GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

STARRED QUESTION NO:93
ANSWERED ON:12.08.2013
. FDI NORMS IN MULTI BRAND RETAIL
Adsul Shri Anandrao Vithoba;Yadav Shri Dharmendra

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

(a) whether the Government has relaxed norms for Foreign Direct Investment (FDI) in multi-brand retail and raised its cap in several sectors and if so, the details thereof and the reasons therefor;

(b) whether the Government proposes to set up Retail Regulatory Authority to deal with the issues concerning FDI in multi-brand retail and if so, the details thereof and the measures taken by the Government in this regard along with the safeguards provided/ being provided to Micro, Small and Medium Enterprises (MSME);

(c) whether some global multi-brand retail companies have violated the required sourcing norms and not complied with the rules of local purchase items from MSME/using of back-end infrastructure of existing retailers, etc.;

(d) if so, the names of such companies and the follow-up action taken by the Government in this regard; and

(e) whether the Government has modified or proposes to modify/dilute the existing sourcing norms/minimum investment limit/back-end infrastructure rules in view of the demands raised by the global retailers and if so, the details thereof?

Answer

THE MINISTER OF COMMERCE AND INDUSTRY (SHRI ANAND SHARMA)

(a) to (e): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF LOK SABHA STARRED QUESTION NO. 93 FOR ANSWER ON 12TH AUGUST, 2013, REGARDING FDI NORMS IN MULTI-BRAND RETAIL

(a): The Government reviews the FDI policy on an ongoing basis, to ensure that India remains an attractive & investor friendly destination. In a recent review of the policy, government has amended the sectoral caps and/ or entry routes in some sectors viz. petroleum & natural gas; commodity exchanges; power exchanges; stock exchanges, depositories and clearing corporations; asset reconstruction companies; credit information companies; tea sector including tea plantations; single brand product retail trading; test marketing; telecom services; courier services and defence. The government has also amended the FDI norms on multi- brand retail trading relating to local sourcing; minimum investment in back-end infrastructure and the size of cities for location of retail outlets.

FDI directly supplements domestic capital, technology and skills in the sectors of direct entry. It has indirect multiplier effects on other related sectors also, and thereby stimulates economic growth. FDI inflows also have a positive impact on the current account balance.

(b): The government has approved the constitution of a high level group under the Minister of Consumer Affairs to examine various issues concerning internal trade and to make recommendation for internal trade reforms. The major safeguard for MSMEs in the FDI policy on multi brand retail trading is that at least 30% of the value of procurement of manufactured/ processed products purchased by the multi brand retailer is to be sourced from Indian small industries. In the recent review, the government has included medium enterprises and farmers /agri cooperatives under the sourcing requirement. This safeguard is expected to strengthen the MSMEs and facilitate their integration in the value chain.

(c) & (d): The government has not received any proposal for FDI in the Indian multi-brand retail sector from global retail companies.

(e): The Government has not diluted the norms but taken steps to include medium enterprises and farmers'/agri co-operatives under the sourcing requirement, so that these entities also have opportunity to get integrated in the value chain. Secondly, the size of the small/medium enterprise is to be reckoned only at the stage of first engagement with a retailer. Even if the enterprise outgrows that limit subsequently, it would still continue to be eligible for sourcing. The minimum investment limit of US$ 100 million has not been amended. Only the 50% requirement of investment in backend infrastructure has been limited to the first tranche of US$ 100 million. These changes have been made, taking into consideration the concerns of potential investors as well as domestic stakeholders.