



VIDHYAYANA

An International Multidisciplinary Research E-Journal

ISSN 2454-8596

www.vidhyayanaejournal.org

Critical Analysis of Opportunities and Challenges of FDI in Textile Industry in India

<p>JAY A. OGANJA</p> <p>Master of Business Administration(MBA) ATMIYA University</p>	 <p>KEYUR POPAT Assistance Professor Department of Management ATMIYA University VIDHYAYANA</p>	<p>SAHIL SOMAIYA</p> <p>Master of Business Administration(MBA) ATMIYA University</p>
---	--	---

ABSTRACT

In the post-progression period, changes in the customer buy conduct are seen with developing advancement; ascend in per capita salary, GDP and blast of brands. This ascent in enormous base of shoppers has been a fascination for huge worldwide retailers and significant local corporate division to put resources into present day retail area in India. This extraordinary ascent in various brands has given Indian purchasers a more extensive selection of items and sufficient chances to exploit in the present situation. The retail business in India is relied upon to develop at a pace of 14% by 2013. As per Investment Commission of India, the retail segment is required to develop very nearly multiple times its present levels to \$660 billion by 2015. Retail industry is one of the sunrise sectors with huge growth potential. However, regardless of the ongoing



VIDHYAYANA

ISSN 2454-8596

www.vidhyayanaejournal.org

An International Multidisciplinary Research E-Journal

advancements in retail part and its colossal commitment to the economy, it keeps on being the least developed enterprises in India when contrasted with rest of the world. Without a doubt, this terrible circumstance of the retail segment, notwithstanding the continuous influx of perpetual progression and globalization, comes from the nonattendance of FDI empowering arrangement in the Indian retail segment. Right now, present paper endeavors to survey the chances and difficulties of FDI inflows into the Indian retail part, which incorporate single brand and multi-brand retail segments.

Keywords: Foreign Direct Investment, GDP, Multi- Brand Retail Sectors, Opportunity- Challenges Retail Sector, Single Brand

Introduction

The word 'retail' is derived from the French word retailer, meaning 'to cut a piece of' or 'to break bulk'. Retailing is defined as a set of activities or steps used to sell a product or a service to consumers for their personal or family use. A retailer is a person, agent, agency, company, or organization, which is instrumental in reaching the goods, merchandise, or services to the ultimate consumer. Retailers perform specific activities, such as anticipating consumers' wants, developing assortments of products, acquiring market information and financing.***Retail Industry in India:** India is known as the "Nation of shops". After agriculture, retailing is the second largest employer in India. The Indian retail market is the fifth largest retail destination globally. Approximately, over 12 million shops exist in various parts of the country. These shops are totally unorganized, independent, owner -managed outlets. Organized formats are only in the initial stages of adoption in India. Leading retail players in the industry are beginning to explore these markets and the rural consumers are slowly beginning to embrace the newer organized retail formats. The Indian retail sector is highly fragmented with 97 per cent of its business being run by the unorganized retailers. The organized retail however is at a very nascent stage. The sector is the largest source of employment after agriculture, and has deep penetration into rural India generating more than 10 per cent of India's GDP (India's Retail Sector, Dec 21, 2010). Due to rising per capita income and fast emerging middle-class has made India the favorable destination for retailing. New and new malls are coming up in the urban parts of the country. Franchisee' outlets are mushrooming.

Top 10 leading players in Indian Organized retail market

RANK	NAME OF THE RETAILERS
1	Pantaloon Retail
2	K Raheja Group
3	Tata Group
4	RPG Group
5	Landmark Group
6	Bharati-Walmart
7	Reliance
8	AV Birla Group
9	Metro
10	Viveks Ltd

Source: www.indianretail.com



VIDHYAYANA

ISSN 2454-8596

www.vidhyayanaejournal.org

An International Multidisciplinary Research E-Journal

***FDI Policy in India :** FDI as defined in Dictionary of Economics (Graham Bannock) 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.

***Opportunities:** When the concept picks up, due to demonstration effect, there will be an overall up gradation of domestic retail trade.

1. Global retail giants take India as key market. It is rated fifth most attractive retail market. The organized retail sector is expected to grow stronger than GDP growth in the next five years driven by changing lifestyles, increase in income and favorable demographic outline. Food and apparel retailing are key drivers of growth.
2. Indian retail industry has come forth as one of the most dynamic and fast paced industry with several players entering the market.
3. It can become one of the largest industries in terms of numbers of employees and establishments.
4. The retailers (both single and multi-brand) will have to source at least 30% of their goods from small and medium sized Indian suppliers.

*** Challenges:** The 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.

1. Infrastructure as there is lack of investment in the logistics of the retail chain.
2. Dominance of Intermediaries In the value chain Intermediaries often flout market norms and their pricing lacks transparency.
3. Improper Public Distribution System (PDS).
4. 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.



VIDHYAYANA

ISSN 2454-8596

www.vidhyayanaejournal.org

An International Multidisciplinary Research E-Journal

1.1 Objectives

The issue of opening of retail sector for FDI is most controversial concern in recent time. As the Indian retail sector is vast thus FDI in such forum is a big challenge.

1. To explore the trends of FDI in Indian retail textile sector.
2. To examine the structure and opportunity of FDI in the same sector.

2. Literature Review

Dr. Namita Rajput, (June 28, 2012) the retail industry is expected to grow at a rate of 14% by 2013. The first step towards allowing Foreign Direct Investment in Retail was taken in the year 2006. Subsequently the government of India has allowed 100% FDI in single brand retail to give consumers greater access to foreign brands, with the ongoing debate whether it should be allowed in multi-brand retail or not.

DR. SANJAY NANDAL, (January 2013) When liberalization started in 1991, Foreign Direct Investment (FDI) was limited to only a few sectors like manufacturing, infrastructure etc. But change in FDI policy of India in 2012, allowing investment in multi-brand retail stores, aviation sector and pension plan sectors, may bring revolutionary changes in these sectors. For companies in the consumer products and retail industry, the pace of change is breakneck, global volatility is guaranteed, and fierce competition comes at every turn.

Amit Gugnani the FDI policy is formulated with the objective of bringing in large funds to be invested in improving the supply chain and back-end of the retail sector (especially for the food and groceries segment) and to ensure that the manufacturing sector also gains from large multi-brand retailers being “forced” to source 30% of their products (by value) from Indian Small and Medium Enterprises (SMEs).

Mahdi Naqdi Bahar, (July, 2015) the issue of opening of retail sector for FDI is most controversial concern in recent time. As the Indian retail sector is vast thus FDI in such forum is a big challenge.

3. Research Methodologies

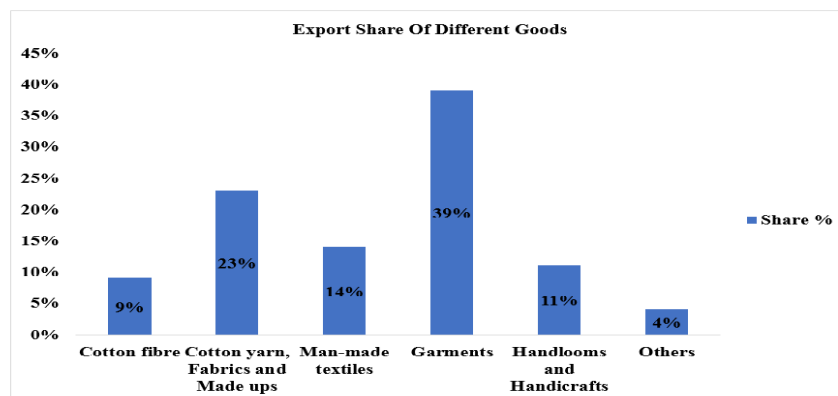
The research paper is an attempt of research, based on the secondary data sourced from journals, Internet, articles, previous research paper which focused on the various aspects of goods and service act. According to the requirements of the objectives of the study the design is descriptive type. The accessible secondary data is used only for study.

Indian Textile Industry Opportunities

The fundamental strength of Indian textile industry is its strong production base with wide range of fibers/yarns. These are natural fibers such as cotton, jute, silk and wool and synthetic/man-made fibers like polyester, viscose, nylon and acrylic. In producer-driven value chains, large, usually transnational, manufacturers play the central roles in coordinating production networks. Textile industry is capital and technology-intensive comparable with automobiles, aircraft, computers, semiconductors and heavy



machinery industry. Buyer-driven value chains are those in which large retailers, marketers and branded manufacturers play the pivotal roles in setting up decentralized production networks in a variety of pattern of trade-led industrialization has become common in labor-intensive, consumer-goods industries such as garments, footwear, toys, handicrafts and consumer electronics. A large and growing domestic demand coupled with increasing spending power of people in these two countries will result in the combined addition of around US \$500 billion in the global apparel market size by 2025. The combined apparel market size of China and India i.e. US \$795 billion is expected to exceed combined market size of EU and USA i.e. US \$775 billion by 2025. India is one of the fastest growing economies with the GDP growth of 7.2 percent in the last quarter of 2017-18. This growth also boosts the purchasing power and propels the demand for the textile products. India has a share of approximately 5% of the global textile and apparel trade. The break-up of our current exports are as follow:-



First, the unorganized sector consists of handloom, handicrafts and sericulture, which are operated on a small scale and through traditional tools and methods. The second is the organized sector consisting of spinning, apparel and garments segment which apply modern machinery and techniques such as economies of scale. The textile industry employs about 45 million people directly and 20million people indirectly. India's overall textile exports during FY 2015-16 stood at US\$ 40 billion. The Indian textiles industry is extremely varied, with the hand-spun and hand-woven textiles sectors at one end of the spectrum, while the capital intensive sophisticated mills sector at the other end of the spectrum. The decentralized power looms and knitting sector form the largest component of the textiles sector. The close linkage of the textile industry to agriculture (for raw materials such as cotton) and the ancient culture and traditions of the country in terms of textiles make the Indian textiles sector unique in comparison to the industries of other countries.

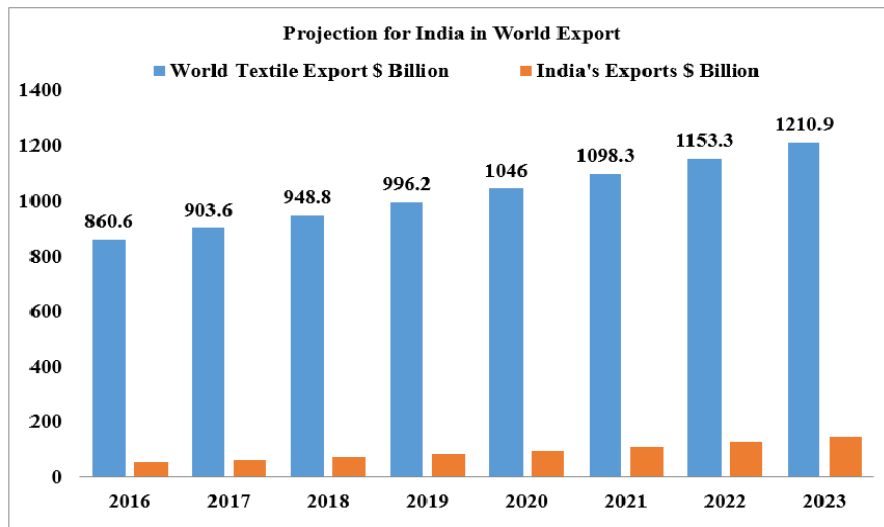


VIDHYAYANA

ISSN 2454-8596

www.vidhyayanaejournal.org

An International Multidisciplinary Research E-Journal



Indian Textile Industry: The Indian textiles industry, currently estimated at around US \$120 billion, is expected to reach US \$230 billion by 2020. The Indian Textile Industry contributes approximately 2 per cent to India's Gross Domestic Product (GDP), 10 per cent of manufacturing production and 14 per cent to overall Index of Industrial Production (IIP). Indian khadi products sales increased by 33 per cent year-on-year to Rs 2,005 crore (US \$311.31 million) in 2016-17 and is expected to exceed Rs 5,000 crore (US \$776.33 million) sales target for 2018-19, as per the Khadi and Village Industries Commission (KVIC). The production of cotton in India is estimated to increase by 9.3 per cent year-on-year to reach 37.7 million bales in FY 2017- 18.

Investment In Textile Industry The textiles sector has witnessed a growth in Foreign Direct Investment during the last five years. The industry (including dyed and printed) attracted Foreign Direct Investment (FDI) worth US \$2.82 billion during April 2000 to December 2017. Some of the major investments in the Indian textiles industry are as follows: The Cabinet Committee on Economic Affairs (CCEA), Government of India has approved a new skill development scheme named 'Scheme for Capacity Building in Textile Sector (SCBTS)' with an outlay of Rs 1,300 crore (US \$202.9 million) from 2017-18 to 2019-20. Future Group is planning to open 80 new stores under its affordable fashion format, Fashion at Big Bazaar (FBB), and is targeting sales of 230 million units of garments by March 2018, which is expected to grow to 800 million units by 2021. Raymond has partnered with Khadi and Village Industries Commission (KVIC) to sell Khadi-marked readymade garments and fabric in KVIC and Raymond outlets across India.

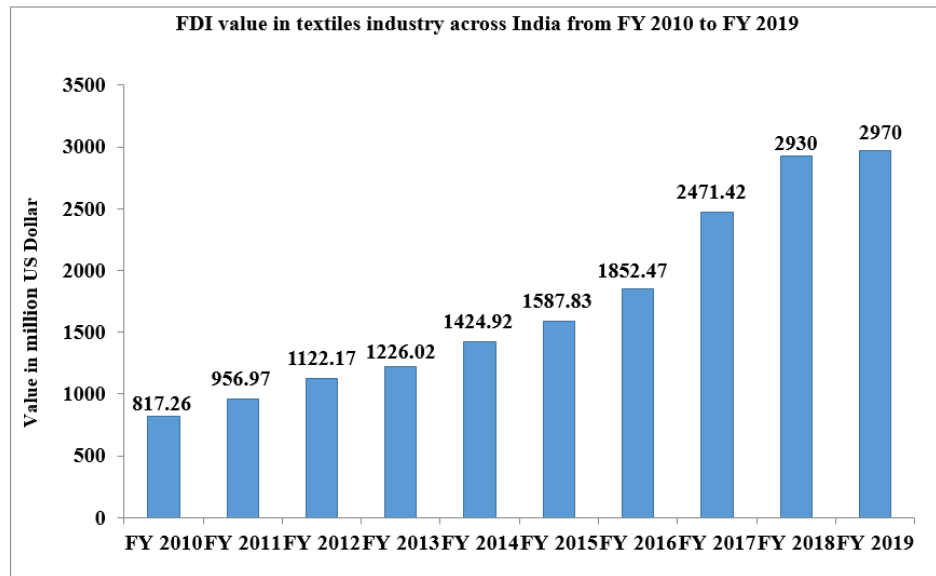


VIDHYAYANA

ISSN 2454-8596

www.vidhyayanaejournal.org

An International Multidisciplinary Research E-Journal



Government initiatives: The Indian government has come up with a number of export promotion policies for the textiles sector. It has also allowed 100 per cent FDI in the Indian textiles sector under the automatic route. Initiative will be taken into consideration by Government of India.

(a) The Government has taken initiative to connect with 5 crore (50 million) village women to charkha (spinning wheel) in next 5 years with a view to provide them employment and promote khadi and also, they inaugurated 60 khadi outlets which were renovated and re-launched during the completion of KVIC's 60th anniversary and a khadi outlet.

(b) The Textiles Ministry will organize 'Hastkala Sahyog Shivirs' in 421 handloom-handicrafts clusters across the country which will benefit over 1.2 lakh weavers and artisans.

(c) The Gujarat government's decision to extend its textile policy by a year is set. It is estimated to attract Rs 5,000 crore (US \$50 billion) of more investment in sectors across the value chain. The government estimates addition till now of a million units of spindle capacity in the spinning sector and setting up of over 1,000 units in technical textiles.

(d) The Textile Ministry of India earmarked Rs 690 crore (US \$106.58 million) for setting up 21 ready-made garment manufacturing units in seven states for development and modernization of Indian Textile Sector.

Indian textile industry challenges the changing government policies at the state and central government levels are posing major challenges to the textile industry.

(1) The tax structure GST (Goods and Service Tax) makes the garments expensive. Important thereat is raising interest rates and labor wages and workers' salaries.

(2) Accesses to latest technology and failures to meet global standards in the highly competitive export market. In the global market tariff and non-tariff barriers coupled with quota is posing major challenge to the Indian Textile Industry. The environmental and social issues like child labor and personal safety norms are



VIDHYAYANA

ISSN 2454-8596

www.vidhyayanaejournal.org

An International Multidisciplinary Research E-Journal

also some of the challenges for the textile industry in India.

Conclusion

Indian retail industry is one of the sun rise sectors with huge growth potential. Allowing healthy FDI in the retail sector would not only lead to a substantial surge in the country's GI and overall economic development, but would inter alia also help in integrating the Indian retail market with that of the global retail market in addition to providing not just employment but better paying employment, which the unorganized sector (kirana and other small time retailing shops) have undoubtedly failed to provide to the masses employed in them. Thus, as a matter fact FDI in the buzzing Indian retail sector should not just be freely allowed but per cent should be significantly encouraged. Allowing FDI in multi brand retail can bring about Supply Chain Improvement, Investment in Technology, Manpower and Skill Development, Tourist Development, Greater Sourcing from India, Up-gradation in Agriculture, Efficient Small at Medium Scale Industries, Growth in market size and Benefits to Government through great GDP, tax income and employment generation. From the above, it is concluded that FDI in rate is a successful revolution for Indian economy. The Indian textile industry requires support from both the Central and State governments to become competitive in the Global market. The Skill India and Make-in India programs of Central government headed by Prime Minister Sri Narendra Modi is helping the industry in getting required skilled manpower and good market for textile products. It is high time for the textile industry to upgrade their technology and implement ERP to streamline supply chain and enhance customer relations management activities. These measures are enabling the industry in becoming competitive in the global market. The future for the Indian textile industry looks promising, buoyed by both strong domestic consumption as well as export demand. With consumerism and disposable income on.

VIDHYAYANA



VIDHYAYANA

ISSN 2454-8596

www.vidhyayanaejournal.org

An International Multidisciplinary Research E-Journal

References

- [1] Kumar, S. Indian Textile Industry: Opportunities, Challenges And Suggestions.
- [2] Gulrajani, M. L., & Gupta, D. (Eds.). (1992). Natural Dyes And Their Application To Textiles. Department Of Textile Technology, Indian Institute Of Technology. Samanta, A. K., & Agarwal, P. (2009). Application Of Natural Dyes On Textiles.
- [3] Samanta AK, Konaradwaita (2012) Technical Handbook On Natural Dye And Coloration. Department Of Jute And Fibre Tech, IJT, Calcutta University, Kolkata, India.
- [4] Shaha, N. V., & Shinde, M. A. (2013). FDI In Indian Retail Sector: A Critical analysis.
- [5] Pal, B. (2013). FDI In Multi-Brand Retailing: Opportunities And Threats For Rural India.

Websites:

- http://www.businessreviewindia.in/business_leaders/indian-retail-sectorset-for-higher-growth.
- <http://thirdeyesight.in/blog/2011/06/27/succeeding-in-the-Indian-market>
- www.retaildigital.htm www.indianretail.com
- <https://rai.net.in/advocacy/updates/336-rai-welcomes-biggest-bang-reform>
- <https://www.ibef.org/industry/retail-india.aspx>



VIDHYAYANA