FOREIGN DIRECT INVESTMENT IN RETAIL SECTOR

*Dr. Yajnya Dutta Nayak, Lecturer in Commerce
Khallikote Autonomous College, Berhampur-1,
Odisha.

Abstract

India entered into the World Trade Organization's General Agreement on Trade in Services (GATS), in January 1995 pursuant to the Uruguay Round negotiations. Each WTO Member is required to have a schedule of specific commitments. It is a document which identifies the service sectors, sub-sectors or activities which are subject to market access and national treatment obligations and any limitations attached to them. One of the standard services to the GATS includes distribution services (i.e. commission agent, wholesale trade services, retailing services and franchising), As per India's Revised Offer at WTO on August 24, 2005, India has offered to undertake extensive commitments in a number of new sectors/sub-sectors such as distribution services in the areas of commission agents and wholesale trade services. As a backdrop, India is gradually opening up the retail trade sector to foreign investment. Traditionally, the retail sector in India was considered to be a sensitive sector especially due to factors, such as (i) the employment it generates and (ii) being in its early and undeveloped stage (particularly the domestic organized retail segment) it is not in a position to compete with large players. As a result, the Government policy has largely been to protect agriculturist and small retailers and therefore has discouraged entry of larger retailers in the market. Thus, participation of foreign investors in the retail sector was prohibited.

INTRODUCTION

FDI in India is regulated under Foreign Exchange Management Act, 1999 ("FEMA"). The Department of Industrial Policy and Promotion ("DIPP"), Ministry of Commerce and Industry, Government of India makes policy pronouncements on FDI through Press Notes/ Press Releases which are notified by the Reserve Bank of India ("RBI") as amendments to Foreign Exchange Management (Transfer or Issue of Security by Persons Resident Outside India) Regulations, 2000. Paragraph 4.2.3 of consolidated FDI policy ("FDI Policy") lays down two entry routes for investment: the automatic route and the government/approval route. Under the latter, prior approval of the Government of India through Foreign Investment Promotion Board ('FIPB') is required. Investments can be made by non-residents in the capital of a resident entity only to the extent of the percentage of the total capital (sectoral caps) as provided in the FDI Policy. Accordingly, DIPP in press notes 4 and 5 (2012 Series) inserted / modified paragraphs 6.2.16.4 and 6.2.16.5 of the FDI Policy allowing FDI in single brand product retail trading (100%) and multi brand retail trading (51%) respectively with prior approval of FIPB subject to compliance of certain conditions. Further, paragraph 6.2 of the FDI Policy states FDI into cash and carry wholesale trading is allowed up to 100% under automatic route provided that certain conditions are satisfied. Additionally, Paragraph 6.2.16.2.1 of FDI Policy states that companies engaged in the activity of buying and selling by a company through the e-commerce platform would engage only in Business to

Business (B2B) e-commerce and not in retail trading. However, provision of services by e-commerce companies to retail consumers is not covered under this restriction.

FDI Policy specifies eligible investors. A non-resident entity can invest in India subject to the FDI Policy. A citizen of Bangladesh or an entity incorporated in Bangladesh can invest only under the Government route. Further, a citizen of Pakistan or an entity incorporated in Pakistan can invest, only under the Government route, in sectors/activities other than defense, space and atomic energy. FDI Policy also details the types of instruments through which an investor can invest into India. Issue of shares, fully, compulsorily and mandatorily convertible debentures and preference shares are counted as FDI. The inward remittance received by an Indian company by way of issuance of depository receipts and foreign currency convertible bonds is also counted as FDI. Subject to FDI sectorial policy, non-resident investors can also invest in Indian companies by purchasing/acquiring existing shares from Indian shareholders or from other non-resident shareholders. However, if the activity of the Indian company falls outside the automatic route (i.e. in cases where a prior approval from the Government agencies or RBI is required) as single brand retail trading and multi brand retail trading does, such transfer requires RBI approval. A general permission is granted for issue of equity shares/preference shares against lump sum technical knowhow fee, royalty, subject to entry route, sectorial cap and pricing guidelines and compliance with applicable tax laws.

As far as the entities into which FDI can be made, non-resident investors enjoy a choice from among companies, partnership firms/proprietary concerns/ limited liability partnership and Venture Capital Funds (VCFs) subject to the adherence to conditions of FDI Policy. There are guidelines laid down in FDI Policy on the calculation of total foreign investment i.e. direct and indirect foreign investment in India.

FDI can be a powerful catalyst to spur competition in the retail industry, due to the current scenario of low competition and poor productivity. The policy of single-brand retail was adopted to allow Indian consumers access to foreign brands. Since Indians spend a lot of money shopping abroad, this policy enables them to spend the same money on the same goods in India. FDI in singlebrand retailing was permitted in 2006, up to 51 per cent of ownership. Between then and May 2010, a total of 94 proposals have been received. Of these, 57 proposals have been approved. An FDI inflow of US$ 196.46 million under the category of single brand retailing was received between April 2006 and September 2010, comprising 0.16 per cent of the total FDI inflows during the period. Retail stocks rose by as much as 5%. Shares of Pantaloon Retail (India) Ltd ended 4.84% up at Rs. 441 on the Bombay Stock Exchange. Shares of Shopper's Stop Ltd rose 2.02% and Trent Ltd, 3.19%. The exchange's key index rose 173.04 points, or 0.99%, to 17,614.48. But this is very less as compared to what it would have been had FDI up to 100% been allowed in India for single brand. The policy of allowing 100% FDI in single brand retail can benefit both the foreign retailer and the Indian partner – foreign players get local market knowledge, while Indian companies can access global best management practices, designs and technological knowhow. By partially opening this sector, the government was able to reduce the pressure from its trading partners in bilateral/ multilateral negotiations and could demonstrate India's intentions in liberalising this sector in a phased manner. Permitting foreign investment in food-based retailing is likely to ensure adequate flow of capital into the country & its productive use, in a manner likely to promote the welfare of all sections of society, particularly farmers and consumers. It would also help bring about improvements in farmer income & agricultural growth and assist in lowering consumer prices inflation.

Apart from this, by allowing FDI in retail trade, India will significantly flourish in terms of quality standards and consumer expectations, since the inflow of FDI in retail sector is bound to pull up the quality standards and cost-competitiveness of Indian producers in all the segments. It is therefore obvious that we should not only permit but encourage FDI in retail trade.

Lastly, it is to be noted that the Indian Council of Research in International Economic Relations (ICRIER), a premier economic think tank of the country, which was appointed to look into the impact of BIG capital in the retail sector, has projected the worth of Indian retail sector to reach $496 billion by 2011-12 and ICRIER has also come to conclusion that investment of 'big' money (large corporates and FDI) in the retail sector would in the long run not harm interests of small, traditional, retailers. In light of the above, it can be safely concluded that allowing healthy FDI in the retail sector would not only lead to a substantial surge in the country's GDP and overall economic development, but would *inter alia* also help in integrating the Indian retail market with that of the global retail market in addition to providing not just employment but a better paying employment, which the unorganized sector (kirana and other small time retailing shops) have undoubtedly failed to provide to the masses employed in them.

Industrial organisations such as CII, FICCI, US-India Business Council (USIBC), the American Chamber of Commerce in India, The Retail Association of India (RAI) and Shopping Centers Association of India (a 44 member association of Indian multibrand retailers and shopping malls) favour a phased approach toward liberalising FDI in multi-brand retailing, and most of them agree with considering a cap of 49-51 per cent to start with.

The international retail players such as Wal-Mart, Carrefour, Metro, IKEA, and TESCO share the same view and insist on a clear path towards 100 per cent opening up in near future. Large multinational retailers such as US-based Wal-Mart, Germany's Metro AG and Woolworths Ltd, the largest Australian retailer that operates in wholesale cash-and-carry ventures in India, have been demanding liberalisation of FDI rules on multi-brand retail for some time. Thus, as a matter of fact FDI in the buzzing Indian retail sector should not just be freely allowed but per contra should be significantly encouraged. Allowing FDI in multi brand retail can bring about Supply Chain Improvement, Investment in Technology**,** Manpower and Skill development**,** Tourism Development**,** Greater Sourcing From India**,** Up gradation in Agriculture**,** Efficient Small and Medium Scale Industries**,** Growth in market size and Benefits to government through greater GDP, tax income and employment generation.

THE INDIAN FDI POLICY TIMELINE

1997 - FDI in cash and carry (wholesale) with 100 per cent ownership was allowed under the Government approval route.

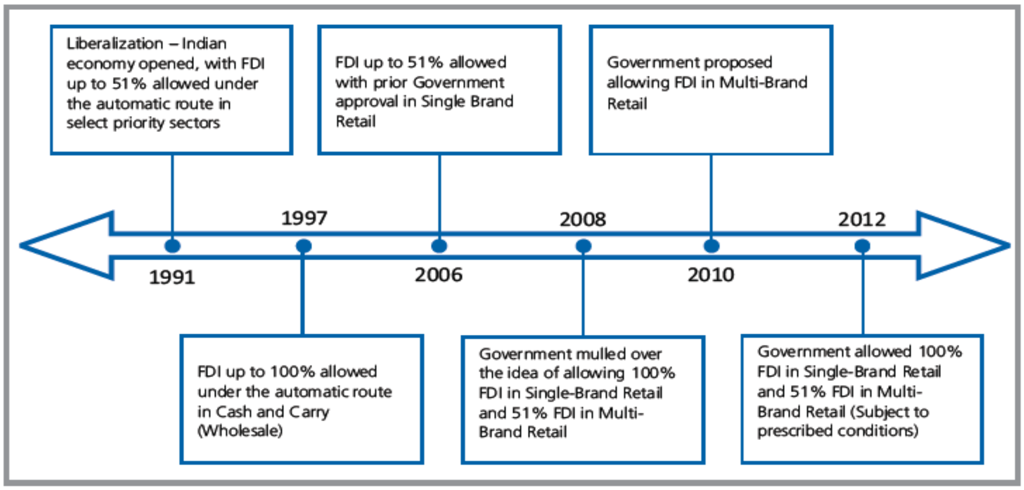
2006 - FDI in cash and carry (wholesale) with 100 per cent brought under the automatic route.

2006 - FDI up to 51 per cent which allowed foreigners to setup stores by partnering joint ventures with Indian firms in single brand product trading under Government approval route allowed.

2010 - Discussion paper on FDI in multi-brand retail trading introduced by Government.

2012 - FDI up to 100 per cent allowed in single brand product trading under the Government approval route subject to certain conditions.

2012 - FDI up to 51 per cent allowed in multi brand retail trading under the Government approval route subject to certain conditions



Source: YES BANK Analysis

Source: Amisha Gupta, Foreign Direct Investment In Indian Retail Sector: Strategic Issues And Implications, IJMMR, Volume 1, Issue 1 (December, 2010), ISSN-2229-6883, Sri

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Until 2011, Indian central government denied foreign direct investment (FDI) in multi-brand retail, forbidding foreign groups from any ownership in supermarkets, convenience stores or any retail outlets. Even single-brand retail was limited to 51 per cent ownership and a bureaucratic process. These market reforms paved the way for retail innovation and competition with multibrand retailers such as Wal-Mart, Carrefour and Tesco, as well single brand majors such as IKEA, Nike, and Apple. The announcement sparked intense activism, both in opposition and in support of the reforms. In December 2011, under pressure from the opposition, Indian government placed the retail reforms on hold till it reaches a consensus.56 Foreign Direct Investment under the Industrial Policy 1991 and thereafter under different Foreign Trade Policies is being allowed in different sectors of the economy in different proportion under either the Government route or Automatic Route. On 14 September 2012, the government of India announced the opening of FDI in multi brand retail, subject to approvals by individual states.

The Ministry of Commerce and Industry, Government of India is the nodal agency for monitoring and reviewing the FDI policy on continued basis and changes in sectoral policy/sectoral equity cap. The FDI policy is notified through Press Notes by the Secretariat for Industrial Assistance (SIA) Department of Industrial Policy and Promotion (DIPP).The foreign investors are free to invest in India, except few sectors/activities, where prior approval from the RBI or Foreign Investment Promotion Board (FIPB) would be required.

1. India will allow FDI of up to 51% in .multi-brand sector.
2. Single brand retailers such as Apple and Ikea, can own 100% of their Indian stores, up from previous cap of 51%.
3. FDI up to 100% for cash and carry wholesale trading and export trading allowed under the automatic route.
4. The retailers (both single and multi-brand) will have to source at least 30% of their goods from small and medium sized Indian suppliers.
5. All retail stores can open up their operations in population having over 1million.Out of approximately 7935 towns and cities in India, 55 suffice such criteria.
6. Multi-brand retailers must bring minimum investment of US$ 100 million. Half of this must be invested in back-end infrastructure facilities such as cold chains, refrigeration, transportation, packaging etc. to reduce post-harvest losses and provide remunerative prices to farmers.
7. The opening of retail competition (policy) will be within parameters of state laws and regulations.

Wholesale Cash and Carry

According to the FDI Policy, whether a transaction is wholesale or retail would depend on the type of customers to whom the sale is made and not the size and volume of sales. Wholesale trading would mean the sale of goods to retailers, industrial, commercial, other professional business users or to other wholesalers, but not for personal consumption. The consolidated FDI policy released for the first time in 2009 introduced guidelines that mandate relevant permits and licenses to be obtained. It also lists a number of 'valid business customers' with whom wholesale

transactions can be entered into (besides the Government). These entities should be; a) holders of sales tax/ VAT registration/service tax/excise duty registration; b) holders of trade licenses under Shops and Establishment Act, issued by the relevant governmental authority, indicating that the purchaser is engaged in a business involving commercial activity; c) holders of permits/licenses for undertaking retail trade (like tehbazari and similar license for hawkers) from the relevant authority; or d) institutions having a certificate of incorporation or registration as a society or registration as a public trust for their self-consumption. Full records indicating all the details of such sales like the name of the entity, kind of entity, registration/license/permit etc. number, amount of sale etc. should be maintained on a day to day basis. It is expressly clarified that a wholesale trader cannot open retail outlets, whereby sales will be made to the customer directly. Under the existing FDI Policy, wholesale deals would be permitted among companies of the same group.

Retail sales outlets may be set up in those States which have agreed or agree in future to allow FDI in MBRT

Under List II of the Seventh Schedule of the Constitution of India, trade and commerce within a State is a State subject. A regulatory framework governing retail sector, consequently, needs the approval of States under the Constitution. As of now, only State Governments of Assam, Andhra Pradesh, Delhi, Haryana, Jammu and Kashmir, Maharashtra, Manipur, Rajasthan, Uttarakhand, and the Union Territories of Daman & Diu and Dadra and Nagar Haveli have agreed to allow MBRT. Accordingly, it would be the prerogative of the State Governments to decide whether and where a multi-brand retailer, with FDI, is permitted to establish its sales outlets within the State. The establishment of the retail sales outlets will have to be in compliance with applicable State laws / regulations, such as the Shops and

Establishments Act etc. Additionally, the companies engaged in MBRT will also have to comply with local zoning regulations, warehousing requirements, access, traffic, parking and other logistics as prescribed by State Governments from time to time. With this restriction, each investor will have to comply with policy on FDI at both Centre and State levels. Depending on State policy on MBRT, the investors may or may not be permitted to invest in those States. Interestingly this seems to be the first time that discretion on whether to permit FDI in a sector or not has been left to the States.

Retail sales locations may be set up only in cities with a population of more than 1 million.

The reach of retail sales outlets of foreign multi brand retail traders will be limited to only those cities with a population of 1 million (including an area of 10 kilometers around the municipal/urban agglomeration limits of such cities). As per 2011 Census only 53 cities qualify for FDI in multi brand retail locations. Additionally, in the States / Union Territories, which do not have any city with a population exceeding 1 million, but are desirous of implementing the policy, would have the flexibility to do so of identifying the largest city where FDI could be allowed. The above restriction of establishment of retail sales outlets in cities with a minimum prescribed population would limit reach of foreign investors. However, the current restriction to Tier 1 and Tier 2 cities seems reasonable given the sensitivity around the sector and prevalent undeveloped / unorganised retail segment in small towns/ villages which would be unable to compete with large players.

Minimum amount to be brought in, as FDI, by the foreign investor, would be USD 100 million.

The foreign investor has to bring in a minimum investment of USD 100 million in an entity engaged in MBRT. Retail sector being a capital intensive sector, the requirement for minimum capitalisation appears logical. This will attract serious investors and allow the government to study the benefit such investment will have on the Indian economy.

50% of the total FDI brought in to be invested in `backend infrastructure` within three years

Considering the need for investment in back-end infrastructure, at least 50% of the total FDI brought in shall be invested in 'back-end infrastructure' within three years of the first tranche of FDI. Investment in 'back-end infrastructure' will include capital expenditure on all activities such as investment made towards processing, manufacturing, distribution, design improvement, quality control, packaging, logistics, storage, warehouse, agriculture market, produce, infrastructure etc. The Indian retail sector is lacking adequate infrastructure and immersed in increased cost and wastage due to disrupted supply chains and middlemen. To address this problem, the requirement for investment in back end infrastructure within a three year timeframe has been introduced.

30 per cent mandatory local sourcing requirement

Similar to the requirement of mandatory local sourcing as applicable in SBPRT (prior to press note 4 of 2012), at least 30% of the value of procurement of manufactured / processed products purchased shall be sourced from Indian `small industries`.36 Compliance with this condition will have to be self-certified by the company and then cross-checked as and when required. This procurement requirement would have to be met, in the first instance, as an average of five years' total value of the manufactured/ processed products purchased, beginning April 1 of the year during which the first tranche of FDI is received. Thereafter, it would have to be met on an annual basis. In case of MBRT, the 30% sourcing requirement is to be calculated on the purchase of manufactured and processed products. Therefore, non-processed agricultural products would not be included. The mandatory local sourcing requirement in case of MBRT is aimed to provide a boost to small industries. It may be easier for multi brand retailers to meet this condition since they have a large spectrum of goods to offer.

Retail trading, in any form, by means of e-commerce, would not be permissible, for companies with FDI, engaged in the activity of MBRT.

A company which is the recipient of FDI has to ensure compliance of the conditions relating to minimum USD 100 million investment, investment in back-end infrastructure and mandatory local procurement requirement which could be verified, as and when required. Further, the investors shall maintain accounts, duly certified by statutory auditors. Applications for MBRT would have to be made to DIPP. DIPP will determine whether the proposed investment satisfies the notified guidelines and after being satisfied will forward the application to be considered by the FIPB for approval.

FDI in Single Brand Retail

The Government has not categorically defined the meaning of “Single Brand” anywhere neither in any of its circulars nor in any notifications. In single-brand retail, FDI up to 51 per cent is allowed, subject to Foreign Investment Promotion Board (FIPB) approval and subject to the conditions mentioned in Press Note 3 that (a) only single brand products would be sold (i.e., retail of goods of multibrand even if produced by the same manufacturer would not be allowed), (b) products should be sold under the same brand internationally, (c) single-brand product retail

would only cover products which are branded during manufacturing and (d) any addition to product categories to be sold under “single-brand” would require fresh approval from the government. While the phrase ‘single brand’ has not been defined, it implies that foreign companies would be allowed to sell goods sold internationally under a ‘single brand’, viz., Reebok, Nokia, Adidas. Retailing of goods of multiple brands, even if such products were produced by the same manufacturer, would not be allowed.

FDI in Multi Brand Retail

The government has also not defined the term Multi Brand. FDI in Multi Brand retail implies that a retail store with a foreign investment can sell multiple brands under one roof. In July 2010, Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce circulated a discussion paper on allowing FDI in multi-brand retail. The paper doesn’t suggest any upper limit on FDI in multi-brand retail. If implemented, it would open the doors for global retail giants to enter and establish their footprints on the retail landscape of India. Opening up FDI in multi-brand retail will mean that global retailers including Wal-Mart, Carrefour and Tesco can open stores offering a range of household items and grocery directly to consumers in the same way as the ubiquitous ‘*kirana’* store

FOREIGN INVESTOR’S CONCERN

For those brands which adopt the franchising route as a matter of policy, the current FDI Policy will not make any difference. They would have preferred that the Government liberalize rules for maximizing their royalty and franchise fees. They must still rely on innovative structuring of franchise arrangements to maximize their returns. Consumer durable majors such as LG and Samsung, which have exclusive franchisee owned stores, are unlikely to shift from the preferred route right away. For those companies which choose to adopt the route of 51% partnership, they must tie up with a local partner. The key is finding a partner which is reliable and who can also teach a trick or two about the domestic market and the Indian consumer. Currently, the organized retail sector is dominated by the likes of large business groups which decided to diversify into retail to cash in on the boom in the sector – corporates such as Tata through its brand Westside, RPG Group through Foodworld, Pantaloon of the Raheja Group and Shopper's Stop.

Concerns for the Government for only Partially Allowing FDI in Retail Sector

A number of concerns were expressed with regard to partial opening of the retail sector for FDI. The Hon'ble Department Related Parliamentary Standing Committee on Commerce, in its 90th Report, on 'Foreign and Domestic Investment in Retail Sector', laid in the Lok Sabha and the Rajya Sabha on 8 June, 2009, had made an in-depth study on the subject and identified a number of issues related to FDI in the retail sector. These included: It would lead to unfair competition and ultimately result in large-scale exit of domestic retailers, especially the small family managed outlets, leading to large scale displacement of persons employed in the retail sector. Further, as the manufacturing sector has not been growing fast enough, the persons displaced from the retail sector would not be absorbed there.

Another concern is that the Indian retail sector, particularly organized retail, is still under-developed and in a nascent stage and that, therefore, it is important that the domestic retail sector is allowed to grow and consolidate first, before opening this sector to foreign investors.

Antagonists of FDI in retail sector oppose the same on various grounds, like, that the entry of large global retailers such as Wal-Mart would kill local shops and millions of jobs, since the unorganized retail sector employs an enormous percentage of Indian population after the agriculture sector; secondly that the global retailers would conspire and exercise monopolistic power to raise prices and monopolistic (big buying) power to reduce the prices received by the suppliers; thirdly, it would lead to asymmetrical growth in cities, causing discontent and social tension elsewhere. Hence, both the consumers and the suppliers would lose, while the profit margins of such retail chains would go up.

Prerequisites before allowing FDI in Multi Brand Retail and Lifting Cap of Single Brand Retail

FDI in multi-brand retailing must be dealt cautiously as it has direct impact on a large chunk of population. Left alone foreign capital will seek ways through which it can only multiply itself, and unthinking application of capital for profit, given our peculiar socio-economic conditions, may spell doom and deepen the gap between the rich and the poor. Thus the proliferation of foreign capital into multi-brand retailing needs to be anchored in such a way that it results in a win-win situation for India.

This can be done by integrating into the rules and regulations for FDI in multi-brand retailing certain inbuilt safety valves. For example FDI in multi –brand retailing can be allowed in a calibrated manner with social safeguards so that the effect of possible labor dislocation can be analyzed and policy fine-tuned accordingly. To ensure that the foreign investors make a genuine contribution to the development of infrastructure and logistics, it can be stipulated that a percentage of FDI should be spent towards building up of back end infrastructure, logistics or agro processing units. Reconstituting the poverty stricken and stagnating rural sphere into a forward moving and prosperous rural sphere can be one of the justifications for introducing FDI in multi-brand retailing. To actualize this goal it can be stipulated that at least 50% of the jobs in the retail outlet should be reserved for rural youth and that a certain amount of farm produce is procured from the poor farmers. Similarly to develop our small and medium enterprise (SME), it can also be stipulated that a minimum percentage of manufactured products be sourced from the SME sector in India. PDS is still in many ways the life line of the people living below the poverty line. To ensure that the system is not weakened the government may reserve the right to

procure a certain amount of food grains for replenishing the buffer. To protect the interest of small retailers the government may also put in place an exclusive regulatory framework. It will ensure that the retailing giants do resort to predatory pricing or acquire monopolistic tendencies. Besides, the government and RBI need to evolve suitable policies to enable the retailers in the unorganized sector to expand and improve their efficiencies. If Government is allowing FDI, it must do it in a calibrated fashion because it is politically sensitive and link it (with) up some caveat from creating some back-end infrastructure.

Further, To take care of the concerns of the Government before allowing 100% FDI in Single Brand Retail and Multi- Brand Retail, the following recommendations are being proposed :-

- Preparation of a legal and regulatory framework and enforcement mechanism to ensure that large retailers are not able to dislocate small retailers by unfair means.
- Extension of institutional credit, at lower rates, by public sector banks, to help improve efficiencies of small retailers; undertaking of proactive programme for assisting small retailers to upgrade themselves.
- Enactment of a National Shopping Mall Regulation Act to regulate the fiscal and social aspects of the entire retail sector.
- Formulation of a Model Central Law regarding FDI of Retail Sector

SUGGESTIONS

On the backdrop of permission to FDI in multinational retail the scenario of Indian retail industry is going to change drastically. It is likely to impact not only the unorganized sector but also the domestic organized sector considerably under these circumstances the following suggestions are made for the benefit of Kirana stores, farmers, employees and other stakeholders of retail industry.

1. The traditional the Mom and Pop Kirana stores should change their appearance, attitude and affairs. They should modernized their shops, store, more branded goods, provide home delivery service.
2. These traditional Kirana stores should form a consortium and make bulk purchases. This measure will help to procure the goods at lower price.
3. The banks in the country and the state government should formulate a scheme of modernization loan. Under this scheme credit should be made.
4. Available at of concessional rate and all priority bases to the small unorganized kirana stores.
5. The small farming community should undertake joint supply of fruits and vegetables directly to the small retailers and / or customers. This will benefit all of them.
6. There should be a monitoring agency established at the state level to keep watch on the operations of foreign players in retail sector. This agency should see that necessary investment is made by the foreign players in cold storages, transportation & logistics. It should also ensure that the foreign player's required quota of goods from SME sector.
7. The possibility of starting mails of small retailers should be explored & a group of small retailers in a locality should came together & open such mall.

8. The educational institutions should constitute degree, diploma coerces in detailing management where both the theoretical & practical aspects of retail trade are taught to the candidates. The wholesalers will be affected by the entry of foreign player & the organizational domestic players, because they will purchase the goods directly for the manufactures dispensing the need of wholesalers. Hence, the wholesalers should also go in together to make collective purchases.
9. There is also a need to strengthen small farmer organizations and provide them with technical assistance to increase productivity for the cost competitive market, provide help to improve the quality of produce, and encourage them to participate more actively in marketing their produce in order to capture value added in the supply chain.

CONCLUSION

The government has added an element of social benefit to its latest plan for calibrated opening of the multi-brand retail sector to foreign direct investment (FDI). Only those foreign retailers who first invest in the back-end supply chain and infrastructure would be allowed to set up multi brand retail outlets in the country. The idea is that the firms must have already created jobs for rural India before they venture into multibrand retailing. It can be said that the advantages of allowing unrestrained FDI in the retail sector evidently outweigh the disadvantages attached to it and the same can be deduced from the examples of successful experiments in countries like Thailand and China; where too the issue of allowing FDI in the retail sector was first met with incessant protests, but later turned out to be one of the most promising political and economic decisions of their governments and led not only to the commendable rise in the level of employment but also led to the enormous development of their country's GDP.

Moreover, in the fierce battle between the advocators and antagonist of unrestrained FDI flows in the Indian retail sector, the interests of the consumers have been blatantly and utterly disregarded. Therefore, one of the arguments which inevitably needs to be considered and addressed while deliberating upon the captioned issue is the interests of consumers at large in relation to the interests of retailers. It is also pertinent to note here that it can be safely contended that with the possible advent of unrestrained FDI flows in retail market, the interests of the retailers constituting the unorganized retail sector will not be gravely undermined, since nobody can force a consumer to visit a mega shopping complex or a small retailer/sabji mandi. Consumers will shop in accordance with their utmost convenience, where ever they get the lowest price, max variety, and a good consumer experience.

Similarly to develop our small and medium enterprise, it can also be stipulated that a minimum percentage of manufactured products be sourced from the SME sector in India. Public Distribution System is still in many ways the life line of the people living below the poverty line. To ensure that the system is not weakened the government may reserve the right to procure a certain amount of food grains for replenishing the buffer. The government may also put in place an exclusive regulatory framework to protect the interest of small retailers. It will ensure that the retailing giants do resort to predatory pricing or acquire monopolistic tendencies. Besides, the government and RBI need to evolve suitable policies to enable the retailers in the unorganized sector to expand and improve their efficiencies.

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