

A CRITICAL EVALUATION OF CHALLENGES & PROBLEMS FACED BY RETAILING IN INDIA

REKHA CHOUDHARY¹, DR. PARVEEN KUKKAR²

Department of Commerce

^{1,2}OPJS University, Churu (Rajasthan), India

ABSTRACT

The retail area has assumed a phenomenal part throughout the world in increasing productivity of customer goods and administrations. The retail business in India has approached as a standout amongst the most dynamic and quick paced industries with several players entering the market. The Indian retail industry is the biggest among every one of the industries, representing more than 10 per cent of the country's GDP and around 8 per cent of the employment. The principle challenge facing the sorted out division is the competition from unorganized segment. The composed retail fragment is for the most part dominated by the apparel and material portion took after by the nourishment, grocery and refreshments sections. The changing consumption design is releasing open doors for retailing development in Indian urban range. This must be come to the Indian country for a practical retailing in India. This paper gives point by point data about the development of retailing industry in India. It likewise highlights the difficulties faced by the business in not so distant future.

KEYWORDS: Retailing, Entrepreneur, Foreign Direct Investment, Gross Domestic Product, Domestic Drivers.

1. INTRODUCTION

The retail sector has assumed a phenomenal part throughout the world in increasing productivity of customer merchandise and enterprises. The retail business in India has approached as a standout amongst the most dynamic and quick paced industries with a few players entering the market. It is likewise the second biggest industry in US as far as number of employees and establishments. The Indian retail industry is the biggest among every one of the industries, representing more than 10 per cent of the country's GDP and around 8 per cent of the work. As per a gauge unorganized

retailing sector has 97 per cent nearness, while, composed retailing accounts just three per cent. The principle challenge facing the composed sector is the competition from unorganized sector. Unorganized retailing has been there in India for quite a long time, these are named as mother pop stores. The fundamental advantage in unorganized retailing is customer nature that keeps running from generation to generation. It is a minimal effort structure; they are generally worked by owners, have low land and work costs and have low expenses to pay.

2. OBJECTIVES

The specific objectives of this paper are: to understand the consumption of retail client, to think about the emerging patterns in Indian

3. RESEARCH METHODOLOGY

This paper is the result of a theoretical report on retailing in India with special reference to composed retailing in India. To complete this, different books, journals and periodicals have been counseled, reports of different organizations like A.T. Kearney Report, Ernst and Young, Indian Council for Research on International Economic Relations (ICRIER), KSA Technophobe have been considered. Internet looking has likewise been improved the situation the purpose.

4. RETAIL IN INDIA – HISTORICAL PERSPECTIVE

The Indian retail industry is isolated into sorted out and unorganized sectors. Sorted out retailing alludes to trading activities undertaken by authorized retailers, that is, the individuals who are enrolled for deals charge, salary assess, etc. These incorporate the corporate-upheld hypermarkets and retail chains, and furthermore the privately possessed vast retail businesses. Unorganized retailing, then again, alludes to the traditional organizations of minimal effort retailing, for example, the nearby kirana shops, proprietor kept an eye on general stores, paan/beedi shops, convenience stores, pushcart and asphalt vendors, etc.

In the beginning there were just kirana stores called Mom and Pop Stores, the Friendly

retailing and to look at the difficulties and opportunities for sorted out retailing in India.

neighborhood stores offering each day needs. In the 1980s manufacturer's retail chains like DCM, Gwalior Suiting's, Bombay Dying, Calico, Titan and so forth began showing up in metros and residential communities. Multi brand retailers came into the picture in the 1990s. In the nourishment and FMCG segments retailers like Food world, Nilgris are a portion of the examples. In music section Planet M, Music world and in books Crossword and Fountainhead are some others. Malls started to be established from 1995 onwards. A unique case was the foundation of edge free markets in Kerala. The 21st century saw the emergence of general stores and hyper markets. Enormous players like Reliance, Bharti, Tatas, HLL, and ITC and so on are going into the composed retail section. The international retail fat cats are waiting in the wings as the present FDI guidelines don't enable them to claim retail outlets in the country.

The retail area has gradually undergone considerable changes in its shape since 1991. The significant move has been the emergence of an organized part inside the retail industry. Numerous Indian entrepreneurs have taken an unmistakable fascination in retailing in the course of the most recent decade and have successfully settled organized retail chains.

Alongside these domestic advancements, there has been a simultaneous consideration being given to the Indian retail showcase by international retail mammoths, for the most part in view of the sheer size of the market. The most imperative improvement in this context has been the tie up of Wal-bazaar, America's largest retail chain with Bharti, the Indian telecom monster which is probably going to be concertized in June, 2009 India's modern retail business at present records for just around 5 for every penny of the country's yearly retail business. The modern retail business will make around 1.6 million occupations in the following five years Modern retailers won't just make business openings yet in addition would help raise India's general economic productivity and could likewise result in lowering prices of goods. According to CPAS ponder the unorganized retail division of little and medium retailers utilize more than 40 million. There are 11 retail outlets for each 1000 people in India. This reality proposes a considerable component of "forced employment" in this area. Just 4 per cent of India's 11 million retail outlets have floor territories in abundance of 500 sq ft. This ought to dissipate any picture of any preponderance of substantial scale retailing we may have inferred to the measure of the old established downtown retail outlets and in the new rural shopping centers. Retail in India is for the most part the millions of little shops with

puce and semi-puce premises, and millions more on pushcarts and asphalts.

Opening entryways for FDI in retailing, the changing consumer needs, ascend in youthful generation population and working women population are the essential quality verticals of India's organized retail fragment. These are come about, in the Indian financial framework with an exponential increment of atomic families searching for a comfortable way of life .IT and ITES blast alongside the spread of BPO in level II urban areas of India has significantly inspired the phenomena called experience promoting. Organized retail came to fruition in India through different stages, the segment was required to perform gloriously being financial prosperity has encouraged numerous Indian and Foreign players to combine.

5. IMPACT OF ORGANIZED RETAILING ON THE UNORGANIZED SECTOR

According to an examination on impact of organized retailing on the unorganized part, the genuine GDP is expected to develop at 8-10 for every penny for each annum in the following five years. Subsequently, the consuming class with yearly family unit earnings above Rs. 90,000 is expected to ascend from around 370 million out of 2006-07 to 620 million of every 2011-12. Thus, the retail business in India is estimated to develop at 13 for every penny yearly.

- The unorganized retail area is expected to develop at around 10 for every penny for every annum.
- Given the relatively powerless financial condition of unorganized retailers, and the physical space limitations on their extension prospects, this segment alone won't have the capacity to take care of the developing demand for retail.
- Henceforth, organized retail which now constitutes a little four per cent of aggregate retail division is probably going to develop at a substantially speedier pace of 45-50 for every penny for each annum and quadruple its offer in complete retail exchange to 16 for every penny by 2011-12.
- This represents a positive aggregate amusement in which both unorganized and organized retail coincide as well as develop substantially in estimate.
- The majority of unorganized retailers surveyed in this investigation, demonstrated their preference to proceed in the business and contend instead of exit.
- In view of the discoveries of AT Kearney investigate retail in India: Getting organized to drive growth, there are 10 larger issues that most retailers see as significant obstacles to growth and the associated escalation in "consumerism". These issues are:

- Underdeveloped Supply Chain Capabilities
- Lacking Utilities
- IT Infrastructure Hurdles
- Supply Base (Vendor) Hurdles
- Lacking Human Resources
- Limited Consumer Insights
- Tax assessment Challenges
- Land Hurdles
- Insufficient Government Incentives
- Approach Related Hurdles

India's GDP remains at the trillion dollar stamp, and with a sustained growth rate of more than 8 per cent, it is confidently ready to be the main focal point of global economy by 2020. Gross domestic product of India is expected to be around US\$ 1.1 trillion by 2010 and would achieve a stunning US\$ 37 trillion by 2050 which would make it the third largest economy on the planet. This would imply that India's GDP will expand near US\$ 1 trillion on an average year-on-year throughout the following 40 years. This quick GDP growth is driving towards Indian consumerism. Indian buyers today are more certain and willing to overdo it inferable from increased pay levels. India's customer market will be the world's fifth largest (from twelfth) by 2025 and India's middle class will swell by more than ten times from its present size of 50 million to 583 million people by 2025.

The high sustained growth of Indian economy in the course of recent years has been an aid to

the retail division. The division is on a high growth direction and is expected to develop by

6. TRENDS IN INDIAN ORGANIZED RETAILING

The present estimation of the Indian retail advertise is estimated at \$300 billion and the yearly development rate is 5.7 per cent .The organized retail fragment is for the most part overwhelmed by the attire and material section took after by the sustenance, basic need and beverages portions. The sustenance, basic need and beverages section rules the whole retail

7. TARGET MARKET OF THE ORGANIZED RETAILER

In 2008, India's working population (in the age gathering of 15-49 years) constituted around 53 per cent of the population as contrasted and 48.6 per cent in UK, 49 for every penny in US, and 53 for every penny in Russia. In addition, this population is more powerful than the past generations in light of the fact that their consumption is driven by needs as opposed to needs. Subsequently, the organized retailing, which flourishes with lifestyle products, is required to get a lift in view of the young population by 2020. The overview led by D&B uncovered that a majority of the companies take into account age gathering of 25-40, trailed by 41 per cent of the companies catering to the age gathering of 18-25.

8. GROWTH DRIVERS OF INDIAN ORGANIZED RETAILING

more than 27 per cent throughout the following 5 years.

showcase (both organized and unorganized), however its penetration in the organized retail side is relatively low. The emergence of different sections like home stylistic theme and furnishing, footwear, gem dealer, consumer sturdy and electronics and wellbeing, magnificence and pharmaceuticals to give some examples, has been the highlight of this decade.

When we carefully take a gander at the development of retailing in India, this whole credit of establishment wound up plainly conceivable because of the substantial bring up in propensity to devour. This occurred over a time of two decades by the Indian urban white collar class families. Expansion of credit offices by the saving money foundations, unprecedented development registered in Telecommunication, Communication and broadcasting industry and a transition condition of the economy from developing state to the quickly and consistently developing economy has significantly contributed towards. He growth of different cross segment types of retailing. Be that as it may, this has not fully achieved the far-flung rural territories of Indian economy.

9. GROWTH DRIVERS IN INDIA FOR RETAIL SECTOR

- Rising incomes and improvements in infrastructure are enlarging consumer markets and enlarging the merging of consumer tastes.
- Liberalization of the Indian economy.
- Increase in spending per capital Income.
- Approach of double income families likewise helps in the development of retail segment.
- Move in consumer request to foreign brands like McDonalds, Sony, Panasonic, and so on.
- Consumer inclination for shopping in new environs.
- The Internet revolution is making the Indian consumer more accessible to the developing impacts of domestic and foreign retail chains. Reach of satellite T.V. directs is helping in making mindfulness about global items for neighborhood markets.
- Around 47 for every penny of India's population is younger than 20; and this will increase to 55 for every penny by 2015. This youthful population, which is technology-savvy, observe more than 50 TV satellite stations, and show the most astounding affinity to spend, will tremendously contribute to the development of the retail division in the country.

- Accessibility of value land and shopping center management practices.
- Foreign companies' attraction to India is the billion or more population.

10. A CHALLENGING OPPORTUNITY OF RETAILING IN RURAL INDIA

Rural India accounts for about 70 for every penny of the population. Very nearly 6, 27,000 villages are home to 790 million Indians today. At introduce 85 per cent of the organized retailing happens in India's urban zones. In any case, the good thing is that the retail center has already moved to the rural regions. The Indian rural market with its tremendous size and request base offers extraordinary opportunities to advertisers. 66% of country's consumers live in rural territories and half of the national pay is generated here. 15 for every penny of rural population lives in 20,000 huge "non urban" zones with population more than 5,000 people. 63 for every penny of rural population live in villages of 1000 to 5000 people. Remaining 3, 90,000 villages have less than 1000 people accounting for 22 for every penny of the population.

According to retail and consumer products division, E&Y India, fundamental infrastructure, generation of work guarantee plans, better data administrations and access to financing are additionally bringing success to rural households. The rural market, item

configuration should go past thoughts like littler sizes, (for example, single utilize sachets) to make genuinely new products, according to Ramesh Srinivas, National Industry Director (consumer markets), KPMG India. Given the span of the rural population and the agricultural wage growth in rural India, the

rural market is unquestionably an opportunity for retailers with an innovative retail proposition. A reasonable indicator of this potential is the offer of the rural market crosswise over most categories of consumption.

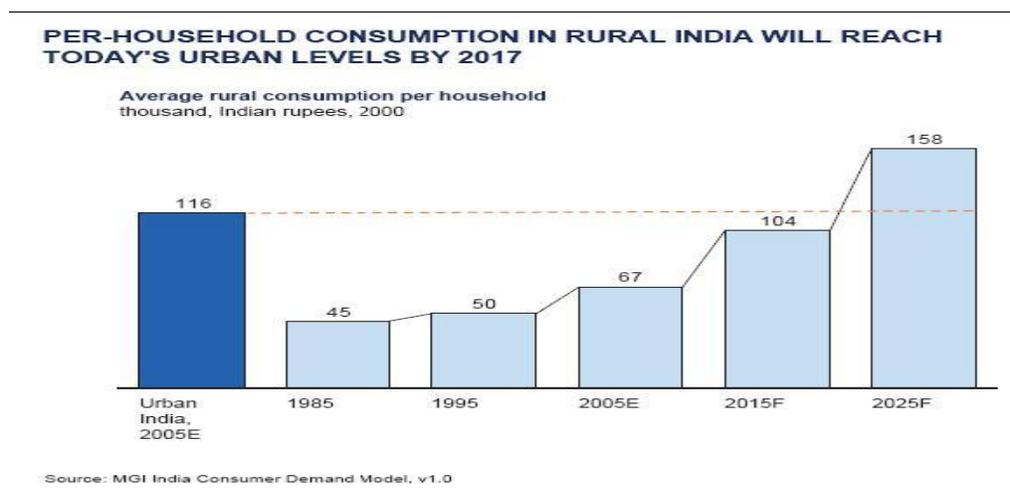


Figure 1: Consumer Demand in Rural India

As per MGI forecast country market will about triple till 2025 making a huge potential of \$577 billion. With the increase in wage provincial population will spend increasingly on different products at that point spending on food.

11. CHALLENGES IN THE RURAL RETAILING

- Absence of literacy and awareness
- Low per capital income
- Wide geographic spread
- Holes in street and Telecommunications availability
- Absence of reliable electricity and water supply

- Constrained Distribution organize for instance chilly storage

- Competition from neighborhood players

12. WAYS TO OVERCOME THE CHALLENGES

- Integration of rural initiatives into business demonstrates like ITC.
- Corporate should supplement government endeavors and resources (foundation improvement, education framework, storage).
- Creating retail locations which ought to be rural in nature so the rural masses distinguish themselves with these stores.

- Creative and Exciting Initiatives, for example, Village BPO ought to be offered impetus to tap the talent in the rural India.

13. CONCLUSION

Indian retailing industry is significantly contributing towards the GDP and employment generation. Unorganized retailing has a predominant lump of retailing in India. Sorted out retailing has its development as a result of the inclination to devour conduct of Indian white collar class segment. In any case, this was influenced by the worldwide financial meltdown. In spite of this retailing in India will have a tremendous future, if retail players concentrate on Indian country segment, having huge and undiscovered potential? For this, the technique ought to be not the same as that of urban to turn challenge as an opportunity.

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