

- (7) Additional items allowed within the existing duty free imports entitlement for the following employment oriented sectors:
- (i) 5 additional items for sports goods sector;
 - (ii) Additional items for leather garments and footwear and textile items.
- (8) Basic customs duty of 5% on Rough/Unworked corals abolished;
- (9) Service Tax- Following changes have been made.
- (i) Exemption from Service tax on services linked to exports:
 - (a) On service related to transport of export goods by road from any CFS or ICD to the port or Airport and on service related to transport of export goods by road directly from their place of removal, to an ICD, a CFS, a port or airport;
 - (b) Services provided by Foreign Agent Commission service.
 - (ii) Procedure for refund of service tax simplified by allowing refund on self certification in case refund claim does not exceed 0.25% of FOB value of exports; and certification by Chartered Accountant in case of others;
 - (iii) Time period for filing refund claim increased to 1 year from the date of export (as against half-yearly).

Evaluation of large scale industries in retail market

†1177. SHRI SHIVANAND TIWARI:

SHRI RAJ MOHINDER SINGH MAJITHA:

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

- (a) whether it is a fact that many committees and prominent people have recommended to the Government not to allow foreign and domestic large-scale industries to trade in the retail market of the country;
- (b) if so, the number of memorandum received by the Government;
- (c) whether Government has evaluated socio-economic loss with the entry of large scale industries to the retail market; and
- (d) if so, the details of the evaluation?

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI JYOTIRADITYA MADHAVRAO SCINDIA): (a) and (b) The Department Related Parliamentary Standing Committee on Commerce in its ninetyeth report on foreign and domestic investment in retail sector, has deliberated on this issue and made a number of observations and recommendations. In addition, Government has received 21 representations from various members of Parliament and 48 memorandums from various industry associations.

†Original notice of the question was received in Hindi.

(c) and (d) The extant policy does not permit Foreign Direct Investment (FDI) in retail trading. The policy only allows FDI up to 51% in retail trading of single brand products subject to the following conditions:

- i. Products should be sold should be of a single brand only.
- ii. Products should be sold under the same brand internationally.
- iii. Single brand product retailing would cover only products which are branded during manufacturing.

The present policy addresses the needs of the brand conscious middle class and young population which is a niche distinct from that catered by the small retailers. The policy is expected to encourage sourcing from India and provide market access to domestic suppliers. The single brand retail outlets are expected to be located in the high street shopping areas or inside shopping malls and attract brand loyal clientele which often has pre-set positive disposition towards the brand. It is therefore not expected to affect the existing small retailers.

Government had instituted a study on the subject "Impact of large domestic retailers on unorganised retail" through Indian Council for Research on International Economic Relations (ICRIER). Main findings of the ICRIER study are given in the Statement.

Statement

Findings and Recommendations of ICRIER

The retail GDP is expected to grow at 8-10 per cent per annum in the next five years. As a result, the consuming class with annual household incomes above Rs. 90,000 is expected to rise from about 370 million in 2006-07 to 620 million in 2011-12. Consequently, the retail business in India is estimated to grow at 13 per cent annually from US\$ 322 billion in 2006-07 to US\$ 590 billion in 2011-12. The study shows:

- The unorganized retail sector is expected to grow at about 10 per cent per annum with sales rising from US\$ 309 billion in 2006-07 to US\$ 496 billion in 2011-12.
- Given the relatively weak financial state of unorganized retailers, and the physical space constraints on their expansion prospects, this sector alone will not be able to meet the growing demand for retail.
- Hence, organized retail which now constitutes a small four per cent of total retail sector is likely to grow at a much faster pace of 45-50 per cent per annum and quadruple its share in total retail trade to 16 per cent by 2011-12.
- This represents a positive sum game in which both unorganized and organized retail not only coexist but also grow substantially in size.
- The majority of unorganized retailers surveyed in this study, indicated their preference to continue in the business and compete rather than exit.

The Empirical Basis

The study comprised of survey of all segments of the economy that could be affected by the entry of large corporates in the retail business. The findings are based on a survey of 2020

unorganized small retailers across 10 major cities; 1318 consumers shopping at both organized and unorganized retail outlets; 100 intermediaries; and 197 farmers. In addition, a "control sample" survey was done of 805 unorganized retailers who are not in the vicinity of organized retail outlets in four metro cities.

Detailed interviews were also carried out for 12 large manufacturers, 20 small manufacturers and six established modern retailers.

The study contains an extensive review of international retail experience, particularly from the major emerging market economies.

Main Findings

Impact on Unorganized Retailers

- Unorganized retailers in the vicinity of organized retailers experienced a decline in their volume of business and profit in the initial years after the entry of large organized retailers.
- The adverse impact on sales and profit weakens over time.
- There was no evidence of a decline in overall employment in the unorganized sector as a result of the entry of organized retailers.
- There is some decline in employment in the North and West regions which, however, also weakens over time.
- The rate of closure of unorganized retail shops in gross terms is found to be 4.2 per cent per annum which is much lower than the international rate of closure of small businesses.
- The rate of closure on account of competition from organized retail is lower still at 1.7 per cent per annum.
- There is competitive response from traditional retailers through improved business practices and technology upgradation.
- A majority of unorganized retailers is keen to stay in the business and compete, while also wanting the next generation to continue likewise.
- Small retailers have been extending more credit to attract and retain customers.
- However, only 12 per cent of unorganized retailers have access to institutional credit and 37 per cent felt the need for better access to commercial bank credit.
- Most unorganized retailers are committed to remaining independent and barely 10 per cent preferred to become franchisees of organized retailers.

Impact on Consumers

- Consumers have definitely gained from organized retail on multiple counts.
- Overall consumer spending has increased with the entry of the organized retail.
- While all income groups saved through organized retail purchases, the survey revealed that lower income consumers saved more. Thus, organized retail is relatively more beneficial to the less well-off consumers.

- Proximity is a major comparative advantage of unorganized outlets.
- Unorganized retailers have significant competitive strengths that include consumer goodwill, credit sales, amenability to bargaining, ability to sell loose items, convenient timings, and home delivery.

Impact on Intermediaries

- The study did not find any evidence so far of adverse impact of organized retail on intermediaries.
- There is, however, some adverse impact on turnover and profit of intermediaries dealing in products such as, fruit, vegetables, and apparel.
- Over two-thirds of the intermediaries plan to expand their businesses in response to increased business opportunities opened by the expansion of retail.
- Only 22 per cent do not want the next generation to enter the same business.

Impact on Farmers

- Farmers benefit significantly from the option of direct sales to organized retailers.
- Average price realization for cauliflower farmers selling directly to organized retail is about 25 per cent higher than their proceeds from sale to regulated government *mandi*.
- Profit realization for farmers selling directly to organized retailers is about 60 per cent higher than that received from selling in the *mandi*.
- The difference is even larger when the amount charged by the commission agent (usually 10 per cent of sale price) in the *mandi* is taken into account.

Impact on Manufacturers

- Large manufacturers have started feeling the competitive impact of organized retail through price and payment pressures.
- Manufacturers have responded through building and reinforcing their brand strength, increasing their own retail presence, 'adopting' small retailers, and setting up dedicated teams to deal with modern retailers.
- Entry of organized retail is transforming the logistics industry. This will create significant positive externalities across the economy.
- Small manufacturers did not report any significant impact of organized retail.

Policy Recommendations

On the basis of the results of the surveys and the review of international retail experience, the study makes the following major recommendations:

1. Modernization of wetmarkets through public-private partnerships.
2. Facilitate *cash-and-carry* outlets, like Metro, for sale to unorganized retail and procurement from farmers, as in China.
3. Encourage co-operatives and associations of unorganized retailers for direct procurement from suppliers and farmers.
4. Ensure better credit availability to unorganized retailers from banks and micro-credit institutions through innovative banking solutions.

5. Facilitate the formation of farmers' co-operatives to directly sell, to organized retailers.
6. Encourage formulation of "private codes of conduct" by organized retail for dealing with small suppliers. These may then be incorporated into enforceable legislation.
7. Simplification of the licensing and permit regime for organized retail and move towards a nationwide uniform licensing regime in the states to facilitate modern retail.
8. Strengthening the Competition Commission's role for enforcing rules against collusion and predatory pricing.
9. Modernization of APMC markets as modelled on the National Dairy Development Board (NDDB) Safal market in Bangalore.

Follow-up action on the ICRIER Report

- The ICRIER Report has been forwarded to the State Governments and Secretaries of the Central Government Ministries.

Comprehensive economic co-operation agreement between India and Singapore

†1178. SHRI RAJ MOHINDER SINGH MAJITHA:

SHRI RAM JETHMALANI:

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

(a) whether it is a fact that India and Singapore had entered into Comprehensive Economic-Co-operation Agreement in 2005;

(b) if so, the number of articles from which the customs duty has been abolished till June, 2009 in Singapore and in India in pursuance of the agreement; and

(c) the year wise details of the value of imports and exports from India and Singapore during the period from 2005 to March, 2009?

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI JYOTIRADITYA MADHAVRAO SCINDIA): (a) Yes, Sir.

(b) India-2710 tariff lines; Singapore - all tariff lines.

(c) Details of India's trade with Singapore are as under:

Year	(In US\$ Million)		
	Export	Import	Total Trade
2005-2006	5425.29	3353.77	8779.06
2006-2007	6064.19	5485.26	11549.45
2007-2008	7367.54	8117.64	15485.18
2008-2009 (Apr to Feb)	7273.43	6628.92	13902.35

Disparity of Salary in Cardamom Research Institute vis-a-vis ICAR and CSIR

1179. SHRI GIREESH KUMAR SANGHI:

SHRI SANTOSH BAGRODIA:

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

†Original notice of the question was received in Hindi.