

## **FDI in Retail – Heightened Expectations & Obligations**

It has taken three governments many years of seemingly interminable reflection, discussion and posturing to finally come out with a policy to allow foreign direct investment in retail sector, having successfully given the illusion of some movement in this direction by the very creation of distinction between different types of retail businesses on the basis of single-brand or multi-brand.

Since the subject has, a matter of surprise to some, generated so much national and international attention and interest, all the stakeholders and then even almost all the bystanders have a view on this subject. Some have fears, while many just have heightened expectations. The naysayers believe that permitting FDI in retail sector will see hordes of predatory retail businesses swoop upon India, initially seduce the unsuspecting Indian consumers with cheap imported products and deeply discounted Indian ones while decimating the hapless Indian retailers – large or small – and once this objective (of decimation of Indian retail businesses) has been achieved – at the cost of huge losses of jobs and further squeezing of the already famished Indian farmer and Indian small and medium enterprises, the predators will start milking the Indian consumer having through monopolistic or oligopolistic power. The optimists, on the other hand, believe that with large scale infusion of international capital, know-how, and supply chain prowess, the inflation battered Indian consumer will finally get some respite while the much exploited Indian farmer (and many small and medium scale manufacturers of consumer goods who cannot otherwise get access to shelf-space that is currently occupied by large Indian and global brands) will get a better return for his tireless effort. The optimists also believe that a more responsible, modernized retail system will make for less exploitation of the several millions underage and of-age workers who currently have no identity, no training, no job-security, and no retirement benefit as they work with millions of independent shopkeepers as helpers and delivery boys and shop assistants.

So, what should India and Indian consumers expect from global retailers such as Wal-Mart, Tesco, Carrefour, Metro, IKEA and others, now that the market has been formally opened to them to operate in? To start with, it would be really nice if they would give a resounding thumbs-up to this trust in them and their ability to bring about a positive transformation in the lives of hundreds of millions of Indian consumers and many millions others who hope to become direct and indirect associates to these global giants. Having lobbied for this opening for a long time, it is now imperative upon them to back this move from the otherwise currently beleaguered Government of India with significant financial and know-how investment both directed towards the front and the back-end. This must be done not with the intent to fulfil any conditionalities that the FDI policy would entail, but with a strong belief in India's economic future and its potential and capability to offer a win-win proposition for the retailers and all others including the consumers, the producers, the employees, and the governments both at the Centre and at the state levels. The international retailers must also encourage their global suppliers to also repose a similar level of confidence in India by creating new manufacturing capacities within India so that India's manufacturing sector gets a further fillip, create new jobs beyond the retail shop floors, and make the producer – consumer supply chain more efficient so that the Indian consumers can get better products at lower prices, delivered to them with superior experience and service.

Likewise, the Government must back up its bold decision to open the Indian market to global retailers by removing a few bottlenecks and irritants that are actually antediluvian and serve the

interest of no one while creating value-loss at various stages. APMC act must be unequivocally repealed, and farm products given a border-free / octroi-free pan-India market. This will facilitate creation of more efficient supply chains especially for perishable products and bring down the prices for the consumers. The Government at the centre must also work closely with the state governments to make them realize the benefit of an efficient, revenue leak-proof distribution and retail system and simplify and modernise the Shops & Establishment Act to make it a more level playing field for large and small retail business else only the large could invest in the additional effort and resources that are needed for compliance with the byzantine red tape and capricious inspectors. At the same time, the Government must now also very seriously look at undertaking structural reforms in the agriculture sector to enable some defragmentation of the highly fragmented land holdings, encouragement of formation of farmers' cooperatives which can give them the economies of scale without the fear of any displacement by large business entities, and further incentivise post-farm gate processing of agricultural products which can then find their way to the consumer through the modern retail front end. Only then the full benefit of the much spoken about farm-to-the-kitchen efficiency potential of modern retail will be realized. Global (and Indian) retailers would therefore have these legitimate expectations from the Government to facilitate such enabling conditions so that they can deliver what is expected from them.

There is no reason why such expectations from all the stakeholders cannot be successfully met, and so we can all realistically hope for many positive things to happen in the years to come. The Government must, indeed, be thanked and supported for taking this much needed first step of allowing FDI in the retail sector .

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