

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

UNSTARRED QUESTION NO:586

ANSWERED ON:23.11.2009

RETAIL MARKET IN SMALL TOWNS

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

(a) whether the big local and foreign players in the retail market have started setting up retail units in small towns also in the country; and

(b) if so, the details thereof alongwith the negative impact of it on the domestic small retailers?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY (SHRI JYOTIRADITYA M. SCINDIA)

(a): Organised 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 FDI 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. 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 upgradation. 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 mentions 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.