

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

UNSTARRED QUESTION NO:533
ANSWERED ON:26.11.2012
IMPACT OF FDI IN RETAIL TRADING
Pratap Narayanrao Shri Sonawane

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) the benefits likely to be accrued to the small traders/farmers including creation of employment in the country after the implementation of the decision to allow the FDI in multi brand retail trading;
- (b) whether the small shopkeepers have opposed the decision of permitting the Foreign Direct Investment (FDI) in retail market;
- (c) if so, the details thereof and the steps being taken by the Government to protect the interest of small traders;
- (d) whether the Government has taken any initiative to hold consultation with the traders in this regard; and
- (e) if so, the details thereof?

Answer

THE MINISTER OF COMMERCE AND INDUSTRY (SHRI ANAND SHARMA)

(a): 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), which was submitted to Government in 2008. The ICRIER study indicated significant benefits for various stakeholders, such as consumers, farmers and manufacturers, arising from the growth of organized retail. Based upon the study, as well as the experience of other countries, it is the Government's assessment that implementation of the policy is likely to facilitate greater FDI inflows into front and back-end infrastructure; technologies and efficiencies to unlock the potential of the agricultural value chain; additional and quality employment; and global best practices. This, in turn, is expected to benefit consumers and farmers in the long run, in terms of quality and price. The 30% mandatory sourcing condition has been incorporated to encourage local value addition and manufacturing. The increased level of activity, in the front-end, as well as in the back-end, resulting from greater FDI inflows, is expected to create additional employment opportunities for rural and urban youth. It is, further, expected to encourage existing traders and retail outlets to upgrade and become more efficient, thereby providing better services to consumers and better remuneration to the producers from whom they source their products.

(b) to (e): The Department of Industrial Policy and Promotion had released a Discussion Paper, on 06.07.2010, on the subject of 'Foreign Direct Investment in Multi-Brand Retail Trading, with the aim of generating informed discussion on the subject and obtaining the views and comments of various stakeholders. Subsequently, the implementation of the decision taken by the Government on 24th November, 2011 to allow foreign investment up to 51% equity in multi brand retail, was put on hold for evolving a broader consensus among key stakeholders. Consultations were held in this regard with stakeholders, including traders' associations; consumers' organizations; farmers' representatives and associations; small & medium enterprises' associations and representatives; food processing industry representatives. The consultations brought out views both for and against FDI in multi brand retail trading. On balance, however, the discussions generally indicated support for the policy, subject to the introduction of adequate safeguards. The necessary safeguards have, accordingly, been incorporated in the policy and are expected to protect the interests of various stakeholders, including small traders. Government has also decided to constitute a high-level group to make recommendations on internal trade reforms, with a view to ensuring distributional efficiencies and also that the benefits from trade are available to all sections of society.