

FDI in Retail & its impact on MSMEs

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Department of industrial policy and promotion(DIPP),GoI, has moved a formal proposal to allow up to 51% FDI in multi-brand retail and 100% in single-brand retail, which most ministries and departments have now agreed with. The Union cabinet has already decided to allow up to 100% foreign direct investment (FDI) in single brand retail.

According to the proposed policy:

- at least 50% of the total FDI should be in back-end infrastructure such as warehousing .
- large deep discount stores will be allowed to be set up only in cities with a population of more than 10 lakh and only in those states that allow FDI in multi-brand retail.
- government is likely to allow global supermarkets such as Walmart, Tesco and Carrefour to set up deep discount stores in India, but with a few conditions.
- the policy would let foreign retailers own up to 51 percent of supermarkets and 100 percent of single-brand stores. The policy doesn't require parliamentary approval, but foreign retailers must get approval from state governments where stores will be located.
- the government, as a measure of protection, has said **foreign retailers would have to source 30 percent of their goods from small industries**
- at least one-third of the sales should be made to small retailers
- states will be empowered to set-up framework for monitoring compliance with these conditions

The decision of FDI in Multi-brand retail has been postponed however, it is felt necessary to discuss and analyse the "Impact of FDI in Retail on MSMEs"

We therefore, invite you to express your views on the subject-whether FDI in Retail is likely to have adverse or favourable effect on MSMEs of India and if the decision is implemented then how MSME should prepare themselves , whether these effects will be Short term or Long term? Any other views/comments/suggestions for the policy makers etc. are welcome.