

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

UNSTARRED QUESTION NO:3316

ANSWERED ON:23.08.2011

LIBERALISATION OF MULTI-BRAND RETAIL SECTOR

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

- (a) whether the Government proposes to allow Foreign Direct Investment (FDI) in organised Multi-Brand Retail Sector in the country;
- (b) if so, the details thereof, alongwith the time by which it is likely to become operational;
- (c) whether the Government has received any recommendations/suggestions in this regard;
- (d) if so, the details thereof, and the reaction of the Government thereto;
- (e) whether any assessment has been made on the likely impact of liberalisation of the said sector on the domestic retail sector as well as the consumers and producers/farmers; and
- (f) if so, the details thereof, alongwith the steps proposed to be taken to protect the interests of the small players in the retail sector?

Answer

THE MINISTER OF STATE (INDEPENDENT CHARGE) FOR CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (PROF. K. V. THOMAS)

(a) to (d): The existing policy allows for 51% Foreign Direct Investment (FDI), only in single brand retail trade, subject to specified conditions. FDI in Multi Brand Retail Trading is presently prohibited. Government has received suggestions from associations/trade bodies for allowing FDI in multi-brand retail.

Hence, the Department of Industrial Policy and Promotion had released a Discussion Paper on the subject of 'Foreign Direct Investment in Multi-Brand Retail Trading', in order to obtain stakeholders comments for informed policy making. Comments were received from a number of stakeholders, including Ministries/ Departments of the Government of India. An Inter-Ministerial Committee was constituted to examine the said comments. A Committee of Secretaries (CoS) subsequently considered the matter. The Government has not taken any decision in this regard.

(e) & (f): Government had instituted a study on the subject of "Impact of Organized Retailing on the Unorganized Sector", through the Indian Council for Research on International Economic Relations (ICRIER). Stakeholders' views in response to the discussion paper have also been considered. The ICRIER study has projected that both organized and unorganized retail will not only co-exist but also achieve rapid and sustained growth in the coming years. The study also indicated that the growth of organized retail will enhance the employment potential of the Indian economy.

The study indicates that low-income consumers save more than others through shopping at organized retail outlets. The study also indicates that farmers gain considerably from direct sales to organized retailers, with significant price and profit advantages, as compared with selling either to intermediaries or to government regulated markets. According to the report, manufacturers also see the advantages from a more efficient supply chain and logistics that accompany the growth of organized retail.