FDI IN INDIAN RETAILING-OPPORTUNITIES AND CHALLENGES

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ABSTRACT

The retail industry in India is expected to grow at a rate of 14% by 2013. The first step towards allowing Foreign Direct Investment in Retail was taken in the year 2006. Since then 54 FDI approvals have been accepted by the government and the country has received cash inflow to the tune of about Rs 901.64 crores. Retailing consists of all business activities involving the sale of goods and services to ultimate consumers. Retailing involves a retailer's traditionally a store or a service establishment, dealing with consumers who are acquiring goods and services for their own use rather than for resale. Wal-Mart, The Limited, Best Buy and other familiar organizations are retailers. Retailing is based more on whether the business deals directly with public.

Retail banking, service stations local coffee shops are also retailers with the emergence of online retailing, retailers are no longer concerned about location of stores. E-retailing has emerged. Consumers are always hungry for modern ways of shopping. Indian retail sector is growing fast and its employment potential is growing fast. The retail scene is changing really fast. Retail sector in India is also catalyst for the growth of staling tactics of below the line marketing used by major retail players like Spencer, big bazaar, reliance fresh etc. For tapping customers by creating points of sales displays. So we can say that India is a rising star and going to be one of the fastest growing regions of the future. Indian retail industry is one of the sunrise sectors with huge growth potential.

According to the Investment Commission of India, the retail sector is expected to grow almost three times its current levels to $660 billion by 2015. However, in spite of the recent developments in retailing and its immense contribution to the economy, retailing continues to be the least evolved industries and the growth of organised retailing in India has been much slower as compared to rest of the world.

KEY WORDS: Foreign Direct Investment, Retailing, GDP, Multinationals, Policies, and Infrastructure Development

INTRODUCTION

As per the current regulatory regime, retail trading (except under single-brand product retailing — FDI up to 51 per cent, under the Government route) is prohibited in India. Simply put, for a company to be able to get foreign funding, products sold by it to the general public should only be of a _single-brand_ ; this condition being in addition to a few other conditions to be adhered to. India being a signatory to World Trade Organisation's General Agreement on Trade in Services, which include wholesale and retailing services, had to open up the retail trade sector to foreign investment.

There were initial reservations towards opening up of retail sector arising from fear of job losses, procurement from international market, competition and loss of entrepreneurial opportunities. However, the government in a series of moves has opened up the retail sector slowly to Foreign Direct Investment (—FDI□). In 1997, FDI in cash and carry (wholesale) with 100% ownership was allowed under the Government approval route. It was brought under the automatic route in 2006. 51% investment in a single brand retail outlet was also permitted in 2006. FDI in Multi-Brand retailing is prohibited in India.
All Indian households have traditionally enjoyed the convenience of calling up the corner grocery "kirana" store, which is all too familiar with their brand preferences, offers credit, and applies flexible conditions for product returns and exchange. And while mall based shopping formats are gaining popularity in most cities today, the price-sensitive Indian shopper has reached out to stores such as Big Bazaar mainly for the steep discounts and bulk prices. Retail chains such as Reliance Fresh and More have reportedly closed down operations in some of their locations, because after the initial novelty faded off, most shoppers preferred the convenience and access offered by the local kirana store. So how would these Western multi-brand stores such as Wal-Mart and Carrefour strategies their entry into the country and gain access to the average Indian household? Wal-Mart has already entered the market through its partnership with Bharti, and gained opportunity for some early observations. The company's entry into China will also have brought some understanding on catering to a large, diverse market, and perspectives on buying behaviour in Asian households. Carrefour on the other hand has launched its wholesale cash and carry operations in the country for professional businesses and retailers, and will now need to focus more on understanding the individual Indian customer.

As such, these retail giants will try to gain from some quick wins while reaching out to the Indian consumer. For one, they will effectively harness their expertise with cold storage technologies to lure customers with fresh and exotic vegetables, fruits and organic produce. Secondly, they will also emphasise on the access that they can create for a range of inspirational global foods and household brands. Thirdly, by supporting domestic farmers will try ensuring supplies of essential raw materials to them. Surely, these should engage shoppers' and farmers interest--but what needs to be seen is whether they can effectively combine these benefits, with the familiarity, convenience and personalised shopping experiences that the local "kirana" stores have always offered.

Indian retail industry is the biggest industry in comparison to other industries. It occupied 14% of India’s Gross Development Product and near about 8% of the employment. It has two sector viz. organized sectors, unorganized sectors. Organized sector refers to that part which is well regulated i.e. registered stores. Unorganized sector included the traditional stores such as Pan tapri, corner store etc. Retail sector is fastest growing sector in India. 90% retail business is run by the unorganized retailers. The organized retail sector is still at emerging stage.

Foreign direct Investment (FDI) as defined in Dictionary of Economics is investment in a foreign country through the acquisition of a local company or the establishment there of an operation on a new site. In short FDI refers to capital inflows from abroad that is invested in or to enhance the production capacity of the economy. In November 2011, India’s central Government announced retail reforms for Multi Brand Stores and Single Brand Stores. The announcement sparked intense activism. In July 2011 the GOI has recommened FDI in retail sector as –
1) 51% in Multi - Brand Retail.
2) 100% in Single - Brand Retail.

REVIEW OF LITERATURE

Organized retail, one of the most notable emerging sectors of the Indian economy, continues to attract significant investments and interest from leading national and international retail players. It has also generated considerable opposition from small traders and shopkeepers who are worried about the impact of large-scale organized retail on their businesses. As a result, the government has been forced to carefully examine the long-term implications of organized retail in India.

Indian traditional retailers have a number of inherent strengths which helped them not merely survive the competition from organized retail but flourish. These include proximity to consumers, consumer goodwill, credit sales and amenability to bargaining, sale of loose items, convenient timings and home delivery. The Indian Council for Research onInternational Economic Relations (ICRIER) study (M. Joseph and N. Soundararajan, 2009) has shown that hardly 1.7 per cent of small shops have closed down due to competition from organized retail. They have competed successfully
against organized retail through adoption of better business practices and technology. FDI has positive spillover effects on the economy as its ownership advantages get disseminated to locally owned enterprises, enhancing their productivity. All these benefits of foreign direct investment have been well proven in India in sectors such as automobiles, telecom and consumer electronics.

A study conducted by Mukherjee and Patel (2005) found that foreign retailers are working with small manufacturers for in-house labels and are providing them technologies like packaging technologies and bar coding. Sourcing from India has increased with the advent of foreign retailers and they also bring in an efficient supply-chain management system. Joint ventures with foreign retailers are helping the Indian industry to get access to finance and global best practices. Besides, retailing being a non-tradable service there is no possibility of improved efficiency through import competition and foreign investment is the way forward. India stands out as an example for the late coming of modern organized retail in emerging markets and also for the kind of restrictions placed on foreign investments in retail. The arrival of modern retail in developing countries occurred in three successive waves (Reardon and Hopkins, 2006; Reardon and Berdegue, 2007). The first wave took place in the early to mid-1990s in South America, East Asia outside China, North-Central Europe and South Africa. The second wave happened during the mid to late 1990s in Mexico, Central America, Southeast Asian countries, Southern-Central Europe. The third wave began in the late 1990s and early 2000s in parts of Africa, some countries in Central and South America, Southeast Asia, China, India, and Russia.

According to the authors, the main reason why the third wave countries which include China, India and Russia lagged behind was the severe restrictions on foreign direct investment (FDI) in retailing in these countries. The demand side features of these countries, such as income, size of the middle class, urbanization, and the share of women in workforce, etc., have been similar to countries in the second wave. In China and Russia these restrictions were progressively relaxed in the 1990s and in India only partially in the 2000s. In January 2006, India allowed foreign companies to own up to 51 per cent in single brand retail joint ventures (JVs), but multiple brand foreign firms are still barred in retail although they can set up wholesale operations. The domestically driven organized retail expansion in India is facing difficulties. The food inflation in the country has stayed high for some time now. The gap between the farm level prices and consumer prices is very high in India which has not come down with the expansion of organized retail. Why? While the number of domestic restrictions on the operation of organized retail in India is partly responsible for this, the ban on foreign entry into multi-brand retailing is also partly responsible.

India permitted foreign direct investment in cash-and-carry wholesale trade up to 100 per cent through the automatic route and in single-brand retail up to 51 per cent in 2006. The former brought in US$ 1.8 billion during April 2000 to March 2010 and the latter just US$ 195 million during April 2006 to March 2010. India perhaps remains the only exception in emerging economies in barring the multi-brand retail for foreign investment. The reason why India has not allowed FDI in multi-brand retail is the fear that it will harm the traditional small retailers.

Research Objectives

Having presented the immense potential and current status of the entry of the global giants to Indian retail industry, this paper continues to flesh out the Indian retail story with the objective of highlighting some of the major concerns that organized retailers will have to consider as they venture into the Indian market.

The objective of the paper has following dimensions:

i. Discussion about the myths and realities of global giant’s entry to India.

ii. Status of organised retailing in India with SWOT Analysis
Informative Data Related to FDI

FDI Share of Organized Sector in Selected Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Share of organized Sector (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>U. S. A</td>
<td>85</td>
</tr>
<tr>
<td>U. K.</td>
<td>80</td>
</tr>
<tr>
<td>Japan</td>
<td>66</td>
</tr>
<tr>
<td>Russia</td>
<td>36</td>
</tr>
<tr>
<td>India</td>
<td>04</td>
</tr>
</tbody>
</table>

(Source: Planel Retail & Technopak Adviser Pvt. Ltd. & ICRTER)

Multi-Brand Retail FDI Policy in other Countries

<table>
<thead>
<tr>
<th>FDI Limit</th>
<th>Country</th>
</tr>
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<tbody>
<tr>
<td>100%</td>
<td>China</td>
</tr>
<tr>
<td>100%</td>
<td>Thailand</td>
</tr>
<tr>
<td>100%</td>
<td>Russia</td>
</tr>
<tr>
<td>100%</td>
<td>Indonesia</td>
</tr>
</tbody>
</table>

(Source: Times of India, 3rd December 2011.)

Myths & Realities about the Global Giants Arrival to India

<table>
<thead>
<tr>
<th></th>
<th>Myths</th>
<th>Realities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>Prices of different items are less here.</td>
<td>The rates at which the vendors sell are less as those in the corporateretail shops.</td>
</tr>
<tr>
<td>Middlemen</td>
<td>Corporate retail is throwing away middlemen.</td>
<td>They are becoming the new mega middlemen &amp; creating monopolies by becoming the wholesaler, distributor &amp; the retailer.</td>
</tr>
<tr>
<td>Employment</td>
<td>They are creating employment. The employment potential projected is 2 million jobs.</td>
<td>They are robbing livelihoods many times then the number of jobs they are going to create. For creating 2 million jobs they are going to destruct 40 million livelihoods in retail sector.</td>
</tr>
<tr>
<td>Better deal or</td>
<td>Farmers are getting better deal. Corporations are friends of farmers and consumers.</td>
<td>Corporations are buying from existing mandis and not straight from farmers at this point of time so there is no question of farmers getting a better deal. In future when the corporation will have control over the wholesupply chain of food, farmers will have no place to sell other than these corporations. Then our farmers will face monocronopsony as the farmers of the west are facing now.</td>
</tr>
<tr>
<td>Best deal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fresh Products</td>
<td>Corporate retail sell fresh.</td>
<td>The hawkers sell much fresher than any of these shops. Long distance supply chain and refrigeration means stale fruits and vegetables.</td>
</tr>
<tr>
<td>Local Economy</td>
<td>Corporate retail is promoting local economy.</td>
<td>They have destructed local economy wherever they have gone, and are doing the same in India. Attacks on the reliance stores in Ranchi and Indore are preemptive action by people dependent on local economy.</td>
</tr>
<tr>
<td>Promotion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Efficient Supply</td>
<td>Corporate entry will make the supply chain more efficient. They are more scientific than the existing system.</td>
<td>The supply chain gets more centralized, and the average distance traveled by food increases manifold. In scientific, social and ecological terms this is inefficient compared to our hawkers.</td>
</tr>
<tr>
<td>Chain Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Push or Pull</td>
<td>There is huge consumer demand for corporate retail.</td>
<td>The corporations are pushing the agenda, never have people in India demanded for corporation led retail.</td>
</tr>
<tr>
<td>Strategy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grow without Kill</td>
<td>There is room for all, as Indian economy is growing at an enormous pace.</td>
<td>The corporate retail chains cannot prosper without killing the small businesses. The experience of west shows us the truth.</td>
</tr>
<tr>
<td>Money saving or</td>
<td>Corporation led shops sell cheap and consumers save money shopping there.</td>
<td>Corporations are propagating the habit of wasteful consumerism among the Indian consumers.</td>
</tr>
<tr>
<td>money wasting</td>
<td></td>
<td></td>
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<tr>
<td>shopping</td>
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SWOT Analysis

SWOT analysis is a tool for analyzing modern retailing. In this analysis, a study can be made regarding the strength, weaknesses, opportunities and threats of retail industry.

Strengths

1) A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working women population and emerging opportunities in the service sector are going to be the key growth drivers of the organised retail sector in India.
2) Customers will have access to greater variety of international quality branded goods.
3) Employment opportunities both direct and indirect have been increased. Farmers get better prices for their products though improvement of value added food chain.
4) Increase in disposable income and customer aspirations are important factors.
5) Increase in expenditure for luxury items is also vital.
6) It has also contributed to large scale investments in the real estate sector with major national and global players investing in devolving the infrastructure and construction of the retailing business.
7) Large domestic market with an increasing middle class and potential customers with purchasing power.
8) Ranked second in Global Retail Development Index of 30 developing countries drawn up by AT Kearney.
9) The annual growth of departmental stores is estimated at 24%.
10) The benefits of larger organized retail segments are several. The consumers get a better product at cheaper price. So consumers get value for their money.
11) The governments of states like Delhi and National Capital Region (NCR) are very upbeat about permitting the use of land for commercial development thus increase the availability of land for retail space.
12) The growth of sachet revolution emerges for reaching to the bottom of the pyramid.
13) The size of Indian organised retail industry reached at Rs.1,30,000 crore in 2006.
14) The trends that are driving the growth of the retail sector in India are low share of organised retailing and falling real estate prices.
15) Typicality of customers in terms of varied tastes and demand for wide range of goods.

Weakness

1) Will mainly cater to high-end consumers placed in metros and will not deliver mass consumption goods for customers in villages and small towns.
2) Retail chains are yet to settled down with proper merchandise mix for the mall outlets. Retailing today is not about selling at the shop, but also about researching and surveying the market, offering choice, competitive prices and retailing consumers as well.
3) Small size outlets are also one of the weaknesses in the Indian retailing. 96% of the outlets are lesser than 500 sq.ft. The retail chains are also smaller than those in the developed countries for instance, the superstore food chain, food world is having only 52 outlets where as Carrefour promotes has 8800 stores in 26 countries.
4) The rapid development of retail sector is the sharp improvement in the availability of retail space. But the current rally in property prices, retail real estate rentals have increased remarkably, which may render a few
retailing business houses unavailable. Retail companies have to pay high rentals which are blockage in the turn of profits.

5) The volume of sales in Indian retailing is also very low. India has largest population in the world and a fast growing economy.

Opportunities

1) Once The Concept Picks Up, Due To Demonstration Effect, There Will Be An Overall Up-Gradation Of Domestic Retail Trade.

2) Global Retail Giants Take India As Key Market .It Is Rated Fifth Most Attractive Retail Market. The Organised Retail Sector Is Expected To Grow Stronger Than GDP Growth In The Next Five Years Driven By Changing Lifestyles, Increase In Income And Favourable Demographic Outline. Food And Apparel Retailing Are Key Drivers Of Growth.

3) Indian Retail Industry Has Come Forth As One Of The Most Dynamic And Fast Paced Industry With Several Players Entering The Market.

4) It Can Become One Of The Largest Industries In Terms Of Numbers Of Employees And Establishments.

5) Rural Retailing Is Still Unexploited Indian Market.

Threats

1) One Of The Greatest Barriers To The Growth Of Modern Retail Formats Are The Supply Chain Management Issues. No Major Changes Are Needed In The Supply Chain For FMCG Products; These Are Well Developed And Efficient. For Perishables, The System Is Too Complex. Government Regulations, Lack Of Adequate Infrastructure And Inadequate Investment Are The Possible Bottlenecks For Retail Companies. The Supply Chain For Staples Is Less Complicated Than The Net Groceries. But Staples Have A Unique Problem Of Non-Standardization.

2) Difficult To Target All Segments Of Society.

3) Emergence Of Hyper And Super Markets Trying To Provide Customer With –Value, Variety And Volume.

4) Heavy Initial Investment Is Required To Break Even With Other Companies And Compete With Them.

5) Labour Rules And Regulation Are Also Not Followed In The Organized Retailers. The

6) Lack Of Uniform Tax System For Organized Retailing Is Also One Of The Obstacles. Inadequate Infrastructure Is Likely To Be An Obstacle In The Growth Of Organized Retailers.

7) Organized Retailing In India Is Yet To Get An Industry Status.100% Foreign Direct Investment (FDI) Is Not Permitted In Retailing In India. Ownership Of Retail Chain Is Allowed Only To The Extent Of 49% But Without FDI, The Sector Is Deprived Of Access To Foreign Technologies And Faster Growth.

8) Problem Of Car Parking In Urban Areas Is Serious Concern.

9) Sector Is Unable To Employ Retail Staff On Contract Basis.

10) The Unorganized Sector Has Dominance Over The Organized Sector In India Because Of Low Investment Needs.

Challenges of Retailing in India

In India the retailing industry has a long way to go and to become a truly flourishing industry, retailing needs to cross various hurdles. The first challenge facing the organized retail sector is the competition from unorganized sector. Needless to say, the Indian retail sector is overwhelmingly swarmed by the unorganized retailing with the dominance of small and medium enterprises in contradiction to the presence of few giant corporate retailing outlets. The trading sector is
also highly fragmented, with a large number of intermediaries who operate at a strictly local level and there is no 'barrier to entry', given the structure and scale of these operations (Singhal 1999). The tax structure in India favors small retail business. Organized retail sector has to pay huge taxes, which is negligible for small retail business.

Thus, the cost of business operations is very high in India. Developed supply chain and integrated IT management is absent in retail sector. This lack of adequate infrastructure facilities, lack of trained work force and low skill level for retailing management further makes the sector quite complex. Also, the intrinsic complexity of retailing- rapid price changes, threat of product obsolescence, low margins, high cost of real estate and dissimilarity in consumer groups are the other challenges that the retail sector in India is facing. The status of the retail industry will depend mostly on external factors like Government regulations and policies and real estate prices, besides the activities of retailers and demands of the customers also show impact on retail industry. Even though economy across the globe is slowly emerging from recession, tough times lie ahead for the retail industry as consumer spending still has not seen a consistent increase.

In fact, consumer spending could contract further as banks have been overcautious in lending. Thus, retailers are witnessing an uphill task in terms of wooing consumers, despite offering big discounts. Additionally, organised retailers have been facing a difficult time in attracting customers from traditional kirana stores, especially in the food and grocery segment. While in some sectors the restrictions imposed by the government are comprehensible; the restrictions imposed in few others, including the retail sector, are utterly baseless and are acting as shackles in the progressive development of that particular sector and eventually the overall development of the Indian Inc. The scenario is kind of depressing and unappealing, since despite the on-going wave of incessant liberalization and globalization, the Indian retail sector is still aloof from progressive and ostentatious development. This dismal situation of the retail sector undoubtedly stems from the absence of an FDI encouraging policy in the Indian retail sector.

**ALSO FDI ENCOURAGING POLICY CAN REMOVE THE PRESENT LIMITATIONS IN INDIAN SYSTEM SUCH AS**

**Infrastructure**

There has been a lack of investment in the logistics of the retail chain, leading to an inefficient market mechanism. Though India is the second largest producer of fruits and vegetables (about 180 million MT), it has a very limited integrated cold-chain infrastructure, with only 5386 stand-alone cold storages, having a total capacity of 23.6 million MT. 80% of this is used only for potatoes. The chain is highly fragmented and hence, perishable horticultural commodities find it difficult to link to distant markets, including overseas markets, round the year.

Storage infrastructure is necessary for carrying over the agricultural produce from production periods to the rest of the year and to prevent distress sales. Lack of adequate storage facilities cause heavy losses to farmers in terms of wastage in quality and quantity of produce in general. Though FDI is permitted in cold-chain to the extent of 100%, through the automatic route, in the absence of FDI in retailing; FDI flow to the sector has not been significant.

**Intermediaries Dominate the Value Chain**

Intermediaries often flout mandi norms and their pricing lacks transparency. Wholesale regulated markets, governed by State APMC Acts, have developed a monopolistic and non-transparent character. According to some reports, Indian farmers realize only 1/3rd of the total price paid by the final consumer, as against 2/3rd by farmers in nations with a higher share of organized retail.
Improper Public Distribution System (“PDS”)

There is a big question mark on the efficacy of the public procurement and PDS setup and the bill on food subsidies is rising. In spite of such heavy subsidies, overall food based inflation has been a matter of great concern. The absence of a ‘farm-to-fork’ retail supply system has led to the ultimate customers paying a premium for shortages and a charge for wastages.

Channel Conflicts

Globally, retailers maintain a direct relationship with their suppliers. Due to the complex taxation structure and geographic spread of the country, most FMCG companies have developed regional distribution and re-distribution network. Cutting out the distribution network will hurt operating structures of distributors, who as an industry body in the past have opposed FMCG companies selling directly to retailers. There exists a need for a retailer to work closely with the suppliers in an attempt to shorten the supply chain network resulting in saving time and money.

Unique Indian Customer

The Indian consumer experiencing modern retail has now warmed up to this idea. Buying habits have still not changed, where people prefer to buy most of the fruits and vegetables on a daily basis. The Indian consumers have a strong preference for freshly cooked food over packaged food mainly attributed to dietary patterns, poor electricity supply, low penetration of refrigerators and a family structure where one of the primary roles of the housewife is feeding the family. There is also an impact on the basket size because of nonavailability of personal transport facilities, due to which the consumers prefer to buy smaller quantities from stores conveniently located near their homes.

Regulatory

Currently, indirect taxation structure is complex in India with varying tax rates, multiplicity of taxes and multiple tax enforcement authorities. Goods and Service Tax likely to be implemented in 2011 will replace a host of levies like excise, sales tax, value-added tax, entertainment tax and luxury tax. This is likely to have an impact on the supply chain model and cost structure of distributive trade, followed by consumer packaged goods companies. Opening a new store requires a lot of licenses, which have to be obtained from different government departments leading to considerable lead time in opening up of the stores. A push has been made by existing retailers to get the government to have a single window clearance for getting all the licenses at one place to speed up the process.

Private Labels

Private labels enable retailers to offer products at a better price point attracting footfalls to the store. This, in turn, not only translates to better margins by cutting out middlemen but also enhances retailers bargaining power with supplier. Penetration of private labels in emerging markets is expected to be about 6% of retail sales which in India is estimated to be about 10 – 12%. The concept is still at a very nascent stage in India given the age of modern retail in India. Few players have introduced private labels in the category of Food & Grocery, Apparels, Consumer Durables etc. but reservations still exists towards acceptance of these products with the Indian consumer. Private labels offering competitive pricing proposition has helped to generate interest and a slow but steady acceptance from the Indian consumer.

CONCLUSIONS & SUGGESTIONS

In view of some of short coming observed in the SWOT analysis, FDI in retailing is going to attract retail players by Indian Government, but India should welcome them with a talented pool of human resources by promoting institution
imparting knowledge in retailing, protection must be given to Indian small and medium retailers as retailing is their source of livelihood. The Government must be properly discuss the pros and cons of allowing 51% FDI and have a law in place to control unfair competition. Then the FDI Bill will be give definitely a positive impact on the retail industry and the country by attracting more foreign investment. Otherwise we lost our freedom in past when British East India Company was came in.

Corporate retailing in India is witnessing considerable growth. The share of corporate retail in overall retail sales is projected to jump from around 3% currently to around 9-10% in the next three years. A number of large domestic business groups have entered the retail trade sector and are expanding their operations aggressively. Several formats of corporate retailing like hypermarkets, supermarkets and discount stores are being set up by big business groups besides the ongoing proliferation of shopping malls in the metros and other large cities. This will have serious implications for the livelihood of millions of small and unorganized retailers across the country. Large organized retail is controlled across the world by many governments. An appropriate regulatory framework for the organized retail sector in India has to be framed keeping in mind the Indian specificities. India has the highest shop density in the world with 11 shops per 1000 person. If the corporate retail starts spreading in India without any control and if the Government brings in Foreign Direct Investment in the sector, the potential social costs of the growth and consolidation of organized retail, in terms of displacement of unorganized retailers and loss of livelihoods will be enormous. Regulation needs to be more stringent and restrictive.

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