

## Who is Afraid of FDI ?

Written by W.J.Pais

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[http://articles.timesofindia.indiatimes.com/2011-11-29/india/30453728\\_1\\_retail-sector-small-retailers-global-retail-giants](http://articles.timesofindia.indiatimes.com/2011-11-29/india/30453728_1_retail-sector-small-retailers-global-retail-giants)

### Times View

In principle, governments should not prevent anybody, Indian or foreign, from setting up any business unless there are very good reasons to do so. Hence, unless it can be shown that FDI in retail will do more harm than good for the economy, it should be allowed.

A major argument given by opponents of FDI in retail is that there will be major job losses. Frankly, the jury is out on whether this is the case or not, with different studies claiming different findings. Big retail chains are actually going to hire a lot of people. So, in the short run, there will be a spurt in jobs. Eventually, there's likely to be a redistribution of jobs with some drying up (like that of middlemen) and some new ones sprouting up.

Fears of small shopkeepers getting displaced are vastly exaggerated. When domestic majors were allowed to invest in retail, both supermarket chains and neighbourhood pop-and-mom stores coexisted. It's not going to be any different when FDI in retail is allowed. Who, after all, will give home delivery? The local kirana. Why would anyone shun them?

If anything, the entry of retail big boys is likely to hot up competition, giving consumers a better deal, both in prices and choices. Mega retail chains need to keep price points low and attractive - that's the USP of their business. This is done by smart procurement and inventory management: Good practices from which Indian retail can also learn.

The argument that farmers will suffer once global retail has developed a virtual monopoly is also weak. To begin with, it's very unlikely that global retail will ever become monopolies. Stores like Wal-Mart or Tesco are by definition few, on the outskirts of cities (to keep [real estate](#) costs low), and can't intrude into the territory of local kiranas. So, how will they gobble up the local guy? Secondly, it can't be anyone's case that farmers are getting a good deal right now. The fact is that farmers barely subsist while middlemen take the cream. Let's not get dreamy

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about this unequal relationship.