A SWOT ANALYSIS AND RECENT FDI CONTROVERSY OF RETAIL SECTOR IN INDIA

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Abstract: The retail sector is one of the leading industries globally. Retail industry in India is one of the sunrise sectors in the economy and has witnessed a revolution in terms of employment generation, contribution to GDP and Foreign Direct Investment. With the quantitative growth of FDI in the retail sector has been the centre of recent controversy. It experiences some paybacks, but obnoxious impact can also not be ignored. The paper attempts highlighting the brief SWOT analysis of retail sector in India and recent FDI controversy.

Key words: Retailing, SWOT, FDI.

INDIAN RETAILING: AN OVERVIEW
Retailing is the most important link between the manufacturer and ultimate consumer. It is the oldest profession of the world, performed by retailer who keeps the stock of producer’s goods and sell them to individual consumer on profits. Indian retailing is very old concept and may be traced back to weekly markets and villages fairs which still dominate the scene. The retail trade contributes around 10-11 percent of India’s GDP. There are large numbers of small retail enterprise in India. The retailing is divided into two sectors, organized and unorganized sector. In the organized sector, trading activities are undertaken by retailers who are having registration for sales tax and income tax like hypermarkets, supermarkets and discount stores. Unorganized sector involves traditional forms of low-cost retail, like local shops and general stores. The unorganized retailing accounts for 95.2 percent of the retail trade in India. Retailing in India in some centuries old and generally owner operated. Easy entry, low capital and infrastructural needs are its main reasons. This sector provides social security net for the huge unemployed population in India. There are more than 45 million family owned shops and they operate in almost all the segments. The Indian unorganized sector provides maximum employment opportunities compared to other nation. The Indian traditional sector accounts for 95.2% of total trade in comparison to 80% of China, 70% of Indonesia, 60% of Thailand, 45% of Malaysia, 19% of Taiwan, and 15% of U.S. The modern retail trade is still very low but this sector is changing significantly. The share of Indian modern retail in total trade is 4.8% as compared to China’s 20% Indonesia’s 30% Thailand’s 40%, Malaysia’s 55%, Taiwan’s 81% and U.S.’s 85%.

In India the organized retail is growing at a much faster rate presently accounting for 6% of overall sales. It is further expected that it will grow at a compounded annual growth rate of 35% by 2020.

FDI – PRESENT POSITION
A foreign direct investor is an entity that has a direct investment enterprise operating in a country other than the economy of residence of foreign direct investor. The FIPB (Foreign Investment Promotion Board) is the responsible agency for approving foreign investment in to India. The present policy keep FDI restricted in the retail sector except in private labels, Hi-Tech
items medical and diagnostic items sourced from Indian small sector and for 2 year test marketing (simultaneous commencement of investment in manufacturing facility required) FDI for virtually all items/activities can be brought in through the Automatic Route under powers delegated to the Reserve Bank of India (RBI), and for the remaining items/activities through Government approval. Government approvals are accorded on the recommendation of the Foreign Investment Promotion Board (FIPB).” At present foreign companies only allowed owning 10 percent of a business in the retail stores.

**INDIAN RETAIL SCENARIO**

India is one of the fastest growing retail markets in the world. Retail wave in India began in Mumbai metropolitan. Amongst the major forms of traditional Indian retail are weekly markets, bi-weekly markets, _melas_, local _kirana shops_, _pan / bidi shops_, _khadi bhandaar_, hand cart, pavement vendors, owner manned general stores, co-operative stores etc. and some modern formats such as shopping malls, big bazaar, hyper city, hyper-marts, retail chain, departmental stores such as shoppers stop, lifestyle, pantaloons, westside and trent, apparel stores, etc. are remarkable. Both organized and unorganized players in this sector collectively contribute 8% of total employment and 10% to GDP has been the greatest achievement. It is the largest employment generator (40 million) of the country. Amongst the key retail players Benetton, Landmark Lifestyle, Woolworths, Wal-mart, McDonalds, Metro AG, IKEA, Nike, Apple, Tesco, Carrefour, Metro, Marks and Spencer etc. are noteworthy. Some of the biggest Indian corporate houses like the Future Group, Raheja Group, Reliance, TATA’s, Aditya Birla group, Bharti etc. have made massive investments in India’s organized retail business.

**OBJECTIVE OF STUDY**

- To study the strength, weakness, opportunities and threats of retail business in India.
- To study whether FDI should be allowed in retail trade or not.
- To study the effects of FDI on the new retail business units on old business units.
- To understand the cut throat competition in retail business for survival.
- To understand employment opportunity and GDP growth.
- To study the policy of 51% of FDI in retailing.

**SWOT ANALYSIS**

SWOT stands for strength, weaknesses, opportunities and threats. The present paper has highlighted SWOT of retail business in India to a limited extent.

**STRENGTHS**

Strength of retail sector in India is that retailing is a “technology-intensive” industry, in this front India is well in advance. India has the highest shop density in the world. It has second largest population in the world (121 crore: 2011 census) and a fast growing economy. Population density is relative high which creates huge business opportunities. Per capita income is showing exponential growth trend. India has a large domestic market with an increasing middle class and potential customers with purchasing power. The annual growth of departmental stores is estimated at 24%. Indian customer’s tastes and demands for wide range of goods. There is availability of cheap labor for the retail business.
WEAKNESSES
Retail sector in India suffers from limited access to capital, real estate options; low sales volume, retailers follow the low-cost-and-size format, lack of proper marketing, only cater to high-end urban consumers, small size outlets, pay high rentals, very urban-centric approach are some of the weaknesses.

OPPORTUNITIES
India is the largest consumer markets of the world and the agro-based mixed economy is gradually shifting to service-based economy. This investment friendly country is having huge untapped and potential market. India is the tenth most industrialized country in the world. It is easiest business to enter, with low capital and infrastructure in India. Organized retailing sales are growing at very high rate. Rural population explosion has created open ground to start ventures where retailers looking for new areas of growth. Indian retail sector is rated fifth most attractive retail market in the world. Indian retail industry is the most dynamic and fast paced industry which is still unexploited. It is one of the largest industries in terms of numbers of employee and quantity of business. The sector is growing more than GDP growth determined by changing lifestyles, rise in income and diverse demographic composition.

THREATS
Competition is intensified in this sector like never before and further boosted-up by government policy. Retail saturation in the developed country compelled them looking for penetrating emerging market like India and Indian born retailers are posing threats from them. Indian retail sector inherently lack shopping culture, target small segments of society, non-uniform tax system for organized retailing, inadequate infrastructure across the country, 100% FDI is not permitted, non-accessibility of foreign technologies, dominance of unorganized sector, relatively low retail productivity, higher T & D cost for employee are some of the remarkable threats for this sector. Organized retailing in India is yet to get an industry status.

RECENT FDI CONTROVERSY
FDI in retail deal may create trouble and dislocation for conventional supply chain. The panic of FDI in retail trade is that it may perhaps disrupt the livelihood of the underprivileged community engaged in this trade. Starting big markets or foreign-sponsored departmental outlets will not necessarily absorb them; rather they may try to establish the monopoly power in the country. However, many positive aspects are also there in favor of FDI in Indian retail service. In the recent past government of India announced relaxation of some rules and the opening of retail market and approached for 51% FDI in retail sector. It sparked strong activism which forces the government to hold it till reaches a consensus. In January 2012, India approved reforms for single-brand stores welcoming anyone in the world to innovate in Indian retail market with 100% ownership, but imposed the requirement that the single brand retailer source 30% of its goods from India. Indian government continues the hold on retail reforms for multi-brand stores. In this connection there is a vital but debatable issues remain unsolved such as, should India allow 51% FDI in retail sector? Since there is no dearth of indigenous capital, what is the need for FDI? The entry of FDI in India's retail sector is inevitable for the economic development of the country directly and indirectly despite of many impediments experienced. This labor-intensive sector will generate huge employment opportunity in the country particularly in the rural areas. By 2013 the industry is expected to grow at a rate of 14%. Therefore, FDI in retail in India will have a much wider impact on the economy. To boost-up
further quantitative growth in this sector FDI policy to be liberalized. In this connection following recommendations may be ensued for greater benefit. Entry of foreign players must be done slowly but steadily and with social safeguards. Creation of infrastructure for retailing is the need of the hour. Indigenous credit availability for retail traders must be ensured. Government intervention in every retail segment is necessitated. There is need for change in taxation system that favors small retail businesses. Restructuring retail policy will be highly solicited. Retailing as an industry in India still has a long way to go.

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