Amazon’s Entry into Food Retailing

Why in news?

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- Amazon.com Inc has secured approval to stock and sell food and groceries in India.
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- It is the first under the policy allowing 100% foreign direct investment (FDI) in food retail chains.
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What is FDI?

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- It is an investment made by a company or individual in one country in business interests in another country.
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- FDI are distinguished from portfolio investments (FII) in which an investor merely purchases equities of foreign-based companies.
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What about FDI in India?

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- Economic liberalisation started in India in wake of the 1991 economic crisis and since then FDI has steadily increased in India.
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- In 2015 **India overtook China and the US** as the top destination for the FDI.
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- Measures taken by the Government are directed to open new sectors for FDI.
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- There are two routes by which India gets FDI.

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- **Automatic route -** By this route FDI is allowed without prior approval by Government or Reserve Bank of India.
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- **Government route -** Prior approval by government is needed via this route.
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- The government currently allows 100% FDI in the food retail business.
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What are the implications of the currrent move?

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- The government’s approval for Amazon could be a good opportunity to scrap the confusing conditions that prevail in the retail investment policy.
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- Big-ticket retail FDI has the potential to **significantly expand the market for goods and services**.
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- FDI inflow comes with the latest technologies, products and processes.
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- It helps farmers to some extent.
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- A food store would generally prefer to have a **tie-up with a group of farmers** to pick up their produce as it ensures them steady and quality supply while ensuring they have control on the prices.
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Source: Business Standard

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