

Exploratory Study of Organized Retailing Industry in INDIAN context

Rohit bhagat

Assistant professor

The Business School, Bhaderwah Campus, University Of Jammu

Abstract: The paper lays emphasis on providing detailed information about the growth of retail industry in India. It also examines the type of retail formats available in India both organized and unorganized sectors. In this we study the measures the Indian government is taking to resolve the matters related to the unorganized retail. In this paper we try to study the impact the global players have in the present scenario both in terms of GDP and the level of increase in employment due to it and also what measures the government is taking in terms of policy making to further increase the entry of global players. It also examines the brand awareness among the young population of India and their consumption pattern. The paper also tries to evaluate the future scope of retailing in India.

Key Words: Retail sector, GDP, Employment, Organized and Unorganized retail sector & FDI in retail sector.

INTRODUCTION

The Indian retail industry is among the largest industry accounting for about 11% of GDP and around 14% of employment. The retail industry is coming up as one of the growing industry in the present scenario with lots of scope for improvement, also the retail industry has great future ahead so lots of companies, both local and global, want to plunge into the retail sector and gain benefits. The growth prospects of retail industry are such that it is inching towards becoming the next booming sector in the coming time to come.

The Indian retail industry is basically divided into two sectors (i)organized (ii)unorganized. The organized sector comprises of the retailers undergoing retail activities with proper legal permission or or licenced to undertake activities, these are also those retailers who are registered for sales tax, income tax etc.... These are the retailers having enterprise like supermarkets, hypermarkets, retail chains, discount stores etc.... Unorganized retailing on the other hand includes the traditional formats. These mainly include local kiriyana shops, paan/beedi shops, family managed shops, way side vendors etc... In unorganized sector also some shops like family managed, kiryanas, general shops etc.... are registered under shops and establishment acts but the rest like paan/ beedi kiosk, handcraft, payment vendors etc... are operating without any licence. The unorganized sector of India is nearly about 94.5% which means that there is a lot of scope of improvement to convert unorganized sector to organized one but as the retailers employed in unorganized sector have not chosen it because it is a past time but because it is an economic necessity for them and they earn their bread and butter from it. So the government generally faces a severe resistance from this sector to not to let global players enter the retail sector.

India is a country having most of the retail as unorganized , more than 94% of the retail comes under unorganized sector which is operated in less than 500sq.feet of areas The Research and market has estimated that the organized sector will touch US\$50 billion crores in the year 2012-2013. The last few years have seen a drastic change in the growth of the retail sector and this change is mainly because of increase in purchasing power of urban Indians who have has caused an increase in the level of international brands available in the market , the brand categories are like apparels , cosmetics , shoes , watches , beverages , food , jewellery , etc... Not only the global players but large Indian players like Reliance, Ambani, K. Rehejas, Bharti, Airtel , ITC etc... are making significant investment into this sector to emerge as big retail leaders and gain from the booming economy.

Although it is cheaper and easier to buy directly from manufacturer but retailing provides certain basic functions like providing assortment of different product and services like supermarkets carrying 50,000 to 70,000 different items made by 1000 companies , keep a stock of inventories , provide with customer related services like home delivery , credit service etc.... Retailing is gradually inching towards becoming the next booming industry . This is not only because of arrival of global players but also because of the change in the consumer buying behaviour which has revolutionised shopping in India .Modernretail stores possess large shopping malls , huge complexes , entertainment and food etc.. That to all under one roof . The growth is also due to because a large number of Indian population is of age of 24 to 25 years, nuclear families present in urban areas, increase in working women population, which combinely has led to a drastic change in consumption pattern of the Indian society and have paved a way for the retail sector .

Objective

The basic objectives of the study are as follows:

- (i) To study Growth rate of retail sector .
- (ii) To study Growth of organized retail sector and employment opportunities available.

Findings

Retail is one among the largest growing sectors in India contributing to around 11% to GDP but the dilemma is that Indian retail sector is highly fragmented with 94.5% of business is run by unorganized sectors like the traditional kiriyana shops , owner managed general store , paan/beedi shops , convenience stores, hand cart , pavement vendors etc...

The organized sector is however at the very initial stage with a meagre contribution of only 9% to employment that to considered second largest contributor towards employment but still is having only 5.5% as organized sector.

The Indian retail industry has only 5.5% under the organized retail sector but still it is the fifth largest industry in the world .The retail sector of India is still at its very nascent stage and it is one of the fastest emerging sector and also one of the largest contributors to the Indian economy. The sector has grown at a very fast pace from US \$ 201 billion to a market size of US \$ 425 billion .

The retail sector is growing at a compounded annual rate of 6.7% annually also according to economic times the organized retail sector is to contribute 20% of GDP in Indian economy in

the next coming five years BMI Indian Retail Report forecasts that total Indian sales will grow from US \$425 billion to US \$ 804.6 billion by 2015 .

According to Indian census, India has more than 50% of population below the age of 25years and more than 65% of population hovers below the age of 35 years. It is expected that in 2020 the average age of an Indian will be 29years compared to 37 years of China and 48years Japan . This means that as majority of Indian population is young and hence can enhance the productivity and increase consumption with higher purchasing power.

Seeing a huge potential in retail sector, the policy makers are also going for lenient rules to make it lucrative for the entry of foreign players. The government has allowed 51% FDI in multiband retailing and 100% FDI in single brand retailing.

Opportunities and challenges

As we have found that Indian market consist of largest portion of unorganized retail so there is a great scope for both local as well as global players to penetrate into the market , also the global players like Wal-Mart, JC penny, Carrefour, Marks and Spencor can gain the advantage of lenient rules being made by the government for easy entry of the foreign players . The retailing industry can also turn as very lucrative option for employment of majority of the unemployed youth of India which lies in the age group of 26 to 32years . The retail sector can also see a huge rise in profits in the coming years with the unorganized sector turning into the organized sector .

The challenges which a retail sector can face are like...

- (i) Shortage of talented work force
- (ii) Government restriction in FDI can restrict the entry of foreign players
- (iii) Less wages paid to retail employees
- (iv) Difficult to employ the modern retail formats in rural areas
- (v) Making available the right merchandise assortment.
- (vi) Making good relationship with customers.

Conclusion

To sum up we can say that as the economy is growing and expanding globally and also India is a part of that growing world economy in which retail is playing a major part and is contributing to around 11% of GDP the major part of which comes from organized sector but the plight is that organized sector in India is only around 5.5%. To overcome it the Indian government is trying to ensure that the bread and butter earned by unorganized sector remain intact and the contribution of organized retail sector increases by entry of local and global players which can help making the retail industry as the next booming industry with enhanced GDP contribution and large employment opportunities .

References

1. DIPP.(2010) DISCUSSION PAPER ON FOREIGN DIRECT INVESTMENT IN MULTI-BRAND RETAIL TRADING. New Delhi : Department of industrial policy and investment promotion .
2. Guruswami , M. Sharma ,k.Mohanty,J,&korah .t.FDI in Indian retail sector :More bad than good ?New Delhi :centre for policy alternatives .

3. Prasad .V.N.(2009,JULY) Indian MSEs:Trading and other enterprises need a common policy treatment .Retreived July 17,2010, from GSME news :<http://samadhanfoundation.com/indian-mses-trading-and-other-enterprises-need-a-common-policy-treatment>.
4. Indias demographic dividend BASU KAUSHIK
5. THE ECONOMIC TIMES
6. EIU(Economic intelligence unit) Euro monitor
7. McKinsey Global Institute India Report-Retail Sector
8. V.N.Prasad&Perumalkoshy :FDIin multi brand retailing :MSE sector need lenel playing field.