THE INDIAN RETAIL LANDSCAPE: THE EFFECT OF FOREIGN DIRECT INVESTMENT (FDI) LIBERALISATION.

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Abstract

This study investigates the impact of liberalising Foreign Direct Investment (FDI) on the retail industry in India. Through the analysis of regulatory changes, economic data, and case studies, the research aims to gain a comprehensive understanding of how growing foreign investment has transformed the retail industry in India. It specifically focuses on important factors such as FDI inflows in retail sector, employment patterns, and the revenue growth of domestic and international shops, consumer behaviour, and market share dynamics. These observations will aid in comprehending the wider economic impact of FDI liberalisation and the changing retail environment in India.

Keywords: *Retail sector; FDI; Indian economy; trade liberalisation; customer behavior.*

INTRODUCTION

Retailing plays a vital role as a middleman between manufacturers and customers in modern market economies. In order to cultivate a robust connection between the two parties, shops not only supply a diverse range of items but also offer supplementary services. These services, together with the wide range of products available, contribute to a pleasing and simple shopping experience for consumers. The retail industry is considered a crucial cornerstone of the Indian economy, seeing significant and impressive expansion. India's retail industry is known for its large number of retail establishments.

Since the implementation of more relaxed regulations regarding FDI in the early 1990s, the Indian economy has welcomed a large number of multinational companies (MNCs), therefore facilitating substantial inflows of international capital. The objective of this policy change was to promote economic expansion by attracting significant investments, cutting-edge technology, and international corporate standards. The liberalization has not only improved the retail sector's infrastructure and efficiency, but it has also fostered competition, resulting in benefits for customers such as higher-quality items and services at competitive prices. Furthermore, the increase in foreign investment has played a significant role in generating employment opportunities, enhancing skills, and fostering general economic growth, establishing India as an attractive prospect for future international investments. The expectation of ongoing outside investment highlights the possibility of long-lasting expansion and modernization in India's retail industry, positioning it as a vibrant and essential part of the country's economic framework.

The Indian retail market is a rapidly expanding industry in the country, making a substantial contribution to the overall national economy. The IBEF estimates the retail industry in India to be worth over USD 1.2 trillion in 2023 and expects it to expand at a compound annual growth rate (CAGR) of 10% to reach USD 1.75 trillion by 2026. We primarily categorize the sector into organised and unorganised divisions. Despite significant development in organised retail, the majority of the industry remains unorganised, with vendors, street markets, small independent businesses, mom-and-pop stores, and roadside hawkers conducting 88% of retail operations (KPMG, 2023). Organised retail, which includes licensed shops such as hypermarkets, supermarkets, retail chains, and megastores, accounts for only 12% of the total market. This figure is considerably lower in comparison to industrialised nations like the USA, where organised retail makes up around 85% of the market (Deloitte, 2023). India's organised retail industry is projected to experience significant growth as a result of urbanisation, more disposable incomes, and evolving customer tastes.

The Indian retail industry experienced a significant shift with the liberalisation FDI rules in the early 1990s. These changes facilitated the entry of multinational companies (MNCs) into the Indian market, resulting in substantial inflows of foreign capital. The government's continuous endeavours to liberalise the retail sector have led to heightened competitiveness among local firms, facilitated access to global retail formats, and brought about advancements in technology and managerial methods.

Furthermore, the industry has experienced significant technical progress and digital conversion, fueled by the widespread use of smartphones and internet access. E-commerce has become an essential part of the retail industry, contributing to the rapid expansion of organized retail. According to PwC (2019), companies like Amazon, Flipkart, and Reliance Retail are at the forefront of the digital retail revolution. They provide consumers with a diverse range of products and services at reasonable pricing. Advantageous government measures aimed at improving infrastructure, simplifying regulatory structures, and fostering a business-friendly environment further bolster the expansion of the retail industry. Initiatives like the Goods and Services Tax (GST), the establishment of retail parks, and investments in logistics and supply chain infrastructure have significantly improved the operational efficiency of the retail sector (Ernst & Young, 2020).

India's Liberalisation of FDI

The deregulation of FDI in India has been a crucial element of the country's economic reforms since the early 1990s. In response to a serious balance of payments crisis, the

Indian government implemented the New Industrial Policy in 1991. This policy consisted of substantial economic changes designed to encourage foreign investments, decrease trade obstacles, deregulate industries, and liberalise foreign direct investment policies. These changes were intended to facilitate the integration of the Indian economy into the global market, thereby stimulating economic growth.

India has gradually eased restrictions on FDI in many industries such as manufacturing, retail, telecommunications, and infrastructure during the last thirty years. In 2023, India received a significant amount of USD 81.72 billion in FDI, which demonstrates the trust and interest of international investors in the Indian market (Department for Promotion of Industry and Internal Trade [DPIIT], 2023). Industries such as information technology, telecommunications, and e-commerce have greatly profited from these attempts to promote liberalisation, experiencing significant inflows of foreign capital. The infusion of money has resulted in the establishment of top-tier infrastructure and the generation of a substantial number of employment opportunities, hence stimulating economic expansion.

In 2006, the implementation of a policy allowing 100% FDI in single-brand retail was an important achievement in the liberalization of FDI. In 2012, certain criteria led to the expansion of this policy to include multi-brand retail. The legislative modification allowed international powerhouses such as IKEA, Walmart, and Amazon to enter the Indian retail industry, resulting in heightened competition, superior product quality, and improved consumer satisfaction (Ernst & Young, 2019). These global firms have also transmitted cutting-edge technology and optimal methodologies to the Indian market. In addition, the Indian government has taken several steps to shorten the clearance process for FDI and enhance the convenience of conducting business. The implementation of the automated route for FDI in most industries has greatly diminished bureaucratic obstacles and expedited approval procedures. The Digital India programme, aiming to enhance digital infrastructure and broaden internet access across the country, has further strengthened this.

The advent of GST in 2017 has brought about structural reforms that have unified the national market and made the tax regime simpler. The implementation of GST has streamlined the taxation system by replacing many indirect taxes with a unified tax. This has facilitated seamless corporate operations across state boundaries and reduced corporations' total tax burden. This change has been essential in enhancing India's appeal as a profitable hub for international investment.

FDI liberalisation has effects that go beyond only economic development and investment inflows. Furthermore, it has resulted in the transfer of technology, the enhancement of skills, and the generation of employment, all of which contribute to the overall progress of the Indian economy. Indian corporations have been able to establish strategic partnerships with international enterprises, improving their competitiveness in the global market due to the implementation of liberalisation policies (Deloitte, 2021). For instance, collaborative partnerships between Indian and international corporations have enabled the implementation of cutting-edge products and services, resulting in advantages for customers and enhancing the economic vitality of the nation. Additionally, the influx of FDI has had a beneficial effect on the balance of payments by offering a reliable means of external funding. This has helped to stabilize the Indian rupee and maintain foreign exchange reserves at acceptable levels. In addition, the government has prioritized enhancing the investment environment by safeguarding intellectual property rights and ensuring contract enforcement, both of which are critical in attracting sustainable investments.

Overall, the liberalisation of FDI in India has played a crucial role in reshaping the country's economic environment. These changes have laid the groundwork for long-term economic growth by attracting international investments, easing technology transfer, and boosting skills development. India's ongoing economic liberalisation and efforts to enhance its business climate position it to attract higher levels of foreign investment, hence accelerating its development and absorption into the global economy.

This paper presents a thorough examination of the changes that occurred in the Indian retail industry between 2014 and 2023. It specifically focuses on important factors such as FDI inflows in retail sector, employment patterns, and the revenue growth of domestic and international shops, consumer behaviour, and market share dynamics.

This study investigates the impact of FDI liberalisation on job creation and employment trends in the retail industry. This report quantifies the amount and rate of FDI coming into a country, emphasising the changes in policies and important factors that contribute to these investments. In order to determine the elements influencing their success, the study also contrasts the revenue growth trends of both national and global retailers. Analysing consumer behaviour data allows for a comprehensive understanding of shifts in tastes, buying patterns, and the influence of online commerce. Ultimately, the study assesses the market dominance of different retail forms, offering valuable insights on the acceptance and expansion of structured and unstructured retail. This analysis aims to clarify the wider economic effects of FDI liberalisation and the changing retail industry in India.

LITERATURE REVIEW

Wang et al. (2023) examine the relationship between FDI inflows and income inequality within the context of Schumpeterian economic growth theory. The study identifies multiple channels—such as technology transfer, human capital development, and competition—through which FDI can impact income distribution, suggesting that FDI's influence on inequality is multifaceted. . Zamani and Tayebi (2022) focus on the Economic Cooperation Organization (ECO) member countries to analyze the effects of international trade and FDI as channels for technology transfer. Their empirical results suggest that both trade and FDI have significantly positive spillover effects on economic growth, thereby supporting sustainable development in the long term. Hong et al. (2021) conduct a meta-analysis to assess the impact of FDI on entrepreneurial activities. Their findings indicate that FDI positively contributes to innovation, job creation, and economic growth in host countries, highlighting the role of FDI in fostering entrepreneurship. Dhrifi, Jaziri, and Alnahdi (2020) explore the influence of foreign direct investment (FDI) on poverty reduction in developing countries, concluding that FDI plays a significant role in alleviating poverty levels. This finding underscores the potential of FDI as a tool for economic development in these regions. In their analysis of the Indian economy, Jana, Sahu, and Pandey (2020) investigate the dynamic relationship between FDI and foreign trade growth. Utilizing a time-varying parameter model with vector autoregressive specifications, the study reveals a strong long-term co-movement between the two variables. It is found that foreign trade exerts a unidirectional influence on FDI in the long run, while a bidirectional causality exists in the short run.

Koerner, Borrs, and Eppelsheimer (2023) examine the effects of foreign direct investment (FDI) on job stability within multinational corporations. Their findings indicate that FDI positively influences job stability by creating opportunities for skill enhancement and career progression, although it may also result in workforce adjustments such as upgrades, downgrades, and separations. Additionally, the study suggests that FDI contributes to job stability in onshore operations by facilitating skill development within multinational enterprises. Rana and Ali (2022) explore the relationship between technology and FDI in India, identifying technology as a key driver of FDI inflows. Their study reveals a reciprocal relationship between technology and employment, with technology significantly influencing both employment generation and the growth of self-employment and entrepreneurship across various sectors of the Indian economy. The authors argue that FDI, facilitated by technological advancements, promotes trade liberalization and economic development. Baranwal (2019) investigates the demand-side effects of FDI on the labor market, particularly its role in increasing wage inequality in the host country. The study confirms the positive association between FDI and wage inequality, consistent with existing literature. To ensure the robustness of the results, the research incorporates external instruments such as market size, infrastructure, proximity to major markets, and indices measuring religion and caste fractionalization. Cai, Chen, and Fang (2018) introduce a semiparametric quantile panel data model to estimate the growth effects of FDI. Their analysis provides a nuanced understanding of the relationship between FDI and economic growth by considering different quantiles, thereby underscoring the importance of heterogeneity in assessing the impact of FDI on growth. Beladi, Dutta, and Kar (2016) investigate the impact of FDI on the organized and unorganized sectors in India. Their results suggest that FDI in the organized sector may lead to increased outsourcing to the unorganized sector due to the competitive pressures faced by organized firms, potentially resulting in higher labor costs. The study also highlights that FDI, through technology spillovers, significantly enhances the gross value added in industries within the informal sector, demonstrating the positive influence of international capital flows on the unorganized economy.

Aktaş and Gattai (2023) focus on the dual role of both inward and outward foreign direct investment (FDI) in India, positioning the country as a key player in global FDI flows. By adopting a firm-level perspective, their study examines the impact of FDI on firm performance in India, offering valuable insights into the relationship between FDI and firm-level productivity and growth. This research enhances the understanding of how FDI influences the performance of firms within the Indian economy. Rana and Ali (2022) explore the interplay between technology and foreign direct investment (FDI) in India, identifying technology as a crucial driver of FDI inflows that subsequently facilitates trade liberalization. Their study reveals a direct, reciprocal relationship between technology and employment, emphasizing the significant role that technological advancements play in generating employment and fostering self-employment and entrepreneurship across various sectors of the Indian economy. This dynamic underscores the critical impact of technology on economic development and workforce expansion in India. Sun, Lee, and Hong (2017) investigate the spillover effects of foreign direct investment (FDI) in both low-tech and high-tech industries in India. Their findings indicate that in the low-tech sector, FDI spillovers are predominantly positive and significant across various intra- and inter-regional as well as intra- and inter-sectoral channels. Conversely, in the high-tech sector, FDI spillovers are mainly intra-sectoral within the host region and neighboring regions, following a statistically significant inverted 'U'-shaped curvilinear trend. This suggests that while the impact of FDI initially increases, it eventually diminishes as the industry reaches maturity.

Saxena (2014) highlights the significant advantages that foreign direct investment (FDI) offers to domestic industries and consumers in India. These benefits include technological advancement, access to global managerial expertise, and the optimal use of human and natural resources. FDI also plays a critical role in enhancing the international competitiveness of Indian industries, opening export markets, and establishing backward and forward linkages. Additionally, Saxena underscores the importance of foreign capital in driving India's economic growth, boosting local firm performance, and aiding in the globalization of Indian companies, thereby elevating the country's status among developing nations. Chari and Madhav Raghavan (2012) discuss the restricted access of India’s retail market to large international retailers, such as Wal-Mart and Carrefour, due to opposition to liberalizing foreign direct investment (FDI) in the sector. The authors argue that allowing these global retailers to enter the Indian market could address several economic challenges, including mitigating inflation, improving supply chain efficiency, enhancing price signals for farmers, and boosting agricultural and other exports. The potential benefits of opening the retail sector to FDI, as outlined by the authors, suggest significant economic gains for the country.

RESEARCH METHODOLOGY

This study uses a descriptive statistical approach to analyze the trends and patterns of Foreign Direct Investment (FDI) in India's retail sector. The research is based on data collected from various sources, including the India Brand Equity Foundation (IBEF), the Department for Promotion of Industry and Internal Trade (DPIIT), the Reserve Bank of India (RBI), local organizations like PwC, Ernst & Young (EY), and Technopak, and the World Investment Reports produced by the United Nations Conference on Trade and Development (UNCTAD). The World Trade Organisation (WTO) also conducts comprehensive assessments of global trade and investment patterns, including the impact of retail sector liberalization on trade dynamics.

The study aims to assess employment patterns and the influence of FDI on job creation, examine the magnitude and growth of FDI inflows, compare revenue expansion of domestic and international retailers, evaluate the geographical distribution of FDI, analyze shifts in consumer behavior, and assess the allocation of market share between organized and unorganised retail formats. This methodology provides a comprehensive understanding of the impact of FDI on the retail sector in India, laying the foundation for further study and policy formulation.

ANALYSIS & FINDINGS

Table-1 FDI inflow into the Indian Retail Sector

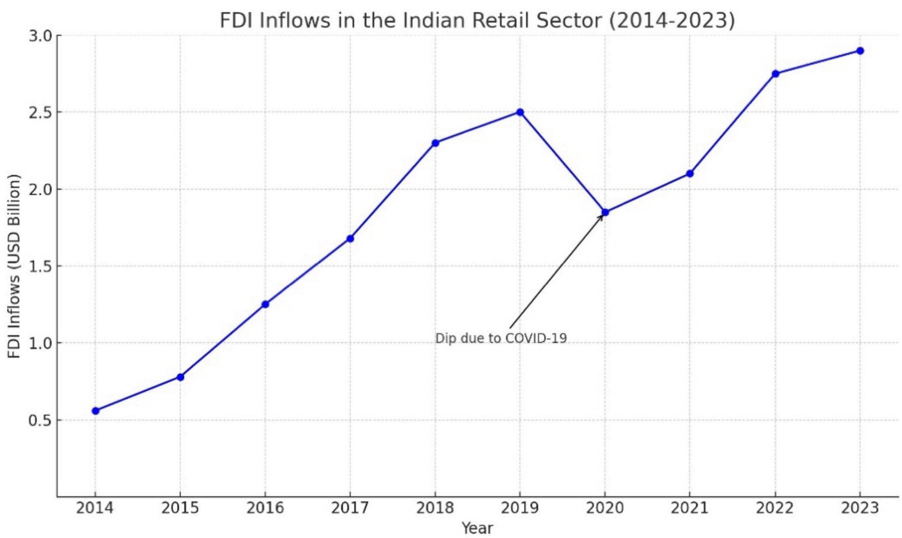
Year	**FDI Inflows (USD Billion)**
2014	0.56
2015	0.78
2016	1.25
2017	1.68
2018	2.30
2019	2.50
2020	1.85
2021	2.10
2022	2.75
2023*	2.90

Source: Compiled from various credible sources, including reports from IBEF, DPIIT, RBI.

The table-1 displays the yearly FDI inflows into India's retail sector spanning from 2014 to 2023. The data indicates a conspicuous upward trajectory, with FDI inflows steadily rising each year, except for a little decline in 2020 as a result of the economic disruptions caused by the COVID-19 epidemic. The projected FDI inflows for the year 2023 suggest that the existing pattern of growth will continue. The data indicates a significant rise in FDI into India's retail industry throughout the past decade. In 2014, the amount of FDI that came into the country was USD 0.56 billion. By 2023, this amount had climbed to USD 2.90 billion.

We can attribute the observed development to the increasing appeal of the Indian retail sector to foreign investors, primarily due to the relaxation of FDI regulations and the expansion of the customer base. The data and graph-1 indicates a significant increase in FDI into the Indian retail sector over the past decade. The FDI inflows had significant growth, rising from USD 0.56 billion in 2014 to USD 2.90 billion in 2023.

More lenient foreign direct investment regulations and a growing customer population have made the Indian retail business increasingly attractive to overseas investors, contributing to the observed development.



Graph 1 FDI inflow into the Indian Retail Sector

Table-2 Employment in Indian Retail Sector

Year	Employment (Millions)
2014	35.0
2015	36.5
2016	38.0
2017	39.5
2018	41.0
2019	42.5
2020	41.0
2021	42.0
2022	44.0
2023*	45.5

Source: Compiled from various credible sources, including reports from IBEF, DPIIT.

Table 2 presents the anticipated employment statistics in the Indian retail sector from 2014 to 2023. The data indicates a steady and continuous increase in employment figures throughout the decade, with a little decrease in 2020 as a result of the COVID-19 pandemic. The employment statistics exhibited a resurgence in 2021 and sustained a steady increasing trajectory, with a projected increase anticipated in 2023.

The liberalisation of FDI rules has had a substantial effect on employment in the retail industry. The influx of foreign capital has led to the establishment of new retail establishments, supermarkets, hypermarkets, and e-commerce platforms, creating numerous job opportunities. In addition, these expenditures have introduced improved training and development programmes, resulting in a higher standards of employment in the sector. From 2014 to 2023, the employment data indicates a steady increase in the number of individuals employed in the Indian retail business. In 2014, the sector employed more than 35 million people, and it is projected to grow to over 45.5 million by 2023.

Graph 2 depicts a robust recovery and growth in employment figures from 2021 to 2023. The projected employment outlook for 2023 is 45.5 million, signifying continuous growth in the business. This rise is driven by the growing urban population, increased levels of disposable income, and the transition to digitization in the retail industry. The transformation has led to the establishment of novel job roles in the fields of logistics, customer service, and technology.

Graph 2 Employment in Indian Retail Sector

Table 3: Revenue Growth of Domestic vs Foreign Retailers

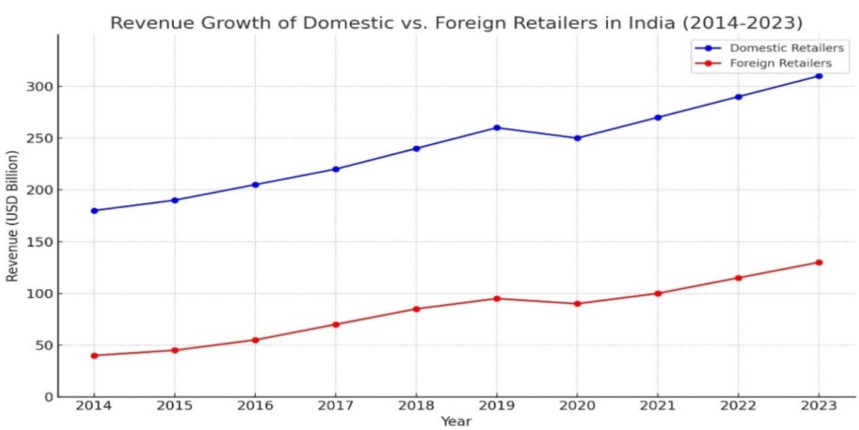
Year	**Domestic Retailers Revenue (USD Billion)**	**Foreign Retailers Revenue (USD Billion)**
2014	180	40
2015	190	45
2016	205	55
2017	220	70
2018	240	85
2019	260	95
2020	250	90
2021	270	100
2022	290	115
2023*	310	130

Source: Compiled from various credible sources, including reports from IBEF, DPIIT.

Table 3 presents the annual income figures for local and international merchants in the Indian retail sector from 2014 to 2023. The data shows a consistent and upward trend in revenue for both local and international merchants, with foreign shops experiencing a higher rate of growth. The income figures for 2023 are approximations based on observed trends throughout the first three quarters of the year.

Both domestic and foreign merchants have witnessed significant growth in their earnings during the past decade. Domestic merchants' revenues rose from USD 180 billion in 2014 to an expected USD 310 billion in 2023. During the same period, foreign merchants' revenue increased from USD 40 billion to approximately USD 130 billion. Home merchants have consistently expanded their businesses by leveraging their extensive knowledge of the home market and client preferences. Their sales saw an increase from USD 180 billion in 2014 to an approximate USD 310 billion in 2023, demonstrating a compound annual growth rate (CAGR) of around 5.5%. The foreign merchants' revenue has experienced significant growth, increasing from USD 40 billion in 2014 to an expected USD 130 billion in 2023. This figure corresponds to a compound annual growth rate (CAGR) of around 13.3%. The influential global retail firms, their advanced retail tactics, and significant financial investments are responsible for the rapid development.

Graph 3 illustrates from 2021 to 2023, there is a significant resurgence and growth in revenue for both local and global retailers. The projected statistics for 2023 indicate consistent growth, supported by increasing consumer demand, advancements in digitization, and ongoing legislative support.



Graph 3 Revenue Growth of Domestic vs Foreign Retailers

Table-4 Consumer Spending and Trends in Retail Formats

Year	Consumer Spending (USD billion)	Traditional Retail (%)	Supermarkets (%)	Hypermarkets (%)	Online Retail (%)	Consumption Pattern Change (%)
2014	500	60	15	10	15	5
2015	520	58	16	11	15	6
2016	550	55	17	12	16	7
2017	580	52	18	13	17	8
2018	620	50	19	14	17	9
2019	650	48	20	15	17	10
2020	700	45	22	16	17	12
2021	750	42	24	17	17	14
2022	800	40	26	18	16	16
2023	850	38	28	20	14	18

Source: Compiled from various credible sources, including reports from IBEF, DPIIT.

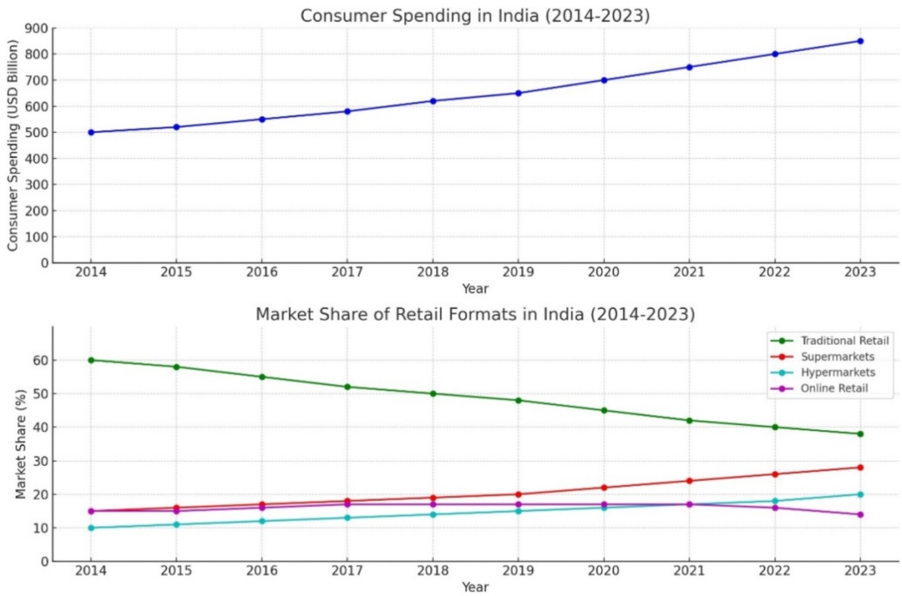
The consumer expenditure in India has exhibited robust development over the past decade, surging from USD 500 billion in 2014 to an expected USD 850 billion in 2023, as stated in Table 4. This increase is a clear indication of a widespread surge in consumer purchasing ability and economic expansion. In this century, the retail business has seen substantial transformations, marked by a change in client preferences and purchasing patterns.

In 2014, traditional retail had the largest share of the market, with 60% of consumer spending. However, the proportion of this share has continually declined, reaching 38% by 2023. This decline highlights the steady shift from conventional retail formats to more contemporary retail options. The market dominance of supermarkets and hypermarkets has experienced substantial growth, increasing from 25% in 2014 to 48% in 2023. Growing urbanisation, rising middle-class wealth, and changing consumer preferences for more organised and efficient shopping experiences have contributed to this trend.

Supermarkets have experienced significant market dominance expansion, rising from 15% to 28% over a ten-year period. The rising trend suggests that consumers are gradually showing a preference for supermarkets as a result of their enhanced product assortment and superior quality. Hypermarkets have experienced significant growth, doubling their market share from 10% to 20%. This trend reflects consumers' preference for convenient shopping venues that offer a wide range of things in one place.

From 2021 to 2023, the online retail industry maintained a continuous market share of about 15-17%. However, it experienced a slight decline, reaching 14% by 2023. We can attribute the slight decline to the normalisation of consumer purchasing patterns following the pandemic and the resumption of in-person commerce, which led to a more balanced distribution between online and offline retail forms. However, the enduring segment of e-commerce displays its firmly established role in the consumer buying journey, driven by the ease of home delivery and the growing preference for digital payment options.

Graph 4 depicts a consistent increase in the percentage of change in consumption habits, starting at 5% in 2014 and reaching 18% in 2023. This metric quantifies the speed at which customers are altering their buying patterns and preferences. Technological advancements, enhanced retail infrastructure, and evolving client preferences influence the dynamic character of the Indian retail industry, as evidenced by its increasing growth rate.



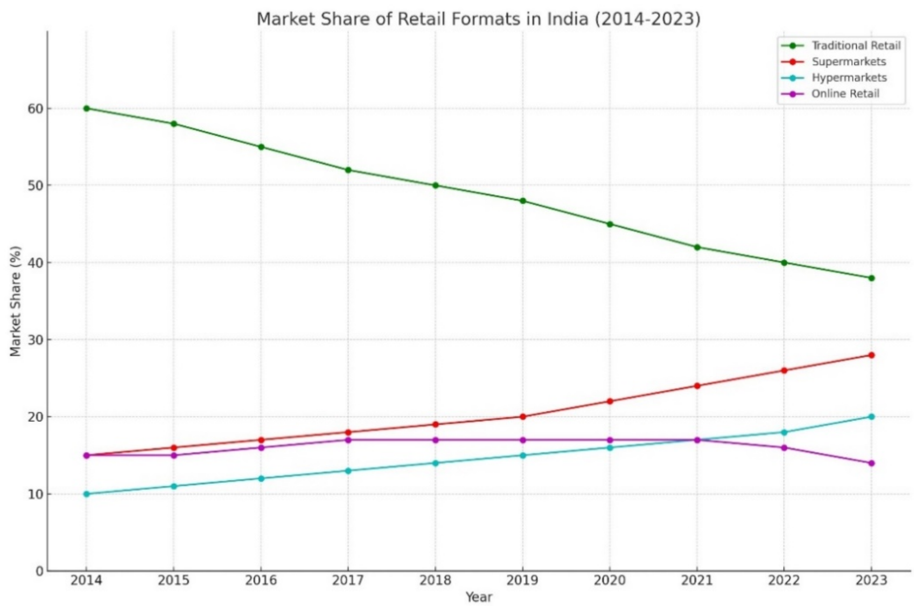
Graph 4 Consumer Spending and Trends in Retail Formats

Table-5 Market Share of Retail Formats

Year	Traditional Retail (%)	Supermarkets (%)	Hypermarkets (%)	Online Retail (%)
2014	60	15	10	15
2015	58	16	11	15
2016	55	17	12	16
2017	52	18	13	17
2018	50	19	14	17
2019	48	20	15	17
2020	45	22	16	17
2021	42	24	17	17
2022	40	26	18	16
2023	38	28	20	14

Source: Compiled from various credible sources, including reports from IBEF, DPIIT.

The conventional retail model in India has seen a significant shift in consumer buying patterns, with traditional retail accounting for 60% of the market share in 2014 as shown in table 5. We expect this shift to persist, resulting in a further decline to 38% by 2023. Supermarkets have seen a significant increase in market share, from 15% in 2014 to 28% in 2023, due to their focus on enhanced shopping experiences, convenience, and a wide range of products. Hypermarkets have also seen a significant increase, from 10% in 2014 to 20% in 2023, offering a quick shopping experience with a diverse range of products. The e-commerce industry has also seen significant growth, with market dominance increasing from 15% in 2014 to 17% in 2017-2021. However, we expect this trend to decline to 14% by 2023, as the pandemic has homogenized consumer buying patterns. The graph 5 illustrates a shift from conventional to structured retail formats reflects the changing consumer landscape in India, driven by factors such as urban expansion, disposable income, infrastructure, and technological advancements.



Graph 5 Market Share of Retail Formats

DISCUSSION & CONCLUSION

The deregulation of FDI in India's retail industry has resulted in substantial changes in the last ten years, affecting employment, revenue expansion, consumer patterns, and market dynamics. Between 2014 and 2023, the amount of FDI coming into the country has consistently increased, going up from USD 0.56 billion to an estimated USD 2.90 billion. The implementation of more relaxed FDI laws and the growing appeal of the Indian retail sector to international investors may have contributed to the increase in FDI. The influx of foreign money has not only improved retail infrastructure but also stimulated competition, resulting in customers gaining access to superior products and services at competitive costs.

The retail industry has seen a significant increase in employment, with the number of workers rising from 35 million in 2014 to an estimated 45.5 million in 2023. The expansion of structured retail formats and the construction of new retail locations, supermarkets, hypermarkets, and e-commerce platforms propel this increase. The increase in FDI has led to improved training and development initiatives, resulting in higher industry employment standards.

The analysis of revenue growth trends indicates that both local and international retailers have witnessed substantial gains, with foreign merchants obtaining a superior growth rate. Within the same time frame, domestic retailers' revenues increased from USD 180 billion to an estimated USD 310 billion, while overseas retailers' revenues increased from USD 40 billion to USD 130 billion. This rise exemplifies the influence of international retail techniques and significant financial investments by foreign organizations.

Consumer spending has been strong, rising from USD 500 billion in 2014 to USD 850 billion in 2023. This rise is indicative of a more widespread increase in the ability to buy goods and services, as well as economic growth. Nevertheless, conventional retail's market dominance has decreased from 60% to 38%, suggesting a shift towards more structured retail structures. Supermarkets and hypermarkets have experienced substantial growth in their market shares, mostly due to urbanisation, increasing disposable incomes, and shifting customer tastes.

The online retail sector saw rapid growth but has experienced a modest fall in subsequent years, reaching a stable rate of 14% in 2023. This indicates an equilibrium between online and offline purchase habits after the epidemic. The prevailing pattern indicates a transition from conventional to structured retail forms, highlighting the changing consumer environment in India.

This research highlights the wider economic effects of FDI liberalisation, such as the creation of jobs, the improvement of retail infrastructure, the growth in competitiveness, and the enhancement of customer experiences. India's ongoing efforts to liberalise its economy and enhance its business climate make it highly capable of attracting further international investment, which would in turn stimulate additional growth and modernization in the retail industry. This study offers a thorough comprehension of these processes, providing significant perspectives for policymakers and players in the Indian retail sector.

LIMITATIONS

This study provides a comprehensive analysis of the impact of FDI on the retail sector in India. However, it has several limitations. The reliance on secondary data sources, such as reports from IBEF, DPIIT, RBI, and industry publications, may introduce biases. The study uses descriptive statistics, which lack inferential depth. External factors such as global economic conditions, political stability, and domestic policy changes influence the impact of FDI. The rapid digital transformation and evolving consumer behaviors present challenges in capturing current data, particularly for online retail trends post-pandemic. The projections for 2023 are based on trends observed in the first three quarters of the year, which may not fully capture unforeseen market fluctuations. The study also lacks a deep geographic focus, overlooking qualitative factors such as consumer satisfaction, employee welfare, and the socio-cultural impacts of retail modernization driven by FDI.

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