



## Retail Sector: Growth and challenges perspective in India

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**ABSTRACT:** The Indian Retail Industry having the fifth largest place in the world. It comprising organized and unorganized sectors, Indian retail industry has one of the fastest growing industries in India. Indian Retail Industry is growing from US\$330 billion in 2007 to US\$640 billion by 2015. The retail sector is one of the fastest growing sector in India, having the world's second largest place in consumer market. Retailing has the major business activities in India and leading sources of employment generation in India. Due to extreme change in the behavior, taste and preferences of the consumer, and the growing economy, earning capacity, less time and fast track life makes the emerging challenge in the retail sector of India.

Indian retail sector mainly divided into two parts unorganised and organised retail. Organizes retail has limited market share in comparison of unorganized retail sector. Recently Indian Government allowed FDI in single brand retailing and multi brand retail which comprises challenges for retail industry.

The purpose of this paper is to find out the growth and challenges in Indian retail industry and major problems for Indian retailers and as well as for the foreign retailers. This paper shows the detailed information about the growth and challenges of retail industry in India. The paper reveals that how since past few years retailing has been an promising industry and opened door for the retailers and foreign investors. Due to changing in the scenario of world's economy retail sector attracts the attention of scholars to make some efforts relating to study of growth and challenges. Since efforts have been made in this paper to highlights the present status, growth, opportunities and problems of retail sector in India.

**Keywords :** Retailing, Organized and Unorganized sector, FDI, World's Economy.

### INTRODUCTION

According to a definition the word "Retail" had originates from a French-Italian word. Retailer is a person who cuts off or sheds a small piece from something. Retailing is the set of activities that markets products or services to final consumers for their own personal or household use. India having the 5th largest place in the world's retail market . The country gets fourth rank among the survey of 30 countries in terms of global retail development. The market size in 2010 was estimated at US\$ 353 bn (Source: IBEF) which is expected to reach US\$ 543 bn by 2014 from current growth rates. Retailing has played a important role in the world to increasing the productivity across a wide range of consumer goods and services. In the developed countries, the organised retail sector having almost 80% of the total retail industry . But in contrast, India organised retail sector having 8% of the total retail industry. This highlights shows the terrific potential for retail sector growth in India.

In India retail sector is one of the major pillars of economy who comprises 14 to 15 percent of its GDP.

The Indian retail market is estimated to be US\$ 450 billion and having fifth place in retail markets of the world by economic value. India has one of the fastest growing retail markets of the world in context of customer, which having 1.2 billion customer. As of 2013, India's retailing industry was owner manned small shops. In 2010, larger format like as convenience stores and supermarkets having only 4 percent of the industry, and these were presented only in large urban centers. India's retail industry employs to the 40 million Indians which is 3.3% of total population of India.

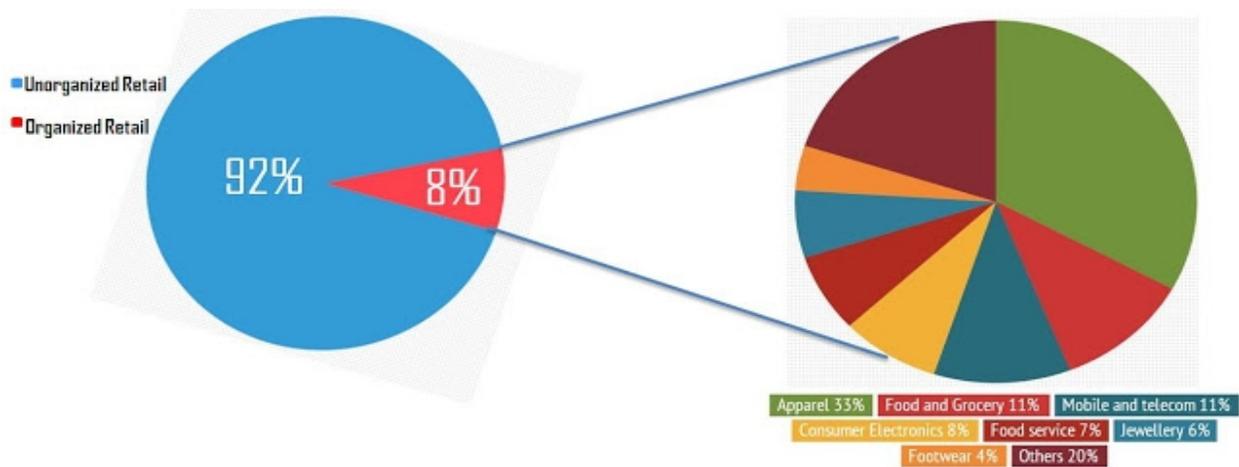
Usually Indian retail shops are very small in size. Out of 14 million outlets situated in the country only 4% of them having larger than 500 sq ft space. India has only 11 shops outlets for each 1000 people. A majority of the unorganized retail shops in India employ by family members, they do not have the scale to procure and transport products at high volume wholesale level. They have limited information related to quality control and fake-versus-authentic product screening technology. They have no training about safety and hygienic storage, packaging or logistics of the product.

The unorganized retail shops purchase their products from middlemen who spot up the product as it moves from farmer or producer to the consumer. The unorganized retail shops not offer after-sales support or service to their customers. Most of the transactions at unorganized retail shops are done with cash.

**Types of Retailing:** In India there are mainly two types of retailing sector one is organised and another one unorganised. In India Organised retailing refers to trading activities undertaken by licensed retailers, those

who are registered for sales tax, income tax, etc. These include the publicly traded supermarkets, corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses.

On the other hand Unorganised retailing refers to the traditional formats of low-cost retailing. For example, the local corner shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc.



Currently India having only 8% of organized retail sector and remaining 92% is captured by unorganized, which may grow much faster than traditional or unorganised retail sector . It is expected to gain a large share in the growing retail market in India. Various estimates states that the share of organized retail will increases as 20% by 2020.

The growth pattern of the organised retail sector and the consumption made by the Indian population may follow a rising trend which helps the new businessmen to enter the Indian Retail sector.

The traditional or unorganised retail industry is expected to grow at an average rate of 5% annually over the next year, while the organised retail is estimated to grow a rate of around 25% annually during the same period.

**II. REVIEW OF LITERATURE**

According to Haritima Negi Rawat Retail industry is the most growing sector in current scenario of Indian market. It will provide more opportunities for retailers and investors in near future. The growth of the organized retail industry in the country will generate thousands of new jobs, which increases the income levels and living standards of people and make better products, and services, a better shopping experience,

and more social activities. Indian retail sector has opening new doors for the foreign retailers. Indian government also allowing foreign investors in retail sector which makes threat for Indian retailers.

According to Sunita sikri and Dipti wadhwa the Indian Retail sector having the fifth largest place in the world retailing sector. There are mainly two types of retail sector organized and unorganized. Indian retail industry is growing rapidly over the last few years. Though the retail market in India is mostly captured by unorganized retail sector, however with the change of taste and preferences of consumers, the organised Industry is getting more popular in these days and the share of this sector is growing.

Sanjay Manocha and Anoop Pandey states that the retail market is changing rapidly in India and a large scale investments made by foreign and domestic players in India. Market liberalization and changing consumer taste, preferences and behaviour have shown the retail transformation. India is witnessing changing life styles, increased incomes, the demographic variability's and energetic democracy. Indian retailing is expanding the area and is expected to reach at US\$637 billions by 2015. Finally he concluded that Retailing provides a important link between producers and consumers in modern market economy.

Retailing in India is most dynamic industry and provide a huge opportunity for domestic and international retailers.

According to Pawan kumar in the era of globalization economy has changes rapidly in which retail sector also changing from traditional or unorganised to organized retailing. Due to changing in the scenario of world,s economy the retail sector attracts attention of scholars to make some efforts relating to study of opportunities and challenges. The changes in the retail sector make the contribution in the growth of GDP of the country.

On the basis of above review literature many challenges and problem comes out. Retail sector is growing rapidly but in comparison of organised and unorganised retail sector the most of the market is captured by unorganised retailing. Organised retailing is growing but not according to expectation of the retailers.

### III. CHALLENGES IN RETAIL SECTOR

- Retail productivity in India is very low comparison to international. Total retail employment in India from organized and unorganized is 3.3% of Indian labor work force out of which mostly related to the unorganised retail sector.
- Indian retailing is still dominated by the unorganized sector in comparison of organised sector. There is still a lack of efficient supply chain management in retail sector.
- Most of the retail outlets in India are having less than 500 square feet in size.
- Many political parties in India have opposed FDI in retail sector. A political change in state and central governments can puts a lot of political risk on investment in retail sector.
- Trained manpower is a challenge for the organized retail sector in India. The Indian retailers have difficulty to finding the trained manpower and also have to pay more to retain them.
- The lack of proper infrastructure and distribution channels in the country results in inefficient processes in retailing. This is a major problem for retailers as a non-efficient distribution channel is very difficult to handle and can result in huge losses for them.
- Different structure of sales tax in different states. Taxation laws that does not favor small retailers.

### IV. GROWTH TRENDS IN INDIAN RETAIL INDUSTRY

- Retail industry has been on a growth trend over the past few years. With the growth of economy back on track, retailers are making their expansion plans. The retail industry is expected to grow at a rate of 12% per annum for the next 5 years.
- The Indian retail industry has growth of 10.6% between 2010 and 2012 and is expected to increase to US\$ 750-850 billion by 2015.
- The current sign of Government to initiate Foreign Direct Investment (FDI) in various sectors is bringing a new interest to the investment climate in India and more and more foreign marketers attracting towards Indian retail market.
- Higher incomes motivating the purchase of essential and nonessential products which contributing in the growth of the retail sector.
- Consumption patterns of Indian customers are changing.
- Increase in easy access to credit and consumer awareness.
- New technology and lifestyle trends creating replacement demand.
- Increase in rural income as well as urbanization of the population.

#### Objective of the study

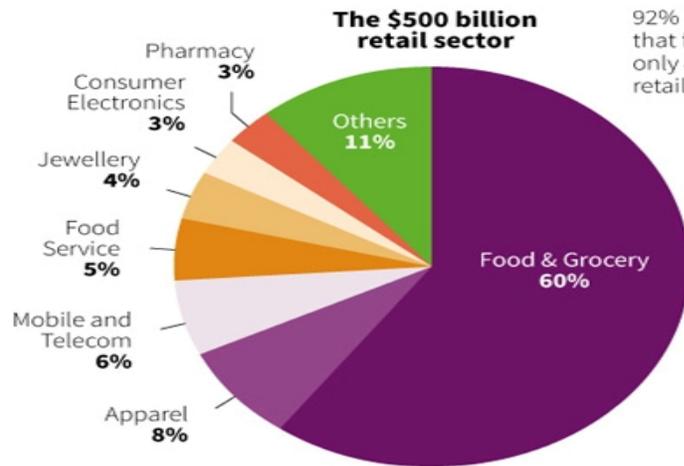
This research Paper is prepared for the purpose of find out growth and challenges of retail sector in India. At the end paper will cover each objective comfortably followed by conclusion.

#### Research methodology

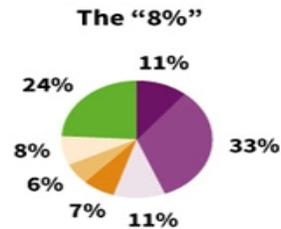
This paper is based on secondary data and Information has been sourced from various books, trade journals, government publications, newspapers etc. and research is descriptive in nature.

### V. FUTURE SCOPE IN INDIAN RETAIL SECTOR

Organized retail is a new phenomenon in India and the market is growing very rapidly. The middle class growing very rapidly that is important factor which contributing in the growth of Indian retail sector. According to a report up to 2030, it is estimated that currently 21 million household converted into 91 million households who are 'middle class'.



92% of the sector is *unorganised*, those that fall under "mom and pop" stores, and only 8% is *organised*, those dominated by retailers who have multiple stores



Source: Deloitte, Jan 2013

India's modern consumption level is leads to double within five years to US\$ 1.5 trillion from the present level of US\$ 750 billion. India is set for high growth in consumer expenditure. With India's large 'young' population and high domestic consumption, the trends for the retail sector look favorable and expandable.

Online retail business is also an important format which has high potential for growth in the near future. The online retail segment in India is growing at an annual rate of 35 per cent, which would take its value from Rs 2,000 crore (US\$ 429.5 million) in 2011 to Rs 7,000 crore (US\$ 1.5 billion) by 2015. These days most of the companies want to sell their products online because it attract a mass number of customers.

## VI. CONCLUSION

The Indian retail sector has experienced high growth rate over the last decade with a visible shift towards unorganised retailing to organized retailing formats. The retailing industry is moving towards a modern concept. The size of India's retail market was estimated at US\$ 435 billion in 2010. Out of which, 92% of the market was traditional or unorganised retail and 8% of the market was organized retail. India's retail market is expected to grow at 7% over the next 10 years, reaching a size of US\$ 850 billion by 2020. Traditional retail is probable to grow at 5% and reach a size of US\$ 650 billion while organized retail is probable to grow at 25% and reach a size of US\$ 200 billion by 2020. Modern retail sector in India could be worth US\$ 175-200 billion by 2016. The Food Retail Industry in India also growing rapidly. The Mobile phone Retail Industry in India has already a US\$ 16.7 billion business, growing from rate of 20 per cent annually.

The future of the India Retail Industry shows potential with the growing of the market, government policies becoming more favorable and the emerging technologies make facilitating to retailing.

Young Indians are purchases mobile phones, fashion, accessories, food and beverages, quick service restaurants, etc who makes the contribution in growth of retail sector. Young Indians have spending more money than before and they have independence, aspirations and a lot of demand for products. The Indian retail sector is developing rapidly and those who want to enter in the market now can learn about local dynamics, develop market insights and establish leadership positions. Online retail business is another format which has high potential for growth in the near future.

So finally we conclude that retail sector is grooming with rapidly and also shifting from unorganised sector to organised sector retailing.

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