

SCENARIO OF INDIAN RETAIL INDUSTRY

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ABSTRACT

Retailing in India is undergoing a transformation and is one of the most important sectors in the global economy. India is a potential goldmine for both international and domestic retail players. India now ranks as the 5th most attractive international destination for the retailing business. It is expected that Indian retail business could be worth US\$ 1,470 billion by 2026. India's retail journey began from ancient times. As stated by various experts, India has a long history of going from local retailing to international retailing business. Globally, Indian retail industry achieved the 1st ranking in Global Retail Development Index. But due to the impact of COVID-19, this industry drop down to 2nd position after China. But, for Food & Grocery retail segment, pandemic become beneficial. With multiple firms entering the market, India's retail business has emerged as one of the most dynamic and competitive industry. The retail industry in India is steadily gaining traction as the next big industry. This paper focus on the growing trend of retail industry of India during the COVID-19 in the country.

Key words: retail industry, e-commerce, retail segments, global retail.

Introduction

Any country's economic progress is dependent on the expansion of three sectors: agriculture, manufacturing, and services. Now, economies throughout the world tend to transitioning from an agricultural to an industrial to a service economy. The United Kingdom was the first country to undergo this transition. Other countries like Japan, U.S., France and Germany have already accomplished this change, and many more are anticipated to do so speedily. Service sector consists of a number of super sectors such as education and health services, banking services, insurance services, transportation services, retail trade, telecommunication services etc. We live in highly competitive international market place where transformation from agriculture-based economy to service-based economy has generally increased highly (Hoffman and Bareson,2011). Now, countries are finding that the service sector generate majority of their gross national products than the other sectors agriculture and industrial sector. However, Indian service sector is the world's fastest growing sector which contributes 53 percent in total GVA of India during 2021-22 which is more than the other sectors. (Economic Survey, 2021-22).

The business environment has changed dramatically. Economies that were formerly famed for their agricultural and industrial manufacturing prowess are now dominated by emerging service sectors. Growth

of the service sector not just lie with service industries such as banking, transportation, telecommunication, tourism industry etc. But the retail sector come into the highly demand because of this industry become the 5th largest private sector industry in the world.

The majority of retailing is carried out by retailers. In a rapidly changing market, retailers must deal with numerous challenges along with the various opportunities. Customers' lifestyles and purchasing habits are rapidly changing, as are retailing technologies. Furthermore, rapidly rising costs necessitate more efficient operations and smarter purchasing. For successfully operate in such technologically advanced environment, retailers will have to choose their target segments, competitive strategies carefully and position themselves strongly. Retailers with unique system and strong brand positioning are expanding into modern markets. The retail sector has had a huge influence in raising the productivity of consumer goods and services all over the world.

Indian retail has traditionally been an unorganized sector, with retailers lacking the desire to develop or expand. Also, the Indian consumer, who enjoys the excitement of discovering bargains and cheap offers at his leisure, will never support retail. But, with adopting the western attitude of spending lots of money, luxuriating life and shopping habits which leading the Indian traditional retail to organized retailing. In most countries, organized retailers dominate the sector. But, in India, unorganized retailers account for approximately 90 percent of the market.

In India, the transformation from traditional to modern retail takes a long time. Even so, retailing reigns supreme in India. The retail industry is expected to grow at a CAGR of 10.97 percent from US\$ 204 billion in 2000 to more than US\$ 1,750 billion by 2026. As per World Bank's Doing Business publication of 2020, India ranked 63 position and 73 position in the United Nations Conference on Trade and Development's Business-to-Consumer (B2C) E-commerce Index 2019. The retailing sector in India is rapidly growing to become one of the largest industries in world. It contributes 10 percent to GDP and 8 percent to employment in the country. Also the speedy urbanization, affluent middle class, growth of internet, changing demographic profile, changing taste and preference of consumers are some of the factors that abetting the speedy growth of organized retail sector in India.

A increasing number of value-conscious online buyers have been transforming India's e-commerce retailing scene since the start of COVID-19. India has huge development potential in comparison to its global peers, making it a very appealing option. According to a Boston Consulting Group research, India is expected to surpass US\$ 400 billion in consumer spending by 2025, making it the world's third largest consumer economy.

During the pandemic, e-retail sector is growing rapidly and expected that over the next five years, the e-retail market grow at a rate of 25-30 percent yearly. India has the third-largest number of online shoppers in the world after China and US. To benefit from the liberalised system, the government aims to allow 100 percent FDI in E-commerce with the condition that the products

offered must be manufactured in India. From April 2000 to March 2020, cumulative inflow of FDI in retail sector stood at US\$ 2.12 billion. Retail sector of India attracted the US\$ 6.2 billion from various private equity (PE) funds and venture capital funds in 2020 which has given a boost to Indian retail industry. (<https://www.ibef.org>).

OBJECTIVES

1. To study the growth of retail industry in India.
2. To study about the retail segment in India.

RESULTS AND DISCUSSIONS

Retailing is become a worldwide industry. Organized retailers are extending their business not only nationally, but also internationally. The organized sector provided 85 percent of retail sales in some industrialized countries, such as the United States. Even developing countries like India are affected. Globally, the year 2019 has been one of uproar and changeover in the world of retail due to the pandemic. The retailers' profits were impacted by the global shutdown. The retail industry is on the decline as a result of the consumers cut back on their spending because of a severe decline in their income and job insecurity. But, the lockdown is beneficial to e-commerce, digital businesses, and grocery stores.

Table 1, represent the national retail sale and retail development score of 30 countries of the world and this table shows that the India surpassed even established nations like China and ranked first among the top 30 countries in terms of retail development in 2017, with a score of 71.7 percent. But, due to the impact of COVID-19, India decline its ranked second by 64.4 score in 2021 behind China (72.8 score). Table also show that the China in 2017(US\$ 3,128 billion) and 2021 (US\$ 4,072 billion) depicts the highest national retail sales than India' national retail sales such as US\$ 1,071 billion in 2017 and US\$ 1,163 billion in 2021. It is observed from the table that with impact of COVID-19 some countries shows the declining trend such as Saudi Arabia, United Arab Emirates, Jordan, Azerbaijan, Sri Lanka, Peru, Colombia, Tunisia, Paraguay and several other countries are benefitting from the pandemic shows the upward trend such as Indonesia, Morocco, Vietnam, Dominican Republic, Kazakhstan, Russia, Turkey. However, Nigeria and Philippines are fall out of the top 30 countries for retail development in 2021.

Table 1. Global Retail Development Index (GRDI) 2017 & 2021

| Rank | Region | GRDI Score (2017) | National Retail Sales(US\$ billion) | Rank | Region | GRDI Score (2021) | National Retail Sales(US\$ billion) |
|------|----------------------|-------------------|-------------------------------------|------|---------------------------|-------------------|-------------------------------------|
| 1 | India | 71.7 | 1,071 | 1 | China | 72.8 | 4,072 |
| 2 | China | 70.4 | 3,128 | 2 | India | 64.4 | 1,163 |
| 3 | Malaysia | 60.9 | 92 | 3 | Malaysia | 54.1 | 112 |
| 4 | Turkey | 59.8 | 241 | 4 | Indonesia | 53.0 | 407 |
| 5 | United Arab Emirates | 59.4 | 73 | 5 | Bangladesh | 53.0 | 171 |
| 6 | Vietnam | 56.1 | 90 | 6 | Morocco | 52.2 | 46 |
| 7 | Morocco | 56.1 | 40 | 7 | Egypt | 52.0 | 200 |
| 8 | Indonesia | 55.9 | 350 | 8 | Ghana | 51.9 | 24 |
| 9 | Peru | 54 | 61 | 9 | Vietnam | 51.8 | 125 |
| 10 | Colombia | 53.6 | 90 | 10 | Dominican Republic | 50.4 | 25 |
| 11 | Saudi Arabia | 53.6 | 114 | 11 | Serbia | 50.8 | 21 |
| 12 | Sri Lanka | 51.8 | 30 | 12 | Saudi Arabia | 50.6 | 119 |
| 13 | Dominican Republic | 51.7 | 32 | 13 | Kazakhstan | 50.2 | 26 |
| 14 | Algeria | 50.1 | 42 | 14 | United Arab Emirates(UAE) | 50.0 | 71 |
| 15 | Jordan | 49 | 14 | 15 | Russia | 49.3 | 429 |
| 16 | Kazakhstan | 48.4 | 35 | 16 | Cote Divoire | 49.0 | 19 |
| 17 | Cote Divoire | 48.4 | 14 | 17 | Jordan | 49.0 | 16 |
| 18 | Philippines | 46.8 | 137 | 18 | Senegal | 48.3 | 11 |
| 19 | Paraguay | 45.7 | 11 | 19 | Bulgaria | 48.3 | 23 |
| 20 | Romania | 45.6 | 45 | 20 | Azerbaijan | 47.5 | 15 |
| 21 | Tanzania | 45.5 | 17 | 21 | Turkey | 46.8 | 191 |
| 22 | Russia | 43.2 | 434 | 22 | Romania | 46.4 | 72 |
| 23 | Azerbaijan | 42.9 | 11 | 23 | Bolivia | 45.2 | 17 |
| 24 | Tunisia | 42.7 | 15 | 24 | Kenya | 45.1 | 39 |

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|----|--------------|------|-----|----|-----------|------|----|
| 25 | Kenya | 41.3 | 28 | 25 | Guatemala | 44.1 | 40 |
| 26 | South Africa | 40.2 | 94 | 26 | Sri Lanka | 44.1 | 32 |
| 27 | Nigeria | 39.9 | 109 | 27 | Peru | 43.8 | 58 |
| 28 | Bolivia | 39.6 | 15 | 28 | Colombia | 43.7 | 70 |
| 29 | Brazil | 39.3 | 447 | 29 | Tunisia | 42.8 | 16 |
| 30 | Thailand | 37.8 | 119 | 30 | Paraguay | 42.3 | 11 |

Source: Deloitte Touche Tohmatsu Limited. Global Powers of Retailing 2021

Table 2, states the growth of retail industry in India from the year 2017 to 2025. The table reveals that the market size of retail industry shows the fluctuating trend. Retailing's growth rate recorded to be higher in the year 2018 is 41.37 percent. Due to the lockdown in the country, total retail market share decreased negatively in 2019 (-15.89 percent). After that its growth rate in 2020 is increased to 10.51 percent and also expected to further increase by 13.25 percent in 2025.

Table 2. Growth of the Retail Industry in India

| Year | Market Size | |
|--------|-----------------|----------------|
| | (US\$ billions) | Growth Rate(%) |
| 2017 | 672 | |
| 2018 | 950 | 41.37 |
| 2019 | 799 | -15.89 |
| 2020 | 883 | 10.51 |
| 2025F | 1000 | 13.25 |
| EGR(%) | 7.49 | |

Source: IBEF, retail report.

Table 3, depicts the share of different segments of retail industry in India. The table shows that the Food & Grocery segment increased its business from US\$ 476 billion in 2020 from US\$ 449 billion in 2019. But the other segments such as Lifestyle, Electronics and Others reveal the declining trend to US\$ 38 billion, US\$ 87 billion and US\$ 705 billion in 2021 from US\$ 48 billion, US\$ 102 billion and US\$ 779 billion in 2021 respectively. Also the share of Food & Grocery segment shown upward trend, but share of all other segment declining. It leads to the conclusion that the only Food & Grocery segment is benefitting from the lockdown in India.

Table 3.Share of Retail Segment in India (2019-2020)

| Retail Segments | 2019 | | 2020 | |
|-----------------|-----------------------------|------------------------------|-----------------------------|------------------------------|
| | Retail Market Size (US\$Bn) | Share of Total Retail Market | Retail Market Size (US\$Bn) | Share of Total Retail Market |
| Food & Grocery | 449 | 32.58 | 476 | 36.45 |
| Lifestyle | 48 | 3.48 | 38 | 2.91 |
| Electronics | 102 | 7.40 | 87 | 6.66 |
| Others | 779 | 56.54 | 705 | 53.98 |

Source: IBEF, retail report

Table 4, present that in 2017, whether the unorganized retail sector dominated the Indian retail market, accounting for 88 percent of total market share. However in 2019, the unorganized sector grew at a decent rate of 80 percent, with a future predicted fall to 75 percent in 2021 as opposed to the growth of the organized retail sector. The organized retail sector, on the other hand, accounts for only 9 percent of India's entire retail business, but their share remains stable in 2019 and is expected to grow by 18 percent in 2021. Also the share of E-Commerce retail sector expected to expand from 3 percent in 2017 to 7 percent in 2021.

Table 4.Share of Organized, Unorganized and E-Commerce Retail Industry in India (2017-2021F)

| Retail stores | 2017 | 2019 | 2021F |
|---------------------------|------|------|-------|
| Unorganized retail sector | 88% | 80 % | 75% |
| Organized retail sector | 9% | 9% | 18% |
| E-commerce | 3% | 3% | 7% |

Source: IBEF, retail report.

CONCLUSION

Retailing in India is evolving and is one of the world's largest industries. Retail industry in India has a bright future ahead because it has a large shopper' consumption base. Customers' and the economy's changing expectations caused the organized retail sector to grow and expand correspondingly. One of the most notable aspects of Indian life is the wide range of shopping outlets available. Now, various retail players joining the market, it's challenging for unorganized retail sector because this sector decreasing its share from 88 percent in 2017 to 75 percent in 2021. It is necessary for retail

players to plan strategies for initial investments and provide more rigorous service quality and products to the customers. Thus, in order to remain competitive, retail businesses must provide better customer service. India's retail industry has evolved as one of the fast-paced industry in the world. The Indian retail industry is on the path to become the next boom industry worldwide.

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