

<http://www.hindustantimes.com/business-news/WorldEconomy/A-guide-to-FDI-in-retail/Article1-775717.aspx>

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A guide to FDI in retail - what are the questions ?

It is about the fuss and uproar we hear in the parliament. Misinformation and hungama, and if the citizen does not know what the game is, they will be the losers.

We only wake up, when it is late. Now we bear the unbearable food prices, and grumble. It happened when we were asleep. Now if we are awake, we can participate in the debate that is taking place. The opposition parties, claim to have our interests at heart, and want status quo. This means, high vegetable prices, to feed the greedy middle men, who are the votaries of the politicians.

what's the fuss all about?

The government has decided to open up the retail sector to global investors through foreign direct investment (FDI) in multi-brand retail with a ceiling of 51%, and 100% FDI in single-brand retail.

What does it mean?

It means that global retailers such as Walmart, Carrefour, Tesco and others can set up mega deep-discount stores in the country through joint ventures with Indian firms, where the foreign partner can hold up 51% equity.

But Walmart, Carrefour and Metro already have stores in India, don't they?

Basics: What is FDI ?

Written by W.J.Pais

Yes, but these are wholesale cash-and-carry stores where only institutions or kirana shops can buy — not consumers.

What about single-brand retail?

Single brand retail companies such as Swedish furnishing giant Ikea or sporting goods and equipment major Reebok can set up stores of their own in India through their own subsidiaries. Till now they were required to set up stores through joint ventures in India that allowed the foreign partner to own up to 51% equity.

Has the government set any conditions for allowing FDI in retail?

It has come with a string of conditions. At least half of the FDI should be made in back-end infrastructure such as cold-chain and warehousing, the minimum FDI in any multi-brand retail project should be \$100 million (around Rs 500 crore), state governments can prohibit FDI in retail in their states if they wish to, stores can be set up only in cities with a population of at least 1 million, and at least 30% of the value of manufactured items procured should be sourced from Indian small and medium enterprises.

Why is there so much of opposition about the decision?

Opposition parties and small traders are worried that large deep-discount stores of transnational corporations will drive street vendors and neighbourhood mom-and-pop kirana stores out of business endangering their livelihood.

Will kirana stores' business be affected?

Unlikely because large deep discount stores cannot offer the convenience and loyalty of

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neighbourhood kirana stores who are available at the customers' beck and call, literally.