

# FDI IN RETAIL: THE ILLOGICAL CLAIMS

P. Muralidhar Rao

**Prime Minister in his address to the nation, has given various arguments, legitimising his government's decision to open up FDI in retail. In the following analysis, an attempt is being made to put the things in right perspective. The arguments put forward by the Prime Minister are as follows:**

- i. Growth of organized retail will create millions of good quality new jobs.**
- ii. Infrastructure would be built and help saving agricultural produce from wastage.**
- iii. Farmers will be benefited in form of high prices for their produce.**
- iv. Consumers will be benefited, as they will get goods at cheaper price and thereby inflation can be curbed.**

**Prime Minister has further stated that,** "We recognise that some political parties are opposed to this step. That is why state governments have been allowed to decide whether foreign investment in retail can come into their state. But one state should not stop another state from seeking a better life for its farmers, for its youth and for its consumers."

To expose the hollowness of the government's arguments, let us take the last statement first. It seems that the argument has been made in order to persuade those state governments, who are opposed to the policy of FDI in retail. It is known to all that even Kerala, a state ruled by congress led alliance, has openly opposed the policy of FDI in multi brand retail.

## ***Flawed Argument as States' hands are tied***

Government says that this is only an enabling policy and the States can determine if they will issue licenses under the Shops and Establishments Act to the multinational retailers to operate within their areas. This is in direct conflict with something called "National Treatment" that the Government has committed to investing countries.

As of July, the Government of India has entered into Bilateral Investment Promotion & Protection Agreement (BIPAs) in order to promote and protect, on reciprocal basis, the investment of the investors. Such agreements have been signed with 82 countries, out of which 72 BIPAs have already come into force and the remaining agreements are in the process of being enforced. This information is available on the Ministry of Finance Web site.

The relevant clause defining "National Treatment" under this agreement reads as follows: "Each Contracting Party shall accord to investments of investors of the other Contracting Party, including their operation, management, maintenance, use, enjoyment or disposal by such investors, treatment which shall not be less favourable than that accorded either to investments of its own investors or to investments of investors of any third State."

In effect, what this means is that if a Nilgiris can operate in Chennai, a Big Bazaar in Kolkata or an Easyday in UP, the governments of Tamil Nadu, West Bengal or UP cannot prevent a Walmart or Tesco from opening shop.

If the licence is denied under the Shop and Establishment Act, this can be legally challenged under the BIPA agreements. The entire country, including all State governments, is obligated under the BIPA agreements.

Who knows better than Prime Minister about the implications of international agreements. It seems that government in its hurry to open up FDI in multi brand retail is using flawed arguments like this.

#### **i. Employment: FDI in Multi Brand Retail will kill employment**

Prime Minister says, "The growth of organised retail will also create millions of good quality new jobs." Crisis managers of the government, including Prime Minister has been trying to sell the argument that the proposed policy would lead to creation of 10 million jobs in the next 3 years. Argument of the government was that huge investments in the retail sector will see gainful employment opportunities in agro-processing, sorting, marketing, logistics management and front-end retail. This is no new argument of the supporters of FDI in retail. Present Deputy Chairman of Planning Commission, Montek Singh Ahluwalia has been pushing this policy for a long time. During NDA regime when he was a member of Planning Commission, as chairperson of Task Force for creating 10 million jobs a year, he stubbornly supported FDI in retail and wrote in his report that FDI in retail would create quality employment for millions of people in the country. At that point, of time, the then government rejected his report; and for suggesting ways and means for creating additional employment opportunities, another committee under the stewardship of S.P. Gupta, was constituted. S.P. Gupta Committee made several recommendations for creation of 10 million employment opportunities annually in the country by way of labour intensive techniques and self-employment.

#### ***No takers of the government's arguments***

However, crisis managers of the government are trying hard to sell this argument, but there are no takers of this argument. In fact, there is no basis of this argument and the same has been borrowed from 'publicity material' of multinational retail giants. India has the highest shopping density in the world with 11 shops per 1,000 people. Even according to the 'Discussion Paper' issued by the Department of Industrial Policy and Promotion, indicating Government's Intention to open this sector for FDI, also conceded that there are 120 lakh big and small shops in the country, employing 3.5 crore people directly. Apart from this, there are about 1.5 crore people engaged in wholesale, transportation and other related services for retailing. This is important to mention that 95 percent of small shops are being run by self-employed people.

#### ***International Experience***

International experience tells that small retail has virtually been wiped out in USA and Europe. Many restrictions have been imposed by many states in USA and governments of various European countries to safe guard the interests of the small retailers. Many Southeast Asian countries also imposed stringent zoning and licensing regulations on Super Markets run by multinational retailers, after small retailers

were being displaced. Entry of multinational corporations in the retail sector started in 1960s. These companies have taken over the majority of retail business in many developed and some of the developing countries. 80 percent of USA's retail business is under the control of multinational business. Similar is the situation in England and other west European countries, where more than 70 per cent of the retail business is run by these MNCs. Brazil's and Argentina's 40 per cent retail trade is in the hands of organised retailers. Even in China their share has surpassed 20 per cent. Organised retailers, who were totally absent in 1960, have displaced small retailers in different proportions in several countries. Today top 200 largest retailers account for 30 per cent of the worldwide demand. Over 50 Fortune 500 companies and around 25 out of Asian top 200 firms are retailers. It is obvious that organised retailers pushed those, who were gainfully employed in retail sector, out. Even the report of ICRIER, which though cannot be accepted, because of its bias towards organised retailing, concluded that 2 per cent shops would close every year, if FDI were allowed in multi brand retailing. Looking at the international experience the small shops will close down at a much faster pace than this, as these multinational retail giants like Walmart practice predatory pricing policy (selling goods at much cheaper price than the procurement price). At present government is saying that they intend to allow opening of retail stores by these MNCs in 53 big cities of India. This may lead to a large-scale unemployment because of closure of small shops in these cities.

Unemployment is going to increase not only because small shops would close down, but also because of decline of manufacturing in the country. These retail giants are always in search of cheap products, in order to maximize their profits. Taking a clue from USAs experience, we find that most of the goods sold in the stores of Walmart in USA come from China. Off shoring is the normal practice of these retailers. It is no secret that Walmart is the largest buyer of Chinese products in the world. Today American shoe industry, which was world renowned, is totally closed because multinational retailers do not procure shoes from America. If we look at the employment in the manufacturing sector in USA, we find that it was at its peak at 195 lakh people employed in manufacturing sector. This number has gradually being declining and by 2011 it has come down to merely 118 lakhs. This means that manufacturing employment in USA has gone down by 77 lakh in just 32 years. Situation is no different in countries of Western Europe.

Thus, it is very clear that if FDI in retail is allowed, there will be a sharp increase in off shoring of products in the country and thus a widespread unemployment in manufacturing sector also. While announcing its policy for opening up of retail sector for FDI, government tried to confuse, though unsuccessfully, that opening up of retail for FDI is along with a rider that they will procure at least 30 per cent of their items from small-scale industry. Later on, the government had to concede that this condition is not for procuring from SSIs from within the country. This condition is also not in tune with WTO agreements. Therefore, if FDI in retail is allowed, most of our small-scale industry, especially in the consumer goods sector will be forced to close down. Apart from manufacturing, other sectors, which are likely to hit badly, are transport and wholesale retail, which again are providers of significant employment opportunities.

The company which is pushing itself and aspiring to open business in India, with total turnover of 422 billion dollars globally; provides employment to only 2.1 million people. With much more turnover as compared to India, the company provides less than 5 percent of India's retail jobs. The claim about employment is bogus. What Walmarts and Tescos could not do elsewhere, they would not do here. From where Anand Sharma (Commerce

Minister), gets the figure of 10 million jobs from FDI in retail is a big question. Yet, the UPA certifies Walmart and its ilk as “compassionate” to small retailers and farmers. It guarantees they will employ “millions” here. But the evidence in the US is to the contrary. According to Atlanticcity, Walmart entered the Austin neighbourhood of Chicago in 2006. And, by 2008, out of the 306 small shops in business before its entry, 82 had closed down. The *Economic Development Quarterly* study found the closure rate around an average Walmart location at 35-60 per cent. Walmart radiated closure of 20 per cent of drug stores every mile from its stores; and 15 per cent in home furnishing, 18 per cent in hardware and 25 per cent of toy stores. Studies in the US nail the UPA’s lie that FDI in retail will not hurt small shops. On job creation, a latest report (Jan 2010) titled “*Walmart’s Economic Footprint*” prepared for the New York City Public Advocate says that Walmart kills three local jobs for every two it creates.

### **Anti-young at the core**

While the debate rages on with a lot of irrelevant smoke and mirrors, the demographic bulge in India is all but ignored by economists. A massive 300 million people are in the age group of between 16 to 29 years, representing a third of the population above 12 years.

Nearly 100 million are in the age group 16 to 19. Assuming that only one in four of them seek employment, close to 25 million new jobs will need to be added over the next five years -- that is 5 million new jobs to be created annually.

According to the Survey on Employment and Unemployment by the National Sample Survey Office 2009-10, the Indian economy’s job creation record in the past two years is abysmal.

It is incredible that Retail, one of the prime sources of employment in the country, is being handed out on a platter out to multinationals with their proven record of poor employment generation.

### **ii. Myth of infrastructure growth and food safety**

One of the major arguments, justifying decision of the government to open retail sector for Foreign Direct Investment (FDI), or in other words opening up of more than 22 lakh crore of huge retail sector for multinational corporations is that this decision of the government would result in all-round development of rural infrastructure, especially warehousing and cold storages. Argument of the government is that, a significant amount of agricultural produce go waste due to lack of storage facilities in the country. It is said that due to lack of investment in cold storages more than 50 per cent of the vegetables go waste, and the one and the only solution to these problems is FDI in retail. Government argues that when these multinational giant corporations in retail sector will come they will make a huge investment in warehousing and cold storages. Government also says that, these corporations would be asked to channelise at least 50 per cent of their investment into infrastructure.

If we look into the reality, even going by government’s argument of need of foreign investment in infrastructure, it would be interesting to note that, FDI in warehousing and cold storages was allowed more than a decade back. However, no FDI could get attracted into this sector (warehousing and cold storages).

There is no denial of the importance of storage infrastructure for agriculture and farmers' well-being. This is also true that because of lack of storage agricultural produce goes waste. However, the basic question is that, whose responsibility is the provision of storage infrastructure. We understand that, about 60 per cent of India's population is directly or indirectly dependent on agriculture, and storage constitutes a major need for agriculture. However, even after 64 years of Independence the government has failed to provide this important infrastructure.

In the process of taking a decision to open retail sector for FDI, the Department of Industrial Policy and Promotion, Government of India, issued a 'Discussion Paper' and cited Mid-Term Appraisal of the Tenth Five Year Plan. The 'Discussion Paper' says, "Mid-Term Appraisal of the Tenth Five Year Plan made a strong case for FDI in modern retailing as entry of modern foreign retailers through joint ventures in India would help develop backward linkages to sources of supply and thus develop a domestic supply chain capable of meeting international standards." It further says, "Allowing FDI in joint ventures is likely to provide access for domestic suppliers to international retailing which purely domestic modern retailers may not be able to offer."

### **Infrastructure: Essentially government's responsibility**

It is unfortunate that to legitimise the entry of the multinationals in retail sector, the government is taking the shield of lack of storage facilities for agriculture produce. Is this not the responsibility of the government to either create this storage capacity on its own or encourage private sector to create this by way of subsidies, fiscal concessions or other incentives. In the 65 years after Independence, the government has failed miserably on this front. Government has no right to penalise the small retailers for no fault of theirs. The paper circulated by the government gives an argument that creation of this infrastructure requires an investment of rupees 7,687 crore and therefore we need FDI in retail, so that multinational retail giants would create this infrastructure. This argument is not tenable. In a country where the size of annual budget is more than Rs 12 lakh crore, for this small investment of merely 7,687 crore, we cannot legitimise the death warrant for small retailers, especially when they are not at fault. Further if at all these multinational companies would provide storage infrastructure, it would only be provided to strengthen their own supply chain. We cannot expect that the cold storages built by these multinational corporations would keep potatoes produced by our farmers and save them from hardships.

### ***Big retailers actually cause food wastage***

If we think that, entry of multinational retail companies would reduce wastage of food, we are highly mistaken. Global data about food wastage indicates that, the USA, European countries and other developed countries are much ahead of India and other Asian countries in terms of wastage of food. According to international data, in Europe food loss and waste per person per year is 280 kg, in North America it is 295 kg and in South and South-East Asia it is only 125 kg. It is not mere coincidence that the countries where food wastage is maximum, are the countries which are dominated by multinational organised retailers. Answer to this dilemma, is provided by Food and Agriculture Organisation (FAO) of United Nations. According to FAO, a major reason for food wastage is that, organised retailers (supermarkets) in order to look more quality conscious reject a major portion of agricultural produce at the farm gate due to rigorous quality standards concerning weight, size, shape and appearance of crops.

Therefore, large portions of crops never leave the farms. Even though some rejected crops are used as animal feed, the quality standards might divert food originally aimed for human consumption to other uses.

FAO further says that, “Large quantities on display and wide range of products/brands in supply lead to food waste in industrialised countries. Retail stores need to order a variety of food types and brands from the same manufacturer to get beneficial prices. Consumers, also expect a wide range of products to be available in stores. A wide range of products does, however, increase the likelihood of some of them reaching their ‘sell-by’ date before being sold, and thereby wasted. When shopping, consumers expect store shelves to be well filled. Although certainly beneficial for sales statistics, continually replenished supplies mean that food products close to expiry are often ignored by consumers.”

Direct sale of food products by the farmers to the consumers or from shops is the solution to the food wastage provided by FAO. Therefore building of big warehouses and cold storages infrastructure as a part of supply chain management by multinational retail giants is neither in the interest of farmers nor is in the interest of the people at large, as farmers may lose due to ‘rigorous quality standards’ and loss of food due to the marketing policies of the supermarkets.

In a country like India small vegetable shops are actually key to food safety and minimisation of food wastage. In this context building of warehouses and cold storages are important, but they should be built near villages by government, maybe with the help of private sector. Mega stores or giant multinational corporations are certainly not a solution for wastage of food. If FCI is not able to handle its affairs properly, solution does not lie in surrendering to Walmart. We have to ensure food security of our people by building our own infrastructure. This has become even more important in view of the proposed food security legislation.

### **iii. FDI in Retail is Anti Farmer**

Government had tried to boil down the debate on the need to permit FDI in retail with reference to farming community, stating that it would bring boon to farmers and farming in the country. Government borrows this argument from the pamphlets of multinational retail giants like Walmart, arguments put forth by officials of US government and other interested parties. It is obvious that those who have business interest in opening up of FDI in retail would advocate FDI at any cost. It is unfortunate that the government, who is supposed to be the protector of national interests, also buys the arguments of the stake holders. Pamphlets of Bharti Walmart say that they give 7 to 10 percent higher price to farmers, then what they get from Mandi. They claim that farmers get expert advice on better crop planning and management. Because of the support from the company, farmers will have an opportunity to maximize and improve income by offering better quality. Officials of the USA government, who have been acting like agents for change in policy framework, also are trying to argue that FDI in retail would be in the interests of the farmers. They claim that large organized retail would not only benefit consumers, who would enjoy lower prices owing to cost efficiencies, but also farmers, as these companies would provide stable market and purchase their produce at reasonable prices.

The (borrowed) arguments of the government in this regard require verification in light of the experiences of the countries, where these multinational retail giants have been operating. If we look at the experience

in the United States, we understand that USA is a country of large farmers, farming activity is operated on a large scale, and in a way, it is an industrial agriculture. On the other hand, retail trade is getting more and more concentrated in the hands of large retailers. Therefore as per the argument of the government and multinational retail giants, farmer would have got greater share on the sale of agricultural produce. However, experience tells a different story. In USA aggregate food expenditure increased from \$833 billion in the year 2000 to \$1200 billion in 2009 (increase of nearly \$370 billion). On the other hand, cash receipts at farm increased from nearly \$197.6 billion to \$282.2 billion (nearly \$85 billion). Therefore, it is clear that over the years multinational retail giants have tried to fleece the farmers more and more. According to the Department of Agriculture, United States, estimates during the period 2000 to 2009, the farm share of the retail price fluctuated between 23 and 28 percent in case of fresh vegetables and between 25 and 30 percent in case of fresh fruits.

Justification that “farmers will get better prices” is a clever ploy; so needs a closer look. It suppresses the vital fact that Walmart does not buy, or pay, over the counter.

It buys the nation’s next harvest in the futures market and buys at prices pre-fixed. It also imports cheap goods — from China — and destroy the local production like it has done in the US. Take the first case, with the recent experience of US and the world. Rice prices in the US and world markets shot up by three times in April 2008 as compared to January 2007. It was then that the US President George Bush made that funny remark that prices had gone up because the newly prosperous Indians had begun eating more! But what was the truth? *USA Today* (April 23, 2008) and CNN (April 24, 2008) quoted the California Rice Commission and USA Rice Federation as denying shortage of rice and saying there was enough stock. Why then were prices rising?

Because, said CNN, Sams Club (Walmart’s wholesale division), was holding huge stocks and was pushing up the prices. American farmers accused speculators and the futures market for the high prices. Farmers sold, but did not trade in, farm futures. Investment funds accounted for 40 per cent of the wheat futures trade in the US in January 2008, which rose to 60 per cent by April. Wheat futures, which was \$4 a bushel in early 2007, rose to \$14 per bushel in April 2008. The US farmer, who had sold his harvest in futures market, lost and Walmart, which had bought the futures, gained. When some farmers wanted to sell their small balance stocks, Walmart, with cheaper stockpile, refused to buy at higher prices, pointed out the media. Look at it this way. If the US farmers get remunerative prices from Walmart why does the US, with 2 per cent farming population, grant annual farming subsidies of \$20 billion? And, the EU, for its 5 per cent farming population, gift a subsidy of \$74.5 billion annually?

If we compare the experience in other countries where these retail giants are operating with that of India, there are some interesting observations. In 1950 US farmers were receiving over 40 percent of consumer expenditure on food, today it is down to average 25 percent. In USA, farmers get 45 percent of retail price in case of milk, 41 percent of eggs and 32 percent of meat products. In India (where FDI in multi brand retail is yet to come), farmers get Rs. 26 out of Rs. 34 retail price of milk (Amul), which comes to 76.5 percent, Rs. 22 out of retail price of Rs. 35 per kg of sugar. Farmers do get a rough deal in case of vegetables and fruits, because of lack of infrastructure. Nevertheless, Indian model tends to give more benefit to farmers as compared to USA’s model.

Government argues that opening of the FDI in retail would wipe off intermediaries and thus would benefit the consumer. Theoretically, it may be correct but practically it is not. International experience

tells that there are hardly a few multinational giants that control majority of the food sales. These companies enjoy some degree of monopsonic power (a situation where each buyer has some monopoly over purchases). In Western Europe, there are 3.2 million farmers, selling over 160 million consumers but there are only few firms making purchases from these farmers, thereby enjoying monopsony over food purchases. In UK there are only 4 firms controlling about two third of food products purchase. Similar is the situation in the USA, where more than 60 percent of the food sales are in the hands of only 5 companies. Even India has had the experience of procurement of food grains by big corporates and we find consumers paying Rs20-25 per kg as price of wheat flour, whereas farmers get meager Rs 11-13 per kg for wheat sold. About 10 years back, this was not the case. Difference between wholesale price/ procurement price of wheat and consumer price of wheat flour never was more than 20 percent.

If the government claims that foreign retailers would provide rural infrastructure like warehousing and cold storages, it is grossly misleading, as FDI in warehousing and cold storages was allowed more than a decade back, but no foreign investment could be attracted in this sector. Therefore, any infrastructure they build would be for exploitation of farmers and not for their benefit. Provision of infrastructure is the responsibility of the government (both state and center). Government even after more than 6 decades of independence has failed miserably in providing infrastructure in the form of warehouses and cold storages. Now to cover up its own inefficiency in providing infrastructure in rural areas, the government is arguing for FDI in multi brand retail, stating that these multinational companies will provide infrastructure in the rural areas. As per government's own admission, we need hardly Rs. 7,687 crores to build infrastructure in the rural areas. This is no big an amount to justify FDI in retail, destined to ruin crores of small traders and causing heavy loss to crores of farmers.

International experience shows that farmers are caused heavy loss by multinational retail giants in the name of quality and standards. According to a report of 'Food and Agriculture Organisation' (FAO) of UN farmers lose due to 'rigorous quality standards' and the marketing policies of the supermarkets. Building of big warehouses and cold storages infrastructure as a part of supply chain management by multinational retail giants neither is in the interest of farmers nor is in the interest of the people at large. This is so because farmers are forced to destroy their rejected products or use those as animal feed, which in case of small retailers would have been channelized for consumption of human beings and farmers and would be paid for the same. This is the loss, which a country like India can hardly afford, as majority of population is reeling under severe hunger and malnutrition.

#### **iv. Illogical claims on controlling price rise by MNCs**

One of the major arguments put forward by the government in justifying its decision to open retail sector for Foreign Direct Investment is that it would control inflation. Perhaps the common people reeling under inflation may welcome any policy that provides relief from inflation. But why the government is pushing this policy despite opposition from almost all non-Congress political parties, whether in government or in opposition, social organisations, labour and farmers' organisations, forces us to verify the claims of the government in this regard.

#### ***What Government claims?***

Government says that, bringing multinational giant retail companies into retail sector in the country would reduce the distribution cost of the goods. Government claims that these companies procure goods

from farmers and manufactures directly and therefore the margins earned by the intermediaries would be eliminated. Benefit of lower cost of procurement would be passed on to the consumers and therefore these MNCs would be able to bring a check on inflation. Government also claims that these companies make use of latest technology in handling the material, supply chain and distribution. This can help in reducing the prices paid by the consumers. Government even claims that these companies can even pass on the benefit of their efficient system to the small retailers.

### ***Government claims are devoid of any research***

Though government makes this rhetoric, it has failed to give any basis for its claims. Even the sponsored researched reports of ICRIER have failed to justify this policy on these grounds. Even committee of secretaries has also repeated the same argument without any basis from international experience. Interestingly Inter-Ministerial Group (IMG) headed by chief economic advisor Kaushik Basu was also found arguing for opening up of multi brand retail to FDI on the pretext of controlling food inflation. It said that the government should consider such liberalisation at the earliest as “India’s retail sector continues to be primitive and there is evidence that there are large losses that occur as products pass through the supply chain from farm to the retail customer.” It argued that because of dated technology and managerial methods used to move products from one part to another there is value erosion that occurs all the way which, in turn, raises the prices that consumers have to pay. Therefore, IMG argued that reform in this sector can be an effective inflation busting measure. Whereas IMG has failed to give any basis for their recommendation, Food and Agriculture Organisation of UN has given a contrary research finding, that these MNCs are actually causing a big loss of food material for various reasons, as detailed in my earlier article (issue dated 8.1.2011, Organiser). Therefore, this argument of ING is not tenable. If we go deep into the arguments of the government and its officials, they are actually not based on their own research. These arguments are in fact ‘borrowed’ from the sponsored reports of multinational retailers like Walmart, Tesco, Carrefour.

### ***Higher mark-ups of retail giants***

In India margins of wholesalers and retailers are much less than the mark-ups of multinational retail giants. Higher mark-ups of multi-brand retailers are in-built in their business model. Mark-up is difference between the consumer prices and production costs. For comparative analysis of mark-ups of small Indian retailers and that of multi brand retailers, let us take different product groups separately. In case of consumer goods, like food products etc., margin of distributors and wholesalers is between 4 to 8 per cent and that of retailers is between 8 to 14 per cent. This margin is added to the production cost. Therefore, channel cost of distribution chain in India is between 12 to 22 per cent. If we look at multi brand retailers, their mark up on procurement price is nearly 40 per cent. In case of garments segment in India, total margin of wholesalers and retailers is between 35 to 40 per cent. However, the experience of multinational retailers shows that they put a price tag on garments of 2 to 4.5 times of their procurements price. As such their mark-up is 5 to 9 times of Indian retailers. In case of drugs and medicinal product we find that margin of retailers is up to 20 per cent, wholesalers up to 10 per cent and of C & F agents is up to 4 per cent. On the other hand, multinational retailers like Boots (UK) and Wallgreens (USA), have a mark-up of 2 to 3 times that of their procurement price. Therefore their mark-up is at least 6 times that of Indian retailers. In case of kitchenware, Indian small retailers’ channel cost is hardly 30 per cent, whereas retailers like Walmart etc. put a mark-up of 100 to 200 per cent on their procurement price. As such in case of kitchenware mark-up by multinational retailers is at least 5 times more than small Indian retailers. If we consider these mark-ups in different categories, then even if they announce sales from time to time, their prices would be much larger than the prices charged by present day small retailers. This is due the fact that these multinational retailers enjoy monopoly power, as there are only a few retailers (normally not more than 5) in any country.

As already stated above higher mark-ups of organised retailers (MNCs), built-in their business model, are due to the fact that process of retailing involve much higher costs as compared to small retailers. Though they maybe able to procure goods at a lower price by exploiting farmers and manufacturers due to their monopsony (monopoly as a buyer) power, but they may not be able to sell cheap in the long run, as they face high selling costs in terms of rentals of stores, warehousing and cold storage, other fixed costs and high rate of profiteering. In the words of Shekhar Swamy these multinational retailers open their stores with much fun and fare, announce lower prices for products sold in their stores, and will continue to sell these products at those prices till competition from small retailers is totally finished. It is an open secret that multinational retailers sell their products at 'predatory prices' to wipe-off competitors. Predatory price strategy has been adopted by these giant international retailers world over, wherever they had gone. Predatory prices are the prices, much lower than the procurement prices. This is made possible by their deep pockets. We understand each of these international retailers control significant share of markets in their respective areas of control, in countries, where they are operating. This makes their financial muscles strong. We cannot imagine small shopkeepers incurring loss even for a month in order to keep them in competition with international retailers, but we see these international retailers ready to forgo billions of dollars to push small retailers out of business, as they are eying on more than 22 lakh crore of rupees of Indian retail market.