

Indian perspective in the global context economics essay

[Economics](#)



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Abstract

FDI is an important tool in the economic development of the nation.

Contribution of FDI through financial resources, technology and innovative techniques raise the overall productivity of diverse sectors of economy.

Indian retail sector is one of the most sought after sectors that carry great potential for attracting FDI. The issue of opening of retail sector for FDI is most controversial and debated issue in recent times. The recent decision of Indian government to open up the sector for FDI in multi-brand retail has stirred up the heat with intense agitational activities witnessed all over India.

The whole issue needs dispassionate review from all - intelligentsia, corporate world as well as from government so that Indian retail sector benefits in its onward march of progress. The paper offers critical analyses of recent decision of Government of India to open up the retail sector for FDI in multi brand category and its likely impact on various components of Indian economy. The study discusses at length the probable impact of entry of retail giants like Wal-Mart

Keywords: Retail sector, FDI, Impact, Government, Multi-brand retail, Wal-Mart

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Introduction

In India the economic reform process was initiated with the endeavor of accelerating the pace of overall growth and abolition of poverty to a considerable level. The reform process in true sense was initiated since 1991 under the leadership of the then Finance Minister Dr. Manmohan Singh. The Government of India indicated an enduring shift towards a more open economy including foreign investment, and a restructuring of the role of Government. Foreign investments in India increased sharply from 1991 following the liberalization policies of the Government. The post 1991 foreign trade and investment policies have, however, substantially augmented foreign investments largely in trading, marketing, business process outsourcing, medical services, stock markets and other similar other marketing activities. The new UPA Government did not initially allow Foreign Direct Investment (FDI) in the retail sector. Subsequently the Government permitted investment to the tune of 100% through FDI for single brand retailing and also 100% under the automatic route for cash and carry wholesale. In India, organized retail contributes towards less than 10% of the total retail market. An ASSOCHAM (2012) report reveals that the Indian retail sector is expected to grow up to USD 833 billion by 2013 and up to USD 1.3 trillion by 2018, at a CAGR of 10% driven by the proliferation of shopping centers and malls, and a huge middle class of close to 300 million having sufficient disposable income which is growing at nearly two percent per annum. The latest wave of reforms by the Government to encourage Foreign Direct Investment (FDI) in various sectors is bringing a new enthusiasm to the investment climate in India. One of the most debated reforms is the

policy for permitting 51 per cent FDI in multi-brand retail. Deloitte, in August 2010, had articulated its views on FDI in multi-brand retail in India, while the policy was still at the proposal stage. It published a paper, " Changing with the changing times", in which the Indian retail scenario was surveyed along with the potential impact of FDI in the retail industry. The report also forecasted that given the then prevalent political landscape, there was a high probability of allowing FDI in multi-brand retail. Deloitte's report published in September 2011, " Embracing a new trajectory", scrutinized various retail sub-segments of organized retail in terms of their growth potential and penetration. Food, Grocery and Apparel retail emerged as the most attractive segments because of their large market potential and exponential growth opportunities. The paper also warned that there will be no ' one-shot' or ' big-bang' kind of move towards introducing FDI in multi-brand retail. Instead, overseas retailers should anticipate a policy with number of restrictions to shield the domestic counterpart to absorb the shock of competition. The Government has now notified 51 percent FDI in multi-brand retail, as predicted. The current paper shall closely study the implications of the policy across retail segments, business stakeholders, as well as, foreign retailers. Organized retail is projected to grow much faster than traditional retail. It is likely to gain a higher share in the growing pie of the retail market in India. Various estimates put the share of organized retail as 20 per cent by 2020.

Retail Scenario in India

Retailing in India is considered as one of the pillars of its economy. It accounts for 14 to 15% of its Gross Domestic Product (DIPP, 2010) The Indian <https://assignbuster.com/indian-perspective-in-the-global-context-economics-essay/>

retail market is estimated to be USUSD 450 billion and one of the top five retail markets in the world by economic value. The Indian retail industry has experienced growth of 10.6% between 2010 and 2012 and is expected to increase to USD 750-850 billion by 2015. Food and Grocery is the largest category within the retail sector with 60 per cent share followed by Apparel and Mobile segment. The retail market in India is one of the fastest budding markets in the world, with 1.2 billion people engaged directly and indirectly. In 2010, larger format convenience stores and supermarkets accounted for about 4% of the industry, and these were present only in large urban centers. India's retail and logistics industry employs about 40 million Indians (3.3% of Indian population). Until 2011, Indian Central Government denied foreign direct investment (FDI) in multi-brand retail, forbidding foreign groups from any ownership in supermarkets, convenience stores or any retail outlets. Even single-brand retail was limited to 51% ownership however, in November 2011, India's central Government announced retail reforms for both multi-brand stores and single-brand stores. These market reforms paved the way for modernization of retail business in India. The domestic retailers are to compete with multi-brand retailers such as Wal-Mart, Carrefour and Tesco, as well single brand giants such as IKEA, Nike, and Apple to name a few. The announcement sparked intense debate, both in opposition and in support of the reform initiative in the retail industry in India. In December 2011, under pressure from the opposition, Indian Government placed the retail reforms on hold till it reaches a consensus. In January 2012, India approved reforms for single-brand stores welcoming anyone in the world to innovate in Indian retail market with 100% ownership,

but imposed the requirement that the single brand retailer source 30% of its goods from India. Indian Government continues to hold on full-scale retail reforms for multi-brand stores. AT Kearney, the well-known international management consultancy, in its 2012 GRDI, identified India as the fifth most attractive retail destination globally. It has made India the cause of a good deal of excitement and the cynosure of many foreign eyes. With a contribution of more than 22% to the national GDP and providing employment to 8% of the total workforce in the country, the retail industry is definitely becoming a pivotal sector of our national economy. The European countries faced another year of commotion in 2011, developing countries, on the other hand, did extremely well in terms of overall growth. As a sequel to this, Wall mart, Carrefour, Tesco and Metro group witnessed their revenues in developing countries grow 2.5 times greater than their home markets. The Government of India had been considering opening up the multi-brand retail sector to FDI for some time. They had released a discussion paper in 2010 on the topic and had comprehensively gathered public, academic, and industry views on the issue. In November 2011, the Government came out with its proposal for the new FDI policy. Yet, unable to achieve political consensus on the issue, they had to put on hold their plans for the ratification of the policy. Finally in September 2012, the Government decided to pass the new FDI policy on multi-brand retail. The FEMA notification issued by the RBI allowing FDI in the retail sector was put before the Houses of Parliament and the same have been passed without any modification (DIPP, 2010).

Past Research

According to the 10th Annual Global Retail Development Index (GRDI) of A. T. Kearney published in 2011, India is having a very strong growth fundamental base and that is why it is the perfect time to enter into the Indian Retail Market. The Indian Retail Industry is the fifth largest in the world. The Indian Retail Industry is expected to grow from USD 330 billion in 2007 to USD 640 billion by 2015. Indian Retail Market accounts for 22% of country's GDP and it generates 8% of the total employment. The total retail spending is estimated to double in the next five years. Of this, organized retail, currently growing at a CAGR of 22%, is estimated to be 21% of total spending. The unorganized retail sector is expected to grow at about 10% per annum with sales expected to rise from USD 309 billion in 2006-07 to USD 496 billion in 2011-12. Retail sector in India is also the catalyst for the growth of stalling tactics of below the line marketing used by major retail players like Spencer's, Big Bazaar, Reliance Fresh etc (Babu, 2012). Soundararaj (2012) opines that since many people involved in Indian retail traditionally shall be displaced by the entry of foreign giants, the Government should take efforts to strengthen the manufacturing sector which will accommodate those displaced employees. The author is optimistic that the arrival of FDI in retail sector is set to pull up the quality standards and cost-competitiveness of Indian producers in all these segments. Prasad and Singh (2012) feel that India must take a lesson from China, where organized and unorganized retail is coexisting and growing together. With entry of FDI in multi-brand retail, local enterprises of India will potentially receive an up-gradation with the import of advanced technological and

logistics management expertise from the foreign entities to improve its infrastructure, access sophisticated technologies and generate employment for those keen to work in this sector. Based on international evidence, Salgar (2012) suggests that allowing entry by large international retailers into the Indian market may help tackle inflation especially in food prices. Moreover, technical know-how from foreign firms, such as warehousing technologies and distribution systems can improve supply chain efficiency in India, in particular for agricultural produce. Indian retail industry is one of the sunrise sectors with huge growth potential. According to the Investment Commission of India, the retail sector is expected to grow almost three times its current levels to USD 660 billion by 2015. Guded (2013) points out that FDI in retail would undoubtedly enable India Inc. to integrate its economy with that of the global economy. Thus, the author suggests, FDI in the buzzing Indian retail sector should not just be freely allowed but should be significantly encouraged. Based on evidence and experiences of Trans National Retailers (TNR) in other emerging economy of limited success, and considering the bottlenecks in India, diverse customer demographics, and fragmented industry, Gokhale and Sinha (2012) feel that this opening up will attract very few global retailers particularly in food and grocery segment. Out of top 250 retailers, the 36 retailers who are successful in China are most likely to enter into India as 17 retailers out of this have already entered India, and hence scope for many global players to enter is very limited. At best, the global players already present in India will expand faster due to opening up. As retailing still is very local industry (over 90%), the FDI in multi-brand retailing will only benefit existing organized players in terms of attracting foreign

capital and will not change significantly the retail landscape in terms of formats proliferations benefiting customers, generating huge employment or investment in supply chain or back-end investment as has been envisaged in the policy. Nandal (2013) busted some popularly accepted impressions about benefits of FDI in multi-brand retail in India. Large-Scale Employment Generation is one of these. Proponents of FDI in retail have declared that there will be large-scale job creation in the economy. The author cautions that Wal-Mart, whose global turnover is close to size of India's entire retail industry, employs only 2.1 million people. Assuming that the Wal-Mart and other retailer giants will extend their highly profitable model in the Indian retail sector as well, it is highly unlikely that 10 million jobs will be created. On the other hand, there is a possibility of loss of employment for several small retailers once foreign retailers establish themselves in the market, as seen in developed nations. In the Indian context, a study conducted by the Indian Council for Research on International Economic Relations in 2008 observed that unorganized retailers operating in and around organized retailers have witnessed a drop in business turnover and profits after the entry of large organized retailers. The entry of foreign players into the Indian retail market may or may not result in huge loss of jobs, but income reduction of marginal retailers and intermediaries is highly likely. Next is the issue of Efficient Supply Chain System. Guded (2013) further points out that the Government cannot expect the Wal-Marts and the Tesco's to build good roads, without which the supply systems cannot be optimized. This is one of the constraints that Indian retail players are already struggling with. Globally, logistics account for around five percent of total cost retail players

incur, while it is as high as ten percent in India, thus making a dent in its attractiveness. Elimination of food wastage is supposed to be another gain. However, data from countries where retail is highly organized convey a different story. The author cites the example of US and UK, where anywhere between 20 and 30 percent food is wasted by retail giants between the stages of production and consumption. A study conducted by the UK Competition Commission in 2000 found out that major retail chains such as Sainsbury, Tesco, and Marks and Spencer had a poor track record in their dealings with suppliers. The study specifically noted that the retailers were increasingly passing on a disproportionately higher component of cost increase in the supply chain to their small suppliers i. e. farmers. Further, the study noted that the near monopoly of supermarket chains, which procure over 70 percent of food products in the UK, enables them to "dictate prices and force farmers into trading for less and less". Hallsworth and Evers (2002), Arnould (2005), and Christopherson (2007) states that Wal-Mart's strategy for entering new international markets has been to assume a cost leadership position and to capture a significant portion of market share, thus positioning itself to exercise network domination. Wal-Mart's domination of the market and access to the largest number of customers in the USA allows the firm to continuously drive down consumer prices. Wal-Mart has used this resource to dominate the market for a full range of ordinary consumer products through economies of scale and of scope. The resulting strategy is an 'every day low prices' concept in which customers shop at one retailer, Wal-Mart, for a full range of household products and groceries. Blanchard, Comm, & Mathaisel (2008) note that the fundamental principle behind Wal-

Mart's strategy is to sell high volumes of discounted products, and that one of the strongest drivers of Wal-Mart's financial success is its focus on efficient and effective supply chain management. Mottner and Smith (2009) call Wal-Mart strategy a "low margins and high turnover" and "low-cost provider". According to Crain and Abraham (2008), Wal-Mart strategy is the low-cost leadership among mass merchandisers and operating on a scale that dwarfs the competitors. Wal-Mart has more than 8900 retail units in 15 countries and employs more than 2 million associates worldwide (Wal-Mart, 2011a). With revenues of 421.9 billion US dollars in 2010 (Global 500, 2011) it is the largest corporation in the world, and has great impact on the markets it serves and the suppliers it works with. To adapt a low cost strategy, Wal-Mart needs efficiency in all aspects of its operations. But besides all these means, Wal-Mart in 2005 announced its sustainability goals (Wal-Mart Sustainability, 2011), which are: to supply 100 percent by renewable energy; to create zero waste; to sell products that sustain people and the environment. Wal-Mart's low-price strategy is repeated in most important business propositions: business purpose, goals, and values. Saving people's money to help them live better was the goal that Sam Walton envisioned when he opened the doors of the first Wal-Mart. It is the focus that underlies everything done by Wal-Mart. And for the millions of customers who shop in Wal-Mart stores and clubs around the world each week, it means a lot (Wal-Mart, 2011b). Trade, including both wholesale and retail, is one of most important sectors of the Indian economy accounting for 16% of GDP and 14% of total employment and consequently liberalization measures can have a significant impact on all agents of the economy from

farmer-producers, intermediaries, retailers to final consumers (Sikri and Wadhwa, 2012). One of the major concerns with regards to opening up multi-brand retailing relates to labour displacement and wages. The retail sector is the second largest employer after agriculture accounting for 7.2% of the labor force or 33.1 million persons (DIPP, 2009-10). Research indicates that each Wal-Mart worker replaces approximately 1.4 retail workers (Chari and Raghavan, 2012) while pushing down wages. Babu (2012) opines that consumers are expected to be the main beneficiaries of the liberalization of foreign entry in the retail sector through improvements in price and quality and access to a wider range of varieties. Existing research found that with entry of foreign firms in organized retail overall consumer spending increases and while all income groups improve their purchasing power, lower income consumers benefit the most (Joseph, Soundararajan, Gupta, and Sahu, 2008).

Objectives of the Study

After the decision mooted by the UPA Government in September 2012 to allow FDI in multi-brand retail, a debate has started among various stakeholders both in favor of and against the policy decision. In this paper an effort is undertaken to visualize the pros and cons of allowing FDI in multi-brand retail keeping in view the following specific objectives: 1. To analyze the structure of retail industry in India. 2. To assess the impact of FDI on various stakeholders related to the retail sector 3. To assess the performance of large global retailers on the basis of their turnovers 4. To study the concentration of turnover of top 250 global retailers based on the data provided by Deloitte 2013 Retail Report 5. To provide some suggestions to

protect and promote the interest of small, unorganized retailers and farmers in the country.

Methodology

The researchers have adopted an analytical, descriptive and comparative methodology for this study. Reliance has been placed on secondary data sources such as journals and reports. This paper focuses on the changing face of Retail Industry, organized or unorganized, major players in retail industry and also highlights the challenges faced by the industry in near future. The data for the study have been gathered mainly from the reports published by Euromonitor International, A. T. Kearney, KPMG, India Retail and Research, Dinodia Capital Advisors, East Asia Forum, RIETI Discussion Paper Series, and other recent research publications in this field. In view of dearth of studies based on primary data from the respondents regarding their attitudes towards multi-brand FDI investment in the Indian retail sector, we had to confine our discussion based on the authentic Research Reports published by various reputed International and National organizations involved in publishing various reports from diverse perspectives. An effort has been made to incorporate data revealed by these retail consultancy organizations to discern the position of India from the view point of retail sales growth, market attractiveness, FDI confidence Index, and other similar important parameters. The sales turnover data for the top 250 global retailers in the Global market have been analyzed to study the concentration of turnover employing Ginni coefficient. The distribution of such company's turnover has serious implication on the fate of the monolithic unorganized sector in India.

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Discussions:

Figure-I reveals the Australia and countries in the Western Europe are no longer attractive to the retailers in terms of CAGR sales growth and bubbles representing additional sales show a marked contraction for the period mentioned in the figure reproduced below. The Asia Pacific region exhibit a marked improvement in terms of additional sales generated for the corresponding period. Latin America and Middle East and Africa present substantial opportunities to the global retailers though the overall market size is relatively small.

Figure-I

Source: Euromonitor International 2012 In terms of FDI Confidence Index 2010 as revealed by A. T. Kearney, China tops with an overall score of 1.93 where the values are calculated on a 0 to 3 scale, followed by United States (1.67), India (1.64), Brazil (1.43), and Germany (1.43). The score are assigned keeping in view the economic crisis prevailing in different countries. Again, according to 11th Global Retail Development Index (GRDI, 2012), the position of India is quite encouraging though the rank has decreased by one unit.

Table-I

2012 Global Retail Development Index

2012 Rank

Country

Market Attractiveness

(25%)

Country Risk

(25%)

Market Saturation

(25%)

Time Pressure

(25%)

GRDI Score

Change in Rank compared to 2011

1

Brazil

100

85.4

48.2

61.6

73.8

0

2

Chile

86.6

100

17.4

57.1

65.3

0

3

China

53.4

72.6

29.3

100.0

63.8

+3

4

Uruguay

84.1

56.1

60.0

52.3

63. 1

-1

5

India

31. 0

66. 7

57. 6

87. 9

60. 8

-1

Source: GRDI 2012 by A. T. Kearney reproduced in abridged form
Country Attractiveness measured by Market Potential vis-à-vis Country Risk is depicted in figure II. According to the GRDI 2012 findings, Brazil possesses high market potential but also relatively high political and economic risks. The vast potential of Chinese market can be observed from the size of the bubble and country attractiveness is also better in terms of economic and political risks. There is not much difference between the Chinese and the Indian markets so far as country attractiveness is concerned. On the radar screen, Peru is considered to be a very safe market though the net retail sales is substantially lower than the other countries shown on the radar screen,. Chile is considered to be a market having highest degree of economic and political risk. The discussion made in the subsequent section points towards entry of giant retailers like Wal-Mart, Carrefour, and Tesco in the Indian multi-brand retail sector. It can be hardly denied that the strategy

of Wal-Mart would fit well in the Indian market since Wal-Mart needs a huge scale of operation which is apparent from the massive Indian retail market size. We have also pointed out in the subsequent section that Wal-Mart adopts a strategy of revenue maximization by charging a price than what is prevalent in the market. It is empirically established that the Indian buyers in general are highly price sensitive. Hence it can be safely assumed that it would only be a matter of time before the globally number one retailer would drive away competition from the Indian market.

Country Attractiveness

FIGURE: II

Country Risk100 Chile Brazil90 UAE80 China70 India60 Peru5040302030 35

40 45 50 55 60 65 70 75Market PotentialSource: Planet Retail, Economist

Intelligence Unit; A. T. Kearney, 2012US giant Wal-Mart is the largest retail corporation in the world in terms of revenue amounting to more than USD 446, 950 million employing more than two million employees. Wal-Mart adopts a penetration pricing strategy by entering smaller towns that are not attractive to the big organized retailers and due to advantages of economies of scale, it is able to charge a price that drives away the small retailers. The retail revenue of Wal-Mart is more than ten percent of the cumulative retail revenue of top ten organized retail chains operating in the global market.

This is analogous to a natural monopoly market where, a big player with enormous economies of scale can serve the market efficiently by charging a price which is lesser than the competitive price that are charged by the small retailers to sustain in the market. The eventual effect of this scale of

operation by Wal-Mart has been discussed by Patibandha (2012). In Figure <https://assignbuster.com/indian-perspective-in-the-global-context-economics-essay/>

III, the demand curve of a small city is shown by a downward slopping curve. The linear addition of normal 'U' shaped cost curves of smaller firms are represented by Long Run Average Costs (LACs) and Long Run Marginal Costs (LMCs), the long run average cost and long run marginal cost respectively. Given these costs, the equilibrium price is P and quantity served is OQ. Let us now assume that large players like Wal-Mart with global economies of scale pierce the market and the cost curves of the large firm are LAC1 and LMCI which are expected to be parallel to the horizontal axis. The giant firm charges a price P1 that is equal to long run average cost (LAC) and eventually the supply increases from Q to Q1. The paradox of this kind of move by a giant retailer would drive away the smaller retailers due to decline in the price. The decline in price from P to P1, on the other hand, augment consumer surplus to the extent of PABP1. Wal-Mart may fix the price at a point where the $MR = MC$ after driving out the marginal retailers. However, Wal-Mart adopts a different kind of pricing strategy to realize greater retail revenue and we know that the profit of sales revenue maximizer would be lower than that of a profit maximizer. The published company data and Planet Retail (2012) data reveal that net profit margin of Wal-Mart is only 3.7 percent where as the net profit margin of The Home Depot (ranked 10 in terms of retail revenue) is 5.5 percent. From the figure III it is evident that the buyers who are price sensitive would opt for Private Label Brands (PLB) which is witnessing a gradual rise in consumer share of wallet which is currently pegged at around 10% of the total retail revenues in India. Food and grocery followed by apparels, account for a significant proportion of the expenditure of Indian consumers. For Food and Grocery,

the expenditure is predominantly on non-branded products. With the entry of foreign retailers like Wal-Mart, in multi-brand retail in India, the consumer will have an abundance of choice at a cheaper price. Wal-Mart is likely to grab this opportunity and squeeze out the competition. Thus it will unleash a double barreled attack in the market. This is expected to trigger a gradual shift in consumption patterns such as non-food items gaining a larger share of the pocket and consumption of branded products in grocery items. Taking into account demographics, store characteristics, and market conditions, corroborating data suggest that Wal-Mart reduces prices by 6%-7% for national brand goods and by 3%-8% for private label goods. Moreover, Wal-Mart sets grocery prices significantly lower than its competitors (Volpe and Lavoie, 2008).

Fig III

Wal-Mart's Penetration Pricing Strategy

Price, Cost

LMCS

LACS

A

P

B

P1LAC1

LMC1

Q Q1 Quantity

Figure

Table II

Concentration of Retail Revenue

Cumulative percentage of firms

Cumulative market Share

10

2. 357378595

20

4. 71475719

30

7. 590759076

40

10. 96181047

50

15. 22866572

60

20. 53276756

70

27. 25129656

80

36. 18576143

90

51. 93305045

100

100. 00

Source: Computed by authors (Deloitte, 2013)The concentration of retail revenues reveals some interesting trends. Ninety percent of global retailers accounts for just about half of the total retail revenues of top 250 global retailers. The top 10% accounts for the balance 50%! The Ginni coefficient is nearly 0. 5 which is high by any standard, exhibiting a substantial degree of concentration. It is disclosed from the published data that Wal-Mart has revenues of USD 446, 950 millions whereas Carrefour having the second rank has a much lower turnover of USD 113, 197 millions. The share of top 10 global retailers' revenues accounts for 29% of the total global retail

revenue of top 250 global players. The Lorenz curve has been drawn and reproduced in figure IV by considering retail revenues of the top 250 global players.

Fig IV

Concentration of Retail Revenue of Global Retailers

Conclusion and Policy Implications

The advocates of FDI in retail sector argue that it is a major step towards offering freedom to the farmers from middlemen and ensuring remunerative prices for their products. This would lead to creation of 10 million jobs and billions of dollars in investments. Entry of foreign retailers would bring in more variety of products with improved quality. Foreign "low cost" big players will espouse an integrated supply chain management system that consequently should help lower prices of products, benefiting consumers at large. Foreign retail chains would bring the much-needed investment in the back-end infrastructure like cold storage, which the country currently lacks. The deep pocket and expertise of Wal-Mart's to set up supply chain will make rural areas and farmers prosperous. But the opponents argue that the entry of MNC giants like Wal-Mart, Tesco, and Carrefour will throw the hundreds of thousands of the neighborhood kirana store owners out of business, leading to millions of job losses. It would wipe out the livelihood of millions of small retailers. It is said that more than 50 million traders and 200 million people are directly dependent on retail trade for their livelihood. The move will hit the domestic retail sector hard. Then there are 220 million hawkers and street vendors in the country. Hence, this step will be disastrous. The foreign retail majors will hurt domestic players with the practice of predatory pricing <https://assignbuster.com/indian-perspective-in-the-global-context-economics-essay/>

and eventually become monopolies. These stores will be focused in major cities and big towns resulting in a skewed urban development. The FDI in retail sector would make the country economically subservient to foreigners. It will be a serious blow to the basic structure of small traders as encouragement of foreign investment in big shopping markets and super stores will ruin their businesses. FDI in retail sector will destroy food security in rural India. In UK, it was reported that 3 retail chains controlled 65% of the entire retail market, which should act as an eye opener for us. Similarly in Thailand, over 30% of the local shops were forced to shut within 10 years of the entry of foreign retailers. This signals the alarming situation of FDI in retail sector. Another noteworthy reality is that a total of 58.8 million of small and marginalized farming families live on farming in India having farm size of 5 acres or less. In contrast, the farm sizes of Canada, USA, Australia, France and UK are 1798, 1089, 17975, 274 and 432 acres respectively. This scanty farm size of India cautions us against the looming threat of FDI in retail sector. The trade in India is fragmented, unorganized, un-networked and individually small. Notwithstanding the fact that India needs a widespread and efficient supply chain, it is highly improbable that a few retail giants can usher in the desired outcome whereas the entry of such top retailers like Wal-Mart, Carrefour, and Tesco may dislocate millions of people who are associated with this sector. The Indian economy definitely needs reform but it should be borne in mind that there should be focus primarily on the poor and the weaker sections of the society. Wal-Mart is not the solution to our economic problem. So the sudden decision of the Centre has come as

a rude shock to the thunderstruck millions of traditional retail vendors in the country, and they are forced to spend sleepless nights.