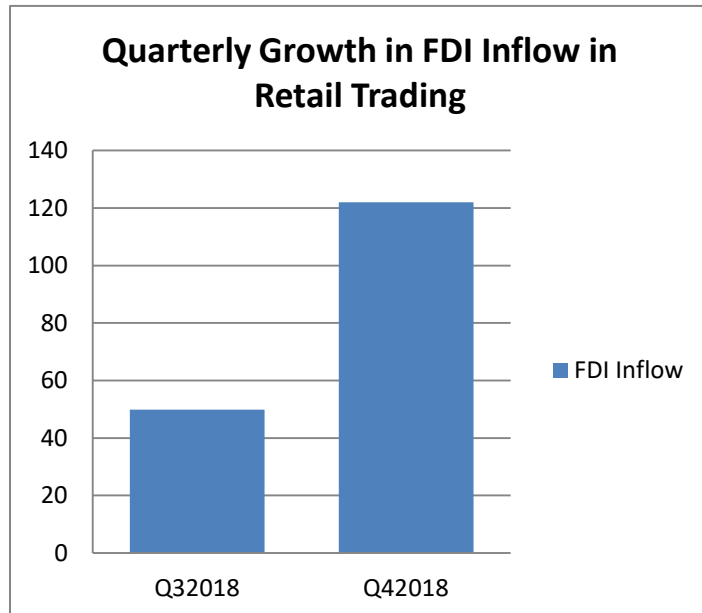


Retail Sector Note

Current Scenario:

Indian retail industry accounts for over 10 per cent of the country's Gross Domestic Product (GDP) and around 8 per cent of employment. India has become the fifth largest global destination in retail space, thanks to economic expansion, high consumption rates, rapid urbanization, burgeoning middle class, easy consumer credit and change in consumer mindset.

According to rough estimates, unorganized sector constitutes more than 90% of the retail sector in India, representing further scope of penetration of organized retail in India. However, Government of India is undertaking a number of initiatives that is generating a growth spurt in the organized retail.



Source-DIPP

High demand has attracted many new players to invest in the Indian retail space over the past few months. Alongside, facilitative FDI policy in the sector is making for increased retail sector FDI inflows. FDI inflow in retail trading stood at USD 122.03 million in the fourth quarter of 2018 (October-December), up 144.5% from USD 49.92 million in the earlier quarter (July-September).

After conquering physical stores, Indian retailers are successfully entering the domain of e-retailing. In fact both the channels are growing simultaneously to

cater to growth in the overall sector. Thanks to the rapid increase in number of internet users and strong investment in the sector, India has become the world's fastest growing e-commerce market. Experts are of the opinion that today's market demands convenience and India is going to witness the continuation of multi-channel retailing.

As per industry experts, growth capex is set to increase in 2019. While the impact of GST and e-Way bill on business has been positive, sectoral growth drivers are High disposable income, favorable demographics and HNI presence.

Future Scenario:

India's retail market is expected to grow to USD 1200 billion by 2021, from USD 672 billion in 2017, owing to income growth, urbanization and attitudinal shifts. Out of this, unorganized or traditional retail is expected to hold 75% share, while organized retail and e-commerce will occupy 18% and 7% respectively.

India's e-commerce market is expected to increase to USD 200 billion by 2026 from USD 38.5 billion in 2017, which accounts to a 9 year CAGR of 20.09%, driven by a surge in e-retail, thanks to the fast pace reliable telecom networks, rapid adoption of online services and convenient services delivery. Last but not the least, access to multiple brands and multiple choices and filters at just one tap of a phone is making e-retail one of the most chosen way of purchasing for consumers, in particular millennials, thereby boosting the online retail industry.

Key Policy Initiatives

- GOI has approved 100% FDI in single brand retail
- Government has approved 51% FDI in multi-brand retail and is considering 100% FDI in multi-brand retail, provided that they are made in India.
- GOI has allowed 100% FDI in e-commerce marketplaces and 100% FDI in food retail.
- GOI might change FDI rules in food processing to allow e-commerce companies and foreign retailers to sell made in India products.
- Minimum Investment capital is USD 100 million.

Write-up for the Main Page

Retail industry has been the pillar of growth for most of the developed economies as it provides employment to many, empowers and employs women, propels entrepreneurship, boost demand for locally made products. Retail touches every aspect of our lives with each day bringing new and innovative ways to offer goods and services.

The future of retail is amazingly promising too, particularly with the emergence of tier II and tier III cities as high consumption centers. With the emergence of e-commerce, retail is shifting from brick and mortar stores to that of cross-channel branding by creating visual identity, perception building, enhancing customer experience and strategic product positioning. A huge trend today is shopping using mobile device and mobile payment. On account of high mobile penetration and mobile app usage; growth of online fund transfer, replacing cheque payments,

followed by further rise in card payments, led by debit and prepaid facility, Indian retail is witnessing an upsurge. However, this is making competition stiff in the sector. Going ahead, India can look to more online-offline tieups for dealing with this situation.

Going ahead retail sector will have access to emerging technologies such as augmented reality, Internet of Things (IoT) and 3D printing etc towards meeting its manifold objectives like customer relationship management, payment solutions and the like.

However, what is changing faster than technology is expectation - expectation of consumers of the retailers, retailers of the distributors, distributors of the manufacturers and so on and so forth. Experts were of the opinion that need of the hour is skill development and knowledge development of policy makers, business leaders and researchers in the retail sector to aid the growth. The praise worthy retail initiatives in the State are Biswa Bangla, Sufal Bangla etc.