

## **FDI IN RETAIL TRADE- DETRIMENTAL TO ECONOMY**

- Praveen Khandelwal  
National Secretary General  
Confederation of All India Traders

The recently released discussion paper by the Govt. on FDI in Multi Brand Retail is nothing but an attempt to convert the domestic retail trade in crony capitalism. The trading community is prepared to oppose it tooth and nail as this is the question of the survival of their trade. It will adversely affect not only the traders but even the farmers, transporters, workers and several other sections that are associated with retail trade. If MBR is allowed in India, the sole aim of global retailers will be to dominate the markets they enter into with the objective of capturing the maximum share as they will be entering the trade for business and not for charity. Given their outsourcing skills, resources and facilitation from the Govt. they will be able to crush the competition and ultimately they will dominate the market by charging monopolistic prices.

The one reason that has been stated in the discussion paper is domination of value chain by the intermediaries and realization of only 1/3<sup>rd</sup> of the total price paid by the consumers to the farmers. It is necessary to understand who the present intermediaries are, the bullock cart men, transporter, Agent and small trader whereas in case of the global players the intermediaries are the Brand Ambassadors who are paid crores of rupees, high consumption of power, high cost of warehousing and transportation. Our intermediaries have not only contributed to the economy but also to the substantial social development of the Country. Further, the small retailers are charged for keeping 2/3<sup>rd</sup> margin with them which is factually wrong. Since year 2005 big corporate houses are also engaged in retail operations and their prices are either higher or at par with the market prices. It establishes that the 2/3<sup>rd</sup> margin is kept by these big retailers and in no way they are going to sell the prices at lower rates. Therefore, charging retailers with keeping huge margin is nothing but to malign the trading community and finding ways to allow MNC's to retail sector.

Post independence no governmental efforts were made to develop the existing retail trade in to structure organized retailing. Hence, instead of allowing MBR in retail trade, the Govt. should evolve a policy to upgrade the existing retailers and on the pattern of MSME (Micro, Small and Medium Enterprises) Act, we shall have an Act to protect and promote small and medium retailers by name, Small and Medium Retailers Act (SMR Act) under separate Ministry with innovative schemes such as Cluster approach to convert our un-organized retailers into organized modern retailers. They should be provided with credit facilities at low interest rates. This will facilitate number of retail units to come together and transform themselves into chain shops and they will have the clout to bargain in purchase and the consumer will be benefited.

It is said that MBR will prove to be a boon to farmers which is factually wrong. The global players will initially buy the products directly from agriculturists at attractive prices through their procurement centers on contract basis or otherwise. Once the agricultural mandis and regulated market yards are closed and farmers losses their contacts, they will radically reduce the procurement prices. As they possess tremendous bargaining power farmers will be forced to sell their produce at cut throat prices and even will be forced to part with their agricultural land which will render themselves merely employees of retail houses.

After Agriculture, retail sector is the largest employment generating sector in the Country. Due to lack of level playing field, our small retail stores, mid sized departmental and chain shops would be severely hit, depriving millions of people of their jobs and livelihood. Has the Government any plan to provide alternative employment to them and/or for their rehabilitation. While the Government has provided many concessions and implemented assistance schemes for the protection and growth of SSI sector, it has done nothing to safeguard interest and nurture the progress of Small and Medium sized retail units in the country. Prudence demands that the Government should not disturb our traditional retail trade which is being conducted without throwing any financial burden upon the Government.

It is suggested that an independent in depth study of the retail trade should be carried by a task force comprising of officials, experts and stakeholders to understand the real situation and ground realities of Indian retail trade and efforts must be made to modernize and organize the existing retail trade instead of inviting MNC's to conquer us once again.