

Industry Snapshot:

The retail industry in India has emerged as one of the most fast paced industries with several players entering the market. It accounts for 10% of the total GDP of the nation and 8% of total Indian employment. There are 12 million retail outlets in the country employing more than 33 million people. In market potential, India ranks seventh after United States, China, Canada, UK, Brazil and Germany.

Retail market is divided into the organized sector comprising of licensed retailers operating in hypermarkets, super markets, malls, departmental stores etc and, the unorganized sector dominated by large number of small retailers comprising of local kirana shops, owner manned general stores, chemists, apparel shops, pavement vendors, hand cart hawkers etc. A third form of retail is the virtual retails where products are ordered via mail, telephone or online without having examined physically but instead in a catalog, on television or on a website.

Future of Indian Retail Industry:

Retail industry has been on a growth trajectory over the past few years. Indian retail market is expected to reach US\$ 950 billion by 2018, registering a compound annual growth rate (CAGR) of 8.9 per cent during 2000-18 and is expected to double to US\$1.3 trillion by 2020 from US\$ 600 billion in 2015. Of this, organized retail is expected to grow at a rate of 25% per annum. The traditional and organized retail are expected to reach a size of US\$ 650 billion (76% of total) and US\$ 200 (24% of total) billion respectively by 2020.

India's online retail to be more than seven times in next five years. E-commerce is expected to be the next major area for retail growth in India. Retail e-commerce sales in India are expected to reach \$17.5 billion (Rs 105,120 crore) by 2018, from \$5.3 billion (Rs 31,800 crore) in 2014.

The factors driving these changes would be income growth, urbanization, rising internet penetration, higher brand consciousness, targeted collaborations and attitudinal shifts of consumers.

Key drivers of retail industry:

- Emergence of nuclear families
- Increase in disposable income and customer aspiration
- Increasing urbanisation
- Large working population
- Reasonable Real estate prices
- Growing preference for branded products and higher aspirations
- Demand as well as increase in expenditure for luxury items
- Growing liberalization of the FDI policy in the past decade

Challenges faced by retail industry:

- Lack of proper infrastructure and distribution channel
- Shortage of trained manpower
- Lack of efficient supply-chain management

- Lack of required retail space
- No fixed consumption pattern

Policy Support:

- The Government has introduced reforms to attract foreign direct investment (FDI) and to boost investor sentiment. About 51 per cent FDI in multi brand retail and FDI up to 100 per cent in single brand retail has been approved. However, the confederation of all India traders have recently opposed the 51% FDI in multi brand retail claiming that retail “ it is creating an uneven playing field by giving a source of abundant resources and deep finance to large retailers and multinational companies”. The FDI policy in retail market has been opposed on the basis of the fact that it would allow big players to monopolize and dominate the market.
- Introduction of Goods and Service Tax (GST) as a single unified tax system from next fiscal year- GST can help retailers reduce the cascading effects of taxes whereby retailers have to pay hefty service taxes on various items like maintenance, rent etc. The industry expects the government to recognize this and give abatement on service tax on rental till the GST is implemented.
- Retailers are looking forward to a pro-growth budget that promotes ‘Make in India’ and facilitates skills development and actively encourages getting the dividend out of demand in India.

Investment Initiative:

The Indian retail industry in the single brand segment has received foreign direct investment (FDI) equity inflows to the tune of US\$ 275.38 million in the period April 2000— January 2015. The Foreign Investment Promotion Board (FIPB) has cleared 5 retail proposals worth around Rs 420 crore (US\$ 67.53 million) from companies such as Bestseller, Puma SA and Flemingo. Additionally, the board cleared three 100 per cent single-brand retail proposals worth Rs 222.5 crore (US\$ 35.77 million), suggesting renewed interest in India’s growing retail market.