical know-how infusion, improves SCM, growth of GDP, decline in cost of production of goods and services.

**Grover & Gupta (2014)** tried to find out the explanatory variables of FDI inflows in the country with the help of simple and multiple regression method. Two models were developed by the researchers to study the impact of FDI on economic growth. Model 1: FDI model, which depicts the factor influencing FDI in India. Model 2: Economic growth model, which depicts the contribution of FDI to economic growth. Econometric techniques viz. coefficient of determination, Std. error, F-ratio, t-statistics, D-W statistics are used. The study revealed that trade GDP, reserves GDP and financial position variables shows a positive relation with FDI while R&D GDP and exchange rate GDP variables shows negative relation with FDI. The study concluded that FDI is a significant factor to influence the level of economic growth in India.

**Krishnan & Bhandare (2013)** pointed out that with the changing trends of retailing in India, traditional and new formats will co-exist. There exists a number of favorable factors like increasing population, rapid urbanization, expected increase in India's growth, growing

middle class, increasing number of blue collar and white collar workers, changing life style , expected increase in FDI flow, progressive policies, economic and political stability, growth of nuclear families, increasing working women population for growth of organized retail in India. The researchers also highlighted various advantages and disadvantages of FDI in retailing.

**Kumar & Bansal (2015)** discussed the advantages, negative impact, strengths, weakness, opportunities and threats of allowing FDI into Indian retail business. FDI will be advantageous for various stakeholders like farmers (by providing better compensation for their production and strengthened supply chain infrastructure), customers( reduced prices of the products, qualitative products, better food safety standards, more choices, benefit to poor section of the society by lowered prices), small retailers(technology upgradation, more efficient and upgraded retail outlets), existing big retailers and SMEs (benefit of 30% sourcing from SMEs, boosting manufacturing sector, new manufacturing opportunities will also open ), rural youth (enhanced job opportunities, skill training by investors). The researcher pointed out negative impacts of FDI policy such as no employment opportunities for semi-illiterate people, negative impact on sales of unorganized retailers, less margin for small retail players due to lowered prices by foreign retailers, difficult for unorganized retailers to deal with organized retailers, small retail stores may shut down, condition of 30% procurement from Indian source may fade away with time. On the basis of the descriptive study they concluded that due to the conflict within the Government on various issues related to the FDI policy. It is difficult to judge whether FDI is beneficial or harmful for Indian economy. The study suggested that a locally constructed marketing network will benefit both consumers and retailers.

**Nasir S. (2015)** discussed on the basis of secondary data, the advantages and disadvantages of FDI in retail sector. The researcher pointed out advantages such as economy growth, low priced products for customers, enhanced employment opportunities, benefit to farmers by contract farming, improvement in infrastructure, improvement in SCM of FDI policy in retail. The study also put light on the disadvantages of FDI policy like loss of market share by domestic retailers, Indian revenue in hands of foreign players, job loss of small business owners and workers, closure of small retail stores effecting social community etc. At the end the researcher concluded that FDI will have a positive impact on the country but we should learn lessons from China where both organized and unorganized retail gained momentum together.

**Sharma & Bansal (2015)** explored the trends of FDI in Indian retail sector. The study pointed out perceived opportunities of opening FDI on one hand like capital infusion, benefit to farmers and consumers,

improvement in supply chain, logistics and technology and potential threats such as dominance of organized retail, increased unemployment due to removal of middlemen, increase in real estate cost because of increase in demand to set up new big outlets and negative impact on Indian culture. FDI in retail should be allowed in a phased manner. Formulation of National commission is suggested to tackle the problems of retail sector in a well defined manner. The researcher suggested that manufacturing sector must be strengthened to accommodate displaced retail sector staff.

**Shil & Roy (2013)** analyzed the important issues associated with FDI in Multi brand retailing in India. The study highlighted that the benefits expected from FDI must be matched properly with losses that may occur. Restrictions must be imposed while framing FDI policy in consideration with the major stake of people of our nation.

## VI. FDI IN SINGLE BRAND

The Foreign Investment Promotion Board has sanctioned 100% in retail industry which will include only those identified during manufacturing A retail store with foreign investment can sell only one brand.

### *Conditions for investing in single branding*

- Only single brand products would be sold.
- Products should be sold under the same international brand.
- Single products which are branded during manufacturing.
- The retailers have to get at least 30% of goods from SMEs.
- All stores can open where there is a population of over 1 million.
- Self Certification of In for the company is needed.
- Checking by statutory auditors is necessary.

### *Procedure for approval*

- Application to Secretariat for Industrial Assistance, DIPP, Ministry of Industry.
- Approval from government for any additional products or products categories if any to be added.
- Processed in DIPP before approval from FIPB.

FDI in multi-brand retail generally refers to selling multiple brands under one roof. Currently, this sector is limited to a maximum of 49 percent foreign equity participation. The growing dominance of multinational companies in the country's \$200 billion retail business, had warned that any move to increase FDI in the retail sector would ruin the business of small and medium traders scattered over the country According to the the economic advisor to the Prime Minister, Kaushik Basu , the government will allow FDI in three phases. In the first phase, foreign multi-brand retail chains will be allowed in the metros Delhi, Mumbai, Kolkata and Chennai. In the

second phase other metros like Bangalore, Hyderabad and Pune will be included

#### **Conditions for investment in multi branding**

1. Minimum investment of \$ 100 Million.
2. 30% of raw material to be taken from Indian SME's.
3. Permission given to set up malls in cities with a minimum population of 10 lakh
4. Government will first procure materials from farmers.
5. Products should be sold in the same brand.
6. Foreign investor should be the owner of the brand.

## **VII. SWOT ANALYSIS OF FDI IN RETAIL**

### **Strengths**

- Customers will have access to greater variety of international quality branded goods.
- Employment opportunities both direct and indirect have been increased. Farmers get better prices for their products though improvement of value added food chain.
- Increase in disposable income and customer aspirations are important factors.
- Increase in expenditure for luxury items is also vital.

### **Weakness**

- Will mainly cater to high-end consumers placed in metros and will not deliver mass consumption goods for customers in villages and small towns.
- Retail chains are yet to settled down with proper merchandise mix for the mall outlets. Retailing today is not about selling at the shop, but also about researching and surveying the market, offering choice, competitive prices and retailing consumers as well.
- The rapid development of retail sector is the sharp improvement in the availability of retail space But the current rally in property prices, retail real estate rentals have increased remarkably, which may render a few retailing business houses unavailable. Retail companies have to pay high rentals which are blockage in the turn of profits.
- The volume of sales in Indian retailing is also very low. India has largest population in the world and a fast growing economy.

### **Opportunities**

- Once the concept picks up, due to demonstration effect, there will be an overall up-gradation of domestic retail trade.
- Global retail giants take India as key market .It is rated fifth most attractive retail market. The organised retail sector is expected to grow stronger than GDP growth in the next five years driven by changing lifestyles, increase in income

and favourable demographic outline. Food and apparel retailing are key drivers of growth.

- Indian retail industry has come forth as one of the most dynamic and fast paced industry with several players entering the market.
- It can become one of the largest industries in terms of numbers of employees and establishments.
- Rural retailing is still unexploited Indian market.

### **Threats**

One of the greatest barriers to the growth of modern retail formats are the supply chain management issues. No major changes are needed in the supply chain for FMCG products; these are well developed and efficient. For perishables, the system is too complex. Government regulations, lack of adequate infrastructure and inadequate investment are the possible bottlenecks for retail companies. The supply chain for staples is less complicated than the net groceries. But staples have a unique problem of non- standardization.

- Difficult to target all segments of society.
- Emergence of hyper and super markets trying to provide customer with –value, variety and volume.
- Heavy initial investment is required to break even with other companies and compete with them.
- Labour rules and regulation are also not followed in the organized retails. The Lack of uniform tax system for organized retailing is also one of the obstacles. Inadequate infrastructure is likely to be an obstacle in the growth of organized retails.

## **VIII. CONCLUSION AND DISCUSSION**

Gone are the days, when customers were dependent on nearby retail store for fulfilling their needs. With new concepts like e-tailing, customized product, a big shift is seen in the response of the customers. Positive as well as negative points are attached to the liberalized FDI policy in retail sector. FDI in no doubt is likely to bring improvement in state of Indian economy, but the stake of small retailers must be taken care of while formulating and implementing the policy. With growing awareness and attitudinal shift of customers, it is suggested that it is time for small retailers to spend time to revive the strategies required to attract customers towards their retail stores. The small retailers must concentrate upon innovative concepts of retailing, spend time on CRM practices, bring improvement in SCM, use feedback facility, keep a track record of customers, provide quality products, bring improvement in ambience and most importantly provide a personal touch to the services for attracting customers towards their retail stores. The Government is also required to frame strict policies, taking

care of interest of small retailers, so that organized and unorganized sector may co-exist and flourish together.

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