Chapter 8

The Comparative Study of the FDI in India and China in Retail Sector

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ABSTRACT

Every economy across the globe is developing at a rapid pace. Offshore investment opportunities have not only transformed some of the business sectors like infrastructure, technology, media, and telecommunication, but it has also brought some dynamic changes in the life style and shopping preference of the consumers. One such sector that has diverted the attention of the mass is the retail sector. Over the last few years, retail sector has experienced drastic transformation. Some countries are well developed while others are emerging in the retail sector. India and China are among the top developing countries attracting huge foreign direct investment. China follows open investment policy and has liberalized the investment for foreign players while India adopted conservative investment policy with strong government involvement. Retail growth in India is very slow as compared to China. Therefore, this chapter attempts to highlight the economy of India and China and has compared some of the parameters of the economy to reflect the difference in the growth in India and China.

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INTRODUCTION

In the era of globalization and liberalization every economy across the world is developing at the rapid pace. These developments have not only changed some of the business sectors like infrastructure, technology, media, telecommunication but it has also brought some dynamic changes in the life style of the consumers and in their preferences for shopping. All these changing trends have brought greater impact on the retail business across the globe. Ample opportunities are available in retail sector and immense changes are noticed in world retail market. It has not only emerged as the profitable sector but is also dominating the economies of many countries to become the next booming sectors across the world. Today’s retail sector is largely fragmented into organized and unorganized retail sector but the proportion of this fragmentation is not same worldwide the percentage of organized retail development is more in developed countries and it is growing in developing countries. Two such countries that has attracted world foreign direct investment and large opportunities for employment is India and China.

Over the last few years due to change in consumer preference retail sector has shown enormous progress in India and China. In India the retail sector is bound to come across opportunities like never before. The retail sector in India was more of an unorganized one with petty vendors dominating the chunk of the industry but now the scenario has fast been changing. Finally, the sector is converting into what we call as organized retailing. Not only Indian corporate majors like Reliance, ITC and Pantaloon have entered into the segment but more and more foreign players are also showing interest in USD 600 billion Indian retail markets. Hence both the economies have shown a different phase of growth in organized retail business This has been due to foreign direct investment policies of India and China. China follows open investment policy and have liberalize the investment for foreign players while India adopted conservative investment policy where there is government involvement in most of the foreign investment projects. Because of strict FDI regulation the growth of organized retail is slow as compared to China. Hence the need was felt to study the growth and development of retail business and do a comparative analysis between two powerful economies.

OBJECTIVES OF THE STUDY

- To study the economy of India and China.
- To analyze the foreign direct investment in India and China.
- To understand the FDI policy in retail sector in India and China.
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