



FDI in multi-brand retail

What is the issue?

\n\n

\n

- There is revival in talks among the government circles for FDI in multi-brand retail.

\n

- However, time is said to have passed for a policy decision on this front.

\n

\n\n

What was the earlier reform?

\n\n

\n

- In 2013, India rolled out a renewed foreign direct investment (FDI) policy in multi-brand retail.

\n

- But the policy threw up so many conditions such as local sourcing, state-wise decision-making, investment modalities, etc.

\n

- Consequently, Walmart and Bharti group terminated their seven-year-old partnership for retail business in the country.

\n

- The requirement of sourcing 30% of the goods from domestic companies was one of the reasons.

\n

- Also, Wal-Mart Stores was to find a local partner to own 49% of business under the FDI regulations to set up multi-brand outlets.

\n

- The break up put an end to the American major Wal-Mart's dream of tapping the buying power of a rising middle class in India.

\n

\n\n

Why is the time unripe now?

\n\n

- \n
- Four years from then, the debate on FDI in multi-brand retail is back on the policy table.
- \n
- But experts are of the opinion that the time for FDI in multi-brand retail has passed.
- \n
- This is because, with the earlier unfriendly investor policy, the multinationals have either moved on to other business models or other geographies.
- \n
- Businesses are unlikely to shift to a new model unless the terms are lucrative.
- \n
- Besides, fast changing scenario in terms of technology is another reason.
- \n
- Ex: Online shopping is gaining foot and has a huge potential in the coming years.
- \n
- Businesses thus consider investing in this a better option than other expensive physical infrastructure for multi-brand retail.
- \n
- Businesses prefer the segments that is the easiest to operate and where returns are promising.

\n

\n\n

What lies ahead?

\n\n

- \n
- Opening the FDI talk at this juncture looks less significant.
- \n
- However, if the government views it for employment generation, then the above concerns must be addressed before any policy formulations.

\n

\n\n

\n\n

Source: Business Standar

\n



IAS PARLIAMENT

Information is Empowering

A Shankar IAS Academy Initiative