Foreign Direct Investment and Retail Trade in India
(The Consequences under Globalization)

H.S. Yadav, Sangeeta Jauhari

Abstract:

This paper analyse the process and pattern of global finance capital and expected economic consequences on the retail trade in India. The study is based on regression and factor analysis. Government, supported by a number of scholars, perceive positive impact through efficiency, and competitiveness where as others find it exploitative with increasing dependence of developing economies on developed nations. Foreign direct investment (FDI) in India remained quite slow initially but gradually picked up. The FDI in India came in service sectors and to the select metropolitan cities. The debate on FDI in retail sector continues because the retail trade in India is expected to undermine mostly traditional and family business. Though, the retail sector is not fully opened for FDI in India yet the consequences can be foreseen with reference to the nature of retail in the underdeveloped economy. Government of India is all prepared to open the retail market to place the family business in competition to the domestic and global capital. General macroeconomic variables of employment, poverty, GDP share of trade, per capita income, and marginal population, are significantly correlated with retail sector. The main consequences of FDI in retail trade perceived that it will lead to widespread closure of small and traditional retail outlets, sharp decline of non-formal sector, undermining the livelihood and employment opportunities. FDI will cater needs of upper class only. The analysis finally reveals that in the retail sector is closely integrated with the underdeveloped economy and will have adverse effects on the employment.

Keywords: *Globalization, Foreign Direct Investment, Retail Trade, Consequences*

Introduction

Indian economy is characterized as an underdeveloped one, with low per capita income due to low productivity of factors of production causing wide spread poverty, unemployment, and backwardness. The underdevelopment manifests into the conditions such that the majority workforce finds employment in the primary sector which is unorganized and informal in nature. Of which the retail trade sector is the second largest employer after agriculture in the country. Currently Foreign Direct Investment (FDI) in the retail sector is the most debated issue among the academicians, administrators, politicians, business houses and even common masses. Therefore, the subject needs to be analyzed with a holistic perspective so as to come to a rational conclusion.

The FDI in India so far has not come in the retail trade except that of 51 per cent for the single brand product. Therefore, it is difficult to find the impact of FDI on the retail sector in the real world situations, but looking at the general social and economic condition of Indian society and the configuration of employment and income conditions of the people engaged in retail trade, it is not difficult to correlate and to reach the decisive conclusion about the possible consequences of foreign direct investment in retail trade under the hegemony of globalized international finance capital.

Present paper intends to find the general trends of the process of globalization, FDI in India and establishe the relationships between macroeconomic variables and retail trade on the cross sectional data at the state level, and further to understand the possible consequences on the retail trade. The broad objectives of the present study are:

- To understand and analyze the process and pattern of globalization of finance capital,
- To find general trends of Foreign Direct Investment in India,
- To establish the relationships between macroeconomic variables and retail trade, and
- To identify the economic consequences of Foreign Direct Investment on retail trade and economy.

Simple but relevant statistical techniques of mean, standard deviation, coefficient of variation, correlation, regression with related coefficients and factor analysis are used for the analysis to reach the required possible conclusions.

Globalization and Finance Capital

Globalization signifies free mobility of capital, goods, and people without any specific nation or class interest. The process is seen with two divergent perspectives based on ideological grounds first, as the economies get integrated globally through trade, investment, capital flow, migration, and diffusion of technology (Bhagwati 2004) with increasing interdependence of economies through movement of goods, services, capital, and technology into the global market (Mohan 2009). Secondly, Marxist scholars see the globalization differently and perceive the process of exploitation of the poor nations as well as the people inhibiting them. The process is not the natural development of society but seen as an imposed one, in the interest of specific nations in general and capitalist class in particular with intensification of trade among poles and penetration of capital (Amin 2007). It is globalization of capital in terms of finance and not the globalization of capital in production (Patnaik 1996).

The inherent contradictions of capitalist system manifest into crisis and cyclic depressions and recessions. The metropolitan countries enjoyed the domination of economic and political power during colonialism of traditional type. In the post Second World War period the developed capitalist countries could expand their economies by penetration of monopoly capital through exports of technology and finished goods which gradually slowed down during 1980s and the recession in the capitalist world became the continual feature. It compelled them to make combined effort and this time the GATT was taken as ladder to transfer their burden to the south. Under the GATT (General Agreement of Trade & Tarrifits) agreement of Uruguay round, and later as members of the World Trade Organization (WTO), the Third World Countries brought massive structural adjustments that suited to the metropolitan capital. The basic resultant change was the retreat of the state from social responsibilities. The reforms paved the way to provide concessions to the private capital, flow of foreign direct and portfolio investment, with free play of domestic and foreign private capital. With the penetration of monopoly transnational capitals and commodity with equity to the underdeveloped economies, the multinational monopoly capital had two fold interests, first, to find the larger global market for their goods and second exploitation of regional resources. The reforms in the policy promised high rate of growth, raising employment, globally competitive industry, accelerating exports and balanced budgets and eradication of poverty as a big product of growth, but opposed to this, has proved counter productive.

The globalization of finance is referred as financialization. The mobility of finance, across the globe, brought into the new entity of capital, that is, international finance capital (Patnaik 2009). In the current epoch of "globalization" when finance capital itself is international in character, the controllers of this international finance capital constitute a global financial oligarchy. This global financial oligarchy has also created, for its functioning, an army of spokesmen, media persons, professors, bureaucrats, technocrats and politicians located in different countries (a group of core ideologues of finance capital) sharing a belief-system that promote this belief system, and looks after the interests of globalised finance (Patnaik 2009)..

The international finance capital has undermined the concept of nation-state and its functioning is now global. The finance capital generated in a particular nation also works in the interest of global finance capital. The global finance capital has also undermined the authority of state and has greatly influenced the policies to tune with the interest of metropolitan countries and transnational monopoly finance capital. The objective of horizontal expansion of capital is to serve the interest of both the domestic and transnational capital. The capitalist economies find globalization as an opportunity for growth through opening up of the global markets for their goods, services and capital investment at equity. Many scholars argue that the crisis is inherent outcome of the capitalist contradictions and to resolve the problem, the metropolitan countries are compelled to push the capital for speculation expansion through exploitation of regional resources and cheap labour in the third world and to capture the market. Kartik Rai (1995) sees that "it is not capital in production which has become internationally mobile, as it is claimed by the imperialist institutions, but capital as finance moves in search of lucrative quick speculative opportunities. The increase in the mobility of finance capital is referred as "Globalization of Finance". The gradual withdrawal of state from welfare and to allow free mobility and operation of international capital in their interest is called "Liberalization". The "Liberalization" came under the pressure of monopoly capital for the removal of restrictions on imports, reduction in tariff, dismantling of domestic controls over capacity creation, production, and prices and allowing the direct and portfolio foreign investment. Basically it is the withdrawal of State from production and essential services for the masses and to leave the private domestic and foreign capital for the free play (Chandrasekher 1993). These "structural adjustments" have necessarily resulted into dismantling and privatization of public sector by providing liberal and free space to private capital. The removal of the controls and deregulating the production of goods and services, curbing government expenditure, cutting subsidies and reducing capital expenditure on public services provided by state is designated as "Privatization". The Indian economic reforms, in the post WTO regime, is the outcome of global crisis in the capitalist countries and also internal economic environment which suited to the domestic capital.

Process and Pattern Of FDI

Transnational capital investment is neither new to India and nor unwanted. The question is that under what circumstances it comes and what broad politico-economic objective it has. The FDI in India neither has same origin, nor the process as earlier, nor it generate similar results. Prior to the globalization the FDI and portfolio investment was allowed with the conditionality of international financial institutions but the actual flow was constrained by the contemporary policy frame. It was only after the agreement on GATT (later the WTO) the flow of FDI got accelerated. The level of annual flow of FDI was quite slow in India in the 1990's, may be it needed further reforms or more developed infrastructure and/ or investment friendly environment. The FDI could increase to 2018 crore rupees in 1993-94 from 400 crores in 1991-92, and could pick up further after the formal formation of WTO. The FDI increased substantially in late 1990's but remained almost consistent around 12000 crore till 2003-04 with small deviations. It is only after the second generation of reforms, the amount of FDI in the years 2005-06 and 06-07 had really shown the quantum jump and touched the level of 24613 and 70630 crore rupees). The FDI flow in India is a matter of concern because the magnitude may get further enhanced with the opening of retail and other core sectors of the economy. In case the FDI comes in the sectors, which are capital intensive it will replace the labour and undermine the domestic production system. Therefore, the FDI inflow may satisfy the government and the scholars with reference to foreign reserve and growth of domestic product. But the need is to look at the consequences of the investment in a broader sense.

India was subjected to the imperialist rule for more than two centuries and as a result, the FDI found obvious ground for exploitation of regional resources. U.K. has been the dominant investor in India during 19th century followed by Japan during the first half of the 20th century. In the post independence period USA and Germany became major investors. The players in FDI have significantly changed since 1991 during post reforms period.

The rapid growth of FDI may be attributed to the change in policies, abolition of industrial licensing (except very few of strategic importance), and tariff reduction on imports. This has not only accelerated the FDI but also changed the composition in terms of the place of origin. Initially the major share of FDI came from the dominant countries like USA and UK but in the later years their share gradually declined and the FDI from Asia and the European countries increased. Mauritius has dominated the share of FDI, reaching to the level of 41.24 per cent of the total investment.

Sector	2002-03	2003-04	2004-05	2005-06	2006-07	1991-07	Percent To Total
Electrical Equipments	3075	2449	3281	1059	12325	36034	18.77
Transportation Industry	2173	1417	815	672	2112	15427	8.04
Service	1551	1235	2106	1708	21434	34238	17.84
Telecommunications	1058	532	588	688	2354	16691	8.7
Fuels	551	521	759	81	1129	12105	6.31
Chemicals	611	94	909	741	930	9510	4.95
Food Processing	177	511	174	156	441	5143	2.68
Drugs&Pharmaceutical	192	502	1343	452	970	5281	2.75
Cement & Gypsum	101	44	1	1967	1098	4329	2.26
Metallurgical	222	146	881	479	834	2615*	2.14*
Construction	NA	216	696	667	4424	6396	3.33

Table 1. Sectoral Inflow of FDI (Crore Rs.)

It is not much of importance that from where the monopoly capital comes, the place of origin does not change the nature of functioning. The monopoly capital dictates the terms and condition which serves the interest of the capital. The foreign investment creates the conditions of structural change in the economy and the metropolitan country gets the power to exert the imperialist pressures, under the conditions of the economic dependency on them. The monopoly capital moves in search of maximization of profit and the market. The FDI flow in India clearly demonstrates that three fourth share of it is confined to ten sectors. The electronics and electrical equipments (including computer software & electronics) is the most favoured sector for foreign investment with 18.77 per cent share to the total inflow. Similarly, the 'hot money' that flows cross border requires security and by virtue it has high level of liquidity finds obvious destination in the service sector. Therefore the level of FDI which has come to the service sector is also to the level of the electronic sector. The most popular areas of investment in service sector are insurance, health, education, banking and transportation. The share of investment in the service sector is also as high as 17.84 per cent. Telecommunication and transport industry though have huge investment yet they fell in the second category having over 8.00 per cent of the total investment (Table 1).

Fuel chemicals and construction (real estate) are the other sectors, where the FDI has entered in the economy having 3-5 per cent investment of the total. The fast food, and drugs and pharmaceuticals are the other sectors among the top ten preferred sectors. If one looks at the sectoral composition of the FDI it clearly depicts that the foreign capital came to the sectors suited most to the monopoly capital. There has not been any consideration of the sectoral balance or the areas where India needed it most.

Pattern and Status of Retail Trade

Retail trade is a universal phenomenon in all economies through the scale and systems. The retail trade is differentiated on the basis of structural physical characteristics, like capital invested, number of persons employed and type of commodities sold. The built environment of the economy encompasses the four processes of production, transfer, exchange and consumption. Though, these processes seem to be separate but they are interlinked and cannot be seen in isolation. The exchange is very important because it works as a link between production and consumption. There are two distinct channels through which goods and services reach to the consumers, i.e. either through independent retailers or directly from the producers.

States	No of total establishments per 1000 persons	No of rural establishments per 1000 persons	No of urban establishments per 1000 persons	No. of total retail workers per 1000 persons	No. of rural retail workers per 1000 persons	No. of urban retail workers per 1000 persons
Andaman & Nicobar	20.62	21.56	19.60	43.03	38.34	54.36
Andhra Pradesh	14.92	11.79	23.28	34.43	22.28	66.79
Arunachal Pradesh	13.58	10.47	25.48	23.08	17.65	43.84
Assam	17.89	14.21	42.71	26.92	19.77	75.15
Bihar	7.91	5.90	25.12	11.78	8.29	41.68
Chandigarh	26.46	29.99	26.05	45.57	39.05	46.31
Chhattisgarh	11.92	9.41	21.90	18.56	13.77	37.57
Dadra & Nagar Haveli	12.26	9.23	22.45	21.74	15.15	43.95
Daman & Diu	24.32	18.90	33.85	39.83	31.74	54.06
Delhi	26.73	14.96	27.59	65.04	23.80	68.06
Goa	16.42	13.88	18.98	30.60	23.49	37.77
Gujarat	15.65	9.52	25.92	27.18	14.97	47.63
Haryana	15.73	11.17	26.92	22.95	14.82	42.94
Himachal Pradesh	15.87	13.06	41.64	20.62	15.57	67.07
Jammu & Kashmir	15.11	10.46	29.19	20.03	12.11	44.02
Jharkhand	8.83	6.38	17.41	12.97	8.65	28.06
Karnataka	13.55	10.05	20.36	22.57	14.47	38.29
Kerala	19.42	17.61	24.59	31.44	26.53	45.44
Lakshadweep	10.83	11.13	11.12	16.17	16.33	15.98
Madhya Pradesh	10.68	6.54	22.19	17.80	9.61	40.56
Maharashtra	14.66	10.12	20.81	26.57	15.98	40.94
Manipur	20.76	13.34	41.28	31.39	20.28	62.07
Meghalaya	14.64	10.65	31.01	23.45	16.24	53.07
Mizoram	18.22	9.44	27.12	23.28	11.91	34.83
Nagaland	9.14	5.07	28.68	19.76	9.11	70.96
Orissa	18.64	15.89	34.25	26.06	21.11	54.14
Pondicherry	20.97	18.22	22.35	38.39	28.01	43.60
Punjab	17.60	11.42	29.65	26.63	14.50	50.27
Rajasthan	11.81	7.90	24.63	17.15	10.09	40.28
Sikkim	14.30	10.21	47.09	23.02	15.89	80.24
Tamil Nadu	17.59	13.81	22.40	32.26	21.51	45.93
Tripura	25.20	21.43	43.52	32.42	26.74	60.03
Uttar Pradesh	12.28	8.09	28.23	18.25	11.16	45.24
Uttaranchal	15.19	10.90	27.63	21.29	13.72	43.22
West Bengal	21.27	17.85	30.07	35.83	26.72	59.31

Source: Calculated from Economic Census 2005

Table 2. Number of establishments and workers in retail Trade per 1000 Population

There are some middle links and distribution process involves a chain of intermediaries in exchange that of wholesaler, distributer and retailers. On the basis of the broad structural characteristics the retail sector can be further classified into organized (formal) and unorganized (informal) segments. The organized retailing includes the trading of goods with formal licensed establishment who are registered for sales tax, income tax, and who are governed under the norms and regulations. The second format of retail trading includes privately owned large retail business stores, owner run single room retail shops at market place or at isolated locations. Now this format has increased in size in the form of corporate backed super stores, cooperative stores, hypermarkets, big malls, and retail chains. Unorganized retailing on the other hand refers to the traditional format of low cost family owned, owner managed shops, kirana (grocery) stores, paan /cigarettes shops, convenient stores, pavement venders, hand cart sellers, and even the head load sellers.

Retail sector of underdeveloped economies is pre-dominantly controlled by traditional and unorganized formats. These formats have emerged and developed over time in rural and semi urban areas. The marketing initially emerged mostly in the form of barter where the producers exchanged surplus goods and services first locally and then moved to the places of central locations of possible maximum buyers. These market places were initially held with a time interval. The exchange was held mostly weekly on a fixed day. These retail trade forms also now exist in rural as well as urban areas. The isolated retailing in traditional "kirana stores" (grocery stores) still enjoy the leadership and commanding high position in retail trade. The small family run independent 'mom and pop' stores may be seen, offering a wide range of merchandise mix. These store formats are traditional and do not enjoy professionalism. A large number of these stores are run as family business through generations.

Organized sector in India accounts only 7-8 percent of total work force, the remaining employment for livelihood comes from the informal sector. The retail sector constitutes the major part of informal sector (after agriculture) because of easy entry due to low capital and infrastructure requirements. It requires no formal training or specific skill to start or to remain in it. Currently the traditional market is under threat from new formats of departmental stores, hyper markets, super markets, super specialty markets, and western types of malls, especially in cities.

India has the highest shop density in the world with an average 16.31 outlets per 1000 population and they employ 27.09 persons per 1000 population as per 2005 economic census. Though the rural areas have lesser number of outlets and workers in retail trade compared to urban areas, but still the ratio is quite high with 12.59 and 18.55 respectively. The density of both outlets and workers in urban areas is almost double to the national average i.e. 27.57 and 49.25 respectively. This difference is attributed to the low purchasing capacity in the rural areas and the forced rural urban migration that leads to the migrating rural population getting absorbed in urban informal sector particularly in retailing. Table 2 shows that the density of outlet is more in areas of isolation especially the states of north east (Assam, Manipur, Tripura, Mizoram) and union territories (Chandigarh, Delhi, Andaman and Nicobar Islands, Daman and Diu, Pondicherry). The states of Kerala and west Bengal also have relatively high density of outlets. In the above states if one looks at the urban outlet ratios this comes out to be more than 40 per 1000 persons.

The adverse consequences of FDI may be seen on employment in the retail sector in general and more alarmingly in urban areas (Table 2), because the new formats are mostly expected to come to the urban areas first. The urban areas are the highest employers in retail sector ranging between 20 to 80 workers per 1000 population. The retail sector employs very high number of workers in the states of Sikkim (80.24), Assam (75.15), Nagaland (70.96), Delhi (68.06), Himachal Pradesh (67.07), Andhra Pradesh (66.79), Manipur (62.07), and Tripura (60.03). Six states such as Andaman and Nicobar Islands, Daman and Diu, Meghalaya, Orissa, Punjab, and West Bengal provide employment between 50 and 60 workers per 1000 population in retail sector. The coefficient of variation in the state wise distribution of outlets and workers engaged in retail show very low level of variation among the states confirming that the affect will come almost uniformly to the entire country. The threat to the employment in the retail sector is very high if the FDI is permitted to the retail sector in India.

The state wise cross sectional correlation analysis of the number of retail establishment and the workers engaged in the sector shows very high level of concurrence. This is indicative from the zero order correlation matrix (Table 3). The statistically significant correlation at 1 per cent level of significance between the total number of retail establishments and the workers engaged in retail trade indicates that the person do not find employment in the organized sector in a labour surplus economy but get absorbed in retail for livelihood. This relationship between establishments and workers for total, rural and urban is very high in general and it is nearly perfect in case of rural areas.

Varia bles	Retail Establishments			Retail Workers		
	Total	Rural	Urban	Total	Rural	Urban
Total	1.00	0.87*	0.36**	0.87*	0.83*	0.36**
Rural		1.00	0.19	0.73*	0.95*	0.21**
Urban			1.00	0.10	0.08	0.78*
Total				1.00	0.80*	0.40*
Rural					1.00	0.24
Urban						1.00

Table 3. Zero order correlation matrix,
Significant at *1 & **5 % Significance

Macro Economic Variables and Retail Trade

The retail trade is an integrated part of the economy both as income and employment as they contribute significantly to the Gross domestic Product and the work force. The number of retail outlets and workers taken together with a number of macroeconomic variables for analysis (as shown in the Table 4) and factor analysis is carried out to identify the correlates. The variables having significant common variance among them form a group to be designated as factor. The values in the Eigen vector show the correlation of the variable with the factors. The first factor has the Eigen value of 6.81 which explains 35.82 per cent of the total variance. The subsequent second factor has the Eigen value of 2.89 explaining another 15.22 per cent variance. In all six factor are identified and together they take care of 82.97 per cent of the total variance. The first factor constitutes of total retail establishment and workers, rural retail establishments and workers, per capita income, and literacy. This simply means that those states having higher number of establishments of retail trade and employing more workers in the sector will also have higher per capita income and have better human development index in terms of literacy. Incase total poverty is considered together with other variables it will have positive impact to reduce poverty ratio.

Further explanation was found to the retail trade sector with the help of linear bivariate regression coefficients taking macroeconomic variables as independent variables (results shown in Table 5 and 6). The macroeconomic variables such as workers, share of trade in SDP, per capita income, concentration of scheduled caste and scheduled tribes, household workers, literacy, urban population, workers in trade, small and marginal farmers, and poverty are taken to explain retail trade. These variables directly or indirectly relate to the retail trade and reflect bearing on it. The total number of establishments in retail trade shows significant elasticity with main workers, per capita income, and literacy and regression coefficients (Beta values) are 0.31, 0.23, and 0.27 which are significant at 1 per cent levels of significance. Similar results are obtained for rural retail trade also with same level of significance with additional variable of share of trade to the state domestic product at 5 per cent level of significance. The positive regression coefficients reveal that employment in the state is proportionate to the number of outlets in total as well as rural areas. It also confirm that the state income in general and per capita income have the direct bearing on the retail outlets. This is because surplus labour finds easy entry in retail trade which does not require high capital investment. The employment is casual and seasonal in industry, service, and agriculture seasonal and the retail trade business absorbs this surplus labour to cater the local demand of goods and services. The higher employment and income components indirectly lead to higher level of literacy and vice versa. The urban areas have disproportionately very high number of retail outlets because this also takes care of rural forced seasonal migration to urban areas also. Therefore, the coefficients are not found to be statistically significant, though practically they have strong concurrence.

The number of workers in rural, urban and total retail trade is also regressed with the macroeconomic variables to establish the relationship between the two. This helps to understand how the employment in retail trade is integrated to the economy of states. The results of regression, once again confirm that the employment in the retail trade is strongly integrated with the economy. State level main workers, per capita income and literacy have positive and statistically significant at 1 per cent level regression coefficients for both rural and total retail trade workers. In case of retail workers, it has negative coefficients (significant at 5 per cent level) with the concentration of scheduled caste and scheduled tribe the marginalized groups of society. The very high ratio of employment in retail trade in rural areas, as well as, in total having inverse

	Components					
	1	2	3	4	5	6
Eigen Values	6.81	2.89	2.24	1.69	1.14	1
% variance explained	35.82	15.22	11.76	8.91	5.99	5.27
% cumulative Variance explained	35.82	51.04	62.8	71.71	77.7	82.97
Variables	Eigen Vectors					
No of total establishments per 1000 persons	0.89*	-0.18	0.00	0.31	0.04	0.11
No of rural establishments per 1000 persons	0.91*	-0.12	0.01	0.12	0.04	0.08
No of urban establishments per 1000 persons	0.06	-0.10	0.18	0.92*	-0.02	-0.06
No. of total retail workers per 1000 persons	0.83*	-0.15	-0.25	0.19	0.03	0.27
No. of rural retail workers per 1000 persons	0.92*	-0.09	-0.07	0.07	-0.03	0.11
No. of urban retail workers per 1000 persons	0.14	-0.08	-0.13	0.90*	-0.11	0.16
% Main Workers	0.55	-0.19	-0.71*	-0.06	0.17	0.02
% marginal workers	-0.55	0.19	0.71*	0.06	-0.17	-0.02
% SDP of Trade	0.30	0.05	-0.13	-0.17	0.75*	0.17
Per Capita Income	0.64*	-0.39	-0.43	-0.24	0.04	0.14
% SC/ST	-0.24	0.06	-0.06	-0.01	-0.14	-0.84*
%HH Workers	-0.08	0.00	0.77*	-0.01	-0.12	0.24
%Literacy	0.73*	-0.27	-0.05	-0.24	-0.11	-0.17
% Urban Population	-0.26	0.07	0.04	-0.03	0.83*	0.07
% Wholesale and Retail trade worker	0.08	0.31	-0.09	0.11	0.46	0.53*
% Small- Marginal Farmers	0.22	0.10	0.76*	-0.02	0.26	-0.26
% BPL Families total	-0.29	0.92*	0.12	-0.14	0.10	0.07
% BPL Families Rural	-0.33	0.89*	0.14	-0.02	0.07	-0.13
% BPL Families Urban	-0.09	0.65*	0.08	-0.51	0.11	0.41
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.						
A Rotation converged in 7 iterations.						

Table 4. Factor Analysis Results *Variables of the Factors

relation with SC and ST also signify that the poverty does not confine to these categories alone rather it is also wide spread among other classes. The positive and significant (at 5 per cent) regression coefficients with poverty in all the categories of rural, urban and total retail trade workers signify that the concentration of retail trade worker have higher concentration in those states which have high percentage of incidence of poverty.

The significant relationships of retail trade establishments and worker engaged in them, with macroeconomic variables show that the retail trade is deeply integrated with the regional economies because of two reasons, first it traditionally caters to the demands with low capital investment without much requirement of skill and secondly the informal activity absorbs seasonally unemployed.

Independent variable	Total				Rural				Urban			
	α	β	't'	R^2	α	B	't'	R^2	α	β	't'	R^2
Main Workers	-8.24	0.31*	3.37	0.2565	-11.74	0.31*	3.08	0.2235	41.11	-0.17	0.99	0.0290
SDP Share of trade	13.29	0.45	1.55	0.0678	8.53	0.61**	2.00	0.1089	30.45	-0.43	0.88	0.0231
Per Capita Income	10.73	0.23*	4.02	0.3292	6.10	0.26*	4.64	0.3951	30.71	-0.12	1.15	0.0387
SC/ST Population	18.25	-0.06	1.76	0.0854	14.76	0.06	1.85	0.0945	28.16	-0.02	0.30	0.0028
HH workers	16.76	0.099	0.32	0.3115	13.14	-0.12	0.37	0.0045	27.34	0.05	0.10	0.0003
Literacy	-2.18	0.27*	4.20	0.3480	-6.21	0.27*	3.93	0.3192	32.60	-0.07	0.57	0.0095
Urban Population	16.73	-0.007	1.43	0.0584	12.91	-0.005	1.02	0.0304	27.84	0.004	0.55	0.0091
Workers in Trade	12.88	0.23	1.14	0.0377	11.99	0.04	0.18	0.0010	28.34	-0.05	0.15	0.0007
Small/Marginal Farmers	15.03	0.03	0.75	0.0169	11.87	0.02	0.40	0.0047	25.46	0.05	0.76	0.0173
Poverty	20.92	-0.21	3.04	0.2185	16.32	-0.17	2.42	0.1509	33.31	-0.31	3.32	0.2506

*Significant at 1 per cent **Significant at 5 per cent
Source: Calculated from Economic Census 2005

Table 5. Number of Establishments of Retail Trade per 1000 population in States of India (Bivariate Regression and Related coefficients)

Independent variable	Total				Rural				Urban			
	α	β	t	R^2	α	B	t	R^2	α	β	t	R^2
Main Workers	-46.69	0.92*	5.56	0.4834	-26.47	0.57*	4.05	0.3322	30.71	0.23	0.79	0.0189
SDP Share of trade	20.45	0.99	1.58	0.0705	14.14	0.66	1.40	0.0560	54.14	-0.73	0.88	0.0231
Per Capita Income	13.05	0.58*	5.17	0.4472	8.81	0.40*	4.56	0.3868	49.70	-0.02	0.12	0.0004
SC/ST Population	31.99	-0.14**	2.08	0.1165	22.11	-0.10**	2.01	0.1099	52.00	-0.08	0.86	0.0221
HH workers	28.84	-0.39	0.58	0.0103	19.38	-0.19	0.37	0.0041	49.94	-0.15	0.18	0.0009
Literacy	-9.72	0.53*	3.72	0.2958	-10.33	0.42*	4.00	0.3269	53.28	-0.06	0.27	0.0021
Urban Population	27.75	-0.01	1.03	0.0312	19.04	-0.01	1.03	0.0311	49.82	-0.01	0.69	0.0143
Workers in Trade	16.69	0.70	1.62	0.0742	19.28	-0.05	0.15	0.0006	45.51	0.25	0.44	0.0579
Small/Marginal Farmers	28.39	-0.03	0.35	0.0038	17.83	0.02	0.26	0.0020	52.76	-0.08	0.75	0.0166
Poverty	35.69	-0.30**	2.53	0.1634	24.38	-0.26**	2.50	0.1579	57.60	-0.44*	2.73	0.1843

*Significant at 1 per cent **Significant at 5 per cent
Source: Calculated from Economic Census 2005

Table 6. Number of Workers in Retail Trade per 1000 population in States of India (Bivariate Regression and Related coefficients)

Consequences of FDI In Retail Trade

There is no agreement on the expected consequences of FDI in retail trade in India on ideological ground. The supporters of expanding capitalism and protagonist supporters of big business houses are in favour of big money in the retail trade. The government is planning to open the Indian retail market on the basis of the arguments in agreement with the supporters of FDI and corporate money in the sector. The main arguments placed in favour FDI in India are:

There is an expansion of middle and upper middle class in the recent past and also have substantial increase in their income, hence, the demand of branded consumer goods through corporate chains, hyper markets and malls has increased. This increased demand has created huge potential for the expansion of retail trade by 10 per cent per annum. Therefore, transnational capital also has shown interest in Indian retail market. It is also argued that the growing market will also be expected to contribute significantly to the GDP of the country and accelerate the growth rate of the economy.

There is a shift in consumer demand and FDI will provide wide range of consumer goods of global products. It will help the consumers. The CII studies points out that the share of organized retail market is only 2 per cent which is expected to grow by 8-10 per cent to capture 15-20 per cent in near future.

The FDI in organized retail trade will generate millions of new jobs and the employment opportunities in retail will further expand. This argument is supported with the arguments that even the south Asian countries have absorbed about 20-30 percent of labor in retail sector therefore India also has more scope for generation of employment.

It is also often pointed out that India is a vast country and has the widest diversity therefore, the FDI will not directly affect the traditional market and the corporate retail chains and family owned small shops can coexist.

The FDI in retail trade will also eliminate middle man and consumers will benefit with the competitive price. It is also expected that the farmers will get better price for agricultural products. The retail chains will enhance the integrated infrastructure in the form of warehouses, transport, logistics and support services that will indirectly expand the agricultural base and that in turn will further help in food processing industry at the regional level. The supply chains therefore, strengthen local economy and rural communities will also be benefited.

Contrarily to the above a large group of economists and other scholars see that the FDI in the retail sector in India will adversely affect the retail sector of the economy in general and informal sector employment in particular. The common adverse affects expected are:

The FDI will lead to undermine the informal sector employment from which millions of people find their livelihood. The FDI in retail trade in corporate chains and hyper markets will lead to widespread closure of small and traditional retail outlets. In a labour surplus economy it is difficult to find secure employment in the organized job market. The easy entry with low capital requirements the unskilled labour force easily get absorbed in the retail sector may not find jobs in organized retail.

It is true that initially the rise of middle class will give rise to the growth of organized retail sector but in long term it would be counterproductive and increase dependence on the big chains and with a time interval create monopolistic market which will dictate the terms and exploit the Indian market in the interest of monopoly capital. Once it succeeds in killing the domestic traditional market gradually the organized market will shrink the employment.

The FDI lead organized retail market will cater the demand of upper class only and India does not have broad base of this class. The studies have revealed that still approximately 78 per cent of the population still lives on Rs. 20 per day. The consumers will increasingly turn away from the traditional market to create greater opportunities for exploitation of masses without leaving any alternative.

The increased monopoly of products will gradually destroy the diversity of products counter to the claims that it will provide the global range of products. Only limited brands will appear with high price tags.

The myth of cut in prices will not come true, as the experience of many other countries reveal that the supply chains will gradually lead to monopoly once they capture the traditional retail trade the prices will be dictated by big retailers.

As far as the benefit to the farmer concern Indian agriculture is dominated by small and marginal farmers and the concepts of big capital like contract and corporate farming are beyond reality in India. If at all, it is to comes, the projected benefits to accrue to the farmers will not be beyond 3-5 per cent where as the big retailers would be 50-60 per cent. These benefits to farmers will also cornered by big farmers.

Finally, there is no dearth of domestic and indigenous capital in India for the retail business. The entry of FDI in retail sector will lead to concentration and monopoly capital that will create joblessness in the country.

Conclusion

Globalization is a manifestation of the growing economic crisis in the developed countries as a result of expansion of capitalism. The process of current globalization is the expansion of the global finance capital which has the only objective to maximize gains in the interest of capital alone. Foreign Direct Investment is one form of the capital expansion. The FDI has come to India with the structural adjustments tuned to the WTO regime. Though the rate of investment was slow initially but has picked up gradually but confined mostly to information technology, telecommunication, automobile and service sectors. Retail trade in India is of traditional format mostly in the unorganized sector, though it contributes significantly to GDP and provides employment to a large section of society. India has the highest shop density in the world with 16.31 outlets per 1000 population and it employs 27.09 persons per 1000 population as per 2005 economic census. The density of both outlets and workers in urban areas is almost double to the national average i.e. 27.57 and 49.25 respectively. The relationship between the number of establishments and the workers engaged in them is strong across the country. The factor analysis and regression coefficients also confirm the bearing of macroeconomic variables on both the retail outlets and workers in this sector. The retail sector is not yet opened for FDI in India yet the debate on the consequences continues. The government and a large number of scholars are in favour of it in the name of expanding middle class, shit in demand pattern, generation of employment and competitive prices but an equal number of scholars anticipate the closure of a large number of traditional retail outlets throwing millions of workers out of sources of livelihood.

References

Ahluwalia, Montek Singh (2000) Economic performance of States in post-reforms period Economic and Political Weekly, 35.16, 1637-1648

Amin, Samir. (2007) Empire of Chaos, New Delhi, Monthly Review Press.

Banerjee-Guha, S. (1997) Spatial Dynamics of International Capital (A Study of Multinational Corporations in India) Calcutta, Orient Longman.

Bhagwati Jagdish (2004) In Defence of Globalisation, New York, Oxford University Press.

Chandrasekher C P (1993) The Political Economy of Reforms in India, The Marxist 10.4 and 11.1, 20-37.

Guruswamy et. al. (2005) FDI in India's Retail sector: More Bad than Good? Economic and Political Weekly, 40.7, 619-623

Hardt, Michael and Negri, Antonio. (2000) Empire, Cambridge, Cambridge University Press.

Harvey, D. (2006) Spaces of Global Capitalism: Towards a Theory of Uneven development, London, Verso.

Mohan, Rakesh. and Joshi V (2009) International Business, New York, Oxford University Press.

Patnaik, Prabhat. (1996) "Globalisation of Capital and the Theory of Imperialism" Social Scientist 24 .11.12 , 5-17

Patnaik, Prabhat. (2009) The Global Financial Community, People's Democracy,. XXXIII.16 April 26.

Pradhan, J.P. (2002). Foreign Direct Investment and Economic Growth in India: A Production Function Analysis. Indian Journal of Economics 82, 582-586

Rai, Kartik (1995) International Capital Flow and structural Adjustment, The Marxist 13. 2, 20-32.

Yadav H.S., Tanima Dutta and Neeti Srivastava (2009) Foreign direct investment and Spatial Configuration of Indian Economy. In Sawant N.K. et.al. (Ed.) Globalisation: Issues and Challenges for India, Pune, Indian Institute of Geographers.

H.S. Yadav
Professor, Barkatullah University
Bhopal (India)
hanumansinghyadav@gmail.com

Sangeeta Jauhari
AISECT University
Bhopal (India)
sangeeta.jauhari@gmail.com