



CONFEDERATION OF ALL INDIA TRADERS

(An Apex body of Trade Associations & Federations of India)

ENTRY OF CORPORATE HOUSES IN RETAIL TRADE – THE VIEW POINT OF TRADERS

Retail Trade

Retail trade is the oldest business of the world which started even in ancient age with barter system of exchange providing last point of contact with the consumer for the sale of merchandise used in everyday life. Retail is the world's largest industry with an annual turnover of over 6.6 trillion dollar in year 2000 which is about Rs. 31,02,00,00 crores. Though retail trade is the biggest business sector in our country and has been growing fast with the increase in population and income surplus, it is mainly in the unorganized sector.

Indian retail accounts for around 10% of the GDP with more than 5 crore small shopkeepers and more than 20 crores people dependent upon them through out the country excluding low cost kiosks, push cart and foot path vendors. India has the highest density of retail outlets in the world – for 1000 persons there are 15 retail outlets in India. The overall size of retail market in India at present is estimated at Rs. 15 lakh crores. About 3% of the retail trade is in the organised sector and the balance 97% is unorganised. The country's retail trade is expanding 8% to 10% every year with an addition of 25 million middle class consumers. It is expected that the size of retail trade would exceed Rs. 20 lakhs crores by 2010.

In the backdrop of above scenario shall we close our eyes towards Domestic Corporate heavy weights opening chain of shops without any restrictions and shaking the traditional business system of India.



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Vision

The big Industrial Houses should not be allowed to enter into retail trade. It is true that there is a growing demand for modern retailing formats that offer a clean and hygienic environment to shop in at competitive prices but this may not be a sound reason for the entry of corporate heavy weights in retail trade and thereby allow them to rout our retailers and take away the livelihood of crores and crores of people. Their entry would lead to "Crony (monopolistic) Capitalism", at the cost of established Retailers being rendered as destitute.

The arguments put forth by those who subscribe to the entry of large Indian conglomerates in retail trade are summarized below :

1. It will spur the growth of organised Indian retail trade.
2. Consumers will be provided with a better range of quality ridden products at competitive rates in better and healthier ambience.
3. They will invariably source the products only from local producers which in turn will spur our industrial & economic growth. They may also be prompted to export Indian products to their stores abroad.
4. Farmers will stand to gain by direct purchase from them.
5. New job opportunities will be created.

Most of these arguments are fallacious and have no leg to stand. Let us take one by one:

1. It will spur the growth of Indian Retail Trade

It is true that entry of big industrial houses into retail would accelerate the transformation of unorganised retail trade in our country into organised retail trade which accounts for just 3% of the total retail trade at present. The sole aim of giant retailers is to dominate the markets they enter into with the objective of eliminating the existing retailers. These corporate retailers given their outsourcing skills and resources and adopting predatory pricing policy will provide products



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at a cheaper rates than the smaller retailer in order to crush the competition and when competition will eliminate retailers they will dominate the market by charging monopolistic prices. Presently, the retail trade cannot be monopolized as it is managed by crores of people. Once it is captured by few selected players, the monopoly factor can not be ruled out. Ultimately, it will spur the growth of corporate retailers.

2. Consumers will be provided with a better range of quality-ridden products at competitive rates in better and healthier ambience.

To achieve this we don't need investments from domestic conglomerates. Organised retail trade accounts for 20 percent of total retail trade in China and 40% in Thailand as compared to 3% in India. The blame solely rests on our rulers and those who framed our economic policies, for this sorry state of affairs. Indian retailers were kept under constant threat of free flow of foreign investments at any time. No effort was made by the Government to motivate and encourage retailers, who provide enormous employment, next only to Agriculture. Our economic pundits have transformed the country into a testing ground for implementing their varied economic school of thoughts.

As mentioned above, the scenario is fast changing. Indian retail trade sector comprising of mostly family run businesses is gradually becoming modernized and organised. There are now, a number of small and medium retail stores who have changed their retail formats by opening up stores in spacious buildings with clean, hygienic and air-conditioned atmosphere. Medium size retailers have opened up departmental and chain shops. Exclusive fruits and vegetables shops have already sprung up in urban areas across the country, which sell variety of products including farm fresh vegetables and fruits. Proximity to actual consumer is considered to be the prime requisite for successful functioning of retail outlets.



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2. They will invariably source the products from local producers which in turn will spur our Industrial and economic growth.

This is a misleading statement put-forth to justify their entry. With large market share, corporate retailers will have large volumes of business enabling them to dictate terms to most suppliers as these suppliers will heavily dependent on them. If local producers are unable to offer their products at the rates offered by them, they will turn their head to the other side.

3. Farmers will stand to gain by direct purchase from them. Absolutely incorrect.

They will initially buy the products directly from agriculturists at attractive prices through their procurement centres on contract basis or otherwise. Once the agricultural mandis and regulated market yards are closed and farmers losses their contacts, they will radically reduce the procurement prices. As they possess tremendous bargaining power farmers will be forced to sell their produce at cut throat prices and even will be forced to part with their agricultural land which will render themselves merely employees of retail houses.

4. New job opportunities will be created.

Yet another fallacy. They may provide employment to few thousands new recruits but only at heavy cost of displacement of crores of small retailers including self employed.

Why we vehemently oppose allowing entry of large Indian Conglomerates into our retail trade?

1. Due to lack of level playing field, our small retail stores, mid sized departmental and chain shops would be severely hit, depriving millions of people of their jobs and livelihood. Has the Government any plan to provide alternative employment to them and/or for their rehabilitation.
2. While the Government has provided many concessions and implemented assistance schemes for the protection and growth of SSI sector, it has done nothing to safeguard interest and nurture the progress of Small and Medium sized retail units in the country. Prudence demands that the Government should not disturb our traditional retail trade which is being conducted without throwing any financial burden upon the Government.



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3. By adopting predatory pricing policy big giants would fix lower price initially to attract consumers and later on the global retailers would be in a monopolistic position to dictate the retail prices which in the long run shall be prejudicial to interest of consumers. Even in United States Mom & Pop shops – American equivalent to India Kirana shops-were marginalised by Wal-Mart chains.
4. Big giants will not spare even the Indian manufacturers. They will make very hard bargain and insist on fixing very low and unviable prices for their products by reasoning huge purchases from them. They will be in commanding position to settle terms with local manufacturers in the matter of fixation price. They will be very particular that our manufacturers' income is restricted to a Manager's salary and big players would treat them as bonded labourers. The SSI sector will totally vanish.
5. Retail trade which is in the hands of crores of people in the country will automatically become the domain of few powerful big organised companies. It will culminate in distortions in the economy and the gap between the 'haves' and 'have nots' in our country will widen retarding our economic growth and open the door for "crony capitalism". The Government should never allow India's top business leaders to operate under "Oligopolistic Market" conditions, in an atmosphere of limited competition with few sellers sharing and capturing the entire market.

HISTORIC CONTRIBUTION BY TRADERS :

1. During Pre-independence days the traders not only participated in freedom movement but also extended full assistance to the leaders in all forms like manpower and money.
2. In all social activities by establishment of schools, colleges, hospitals, mandir, masjid etc. traders have made significant contribution.
3. Throughout the year, 24 hours a day, traders render services to meet daily requirements of customer even in far flung areas of India.
4. Even during the days of acute shortages, the traders somehow manage to arrange supply of goods for customers.
5. India traders maintain cordial relations with customers just like family members.
6. Indian traders have always been keen to ensure customer satisfaction above personal profit.



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SUPPORT AND HELP TO GOVERNMENT

1. Traders who are self-employed also provide employment to entire family and others.
2. Traders give employment even to the neglected and poor section of society.
3. Traders take care of entire family of other employees.
4. All direct and indirect taxes levied by Central, State and local govt. are collected and deposited by trader in Govt. treasury without any remuneration. Thus they are making substantial contribution to exchequer.
5. During national calamities like famine, floods, earthquakes tsunami and other natural calamities, the traders have never lagged behind to extend full help to Government.

TRADERS BEING IGNORED BY GOVT

1. In order to gain political mileage, traders are cursed off and on.
2. After independence, multiple laws concerning the trade were enacted which adversely affected Traders.
3. Traders have been made victims of Inspector Raj.

Our appeal to Politicians.

In this thorny situation, we issue an earnest appeal to all political parties and economy experts that in the interest and welfare of 5 crore retailers and their 20 crore dependants in the country, to raise their voice strongly against allowing the entry of domestic corporate heavy weights and MNC's in retail trade.

Those who welcome big corporate houses in retail trade argue for the affluent class, which wants to enjoy retail shopping as an experience, and entertainment, whereas we are talking about protecting the livelihood of crores and crores of retailers and their dependants in India.



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What the Union Government should do?

We seek following measures for accelerating the growth of organised retailing without unduly impacting existing Small and Medium sized retailers:

1. Categorical policy statement should be announced by the Government immediately that no big investment will be allowed in retail trade in India even as joint ventures with Indian partners.
2. On the pattern of MSME (Micro, Small and Medium Enterprises) Act, we shall have an Act to protect and promote small and medium retailers by name, Small and Medium Retailers Act (SMR Act) under separate Ministry with innovative schemes such as Cluster approach to convert our unorganised retailers into organised modern retailers. Even an individual shop can become a link of chain shops under cluster programme. They should be provided with credit facilities at low interest rates. This will facilitate number of retail units to come together and transform themselves into chain shops and they will have the clout to bargain in purchase.
3. Ceiling should be fixed for number of shops that could be set up by a chain store. We suggest a maximum of 20 shops in a State depending on the population strength. It should be limited to 3 in a Corporation and 2 in a Municipality. Such restrictions would ensure non-accumulation of market and revenue on a few hands and retail trade would provide livelihood to more people.
4. Formulate a National Policy on Retail Trade and Small Manufacturing Industries.
5. Implement the National Policy on Urban Street Vendors.
6. Institute a Independent Special Task Force comprising representatives of stakeholders to study on the socio-economic-environment and cultural impact of corporate retail.
7. Enact a law against predatory pricing and anti-competitive actions.
8. Repeal the changes made in the APMC Act through the APMC Model Act.
9. In a Country where almost 1/3rd population is leading life below poverty line, every precaution is called for that a situation is avoided in which the problem of poverty may be multiplied.