FDI in multi-brand retail

What is the issue?

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- There is revival in talks among the government circles for FDI in multi-brand retail.
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- However, time is said to have passed for a policy decision on this front.
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What was the earlier reform?

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- In 2013, India rolled out a renewed foreign direct investment (FDI) policy in multi-brand retail.
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- But the policy threw up so many conditions such as local sourcing, state-wise decision-making, investment modalities, etc.
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- Consequently, Walmart and Bharti group terminated their seven-year-old partnership for retail business in the country.
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- The requirement of sourcing 30% of the goods from domestic companies was one of the reasons.
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- 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.
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- 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.
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Why is the time unripe now?

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

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

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