

# FLOTSAM AND JETSAM

## Corporate Retail And The Predicament Of The Neighbourhood Grocer<sup>1</sup>

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Those who buy cheap and those who depart from the gainful economic scene are two different sets of people. So the joy of one set and sadness of the other can never be seen together. It looks as though we are becoming too modern, little too fast for the comfort of a few to the utter dismay and discomfort of too many. The age old kirana shops in each mohalla of urban or rural habitats had been a part of traditional life of any average Indian. My Govinda Kaku (Chacha), the owner of such a shop, in our locality in my childhood was not only a shopkeeper but business adviser to our family. He would not only supply goods on credit, he would himself take the responsibility of providing all the materials that our family required on any social function in the right time, in right quantities and at the prevailing market price. He would be an invitee in all our functions. He was an integral part of our local social milieu.

Traders as a whole earned a rather unsavoury reputation at the time of shortages during World War II and, thereafter, when allegations of hoarding, black marketing and overcharging of prices were being levelled rather liberally against this class. In the context of the current “rationing riots” in West Bengal, the retailers in the rural areas of the state have incurred infamy of a very high degree.

Almost all the ration dealers are basically retailers of consumer goods. Mainly because of their financial credit-worthiness, they are appointed as modified ration dealers. What we are witnessing in West Bengal currently is the foul effect of the operation of an axis of evil consisting of the predatory local bosses of the ruling party, corrupt government officials and dishonest and avaricious dealers. This system has been in operation since the mid-sixties of the last century. With some failings it operated fairly well. This axis of evil in the last few years of the Left Front rule exacerbated this situation to its present breaking point.

In spite of the lapses one could not, however, deny that they rendered essential services to the society. Today they are facing extinction. The question is, is it good for society?

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<sup>1</sup>The Statesman, November 4, 2007

<http://www.thestatesman.net/page.arcview.php?date=2007-11-04&usrsess=1&clid=3&id=202625>

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It is this question and many other associated issues which are agitating the minds of many socially conscious persons. Wal-Marts and TESCOS have become sign posts of economic modernism. With our growth rate of 8 to 10 per cent per annum can we afford to live without them?

The most appealing argument in favour of the entry of the giant corporate bodies in the retail market is that the “consumer will benefit”. A columnist had put it pithily: “Consumers will clearly win ~ They will flock to the air-conditioned havens in droves, attracted by the convenience of one-stop shopping, a wide range of products to choose from at significantly lower prices”.

The main advantages of corporate retailing are: (i) lower prices; (ii) wider range of products; (iii) higher and more consistent quality and (iv) convenience and saving of time. A consumer will not demand anything more. As yet corporate retail constitutes only 2-3 per cent of the retail operations in the country. But it is growing rapidly at an estimated rate of 32 per cent annually. Large Indian corporate entities like Reliance, Tatas and Birlas have either already entered or are likely to enter shortly. International consultants have declared India to be the world’s second most attractive destination for retail investment after Russia. If one looked at the class character of these consumers, one would find that they belong to the upper income bracket group ~ more so the nouveau riche who want to flaunt their newly acquired income.

That is one side of the story. On the other side figures are rather scanty. It is estimated that we have in India roughly 1.25 crore of retail outlets having a turnover of Rs 8,75,000 crore employing about 4 crore of persons and contributing to 10-14 per cent to our GDP. The scale of activity is really mind-boggling. Compared to the efficiency with which Wal-Mart runs its business, they are undoubtedly quite backward. But with all their lack of “efficiency”, retail traders have served their customers with all the goods that they required round the year and often 24 hours a day. The relationship that they developed with their customers was much more than just transacting business.

How would the small retailers, including the not-so-big wholesalers cope with such aggressive penetration by the corporate giants? It has been found that in Argentina 64,198 small stores closed between 1984-1993 ~ which constituted 30 per cent of the total number of small shops in the country.

In Chile between 1991 and 1995, the number of traditional retailers declined by 20 per cent in all segments of the retail sector. In Brazil, the share of dairy stores in dairy sales fell by 27.8 per cent during 1986-87 and 1995-96. In the top six countries of Latin America, supermarkets approximately control 60 per cent of the food retail. In Indonesia, the number of traditional grocery stores fell by 154,148 or by nearly

10% in 2002-03. Malaysia and Thailand also witnessed a sharp decline in the number of small retail stores. In the USA the expansion of Wal-Mart has been found to be correlated with poverty at the county level as a result of the displacement of local stores and consequent destruction of the quality of local leadership.

Will, those who would lose their livelihood due to the entry of these giant corporate bodies, be able to get employed in those stores? The answer will be in the negative. A study on this subject observed: “If Wal-Mart were to open an average Wal-Mart store in each of our 35 cities with a population of more than one million, and they reached the average Wal-Mart performance per store  $\sim$  we are looking at a turnover of Rs 8,030 crore with only 10,195 employees. Extrapolating this with the average in India, it would mean displacing about 4,32,00,000 persons currently engaged in the small retail sector” (Mohan Guruswamy et al: FDI in India’s Retail Sector: More Bad than Good; Economic & Political Weekly, February. 12, 2005, p 621). These 4.32 crore jobless persons will be the flotsam and jetsam of our ruthless development process.

There are various other issues connected with the intrusion of big corporate bodies, whether national or multinational, in the retail sector which require wide public debate. Any informed public discourse requires data and postulates which are not easily available. The Council for Social Development, New Delhi, has prepared a study on the subject captioned “Market Vs Market” to provide data. In the penultimate paragraph of this report, it is observed “Perhaps, the most fitting answer to those who support corporate retail and neo-liberal reforms is a well known figure that is hardly discussed in public policy: calorie intake, protein intake and cereal consumption among the rural population is declining, while under-nourishment is increasing. Between 1988 and 2000, as India’s “growth story” began, the percentage of under-nourished farm labourers and farm households rose by 5 per cent. Such a statistic turns the entire story of corporate retail advocates on its head, for it is these people who are the majority of Indians  $\sim$  and hence the Indian “consumers”. These “consumers” do not need corporate retail. They need a secure livelihood that provides a life of dignity for one and one’s family, which are exactly what corporate retail will further undermine”.

Corporate juggernauts are on the move in the retail sector of the market. They will march on inexorably. Is the country prepared to provide succour to its inevitable victims? Or will it wait for a major social upheaval to respond to the situation?