

**RETAIL IN INDIA: GETTING ORGANIZED TO DRIVE GROWTH**

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Retailing provides a crucial link between producers and consumers in a modern market economy. The performance of this sector has a strong influence on consumer welfare. Retailers not only provide consumers with a wide variety of products, but also a wide range of complementary services (such as assurance of product delivery), which can lead to more informed choice and greater convenience in shopping. They also provide producers with much needed information on consumers demand pattern. Productivity and efficiency in retail operations lowers price level and reduce distortions in the price structure. Through backward and forward linkage, performance of retailing services affects the performance of interlinked sectors such as tourism, recreational and cultural services, manufacturing of consumers goods agro-good producing industries etc. The present paper focus on emerging retail sector in India and how it is getting ready to drive growth

**1.1. INTRODUCTION**

Retailing is the largest private industry in India and second largest employer after agriculture. The sector contributes to around 10 per cent of GDP and 6-7 per cent of employment. With over 15 million retail outlets, India has the highest retail outlet density in the world. This sector witnessed significant development in the past 10 years – from small unorganized family-owned retail formats to organized retailing. Liberalization of the economy, rise in per capita income and growing consumerism have encourage larger business houses and manufactures to set up retail formats; real estate companies and venture capitalist are investing in retail infrastructure. Many foreign retailers have also entered the market through different routes such as wholesale cash-and-carry, local manufacturing, franchising, test marketing, etc. With the growth in organized retailing, unorganized retailers are fast changing their business models and implementing new technologies and modern accounting practices to face competition<sup>1</sup>.

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<sup>1</sup> ICICI Property Services-Technopak, 2007. "India Retail Real Estate: The Read Ahead", *An ICICI Property Services Technopak White Paper, 2007-08.*

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The retailing sector in India has undergone significant transformation in the past 10 years. Traditionally, Indian retail sector has been characterized by the presence of a large number of small-unorganized retailers. However, in the past decade there has been development of organized retailing, which has encouraged large private sector player to invest in this sector. Many foreign players have also entered India through different routes such as test marketing, franchising, wholesale cash-and-carry operation. With high GDP growth, increased consumerism and liberalisation of the manufacturing sector, India is being portrayed as an attractive destination for foreign direct investment (FDI) in retailing. However, at present this is one of the few sectors, which is closed to FDI. Within the country, there has been significant protest from trading associations and other stakeholders against allowing FDI in retailing<sup>1</sup>.

Indian consumerism, until the early 1990s remained a point of academic discussion due its immense potential. Similarly, access to cheaper credit and increased disposal incomes to enjoy their aspirations for private homes, cars, and a plethora of other consumer durables was a distant dream. This however, has changed dramatically over the past decade. The Indian economy has evidenced an unprecedented resurgence, with the GDP growth averaging close to 6% per annum placing India amongst the fastest growing economies in the world. This growth has meant an empowerment of the consumer. The transition from a protected economy to market driven regime is apparent as suspicions regarding competition from global players dissipate progressively. With domestic industries gaining confidence in their abilities, competition is no longer the deterrent that it had been<sup>2</sup>.

The retail landscape of the country is changing at a rapid pace with malls and multiplexes mushrooming in all major cities. In fact, having reached a substantial capacity at Tier-1 locations, the organized retail revolution is now percolating to Tier II and III cities. Retail has clearly been witnessing a transformation from neighborhood-shopping to the concept of malls and family entertainment centers. Entertainment and experience are becoming integral parts of shopping. Global industry analysts have often confirmed the country's potential as one of the most attractive emerging retail destinations in the world

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<sup>1</sup> Mandeep Singh, "Globalisation in retailing; Causes, Impact and Trends in India", National Seminar on Foreign Direct Investment in Retail Business, Feb. 18, 2006 in Guru Nanak Khalsa College, Karnal.

<sup>2</sup> Commerce and Industry Ministry, "India Retail Report 2007"

1.2: GLOBAL DEVELOPMENTS IN RETAILING

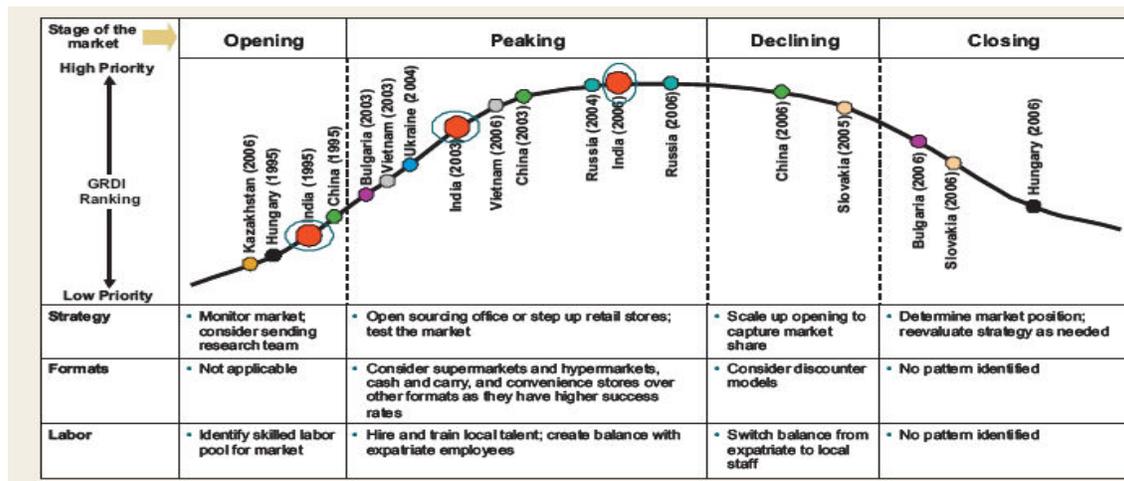
Retail markets worldwide have been observed to progress through four stages as they evolve from an emerging to a mature market, usually over the course of 5 to 10 years (Fig. 1.1). These stages are defined as<sup>1</sup>:

1. **Opening**: A market that is just beginning its modern retail story, in all major cities.
2. **Peaking**: A market that is developing quickly and is ready for modern retail.
3. **Declining**: A market that is still big and growing, but space for new entrants is getting tighter.
4. **Closing**: A market having small window of opportunity for new entrants; such markets generally have a very high penetration of modern retail.

Window of opportunity for Retail entry in markets (based on GRDI rankings from 1995 2008)

Fig1.1

Window of opportunity for Retail entry in markets  
( based on GRDI rankings from 1995- 2009)



Source: Retail in India: Getting organized to drive growth, A CII – A.T. Kearney Report, Confederation of Indian Industry, p.4

The above figure shows that key Asian economies, viz. India and Vietnam are in the peaking phase, while China has just tipped into declining. In addition, India has been ranked as the most attractive market for global retailers to enter now, according to A.T. Kearney's Global

<sup>1</sup> Retail in India: Getting organized to drive growth, A CII – A.T. Kearney Report, Confederation of Indian Industry

Retail Development Index (GRDI) for 2009. The GRDI is conducted annually to follow the attractiveness of top emerging markets for retail. For the past five years, A.T. Kearney has helped retailers prioritize their global development strategies by publishing the GRDI. The Index ranks 30 emerging countries based on more than 25 macroeconomic and retail-specific variables<sup>1</sup>.

The annual A.T. Kearney Global Retail Development Index (GRDI) ranks 30 emerging countries on a 100-point scale. The higher the ranking, the more urgency there is to enter a country. Countries were selected from a list of 185 based on three criteria:

- ✓ **Country risk:** more than 35 in the Euro money country-risk score
- ✓ **Population size:** more than 2 million
- ✓ **Wealth:** GDP per capita more than \$3,000 (threshold for countries with populations of more than 35 million is more flexible due to the market opportunity) GRDI scores are based on the following four variables.

**a) Country and business risk (25 percent).**

- i) *Country risk (80 percent):* political risk, economic performance, debt indicators, debt in default or rescheduled, credit ratings, and access to bank financing. The higher the rating, the lower the risk of failure.
- ii) *Business risk (20 percent):* business cost of terrorism, crime and violence, and corruption. The higher the rating, the lower the risk of doing business.

**b) Market attractiveness (25 percent).**

- i) *Retail sales per capita (40 percent):* A score of zero indicates that the retail sector (total annual sales of retail enterprises excluding taxes) is still underdeveloped. A score of 100 indicates that the retail market is already mature, indicating an opportunity.
- ii) *Population (20 percent):* A zero indicates the country is relatively small, representing limited opportunities for growth.
- iii) *Urban population (20 percent):* Zero means the country is mostly rural; 100 indicates the country is mostly urban.
- iv) *Business efficiency (20 percent):* Parameters include government effectiveness, burden of law and regulations, ease of doing business, and

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<sup>1</sup> "Window of Hope for Global Retailers," A.T. Kearney Global Retail Development Index™, p.4

infrastructure quality. Zero means the country has poor business efficiency, while a score of 100 indicates high efficiency.

**c) Market saturation (25 percent).**

- i) *Share of modern retailing (30 percent):* A zero indicates a large share of retail sales made through a modern distribution format within the average Western European level (200 square meters per 1,000 inhabitants). Modern formats include stores predominantly selling food (hypermarkets, supermarkets, and discount and convenience stores), and stores selling mixed merchandise (department stores, variety stores, U.S.-style warehouse clubs and supercenters).
- ii) *Number of international retailers (30 percent):* The total score is weighted by the size of retailers in the country: three points for tier 1 retailers (among the top 10 retailers worldwide), two points for tier 2 retailers (within the top 20 retailers worldwide) and one point for tier 3 retailers (all others). Countries with the maximum number of retailers have the lowest score.
- iii) *Modern retail sales area per urban inhabitant (20 percent):* A zero means the country ranks high in total retail area per urban inhabitant, close to the average Western European level. Modern formats are stores predominantly selling food (hypermarkets, supermarkets, and discount and convenience stores).
- iv) *Market share of leading retailers (20 percent):* A zero indicates that the market is highly concentrated with the top five competitors (local and international) holding more than 55 percent of the retail food market. A 100 indicates the market is still extremely fragmented.

**D) Time pressure (25 percent).**

The time factor is measured by the CAGR (2002 to 2007) of modern retail sales weighted by the development of the economy in general (CAGR of the GDP and consumer spending from 2002 to 2007) and the CAGR from 2002 to 2007 of the retail sales area weighted by newly created modern retailing sales area. Results are from zero to 100, with 100 indicating that the retail sector is advancing quickly, thus representing a short-term opportunity. Data and analysis are based on the United Nations Population Division Database, the World Economic Forum's *Global Competitiveness Report 2006-2007*, national statistics, Euromoney and World Bank reports, and Euromonitor and Planet Retail.

TABLE1. 1

THE 2009 GLOBAL RETAIL INDEX

2009 Rank	Country	Country risk	Market attractiveness	Market saturation	Change in rank compared to 2009
1	India	54	34	86	1
2	Russia	31	58	51	1
3	China	62	42	47	1
4	U.A.E	89	66	50	16
5	Saudi Arabia	70	46	68	2
6	Vietnam	34	16	74	-5
7	Chile	77	58	51	1
8	Brazil	52	60	68	1
9	Slovenia	100	64	12	14
10	Malaysia	65	47	48	3
11	Algeria	17	24	93	1
12	Mexico	61	56	49	-1
13	Latvia	58	67	42	8
14	Tunisia	55	37	82	4
15	Egypt	43	25	91	-10

\*0=High Risk,100=Low Risk; 0=Low Attractiveness,100=High Attractiveness,0=Saturated,100= Not Saturated

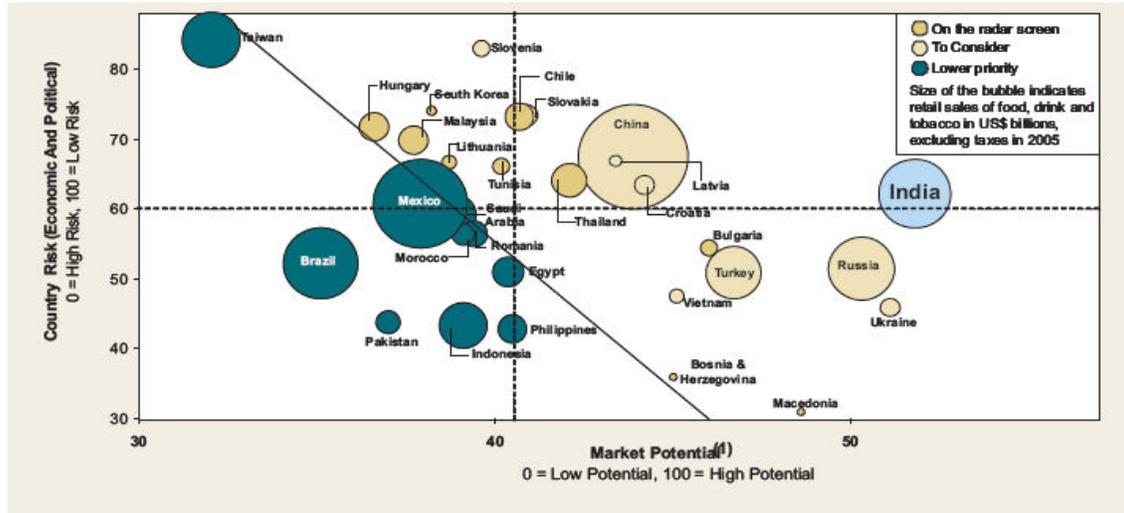
**Source:** “Window of Hope for Global Retailers,”A.T. Kearney Global Retail Development IndexTM, p.4

In addition, India has been ranked as the most attractive market for global retailers to enter now, according to A.T. Kearney's Global Retail Development Index (GRDI) for 2009 (Fig. 1.2). The GRDI is conducted annually to follow the attractiveness of top emerging markets for retail. For the past five years, A.T. Kearney has helped retailers prioritize their global

development strategies by publishing the GRDI. The Index ranks 30 emerging countries based on more than 25 macroeconomic and retail-specific variables

Fig:1.2

**RETAIL MARKET ATTRACTIVENESS MATRIX BASED UPON A.T. KEARNEY GRDI 2009**



Source: <sup>1</sup> Retail in India: Getting organized to drive growth, A CII – A.T. Kearney Report, Confederation of Indian Industry, p.5

Global retail sales are estimated to cross US\$12 trillion in 2008.<sup>1</sup> Almost reflecting the growth in the world economy, global retail sales grew strongly in the last five years (2001-08) at an average nominal growth of about 8 per cent per annum in dollar terms (Table 1.2). This is in contrast to near stagnant global retail sales during the previous five years, 1996-01. Grocery dominates retail sales with a share of approximately 40 per cent which varies from about 30 per cent in rich Japan to an average of 60 per cent in poor Africa. Retail sales through modern formats have been rising faster than total retail sales; the share of modern retail has risen from about 45 per cent in 1996 to over 52 per cent in 2008.

TABLE1.2

**WORLD RETAIL**

	1996	2001	2002	2003	2004	2005	2008	CAGR (1996-01)	CAGR (2001-08)
1)Total retail sales(US\$Bn.)	7682	7831	7987	8827	9833	10657	11375	0.4	7.7

<sup>1</sup> Planet Retail estimates

2)Total Grocery sales((US\$Bn. )	3284	3161	3213	3571	3970	4308	4611	-0.8	7.8
3)Modern Retail sales((US\$Bn. )	3478	3916	4149	4672	5246	5633	5969	2.4	8.8
4) Total Grocery sales((US\$Bn. )	2577	2816	2979	3378	3800	4074	4325	1.8	9.0
2 as %of1	42.7	40.4	40.2	40.5	40.4	40.4	40.5	-1.1	0.1
3 as% of 1	45.3	50.0	51.9	52.9	53.4	52.9	52.5	2.0	1.0
4 as% of 3	74.1	71.9	71.8	72.3	72.4	72.3	72.5	-0.6	0.2
Nominal GDP ((US\$Billion)	<b>3005</b> <b>5</b>	<b>31889</b>	<b>32888</b>	<b>36904</b>	<b>41470</b>	<b>44713</b>	<b>48141</b>	<b>1.2</b>	<b>8.6</b>

*Excluding VAT or sales tax;<sup>2</sup> Including VAT or sales tax;<sup>3</sup> Compound annual growth rate.  
Source: Planet Retail Database.*

### 1.3 Organized vs Unorganized Retail

In the developed economies, organized retail is in the range of 75-80 per cent of total retail, whereas in developing economies, the unorganized sector dominates the retail business. The share of organized retail varies widely from just one per cent in Pakistan and 4 per cent in India to 36 per cent in Brazil and 55 per cent in Malaysia (Table 1.3). Modern retail formats, such as hypermarkets, superstores, supermarkets, discount and convenience stores are widely present in the developed world, whereas such forms of retail outlets have only just begun to spread to developing countries in recent years. In developing countries, the retailing business continues to be dominated by family-run neighbourhood shops and open markets. As a consequence, wholesalers and distributors who carry products from industrial suppliers and agricultural producers to the independent family-owned shops and open markets remain a critical part of the supply chain in these countries.

**TABLE1.3**

#### **HARE OF ORGANIZED RETAIL IN SELECTED COUNTRIES, 2009**

<b>Country</b>	<b>Total Retail Sales</b>	<b>Share of Organised Retail</b>
USA	2983	85
Japan	1182	66
China	785	20

Country	Total Retail Sales	Share of Organised Retail
United Kingdom	475	80
France	436	80
Germany	421	80
India	322	4
Brazil	284	36
Russia	276	33
South Korea	201	15
Indonesia	150	30
Poland	120	20
Thailand	68	40
Pakistan	67	1
Argentina	53	40
Philippines	51	35
Malaysia	34	55
Czech republic	34	30
Vietnam	26	22

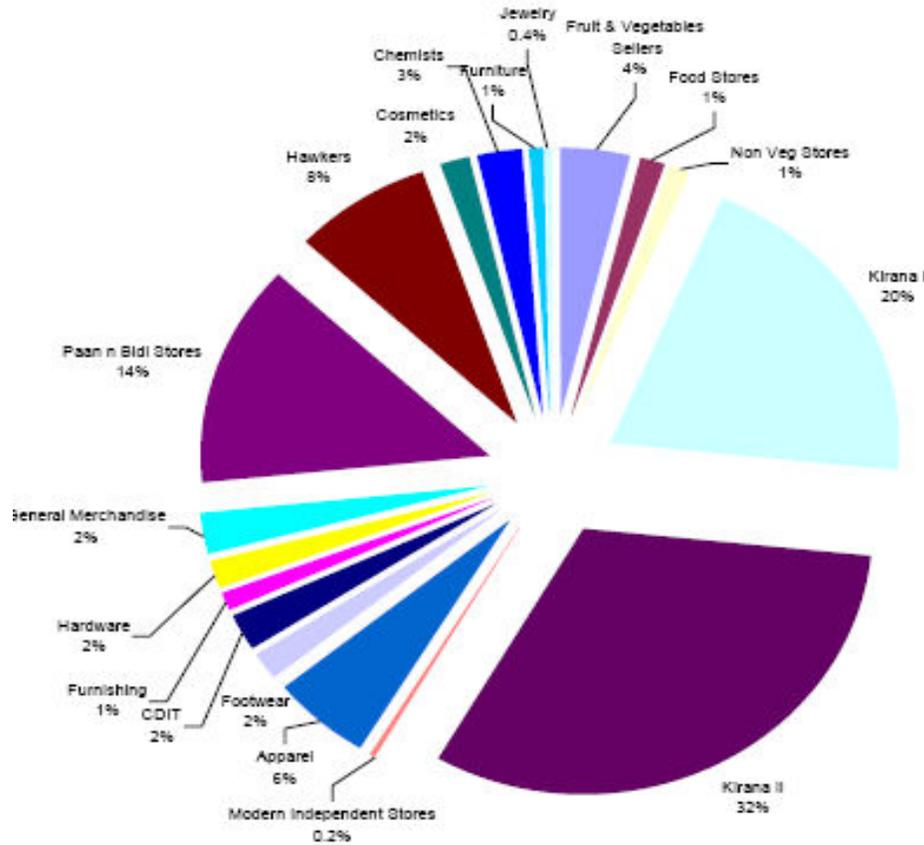
Source: Planet Retail and Technopak Advisers Pvt. Ltd.

Indian retail is dominated by a large number of small retailers consisting of the local *kirana* shops, owner-manned general stores, chemists, footwear shops, apparel shops, *paan and beedi* shops, hand-cart hawkers, pavement vendors, etc. which together make up the so-called “unorganized retail” or traditional retail. The total number of traditional retailers is estimated to be 13 million by Technopak Advisers Pvt. Ltd. The classification of the unorganized retail universe<sup>11</sup> by category is shown below.

- <sup>1</sup> Categories of traditional retailers
- Fruit and Vegetable Sellers - Sells fruit and vegetables.
  - Food Store - Reseller of bakery products. Also sells dairy and processed food and beverages.
  - Non -Vegetable Store - Sells chicken and mutton (supplemented by fish), or predominantly fish.
  - *Kirana I* - Sells bakery products, dairy and processed food, home and personal care, and beverages.
  - *Kirana II* - Sells categories available at a *Kirana I* store plus cereals, pulses, spices, and edible oils.
  - Modern Independent Stores - Sells categories available at a *Kirana II* store and has self-service. Operates single or several stores (but not an organized chain of stores).

Fig:1.3

Unorganized Retail Universe 2009



Source: Technopak Analysis.

The last 3-4 years have witnessed the entry of a number of organized retailers opening stores in various modern formats in metros and other important cities. Still, the overall share of organized retailing in total retail business has remained low.

- Apparel – Sells men’s wear, women’s wear, innerwear, kids’ and infant wear.
- Footwear – Sells men’s wear, women’s wear, and kid’s wear.
- CDIT (Consumer Durables & IT) – Sells electronics, small appliances, durables, telecom, and IT products.
- Furnishing – Sells home linen and upholstery.
- Hardware - Sells sanitary-ware, taps and faucets, door.

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**TABLE 1.4**

**GROWTH INDIA RETAIL - TOTAL VS ORGANIZED**

	2003-04	2004-05	2005-06	2008-09	CAGR(2004-09)
<b>Indian Retail ( Rs.bn)</b>					
Food and Grocery	7,028	7,064	7,418	8,680	7.3
Beverages	212	309	373	34.7	34.7
Clothing & footwear	777	993	1036	20.4	20.4
Furniture, furnishings, appliance & services	512	656	746	24.4	24.4
Non-institutional healthcare	950	972	1,022	6.9	6.9
Sports goods, entertainment, equipment & books	212	272	308	23.0	23.0
Personal care	371	433	465	18.5	18.5
Jewellery, watches, etc.	530	610	655	17.7	17.7
<b>Total Retail</b>	<b>10,591</b>	<b>11,308</b>	<b>12,023</b>	<b>14,574</b>	<b>11.2</b>
<b>Organised Retail ( Rs.bn)</b>					
Food and Grocery	39	44	50	61	16.5
Beverages	11	12	13	16	14.7
Clothing & footwear	168	189	212	251	14.3
Furniture, furnishings, appliance & services	67	75	85	101	14.8
Non-institutional healthcare	14	16	19	24	20.0
Sports goods, entertainment, equipment & books	25	33	44	63	37.0
Personal care	11	15	22	33	46.9
Jewellery, watches, etc.	18	24	33	49	40.5
<b>Total Organised Retail</b>	<b>350</b>	<b>408</b>	<b>479</b>	<b>598</b>	<b>19.5</b>
<b>Share of Organised Retail in Total Retail( % )</b>	<b>3.3</b>	<b>3.6</b>	<b>4.0</b>	<b>4.1</b>	

*Source: CSO, NSSO, and Technopak Advisers Pvt. Ltd.*

Table 1.4 gives the category-wise growth of Indian retail, total as well as the organized sector, in recent years. While total retail sales have grown from Rs. 10,591 billion (US\$ 230 billion) in 2003-04 to Rs. 14,574 billion (US\$ 322 billion) in 2008-09, which is at an annual compound growth rate of about 11 per cent, the organized retail sales grew much more at about 20 per cent per annum from Rs. 350 billion (US\$ 7.6 billion) in 2003-04 to Rs. 598 billion (US\$ 13.2 billion) in 2008-09. As a result, the share of organized retail in total retail grew, although slowly, from 3.3 percent in 2003-04 to 4.1 per cent in 2008-09.

**TABLE1.5****SHARE OF ORGANISED SECTOR  
IN TOTAL RETAIL BY CATEGORY(%)**

	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2008-09</b>
Food and Grocery	0.5	0.6	0.7	0.7
Beverages	5.0	3.8	3.6	3.1
Clothing & footwear	21.6	19.0	20.4	18.5
Furniture, furnishings, appliance & services	13.0	11.4	11.3	10.2
Non-institutional healthcare	1.5	1.7	1.9	2.1
Sports goods, entertainment, equipment & books	11.6	12.1	14.4	16.0
Personal care	2.8	3.5	4.7	5.4
Jewellery, watches, etc.	3.3	4.0	5.1	5.6
Total Retail	3.3	3.6	4.0	4.1

Source: Technopak Advisers Pvt.Ltd

The growth in organized retailing in recent years can also be gauged by the rise of shopping malls as well as the rising number of modern retail formats. In 1999, India had just three shopping malls measuring less than one million sq. ft. By the end of 2006, the country had 137 shopping malls equivalent to 28 million sq. ft. The pace of construction of shopping malls is progressing rapidly and the number of malls is expected to be about 479 by the end of 2008 with a capacity of 126 million sq. ft.

**1.4 REASONS FOR GLOBALIZATION OF RETAILING:**

Unlike manufacturers, most retailers prefer to operate in the domestic market. This is because retailing is taste driven and it is difficult to understand the consumer behaviour in a foreign country. This localized nature of the industry has gradually changed in the 20<sup>th</sup> century increased globalization, convergence of tastes and removal of trade barriers to retail expansions. Also, the markets in developed countries are becoming more and more saturated, competition is driving down profits and forcing the retailers to expand their operation in newer markets. Specifically the reasons for globalization of retailing are:-

- ❖ Saturated domestic market
- ❖ Convergence of taste

- ❖ High competition in domestic market leading to lower profits
- ❖ Need to set up global sourcing networks and supply chain.
- ❖ Liberalisation – Removal of FDI and other trade barriers in developing countries.
- ❖ Rapid urbanization, improvement in infrastructure, increase in per capita income and purchasing power, entry of women into workforce etc. in developing countries.
- ❖ Consumers are assured of product quality, better services and shopping experience.

### **1.5 NEW RETAIL TRENDS IN INDIA**

Indian retail industry accounts for 10% of the GDP: India has been being touted as the next big retail destination. The sheer size of the population demands attention from retailers worldwide and the potential for growth is tremendous. Some of new trends being witnessed in India are India tops the list for retail investment: According to AT Kearney's Annual Global Retail Development Index for 2005, India is ranked on top in the world for retail investment. The potential for growth is so vast that the Indian market just cannot be ignored. Several international companies are already operating in India either as wholesalers or via a franchise or joint venture agreement, like Metro, Marks & Spencer, Shoprite International and Lifestyle International. Presently Foreign Direct Investment (FDI) is not permitted in this sector, but this might soon change.

#### **a) The Purchasing Power of the Young – a new phenomenon:**

India has the largest population of young people in the world, with 867 million people under the age of 45. According to the India Retail Report 2005 conducted by IMAGES-KSA Technopak India, there will be 550 million people under the age of 20 by 2015. This huge segment of kids and youth will translate to another boom in products targeted specifically at them. According to IBM Consulting, Indians between 20 and 24 are getting jobs right out of college as US and European companies are using the Indian workforce for more varied industries like R&D, telecom, banking and diagnostics besides IT. Their incomes are 20-30% higher than the prevailing rates and their disposable income is completely discretionary

#### **b) The BPO boom translates as more money among the young:**

The BPO boom in India has fueled the growth of a new class of consumer; the single urban youth that are joining call centers in droves and spending their money on their own terms, instead of family compulsions. The steady climb in lifestyle and leisure goods is essentially due to the disposable income of BPO workers. This segment is more brand conscious than others and has a limited amount of time, so relies on shopping in malls where they can select a large number of goods in a short time with relative ease. Intangibles like a pleasing

ambience, convenient parking and mall facilities play an important role in deciding where BPO workers shop. Retail space that is located close to BPO offices has performed overwhelmingly better than at other locations. Gurgaon, a suburb of New Delhi and Malad, a western suburb of Mumbai are dotted with BPO offices and malls making it a winning combination for BPO shoppers.

**c) Increasing workforce of women:**

As an increasing number of women have entered the workforce, their shopping habits have had an impact in retail sales. Most of these young unmarried professionals have no family responsibility. Jewelry stores like Kiah, Sia and Tanishq specifically target young working women who have income of their own and are the primary decision-makers. The demands for products like watches, cosmetics and perfumes have dramatically increased. The average shopping bill for young workingwomen is estimated to be US\$55. An estimated 40-50% of their salary goes towards apparel and footwear and balance is spent on eating out, mobile phones and accessories.

Retailers are targeting the next level of cities. The urban consumer has overwhelmingly accepted the modern retail format and now expects newer brands and concepts to enter. Rising affluence levels among the urban consumers, along with an increase in international travel are factors that fan these expectations. The retailers seem to be rushing in to , what are termed, Tier 2 cities like Chandigarh, Bhopal, Ludhiana and Tier 3 cities like Surat, Lucknow, Dehradun, Coimbatore, Nasik, Indore and Vadodra for items like personal computers, mobile phones, consumer durables and financial services. Table 1.10 gives the classification of towns in India.

**TABLE 1.6  
CLASSIFICATION OF CITIES**

<b>Classification Of Cities</b>		
<b>Classification</b>	<b>Characteristics</b>	<b>Cities</b>
Tier-1	Premier destinations, high skill availability, infrastructure capabilities and quality of life	Bangalore, Mumbai, New Delhi
Tier 1-1	Similar capabilities as Tier 1 cities but with lower visibility	Hyderabad, Chennai, Pune, NOIDA, Gurgaon, Navi Mumbai
Tier 2	Emerging cities, attracting new and high tech industries	Kolkata, Mangalore, Ludhiana, Chandigarh/Mohali, Bhopal

<b>Classification Of Cities</b>		
<b>Classification</b>	<b>Characteristics</b>	<b>Cities</b>
Tier 3	Cities focusing on IT as a key growth industry but do not have the requisites of infrastructure, facilities and quality of life geared as yet.	Ahmedabad, Thiruvananthapuram, Coimbatore, Mysore, Nasik, Kochi, Nagpur, Jaipur, Indore, Shimla, Lucknow, Kanpur, Panaji, Srinagar, Patna, Bhubaneshwar

**d) Rural areas – show potential:**

The potential of growth in metros as well as rural areas is immense. Metro cities and other urban areas already have been exposed to western formats of stores and will take to international entrants with ease. A large majority of the population still lives in rural areas and simply due to its size, this area contains huge opportunities. The process will take time, as the rural customer need to be educated on these formats. But, once the utility and convenience of such retail stores come to be appreciated, one can expect phenomenal growth. According to the Census of India, 'rural' is defined as any habitation with a population density less than 400 per sq. km, where 75% of the male working population is engaged in agriculture and where there is no municipality or board established. Most FMCG companies consider any place with a population of less than 20,000 as rural and consumer durable companies define any town with less than 50,000 as rural

**e) Rural Malls have made a beginning:**

Rural retailing is an important segment of the retail industry and it is only lately that companies are making investments in this area. ITC launched Chaupal Sagar, the first rural mall, with a variety of products and offering farmers tools to adapt to new technologies and methods of farming and selling their produce. The DCM Sriram Group has opened a Hariyali Bazaar, offering farm-related services and plans to increase their product line to a full-fledged grocery store. Godrej Group has opened Adhaar, a one-stop shop for farmers, focusing on farm related products. Escorts and Tata Chemicals are also in the process of setting up agri-stores targeting the rural market

**f) Explosion of Malls expected:**

Ten years ago there wasn't a single mall in India, while there are 40 currently and 300 more malls, shopping centers and multiplexes are scheduled to open within the next two years. According to the IMAGES-KSA Technopak study, an estimated 50 million sq. ft. of space is under development of which 41 million sq. ft. is located in seven major cities. Besides these,

35 hypermarkets, 325 large department stores, 1500 supermarkets and over 10,000 new outlets are also under development.

**1.5 CONCLUSION :**

The FDI debate has opened up many issues which deserve proper attention of the policy makers before the retail sector is opened up to foreign investors. The findings and deliberations in later chapters of this Study reveal that unlike in other sectors, FDI in retail will have a much wider impact on the economy. Essentially, organised global retail chains will break the traditional symbiotic relationship that exists between small producers and small retailers. Also, in the new retailing format, due to unequal terms of trade in a monopsony like situation, small producers and suppliers are likely to suffer most. It is perceived that under pressure from the 'push factors', the Indian government may have to allow market access to global retailers. In return, the negotiators should bargain for market access in foreign countries for certain types of services, where the country enjoys competitive advantages over others.