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An Empirical Study of Impact of Culture on Foreign Direct Investment in Retail Sector

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ABSTRACT

India is the world's fifth largest global destination in the retail space. In FDI Confidence Index, India ranked 16 (after US, Canada, Germany, United Kingdom, China, Japan, France, Australia, Switzerland, and Italy). The Indian retail sector is a emerging sector and is the backbone of the Indian economy. The sector contribution is 14 to 15 percent of total GDP. India's retail market is estimated at US $ 500 million, one of the five best-selling markets in the world. The Indian food market is gaining popularity worldwide with 1.2 billion people. As of 2013, the Indian retail industry was actually controlled by the owner of small shops. In 2010, supermarkets and department stores accounted for about 4 percent of the industry, and these were only available in large urban areas. There are 40 million Indians (3.3% of Indians) who cover the Indian and commercial industries. Since 1991, Foreign Direct Investment (FDI) was limited to a number of areas such as manufacturing, infrastructure, etc. But in July 2011, the Indian government made 51% FDI for Multi - Retail and 100% FDI for Single - Brand Retail. The main purpose of this study was to determine the impact of Culture on Foreign Direct Investment.

Keywords: Retailing, FDI, Culture

1. INTRODUCTION

India's retail market is growing at a tremendous rate. The sector is gaining popularity after introducing a free economic policy since 1991 with changes in income levels, lifestyles, tastes and habits of consumers who prefer high quality and branded products, a large domestic market with a highly competitive manufacturing environment. A huge explosion of sales is evident in India in recent years. As a result, many international companies also began developing bearings in India's retail market. Investments from foreign investors have also been called to the Indian industry, in particular, as the same has been estimated to be more important for domestic investment, energy efficiency, higher productivity growth, trade, trade, labor, demand, consumption and revenue with multiplier results. Under the current FDI (Foreign Direct Investment) policy, the Government of India has allowed 51%

of FDI to sell one product and 100% in cash and freight only. But in India, FDI in the sale of many products is not yet approved. One of the major steps taken by the Government of India in November 2011, to promote formal re-sales in the country was the Cabinet's recent decision to allow 51% FDI in bulk sales and 100% in single product sales. The decision was delayed and delayed due to a lack of political consensus in the Government and the issues raised in the country. The government finally made a bold decision and introduced a much-anticipated policy that allows 100% FDI to sell a single product from the existing 51%. In view of the above, the Confederation of Indian Industry (CII) recently conducted an in-depth study on direct investment (FDI) in the SME sector, especially to assess the impact of the government's decision to allow 51% foreign investment (FDI) in international trade. many and 100% in the sale of a single product in the field of Indian SME in various aspects of growth depending on the selected parameters.

2. LINK BETWEEN CULTURE AND FDI

For the purposes of this paper, we will focus on examining the effect of culture on the real side of foreign direct investment (FDI) or trade in goods and services (especially exports). Typically, firms engage in international business by investing and manufacturing abroad or by trading locally produced goods and services with foreign partners. Firms can invest abroad for reasons of market access, cheap production costs or a combination of both. Considering that economic conditions determine whether it is profitable for a firm to do business with a foreign country, a company can choose between exporting the final product or service to its destination country or establishing its presence in that country and producing good or service locally. To hold the economic conditions on a regular basis, what will make the company choose between final trade and foreign exchange and production abroad? Among other things, the country's target culture and how it affects business will be important. Culture, or other aspects of culture, may be associated with both trade (export) and FDI . Some aspects of culture can lead to some trade-offs between FDI and FDI. Where the culture or other aspects of it are expected to be in line with trade and FDI, the decision to trade goods or invest abroad is straightforward. That decision must be based on economic principles. However, when a culture or other aspect of it prefers trade or FDI, then the number of business decisions is incorrect. Depending on the aspect of the culture being analyzed, either trading or FDI could be a smart option. It is often thought that investing in a foreign country carries more risk than trading; especially when countries are culturally different. The argument is often made that everything is equal, that foreign investment comes with additional costs or the risk of becoming more like the business culture and operations of that country. Failure to accept may result in termination of the investment project. But this is not always the case because some differences in the culture of a country may actually make it safer to invest in that country than at home. Because they are different, they do not make them more dangerous. In general, all things are equal, the cultural factors that make investments safer abroad, increase profits, and reward performance will attract FDI. On the other hand, where economic opportunities exist but culture does not favor FDI, trade will be preferred. In fact, the effect of culture on international business is inconsistent; it will depend on whether you invest or trade. Our default position will be trading rather than investment, everything else is equal, unless there is a cultural stimulus that will overcome the risk of investment. Therefore, if you are offered economic opportunities, if there is no culturally compelling reason to choose to trade or direct foreign investment, we think the company will fail to trade.

3. PRESENT FDI POLICY FOR RETAIL SECTOR IN INDIA

India's current FDI policy was developed and developed on the basis of the 1991 policy reform. The current FDI policy with respect to the commercial sector is inclusive and free, providing significant FDI investment in the commercial sector. As India's retail sector is growing rapidly and with the daily passing of new customers at least 3 lacs new customers are emerging PAN India. In order to meet these needs and requirements of customers it is important to have a large investment in the form of FDI.

4. GROWTH AND PERFORMANCE OF RETAIL INDUSTRY IN INDIA

The Indian trading industry has emerged as one of the most powerful and fast-growing industries due to the influx of many new players. Total spending is expected to reach about US $ 3,600 billion by 2020 from US $ 1,824 billion in 2017. It accounts for more than 10 percent of gross domestic product (GDP) and eight percent of employment. India is the fifth largest market in the world in terms of sales. India ranked 73rd at the United Nations Conference on Trade-to-Consumer (B2C) E-commerce Index 2019. India ranks fifth in the world in terms of sales and is ranked 63rd in Doing Business 2019 of - World Bank. India ranks fifth in the world in terms of sales. In the FDI Confidence Index, India is ranked 16th (behind the US, Canada, Germany, United Kingdom, China, Japan, France, Australia, Switzerland, and Italy).

5. Objectives

The purpose of this study is to examine the Cultural Impact on Foreign Direct Investment in the Indian Trade Sector.

The objectives are:

1. To know the impact of human factors on direct foreign investment in the Indian retail sector

2. Understanding the Cultural Impact on Foreign Direct Investment.

6. RESEARCH METHODOLOGY

In this research Primary data has been collected from customers of retail stores through well structured questionnaire. The Researcher also used Judgemental sampling technique to collect data from customers. Sample size that researcher has been taken is 550 customers. from selected FDI retail stores.

7. ANALYSIS AND INTERPRETATION

The study was conducted in India and data were collected from 550 respondents. Out of 550, only 50 respondents were found to be invalid for not answering some questions. 500 is therefore found to be valid for every purpose of measurement. The full view of the respondents is shown below.

Ho1: There is influence of demographic variables on Foreign Direct Investment in Retail Sector of India

Table 1: Showing t - Value

Influence Level	Age		t - Value		Result
	Male	Female	Calculated	Tabulated	
Not at All Influential	11	1	0.565	1.96	Accepted
Slightly Influential	5	6			
Somewhat Influential	47	29			
Very Influential	211	118			
Extremely Influential	42	30			
Influence Level	Gender		t - Value		Result
	Up to 40	More Than 40	Calculated	Tabulated	
Not at All Influential	8	3	0.231	1.96	Accepted
Slightly Influential	8	2			
Somewhat Influential	70	8			
Very Influential	311	20			
Extremely Influential	53	17			
Influence Level	Income		t - Value		Result
	Up to Graduate	Above Graduate	Calculated	Tabulated	
Not at All Influential	4	9	0.804	1.96	Accepted
Slightly Influential	5	7			
Somewhat Influential	39	36			
Very Influential	152	179			
Extremely Influential	23	46			
Influence Level	Education		t - Value		Result
	Up to Rs. 25,000	Above Rs. 25,000	Calculated	Tabulated	
Not at All Influential	11	0	0.352	1.96	Accepted
Slightly Influential	7	3			
Somewhat Influential	56	22			
Very Influential	263	68			
Extremely Influential	41	29			

Degree of freedom = 498, Level of Significance=5%

Table 2: Correlation & Regression

Particular	Correlation	Regression
Age	r i=-0.54	P=300577

Gander	r i= i0.56	P=880490
Income	r i= i-0.100	P=446523
Education	r i= i0.86	P=890492

At 498 degree of freedom and for 5% level of significance the tabulated value of t-test is 1.96, and it can be seen that all the calculated values of t-test are smaller that tabulated value. The result of the study shows that the null-hypothesis holds to be valid for all the demographics so it can be definitely concluded that there is influence of demographic variables on Foreign Direct Investment in Retail Sector of India.

Ho2 There is Impact of Culture on Foreign Direct Investment in retail sector.

Table 3: Chi-Square

Test Statistics	
	Impact of Culture on Foreign Direct Investment in retail sector
Chi-Square	346.179[a]
Df	4
Asymp. Sig.	.000
a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 30.0.	

Source: Primary Data

The above Table 3 helps to identify that response for the Impact of Culture on Foreign Direct Investment in retail sector statement is found significant as the observed Significant value for is .000 which is lower than .05, which shows the significance of the statement, means the difference between the observed and expected frequency of responses for their frequency of the Impact of Culture on Foreign Direct Investment in retail sector.

8. SUMMARY

Retailing in India has seen an appreciable boom in the recent past. The change is not only time bound but has also transformed the Indian retail market as a whole. The major causes for this change are the rapidly growing economy and changing demographics that mainly constitute young consumers with affluent salaries and metropolitan lifestyles. Such consumers have a greater demand for quality consumer products than for shopping in the local area market for domestic products. This clearly shown that there is Impact of Culture on Foreign Direct Investment in retail sector.

9. CONCLUSION

Direct foreign investment is essential for economic development and emerging markets where companies need support and technology to increase their exports. Private investment in infrastructure, energy, and water is an important driver of the economy as it helps to increase jobs and wages. The conclusion is that culture is important in attracting FDI. Independent wealth, family structure or cultural background, cities attract investment. It is also important to examine the effects of culture on FDI in India that attract the largest share. Finally, it would be interesting, from a social and historical point of view, to explore the question of whether culture plays a major role in FDI's move to India with a proven effect.

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