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PROSPECTS AND CHALLENGES OF RETAIL INDUSTRY IN INDIA

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ABSTRACT:

India is one of the most promising and developing marketplaces in the world. Retailing in India is one of the pillars of its economy and accounts 10 percent of the country's GDP and around 8% of the employment.. The Indian retail industry is ranked as one of the biggest retail market in the whole world. It has been the second most attractive market for investment after Vietnam. The Indian retail trading sector attracted US\$ 4.29 billion FDI between 2000 to 2022. Therefore, India has emerged as the hottest retail destination. The growth of Indian organized retail marked is mainly due to change in the consumer behaviour. This change has come in the consumer due to increased income, changing life style and pattern demography which are favorable. Keeping in this mind, this paper provides detailed information about the growth of retailing industry in India and opportunities of the retail stores and retail format in India and also highlights the challenges faced by the retail industry in near future.

KEYWORDS: ORGANISED RETAILING AND UN-ORGANISED RETAILING, GROWTH, CHALLENGES

1. INTRODUCTION:

The word retail is derived from the French word retailer, means to cut off a piece or break bulk. Therefore, a retailer is a dealer or trader who sells goods in small quantities. Retailing is the final step in the distribution of products, for consumption by the end consumers. It consists of all involved in the marketing of goods and services directly to the consumers, for their personal, family or household use. This excludes directly interface between the manufacturer and institutional buyers such as government and other bulk customers. The Indian retail industry is generally divided into organized and unorganized retailing. Organized retailing refers to modern form of retailing. Trading activities undertaken by licensed retailer, i.e. those who have registered for direct and indirect tax etc. These include corporate backed hypermarkets and retail chains, and also privately owned large retail businesses. Unorganized retailing refers to traditional form of low-cost retailing, such as local Kirana shops, owner operated general stores, paan/beedi shops, convenience stores, hand cart and street vendors, etc. The growth of unorganized sector is almost 6 percent are situated near the resident areas. India is the country having the most unorganized retail market. It was a family's livelihood, with their shop in the front and house at the back, while they run the retail business.

The retail industry in India has emerged the most dynamic and fast paced industries with several players entering the market. It is also the second largest industry in US in terms of number of employees and establishments. The Indian retail industry accounts 10% of the country GDP and around 8% of employment. It also provides many employment opportunities in the country. The industry earlier comprised of unorganized retail. The kirana store and local mom and pop stores were very popular among the consumers. Now organized retailing is slowly emerging in the form of malls and hypermarkets. The industry is in transformational as there is shift from unorganized retailing to organized retailing. According to an estimate unorganising retailing sector has 90 percent presence, whereas organised retailing accounts merely 10 percent. The main challenge facing the organizing sector is the competition from unorganized sector. The sector has witnessed an immense growth in the last few years. the key factors responsible for the retail boom have been the change in consumer profile and demographics, increase in the number of international brand available in the Indian Market, economic implication of the Govt., increasing urbanization, credit availability, improvement in technology and real estate building a world class shopping environment for the consumers.

11. OBJECTIVES OF THE STUDY

The main objectives of the study are:

1. To examine the opportunities and challenges faced by organizing retailing in India
2. To give the suggestions on the basis of the study.

11.1. RESEARCH METHODOLOGY

The data is collected on the basis of secondary data from different sources viz annual reports, text books, newspapers and website journals. Various growth indicators were used in the study.

IV. DATA ANALYSIS AND INTERPRETATION:

A. GROWTH IN INDIAN RETAIL MARKET:

In the beginning there were only kirana stores called mom and pop store, the friendly neighborhood stores selling every day needs. In the 1980s experiences slow change as India began to open up economy. Textiles sector with companies like DCM, Gwalior Suiting, Bombay Dying, S Kumar's and Grasim first saw the emergence of retail chains later Titan successfully created an organized retailing concept and established a series of showroom for its premium watches. Multiband retailers came into the picture in the 1990s. For example Food world, Subhiksha and Nilgiris in food and Music world in Music; Crossword and fountainhead in books. Post 1995 onward saw an emergence of shopping centers mainly in urban areas, with facilities like car parking targeted to provide a complete destination experience for all segment of society emergence of hyper and super market. The 21st Century saw the emergence of supermarket and hyper markets viz big players like reliance, Bharti, Tatas, HLL, ITC etc. are entering into the organised retail segment.

The Indian retail industry has emerged as one of the most dynamic and fast paced industries due to the entry of several new players. It is the world fifth largest global destination in the retail space. one of the fastest growing in the world. The present value of Indian retail market in 2018, 697.71 billion dollars in unorganized sector and 79.43 billion dollars in organized sector. India is the 5th largest preferred retail destination in the world. The country is among the highest in the world in terms of per capita store availability. India's retail sector is experiencing in exponential growth, with retail development taking place not just in major cities and metros, but also in tier-11 and tier-111 cities. Healthy economic growth, changing demographic profile, increasing disposable incomes, urbanization, changing consumer taste and preference are the factors driving the growth in the organized retail market in India. Increasing participation from foreign and private players to boost retail infrastructure. Revenue generated from online retail market has grown 74.8 billion in 2022. Super market space in the country has been also enhanced. At present, there are more than 435000 plus supermarkets in India and over 30,000 plus supermarkets in the united states. Reliance retail is the biggest supermarket chain in India in terms of revenue. The top 10 supermarkets in India are Big Bazaar, Dmart, Star Bazar, Hypercity, Spar, Reliance Fresh, Spencer's Retail, More Retail, Food World and Reliance SMART.

TABLE 1: INDIAN RETAIL MARKET SIZE -ORGANIZED AND UNORGANIZED (IN \$ BILLION)

Year	Organised	Unorganised	Total
2014	8%	92%	100%
2015	8%	92%	100%
2016	9%	91%	100%
2017	10%	90%	100%
2018	10%	90%	100%

SOURCE: Technopak

From the above table, it is analyzed that the overall growth in retail segments expected to grow at 19 percent per annum in organized and 11% in unorganized sectors. Organized retail market is 10 percent of the total sector and unorganized retail market constitute the rest 90 percent of the sector. The government of India has approved 51 percent FDI in multi brand retail trading and it is allowed only through the govt. approval route with a large number of conditions to protect the business of MSME and small traders. As per the latest policy issued by the Department of Industrial Policy and Promotion (DIPP), 100% Foreign Direct Investment is allowed in case of single brand retail through automatic route and The government has permitted 100 percent FDI through automatic root in manufacturing

of food products in India. Organized sector's penetration level is 85 percent in USA, 80 percent in France, 66 percent in Japan, 23 percent in China and nearly 8 percent in India. This confirms that India is at an early stage of evolution in the organized retail space and has a huge growth potential. Indian retail is still dominated by a large number of unorganized small retailers consisting of the local karyana shops, paan/beedi shops, hand-cart hawkers, pavement vendors, etc. Even today 90 percent of retail trade is run by the unorganized retailers and only 10 percent of retail trade is organized.

Table 2: **INDIAN RETAIL MARKET (OVERALL BY CATEGORY)**

SN	Sector	Percentage
1	Food and grocery	63.3
2	Apparel and Accessories	8.6
3	Mobile and Telecom	3.8
4	Furniture and furnishing	3.6
5	Jewelry	8.5
6	Consumer Electronics	3.3
7	Pharmacy	3.5
8	Footwear	1.4
9	Others	2.9
	Total	100

Source : Technopak Analysis

From the above table it is asserted that food and grocery constitute the bulk of Indian retailing and its share is estimated 63.3%. in 2018. Apparel market is estimated at CAGR 8.6%, followed by jewelry 8.5 % and this has been followed by other like furniture, pharmacy and consumer electronics.

TABLE 3: TOP INDIAN RETAIL INDUSTRIES

COMPANY	ESTABLISHED	STORES	PRODUCTS OFFERING
Trent Limited (Tata Group)	(1998)	Star India Bazaar, A Life style retail, Westside, Hypermarket, Steel junction, Land mark Titan Industries with word of Titans showrooms, Tanishq outlets, Croma	Food and Food Processing, Books and Music Chain
Reliance Retail Limited (RRL)	2006	Reliance Mart, Reliance SUPER, Reliance FRESH, Reliance Footprint, Reliance Living, Reliance Digital, Reliance Jewelry, Reliance Autozone etc	Foods, groceries, cosmetics, accessories apparel and footwear, lifestyle and home improvement products, electronic goods etc
Pantaloon Fashion Retail limited	1997	Food and Grocery (Big Bazaar), Home Solution (Home town, Furniture Bazaar) Consumer Electronics (e-zone), Star sitara and Health Village, e-tailing (Futurebazaar.com)	Different merchandise products and fashion accessories

RPG Group	1980	Food and Grocery retail, Foodword stores, Health and Grow outlets, Music world stores	
Life style stores	1999	Multi Brand stores, Departmental stores	Men's wear, women's wear, Kids wear, Multi Brand stores, Departmental stores
Big Bazaar	2001	Hyper markets, supermarkets, Food hall fbb, Easy day club and Heritage fresh	Food Bazaar, Fashion at Big Bazaar, Discount departmental stores, Grocery stores
Provogue India Limited	1986	Exclusive stores, Factory outlets, Landmark shopping complex	Fashion and life style, shoes, Accessories, Wallets, Handbags, Readymade apparels, cosmetics, sports items, watches etc.

B. PROSPECTS OF RETAILING IN INDIA:

Retail Industry gets various prospects to grow up in the Indian market not retailing but manufactures as well as suppliers and buyers have various opportunities. Some of which are mentioned below

- 1. Growing Middle class Family-**There are a million of middle –class families in India who want to buy value added products. According to a study, Indian consumers have been ranked as one of the most trusted in the world. Indian middle class is expected double by 2018 and projected to grow to over 65 crores and thus making India one of the largest consumer market of the world.
- 2. Urbanization in the retail sector-** Increased urbanization has shifted consumers to one place and thus more and more customers can be caught in a single trade chain today.
- 3. Untapped cities-**It has been found that top 9 to 10 cities contributed almost two-third of total organising retailing. Now the metro already being tapped, thus the focus on Tier11 and Tier-111 cities. The contribution of these tier cities to organising retailing is expected to grow 25 percent.
- 4. Nuclear Family-**As the time passed away joint family came in a new form i.e. nuclear family. Again the income level of these nuclear families increases because both members started earning. This result into increase power of purchase and lack of time, now they want everything under one roof. This brought the concept of organized retailing.
- 5. Rural Retailing-**India is a leading destination for retail investment due to huge rural population, which is still out of reach by organised retailers. This segment shows huge potential if tapped in right way.
- 6. Plastic Revolution-** Increased use of credit card is in favour of retail marketing. It creates requirement even when it is not necessary.
- 7. Employment Opportunities:** Retail Marketing is one of the largest employment generating industry after agriculture. It provides employment to skilled, semi-skilled, as well as unskilled persons which contribute to the socio economic development of the country.
- 8. India is one of the countries with the world's youngest population with medium age of 24 years as against 35 years in USA, 41 years in Japan. Therefore, new generation has grown in the era of globalisation and is composed to western life style thus the demanding the same experience in home front.**

C. CHALLENGES IN RETAIL INDUSTRY IN INDIA:

India occupies remarkable position in global retail Industry. The country has emerged as a dynamic player. India is one of the fastest growing retail markets in the world placed as 5th largest global destination in the retail space. According to a report by wall Street Journal, the retail industry contributes nearly 20 percent of the country's GDP. Growing purchasing power, public consumption, rapid urbanization as well as entry of foreign players into the domestic market are the key growth enablers for the sector.

Although the retail industry of the country is growing leaps and bounds. It is difficult for emerged at enterprise to sustained in this domain. The reason being several challenges in the long term rein, the sector is an unpredictable market. According to the 10th annual Global Retain Development Index(GRDI) of A.T. Kerney, India is having a strong storage growth fundamental base, This is the reason by the present times the perfect foray into India retail market.

In India the retailing industry has a long way to go, and to become a truly flourishing industry, retailing needs to cross the following challenges.

- **Competition from Unorganized Sector:** The very first challenge facing the retail industry in India is competition from unorganized sector. Traditionally retailing has established in India for centuries. It is low cost structure, mostly owner operated, has negligible real estate and labor cost and little or no tax to pay. Consumer familiarity that runs from generation to generation of one big advantage for the traditional retailing sector. On the other hand, organized sector have big expenses to meet and yet have to keep prices low enough to complete with the traditional sector
- **Retail not Known as Major Industry:** Lack of recognition as a major industry by the govt. even though it is the second largest employers after agriculture hinder s the availability of finance to existing and new players. It also affects growth and expansion plans.
- **No Single window system for clearance:** Retailers are also required to take the necessary approvals from local bodies to carry on with their business. There is no single window for clearance and companies have to go to different agencies to get approvals.
- **FDI restrictions:**The Indian Government has allowed 51% FDI in single brand segment and 100% in whole segment. So, These have made the entry of global retail giants to organized retail sector in India is very difficult. This is a challenge being faced by the Indian organized retail sector.
- **Lack of retail space:** biggest challenge facing the Indian organized retail sector is the lack of retail space. With real estate price is escalating in India due to increase in demand from the Indian organized retail sector. The lease or rent of the property is one of the major areas of expenditure. It is posing a challenge to its growth, so It is effecting there overall profitability.
- **Real Estate Hurdles:** In addition to the high cost of real estate the sector also faces very high stamp duties on the transfer of property, which varies from state to state. Land use conversion is time consuming and complex as the legal process for settling of property dispute.
- **Fraud in Retail:** It is one of the primary challenges the companies would have to face frauds, including vendor frauds, thefts, shoplifting and inaccuracy in supervision and administration are the challenges that are difficult to handle. Even after the use of security techniques like CCTVs. As the size of the sector would increase, this would increase the number of thefts, fraud and discrepancies in the system.
- **Shortage of Skilled Manpower:** -Employment in the retail sector comes from 75-80% of the total retail manpower working in the organized retail sector from the retail and retail support profile in store operations. But unfortunately there are lot of difficulty in finding trained persons and also have to pay more in order to retain them.

- **lack of efficient supply chain management:** Indian retailing is still dominated by the unorganized sector and there is a lack efficient supply chain management. India must concentrate to improving the supply management, which in turn would bring down the material cost. This is a major hindrance for retailers as a non-efficient distribution channel is very difficult to handle and can result in huge losses. Warehouses and timely distribution are other areas of challenge. Developed supply chain and integrated IT management is absent in retail sector.
- **Cultural diversity:**India's huge size and socio economic and cultural diversity means there is no established model or consumption pattern throughout the country. Manufacturers and retailers will have to devise strategies for different sectors and segments which by it would be strategies.
- **IT infrastructure Hurdles:** Modern retail stores have used latest technology for assisting the customer. These systems include website, e-mail, fax, online selling, store management, automatic attendance, logistic handling etc. No doubt it plays a key role in creating future successes. Sometimes these technological enhancements have to frustrate rather than facilitate interaction.

V. CONCLUSION AND SUGGESTIONS:

The retail sector has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. The Indian Retail industry is the largest among all the industries according for over 10 percent of the country's GDP and around 8 per cent of the employment. Indian retail industry is going through a boom period, even though penetration of organised retail is very low. They have brought revolution in the country. They need to overcome the challenges before them and transfer into the next-door stores which offer discount. Retailers should also establish a good supply chain network and maintain good warehouses. They should prove themselves a customer oriented. Direct selling and personal selling should also be added to the services offered by the stores in the malls. The Indian industry is directly based upon income of consumption so that industry should offer the large variety of products for all types of consumer from middle class to upper class that can plays a major role in the contribution of GDP.

By adopting some of the strategies, it can rise tremendously and reach each and every nock and corner. Retailing should be given the status of an industry. This will help the retailers to raise fund and upgrade the quality of the product and the goods should be properly packed. The retailers should upgrade their outlets, improve the ambience in the shop and a stock of wider range of product and provided services home delivery. Non marketing factors should be avoided and new schemes should always be launched. The Government should reduce the registration formalities and regulations.. A single large format retailer should not be allowed to capture a large market share. Both organized and unorganized retail companies have to work together to ensure better prospects for the overall retail industry, while generating new benefits for their consumers.

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