# LOCAL ENTREPRENEURS OF UNORGANISED SECTOR TO COGITATE THE ENTRY OF FDI WITH SPECIAL REFERENCE TO ASSAM, MEGHALAYA AND TRIPURA.

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***Abstract :*** Humans are uniquely adept of utilizing systems of symbolic characterization. The trend of change is what engulfs the notion of their true being. A menial work is what empowers on the employment periphery which is sill unforeseen. Local entrepreneurs are the unseen prey to this break of foreign direct investment. The life after the break of foreign direct investment would surprise the life of the entrepreneur in which way is the biggest query of the generation next who dreams their feet as upcoming entrepreneurs. The hard work to suffice the need of the family and also make a name may shatter with the entry of foreign direct investment. The very thought of such thunder scares the existing and upcoming entrepreneurs. This study is an attempt to prioritize the unspoken and dubbed thoughts of the local entrepreneurs' life in the unorganized sectors of north east India and the breakthrough of foreign direct investment which entails in the later life. The employed methodology of the study is scoped to Agartala, Teliamora, Tarapur, Bishalgar, Dharmanagar, Udaipur, Umsnai, Mowlai, Mowlinong, Umroi, Shillong, Nogngpo, Sualkuchi, Jorhat, Nogaon, Margherita, Digboi, Kokrajhar, Lakhimpur, Sonitpur, Dibrugarh, Routha, Dhemaji, Dhekiajuli, Tezpur, and Guwahati. The study further attempts to put forth the views which would turn out as a ray of suffice to the hungry needs of the local entrepreneurs' when our generation next is at stake.

***Keywords:*** retail trade, entrepreneur, employment and foreign direct investment.

## INTRODUCTION

New firm creation and entrepreneurship are the engines of economic growth and development. However, most studies analyzing the process of transition from a command to a market economy have focused on the privatization of existing firms rather than on the creation of new domestic firms, arguably an equally important channel for growth and development. Only recently, researchers have started to evaluate the determinants of entrepreneurship, including the impact of the business environment, institutions, and the role of the government. But, studies of entrepreneurship in the transition economies are incomplete without considering the impact of foreign direct investment (FDI), which has been shown to play a critical role in fostering growth, technology transfer, new market development, and enterprise restructuring.

An investment made by a foreign individual or a company in the productive capacity of another country. It can be considered as the movement of capital across national frontiers in a manner that allows the investor to have a control over the investment. Firms that provide FDI are referred to as MNCs. The investors can invest in existing industries/business or can promote new industries.

The foreign direct investment is profitable both to the country receiving investment and the investor. For the investor company FDI offers an exclusive opportunity to enter into the international or global business, new markets and marketing channels, elusive access to new technology and expertise, expansion of company with new or more products or services, and cheaper production facilities. While the host country receives foreign funds for development, transfer of new profitable technology, wealth of expertise and experience, and increased job opportunities. The unorganized sector covers most of the rural labour and a substantial part of urban labour and it includes activities carried out by small and family enterprises, partly or wholly with family labour. In this sector wage-paid labour is largely non-unionized due to casual and seasonal nature of employment and scattered location of enterprises. This sector is marked by low incomes, unstable and irregular employment, and lack of protection either from legislation or trade unions. The unorganised sector uses mainly labour intensive and indigenous technology. The workers in unorganised sector are so scattered that the implementation of the Legislation is very inadequate and ineffective. There are hardly any unions in this sector to act as watch-dogs. But the contributions made by the unorganised sector to the national income, is very substantial as compared to that of the organised sector.

In recent years a much optimistic view on the role of Foreign Direct Investment (FDI) on Domestic Investment (DI) in the host country has evolved. Empirical studies reveal that the increase in DI due to FDI inflows would be greater than the amount of the FDI inflows in the host country and that this effect would be direct and indirect. Viewing the increasing trend of FDI inflows into India, this study explores the impact of FDI inflows on the DI in India. This study finds that the direct impact of FDI inflows on local entrepreneurs of North East India is positive but the indirect impact is 'neutral' on the DI in the long run.

This study will try to prioritize the unspoken and dubbed thoughts of the local entrepreneurs' life in the unorganized sectors of north east India and the breakthrough of foreign direct investment which entails in the later life.

## OBJECTIVES

A study is been conducted and the objectives are:

1. To study the role of FDI to the entrepreneurs of unorganised sector.
2. To study the threat of FDI to entrepreneurs
3. To study the initiation of government to help entrepreneurs of unorganised sector from the entrance of FDI.

## METHODOLOGY

The methodologies obtained in collection of the data here are based on both primary and secondary data. The primary data is been collected from the nearby area of Agartala, Teliamora, Tarapur, Bishalgar, Dharmanagar, Udaipur, Umsnai, Mowlai, Mowlinong, Umroi, Shillong, Nogngpo, Sualkuchi, Jorhat, Nogaon, Margherita, Digboi, Kokrajhar, Lakhimpur, Sonitpur, Dibrugarh, Routha, Dhemaji, Dhekiajuli, Tezpur, and Guwahati. The methods implemented for collecting primary data were observation, telephonic communication, interview and distribution of electronic questionnaire in the cities mentioned. Secondary data is based on journals, magazines, newspapers and web.

## FINDINGS

As per the first objective the roles of FDI to the entrepreneurs of unorganised sector are

1. Employment opportunity is been regarded by 36% of the total respondent as a role of FDI in the entrepreneurs of unorganised sector.
2. Linkage to the global world is been regarded by 28% of the total respondent as a role of FDI in the entrepreneurs of unorganised sector.
3. 21% of the total respondent regarded exchange rate growth as a role of FDI in the entrepreneurs of unorganised sector.
4. 9% of the total respondent are in view that improve competition is a role of FDI in the entrepreneurs of unorganised sector
5. Develop retail industry is been regarded by 6% of the total respondent as a role of FDI in the entrepreneurs of unorganised sector.

As per the second objectives the threats of FDI to entrepreneurs are

1. Suffering of the small scale entrepreneurs is been regarded by 27% of the total respondent as a threat of FDI to entrepreneurs.
2. Control will be directed to foreign hands is been regarded by 29% of the total respondent as a threat of FDI to entrepreneurs
3. 19% of the total respondent regarded young generation will lose ambition to start new enterprise and is a threat of FDI to entrepreneurs.
4. 16% of the total respondent are in view that ruthless price cutting and clearance sales as a threat of FDI to entrepreneurs.
5. Variety and volume under one roof is been regarded by 9% of the total respondent as a threat of FDI to entrepreneurs.

As per the third objectives the initiations of government to help entrepreneurs of unorganised sector from the entrance of FDI are

1. 53 % of the total respondents are in view that policies must be stabilised that the control is not directed as an initiations of government to help entrepreneurs of unorganised sector from the entrance of FDI.
2. Sufficient exposure need to be provided to the small scale entrepreneurs is been regarded by 37% of the total respondent as an initiations of government to help entrepreneurs of unorganised sector from the entrance of FDI.
3. 10% of the total respondents are in the view that government financial aid and infrastructural growth must be initiated too.

## ANALYSIS

Foreign Direct Investment (FDI) is often lauded for bringing economic growth and know-how to developing countries. The relationship that exists between FDI and local entrepreneurship may be one important reason why certain developed countries are different from others, despite surface similarities. FDI is investment in a country by foreign citizens, often involving majority stock ownership of an enterprise. Looking deeper into how and why FDI played quite different roles in the life of the local entrepreneurs of unorganised sector.

Financial institutions have also failed to allocate domestic capital efficiently. FDI went into labour-intensive industries such as bicycles, textiles, and garments. In labour-intensive industries, contractual arrangements with foreign buyers are technically feasible and might provide the same business benefits as FDI. As a form of equity financing, FDI is typically prominent elsewhere in the world in those industries that involve substantial research and development and complicated organizational know-how, such as the pharmaceutical and electronics industries. The FDI has gone into industries in which the local entrepreneurs in these economies started out with some substantial capabilities. Economies are successful economies and export powerhouses. They all had high savings rates, healthy growth prospects, political stability, and cheap labour.

Technology-based ventures are important drivers of economic development, techno-entrepreneurs should be considered when formulating policies. FDI may foster technology-based entrepreneurship in developed countries, while hampering it in developing countries. This difference may be the result of the mechanisms at play, namely, crowding effects and knowledge spillovers. Many of the best candidates for domestic technology entrepreneurship in developing countries may choose to work for the higher wages of more technologically advanced multinational enterprises. Compete against these often better-endowed players which tend to be more technological toward foreign affiliates. By contrast, crowding effects in the product market may result in changes in perceptions about opportunities. The presence of large MNEs may stifle the ambitions of potential techno-entrepreneurs by increasing the salience of competitive threats.

The second mechanism — knowledge spillovers — brings best practices, technology and specialized knowhow to host countries. The stronger the foreign currency is in comparison to that of the host country, lesser will be the amount of investment required. In other words, depreciation of currency in the host country will lead to more investments. Linkages created where the local firm supplies raw material/intermediate products/services to the foreign affiliate. When foreign affiliates sell goods or services to domestic firms or where domestic firms use the final products of the foreign affiliates as raw materials in the local production process. Where foreign firms interact with domestic firms engaged in producing goods and services at the same stages of production.

With the entry of the FDI in the retail trading of the entrepreneurs of the unorganised sector, the small scale entrepreneurs will suffer as consumers would prefer a one roof store then grocery and dress material as other. This will lead to harm the ambition of the upcoming entrepreneurs as well de motivates the young generation to move towards job oriented work then self work. The FDI on the other hand will initiate the price cutting, discounted items as well as free offers. These tactics to attract customers rotates that mind of purchase from the kirana stores or brand outlets which hampers the entrepreneurs. Thus the control will be slowly being directed to the hands of FDI.

Here is when the government must initiate policies of entrance and business proceedings in such a manner that the control is in the hand of the central government and state government.

Exposure to the unorganised retail stores, entrepreneurs and their business must be given. This will help balance the trade and also no loss will be suffered. Proper financial security and help related of infrastructure would be beneficial.

## RECOMMENDATIONS

The Government of India must recognize that FDI can complement domestic efforts to meet development objectives. For this to happen, FDI policies cannot be pursued in isolation. Instead, they must be inextricably linked with policies in core areas of economic development. For this, the selection of FDI projects is of vital importance. FDI projects should be selected such that they would lead to investment spillovers rather than consumption spillovers in the domestic market. Number of fiscal incentives to foreign firms but the recipients of these favors are also hemmed in by a number of restrictions. The restrictions include compulsory joint ventures with locally owned firms, compulsion to export and restrictions on the choice of location of foreign- owned plants. This could certainly pave the way for investment spillovers to the Indian firms.

Secondly, FDI inflows into India can be decentralised. Instead of concentrating on a few, already crowded, metropolitan cities, establishment of foreign industries in smaller cities can be thought upon, which would ultimately lead to crowding-in new domestic entrepreneurs.

Thirdly, backward linkage programs with TNCs can be started through a dialogue process by the Government of India in order to disseminate knowledge and technology in addition to training to local manufacturers who could provide a supply chain for the TNCs. In return, the Government of India may offer better incentives for such TNCs.

Lastly, gaps in the domestic manufacturing can be identified. This could be done by examining the imports of finished goods and analyzing whether such goods could be produced domestically just with the help of technology and capital. If so, FDI may be sought in that industry. This may lead to the establishment of a new industrial base which would in turn lead to complementing DI.

These measures may lead to an increase in the complementary effect of FDI on DI and may ultimately lead to higher economic growth and prosperity.

## CONCLUSION

Contributions of FDI to any economy may not be realized immediately; rather they may be outcomes of years of experimentation. FDI, thus on one hand helps in increasing the output through usage of advanced technology and management techniques and on the other it is a threat to local companies in the country. Government should take steps in the direction of integrating foreign investors with local businesses. This will help in overall economic development as well as preservation of country's heritage. MNCs should be allowed to set up in such a manner that they help increase the standard of living of our country instead of sole profit making. Moreover, in the fierce battle between the advocators and antagonist of unrestrained FDI flows in the Indian retail sector, the interests of the consumers have been blatantly and utterly disregarded. Therefore, one of the arguments which inevitably need to be considered and addressed while deliberating upon the captioned issue is the interests of consumers at large in relation to the interests of retailers.

It is also pertinent to note here that it can be safely contended that with the possible advent of unrestrained FDI flows in retail market, the interests of the retailers constituting the unorganized retail sector will not be gravely undermined, since nobody can force a consumer to visit a mega shopping complex or a small retailer/sabji mandi. Consumers will shop in accordance with their utmost convenience, where ever they get the lowest price, max variety, and a good consumer experience. But the change that the movement of retailing sector into the FDI regime would bring about will require more involved and informed support from the government. One hopes that the government would stand up to its responsibility, because what is at stake is the stability of the vital pillars of the economy- retailing, agriculture, and manufacturing.

In conclusion, the issue that India must grapple with now is the impact of reduced competition brought about by retailer concentration will have on various stakeholders and the ways in which competition laws and policy can deal with this growth of power before it is too late.

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