

**GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA**

UNSTARRED QUESTION NO:1221

ANSWERED ON:16.11.2010

CORPORATE SECTOR IN RETAIL

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Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

- (a) whether the domestic and foreign corporate houses have started opening retail centres in small cities after their venture in metro cities;
- (b) if so, the details of such corporate houses alongwith the names of the cities where the retail centres have been launched by the end of September, 2010;
- (c) whether the Government has made an assessment/study of the impact of the entry of corporate houses on retail business in the country;
- (d) if so, the details and the outcome thereof indicating the institutions that were engaged to make the said studies; and
- (e) the steps taken by the Government on the recommendations of the said studies?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF AGRICULTURE AND MINISTER OF THE STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (PROF. K. V. THOMAS)

(a): That organized retailers register their shops/malls with concerned authorities in State/Union Territory Governments. There is no restriction on the entry of domestic investors into the retail sector. As per extant policy, Foreign Direct Investment (FDI) is not permitted in retail trade except in single Brand product retailing where Foreign Investment upto 51% is permitted with prior Government approval and subject to the following conditions:

- (i) Products to be sold should be of 'Single Brand' only
- (ii) Products should be sold under the same brand internationally and
- (iii) 'Single brand product-retailing would cover only products which are branded during manufacturing.

(b): There is no centralized data on setting up of retail units (in small towns) by corporate houses in various cities.

(c) & (d): The Government had instituted a study on the subject impact of Organized Retailing on the unorganized sector through the Indian Council for Research on International Economic Relations (ICRIER). Based on a sample survey ICRIER has reported that the rate of closure of unorganized retail shops in gross terms was found to be about 4.2 percent while the rate of closure on account of competition from organized retail was 1.7 percent per annum. The report has stated that a majority of unorganized retailers are keen to continue in business and compete. There has also been competitive response from traditional retailers through improved business practices and technology up gradation. There was no evidence of a decline in overall employment in the unorganized sector as a result of the entry of organized retailers. There was some decline in employment in the North and West regions, which however, also weakens over time. The report also mentioned that unorganized retailers in the vicinity of organized retailers experienced a decline in their volume of business and profit in the initial years after the entry of large organized retailers. However the adverse impact on the sales and profit weakens over time.

(e): Government is fully committed to securing the legitimate interests of all stakeholders engaged in the retail business. Government also fully recognizes the need to ensure that small retailers are not adversely affected by the growing organized retail and that there is no adverse effect on employment.