

A Study of Farmers' Perception towards FDI in Indian Retail

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ABSTRACT: The present paper is an endeavour to know the perception of the Indian farmers towards FDI in retail in India (a great debatable issue). The paper is purely grounded on primary data which were collected from 200 respondents from Delhi NCR with help of structured questionnaire and analysed with the help of cross-tab technique of statistics to draw the results. It was found through the study that the majority of the farmers agreed that the FDI in retail sector will help in reducing the wastage of agricultural produce (perishable goods in particular) will also generate more working facilities to their families, better soil management and selection of right crops; direct marketing and contract farming supply of their produce to the far distant markets etc. FDI is going to help them substantially in their income and employment generation and improving their standard of living. Therefore, it is suggested that it is the need of the hour that the FDI in retail should be allowed by the government to bring the happiness and cheers to the ill-fated, unlettered, and down broadened vulnerable farmers of the country.

Keywords: FDI, retail, farmer, perception.

INTRODUCTION

Retail trade is the oldest business of the world, which started even in ancient age with barter system of exchange providing last point of contact with the consumer for the sale of merchandise used in everyday life. Retailing provides a crucial link between producers and the consumers in modern market economy. The performance of this sector has a strong influence on consumers, retailers, farmers, small and medium manufacturers, and the economy as a whole. Two third of India's population is dependent on agriculture and related activities. Enhanced agriculture productivity and value addition in agricultural produce would help to raise the gross farm productivity and consequently farmer's income. Enhancing the purchasing power of the large segment of Indian society i.e., farmers would generate increased demand for other goods and services thereby strengthen the whole economy. The situation of Indian farmers is very miserable, the size of land holding is highly fragmented and very few farmers have the technical know-how of best agricultural practices or the finance needed to implement such practices. Moreover, although India is self-sufficient in agricultural production, a large part of produce (40 per cent of fruit and vegetables and 10 per cent of food grains) get wasted due to supply chain inefficiency supply chains resulting from inadequate infrastructure, poor logistic management, improper handling, etc.

At the present time, almost all the developing countries inviting foreign funds and India is not different. India has been slow in opening economy for FDI in retail sector, but recent FDI policy changes suggest that perspective of government is changing. In 2006, the government relaxed its FDI retail policy for the first time and since then, there has been gradual increase in FDI in Indian retail sector. It may bring in investment in backward areas like infrastructure required for food transfer from farmers to consumer that will improve efficiency in food sector, we can expect that retail sector will become organized and will save farmers from middlemen exploitation or it may also result in job loss in unorganized sector, it may become tough to procure food for Public Distribution System (PDS). This paper attempts to analyse the impact of the retail FDI policy on Indian farmers and make policy recommendations for the Indian government.

A Review of Existing Farmer Studies in India

Numerous studies on impact of FDI on Indian farmers have been conducted to see the impact of FDI in retail on Indian farmers. The most of the studies found that Indian farmers are the major beneficiaries and entry of overseas organized retailers will openly influence the Indian farmers and people employed in small and medium industries. (Sengupta and Titus, 2011 and CII Survey Report, 2007). Das, Priyanka (2011) justified that the FDI in multi brand retailing is a boom and inaugural of Indian retail to foreign direct investment was unavoidable which generates employment opportunities, benefits the farmers and consumers and also develops the real estate. The entry of overseas retailers will affect different

stakeholders on the demand and supply side; enlargement of supply chain, especially for foodstuff, across the country benefits low income groups because their major part of the consumption basket is food; upsurge surplus to small and medium farmers; the international large chain supermarkets will bounce both the potential and big chances to our Indian farmers (Baskaran, Kamaladevi, 2012). Another study exhibited that the step of opening FDI in India's multi-brand retail trade will positively impact the farmers and the economy as a whole as it will eliminate the exploitative intermediaries from the whole marketing process, and in this way the interests of farmers will be protected (Shil, Parag and Roy, Prantik, 2013 and Chandrakant, Shivanand 2012).

The positive effects of FDI on Indian retail can be taken in the form of improvement in the income of farmers by eliminating the operational inadequacies and exploitative middlemen from the marketing process and improvement in the supply chain infrastructure. The new FDI policy in India's multi-brand retailing can expand the efficiency of supply chains and other related areas and the prevailing undesirable impact would fade after a while (Vaidehi, Usha and Alekhya, 2012 and Fernandes, Banu and Simon, 2012). The step of allowing FDI in agrarian marketing will support in contemporary retailing and also improve supply chain and transportation sector as well (Shaha, N.V. and Shinde, M.A., 2013 and Rajput et al, 2012). The permission of foreign investment in agricultural retailing will safeguard the required flow of capital into rural economy in such a way that will further enhance the welfare of the masses, specially farmers and consumers.

The FDI will improve the income of farmers and control the inflation (Roy, M. and Kumar, S., 2012 and Makol, Sarika and Rajput, P.S., 2012). The foreign investment in retail would surely empower the Indian economy to integrate with global economy. The farmers, domestic unorganized retailers as well as the consumers will be affected by the move of allowing FDI multi brand. The foreign investors will bring with them the much required capita, latest technology, and the international best practices (Dhanwani, Sanjay Kumar, 2013 and Saifi, Mohd. Afzal and Nabi, MD. Kamalun, 2013). The foreign investment will improve more employment opportunities for all kind of people such as manufacturers, traders, farmers, graduates and even for the unskilled labours, that will further, lead to improved standard of living of the society and the opening of retail sector to FDI is just a foundation of a long journey (Ghoshal, Moloy, 2014 and Chaturvedi, Ila, 2011).

Some studies pointed out the adverse effects of foreign retailers on all the sectors whether consumers, retailers or farmers. The explosion of organized retailing would destroy the healthy competition, dislocate the small and medium manufacturers, and the consumers will be more reliant on overseas giant retailers. The autocratic control over the farmers and their harvests and the farmers will be dependent on the price given by the foreign retailers and will satisfy themselves with that price given for their produce (A survey report, CII, 2007). A survey conducted by Organic Farming Association of India, OFAI (2012) observed that the retail in any kind of western set-up cannot expect well for the country and its economic environment. The FDI will lead to poverty by creating a twist in the economics of the country, overall loss of nutrition and further ecological degradation.

Research Gap and Relevance of Study

The GOI proposed reforms in the area of retail sector by allowing 51 and 100 per cent FDI in multi-brand retail and single-brand retail respectively in 2011 and allowed in 2012. The small organised retailers, unorganised retailers, farmers and hawkers protested against FDI in multi-brand retail. Traders as well as the opposition parties claimed that allowing foreign retailers like Wal-Mart, Tesco and Carrefour in multi-brand retail in India would lead to loss of jobs for crores of people. But a recent report by Confederation of Indian Industry (CII) said that FDI in multi-brand retail will give a boost to the organised retail sector, which positively impacts several stakeholders, including producers, workers, employees, consumers and the government, and hence, the overall economy (CII, 2011). It is very important to address the real hopes and fears of the stakeholders regarding FDI in retail that how FDI in retail will enhance the quality and quantity of existing infrastructural facilities. Moreover, it is clear from the existing literature and past studies that ample numbers of attempts on FDI in various sectors of economy but the studies on impact of FDI on Indian farmers are few and far and against such a backdrop, the present study is an attempt to study the impacts of FDI on Indian farmers. This study will throw light on the existing literature on organised retailing in India as well.

OBJECTIVE OF THE STUDY

The main objective of the present study is to measure the perception of Indian farmers towards Foreign Direct Investment in retail in India with special reference to their income and employment generation.

RESEARCH METHODOLOGY

The present study is descriptive-cum-exploratory in nature as the researcher is required to analyse the perception of Indian farmers regarding the impact of FDI on their income, employment generation, and other variables. Indian Farmers who are located or residing in Delhi NCR constitute the population of the present study. The present study is mainly based on primary data, which was collected from 400 farmers of NCR Delhi and convenient sampling technique

was followed while getting questionnaires filled. Crosstab technique of SPSS was used to analyse available data and to reach at the conclusion of the study. Data was also analysed, interpreted and evaluated with required statistical tools like tabulation and percentage.

Analysis and Interpretation

An analysis of perceptions of Indian farmers collected through questionnaire was made with the help of crosstab technique of SPSS under the study and has been expressed through the analytical table 1. The analytical table 1 exhibits the perception of sampled 400 Indian farmers towards the impact of FDI on Indian retail sector.

Table 1- Farmers' Perception towards FDI in Retail in India

Demographic Profile	Strongly Disagreed	Disagreed	Indifferent	Agreed	Strongly Agreed	Total	Mean Scores
FDI will significantly enhance farmers' income	32 (8)	80 (20)	26 (6.5)	218 (54.5)	44 (11)	400 (100)	3.4
Farmers will get remunerative prices	38 (9.5)	86 (21.5)	40 (10)	198 (49.5)	38 (9.5)	400 (100)	3.3
FDI will improve standard of living of farmers	26 (6.5)	102 (25.5)	30 (7.5)	216 (54)	26 (6.5)	400 (100)	3.3
FDI will provide more work to the farmers' family	42 (10.5)	55 (27.5)	20 (10)	84 (42)	20 (10)	200 (100)	3.1
Investment in infrastructure like warehousing, storage and supply chain management will benefit the farmers	34 (8.5)	60 (15)	42 (10.5)	198 (49.5)	66 (16.5)	400 (100)	3.5
FDI will help to reduce wastage of agricultural produce, specially fruits and vegetable	34 (8.5)	60 (15)	42 (10.5)	226 (56.5)	38 (9.5)	400 (100)	3.4
FDI will help farmers in better soil management and selection of right crop	40 (10)	74 (18.5)	40 (10)	202 (50.5)	44 (11)	400 (100)	3.3
FDI will eliminate exploitative middlemen from the marketing process that directly benefit the farmers	16 (4)	78 (19.5)	32 (8)	220 (55)	54 (13.5)	400 (100)	3.5
Farmers will be benefitted through direct marketing and contract farming programme	38 (9.5)	66 (16.5)	42 (10.5)	212 (53)	42 (10.5)	400 (100)	3.4
FDI will displace Indian farmers from the market	44 (11)	202 (50.5)	40 (10)	98 (27.5)	16 (4)	400 (100)	2.6
FDI will diversify the farmers' markets, which is restricted to nearest/local mandi only	20 (10)	54 (13.5)	40 (10)	242 (55.5)	44 (11)	400 (100)	3.6
Foreign retailers would provide financial credit to farmers	42 (10.5)	80 (20)	40 (10)	190 (47.5)	48 (12)	400 (100)	3.3
Farmers would have access to advanced technology	40 (10)	90 (22.5)	40 (10)	186 (46.5)	44 (11)	400 (100)	3.3
Foreign retailers will give assistance to Indian farmers on aspects like nursery management, fertilizer and pesticides application, post-harvest management, etc.	32 (8)	56 (14)	64 (16)	176 (44)	72 (18)	400 (100)	3.5
FDI will lead to use of more chemicals and pesticides	28 (7)	48 (12)	74 (18.5)	178 (44.5)	72 (18)	400 (100)	3.5
Foreign retailers will exploit the Indian Farmers	82 (11.5)	174 (10.5)	60 (24)	66 (38)	18 (16)	400 (100)	2.4

Source: Compiled from primary data collected

Note: Figure in the brackets shows the percentages

The analytical table shows that out of total selected farmers 54.5 per cent respondents agreed and 11 per cent respondents strongly agreed to the statement and believed that FDI will significantly enhance farmers' income. The high mean score of 3.4 is also indicating their perception. On the other side, a decent number of the respondents disagreed (20 per cent) and a very insignificant number strongly disagreed (8 per cent) to the statement and a negligible number of the respondents were having no views or indifferent to the statement. On the next statement the findings displays that out of total 400 selected farmers, 198 farmers (49.5 per cent) endorsed that farmers will get remunerative prices and 38 respondents (9.5 per cent) strongly agreed to the statement. The table also exhibits that a few number of the respondents (total 31 per cent) were against the statement by disagreeing and strongly disagreeing to it. The mean score analysis also exhibits that the mainstream of the respondents favoured the statement with the high mean score of 3.3 out of total 5. The majority of the farmers (60 per cent) also perceived that FDI will improve the standard of living of the farmers by improving their income but on the other hand a decent number of the respondents (32 per cent) also disagreed to the statement and believed that FDI will not improve farmers' standard of living. The views of farmers were also invited on the statement that FDI will provide more work to the farmers' family, and around 52 per cent respondents agreed and 38 per cent respondents disagreed to the statement. The mean score of 3.1 is also displaying their perception.

Foreign investors will invest in infrastructure like warehousing, storage and supply chain management and that will help to reduce wastage of agricultural produce, specially fruits and vegetable, as perceived by the mainstream (66 per cent) of the respondents and the high mean score of 3.4 is also showing their view towards the statement. The majority of the respondents believed that Investment in infrastructure will benefit the farmers and agreed to the statement with the high mean score of 3.5. The majority of the respondents were found concerned towards the statement that 'FDI will help farmers in better soil management and selection of right crop' and agreed to the statement with the high percentage (61.5 per cent) and mean score of 3.3, but on the other part a quite noticeable number of the respondents disagreed (28.5 per cent) or indifferent (10 per cent) to the statement. The analytical table reveals that a total 68.5 per cent respondents agreed to the statement that 'FDI will eliminate exploitative middlemen from the marketing process that directly benefit the farmers' with the high mean score of 3.5. On the other hand, a few respondents disagreed or indifferent to the same. As per the assertions of the farmer respondents, it is found that the farmers will be benefitted through direct marketing and contract farming programme, the farmers agreed to the statement with the majority (63.5 per cent) and the high mean score of 3.3 is also proving their level of acceptance towards the same.

Further, the majority of the respondents denied the statement that FDI will displace Indian farmers from the market and believed that FDI will not negatively impact the Indian farmers. The majority of the respondents disagreed (total 61.5 per cent) to the statement and a few were found agreed (31.4 per cent) or indifferent in this regard (10 per cent) as well as recorded a low mean score of 2.6. On the next statement, the respondents agreed (66.5 per cent) with majority that FDI will diversify the farmers' markets, which is restricted to nearest/local mandi only reported a highest mean score of 3.6. The analytical table 1 displays that around 60 per cent respondents approved that foreign retailers would provide financial credit to farmers, but on the other hand, a visible number of the respondents (30.5 per cent) opposed the statement and believed that foreign retailers would not provide financial credit to Indian farmers.

The high mean score of 3.3 is also showing their perception. The table displays that around 58 per cent respondents found believing that 'farmers would have access to advanced technology' with the high mean score of 3.3 but a few respondents either opposed the statement or were indifferent to it. On another aspect, the table exposed that majority of the respondents (62 per cent) agreed to the statement with the mean score of 3.5 and believed that foreign retailers will give assistance to Indian farmers on aspects like nursery management, fertilizer and pesticides application, post-harvest management, etc. as well as a few were having adverse (22 per cent) or indifferent (16 per cent) opinion towards the statement. Further, the table indicated that only 32.5 per cent farmer respondents agreed to the statement that FDI will lead to use of more chemicals and pesticides and only 21 per cent respondents agreed that foreign retailers will exploit the Indian farmers.

CONCLUSIONS AND SUGGESTIONS

The study exposed that the farmers agreed that the FDI in retail sector will help in reducing the wastage of agricultural produce (perishable goods in particular) will also generate more working facilities to their families, better soil management and selection of right crops; direct marketing and contract farming supply of their produce to the far distant markets etc. Therefore, it is suggested that it is the need of the hour that the FDI in retail should be allowed by the government to bring the happiness and cheers to the ill-fated, unlettered, and downroadened vulnerable farmers of the country. The decision may bring the revolutionary changes in agricultural sector of the country which is far behind from many other economies of the world as far as the productivity in the farming sector is concerned by providing a strong capital and technological support. As per the assertions of the farmer respondents, it is going to help them substantially in their income and employment generation and improving their standard of living. There is a dearth of infrastructural facilities in agricultural sector of India but, as per the provisions of entering the FDI in retail in India, the foreign retailers are bound to engage themselves in the activities linked with the infrastructural development such as building warehouses, stores and creation of supply chain for farmers. Therefore, it seems to be justified that the

decision of inviting FDI in retail in India will be a win-win situation not only for farmers but also for the government and the consumers in particular. It will help significantly in eradication of the problems of poverty and unemployment among the rural masses in India.

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