

PERCEIVED NOTIONS OF MICRO SMALL AND MEDIUM ENTERPRISE MANAGEMENT ON FDI IN RETAIL - AN EMPIRICAL OUTLOOK

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ABSTRACT:

Foreign Direct Investment (FDI) has become a force to be reckoned with after the Second World War and it has obtained an essential part in the worldwide economy. Developing Nations like India, China and couple of nations in Southeast Asia have been pulling in tremendous FDI inflows amid the most recent a quarter century. India has been a late participant to the FDI situation when contrasted with different nations. The Indian economy has been reinforced by outside speculation throughout the years. A few nations offer different motivating forces or conspires keeping in mind the end goal to pull in the remote direct speculation (FDI) and make a great situation for venture. The prerequisite for FDI is reliant on sparing and venture rate in any nation. This paper endeavours to assess the Impact of FDI on the national economy, with reference to Micro, Small & Medium Enterprises after long years of financial changes, furthermore break down the effect of FDI on the developing worldwide economy. The paper additionally tries to deliver to the pivotal arrangement suggestions alongside the different parts of deciphering FDI related data in India.

Keywords: *FDI, Economy, Developing Nations, MSME*

INTRODUCTION

Foreign Direct Investment (FDI) has been viewed as one of the essential wellsprings of getting new innovation and learning to the less created nations. In any case, alongside the FDI, proficient administrative skill is required for bringing different sorts of ventures inside of the nation. On occasion if there should be an occurrence of creating countries, the abroad portfolio venture could add to era of capital yet the measure of capital through such sources is frequently constrained. This sort of situation does not offer the vital innovation upgrades required to contend in the worldwide markets. Subsequently,

FDI couldn't just affix the pace of development however it can likewise give new occupation opportunities, encourage in crossing over any barrier in the middle of sparing and speculation through learning payment, ability and aptitudes in the creating countries.

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Also, the vicinity of prevalent remote firm having propelled specialized

learning and know-how of the host nation's economy can offer ascent to sound rivalry amongst the organizations inside of the business. This thusly will be great as the household firms

will likewise hope to put resources into request to stay ahead in the opposition. The opposition among the local firms in innovative work with their own capital could propel the outside firms to pick and execute propelled innovation and information in the host nation. The host nation is additionally at a worthwhile position as it can make utilization of the abundance incomes produced through the FDI.

There are three types of foreign direct investments. First is horizontal foreign direct investment, in which the company duplicates the activities. Second is a Vertical foreign direct investment, in which company shifts upward or downward streams in value adding activities. and platform foreign direct investments. Third is Platform direct investments where one country goes into destination country for exporting to some other country.

Foreign direct flows came up from a loss in recent years from US dollar 233 billion in 2004 almost reached to US dollar 253 billion in developing countries. Foreign direct investment benefits more to developing countries. There are four major developing countries which are India, China, Brazil and Russia. In India there is need for employment opportunity, through FDI the local population can get employment opportunities, there can be development of soft skills by training and creation of jobs. India is entitled as "growth" economy and many contemplate to invest in particularly in the changing and growing retail sector. Foreign Direct Investment (FDI) plays a vital role for any developing nation such as India itself. Today India is dealing with problems such a unemployment, inflation. To battle against this, FDI would act as a life saver for the Indian economy (Ghoshal, 2014).

Until the year 2011, Foreign Direct Investment (FDI) was not permitted in multi brand retailing. The single brand retailing was allowed up till 51% ownership. In the start of the year 2012, India allowed

100% FDI in single retail along with a requirement that 30% of the goods should be from India. At the end of the year 2012, government allowed 51% FDI in multi brand retailing. Many political controversies came up along with this decision in the UPA government. (NA, 2014)

In the year 2014, the Modi Government continued with the initiative of UPA Government of FDI in multi brand retailing. (Mehra, 2014)

The Indian prime minister, Narendra Modi announced about the campaign "Make in India" which emphasises on manufacturing the products in the country. The Small and Medium Scale Enterprises will have great benefits with this campaign. (Narasimhan, 2015). Now, SMEs will have an edge in the market with FDI in retail.

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country.

Investment from abroad has its multiplier effects in terms of employability, demand, growth, income, etc. The study aims at finding the perception of senior management of MSME on FDI in retail sector.

LITERATURE REVIEW

Shaha and Shinde (2013)

critically analysed the impact of FDI in Indian Retail sector on various other sectors and also the structure of the retail industry of the country. The article contained suggestions regarding the survival of small scale enterprises in the market. The study observed that FDI can have a positive effect on these small scale enterprises if handled effectively. The article does not give a view on the positive side of the impact FDI in retailing on Small and Medium Scale Enterprises.

Kulkarni and Kulkarni (2012)

examine about implications of FDI in retail sector which includes the single brand as well as the multi brand retail sector. The paper contained the rationale behind the FDI in retail sector saying that is "healthy" for a growing country like India. The paper does not show the negative aspects of the impact over the SMEs of the country. Also, it does not give the suggestions as to what can these SMEs do if FDI is done in the retail sector.

Devi (2014) analyses the role of FDI in retail sector and its overall impact over the economy of the country. FDI has always been a critical attribute of globalisation. Retailing in India has been the core of economy contributing 14 - 15% of the GDP. The paper tells about pros and cons of FDI in retailing and also the problems faced by the retail sector. The paper does not show the primary research, data analysis or the suggestions and solutions which can be given to the SMEs to overcome the problems faced by them

Hasan (2013) examines the future opportunities for FDI in retail in India enabling an increase in the economic growth rate of the country. The paper says that the retail sector

should be treated independently and separately. There should be regular checks on big retail chains whether they are influencing SMEs by any unfair means. The research paper includes the general impacts of FDI in retail on consumers and also the positive and negative effects of the FDI policy. However, the research paper does not include the tools of data collection.

Gupta (2013) examines about the inflow of FDI in India after the year 1991 and generation of employment opportunities in terms of both skilled and unskilled. The paper deals with the positive and the negative aspects of FDI, the criticism of FDI approval.

Vaidehi and Alekhya (2012)

analyse the current trends of retail industry and to study the impact of FDI in retail. The paper also reviews the advantages and disadvantages of FDI in retailing. However, the paper does not discuss about the suggestions or methods which can be opted by the sectors getting affected such as the SMEs. Nevertheless, the paper suggests that the government should encourage FDI on ongoing and steady basis. And to avoid any harmful effect on SMEs, the government should redesign its framework.

Sudhakar, Kumar & Sreenivas (2013)

critically analysed about the pros and cons of FDI in retail and the effect of it on Small and Medium Scale Enterprises. To understand this, a survey was conducted on the general people as well as the local traders. The article gives a view of the long term implications of FDI in retail. The limitations of the survey conducted was that it was confined to common people and local traders only so the implications made were on the information gathered as information is not accessible.

Chari and Raghavan

(2011) explores the opportunities and challenges for FDI in retail sector. The paper discusses about the current situation of the retail sector and the forecast in the growth of this sector. FDI in retail would help in reducing inflation and improving the supply chain management of the country. FDI in retail would also have a positive effect on the distribution and warehousing which ultimately affects the exports. The paper did not include any primary research which could support the arguments.

Vadde (2014) evaluate the impact of FDI in retailing on the farmers and the consumers in the country. The paper describes the reforms of FDI in the country and the retail sector. There is a lot of scope for the foreign players in a country like India to invest their money. The article describes that the farmers will have an increase in revenue due to FDI. The middleman will be eliminated in this process which would solely benefit the farmers. However, the paper only gives an overall view without any argument of what should be done.

Singla (2014) examines and evaluates the benefits and losses of FDI in retail in India. The paper suggests that FDI in retail has more of positive effects than the negative effects over the economy as it would help in organising the retail sector, help in eliminating the middlemen, increasing the supply chain efficiencies, the consumers will be provided with better services choose from, etc. Though, the article lacks about providing proof in terms of primary research which could support the argument

Research Methodology**Research Objective**

1. To analyse the impact of FDI (in retail) on SMEs in Indore
2. To determine whether FDI in retail is a threat or an opportunity for SMEs.

3. To scrutinize the perception about impact of change in government policy on the growth of SMEs.

Research Hypothesis

- 1) H1.1: The perception of SME's operating in Indore with reference of FDI in retail Sector do not vary across people in different age groups.
- 2) H1.2: Annual turnover of the SME do not influence the perception about FDI in retail Sector.
- 3) H1.3: The impact of FDI on Indore's SMEs across factors like sales, size of business, new orders, qualitative improvement, supply chain efficiencies, employment, inventory management, e-retailing, exports and sourcing is perceived to be same across people in different age brackets.
- 4) H1.4: The impact of FDI on Indore's SMEs across factors like sales, size of business, new orders, qualitative improvement, supply chain efficiencies, employment, inventory management, e-retailing, exports and sourcing is perceived to be same for SMEs with varied annual turnover.
- 5) H1.5: The perception about change in government FDI policy for retail sector on SME's operating in Indore do not vary across people in different age groups
- 6) H1.6: The perception about change in government FDI policy for Infrastructure sector on SME's operating in Indore is same for SMEs with varied annual turnover. The sampling unit includes individuals who hold any senior management position in small scale enterprise, trade groups and businessmen operating in retail sector at Indore. The demographic profile of participant required that the individual must be working, owing or dealing with small scale enterprise based at Indore and must be above 18 years of age.

Sample Design

As the population was too large and heterogeneous Non probabilistic

Sampling technique was used. Judgmental and Convenience sampling method was used to identify appropriate samples.

Sample Size

The sample size for the present study was 100. The sample size was chosen to be small considering the specification required in the participant's profile. These participants were contacted through a personal visit by the researcher. From 100 participants contacted, 80 adequately responded questionnaires were identified. Thus the response rate can be considered as 80%.

Hypothesis Testing

H1.1 In order to know the perception of individuals from different age group about FDI Fisher Exact test was applied. The outcome of the test suggests that test value is 0.022. This test statistic shows that null hypothesis is rejected at 5% level of significance. Hence, it can be said that age affects people's perception. Participants in all age brackets do not have common perception about FDI in retail sector. Some consider it as threat while some take it as opportunity. (Refer Table 1)

H1.2: This hypothesis study perception about FDI across SMEs having varied annual turnover. Fisher Exact test was used to analyze this relationship. The result of the test shows that test value of .037 is less than the level of significance. This signifies that null hypothesis is rejected and there is difference in perception of SME having varied annual turnover. SME having turnover between 25 lakhs to 1 crore displays wide spread perception while 95% SME having turnover ranging from 2 crores to 5 crore considers FDI as an opportunity. (Refer Table 2)

H1.3: This hypothesis study impact of FDI over 10 relevant factors of SMEs. How the impact is looked by individuals in varied age bracket.

Fisher Exact test was applied. The outcome of the test shows that test statistics has a higher value than level of significance. Hence null hypothesis is not rejected at 5% level of significance. Individuals in all age brackets believe that FDI's will highly impact SMEs over factors sales, size of business, new orders, qualitative improvement, supply chain efficiencies, employment, inventory management, e-retailing, exports and sourcing. (Refer Table 3)

is high than 5% level of significance. Null hypothesis was not rejected for the test.

It suggests that SMEs having varied turnover have common perception regarding change in government policy. Majorly SMEs are in favor of change in government policy. (Refer Table 6)

H1.4: This hypothesis study impact of FDI over 10 relevant factors of SMEs. How the impact is looked by SMEs having varied turnover? Fisher Exact test was applied. The outcome of the test shows that test statistics has a higher value than level of significance. Hence null hypothesis is not rejected at 5% level of significance. SMEs having varied turnover have common believe with regards to impact on them over factors like sales, size of business, new orders, qualitative improvement, supply chain efficiencies, employment, inventory management, e-retailing, exports and sourcing. (Refer Table 4)

H1.5: Age is hypothesized against perception about change in government policy related to FDI in retail sector. Fisher Exact test is used for analysis. The outcome of the test reveals that null hypothesis is not rejected at 5% level of significance. This means that individuals in all age categories have same perception about the changes government made in FDI policy for retail sector. The data reveals that majorly the change is considers to be positive for SMEs. (Refer Table 5)

H1.6: Perception of SMEs with varied turnovers was analyzed for changes in government FDI policy. Fisher Exact test was applied to test the perception. The outcome of the test reveals that test statistics value

Table 1

Chi-Square Tests						
	Value	Df	Asymptotic Significance (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	10.679a	4	0.03	0.031		
Likelihood Ratio	14.078	4	0.007	0.01		
Fisher's Exact Test	10.348			0.022		
Linear-by-Linear Association	.245b	1	0.62	0.734		
N of Valid Cases	80				0.374	0.12
a. 5 cells (55.6%) have expected count less than 5. The minimum expected count is 1.01.						
b. The standardized statistic is .495.						

Table 2

Chi Square Test						
	Value	Df	Asymptotic Significance (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	6.976a	2	0.031	0.037		
Likelihood Ratio	9.711	2	0.008	0.013		
Fisher's Exact Test	6.705			0.037		
Linear-by-Linear Association	.050b	1	0.823	1		
N of Valid Cases	80				0.51	0.192
a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is 2.48						
b. The standardized statistic is .224.						

Table 3

Chi Square Test						
	Value	Df	Asymptotic Significance (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	11.455a	8	0.177	0.185		
Likelihood Ratio	13.674	8	0.091	0.099		
Fisher's Exact Test	10.364			0.184		
Linear-by-Linear Association	3.637b	1	0.057	0.061		
N of Valid Cases	80				0.036	0.013
a. 10 cells (66.7%) have expected count less than 5. The minimum expected count is .11.						
b. The standardized statistic is 1.907.						

Table 4
Chi-Square Tests

	Value	Df	Asymptotic Significance (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	4.114a	4	0.391	0.386		
Likelihood Ratio	5.035	4	0.284	0.345		
Fisher's Exact Test	3.526			0.447		
Linear-by-Linear Association	.401b	1	0.527	0.535		
N of Valid Cases	80				0.304	0.08
a. 4 cells (44.4%) have expected count less than 5. The minimum expected count is 1.01.						
b. The standardized statistic is -.633.						

Table 5
Chi-Square Tests

	Value	Df	Asymptotic Significance (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	4.114a	4	0.391	0.386		
Likelihood Ratio	5.035	4	0.284	0.345		
Fisher's Exact Test	3.526			0.447		
Linear-by-Linear Association	.401b	1	0.527	0.535		
N of Valid Cases	80				0.304	0.08
a. 4 cells (44.4%) have expected count less than 5. The minimum expected count is 1.01.						
b. The standardized statistic is -.633.						

Table 6
Chi-Square Tests

	Value	Df	Asymptotic Significance (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	4.114a	4	0.391	0.386		
Likelihood Ratio	5.035	4	0.284	0.345		
Fisher's Exact Test	3.526			0.447		
Linear-by-Linear Association	.401b	1	0.527	0.535		
N of Valid Cases	80				0.304	0.08
a. 4 cells (44.4%) have expected count less than 5. The minimum expected count is 1.01.						
b. The standardized statistic is -.633.						

Conclusion

India is a developing nation. It has seen liberalization in a phased manner since the economic reform of 1991. In recent years' Indian government is making several policy changes

to develop India into one of the major FDI investment attraction in the world. Organized retail has been a blooming sector since last decade. This sector still has a lot of growth potential, as the

macroeconomic parameters suggest that population of India is turning rapidly into consuming class. FDI in this sector will not only facilitate international integration but also will restructure the industry.

The present study done on SMEs of Indore region gives an interesting conclusion that even small business is taking FDI as a growth opportunity. Even the change in government policy which now permits 51% FDI in retail sector is taken favorably by SMEs. Impact of FDI on SMEs was analyzed over various factors. The impact was assumed to be positive by the participants. They believe that it would provide better linkage between demand and supply which will bring more efficiency in the retail market. This policy will allow foreign players to control multiple brands and ensure well capitalized industry.

Limitations of the research:

1. The study was restricted to MSME based in Indore Madhya Pradesh
2. The sample size was less, i.e. only 80 respondents.

Further Study:

This study can be extended and further explored in other geographic locations of India

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