

(c) There were 905 companies to which aforesaid 1365 samples related to. Information relating to the names of those companies and action taken on the failures is being collected and will be laid on the Table of the House.

#### **Incentives to retail big houses**

†2340. SHRI SHIVANAND TIWARI:  
SHRI RAJ MOHINDER SINGH MAJITHA:

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

(a) whether it is a fact that Government proposes to give more incentives related to retail market to domestic and foreign big houses so as to enhance competition in retail market of the country;

(b) if so, the details thereof and whether this proposal has been welcomed by big houses; and

(c) if so, the details thereof and the detailed outline of the proposal?

THE MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (PROF. K.V. THOMAS): (a) Retail trade is a State subject and States have their own policy in this matter. There is no such scheme of the Central Government.

(b) and (c) Does not arise in view (a) above.

#### **Negative impact of big business houses on small retailers**

‡2341. SHRI RAJ MOHINDER SINGH MAJITHA:  
SHRI RAVI SHANKAR PRASAD:

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

(a) whether it is a fact that the representative organizations of retailers of unorganised sector has drawn Government's attention towards the negative impact on the small retailers due to entry of big Indian and foreign business houses in retail market of the country;

(b) if so, the name of those organizations along with the details of the ill-effects mentioned by them; and

(c) Government's reaction in respect of the views expressed by those organizations?

THE MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (PROF. K.V. THOMAS): (a) Yes, Sir.

(b) A list of organizations who have represented to the Government is given in Statement-I (See below).

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†Original notice of the question was received in Hindi.

(c) Government had instituted a study on the subject “Impact of large domestic retailers on unorganized retail” through Indian Council for Research on International Economic Relations (ICRIER). Main findings of the ICRIER study are given in Statement-II (See below). The ICRIER Report has been forwarded to various stakeholders including all the State Governments and the Central Government Ministries.

**Statement-I**

*List of representations against FDI in retail trade*

Sl. No.	Association	Main Issue in the representation
1	2	3
1.	Federation of Associations of Maharashtra	<p>Wholesale/retail traders form the back bone of the middle class population and their business ethos will be disturbed by induction of foreign players in this area.</p> <p>Retail/wholesale trading does not involve any specific technology and does not require large scale investment. Hence FDI should not be permitted.</p> <p>Report of Mckinsey and Co. on: “India- The Growth imperative” also covers the experience of Thailand. The Thai experience has resulted in the Retailers fighting for their survival forcing the Government of Thailand to consider a law for controlling large MNCs in the retail sector.</p>
2.	Bombay Small Scale Industries Association	<p>Support down from the Planning Commission Reports submitted by a Group headed by Dr. S.P. Gupta on targeting 10 million employment opportunities; and that submitted by Shri N.K. Singh against FDI in retail.</p>
3.	Madhya Pradesh Laghu Udyog Sangh	<p>Entry of multinational retailers like M/s Marks and Spencer would hurt the small traders and industries.</p>
4.	Mahakoshal Chamber of Commerce and Industry	<p>Action should be taken to prevent proliferation of multinational trading companies in the retail sector-specific reference made to Marks and Spencer.</p>

1	2	3
5.	Federation of Retail Traders Welfare Association	Retail trade sector in India is based on the family concept. WTO agreement does not make it mandatory to allow FDI in retail trading. Therefore FDI should not be allowed in the sector.
6.	Consumer Welfare High Power Committee	Allowing FDI in retail will kill lakhs of small scale suppliers.
7.	All India Organization of Chemists and Druggists	Decision to allow FDI in retail may be deferred to a more appropriate time to provide a breathing time to our members to prepare themselves to face the competition with foreign investors.
8.	Federation of Association of Small Industries in India	Impact of entry of MNCs like Marks and Spencer on the total retailers.
9.	Wadhwan Industries Association	Entry of MNCs in the retail sector will adversely effect the small scale manufacturers as the sourcing would no longer be made locally.
10.	Ambattur Industrial Estate Manufacturers Association	Safeguards may be put in place to protect the Indian Small Scale Industry which is providing employment to lakhs to people.
11.	Zilla Adhikari District Udyog Vyapar Mandal, Lalitpur, Shri Rajni Kant Srivastava and Shri Nimarjit	Representation to the President regarding FDI in retail trade
12.	Shri Rajesh Jaiswal, Delhi	FDI in retail trade
13.	Bharitya Janata Party Vyapar Prakoshat, Nagpur	Against the entry of Walmart in India.
14.	Nag-Vidarbha Chamber of Commerce, Nagpur	Protest against entry of FDI and Big corporate houses in retail trade.
15.	The Madras General Merchants Association, Chennai	Foreign Investment in retail trade.
16.	Tamil Nadu Chamber of Commerce and Industry	Permitting FDI in retail trade and entry of domestic corporate heavy weights in grocery, fruits and vegetables retail trade-opposed.
17.	M/s. Acorn	Impact of allowing FDI in retail trade.

1	2	3
18.	M/s. GADAG District Chamber of Commerce and Industry	FDI in retail trade.
19.	M/s. Federation of Association of Maharashtra, Mumbai	FDI in retail trade Walmart-Bharti for Cash and Carry Wholesale circumvents all regulations.
20.	Federation of Traders' Organizations of West Bengal	Change of retail trade scenario.
21.	Shri C.B. Agarwal, Gondia	Retail trade.
22.	M/s. Purasai Merchants Association, Chennai	Foreign Investment in retail trade.
23.	M/s. Tamil Nadu Thangam, Velli, Vyran, Nagpal Vyapaigal Sammelanam, Chennai	Foreign Investment in retail trade.
24.	Eastern Bihar Chamber of Commerce and Industries, Patna	FDI in retail trade.
25.	Vyaparti Ekta Samiti, Bharatpur	FDI in retail trade.
26.	Shri Rasik Lal Mardia, Ahmedabad	Not to allow Reliance Fresh or Reliance Group of Industries by any name entry into agriculture (Farm Product) Retail Business.
27.	Shri Jedthmal Lakhani, Bikaner	Retailers agitated due to Reliance shops selling goods cheaper.
28.	The Southern Gujarat Chamber of Commerce and Industry, Suran	Assistance to retail traders and other Industries.
29.	Federation of Rajasthan Trade and Industry, Jaipur	Licence to retail trade.
30.	Bihar Rajya Khadyanna Vyavasai Sangh, Patna	FDI in retail trade
31.	The Retail and Dispensing Chemists' Association (Mumbai)	To enter the retail sector in the form of FEDI.
32.	Raniganj Chamber of Commerce, Burdwaa (West Bengal)	FDI in retail trade.
33.	Association of Community Organisations for Reform Now, Louisiana	FDI in retail trade.

1	2	3
34.	Federation of Madras Merchants and Manufacturers, Association, Chennai	FDI in retail trade.
35.	Bihar Rajya Khadyanna Vyavasay Sangh, Patna	FDI in retail trade.
36.	Rashtriya Vyapar Mandal, New Delhi	FDI in retail trade.
37.	Retailers Association of India, Mumbai	To intervene in the proposed ban on entry of the modern retailers by the Government of Kerala.
38.	Hardware Dealers Associations, Itwari, Nagpur	FDI in retail trade.
39.	Bhartiya Udyog Vyapar Mandal, Delhi.	FDI in retail trade.
40.	Federation of Mumbai Retail Cloth Dealers Associations, Mumbai	FDI in retail trade.
41.	Kerala Vyapari Vyavasayi Ekopana Samithi, Trivandrum	FDI in retail trade.
42.	Shri Ghanshyam Das Garg, Muzaffarnagar, Uttar Pradesh	FDI in retail trade.
43.	Madrasa Sirajul Uloom, Saharanpur	FDI in retail trade.
44.	All India Retailers Federation (Regd.), Jaipur	FDI in retail trade.
45.	U.P. Udyog Vyapar Pratinidhi Mandal, Gatuka Associations, Shahjanpur	FDI in retail trade.
46.	Distt. Udyog Vyapar Mandal, Lalitpur	FDI in retail trade.
47.	All India Forward Block, Delhi State Committee, Delhi	FDI in retail trade.
48.	Divisional insurance Employees Association, Jalpaiguri, West Bengal	FDI in retail trade.
49.	Nayagram Business and Welfare Organization, West Bengal	FDI in retail trade.
50.	Raipur Division Insurance Employees Association, Raipur	FDI in retail trade.

1	2	3
51.	Confederation All India Traders, New Delhi	FDI in retail trade.
52.	Salboni Thana Bahasayee Samithi, Salboni	FDI in retail trade.
53.	Uttar Pradesh Vypari Pradhinidhi Mandal, Moti Nagar, Unnav	FDI in retail trade.
54.	Beharaih Udyog Vypar Mandal, Lucknow	FDI in retail trade.
55.	Zilla Udyog Vypar Pradhinidhi Mandal, Gorakhpur	FDI in retail trade.

### ***Statement-II***

#### *Findings and Recommendations of ICRIER*

The real 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 comprises the largest ever survey of all segments of the economy that could be affected by the entry of large corporate in the retail business. The findings are based on a survey of 2020 unorganized small retailers across 10 major cities; 3118 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 beneficiary 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 of 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.

#### **Illegal diversion of PDS wheat**

2342. SHRI NAND KISHORE YADAV:  
 SHRIMATI KUSUM RAI:  
 SHRI KAMAL AKHTAR:

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

- (a) whether Government is aware of the fact that PDS wheat in various States has been illegally diverted to flour mills;
- (b) if so, the details thereof;
- (c) the details of such cases detected by his Ministry in various States during last one year and till date, State-wise; and
- (d) the details of persons booked, arrested for illegal diversion of PDS wheat and action taken against them during last one year and till date, State-wise?

THE MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (PROF. K.V. THOMAS): (a) to (d) Information is being collected from all State/UT Governments.

#### **Action against hoarders**

†2343. SHRI KAPTAN SINGH SOLANKI: Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

- (a) whether it is a fact that in view of rising prices in the country Government has launched a drive against the hoarders in the States;
- (b) if so, the details thereof;

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†Original notice of the question was received in Hindi.