

A study of the expansion of the Organized retailing industry following liberalisation

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Abstract: The retail industry in India has established itself as a key contributor to the Indian economy. It accounts for more than 10% of the country's GDP and employs around 8% of the workforce. India is the world's fifth-largest shopping destination (IBEF Report, 2021). The expansion of the organised retail industry has not only aided the growth of the economy, but it has also improved the customer choice portfolio. It shifted the retail industry from a producer-centric to a consumer-centric one. Liberalization policy changed the retail sector drastically with the 1991 economic reforms, which liberalised many of the highly protected public sectors by eliminating entrance obstacles to private involvement and permitting foreign investment in 35 high-priority industrial sectors. While these policies were successful in attracting foreign investment and technology in industrial areas, they capped foreign ownership at 51 percent and left most service industries, including retailing, heavily protected (Csilla Lakatos, Et al, 2013)

This paper attempts to analyse and estimate the evolution of the organised retail sector following liberalisation, as well as to comprehend the situation and the elements that have proven to be supporting and unfavourable or hindering the expansion of organised retailing in India.

Keywords: Retail, Liberalization policy, economic reforms, Organized sector, Growth

INTRODUCTION

The retail industry has emerged as one of the fastest expanding industries worldwide, and the Indian retail business is thriving. Many investors are interested in investing in the Indian retail sector. The 1990s liberalisation and globalisation policies led to a fast expansion of the sector. The expanding economy and literate generation have had a significant influence on the segment's growth, which will continue for many decades. Every new generation will contribute to the industry's growth in a wide portfolio. The convenience and improved standard of living have had a significant impact on the retail industry. Whereas in the past, necessities trading were considered retail, modern retail goes beyond this understanding. There are numerous examples where the modern retail industry has defined a completely new definition of retail. The development of organised merchants has turned the book on the Indian consumer, introducing them to a completely new retailing system. Product pricing transparency, a range of different attributes in each product segment, and discounts are some of the concepts observed by the Indian market in retail shopping. The organised retailer has moved the market away from the producer and toward the customer. This article attempts to comprehend the past and present of the organised retailers who finally altered the current retail industry.

Evolution of Organised retail sector

The economic liberalization of the 1990s had a significant impact on the emergence and growth of the organised sector, but this does not mean that organised retailing did not exist prior to the implementation of the economic liberalisation. In India prior to market reforms, few manufacturers owned retail outlets, mainly in the textile sector, namely Raymonds, Bombay Dyeing, and S Kumar's. (B. Anjan Kumar, Et al, 2018). They also established a brand image in the minds of consumers. The branded shop label and the atmosphere of the outlet discouraged the majority of medium and low income group families from visiting such stores since it was assumed that these stores were expensive, and the low per capita income was a contributing element to the current circumstance. There were also organised grocery stores, such as Sahakari Bhandar and Apna Bazaars run a large chain of co-operative stores in cities like Mumbai and other such stores in major cities. The availability of a broad choice of products in stores, the advent of pick and move stores, air-conditioned stores, and the mall culture in large cities were only a few of the early shifts or transformations experienced in the retail business in India following the liberalisation policy. The 100% FDI on single brand retail further boosted the country's economy. Very soon the Indian retail market captured the attention of global retailers.

Rising disposable incomes, favourable demographics, changing lifestyles, the expansion of the middle class sector, and a strong potential for penetration into urban and rural markets all contributed to India's retail boom. (Tazyn Rahman, 2012). The growth of the retail sector availed the consumer with choices and also focused on customer satisfaction.

Organised Retail Consumer Service

The organised sector's attraction originates from the fact that it is a customer-oriented organisation. Historically, the retail sector was driven by producers, but as organised retailing has evolved, the retail industry's focus has altered to become more customer centred. The market structure has altered as a result of the liberalisation drive, raising the living conditions of some middle-class households. The contemporary housewife's idea of working and maintaining a household increased demand for convenience shopping.

Aim of the Study

To realise, the growth of the organised retailing business following liberalisation.

Objectives of the research

- To retrace the beginnings of organised retail in India
- To explore the factors that have been proven to be beneficial, unfavourable, or impeding the establishment of organised retailing in India.
- Forecasting future developments

REVIEW OF LITERATURE

In this literature review, the researcher attempts to synthesise the work of various previous researchers in relation to e-commerce, both organised and unorganised. This review is being given with the goal of finding research gaps and validating current research efforts.

By analysing the literature and tracing India's history, it is clear that the organised sector existed in India throughout the mediaeval period. More or less organised merchandising can be found in the form of "Shrenis" (a group or association of traders, merchants or craftsmen). The Shrenis were in charge of training, acquiring raw materials, and distributing the finished product. Unlike guilds, Shrenis were the merchants in charge of arranging commerce. There are differences in how Guilds and Shrenis operate, although both are meant to facilitate commerce and are treated similarly. (Thapar R, 2015)

Later, during the British Empire's colonial period in India, the cooperative model was also traced. And the cooperative model's method has been established with the intention of benefiting the end user by removing the middlemen and so lowering the cost of the goods. And sell the commodity at fair prices, which increases the commodity's demand. Modern consumers differ from traditional customers in terms of affordability, requirement, busy schedule, literacy rate, economic situation, political climate, growth in disposable income, and modified the shape of the organised sector. (Sengupta, 2008).

Since the beginning of liberalisation, India has seen massive diversification in every area in terms of growth and infrastructural development. The government has liberalised numerous industries, including retail, but because retail is India's backbone, further limitations must be lifted. Policy implications may have a detrimental impact on traditional players that are unable to compete in the face of global competitiveness pressure. (Masharu U, et.al, 2018)

The Government has a big role to play to enhance this benefit for the consumers. FDI in multibrand retail will benefit existing players both in the grocery and apparel segments. Food accounts for a large share of expenditure in developing countries and the consumers are more responsive to income and price changes. (Banerjee D, et.al, 2015)

Relevance of the study

The historical perspective of the study will be useful to both academics and practitioners. It will also aid in determining the market's nature as a cultural recognition gap.

Furthermore, it will lead the practitioner astray from their erroneous impression that organised retailing is a modern-day commercial notion, while, in reality, it can be traced back to ancient times.

Methodology

This work seeks to conduct a study based on secondary data, which is also regarded as the starting point in research activity. Secondary data is data that has its own importance in research; it is data obtained by one researcher for a certain reason and then utilised by another researcher to represent or support other inquiry aims. (Syed Muhammad Sajjad Kabir, 2016). Secondary data for this study is primarily derived from public correspondence, which consists of items written or recorded for public or private organisations and also includes publications published in various journal articles, transcripts on various websites, statistics on various government and non-government websites, and so on.

Data Analysis & Interpretation

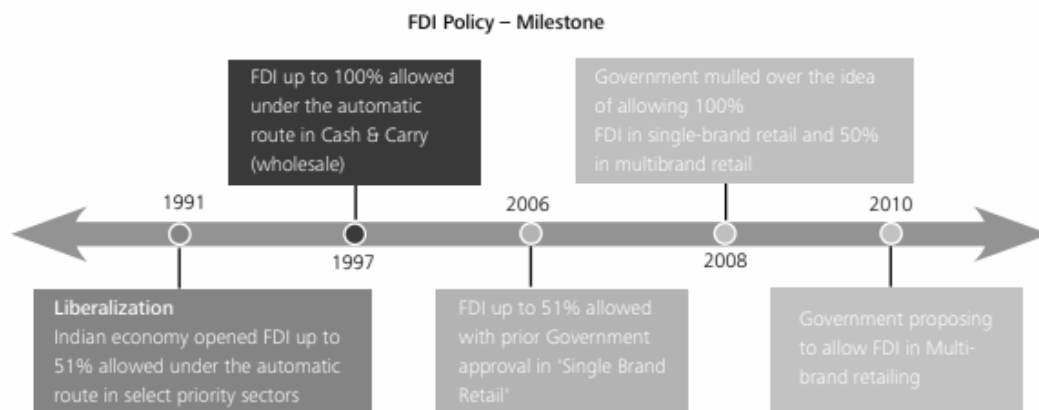
From the literature review it is evident that the practice of single brand selling which is considered a modern form of organised retailing has been practiced as a part of Proto-industrialization in ancient india. Many artisans turned out to be

entrepreneurs during the period and owned workshops and traded the product's offshore. For instance, Saddalaputta, a wealthy potter who owned 500 pottery workshops, also controlled the distribution of his wares, with a substantial amount of boats transporting the pottery from the workshops to the numerous ports of the Ganges River basin. (Thapar R, 2015)

The growth of science led to the advancement of business, generating a market disruption as traditional single-product vendors switched to offering a wide selection of products. Small storefronts linked to a network of distributors, agents, wholesalers, and manufacturers have replaced open markets. Following colonization, market operations were also carried on through traditional shops. Following liberalisation, the modern organized sectors established single-brand and multi-brand outlets throughout the country.

The factors that have been proven to be beneficial, unfavourable, or impeding the establishment of organised retailing in India are

1) **Liberalization Policy:** The decision to liberalise, which had been faced with much criticism both before and after its execution (Kalim Siddiqui, 2018), had radically altered the commercial landscape in India. Global investors were in high demand, and enormous investments were made in a wide spectrum of trade and enterprises. This ultimately allowed organised retailing to join the market. The strategy defined different goals on a timeline and completed them one by one on the way to success, such as enabling 100 percent FDI in cash and carry business or 50 percent allowances in single brand commerce in 2008.



Source:4. Indian retail market: Changing with the changing times. Deloitte [Internet]. 2010, 1-11. Available from: <https://rasci.in/downloads/2010/Indian Retail Market Changing Times.pdf>

2) **Raise of per capita income:** As initially intended, economic liberalisation resulted in massive job openings and, as a result, an increase in the standard of living by raising earnings. The rising income created a demand for high-quality products at reasonable prices, and the new entrants of FDI added to the demand for comforts and necessities.

3) **Working women:** The growing number of literate and socially autonomous working women boosted the expansion of the organised industry. Their need to have everything under one roof, given their busy and chaotic lives, resulted in mall culture.

4) **Economies to Scale:** Because of the massive size of manufacturing and servicing capability, organised retailing may provide substantial savings to customers by removing intermediaries such as agents, distributors, and so on.

5) **Technology:** The advancement of computer applications and data processing has taken the organised sector to the next degree of comfort. Mobile apps, a user-friendly website, barcodes, SKUs and many others are all signs of technical sophistication, which promote the organized retailing.

6) **Infrastructure and Logistics:** The key difficulty for India's organised retail business is a lack of infrastructure and logistics. Inefficient distribution channels are tough to manage and result in significant losses. The highway must reach worldwide standards, and airport capacity and power supply must be improved. These fundamental impediments must be overcome in order for India's retail potential to be fully realised. (Ashu Nagpal, et.al, 2017)

7) **Lack of Electricity:** The inadequacy of electricity supply poses serious problems. To manage the services of malls, a large investment is required.

8) **Poor Real Estate Development:** According to the literature analysis, in the early 1990s, there was less contribution to securing vast areas for retail space; nevertheless, as time passed, the retail spaces improved. There is an issue with the availability of appropriate retail space in the urban areas, although the situation is reversed on the city outskirts. Penetration into rural areas, on the other hand, remains impossible. (Srivastava vishal, et. al, 2019)

- 9) Furthermore, there is a broader issue of malls closing down owing to a lack of appeal as a result of the introduction of new contemporary retail spaces that replace the old ones.
- 10) Consumption pattern, government interferences, higher rents, supply chain and logistics management etc are few challenges which retail faces.

CONCLUSION

The Indian market is expanding at a rapid pace, and the country's demography is particularly favourable for the expansion of organised retailing in India. However, the majority of the country's market remains unaffected. The opportunities in suburban and rural areas are enormous. The study raises the issue of the country's infrastructural capacity to capitalize on such a large market potential. It has been discovered that the Indian retail market not only lacks the necessary infrastructure, but also faces challenges as a result of existing methods, systems, and policies.

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