



## A STUDY OF SOCIO- ECONOMIC BENEFITS OF FDI IN AP

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### ABSTRACT

*The Foreign Direct Investment means “cross border investment made by a resident in one economy in an enterprise in another economy, with the objective of establishing a lasting interest in the investee economy. FDI is also described as “investment into the business of a country by a company in another country”. Mostly the investment is into production by either buying a company in the target country or by expanding operations of an existing business in that country”. Such investments can take place for many reasons, including taking advantage of cheaper wages, special investment privileges offered by the country. India seek FDI, Domestic capital is inadequate for purpose of economic growth, Foreign capital is usually essential, at least as a temporary measure, during the period when the capital market is in the process of development, Foreign capital usually brings it with other scarce productive factors like technical knowhow, business expertise and knowledge. Benefits of FDI: Improves forex position of the country, Employment generation and increase in production, Help in capital formation by bringing fresh capital, Helps in transfer of new technologies, management skills, intellectual property, Increases competition within the local market and this brings higher efficiencies, Helps in increasing exports, Increases tax revenues,*

**Keywords:** *Economy, Investment, Business, Expanding, Capital, Employment, Exports.*

### INTRODUCTION

The Indian retail industry is an emerging one and competition is currently intensifying. Sales gain at the expense of others' is the name of the game. This means more "head to head" battles fought in local trade areas and over individual customer transactions. Competition comes from all directions similar store types, deep price discounters, different types of retail stores and non-store retailers. The critical challenge becomes: how to take business away from the increasingly aggressive and menacing competition while protecting one's existing customer base Today's consumers are better educated, more sensitive to price value relationships, more discriminating, and more individualistic in tastes than any previous generation. Therefore, retailing is a necessary marketing tool with growing significance



## What is retailing?

Retailing is the set of business activities that adds value to the products and services sold to consumers for their personal or family use. Often people think of retailing only as the sale of products in stores, but retailing also involves the sale of services: lodging in a hotel, a doctor's examination, a haircut, a DVD rental or a home delivered pizza<sup>1</sup>. Not all retailing is done in store. Examples of non-store retailing include internet sales of hot sauces, the direct sales of cosmetics<sup>2</sup>. A retailer is a person who specializes in selling certain type of goods and/or services to consumers for their personal use. There are many kinds of retail stores including grocery stores, department stores, specialty stores, convenience stores, chemist stores and fast food outlets, among other. Retailing is the business of buying goods in large quantities from a manufacturer or a wholesaler and then selling these products and services to consumers for fulfilling their personal or family needs. A retailer is, in fact, the final links in the distribution channel connecting the manufacturers with the consumers<sup>3</sup>

## Objectives of the Paper

- To study the Socio- Economic Benefits of Foreign Direct Investment in Andhra Pradesh.
- To study the demographic profile of the customers visiting and shopping at organized retail outlets

## Scope of Paper

The scope of present study has been restricted to state of Andhra Pradesh. In the paper two major cities like Vijayawada, Guntur of the state were selected. The cities were selected on the basis of recent developments in terms of opening of different retail formats in organized retail in these cities. Retail outlets like Big Bazar, Magna Hyper Mart, Best Price, Spencers, Reliance retail and various big malls in cities were selected to cover wider and diverse perspective of customers which has helped in making comparative analysis of various outlets as well.

**Mihir Dash and Sam Chandy (2009)<sup>4</sup>** in the article entitled, 'A Study on the Challenges and Opportunities faced by Organized Retail Players in Bangalore' explored the opportunities and challenges faced by organized retail players in Bangalore. They found that organized retailers see competition from the unorganized sector as their biggest challenges, followed by competition between organized retailers and the inefficiency of distribution channels, internal logistical problem and retail shrinkage, while unorganized retailers see organized retailing as their major

challenge, followed by cost of operation, logistical problem, competition between other kirana retailers and inefficient distribution channels.

**Rohit Kumar Mishra (2009)<sup>5</sup>**, in the article entitled, 'Benchmarking Scheme for Retail Stores Efficiency had a view on benchmarking. He explained that the Indian retail sector is changing at a faster rate. At the same time the consumer's preference is also changing and the retailers need to take note of this and prepare for new and innovative strategies to tackle the situation. Repaid growth of retailing and upcoming many new firms in India has necessitated for benchmarking. He pointed out that benchmarking is most important in case of organized retailing. It is necessary to measure their performance and Bench marking them accordingly. In this study Data Envelopment Analysis (DEA) technique is proposed for benchmarking.

## RESULTS AND DISCUSSIONS

**Table-1, Gender Respondents**

Gender	No. of The Respondents	Percentage (%)
Male	180	72%
Female	70	28%
Totals	250	100.00

**Source:** Primary Data

Above Table-1 Considering the importance of above facts the data was collected from 250 respondents from selected cities of Andhra Pradesh. These cities were selected on the basis of development in organized retailing. Since the respondents were those individuals who are visiting the retail outlet so focus of the study on these areas will help us in getting Valid and reliable results.

**Table-2, Gender Respondents**

Age Groups	No. of The Respondents	Percentage (%)
Below 30 years	125	50%
31-40 years	55	22%
41-50 years	40	16%
Above 50 years	30	12%
Total	250	100

**Source:** Primary Data

The table shows that majority of the respondents (50%) falls in the age group of below 30 years followed by (22%) in the 31-40 years age group. The median is taken as the most appropriate



measure of central value because of open ended classes. The median age is 30.5 years. Also is interesting to note that majority of the respondents are less than 30 years of age.

**Table-3, Shopping Behaviour of Respondents**

Frequency of Shopping	No. of The Respondents	Percentage (%)
5-10 Times	40	16%
10-15 Times	60	24%
More than 15 Times	150	60%
Total	250	100

**Source:** Primary Data

The table reveals that majority (60%) of the respondents have made more than 15 times purchasing from organized retail outlets. (24 %) of the respondents point out that they visit have made purchasing 10-15 times from the organized retail outlets. The least percentage (16%) respondents have made purchasing 5-10 times from organized retail outlets. To sum up, majority of the respondents have made more than 15 times purchasing from organized retail outlets are shopping.

**Table-4, Annual Income**

Variables	Annual Income				Above Rs. 5 Lac	Total
	Below Rs. 2 Lac	Rs.200001- 300000	Rs. 300001 -400000	Rs.400001 -500000		
Availability of all goods under the same roof	35	20	12	5	3	75
365 x 7 service	33	15	8	7	2	65
Acceptability of debit/ credit cards	4	10	10	0	1	25
Choice of different brands of products	6	14	21	26	8	75
Price	2	1	4	2	1	10
Total	80	60	55	40	15	250

**Source:** Primary Data

Table 4 represents two way classifications based on income as well as influencing variables for shopping from organized retail outlets. It shows the dependence on income of variables which influence the purchasing of goods and services from organized retail outlets and  $H_0$  is rejected. It is found that lower income class (below Rs. 200000) are highly influenced by 365 x 7

service, whereas lower middle income class (Rs. 200001-300000) take availability of all goods under the same roof as most influencing variable. On the other hand shopping decision of majority of upper middle (Rs. 300001-400000, and Rs. 400001-500000) and upper income (above Rs. 5 lac) group respondents from organized retail outlets are significantly influenced by choice of different brands. Majority of lower (below Rs. 2 lack) and upper middle (Rs. 300001-400000, and Rs. 400001-500000) income group respondents take availability off all necessary goods under the same roof as second effective variable. Upper class family income group respondents take the 365 x 7 service facility as the second more effective influencing variable that play a significant role in making decision for shopping from organized retail outlets. It is interesting to note that price is not playing any significant role to influence the shopping decision of the respondents from organized retail outlets

**Table-5, Organized Retail Outlet Benefits of Respondents**

Organized Retail Outlet Benefits	Variables	Sample Size	Rank
<b>Best Price</b>	Economic benefits	50	I
	Advertisement	50	II
	Family/Friends	50	V
	Location	50	IV
	Quality of goods & services	50	III
	<b>Total</b>	250	

**Source:** Primary Data

Above Table-5 to test the equality of mean scores of five variables the analysis of variance as found quite significant difference between all the five variables. This is due to the level of gross income and available amount of disposal income in the hand of customers, most of the customers are cost conscious. The roles of advertisement followed by quality of goods and services being offered by the Best Price have been found the second and third effective variable. It is observed that advertisement strategy of Best Price creates awareness among the respondents and attracts the respondents for shopping from Best Price more easily. Recommendation of family and friends has found the least effective variable which influences the respondents to select the Best Price for shopping.

**Table-6, Organized Retail Outlet Benefits of Respondents**

Organized Retail Outlet Benefits	Variables	Sample Size	Rank
<b>Reliance Mart</b>	Economic benefits	50	I
	Advertisement	50	II
	Family/Friends	50	III
	Location	50	V
	Quality of goods & services	50	IV
	<b>Total</b>	250	

**Source:** Primary Data

Above Table-6 to test the equality of mean scores of five variables the analysis of variance as found quite significant difference between all the five variables. This is due to the level of gross income and available amount of disposal income in the hand of customers, most of the customers are cost conscious. The roles of Economic Benefits First Rank effective variable Advertisement is Second effective variable, Third Rank Family Friends play an important followed by quality of goods and services being offered by the Reliance Mart have been found the second and third effective variable. It is observed that advertisement strategy of Reliance Mart creates awareness among the respondents and attracts the respondents for shopping from Reliance Mart more easily. Recommendation of family and friends has found the least effective variable which influences the respondents to select the Reliance Mart for shopping.

### **Socio- Economic Benefits of Foreign Direct Investment**

Foreign direct investment has many advantages for both the investor and the recipient. One of the primary benefits is that it allows money to freely go to whatever business has the best prospects for growth anywhere in the world. That's because investors aggressively seek the best return for their money with the least risk. This motive is color-blind, doesn't care about religion or form of government.

### **CONCLUSION**

Retail industry is the largest industry in India, with an employment of around 8% and contributing to over 14% of the country's GDP, Retail industry in India is expected to rise 25% yearly being driven by strong income growth, changing lifestyles, and favorable demographic patterns. It is expected that by 2016 modern retail industry in India will be worth US \$ 900 billion. During the last decade the field of retailing has experienced significant changes. Specialty and discount stores have been edging in department stores turf, with cost conscious and



breadth-of-selection strategies. The total number of available of retailing establishment grew sharply during the same period. Organized retail segment has been growing at a blistering pace, exceeding all previous estimates. According to a study by Deloitte Haskins and Sells, organized retail has increased its share from 5 percent of total retail sales in 2006 to 8 percent in 2007. The fastest growing segments have been the wholesale cash and carry stores (150 percent) followed by supermarkets (100 percent) and hypermarkets (75-80 percent). Further, it estimates the organized segment to account for 25 percent of the total sales by 2011. The beneficiaries of the competition being customers, the organized retail players in today's environment are required to design and deploy customer-centric strategies not only to grab a share in the market but also to sustain in the market in the long run. The players have realized the importance of constant service delivery to the customers for long run sustainability. Customer relationship signifies identifying the needs of the customers and stretching out ways and means to satisfy them. This study provides some insights on factors that could be important in managing customer satisfaction. Availability of all necessarily goods under the same roof and 365x7 services are the major effective variables that influence the customer's decision for shopping from organized retail outlets, so organized retail chains should give proper emphasis on these variables. More extensive assortment ranging from fresh food products to electronic products should be offered.

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