

RETAIL INDUSTRY IN INDIA

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Abstract :The organised retail sector in India has been witnessing various issues and challenges which are proving to be a hurdle for its fast-paced growth. Even though the organised retail sector is in a very nascent stage in India, it provides ample opportunities for retailers, and mitigation of a few challenges will help the sector attain higher economies of scale and growth.

Key words:Retail Industry , challenges , Literature Review.

INTRODUCTION

The recent time has been observed as growth of Indian organized retail market with many folds. Numerous business groups are attracted in the past few years, including some renowned business groups like Bharti, Future, Reliance, and Aditya Birla to establish hold, showing the future growth in times to come. In addition, organized retail sector has also grabbed the attention of foreign companies, showing their interest to enter India. Retailing is one of the largest industry in India and one of the biggest sources of employment in the country. Retail sales in India amount to \$180 billion and account for 10-11 % of gross domestic product. The Indian retail market has around 14 million outlets and has the largest retail outlet destiny in the world. However the retail sector in India is witnessing a huge revamping exercise as the traditional retailers are making way for new formats. India remains an appealing, long-term retail destination for several reasons starting with its demography – half of India’s population is less than 30 years of age and roughly one-third of the population lives in cities. The disposable income of Indians is increasing - allowing them to spend more and try new products, brands, and categories. With the growth in the retail industry, the corresponding demand for real estate is also being created. Further, with the online medium of retail gaining more and more acceptance, there is a tremendous growth opportunity for retail companies, both domestic and international.

LITERATURE REVIEW:

1. Akash (2009) states that Retail business in India, as anywhere else in the world, plays a crucial role in an economy. Retail in India has the potential to add value over Rs 2,00,000 crore (\$45 billion) business in the coming years generating employment for some 2.5 million people in various retail operations and over 10 million additional workforce in retail support activities including contract production and processing, supply chain and logistics, retail real estate development and management.

2. Mishra (2008) expose that mall space, demography, rising young population, availability of brands, rising retail finance, changing lifestyle, modern retail formats and foreign direct investment are the strengths and opportunities for modern retail model. On the other hand, real estate cost, improperly developed mall, lack of skilled personnel, underdeveloped supply chain and taxation hurdles are the weaknesses and threats for modern retail formats.

3. Bagdare (2009) Layout, ambience, display, self-service, value added services, technology based operations and many more dimensions with modern outlook and practices are the major determinants of modern retail formats.

Need for the Study:

Even though the organized retail sector is at a very nascent stage in India, it provides ample opportunities for retailers, and few challenges will help the sector attain higher economies of scale and growth. Organized retailing has emerged as a new in roads to consumers for shopping. Internet penetration is also spreading across India at a faster rate, gaining attractiveness for buying. Organized retailers intend to take advantage on it. Thus, this study is undertaken to figure out the challenges in organized retailing in India.

Objectives of Study:

1. To figure out the challenges in organized retailing in India.

Research Methodology:

This is a conceptual paper and hence it is based on secondary data only. This data is collected from various reference books by various authors. Also researcher has visited various websites which provided information on retail industry in India.

Research Study:

India is the country having the most unorganized retail market. Traditionally it is a family's livelihood, with their shop in the front and house at the back, while they run the retail business. More than 99% retailers function in less than 500 square feet of shopping space. Retail and real estate are the two booming sectors of India in the present times. And if industry experts are to be believed, the prospects of both the sectors are mutually dependent on each other. Retail, one of India's largest industries, has presently emerged as one of the most dynamic and fast paced industries of our times with several players entering the market. Accounting for over 10 per cent of the country's GDP and around eight per cent of the employment retailing in India is gradually inching its way toward becoming the next boom industry.

Challenges in organized retailing in India.

The challenges facing the Indian organized retail sector are various and these are stopping the Indian retail industry from reaching its full potential. The behavior pattern of the Indian consumer have undergone a major change. This have happened for the Indian consumer is earning more now, western influences, women working force is increasing, desire for luxury items and better quality. He now wants to eat, shop, and get entertained under the same roof. All these have lead the Indian organized retail sector to give more in order to satisfy the Indian customer.

1.UNORGANIZED RETAILING:

The very first challenge facing the organized retail industry in India is competition from the unorganized sector. Traditionally retailing has established in India for centuries. It is a low cost structure, mostly owner operated, has negligible real estate and labor costs and little or no taxes to pay. Consumer familiarity that runs from generation to generation is one big advantage for the traditional retailing sector.

2.EXPENSIVE REAL ESTATE:

Real estate prices in some cities in India are amongst the highest in the world. The lease or rent of property is one of the major areas of expenditure; a high lease rental reduces the profitability of a project.

3.LACK OF RECOGNITION:

Lack of recognition as an industry hampers the availability of finance to the existing and new players. This affects growth and expansion plans.

4.LACK OF ADEQUATE INFRASTRUCTURE:

Poor roads and the lack of a cold chain infrastructure hampers the transportation of food and

grocery retail in India.

5.SHORTAGE OF SKILLED MANPOWER:

Front-end/retail assistant profiles in stores form a major proportion of the employment in the retail sector while store operations accounts for 75-80% of the total manpower employed in the organized retail sector. Unfortunately, there are very few courses specific to the retail sector and graduates/post graduates from other streams are recruited.

6.POLICY INDUCED BARRIERS:

Organized retail in India is managed by both the Ministries of Commerce & Consumer Affairs. While the Ministry of Commerce takes care of the retail policy, the Ministry of Consumer Affairs regulates retailing in terms of licenses and legislation. There is a need to govern retail operations through a single apex body. A single agency can take care of retail operations more effectively.

7.MULTIPLE AND COMPLEX TAXATION SYSTEM:

The sales tax rates vary from state to state, while organized players have to face a multiple point control and system there is considerable sales tax evasion by small stores.

8.UNIQUE INDIAN CUSTOMER:

The Indian consumer experiencing modern retail has now warmed up to this idea. Buying habits have still not changed, where people prefer to buy most of the fruits and vegetables on a daily basis. The Indian consumers have a strong preference for freshly cooked food over packaged. Food mainly attributed to dietary patterns, poor electricity supply, low penetration of refrigerators and a family structure where one of the primary roles of the housewife's is feeding the family. There is also an impact on the basket size because of non-availability of personal transport facilities, due to which the consumers prefer to buy smaller quantities from stores conveniently located near their homes.

CONCLUSION:

Retail in India is most dynamic industry and represents a huge opportunity for domestic and international retailers. Modern retailing is not a problem to traditional stores as most of the consumers said that they never stopped visiting kirana stores. They strongly agreed on coexistence of both is required. Their frequency of going to kirana store is reduced. Modern retailing has miles to go in India. The growth of modern formats has been much slower in India as compared to other countries and the development of this sector is depends on the presence of regulatory and structural constraints. Government has to take care about the existence of organized retail stores in India and they have to take measures to overcome the challenges. Then the fast growth of organized retailing can be possible in India

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