FDI in Retail Sector in India: A Global Perspective

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ABSTRACT

The objective of this paper is to review the debate on FDI in retailing and argue that it could be a potent source of both equity and growth for the agricultural sector in India. The research provides supporting evidence to the argument with the case study of PepsiCo that is engaged in both production and distribution in India. The study suggests that the MNCs could be a potent source of technology and knowhow to the Indian farmers. MNCs such as PepsiCo actively collaborate with Indian farmers to promote sustainable farming and efficiency in agriculture. We believe that the government of India should not prohibit FDI in multi-brand retail as it could contribute to growth and development of the country and will not be a threat to indigenous 'kirana' shops.

Keywords: FDI, Retail sector, Farmers, Pepsico.

1.0 Introduction

Retail sector in India accounts for 14-15 percent of GDP and is an attractive investment outlet for both foreign owned and Indian firms. In the year 2012, India relaxed its regulations on FDI in retailing and allowed 100% ownership for foreign firms in the sector. Foreign firms though were allowed to sell only single brands of products were required to source 30% of the products and materials from within the country. Later in the year 2012, foreign firms were allowed to sell multi-brand products but with the requirement that they own only 51% of the equity. Further, the regulations required that foreign firms should invest a minimum of $100 million with 50 percent of this amount specifically in infrastructure such as warehouses and cold storage facilities. In 2014, the newly elected BJP government that endorses a liberal economic policy framework and increased inflows of FDI into the economy has prohibited FDI in multi-brand retail. This is a reaction to the fears of indigenous small retailers known as the kirana stores that FDI may outcompete them in the retail sector.

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In short the debate on the entry of FDI into retailing has swung full circle, with an acknowledgment of the contribution of FDI to growth and development, but with a bow to political opposition in a democracy. This paper reviews the debate on FDI into retailing in India and argues that it could be a potent source of both growth and equity for the agricultural sector and India’s farmers. Foreign firms will provide effective competition to the government operated middlemen who dominate the chain from the farmers to the retailers and exploit both the farmers and the retailers and the customers at large for their private profit. The argument that FDI will outcompete ‘kirana’ shops is also fallacious. The paper is organised into six sections. The second section briefly outlines the structure of the retail sector in India and provides the background for the paper. The third section outlines the debate on FDI in retailing in India. The fourth section elaborates the argument that FDI in retailing could be a potent source of equity and efficiency for the farmers. The fifth section elaborates the argument that FDI in retailing is a false fear to ‘kirana’ shops. This section provides supporting evidence for the thesis with case study of PepsiCo that is engaged in both production and distribution. The last section concludes.

2.0 Composition of Indian Retail Sector

India’s retail industry with a compounded annual growth rate of 10.6 percent during the years 2010-2012 is estimated to touch 18.8 percent by 2015, with a market worth $750-850 billion (Figure 1). India’s retail sector consists of an organised and an unorganised sector. The unorganised sector includes traditionally family run, low cost retailers known as kirana shops, corner shops or convenience stores, the organised sector with a modern format includes supermarkets, hypermarkets, departmental stores and specialty chains. Organised retail accounts for 8 percent of the total retail market and is expected to grow to 20 percent by 2020 (Delloite, 2013). Food retail trade in India accounts for 63 percent of total retail sales, contributes 14 percent to the GDP and 7 percent to total employment (Guruswamy et al., 2005). Indian households spend 48 percent of their income on food and beverages, which is the highest proportion of total expenditures in the world (McKinsey, 2007) and most of their purchases are confined to small shops.

The Agricultural Produce Market Committee (APMC) Act which came into existence in the year 1991 makes it compulsory for farmers to sell their produce to licensed merchants or middlemen at mandis’ set by state agriculture marketing boards instead of selling directly to retailers or consumers. These merchants or middlemen are virtually a cartel and the prices they charge the retailers reflect their monopoly in the
retail market for food and food products. In addition government taxes, interstate transport charges and agent’s commission all add up to the high prices the middlemen charge the retailers. The profit in this system accrues to the middlemen at the cost of poor farmers and the final consumer.

**Figure 1: Growth in Indian Retail Market**

![Growth in Indian Retail Market](image)

Source: *India Retail Report, 2013*

In order to check the high and growing price level for food, the Government of India requested all the states to delist fruit and vegetables from the APMC act, but this measure alone is not enough to keep the prices in check. Farmers are unable to reach consumers directly due to practical difficulties such as the need to deliver perishable products to the market, storage and transportation problems. Faced with these problems, farmers are compelled to seek middlemen or intermediaries to sell their produce to the final consumers. Farmers usually find someone from the village who can get a license ‘as a farmer’ to operate in the market and sell their produce. These intermediaries or middlemen again form cartels and raise prices to the final customers. The problem could be solved by allowing independent players in the market who can purchase produce directly from the farmers and reach the final consumers. Shops set up by foreign firms in the country could shorten the supply chain, rid farmers of intermediaries and provide them with a large share of the final selling price (Ghosal & Srinivas, 2011).

The retail sector in a growing economy with a substantial middle class is attractive to the large super stores including foreign owned multi-brand firms. The growth of the sector, however, is unlikely to outcompete the small shopkeepers or the *kirana* stores mostly because of the low levels of income of a majority of the population.
who lack both the transport facilities to reach the supermarkets in the cities and refrigerators to store their purchases for long time periods. India as the saying goes is a large country with lots of poor people and a sizeable group of very rich people. There is room for both foreign firms and the ‘kirana’ shops in the growing retail trade sector of the country.

3.0 FDI in Retailing – The Debate

Since the introduction of economic liberalisation measures in the year 1991, the growth rate of the economy has averaged around 6.16 percent. One of the significant policy initiatives in the liberalisation package was the relaxation of rules and regulations governing FDI with qualifications attached, cited earlier. The newly elected government was expected to extend the liberalisation of FDI to multi-brand retailers as a part of its agenda to rid the economy of unnecessary rules and regulations that hampered growth. Surprisingly though the government has chosen not to liberalise multi-brand FDI in retailing on the grounds that it may outcompete the small firms and deprive many shop keepers of their livelihood. The government’s decision may be designed to appease political supporters rather than one that is based on reasoned economic arguments and evidence. We argue that there is very little support for the government’s fears and the economic case for allowing foreign multi-brand firms into the retail sector is strong. The case is based on the potential contribution of foreign firms to both efficiency and equity in the agricultural sector of the country. There are also the widely identified benefits to the consumers, mostly to the upper income groups at first but one that will reach the lower income groups in the long run. There are two major arguments to be considered here. The first is that the retail sector, as it is at present, is a dual sector consisting of the organised one with large sized shops and the unorganised sector with a vast number of small shop keepers. It is a dual sector in every sense of the word, the two are mostly unrelated and each one has a distinct clientele of its own and the two do not encroach on each other. It is this feature that belies the fears or the feigned fears of the BJP government. Secondly, FDI in retailing could be a potent source of both equity and efficiency for farmers as multinational firms’ engagement with domestic resources could improve farming technologies.

The debate over FDI in retail is actually between the Government and the economists who look beyond the voters’ bank and could foresee the benefits of it from the economic growth perspective in the near future. Nirmala Sitharaman, who is in charge of the commerce and industry portfolio, under BJP government, India, has publicly stated that the party is against FDI in multi-brand retail (TOI, 2014). Sitharaman
said the party has clearly articulated its position on the multi-brand retail and had won the elections on the basis of the manifesto. (Business Today, 2014)

Studies by Economist Balasubramanyam et al., (1999) analysed the role of FDI in promoting economic growth through technology transfer and technology and skill diffusion. Gokhale & Sinha (2012) are also of the view the retail is India being a local industry (unorganised), will not be much affected by the FDI in retailing rather it will benefit the existing organised players in the market and certainly Indian consumers in the long run with innovative retail formats, best practices and world class goods and services. Government of India should allow FDI in retail as multinational retailers have potential to improve efficiency and performance of the distribution system of India (Kohli & Bhagwati, 2011; Ghosal & Shrinivas, 2011). Tiwari (2009) also acknowledge the linkage between FDI and local industry and is of the view that FDI has high potential to stimulate local development and hence the overall economy.

4.0 FDI in Retailing- A Phony Intimidation to the ‘kirana’ Shops

Role of FDI in promoting economic growth has been undertaken by several researchers (Khawar, 2005; Bajpai and Sachs, 2000; Singh and Shrinivasan, 2004; Lensink and Morrissey, 2001;) however there are also studies identifying the conditions necessary to promote economic development through FDI (Hirshman 1958; Mellor 1976; Hansen, 2004). For developing countries like India, it is important to ensure that the FDI contributes to poverty alleviation along with economic growth. There is a vast literature, with mixed responses, on the impact of super markets on small grocery stores or ‘kirana’ shops which are small neighborhood retail stores; usually family owned selling groceries and sundries. According to the estimates there are about 12 million ‘kirana’ stores in India (Bissell, 2014) employing more than 35 million or 7.3 percent of the India’s workforce (Economic Survey, 2013). A study by Kohli & Bhagwati (2011) identifies that an unorganised retailer have edge over organised retailer in a number of ways. These small shops accept product returns, exchange goods, understand the likes and dislikes of individual customers and give credit to their long lasting customers unlike organised retailers. ‘Kirana’ shops are low on running cost as they are usually family run and small in size, where at times home is converted into shop or warehouse.

A study by Sobel and Dean (2008) denies any long run impact of Walmart’s entry on small retailers in US apart from the reallocation of small businesses resulting in expansion or contraction, whereas (Jia, 2008; Basker 2005) report a decline in the number of small retailers. A study by Igamii (2008) suggests that large supermarkets displace big and medium sized incumbents but improves the survival rate of small stores.
who are insulated by product differentiation due to store size and hence softens price competition (Anderson et al., 1992; Perloff and Salop 1985). Igami highlights the difference in consumer demands and shopping habits and suggests that stores with varying floor sizes cater different products to consumers. According to Balasubramanyam (2013) lower income group neither demand nor afford international variety of products because of cost, reach and storage concerns unlike higher income group who are interested in wide range of products.

Sprawling super markets are generally located on outskirts or suburbs of big cities to cope with the rising retail rentals and scarcity of prime locations. Retail rentals in prime locations have gone up by 50 percent in the last three years and are 300-400 basis points higher than international rentals, accounting for approximately 40 percent of total cost of retail sales (Delloit, 2013). It is observable that lower income group would not spend on commuting to super market for their daily needs or top-up shopping rather a ‘kirana’ shop or a local vegetable vendor would be a convenient choice. India certainly has growing middle income groups but it accounts for less than 30 percent of the population (Deutsche Bank, 2010); on the other hand, 21.9 percent of population is below poverty line (Planning Commission, 2012); hence both organised and unorganised retailers will co-exist in near future as they offer different value propositions to customers. Kohli and Bhagwati (2011) also argue that the expansion of large retailers is not at the expense of small ‘kirana’ stores. Unlike organised retailers, ‘kirana’ shops cater to a specific group of customers within the locality, whom they offer credit facilities, exchange and return options for the goods purchased. These shop keepers know customers on an individual basis and can advise them on their requirements. Prahalad (2008) observed that customers at the ‘bottom of the pyramid’ buy goods frequently and in small quantities because they can neither afford nor store goods due to lack of facilities at home making nearby kirana shops convenient destinations for their daily needs.

Consumers have also the liberty to shop around and purchase fresh fruits, vegetables, milk from ‘kirana’ shops or the nearly vegetable market. As suggested by Kohli and Bhagwati (2011), this is all a part of the rhythm of life in India and might not change in the near future. The joint family continues to exist in India, where the elders of the family, mostly retired from work, generally engage in daily shopping, they prefer going to the nearby corners shops where they meet other people of their age, chat with them and derive pleasure out of such outings. These corners shops also provide home delivery services which are bliss for working couples and elderly couples who can’t commute to the shops.
5.0 FDI in Retailing-A Source of Equity and Efficiency for the Farmers

A few studies (Carkovic and Levine, 2002; Milanovic, 2002; Kamalakanthan and Laurenceson, 2005) rule out a link between FDI and poverty reduction whereas there are others (Dollar and Kraay, 2002; Winters, 2002; Gauza et al., 2005) that indicate a positive correlation between trade liberalisation and reduction of poverty. According to Ackermann (2010), international organisations neoliberal model of encouraging FDI to promote economic growth has also received mixed responses by researchers. The study by Sumner (2005) highlights FDI’s impact on accelerating economy’s growth without commenting about its impact on reducing income poverty whereas Prahalad and Hart (2002) advocates that FDI be directed towards bottom of the pyramid (BOP) venture which either sells or source products from them elevates their standard of living. BOP can be regarded as consumers or producers (Rangan et al., 2007) or both (Anupindi and Sivakumar, 2007) but according to Leonard (2007), the poverty alleviation outcomes will be different based on their engagement, as producers or consumers. Prahalad (2004) suggests that considering the BOP as consumers and selling to them could be profitable for MNCs and alleviate poverty but Karnani (2007) argues that poor should be viewed as producers and emphasised buying rather selling to them as it is the only way to raise their real income. MNCs should aim to eradicate poverty by investing in skill upgradation, productivity enhancement and creating more employment opportunities for the poor. Jaisawal (2008) also emphasised on strengthening the role of poor’s as a producer for rapid poverty alleviation.

According to Ackermann (2010), Prahalad’s BOP approach creates business opportunity for MNCs by developing innovative, affordable and accessible products for poor and incorporating them at both local and global supply chain level. It aims to eradicate poverty by acknowledging the empowerment of local entrepreneurs and companies in developing the BOP market but nevertheless lacks social perspective of welfare. Karnani (2007) states the difficulty for MNC to be driven by social responsibility instead of economic profit but propose to tackle a social problem through business activities which collaborates with local partners to alleviate poverty, boost development and create jobs through skill upgradation.

Domestic development can be achieved by proper linkage of FDI with local industries and economy (Hirshman, 1958; Millor, 1976). Studies by (Rugraff & Hansen, 2011; Ackermann, 2010) suggest that MNCs may have spill over effects on the local firms by introducing advanced production techniques and more competition in the economy whereas studies by Bwalya (2006) and Hansen (2014) substantiate considerable inter-industry technology spillover from MNCs to local firms. Hansen
(2014) is of the view that spill over are more likely between inter-industries firms through upstream and downstream linkages in their value chain rather than sharing technology and know-how with the firms in their own industry and create competitors. Rugraff et al. (2009) is also of the view that local companies benefit from the spill-over of latest technologies, know how, organisational and managerial practices that MNCs bring along.

Ivarsson and Alvstam (2005a) emphasised on the backward linkages of FDI in the developing country which represents an important transmission channel of new knowledge and technology (Jordann, 2011; UNCTAD, 2001) supporting the local suppliers. Hence the MNC engaged in production and distribution in the host country could promote equity and efficiency in agriculture by transmitting to farmers advanced knowledge and technology. Foreign Investors are looking forward to enter organised retail sector, which has a mere 8 percent presence in India and as the study by Belderbos et al., (2001) suggests the firms producing for host market prefer domestic suppliers hence are actively interested in improving them (Jordann, 2011) and creating new suppliers by upgrading their production processes (Lall, 1980).

Hansen (2014) supports linkage between MNCs and local enterprises but argues that the development impact of linkage which includes creating jobs, developing skills and upgrading capabilities in the local economy eventually depends on government intervention. Balasubramanyam et al. (1999) is also of the view that the mere presence of FDI does not guarantee technology and skill spill-over’s rather needs to be engineered through effective policies.

Borenstein et al. (1998) and Balasubramanyam et al. (1999) suggest a threshold level of endowment of human capital as a necessary condition for promoting growth through FDI. Any nation’s government just can’t rely on FDI to contribute miraculously to nations growth but should strengthen the absorptive capacity of variables like education (Borensztein et al., 1998) trade policies (Balasubramanyam et al., 1996) and the initial level of development (Blomstrom et al., 1992). Tiwari (2009) suggests that sectoral composition of FDI engaging with domestic resources stimulates multi dimensional development of the local economy. It increases livelihood opportunities and attract private and public sector investment in social sectors like education, health and infrastructure. The spill-over from improved social sectors reach the wider population enhancing the overall human capital, hence FDI could also be seen as a tool to strengthen certain absorptive capacities in a nation with the help of governments effective trade policies.

India has followed liberalisation and globalisation since 1991 and the new government elected to office this year has pledged to rid the country of corruption and
streamline the policies governing both production and distribution. The positive wave is reflected in the Sensex crossing 27,000 marks in September 2014 and GDP growth rate touching 5.7 percent for the period June – August, 2014 compared to 4.7 percent last year. India is able to set the pace right for economic development hence permitting FDI in retail which engages with domestic resources could accelerate multi-dimensional development of the country and the spill-over could enhance overall human capital. 

PepsiCo is an example of FDI in food processing sector that the nation can look forward to, to replicate in retail sector and help attain economic growth along with poverty alleviation and social upliftment of poor farmers.

PepsiCo, the global food and beverage leader is one of the largest US multinational investor in India. It has a product portfolio of 22 brands with each brand contributing to total annual retail sales of over $1 billion. PepsiCo’s steady investment in India has resulted in 38 beverage plants and 3 food plants. PepsiCo India with its iconic brands like Pepsi, Lay’s, Kurkure, Tropicana, Gatorade and Quaker is a household name and trusted across country.

CocaCola and Pepsi are the two tough competitors in the carbonated beverage segment in India. According to Nielsen data obtained from industry sources, Coca-Cola India has 56.7 per cent of the market, while PepsiCo has 34.1 per cent and together they command over 90 percent of the soft drink market (Pande & Shashidhar, 2013). Along with its partners, PepsiCo is aiming to invest around Rs. 33,000 crore in India by 2020 to scale up product innovation, manufacturing capacity, supply chain mechanism and market infrastructure. It is also targeting to expand company’s agriculture programme in the country (PepsiCo).

PepsiCo entered India in 1989, ever since they have been working with the farmers through contract farming. Contract farming entails production and supply of agricultural produce on the basis of an agreement between the buyer and farm producers or supplier. It is agreement where the seller will timely supply certain type of commodity, at pre-agreed price, quality and quantity to the buyer. According to the contract, farmer is required to plant the contractor’s crop, harvest and deliver the produce at the pre agreed price and the contractor will supply the required inputs, technical advice or expertise to the farmers. Contract farming is the powerful means to introduce new crop and farm technologies when marketing and production uncertainties predominate in the economy and are effective when offers fair price and adequate risk coverage (Chaturvedi, 2007).

The company’s first engagement with farmers started with tomato cultivation for the export of value added processed food- tomato paste. PepsiCo imported high yielding varieties of tomato inputs that could be cultivated in Indian climatic conditions and
entered into a pre-agreed price contract with the farmers. Advanced agricultural practice and technical support improved agricultural yield by three-fold from 16.52 MT/hectare and doubled the length of season for growing tomatoes (Seth, 2003). The improved yield increased farmers income and lowered prices for the consumers.

PepsiCo’s initiative did not end here, it introduced sustainable farming methods to farmers and ventured into crop diversification and farming of high quality potatoes. The managers of PepsiCo collaborated with Thapar Institute of technology at Zahura in Punjab to develop quality potato mini-tubers for cultivation. They are associated with more than 12,000 farmers across Punjab, Uttar Pradesh, Karnataka, Bihar, west Bengal, Gujarat and Maharashtra to produce world class chip-grade potatoes. In 2012, potato farmers in West Bengal recorded 100 percent growth in crop output and earned profit between Rs. 20,000– 40,000 per acre, as compared to Rs. 10000–20,000 per acre in 2009 (PepsiCo India).

PepsiCo as a development partner reaches out to more than 22,000 farmers to produce potato, barley, tomato, paddy and chillies through contract farming and supplies for free higher quality seeds, suitable agricultural inputs and tools to raise productivity. The company’s guaranteed buy-back mechanism at a pre-determined rate shields the farmer from losses due to market price fluctuations. PepsiCo has brought together the world class agricultural practices to increase farm productivity and earnings and reformed the lives of thousands of poor farmers in India.

According to Chaturvedi (2007), PepsiCo has been exporting Basmati rice since 1990’s and was the first food processor in India to invest and strengthen backward linkages. PepsiCo was extensively involved in multiple location field trials and ensured successful transfer of technology from the trials to commercial field level for the best quality produce. The company procure a pre-agreed quantum of harvest at a pre-agreed price resulting in an assured income to the farmer. PepsiCo has also entered into a partnership with the Punjab government (Punjab Agriculture University and Department of Horticulture) to promote contract farming for citrus fruits. The Government of Punjab has facilitated the creation of nursery infrastructure, land for demonstration plots and import of germ plasm. PepsiCo for its part has provided international expertise on grafting and planting and has also sent farmers’ to citrus groves in Florida (Chaturvedi, 2007) for training. This collaborative work has resulted in quality produce being directly procured by the company which eliminates middlemen from the system and guarantees a stable price to farmers and the end users.

According to Chaturvedi, PepsiCo’s contract model is composed of three building blocks: research and development activities, technology transfer and commercialisation. It ensures best inputs to farmers for quality produce which is bought
by the company at a pre agreed price facilitating company’s long term planning and investments and raising the living standard of farmers. The small size of land holdings is the bottleneck in the way of successful contract farming, as it is difficult to handle large number of farmers. There should be comprehensive crop insurance scheme to protect farmers against natural calamities and a judicial system for enforcement of contracts and that should be binding and enforceable by both parties.

PepsiCo is emerging as a development partner by helping farmers to grow more and earn more by creating cost-effective, localized agriculture-supply chain for its business. According to Karnani (2007), private sector can play a strategic role in alleviating poverty by considering poor as producers from whom they can buy, rather than looking at them as potential buyers and selling to them, so that their real income increases. Once their income increases, this section will possibly join the mainstream consumer group and eventually the rising middle income group of the nation. PepsiCo seems to have been working in this direction and sets an example for other MNCs to follow. PepsiCo along with the farmers and state governments is collaborating to upturn agricultural—sustainability and crop diversification. It provides customised solutions suitable to specific geographies and locations. It facilitates cheap credit availability to farmers through their tie up with the State Bank of India and extends weather insurance policies from ICICI Lombard to overcome the risk due to unforeseen weather conditions.

Nielsen’s independent survey (2008) in Punjab reports that PepsiCo’s contract farming initiative has enhanced farmer’s income, safeguarded against the risk of crop failure and reduced indebtedness. PepsiCo has initiated potato farming, a water intensive crop; in water deficient Satara district of Maharashtra by using environment-sustainable technologies like drip-irrigation technology that reduces water requirement by 70 percent. Company has also initiated water conservation technology like direct seeding technology for paddy farming in Punjab and provided direct seeding machines free of cost (Sindu, 2010). PepsiCo has been constantly looking for opportunities through stakeholder partnership with public, private, NGO and academic sectors to reduce on-farm water use and GHG emissions. PepsiCo potato growers are using manufacturing waste as fertiliser to reduce Carbon-di-oxide emissions, a technique pioneered by their agricultural team in Turkey (PepsiCo Report, 2011-12).

In 2012, PepsiCo launched Sustainable Farming Initiative (SFI) on the ongoing basis in all developed, developing and emerging markets to measure environmental and local economic impacts associated with their agricultural supply chain and to improve their agricultural operations. According to Wang Ying, Director-General of the Department of International Cooperation of the Ministry of Agriculture, advancement of sustainable agriculture is an important component of China’s agriculture policy and
PepsiCo will plan business investment that helps to attain both commercial and social objectives. PepsiCo is known for promoting best practices in farming to improve yield, speed up agricultural modernisation and improve income levels and standard of living of farmers (PepsiCo Press Release, 2011).

Indian government should collaborate and facilitate efforts of MNCs that are engaged in both production and distribution by providing advanced technological and know-how. PepsiCo is an example of an MNC that invested in India decades ago and has been continuously working with farmers to promote sustainable farming and efficiency in agriculture. It is the best way for a developing country to benefit from the MNCs expertise. As advocated by endogenous growth theories, technology is the main engine of growth for the developing countries and through linkages and spill-over effects Indian agriculture and hence the economy could benefit the most. Opening up of FDI in retail sector could be a boost for agriculture system, farmers, consumers and economic growth of the country.

6.0 Conclusion

In the light of the above discussion, it can be said that FDI policy should allow foreign owned firms to enter the retail sector in India. This will, *prima facie*, compel locally owned distribution agencies and firms to face competition with the foreign firms, who are free to operate without any restrictions. This competition will possibly eliminate complex and inefficient chain of middlemen between agriculturist and consumers and increase the farmers share in the value of total sales. Secondly, the freedom of operation might initiate collaboration between foreign firms and manufactures of food products, as in the case of PepsiCo where the technology and knowhow resulted in improving agricultural yield, farmers’ livelihood and hence transformed lives of thousands of Indian farmers. As the government has collaborated with PepsiCo in China, similar initiatives by the Indian government could promote sustainable agriculture and accelerate development of farmers. If quality produce could be produced within the nation, MNCs would probably not look at importing them from other countries. This could, in turn, generate more employment for the farmers. Good quality products could be exported as in the case of ‘Basmati’ and tomato by PepsiCo, resulting in an increase in export income. Prime Minister Narendra Modi has rightly pointed out that schemes that guarantee employment for few months like MGNREGA are actually not the means to alleviate poverty rather the initiative to uplift the poor by making them technologically sound (Livemint, 2014) and shifting the focus from demand-based employment to project-based services (Business standard, 2014) and PepsiCo is working in that
direction. There is a need for detailed case studies of the operations of the few foreign firms such as Hindustan Lever and PepsiCo that are actively collaborating with the farmers in India.

References


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