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Editorial
Foreign Direct Investment (FDI)

Foreign Direct Investment (FDI) plays an extraordinary and growing role in global business. It can provide a firm with new markets and marketing channels, cheaper production facilities, and access to new technology, products, skills and financing. For a host country or the foreign firm which receives the investment, it can provide a source of new technologies, capital, processes, products, organizational technologies and management skills, and as such can provide a strong impetus to economic development. FDI to developing countries in the 1990s was the leading source of external financing. The rise in FDI volume was accompanied by a marked change in its composition.

Retailing is the largest private sector in India and second to agriculture in employment. India today has perhaps the highest retail outlet density – with approximately 15 million retail outlets. The entire retail trade contributes about 10-11% to India's GDP and is valued at an estimated Rs 9, 30,000 cores. Out of this, organized retailing industry is around Rs 35,000 corers. Organized retailing is primarily urban centric, its share as represented in urban scenario is projected to be 12 to 20%. Growing at more than 30%, the organized sector is driving the retail growth in India and contributes significantly to the growth of the economy. This economic growth comes primarily from increased consumer spending.

There are other benefits too of transforming retail sector into an organized sector. Firstly, a number of new jobs will be created, far better paid than the underage labor working in the local shops. Secondly, circulation of black money and tax evasion will be curbed, as big employers, as distinct from owner-managed chains, will have to keep proper records. Thirdly, the benefits to the producer and consumer through better prices, and through lesser wastage throwing up exportable surpluses, will also benefit the economy as a whole.

FDI will drain out the country's share of revenue to foreign countries which may cause negative impact on India's overall economy. The domestic organized retail sector might not be competitive enough to tackle international players and might lose its market share. Many of the small business owners and workers from other functional areas may lose their jobs, as lots of people are into unorganized retail business such as small shops.

Many developing countries have made dramatic progress in promoting private sector participation in their infrastructure sectors, especially with the help of foreign investors. There is no doubt that investments of huge magnitude and potential can revolutionize the Indian Retail Sector, it must be ascertained that the change serves India more than the investors. India has to choose between customer satisfaction and employment opportunities. Given the circumstances, it is evident that India will go for the latter and delay a shift in its market to a time when the foreign investors can't hurt the livelihood of the traditional retailers and the economy is adequately prepared for implementation of FDI in Retail policy.

The fifteenth Issue (Vol-8, No-1) of the SMART Journal of Business Management Studies consists of eight articles, written by authors of repute, on different themes of contemporary relevance. I hope readers would find the journal academically challenging and strategically stimulating.

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