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FDI in Retail: Truth, Activism and Way Forward

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Preface

The topic of this research project- 'Foreign Direct Investment in retail sector: Truth, activism and way Forward', presents a fertile ground for policy research. It is a topic of current debate among policy makers, economists and other interest groups. It is a subject with economic, social and legal consequences which makes its all the more important as a matter of study.

This research is being conducted under the banner of Rakshak Foundation, a 501(c)(3) non-profit organization headquartered in Santa Clara, California, which researches different public policy issues and creates awareness about them.

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Executive Summary

This project deals with foreign Direct Investment in multi brand retail trade and the issues involved in the policy implementation. The new FDI policy passed by the cabinet on November 24, 2011 permitted 51% FDI in multi brand retail trade and 100% FDI in single brand retail trade. Both the permissions entail certain conditions which are meant to protect the farmers, small scale industries and the small retailers. But retailers found the protectionist measures taken by the government as inadequate and launched full scale protests against it in consonance with political parties. The proposed policy was rolled back on December 11, 2011 by the government. The project deals with various aspects this FDI policy entails with respect to Middlemen, Farmers, Youth, and Consumers etc. The goal of the project is to analyze the policy from social point of view and understand the concern of the shopkeepers. These concerns must be balanced by how the interest groups who will benefit by the proposed policy.

Issues with the FDI in Multi Brand Retail:

- Fear of small retailers of being out of business due to predatory pricing
- Procurement of talent from international market instead of Indian
- Competition elimination strategies of Retail giants
- Loss of entrepreneurial opportunities
- Disadvantageous to small farmers
- Disintegration of already existing supply chain of domestic retailers

Benefits of FDI in Multi brand Retail

- Consumers benefit the most by FDI in Retail, Cheaper prices, relief from inflation, Efficient and prompt services, variety of products and access to fresh fruits and vegetables.

- Farmers would get better price for their quality produce. Direct procurement by Retail giants would free farmers form clutches of the '*Dalaals*'.
- Small Retailers would survive because they have advantage of proximity to the consumers. Capacity of such retailers to extend credit makes them indispensible to lower income families. With bank loans and competition regulation, small retailers can survive the competition
- Employment opportunities for youth will be generated. It has been estimated that FDI in retail will generate 10 million new jobs.
- Such new policy will prove to be a heavy source of foreign direct investment for the ailing economy.
- India will experience excellent supply chain efficiency, thus saving wastage of fruits, vegetables and grains.

Recommendations:

- Decrease in number of cities where giant retail outlets may be opened
- Reduction in FDI limit in multi brand retail from 51% to 49%
- Farming co-operative societies for protection of interests of small farmers
- Pro-Active approach of Competition Commission to curb collusions and predatory pricing
- Formulation of a Private of code of Conduct by retail giants
- Enforceable legislation to curb malpractices and predatory pricing
- Availability of Bank loans to small retailers so that they may keep up with the changing times and upgrade business.

1. Introduction

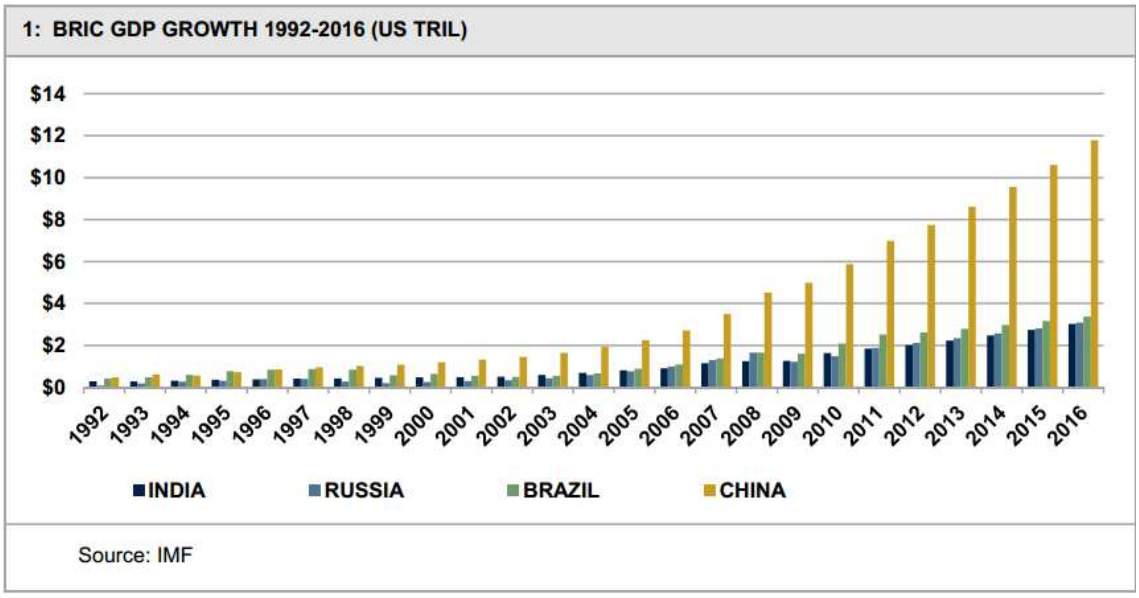
1.1 Background Information

1.1.1. Retail sector in India

India is one of the fastest growing economies in the world with its retail market growing by leaps and bounds. The retail market is the second largest employer after agriculture and contributes 14% to India's GDP. According to The 2012 Global Retail Development Index (GRDI) prepared by AT Kearney international management agency, which ranks top 30 countries in the world with opportunities of investment and expansion of the market, has ranked India as 5th most lucrative destination for retail investment. [i]

According to NSSO 64th Round, Retail trade employed 7.2% of the total work force i.e. close to 33.1 million persons. [ii]

International Monetary Fund predicts 7.2% growth in Indian GDP on an average. Here is a chart showing the bullish growth of four leading economies (BRIC Countries) of the world-



1.1.2. What is Retail?

Retail has been defined in the 7th edition of the Black's Law dictionary as-

"retail, n. The sale of goods or commodities to ultimate consumers, as opposed to the sale for further distribution or processing, - retail, vb. - retail, adj., Cf. WHOLESALE.".,

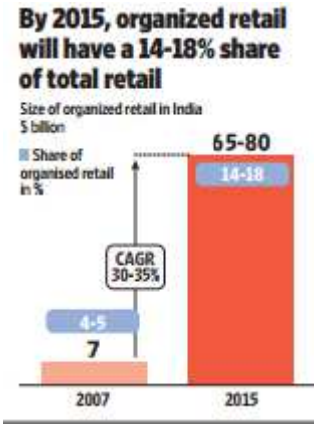
Hence, retail can be understood as sale of goods, products or things in the market to buyers who buy the product for ultimate consumption. Such goods or commodities are not bought for further distribution or sale or processing. This has been discussed in the case of *Federation of Associations vs. Union of India*[iii] *(2004)*

1.1.3 Types of Retail in India

The retail market is categorized in two –The Organized retail and Unorganized retail.

a. Organized Retail in India

The organized retail market refers to modern retail formats such as Hypermarkets/ Supermarkets, Discount stores, Convenience stores, Malls, Specialty stores, Department stores etc.



(Source :The great Indian Bazaar, Report by McKenzie and Co)

They fall into the category of organized retail as they are licensed traders who pay commercial taxes such as sales tax and income tax etc. The organized retail constitutes only 5% of the whole retail market.[iv] They are usually backed by corporate or privately held large businesses. Chains like Big bazaar, Hypercity, Reliance store, Subhiksha, Vishal Mega mart etc are examples of organized retailing in India.

b. Unorganized Retailing in India

The organized retail market refers to traditional retail format such as Kirana Shops, Paan Shops, Handcarts and pavement shops etc. They fall into the category of unorganized retailing as they are not licensed traders and do not pay commercial taxes like sales tax or income tax. They operate on small scale and usually they are family run stores. In common parlance they can even be referred to as 'Mom and Pop' stores. This retailing format has been prevalent in India since decades. The share of unorganized retailing in retail market is as high as 95%.[v]

1.2. Goals and Objectives of the Project

- The objective behind this project is to ascertain whether the Foreign Direct Investment in Multi Brand Retail trade is beneficial to all the interests groups in the society or not. The uncertainty of future of the small retailers is the major issue involved in the whole controversy. There is a need to strike a balance in the policy instead of completely rejecting it.
- The pin point the stand of political parties over the issue of Foreign Direct Investment in multi brand retail will be analyzed along with the perspective of experts.
- To understand the impending threat better, a comparative study would be conducted to see the situation in other countries where unrestrained policy for FDI in multibrand retail is already existing e.g. China.
- The focus of this project will be to look for the solution of the problems which are posed by the present policy on Foreign Direct Investment in Multi Brand Retail.
- Suggestions and recommendations to modify to the policy will be given so that safety net for the small retailers can be ensured.
- The report includes the rationale behind allowing the FDI in retail sector

1.3. Tracing the Journey of FDI in India

- After Indian independence in 1947, the policy makers were skeptical of foreign investments in India. The primary focus was on import substitution so that the country could become self sufficient. Towards the 1970s, a Foreign Direct Investment Policy emerged. The policy was highly restrictive and gave birth to the Licence Raj in India. In the year 1973, Foreign Exchange Regulation Act came into existence which paved way for Foreign Direct Investment in India for the coming years. The New Industrial Policy (NIP) formulated in the year 1991, liberalized the Indian policy regime, especially in Foreign Direct Investment.

*Foreign Direct Investment up to 51 % was allowed through the automatic route in 34 high priority industries.

*Foreign Exchange Regulation Act, 1973 was amended and restrictions on foreign companies were loosened further.

* Companies with more than 40 % of foreign equity were treated on par with fully Indian owned companies.

*Foreign Invest Promotion Board was set up in PMO to provide single window clearance to invite and felicitate in investments in India by international companies.

100% Foreign Direct Investment in Cash and carry, which is wholesale form of sale, was allowed through the approval route in 1997. But turning point came in the year 2006 when 100% Foreign direct Investment was allowed in the Cash and Carry wholesale was allowed under automatic route. This paved way for entry of Carrefour and Walmart to India in the wholesale trade.

November 24, 2011 Cabinet of Ministers approved the 51% Foreign Direct Investment in multi brand retail and 100% Foreign Direct Investment in single brand retail. The approval of 51% FDI in multi brand retail was not appreciated by the retailing community. After the country wide protests, the government was forced to roll back the decision on FDI in multi brand retail and keep it on hold till further notice.

2. The Law: Foreign Direct Investment in India

Foreign Direct Investment in India falls under the purview of the Foreign Exchange Management Act, 1999. Under the Act, Foreign Direct Investment in India in can take place through two routes-

- **Automatic Route**: Under the Automatic Route, the foreign investor or the Indian company does not require any approval from the Reserve Bank or Government of India for the investment.[vi]
- **Government Route**: Under the Government Route, the foreign investor or the Indian company should obtain prior approval of the Government of India, Ministry of Finance and Foreign Investment Promotion Board (FIPB) for the investment.[vii]

The eligibility of the Foreign Direct Investor-

The investor must be a person resident outside India or a company incorporated outside India. Such person or company cannot not be a resident or entity incorporated in Pakistan.

2.1. The Present Policy

I. Foreign Direct Investment is prohibited in Multi Brand Retail by the existing policy.

II. 100% investment is allowed in the single brand retail sector by government route (through Foreign Exchange Promotion Board). Such investment is subject to the following conditions-

   a. The products sold must be under the one single brand only.

   b. The products must be sold under the same brand name internationally i.e in one or two more countries apart from India

   c. This type of retailing would allow the sale of products which are branded during manufacturing

2.3 Conditions governing FDI in Multi Brand Retail Trade according to the November 24th, 2011 notification

Foreign Direct Investment in Multi Brand Retail Trade in all products is subject to the following conditions:[viii]

I. With Government approval, the FDI in Multi Brand Retail Trade may be permitted up to 51%.
II. Fresh agricultural produce, including fruits, vegetables, flowers, grains, pulses, fresh poultry, fishery and meat products, may be unbranded;
III. The foreign investor must bring in a minimum amount of US $100 Million as Foreign Direct investment.
IV. Minimum 50% of total Foreign Direct investment brought in shall be invested in 'backend infrastructure'. 'Back-end infrastructure' will include capital expenditure on all activities, excluding that on front-end units; for instance, back-end infrastructure will include investment made towards processing, manufacturing, distribution, design improvement, quality control, packaging, logistics, storage, ware-house, agriculture market produce infrastructure. Expenditure on land cost and rentals, if any, will not be counted for purposes of backend infrastructure;[ix]
V. At least 30% of the procurement of manufactured/ processed products shall be sourced from 'small industries' which have a total investment in plant & machinery not exceeding US $ 1.00 million. This valuation refers to the value at the time of installation, without providing for depreciation. Further, if at any point in time, this valuation is exceeded, the industry shall not qualify as a 'small industry' for this purpose;
VI. Self-certification by the company, to ensure compliance of the condition as above, which could be cross-checked as and when required. Accordingly, the investors to maintain accounts, duly certified by statutory auditors;
VII. Retail sales locations may be set up only in cities with a population of more than 10 lakh. As per 2011 Census only 53 cities qualify for FDI in multi-brand retail out of nearly 8000 towns and cities and may also cover an area of 10 kms around the municipal/urban agglomeration limits of such cities;

retail locations will be restricted to conforming areas as per the Master/Zonal Plans of the concerned cities and provision will be made for requisite facilities such as transport connectivity and parking;

VIII. For the rest of the country, current policy regime will apply. In the current regime, 100% FDI is allowed upto wholesale cash and carry point from which franchise/small retailers are able to source quality products for sale to the public at large;

IX. Government will have the first right to procurement of agricultural products.

2.3 Conditions governing FDI in single brand retail

I. FDI in single brand retail trading may be permitted up to 100% with Government approval;

II. Products to be sold should be of a 'Single Brand' only;

III. Products should be sold under the same brand internationally;

IV. 'Single Brand' product-retailing would cover only products which are branded during manufacturing;

V. The foreign investor should be the owner of the brand;

VI. In respect of proposals involving FDI beyond 51%, 30% sourcing would mandatorily have to be done from SMEs/ village and cottage industries artisans and craftsmen. 'Small industries' would be defined as industries which have a total investment in plant & machinery not exceeding US $ 1.00 million. This valuation refers to the value at the time of installation, without providing for depreciation. Further, if at any point in time, this valuation is exceeded, the industry shall not qualify as a 'small industry' for this purpose. The compliance of this condition will be ensured through self-certification by the company, which could be subsequently checked, by statutory auditors, from the duly certified accounts, which the investors will be required to maintain.

- *The following conditions are applicable both for Multi-brand retail in all cases and for single brand retail in cases where foreign equity exceeds 51%:*

1. 30% sourcing is to be done from micro and small enterprises having plant and capital machinery worth US 1 million.
2. Our SME sector, including artisans, craftsman, handicraft and cottage industry benefits, especially in sectors like textiles, gems and jewellery, leather and jute.

3. Activism and Main Problems

3.1. Political Activism over the issue:

On declaration of changed policy on FDI in Multi Brand Retail Political parties reacted sharply. Following is the summery of reactions-

3.1.1. Unfavourable Reactions to the policy

- **PMK Founder S. Ramadoss**- "In Order to show the world that it can take policy decision, the central government has taken this grave decision which will affect small retailers"
- **BJP Leader Murli Manohar Joshi**- "Policy is lopsided and Anti people".
- **CPI(M) spokesperson** called upon all sections of society to jointly oppose this move.
- Congress attacked by **Trinamool congress lead by Mamata Banerjee.** She surfaced as most staunch opponent of the FDI.
- **Odisha Chief Minister Mr. Naveen Patnaik** remarked- "In a federal Country like ours, the Union Govt should not have taken such major policy decision without adequate consultation with state governments."
- **PDP, the opposition party in Kashmir** also raised a flag against the FDI policy.
- **Prashant Bhushan, Team Anna Member-** "Government listened to Walmart instead of People"

3.1.2. Favourable Responses to the policy

- **Punjab, Haryana, Maharashtra and Rajasthan Governments** welcomed the move.
- **Farmer's Association** supported the policy
- **Mr. Anand Sharma, Union Minister of Commerce and Industry-** "Decision of the Union Cabinet to permit FDI in retail will create 10 million new jobs including 6 million in logistics alone.

- **Prime Minister Manmohan Singh (justifying the decision**)- "We did not take the decision hastily. We have thought a lot and firmly believe that this decision will benefit us a lot.
- **Micro, Small and Medium enterprise Minister Virbhadra Singh**- ""I don't think we need to worry about it. There is a lot of misconception about the FDI. It will prove beneficial to the country in the long run,"
- **Confederation of Indian Industries (CII), ASSOCHAM and FICCI** released supporting statements for the policy.

3.2. Issues arising out of the FDI in multi brand retail trade

India is a signatory to World Trade Organization's General Agreement on Trade and Tariff**.** This agreement includes gradual opening up of retail and the wholesale services for Foreign Direct Investment. To adhere to the agreement the cabinet allowed 51% FDI in multi brand retail. This paved way for retailing giants like Walmart, Tesco and Carrefour to open up stores in India.

Issues involved:

I. **Fear of being out of business due to predatory pricing**- The primary concern among the small retailers in unorganized retail sector is the apprehension that they will be thrown out of business if retailing giants enter the Indian market. These retailing giants enjoy economies of scale which allows them to sell the products at a cheaper rate. Retailing community is apprehensive about their ability to compete with such cheap products which would be sold by likes of Tesco and Walmart.

II. **Procurement of talent from international market** – The foreign retailers would be procuring more experienced and trained managers from the international market. This would lead to loss of opportunities to Indian work force.

III. **Competition elimination practices of Retail giants-** Walmart is infamous for its predatory pricing techniques. Its ability to suffer constant losses for as long as 2 years for the sake of supplying cheaper products eliminates other competitors from the market

IV. **Loss of entrepreneurial opportunities**- Being a business owner, howsoever small, has been seen as a symbol of independence. Such entrepreneurial opportunities would come to an end.

V. **Disadvantageous to small farmers**- Farmers may benefit initially but over the period of time small farmers will end up losing bargaining powers as retailing giants would be the only ones they could supply to.

VI. **Disintegration of already existing supply chain-** According to a Report by Committee on Foreign and Domestic Investment in Retail Sector[x], with introduction of retail giants and consequent capturing of market, the already established supply chain would disintegrate. The Employment and other opportunities generated by *Mandis* and wholesalers would become useless. With direct buying producers, the retail giants can exercise complete control over both sides of supply chain.

4. Truth: How FDI is Beneficial

FDI in multi brand is being projected as curse by some groups and individuals. Though it cannot be said that it has no flaws, but the benefits cannot be ignored. Here is how FDI in multi brand retail will benefit different sections of society and the economy as a whole:

I. **Consumers:** Inflation has hit consumers hard. Prices of almost all the commodities are skyrocketing and Government has failed to come up with any effective measures to curb inflation. Permitting Foreign Direct Investment in Multi Brand Retail Trade would bring down prices of various commodities available in the retail market.

   Walmart, Tesco, Carrefour, etc enjoy the fruits of economies of scale ensuring increased supply of products at lesser price. It would mean that better quality products from around the world will be available under one roof with exceptional and prompt service.

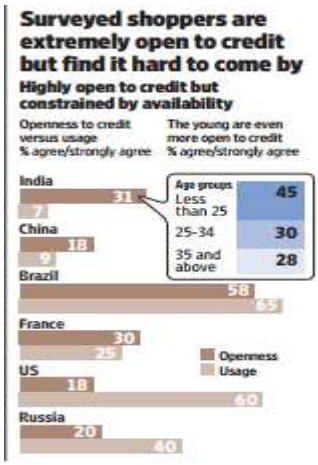
II. **Farmers:** In India, farmers are forced to survive in pitiable conditions. The erratic monsoons, traditional farming practices, smaller farm lands are already a major cause of poverty among the farmers. They suffer more in the web of *'Dalaals'* who pay farmers a pittance for their produce and sell it to the market with large profits. Farmers lack proper channels to access the retail market to get better price for the produce. It is estimated that farmers receive only 1/3rd of the total price paid by the consumer.[xi] The 2/3rd of the amount gets distributed among the middlemen. In terms of horticulture the farmers realize on 12-15% of the amount which is being paid at the retail outlet. For example let us consider the front news story by 'The Telegraph' which describes how West Bengal stands to gain from FDI . The story talks about how Potato chips manufacturer Pepsi pays 6,500 farmers from Benoli village, a fix price of Rs. 6.5 per kg for their special potato produce. Whereas other farmers selling to Dalaals could get only 90 paisa per kg due to crashing of potato prices.

With presence of number of retailing giants competing with each other, the farmers will be in a position to strike a good bargain for their produce.

III. **Small Retailers:** We all remember the huge hue and cry which shook the nation when computers were introduced in the Indian Government offices. Lakhs of govt. employees considered computers an immediate threat to their careers and staged protests and *'Bands'* opposing the installation computers. But now, 10 years later, it is impossible to do a single task in offices without computers. The same is the case with the FDI in retail. To speculate effectively, the issue needs to be understood objectively- whether the small retailers are actually going to lose business and starve due to retailing giants? The answer to this can be arrived at by a simple study of unique consumer behavior in India-

Indian customer does not visit Big Bazaar/Hypercity (organized retail stores in the malls) for buying a bag of milk or a kg of sugar.

The *Kirana* shop round the corner would be the first destination to obtain things in small quantities. Proximity to consumers is the biggest advantage to the small retailer. Also, these small retailers sell goods on credit which is relief to families in lower income group. The following graph shows the extreme openness of Indians to credit.



(Source : The great Indian Bazaar, Report by McKenzie and Co)

The bigger retail chains are housed in commercial areas or the malls which entail many woes such as paid parking and excess time consumption. The small retailers have high hope of surviving this competition if they change with time and constantly keep innovating to make their goods and services efficient.

IV. **Employment opportunities:** With the revolution of in the retail sector, hundreds of jobs are being created daily. Introduction of Foreign Direct Investment in multi brand retail sector would generate approximately 2 million jobs in agro-processing, sorting, distribution, logistics, and front and backend. This will infuse new energy and momentum in otherwise dismal employment scenario.

V. **Source of heavy Foreign Direct Investment:** The condition that the minimum Foreign Direct Investment in multi brand retail trade shall be minimum $100 Million ensures the heavy flow of investment in the coming years. In last 5 years our country only received only 0.03% of total FDI i.e. $44.45 Million as 51% FDI in single brand retail trade. This prompted the government to increase the Foreign Direct Investment in single brand retail from 51% to 100%. Earlier brands were hesitant to establish their business in restrictive policy environment.

VI. **Enhancing supply chain efficiencies:** India does not proclaim efficiency of product and food supply management. Lack of investment in logistics of food supply chain is the major reason for this. India is the second largest producer of fruits and vegetables in the world but does not have adequate cold storage facilities. Farmers suffer heavy losses in quantity and quality of their products due to unavailability of storage facilities.

5. Comparative study and Gap analysis

Indeed the FDI in multi brand retail has many advantages (as enumerated above), but before this policy can be implemented, it needs to be improved upon. It must be made more people friendly. In present form it is hugely beneficial to the economy, farmers and consumers but the threat to 33 million small retailers still exists. We may take China as an example. It opened its FDI market in retail very cautiously and allowed entry to foreign players very judiciously, all the while protecting its mom and pop stores. Initially it allowed opening up of Retail Giants only in two major cities and expanded over the period of years. It has been seen that mom and pop stores in China have increased manifold in spite of competition from the Retail Giants. Indian Government needs to study the China Model and take steps accordingly.

Pictorial Representation highlighting situation in China, Thailand, Russia and Indonesia-

Table showing comparative analysis of countries where FDI in retail is permitted-

(Source: IndiaCurrentAffairs.org)

S.No.	Country	FDI Limits	Benefits	Remarks
1.	China	100%	First permitted in 1992 with foreign ownership restricted to 49%, progressively lifted and now no restrictions. Over 600 hypermarkets opened between 1996 and 2001 The number of small outlets (equivalent to 'kiranas') increased from 1.9 million to over 2.5 million Employment in the retail and wholesale sectors increased from 28 million people to 54 million people from 1992 to 2001.	Impressive growth in retail and wholesale trade.
2.	Thailand	100%	Referred to a country where FDI had an adverse effect on the local retailers. Has a limited capital requirement for retail and wholesale outlets.	Growth in agro processing industry.
3.	Russia	100%	Supermarket revolution took place in 2000s. Heavy growth registered.	
4.	Indonesia	100	Modern retail took off in 1990s. No limit on number of outlets Matahari is leading chain.	
5.	Brazil, Argentina, Singapore & Chile allow 100% FDI in retail sector while Malaysia permits FDI to a certain limit.			

6. The Way Forward

6.1. Recommendations & Scope

- **Decreasing number of Cities with Retail Giants-** The proposed policy puts a population requirement of 10 Lakhs for a city where such Multi Brand retail outlet can be opened. This implies that there are only 35 cities in India according to Census 2001[xii] which qualify that criterion. It is recommended that the population cap can be increased from 1 Million to 1.5 Million so that it decreases the number of cities which may host such multi brand retail outlets.
- **Reduction in FDI from 51% to 49%-** One of the measures as suggested by Federation of Indian Chambers of Commerce and Industries (FICCI) is to give is to decrease percentage of FDI from 51% to 49%.[xiii] The possible logic behind this could be that if an Indian corporate holds major shares then the foreign retailing giants might not be able to get the same kind of hold in the market with minority shares. Also, the ability to bear losses for extended periods would be decreased considerably by involvement of the Indian player.
- **Farming Co-operative Societies-** To protect small farmers from long term negative effects of introduction of Walmart, Tesco etc. Farming co-operative societies must be encouraged to give better bargaining powers to these small farmers.
- **Pro-Active role of Competition Commission-** The role of Competition Commission of India must be clearly elaborated while permitting such investment. Competition Commission of India must play a proactive role to curb competition removing tendencies of retailing giants and safeguard the small retailers. Commission must work on enforcement of rules against collusions and predatory pricing practices.
- **Creation of Retail Regulation Authority-** Retail Regulation Authority must be created statutorily to control and oversee the retail market in India. It could include both organized and unorganized sector supervision.

- **Formulation of Private Code of Conduct-** A Private Code of Conduct could be created by the organized retailers which would be applicable while dealing with small manufacturers/farmers/suppliers.
- **Enforceable Legislation-** The above mentioned Private Code of Conduct may be converted into a legally enforceable legislation after a certain period of time. This would effectively curb malpractices and exploitation of small suppliers.
- **Availability of Bank loans to Small Retailers-** Unorganized retailers are at a disadvantage due to unavailability of credit from Banks. Reserve Bank of India needs to formulate policy to extend loan to retailers so that they may expand, innovate, upgrade their business and exist alongside the retailing giants.

6.2 Strategy for Implementation

1) **Recommendation: Extension of loans to small retailers**

   Scope: Suggest change in policy for loans

   Strategy: Proposal to Ministry of Finance and Reserve Bank of India

2) **Recommendation: Creation of Code of Conduct for Retailing giants**

   Scope: Enforceable Legislation to keep a tab on retail giants and penalize them for malpractices.

   Strategy: Proposal to Department of Law and Justice and inclusion in reports of the Law Commission. Also, proposal to parliamentary standing committee.

3) **Recommendation: Creation of National Retail Regulation Authority**

   Scope: Supervision of retail market by the regulatory authority.

   Strategy: Proposal to Department of Law and Justice and consequent inclusion in Reports of Law Commission.

Conclusion

It has been found by the study of the policy document that the proposed structure lacks safety net for small shopkeepers and retailers in the unorganized retail sector. The government may seem to carry a protectionist attitude about the affected parties but the policy lacks with regard to the populist measures. Various studies of the market capturing techniques adopted by Walmart suggest that it is a likely possibility that small retailers may be driven out of their business. Walmart's ability to suffer losses for consistently over a period as long as two years makes it capable to exercise immense control over both sides of the supply chain. The farmers will be satisfied initially when Walmart offers them unbelievable prices but later when all other buyers will be wiped out then the farmer will lose the power to bargain. This is not only applicable on farmers but also the small scale industries which would be forced to supply their products on the price decided by these retailing giants.

The policy would adversely affect the society if implement in the present form. It needs to make provisions for the social security of the parties which stand to lose by introduction of retailing giants. The recommendations given in the project need to be incorporated into the policy so that it becomes a comprehensive document keeping interests of all parties in perspective. Implementation in present might just give rise to disastrous consequences.

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Rakshak Foundation is a 501(c)(3) non-profit organization headquartered in Santa Clara, California. It partners with Rakshak Foundation NGO, New Delhi, India. It researches different public policy issues and creates awareness about them. Rakshak Foundation sponsors Seminars on public policy matters, sponsors activities to involve the youth in social issues including volunteerism and supports programs to help the needy. Rakshak's Summer Internship Program is aimed at providing an opportunity to highly motivated college students to work on complex real life social/national problems under the mentorship of experts and policy makers.

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