RETAILING IN INDIA: AN ANALYSIS OF UNORGANIZED SECTOR

DR SURESH KUMAR MAHAJAN
ASSOICIATE Professor, Commerce Department
D.R.V. D.A.V. Centenary College, Phillaur (Pb.), India

The Indian retail industry is divided into organized and unorganized sectors. The unorganized retail comprises of the local baniya or kirana shop, paan and beedi shops and the other owner manned general stores . These retailers normally do not pay taxes and most of them are not even registered for sales tax, VAT, or income tax. "Unorganized retailing" is defined as an outlet which is run locally by the owner or the caretaker of a shop who lacks the technical and the accounting standardization. The supply chain and the sourcing are also usually done locally to meet the local needs. Unorganized merchandising, refers to the normal formats of cheap retail, the native kirana retailers, the owner manned general stores, paan / beedi retailers, the convenience stores, hardware stores at the corner of one's street, small medical shps etc. Small-store (kirana) retailing has been one of the easiest ways to generate what is called self-employment as it requires a very limited investment in land, capital and labour. It is generally a family run business; there is lack of standardization and the retailers who run this store lack education, experience and exposure.

REVIEW OF LITERATURE

S. P. Thenmozhi and D. Dhanapal (2011) identified the Retail service quality factors and explores the impact of Retail Service Quality on Customer satisfaction and loyalty in unorganized retail outlets and sample of 463 customers at selected kirana stores (unorganized retail format) of Tamilnadu in India were selected for the study on the basis of non-probability convenience sampling. The study also analyzed the association between demographic profile of the customers and their perception on retail service quality. H. Gupta, N. Dubey and P. Pawan (2012) the broad objective of the study was to understand consumer behavior towards organized and unorganized retail stores and to find out the consumers satisfaction level from organized retail stores as well as unorganized retail stores. It also focuses on the perception of the traditional retailers about the modern retailing for this it uses in-depth qualitative primary data. Naganathan Venkatesh (2013) explore the policy and reforms-Latest policy change on FDI on retail industry by the government of India; the entry of foreign retailers into the market. Further

it tells about the strategies, strength, issues and opportunities of retail industry and its recent/future trends. Dr. Prafulla Sudame, Brijesh Sivathanu (2013) the objective of the study was to study the challenges impacting the retail sector and to study the different formats of retailing. The study uses primary data in which 30 unorganized retailers responded to the survey to understand the challenges faced by the retail sector.

THE ORIGIN AND EVOLUTION OF RETAIL

The word retail is considered to be from the French word 'retailer' which means to "cutting off, clip and divide" in terms of tailoring. To use the concept, retailing directly converts into the meaning that it is breaking of products in larger consignments into smaller packages for general consumption. The origins of retailing in India can be traced back to the emergence of Kirana stores and mom-and-pop stores. These stores used to cater to the local people. Eventually the government supported the rural retail and many indigenous franchise stores came up with the help of Khadi & Village Industries Commission. The economy began to open up in the 1980s resulting in the change of retailing. The first few companies to come up with retail chains were in textile sector, for example, Bombay Dyeing, S Kumar's, Raymonds, etc. Later Titan launched retail showrooms in the organized retail sector. With the passage of time new entrants moved on from manufacturing to pure retailing. Retail outlets such as Foodworld in FMCG, Planet M and Musicworld in Music, Crossword in books entered the market before 1995. Shopping malls emerged in the urban areas giving a world-class experience to the customers. Eventually hypermarkets and supermarkets emerged. The evolution of the sector includes the continuous improvement in the supply chain management, distribution channels, technology, back-end operations, etc. this would finally lead to more of consolidation, mergers and acquisitions and huge investments.

RETAIL DESIGN IN INDIA

*Mom-and-pop stores: they are family owned business catering to small sections; they are individually handled retail outlets and have a personal touch.

*Departmental stores: are general retail merchandisers offering quality products and services.

*Convenience stores: are located in residential areas with slightly higher prices goods due to the convenience offered.

*Hyper marts/supermarkets: large self-servicing outlets offering products from a variety of categories.

*Shopping malls: the biggest form of retail in India, malls offers customers a mix of all types of products and services including entertainment and food under a single roof.

*E-trailers: are retailers providing online buying and selling of products and services.

*Discount stores: these are factory outlets that give discount on the MRP.

*Vending: it is a relatively new entry, in the retail sector. Here beverages, snacks and other small items can be bought via vending machine.

*Category killers: small specialty stores that offer a variety of categories. They are known as category killers as they focus on specific categories, such as electronics and sporting goods. This is also known as Multi Brand Outlets or MBO's.

*Specialty stores: are retail chains are retail chains dealing in specific categories and provide deep assortment. Mumbai's Crossword Book Store and RPG's Music World are a couple of example.

TRENDS IN THE RETAIL INDUSTRY

*Emergence of organized retail:

Real estate development in the country, for example, the construction of mega malls and shopping malls, is augmenting the growth of the organized retail business

*Spending capacity of youth of India:

India has a large youth population, which is a conducive environment to growth of this sector.

*Raising incomes and purchasing power:

The per capita income in India has doubled between 2000-01 and 2009-10 resulting in improved purchasing power.

*Changing mindset of customers:

The customer mind set is gradually shifting from low price to better convenience, high value and a better shopping experience.

*Easy customer credit:

Emergence of concepts such as quick and easy loans, EMIs, loan through credit cards, has made purchasing possible for Indian consumers, for products such as consumer durables.

*Higher brand consciousness: There is high brand consciousness among the youth; 60% of India's population is below the age of 30 leading to popularization of brands and products.

RESEARCH METHODOLOGY

The present empirical study has been done mainly from the secondary data for depth investigation. All the information data and opinion are collected which has a direct or indirect relevance to the information like official publications and research journals.

UNORGANIZED RETAIL

India's unorganized retail sector include large number of small shops and small retailers consisting of the local kirana shops, owner operated general stores, chemists, apparel and footwear shops, paan and beedi shops etc. India has highest retail outlet density in the world i.e. 11 outlets per 1000 people. However, only four per cent of them have larger than 500 square feet area . Street vendors, pavement vendors, hand cart vendors and hawkers also form a large section under this category of 'Unorganized Retail'. According to the Ministry of Housing and Urban Poverty Alleviation, there are around 10 million street vendors in India, with Mumbai accounting for 250,000, Delhi having 200,000, Kolkata, more than 150,000, and Ahmedabad, 100,000. Most of these are immigrants or laid-off workers, working for an average of 10-12 hours a day. The key features of this form of retail business are Minimum requirement of skills or education, limited initial investment (capital, land and labour) and provision for self-employment. Also, there are not much entry barriers in the unorganized retail market. The unorganized retail business is divided into different market segments like fruit and vegetable sellers/vendors, kirana stores selling cereals, pulses, spices, home and personal care products, beverages, bakery and dairy products etc. Small and unorganized apparel and footwear shops, stationary shops, furnishing and hardware shops also fall under this category. Food retailing plays a very significant role in retail industry in the world.

CHALLENGES FACED BY UNORGANISED RETAILER

*Inefficient Supply Chain Management: Indian retailing is still dominated by the unorganized sector and there is still a lack of efficient supply chain management. India must concentrate on improving the supply chain management, which in turn would bring down inventory cost, which can then be passed on to the consumer in the form of low pricing.

*Cultural Disparity: 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 itself would be challenging.

*Lack of latest technology: Unorganized retailers do not have a system with high end technology, which will help them to functions faster and give real time information to companies in terms of which product is sold and so on. Due to low investment, the unorganized sector cannot invest in technology, which helps in the logistics and supply chain of the organization.

***Human Resource Problems:** Trained manpower shortage is a challenge facing the organized retail sector in India. The Indian retailers have difficulty in finding trained person and also have to pay more in order to retain them. This again brings down the Indian retailers profit levels.

*Low Investments: For growth, the most important factor is money, which is often lacking in the unorganized segment. They mostly run on very low net profits since they do not have a fixed amount of customers walking in the store, hence they are unable to invest in space and technology.

*Higher Discounts & offers: With many organized retailers reducing and bargaining with leading manufacturer, they can offer higher discounts and pass on this benefits to the stores.The higher the number of product s purchased, the higher is the discount. Many retailers also run promotions on food grains and give offers like "Buy one get one free" which an unorganized players cannot afford to do.

*Frauds In Retail: It is one of the primary challenges the unorganized retailers would have to face. Frauds, including vendor frauds, thefts, shoplifting and inaccuracy in supervision and administration are the challenges that are difficult to handle. This is so even after the use of security techniques, such as CCTVs and POS systems. As the size of the sector would increase, this would increase the number of thefts, frauds and discrepancies in the system.

*Red Tape: Getting various government approvals. This implies that the retailer would have to go through different layers of Government departments before getting the go ahead.

*Political Risk: The largest opposition party in India has opposed FDI in retail and some of its leaders have indicated that they will scrap the policy if their party comes to power. A political change in state and central governments puts a lot of political risk on investment in retail.

ROLE OF GOVERNMENT

ICRIER while analyzing the impact of organized retailers on unorganized retail also recommended some steps or strategies to survive in this highly competitive market. It suggested that organized retailers together with kirana stores and hawkers should expand their business through the ways of franchises and partnerships. To achieve this, organized retailers will have to provide traditional retailers with sufficient amount capital. Additionally, provision of effective training facilities should be made available to the unorganized sector to deliver quality and satisfactory services to the customers. In Japan, modern big retailers have co-opted small traditional convenience stores and have upgraded them. This all is being done under franchise model. Study recommends similar pattern to be implemented by organized retail so that to include traditional stores in their development. They can have some outlets directly under company ownership and others under franchise. This will make these organized retail chains competitive and will also allow traditional retailers to be part of these chains. Government bodies along with civil society can play an important role here to look after the interest of the stakeholders. This can take place through innovative ideas which will be implemented with the

help of significant resources. As number of organized retail outlets grows, government will be benefited in terms of tax collection as it is easier for government to collect tax from organized retail outlets rather than unorganized ones. This increased tax collection can be used for the up gradation and development of traditional retailers.

FUTURE OF RETAIL MARKET IN INDIA

The Indian retail industry is forecast to grow almost four times to $2.1 trillion by 2025 from the present size of $550 billion. "India's young population, increasing affluence, changing lifestyle, and attitude towards spending and increasing availability in the smallest of the towns will spur consumption and drive the growth of the retail market during the next 10 years," according to a report titled "The Indian Retail Medley" by Confederation of Indian Industry (CII) and Wazir Advisors. In this period, organized retail is expected to grow seven times and online retail 26 times. However, the unorganised retail is expected to still dominate with about 80 per cent share even by then. Also, 10-12 million jobs (direct and indirect) are expected to be created. It has been expected that the organised segment is to grow at a compounded annual growth rate (CAGR) of 22 per cent, much faster than traditional retail, which will grow at a CAGR of 13 per cent. However, even with high growth, the organised sector will capture just about 15 per cent share of retail market by 2025, up from 8 per cent now.
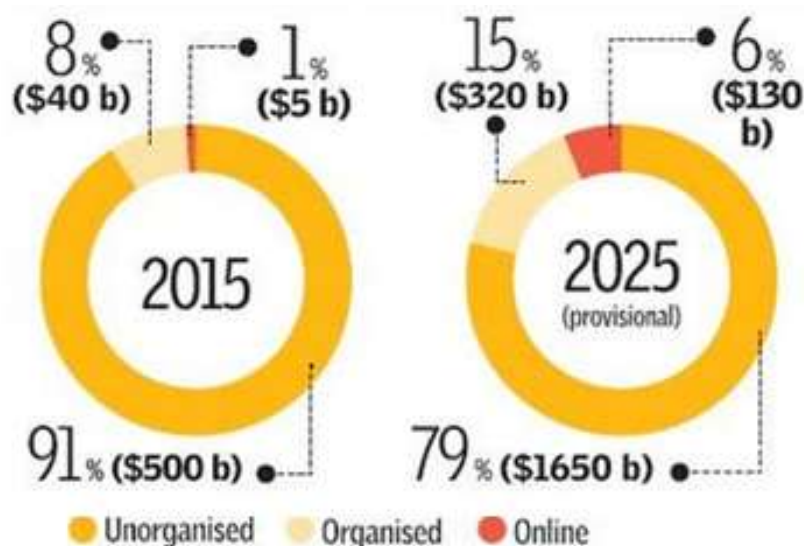
Source : The Hindu

CONCLUSION

There is ample growth for unorganized retail sector though some tough challenges exist such as inefficient supply chain management, getting approvals from government, adoption of new technologies and E-commerce. Some of the main concerns of the unorganized retail sector were variety, special offers, home delivery, ambience and price. So finally we can say that there is ample growth for retail sector though some tough challenges exist. Retail can overcome these challenges by grabbing the opportunities available.

BIBLOGRAPHY

Venkatesh, N. (2013), "Indian Retail Industries Market Analysis: Issues, Challenges and its Opportunity for the 21st Century", International Journal of Application or Innovation in Engineering & Management (IJAIEM).

Sivathanu,D.P. (2013), Challenges Affecting the Organised Retail sector".

ArthPrabhand,A Journal of Economics and Management.

S.P. Thenmozhi, and D. Dhanapal. (2011), "Unorganised Retailing in India –A Study on Retail Service Quality", European Journal of Social Sciences 23(4): 68-75.

R.H, "An Overview of Unorganized Retail Sector in India", Asia Pacific Journal of Marketing and Retail Management vol.5(1).