FDI in Multi Brand Retail and Employment Generation in India

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ABSTRACT

In the present economic scenario, especially after global economic crisis, the condition of India's balance of payment and trade deficit is very severe. Investment has made the need of hour to bridge this gap. An attempt has been made in this paper, to discuss the need of opening up the route of FDI in multi brand retail sector. The main purpose of this study is to analyse the role of FDI in employment generation in Indian retail sector. Here we assumed that FDI as an independent variable whereas employment as dependent variable. By using time series data from 2001-02 to 2009-10 and applying ordinary least square (OLS) method we find that FDI have negative impact on employment generation in retail sector in India.

JEL CODES: F23;F34;35

Key Words: Foreign Direct Investment, Multi Brand Retail, Employment Generation, India.

1. INTRODUCTION

Now days, India is facing balance of payment and trade deficit problems continuously. This has been made to bring about changes in Foreign Direct Investment (FDI) policy by Government of Indian. Indian retailing is one of the most promising sectors with a lot of growth potential. Despite the recent developments in retailing and its recognizable contribution to the economy, retailing continues to be the least evolved industries. The growth of organized retailing in India has been so slower as compared to rest of the world. Liberalization of trade policies during first reform period has led India to become an investment friendly country. Foreign direct investment (FDI) in this country considered critical importance in the context of this liberalization. According to the Investment Commission of India, the retail sector is expected to grow almost three times its current levels. It has made India the most attractive investment destination in the world. Indian Retailindustry with a contribution of 14% to the national GDP and employing 7% of the total workforce in the country after agriculture sector, the retail industry is one of the main pillars of the Indian economy. The latest decision of the Government of allowing FDI in Indian retail sector encourages the retailers and open up barriers to develop and leverage the resources and capabilities of their supply chain partners to create superior value and competitive advantages in the marketplace. FDI plays a very significant role for economic growth and development through its strengthening of domestic capital, productivity and employment creation and also it would undoubtedly enable India incorporates to integrate its economy with that of the global economy. But a great debate has appeared against the Government plans for allowing FDI in Retail sector by the small traders who beliefthat the opening up of foreign-sponsored departmental outlets will not necessarily absorb them; rather they may try to establish the monopoly power in the country. Therefore, as a matter of fact FDI in Indian retail sector should not just be freely allowed but should be significantly encouraged with some restrictions. Thus FDIs will provide opportunities to host countries to enhance their economic growth and optimize their earnings by employing their ideal resources.

2. REVIEW OF LITERATURE

Many studies have been found to analyse the impact of FDI on growth of the countries and employment generation. The flows of FDI have a positive correlation with economic growth but do not identify the mechanism to growth of economy and employment generation in India.

A study conducted by **Mukherjee and Patel (2005)** found that foreign retailers are working with small manufacturers for in-house labels and are providing them technologies like packaging technologies and bar coding. Sourcing from India has increased with the advent of foreign retailers and they also bring in an efficient supply-chain management system. Joint ventures with foreign retailers are helping the Indian industry to get access to finance and global best practices. Besides, retailing being a non-tradable service there is no possibility of improved efficiency through import competition and foreign investment is the way forward.

Tanay Kumar Nandi and Ritankar Saher (2007) in their work made an attempt to study the Foreign Direct Investment in India with a special focus on Retail Trade, This paper stresses the need of FDI in India in retail sector and uses the augment that FDI is allowed in Multiple sectors and The study also suggests that FDI in retail sector must be allowed. **Bose, Jayashree (2007),** the book studied the sectoral analysis of India & China related to FDI Inflows. In his book, he lights on the emerging issues on FDI inflows in India & China comparatively and also on the globalization, foreign factors, trends & issues on FDI outflow from India and China.

M. Joseph and N. Soundararajan, (2009) The Indian Council for Research on International Economic Relations (ICRIER) study has shown that hardly 1.7 per cent of small shops have closed down due to competition from organized retail. They have competed successfully against organized retail through adoption of better business practices and technology. FDI has positive spillover effects on the economy as its ownership advantages get disseminated to locally owned enterprises, enhancing their productivity. All these benefits of foreign direct investment have been well proven in India in sectors such as automobiles, telecom and consumer electronics.

Khan A.Q. and Siddiqui Ahmad Taufeeque (2011) studied the impact of FDI on Indian economy and a comparison with China & USA. The paper has also been ventured into carving out set of strategies to deal with the issues & problems in attracting FDI for promotion & growth of international trade. The double log model has been used to find elasticity between different factors in this paper. They also highlight the impact of FDI on employment. In this research paper, the discussion between FDI and GDP as to asses that FDI helps in boosting growth of a country.

Bhanagade D.B, Shah A. Pallavi (2011), they said in their paper that the impact of FDI on Indian Economy where they also emphasize on the investments, sectors attracting highest FDI inflows and FDI leads to Generation of Employment opportunities. Therefore the growth of inflow of FDI would lead to positive growth of Gross capital formation. In India, the growth of GDP is largely influenced by FDI. As stated that the numerous studies have been conducted related to FDI in different aspects of areas. But none of the studied reviewed by the researchers is in context to the FDI in India and shows that how FDI affecting India's growth and impact of FDI inflows on growth of the economy in terms of different variables like GDP and employment generation in India. Further, in the research paper double log model has been used to find out the elasticity between the different indicators.

3. OBJECTIVES OF THE STUDY

1. To explain the current status of FDI in Indian retail sector along with others.
2. To study the need of opening up the route of FDI in Multi Brand Retail segment in India.
3. To analysethe impact of FDI on employment generation in Indian retail sector.

3.1 Hypothesis

Ho- The Null Hypothesis assumes that there is no significant relationship between FDI inflow in retail sector and employment in Indian retail sector.

Ha- The Alternative Hypothesis accepts that there is significant relationship between FDI inflow in retail sector and employment in Indian retail sector.

4. METHODOLOGY AND DATA SOURCES

The study is exploratory and quantitative in nature. The secondary information is extensively used for analysis purpose. Further the secondary data pertaining to the study is originated from various sources like National Sample Survey Organization (NSSO), SIA reports, newspapers, and websites of Reserve bank of India (RBI), Department of Industrial Policy and Promotion (DIPP), Economic Survey 2010-11, 2011-12 and number of leading journals. In order to compare the FDI inflow over the period under study, the percentage method and simple statistics is used.

4.1 Statistical Tools Used to Test the Hypothesis

A log linear regression function has been applied to know the impact of FDI on Indian economic growth in terms of GDP and Employment Generation in India. The degree of significance of coefficient of regression verify by the application of 'T' test. The strength of linear relationship between the dependent variable and independent variable measured by the coefficient of determination. The data analyzed in this paper has been scrutinized through statistical tools &techniques.

4.2 Econometric Model

We use simple Ordinary Least Square (OLS) Method in the form of equation to investigate the impact of FDI on employment. creation in Indian retail sector.

$$\text{Ln (EMP)} = \alpha + \beta \ln(\text{FDI}) + \varepsilon_i$$

Where the employment in retail sector are taken as dependent variable while FDI in retail sector as an independent variable. Further α is intercept and β is the parameters of the equation that link together the dependent and independent variables, and ε is error term. In above equation natural log values of variables are used to transform it into a linear equation and to facilitate the use of ordinary least square method.

5. RETAIL SECTOR IN INDIA

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: The retail industry is mainly divided into

(i) *Organized and*
(ii) *Unorganized Retailing.*

(i) Organized Retailing

Organized retailing refers to trading activities undertaken by licensed retailers, those who have registered for sales tax, income tax, etc. These include corporate-backed hypermarkets and retail chains, and also privately-owned large retail businesses.

Single Brand Retail: Single Brand implies that foreign companies would be allowed to sell goods sold internationally under a ‘SingleBrand’, viz., Reebok, Nokia and Adidas. FDI in ‘SingleBrand’ 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 they get permission, Adidas could sell products under the Reebok Brand in separate outlets.

Multi Brand Retail: FDI in Multi Brand retail implies that a retail store with a foreign investment can sell Multiple Brands under one roof. 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.

(ii) Unorganized Retailing

Unorganized retailing refers to the traditional forms of low-cost retailing, for example, local kirana shops, owner-operated general stores, paan/beedi shops, convenience stores, hand cart and street vendors, etc.

6. CURRENT SCENARIO OF RETAILING INDUSTRY IN INDIA

In India, FDI scenario has been divided into two important retail segments, “Single Brand retailing and Multi Brand retailing”. A section on the investment scenario of this market is also highlighted; including investment and expansion plans, mergers and acquisitions, and partnership agreements in the retail sector. The competition section provides an overview of the competitive landscape in the market and includes a detailed profile of the major players. It begins with a matrix showing the various retail formats under which the players operate in India. A bubble chart for the public companies, depicting their relative positions in the market with respect to total income, net profit/loss and market capitalization is included. Similarly, a bubble chart for the private players is also included with respect to their total income, net profit/loss and total assets. This section also includes list of products and services, key people, financial snapshot, key ratios and key recent developments for all companies, along with key business segments and key geographic segments for public companies. The report concludes with a section on strategic recommendations which comprises of an analysis of the growth strategies of the retail market in India.

Table-1 Foreign Direct Investment (FDI) Inflows Into India (From April 2000 To June 2012)

S. No.	**Financial Year**	**FDI Flows in India**		**% Growth (in US $Million)**
		(in Rs. Crore)	**(in US $ Million)**	
1	2000-2001	10733	4029	-
2	2001-2002	18654	6130	(+) 52%
3	2002-2003	12871	5035	(-) 18%
4	2003-2004	10064	4322	(-) 14%
5	2004-2005	14653	6051	(+) 40%
6	2005-2006	24584	8961	(+) 48%
7	2006-2007	56390	22826	(+) 146%
8	2007-2008	98642	34843	(+) 53%
9	2008-2009	142829	41873	(+) 20%
10	2009-2010	123120	37745	(-) 10%
11	2010-2011	88520	34847	(-) 08%
12	2011-2012	173947	46553	(+) 34%
13	2012-2013 (up to June)	23820	7698	-
CUMULATIVE TOTAL (from April 2000-June 2012)		**798827**	**260913**	

Source: *Department of Industrial Policy & Promotion (DIPP) Fact sheet up dated up to June 2012, Federal Ministry of Commerce and Industry, Government of India.*

Table-1 Explains that FDI inflow from the year 2000 to 2012 in India. According to the data of Department of Industrial Policy and Promotion (DIPP) illustrate that FDI was US$ 4029 million in the year 2000-01 that increased to US$ 6130 million with growth rate of 52 % in the year 2001-02. With the investment amounted to US$ 5035 million and US$ 4322 million with negative growth rate of 18 % and 14 % respectively as it was noticed the downward trend in years i.e. 2002-03 and 2003-04. The reason behind the negativity was the unfortunate 9/11 attack in US leading to effect on almost all the countries worldwide. In most of the economies including India the stock market went into bearish mode. Then the recovery in stock market began from2004-2005 and2005-2006 with increasing rate of 40%and 48% and investment amounted to US$ 6051 million and US$8961 million respectively. In the year 2006-2007, FDI registered robotic growth rate of 146 % with investment amounting to US $ 22826 million. During that period tremendous growth can be ascertained in Indian economy. This trend in the rate of growth goes continued with investment amounting to US$ 34835 with growth rate of 53% in the year2007-2008. In the succeeding year 2008-2009, the growth rate declined to the level of 20%. That is all because of global financial recession but it is satisfactory for India as compare to other countries at least it is positive. Very Strong economic fundamentalsof Indian economy and controlled privatization are able to maintain positive growth rate.The impact of financial crises adversely affect the Indian economy as it is noticed that in the year 2009-2010 and 2010-2011, the growth rate goes negative at -10% and -08% with investment amount of US $ 37745million and US $ 34847million respectively. But in the year 2011-12 it has seen again bounced back with a growth rate 34% and with investment amount of US $ 46553 million.

Table-2 Explains that country wise FDI inflows in India during the period of study. The table shows that Mauritius is the most attractive country to invest in India. It only invest US $ 65608 million with 38% of total FDI inflow in India, followed by Singapore amounted US $ 17555 million with 10% of total FDI inflows. U.K and Japan have rank three and four respectively with 9% and 7% respectively followed by USA amounted US $ 10710 million with 6% of total FDI inflows. Netherland, Cyprus, Germany and France occupied six, seven, eight and nine place in terms of FDI inflows with 4%, 4%, 3% and 2% respectively and UAE participate as a foreign investor in India having 10^{th} place in ten countries table amounted US $ 2301 million with 1% respectively. From the table it is also revealed that about 50% of total FDI inflows are invested by Mauritius and Singapore. They play a very significant role in the overall development of Indian economy

Table-2 Country Wise FDI Equity Inflow In India(From April 2000 To June 2012)

S. No.	**COUNTRY**	**FDI Flows in India**		**% of total inflows (in US$ Million)**
		(in Rs. Crore)	**(in US $ Million)**	
1	MAURITIUS	297189	65608	**38%**
2	SINGAPORE	79770	17555	**10%**
3	U.K.	76846	16314	**9%**
4	JAPAN	59785	12663	**7%**
5	U.S.A	48682	10710	**6%**
6	NETHERLAND	35209	7652	**4%**
7	CYPRUS	30762	6603	**4%**
8	GERMANY	22234	4880	**3%**
9	FRANCE	13709	2988	**2%**
10	U.A.E	10643	2301	**1%**
TOTAL FDI INFLOWS		**798826**	**174835**	

Source:*Department of Industrial Policy & Promotion (DIPP) Fact sheet up dated up to June 2012, Federal Ministry of Commerce and Industry, Government of India.*

Table-3 Explains that the Sector wise Analysis of FDI in India reveals that maximum FDI has attracted in the service sector including the telecommunication, information technology, travel and many others with 19%. The service sector is followed by the construction development sector with 12% in terms of FDI. The telecom industry is of the fastest growing industries in India with 7% FDI inflows as it has the highest growth rate in the world, with a growth rate of 45%. The IT sector is one of the growing sectors in India. The FDI in computer software and hardware is of 6% along with drugs and pharmaceuticals. Chemical other than fertilizers, Automobile Industry, power and metallurgical industries have average investment in terms of foreign direct investment. They have moderate rate of attraction of FDI with 5%, 4%, 4%, and 4% respectively. The petroleum and natural gas industry has helped in the development of the sector in India as ranks 10th with FDI Inflows of 3%. The cumulative FDI inflows reveal that service sector attracts maximum FDI Inflows amounting to Rs. 151560 crores that followed by the construction development amounting Rs. 95624 crores in India. These both sectors attract more than 30% of the total FDI Inflows in India.

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Table-3 Sector Attracting Highest FDI Equity Inflow in India (From April 2000 to June 2012)

S. No.	**SECTOR**	**FDI Flows in India**		**% to Total Inflows (in US $ Million)**
		(in Rs. Crore)	**(in US$ Million)**	
1	SERVICE SECTOR	151560	33428	**19%**
2	CONSTRUCTION DEVELOPMENT	95624	21088	**12%**
3	TELECOMMUNICATIONS	57120	12560	**7%**
4	COMPUTER SOFTWARE & HARDWARE	50557	11286	**6%**
5	DRUGS AND PHARMACEUTICALS	45313	9659	**6%**
6	CHEMICALS OTHER THAN FERTILIZERS	39236	8116	**5%**
7	POWER	33994	7444	**4%**
8	AUTOMOBILE INDUSTRY	31929	6965	**4%**
9	METALLURGICAL INDUSTRIES	28692	6374	**4%**
10	PETROLEUM & NATURAL GAS	23676	5139	**3%**

Source: *DIPP (Department of Industrial Policy & Promotion) Fact sheet up dated up to June 2012, Federal Ministry of Commerce and Industry, Government of India***.**

As the Real Estate and Housing and the Construction industry are among the new attracting large share of FDI in India. Thus the Sector wise Inflows of FDI in India shows varying trends but act as a catalyst for growth, development and quality maintenance of Indian Industries to the huge and greater extend. Though the sectors are the major sources of mobilizing FDI in India, plenty of scope exists.

7. NEED FOR FOREIGN DIRECT INVESTMENT IN MULTI BRAND RETAIL IN INDIA

As India is a developing country, capital has been one of the scare resources that are usually required for economic development. Capital is limited and there are many issues such as Health, poverty, employment, education, research and development, technology obsolesce, global competition. The flow of FDI in India from across the world will help in acquiring the funds at cheaper cost, better technology, employment generation, and upgraded technology transfer, scope for more trade, linkages and spillovers to domestic firms. The following arguments are advanced in favor of foreign direct investment.

- **Sustaining a High Level of Investment:** As all the under-developed and the developing countries want to industrialize and develop themselves, therefore it becomes necessary to raise the level to investment substantially. Due to poverty and low GDP the saving are low. Therefore there is a need to fill the gap between income and savings through foreign direct investments.
- **Technological Gap:** In Indian scenario we need technical assistance from foreign source for provision if expert services, training of Indian personnel and educational, research and training institutions in the industry. It only comes through private foreign investment or foreign collaborations.
- **Exploitation of Natural Resources:** In India we have abundant natural resources such as coal, iron and steel but to extract the resources we require foreign collaboration.
- **Understanding the Initial Risk:** In developing countries as capital is a scare resource, the risk of investments in new ventures or projects for industrialization is high. Therefore foreign capital helps in these investments which require high risk.
- **Development of Basic Economic Infrastructure:** In the recent years foreign financial institutions and Government of advanced countries have made substantial capital available to the under developed countries. FDI will help in developing the infrastructure by establishing firm's different parts of the country. There are special economic zones which have been developed by Government for improvising the industrial growth.
- **Improvement in the Balance Of Payments Position:** The inflow FDI will help in improving the balance of payment. Firms which feel that the goods produced in India will have a low cost, will produce the goods and export the same to other country. This helps in increasing the exports.
- **Foreign Firm's Helps in increasing The Competition:** Foreign firms have always come up with better technology, process, and innovations comparing with the domestic firms. They develop a completion in which the domestic firms will perform better it survive in the market.

8. EMPLOYMENT GENERETION IN RETAIL SECTOR OF INDIA

The Indian Government's goal of attracting FDI was particularly motivated by low domestic savings rates accompanied by inefficient financial intermediation, which hampered their strategies to finance growth. The other motivation behind FDI was the opportunity to benefit from the direct and indirect effects of FDI on increasing demand for labour.

Table-4 Occupational Condition in India

GENDER	UNDER EMPLOYED	% OF DAYS UNEMPLOYED	WANT ADDITIONAL WORK	WANT ALTERNATIVE WORK
URBAN				
MALE	1.4	3.9	5.8	4.9
FEMALE	1.4	15.4	1.2	0.9
RURAL				
MALE	7.4	8.4	26	23.2
FEMALE	16	30.8	6.6	5.8
TOTAL	**26**	**NA**	**40**	**35**

Sources: *NSSO SURVEY: Employment and unemployment situation in India 2009-10*

	POPULATION	LABOUR FORCE	% OF NOT EMPLOYED
INDIA	**1177**	**430**	**28.3**
MALE	609	329	20.1
FEMALE	568	102	8.3
URBAN	**351**	**123**	**7.1**
MALE	184	101	5.2
FEMALE	166	21	1.9
RURAL	**828**	**306**	**20.8**
MALE	425	228	18.2
FEMALE	401	79	5.1

Sources: *NSSO Survey all figures are in million*

This is especially important given a chronic unemployment that the India suffers from. The level of unemployment in any country has economic and social implications. From the economic point of view, the overall unemployment rate remains one of the key measures of an economy's performance. However, unemployment rate is not only of economic significance but also of social significance as well since it is also a key variable in alleviating poverty. For instance, the India's National Bureau of Statistics (2007) indicates that the overall unemployment rate in India was 11.0 for the population aged 10 years and above. The current problem of youth unemployment in India has been addressed by establishing foreign production facilities, which engage youths in the values creation. It was expected that foreign firms that use labour intensive production methods would absorb many of the youths, through either direct employments or indirect employments. Prior studies have used cross-country data; however, none of the past studies have focused solely on India. The results of prior studies on the relationship between FDI and employment creation of host country are mixed. Considering the importance of the unemployment problem in India and the potential impact that FDI can have on employment generation on one hand, and the scarcity of studies covering the subject in India on the other hand, the present study has utilized data-set from India to examine the impact of FDI on employment generation/creation. Thus, the present study attempts to create a better understanding of the relationship between foreign direct investment inflows and their effects on employment creation in India. In 11^{th} and 12^{th} plans, the planning commission is targeting the creation of about 116 million jobs, which would absorb the 85 million rises in the labour force and cover some of the existing gab between jobs and job seekers. Through FDI in Multi Brand retail sector, the Government wants to create 10 million new jobs opportunities addressed the nation by the Prime Minister of India. But it can be happened only if the projected number of new jobs materialized. Equally the benefits of these new jobs can accrue only if the people with the relevant skills are available.

Table-5 Percentage Growth of Total Employment Generation in Organized Retail Sector in India.

S.No.	Year	Total Employment in Public & Private Sector	Total Employment in Retail Sector	% of Total Retail Employment
1	2000-01	27960000	493000	-
2	2001-02	27790000	502000	(+) 02%
3	2002-03	27205000	492000	(-) 02%
4	2003-04	27001000	542000	(+) 10%
5	2004-05	26443000	532000	(-) 02%
6	2005-06	26459000	559000	(+) 05%
7	2006-07	26959000	569000	(+) 02%
8	2007-08	27242000	588000	(+) 03%
9	2008-09	27512000	437000	(-) 26%
10	2009-10	28086000	646000	(+) 48%

Sources: *Ministry of Labour& Employment, Director General of Employment and Training, Economic Survey 2011-2012*

TABLE 5 Reveal that the overall employment generation in retail sector in India with respect to total employment generation in India. The total employment in retail sector in India increased except in the year 2002-03, 2004-05 it decline with 2% each respectively. Further it increases in the year 2005-06, 2006-07 and 2007-08 with overall 5%, 2% and 3% respectively.It has been clearly shown by the table, here we also found the recession and financial crises effect in year 2008-09 with a decline of 26% in the total generation of employment opportunities in India. In the succeeding year 2009-10 it is also clear from the above data that the employment in retail sector grow with recognizable rate of 48 percent.

9. ANALYSIS AND INTERPRETATION

Hypothesis

Ho-The Null Hypothesis assumes that there is no significant relationship between FDI inflow in retail sector and employment in Indian retail sector.

Ha-The Alternative Hypothesis accepts that there is significant relationship between FDI inflow in retail sector and employment in Indian retail sector.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.410[a]	.168	.049	.3250771

a. *Predictors: (Constant), LNFDI*

TABLE-6.2 Impact of FDI inflow onEmployment

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	3.178	1.091		2.914	.023
Ln (FDI)	-.096	.081	-.410	-1.118	.274

a. *Dependent Variable: Ln (EMP);*

b. ***Source:*** *Through SPSS, Based on Appendix-1*

In order to test the hypothesis, the variables have been converted into natural log where FDI has been taken as independent variable and natural log of employment (EMP) as a dependent variable. Regression result shows that overall model is significant at 2% level of significance with T value of 2.914 and on the other hand constant i.e. dependent variable is significant at 27%

level of significance with T value of -1.118. The value of R and adjusted R square are somewhat high (0.410) which suggest that the 59% variation in this model is unexplained and remaining variables are explained by FDI in this model. It is stated that there is a negative impact of FDI on employment and some other unknown factors also plays significant role. In above table, the 'B' value is 0.226% which indicates that the elasticity between FDI and GDP is 0.226%. It resulted that 1 % increase in FDI leads to -0.096 % decrease in employment. If FDI increases 10 % then it may increase the GDP growth rate by -0.96%. Therefore the null hypothesis is accepted and alternative hypothesis is rejected as there is not significant impact of FDI on employment in Indian retail sector.

10. LIMITATIONS OF THE STUDY

The study suffers from the following limitations:

The study is limited to India. Hence the result arrived from the study may or may not be applied to other countries. This study covers only the limited cap of the FDI inflow which is time bounding study. The study is based on time series data covering the period 2001-02 to 2009-10 and valid for only that period of time. Although India has open its hand for FDI from first economic reform period. Therefore the result can't be generalised for FDI flow in other challenging sectors. This study does not cover more than 90 percent employment in India. The generalisation of the findings of the study is subject to limitations of FDI is not only responsible for economic growth. The study also ignores other variables which play a vital role in the economic growth and development.

11. SUGGESTIONS

The national commission must be established to study the problems of the retail sector and to evolve policies that will enable it to cope with FDI as and when it comes. To provide greater benefits to economy there should be stiff local sourcing requirements and investments in backend infrastructure should be compulsory. Opening up of FDI should be done in a calibrated manner. So that domestic retail both organised and unorganised get breathing space and are able to upgrade their practices. FDI in Multi Brand Retail should not limited in big cities, to provide rural youths opportunities to get fruitful employment in retail sector. The condition must be aimed at encouraging the purchase of goods in the domestic market size and specify details like constructions and standard storage etc. Entry of foreign players must be slow and with special safeguard so that the effect of the labour displacement can be analysed and policy fine turned.

After completion of detail study on FDI in Multi Brand Retail and employment generation in India. I have reach at the point of discussion that FDI should be allowed in various sectors in India to resolve many problems related to retail sector. My suggestion is that FDI should be allowed in a restrictive manner in India like china. FDI has to fulfill certain terms and conditions for getting permission there to start business in retail sector. These term and conditions are as-

- If FDI allowed carrying on it business in Multi Brand Retail sector then 80% of the total staff should be from India.
- Profit can't be transferred to trading companies' country for at least first five year. That should be fully utilized in building up infrastructure, transportation, increasing productivity and other facilities related to the retail sector.
- Monetary transactions should be done through Indian Banks only so as to increase the credit facility to Indian farmers..
- First priority should be given to the Indian goods and products produced by Indian incorporate for consumption purpose. Thus FDIs the best solution to bridge the current account deficit, will help in curbing inflation, driving the development, inclusive and equitable growth and create employment opportunities.

12. CONCLUSION

To summarise the debate on opening up FDI in Multi Brand Retail, there is sincere expectation that government has opened the boundaries to overseas investment in the retail sector. At present it is also not desirable to increase FDI ceiling to more than 51 percent for single brand retail. The government has already increased 100 percent in single brand retail and 51 percent in multi brand retail. The sector should opened gradual and phased manner. It will help us to ensure check and control on business operations of global retails and look after the interest of the domestic players. Foreign players should not allow trading in certain sensitive products like arms and ammunition, defence equipment etc. and the list of excluded goods should be clearly stated in the FDI policy. Once India get integrated into global economy with FDI in multi brand retail sector it will be placed an advantage if it is made mandatory for foreign retailers to bring with them technology and management know how. Human resources will be developed as these investments provide education and training to the people employed by them there is a great scope of employment generation. As these retail outlets will need manpower to run them. The purpose of the study is discussing the need of opening up the route of FDI in multi brand retail sector. But the main aim of this study is to analyse the role of FDI in employment generation in

Indian retail sector. Here we assumed that FDI as an independent variable whereas employment as dependent variable. By using time series data from 2001-02 to 2009-10 and applying ordinary least square (OLS) method we find that FDI will have negative impact on employment generation in retail sector in India because the result shows that 10% increase in FDI inflow in retail sector it will decrease the approximately 1% in jobs. Thus these results are not according to our expectation. The results of the study can't be generalised to all developing countries because all countries have their own local changing aspects. Furthermore the researcher can modify the model in various contests as per their research requirements.

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APPENDICES

APPENDIX-1

FDI inflow in retail sector and employment in retail sector in India during the period from 2001-02 to 2009-10

S. No.	YEARS	FDI	EMP	LNFDI	LNEMP
1	2001-02	155100	4.93	11.9518	1.5953
2	2002-03	123500	5.42	11.724	1.6901
3	2003-04	198600	5.32	12.199	1.6715
4	2004-05	239900	5.59	12.388	1.721
5	2005-06	2104700	5.69	14.5597	1.7387
6	2006-07	1031300	5.88	13.8463	1.7716
7	2007-08	2851600	4.37	14.8634	1.4748
8	2008-09	2077600	6.46	14.5467	1.8656
9	2009-10	1553900	6.77	14.2563	1.9125

Source: *Compiled by the Authors from Economic Survey of 2010-2011 & CSO and FDI fact sheet of DIPP from September, 2005 to April, 2011. LNFDI = Natural Log of FDI Inflow of retail sector, and LNEMP = Natural Log of Employment generation in retail sector.*