



ISSN 2278 - 8158

AN INTERNATIONAL MULTIDISCIPLINARY
HALF YEARLY RESEARCH JOURNAL



*Peer Reviewed Referred
and UGC Listed Journal
Journal No. 47037*

ROYAL

IMPACT FACTOR / INDEXING
2016 - 4.42
www.sjifactor.com

Volume-VI, Issue-II
Part - IV
December - May - 2017 - 18

Ajanta
Prakashan



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A Study of Retail Industry in India: Challenges and Opportunity

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Abstract

The Indian Retail sector has come off new age and attracted so many multinational players towards the Indian Market. The Indian retail market has gone through major transformation from the last decade with noticeable change in Organized retail sector. The Indian retail industry has adopting the modern technology and trends in retails. The size of India's retail market has grown up and retail industry is aggressively expanding itself in India. The FDI is increased in the Indian retail Industry. Prior to this increasing trend in Indian Retail Industry so many challenges have to face and need to the policy initiative is expected to provide further fulfil to the growth of the sector. Hence, this paper will be analysis the current scenario of the Indian retails market, challenges and opportunities and new phenomenon in retail sector.

Keywords: Retail, Foreign Direct Investment, Portfolio Investment, Organized Market, Global Retail Development Index (GRDI)

Introduction

India is a growing country which has large space for consumer as well as capital goods. India's abundant and diversified natural resources attract the multinational players and its sound economic policy, good market conditions, and highly skilled human resource, it make a proper destination retails industry sector in India to Investment. As per GRDI and Industry Experts, India has replaced China as the top retail destination in 2017. The change of the ranking was an outcome of policy initiative taken by the Government of India. For these major transformations the four factors are responsible including consumer spending beyond essentials, rising use of modern technology, and Smartphone, Internet Penetrations, and most important Favourable Foreign Direct Investment Policy initiatives. The Government of India have taken bold action on Cashless transactions and Goods and Service Tax, Single Windows Clearance, and bringing transparency Industrial development policy.

Purpose of the Study

India is becoming the fastest growing economy in the world. The Indian economy is developing mixed economy. It is the world sixth largest economy by nominal GDP and the third largest by purchasing power parity (PPP). The country ranks 141st in Per Capita GDP (Nominal) with \$1723 and 123rd in Per

Capita GDP (PPP) with \$6616 as in the year 2016. Hence, it is important to know the growth potential in the Indian retail industry and review the opportunities and challenges in retail market.

Objectives of the Study

- 1) To Understand and analyze the present structure of Retail Industry in India.
- 2) To study the growth of the Indian retail industry in India.
- 3) To review the Indian retail industry opportunities and Challenges.

This research paper is prepared for the purpose of find the growth and development of retails sector in India. At the end of the research paper has covered objective comfortably followed by conclusion.

Research Methodology

This research paper is based on Secondary Data belongs to Organized and unorganized retail sector in India. The source of information is various report published by Government of India, Journals, Newspaper and GRDI, etc. It is assumed that the retailers assume that consumers will continue to make most of the purchases the holiday season. It is assumed that retail industry will face many challenges and prior of that they have many opportunities in the retail industry.

Limitations of the Study

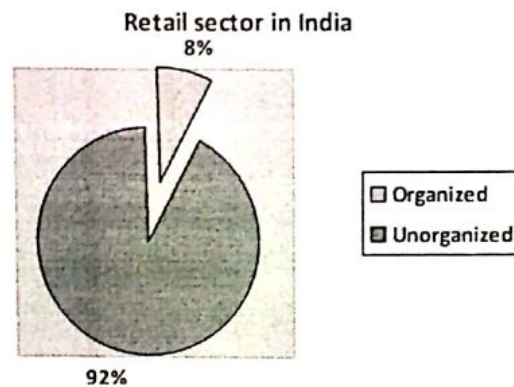
This research study is based on secondary data which is available on the Government website and published sources that is related with Indian Retail Industry. It is just covers the Opportunities and Challenges to Indian Retail Industry.

Review of the Literature

- 1) Cherish Mathew (2009), According to him, in his article name, Organized Retailing- Opportunity or Treat?" In this article he has compared the Aggressive expansion by Organized retailing and unorganized retailing to access the feasibility of 'Organized Retailing' as a strategic choice out the new phenomenon of business opportunities. He has analyzed the large potential in Indian retail Market.
- 2) Krishna C.V.(2009) : His article deals with the empirical study on 'Next Generation Retailing, An Empirical Study using Factor Analysis'. In his article he compared the marketing system of Organized and Unorganized retailers. He has assessed the current scenario in retailing.
- 3) Dr. Sameena Khan & Fayaz Ahamed, (2011), Foreign Direct Investment in India: Challenges and Opportunities in Multi-brand Retail Sector, In their research article they have analyze the Foreign Direct Investment in India : various challenges and opportunities in retail industry.

Overview of the Retail Sector In India

The Overall Retail Market in India is likely to reach the Indian retail market is estimated to be US\$ 600 billion and one of the top five retail markets in the world by economic value. India is one of the fastest growing retail markets in the world, with 1.2 billion people. presenting a strong market position in the globe. India is the 5th largest retail market in the world. out of total Indian retail market, 8% is made up by the Organized retail market and created almost 30% growth in 2015. and hence at the a much faster pace than the overall retail market which is forecast to grow by 16% in the same period. Until 2011, the Central Government of India did not allow Foreign Direct Investment in retail sector.



The Retail Industry is divide Generally into Organized and Unorganized Retail In India

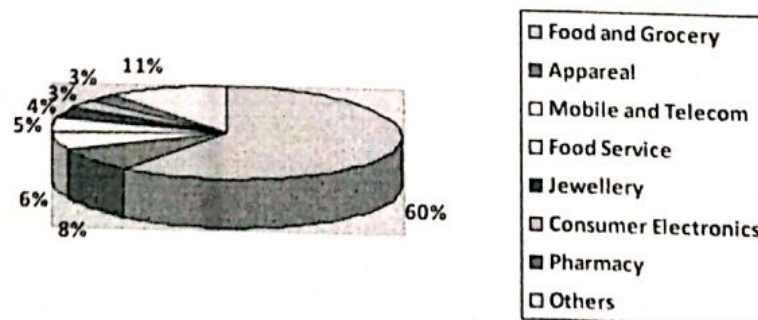
Organized Retail In India

Organized retailing refers to trading, and selling activities undertaken licensed retailers, those who have registered for sale tax, Goods and service tax, income tax, etc authorities in India. These included Corporate-backed Hyper Market, Super Market, and Retail Chain. It is estimated share of Organized retail to go up 20 per by 2020.

Unorganized Retail in India

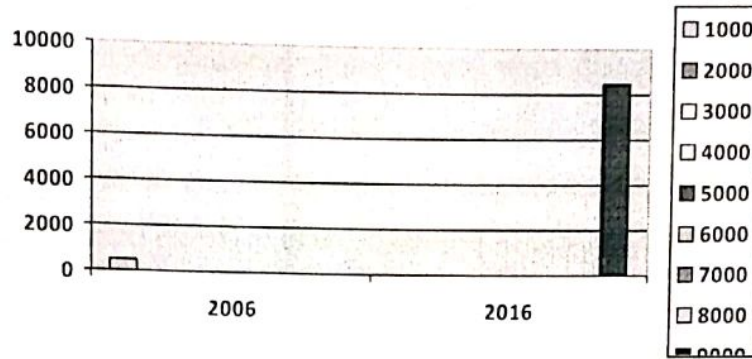
Unorganized retailing refers to the traditional form of low cost retailing i.e Local Market, Local Shops, Single Owner operated shops, general stores, convenience store, cart stores, Street Vendors, Hawkers etc. The growth in unorganized retail sector in pegged at 6 %.

Growth in Indian Retail



From the above chart it shows that the growth in Indian Retail is in Food and Grocery i.e (60%) is the highest retail market in India. then, appareal 8%, Mobile and Telecom 6%, Food Service 5%, Jewellery and Gems 4%, Consumer Electronic 3%, Pharmacy 3% and Other 11% retail growth in retail sector.

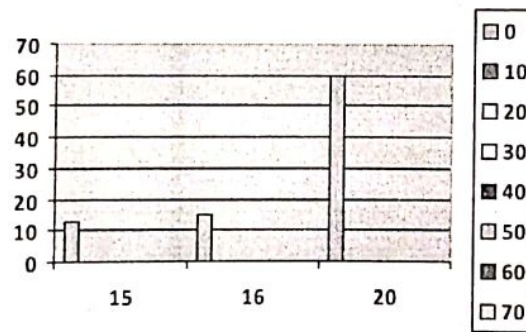
Number of Supermarket In India



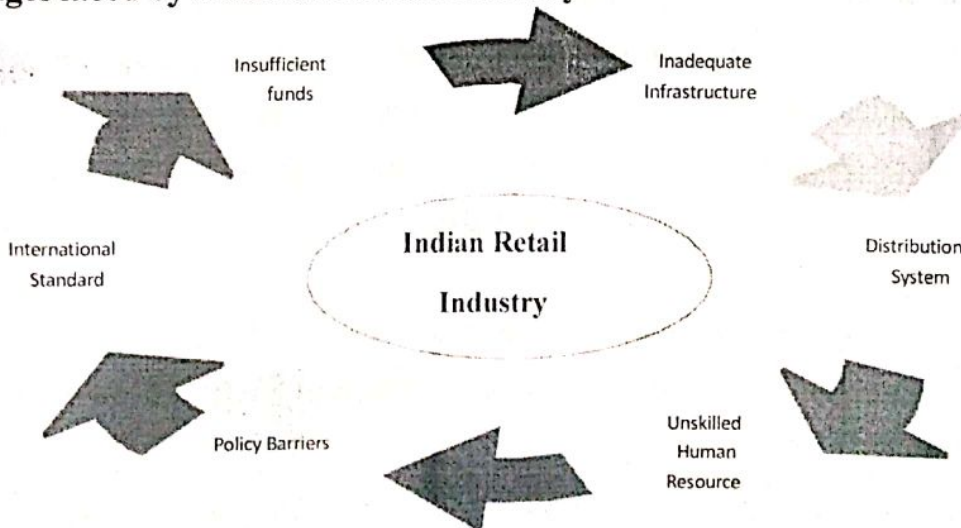
(Source: Indiaretailing.com)

The above chart shows that rising number of tier-II and tier-III cities to enhance supermarket space in the country. Super to total 8500 by 2016 from 500 in 2006. Supermarket significantly increasing in India in the past 2 decades. India is focusing on transformation, innovation, logistic support, unique strategic development and the role of conglomerates and even the state investment have been significant and unique.

Revenue from Online retail in India (US \$ billions)



Challenges faced by the Indian Retail Industry



1) Inadequate Infrastructure: In Indian Retail Industry is identifying that inadequate infrastructure is one of the major challenges that take into consideration. The challenge facing developing countries goes beyond lack of infrastructure just like Electricity, proper space, basic amenities, safe storage, safety measures, delivery services, drinking water, sanitation, sewage water, lack of modern energy source, medical facility, etc. Prior to these Indian entrepreneurs recognise the importance of the Infrastructure continuously contributing to increased investment and productivity Indian retail Industry.

2) Distribution System : This is the main hindrance for the Indian retailers while developed countries created the proper distribution channels, this is the major hindrance for retailers as non efficient distribution channel is very difficult to handle and can result in huge losses. Transportation including, road, railways, airways, have to be enhanced the capacity of supply chain and logistics. India has lot of potential to make distribution channel easier through using Modern Technology, Logistics support, Innovation, Robotics, and Inventory Management.

3) Unskilled Human Resource: Employee poaching is also very high in the Indian retail industry. Manpower is scarce in this industry and such attracting employees of competitors by offering them better salaries, incentives, other facilities like pickup and drop, basic amenities, etc, However, the unskilled workforce is available to retailers that if the employee deny the following a working holiday or till late hours, or they ask for a hike they are simply replaced by newer and cheaper staff.

4) Policy Barriers: Multiple laws and regulations are in India in force at the central, state and local governing absence of specific legislations controlling distribution trade and the existence of rule and law such as Essential Commodities Act, Goods and Service tax , and Other relatives laws, like The Weights and Measure act, leads to market distortion. Modern Entrepreneurs wants easier formats of rules and regulations. Organized retail in India is managed by both the Ministries of Commerce & Consumer Affairs. Retail policies framed by the Ministry of Commerce and the Ministry of Consumer Affairs regulates retailing in terms of licenses and legislations. There is need to create a single apex body to take care of retail operations.

5) Insufficient Funds: The Indian retail sector accounts for 22 per cent of the GDP to 8 per cent of the total employment. India continues to be among the most attractive investment proposition for world retailers. Despite, of that Foreign Direct Investment up to 100 per cent was allowed for cash and carry wholesale trading and export trading under automatic route and FDI up to 51 per cent was allowed in single brand product, with prior government approval .

6) International Standard: Even though Indian Retail Industry has 5 million retail outlets prior to this retail outlets are not up to the mark of International Standard. Still Some of the International brands have not opens their retail outlets in India.

Opportunities in India for the Retail Industry

The Indian Retail Industry is step by step inching its way toward becoming the giant industry. The whole concept of shopping has altered in its terms of format and consumer behaviour, ushering in a revolution in shopping in India. Modern retail has entered India as seen in sprawling shopping centre, multi-store mall and huge complex offer various services under one roof. The Indian society have experiencing the significant changes in its demographics. A large number of working young population associated with the Indian Retail Industry is core part. Indi's Price competitiveness attracts large retail multinational players to use as a sourcing base. Many Multinational Retailers are increasing their sourcing from India and are from third party buying offices to establishing their own wholly-owned/wholly-managed sourcing and buying offices.

In rural India rural markets show high growth potential if tapped with the right set of products and pricing. with increasing Foreign Direct Investment from the Multinational companies with increasing infrastructure, basic amenities, tax reform. Entrepreneurs friendly environment, ease of doing business, start up initiatives in now becoming easier. This will be help the retail industry to expand the reach in such high potential to Indian retail market.

Conclusion

The Indian retail Industry has undergoing from many transformations. Retail industry is playing significant role in the transformation of Indian Economy. Electronic Commerce is expanding steadily in the country. Customers have the ever increasing choice of the products at the lowest rates. Electronic Commerce is probably creating biggest revolution in the Indian retail industry and now the this trend would be continue in the years to come. The retail industry have adopted the Modern technology, expanding infrastructure. Government have taken new initiatives like allowing maximum FDI in Retail Industry, ease of doing business, start up, single window clearance. The Government of India may change the FDI rules in the food processing in a bid to permit e-commerce companies and foreign retailers to sell made in Indian consumer products. The Government of India also allowed 100 percent Foreign Direct Investment in Online retail of goods and service through the automatic route, thereby providing clarity on the existing business of e-commerce companies operating in India. Both Organize and unorganized retails companies have to work together to ensure the smooth functioning and better prospects for the overall India retail industry. Nevertheless, Indian Retail Market have positive support, rising incomes, favourable demographics, increasing urbanisations is worthwhile.

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ISO 9001: 2008 QMS/ISBN/ISSN

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