

## **IMPACT OF LARGE SIZE RETAIL SECTOR IN INDIAN UNORGANISED RETAIL SECTORS: AN OVER VIEW**

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Abstract:-

Retailing is one of the largest sector in the Indian economy .it is offering largest employment opportunities in Indian economy. it is divided in to two sectors ,organized sectors and unorganized sectors .unorganized sectors covers 95 % of business out of total business . It witnessed significant development in past 10 years . its developments as ,Weekly market ,village fairs ,maylas ,convenience shop, super markets ,departmental store, ,hyper markets and large size departmental store etc. in 2011 Central Government announces reforms FDI in retail sectors of single brand and multi brand .these market reforms may make an innovative in Indian retail market .In this article, am analyzing the impact of large sized retailing sectors to the unorganized major retailing sectors.unorgaized sectors covers traditional and most of them are lack of technical and marketing skills. so in order to provide dynamism and efficiency in the marketing system ,large invests are required in retailing .therefore ,be an efficient means of addressing the concern of farmers ,consumers and unorganized retailers to modernize by investing adequate capital.

Key words: - Organized retailing, Unorganized retailing, FDI etc.

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**Statement of the problem:-**

The present study “impact of large size retailing to unorganized retail sectors”, it is a dynamic study in the field of retail sectors. because 95 % of retail sectors is laid on unorganized sectors .it give largest employment to rural ,semi rural and urban people .not only major unorganized retail business are economically back,educationaly illiterate and technically under developed. So study about these sectors brings some boost to the retail sector development.

**Objectives of the study:-**

1. To analysis impact of large size retailing to unorganized small scale retail sectors.
2. To analysis the role of unorganized sectors in Indian retail sectors.
3. To study whether organized sectors has to lead to unemployment.

**Research design:-**

The present study comprises descriptive cum analytical approach. so data collected and analyzed from secondary sources like Reference books , magazines ,news papers and articles etc.

**Limitation of my study:-**

1. Major limitation of this study is secondary data for analyzing the problem.
2. Economic and time limitation is another limitation.
3. Finding and suggestion are based on some assumptions of secondary data.

**INTRODUCTION**

Retail sectors is one of the major employment sectors of India .it comprises both large size organized sectors and unorganized traditional sectors .but major share among this is unorganized sectors .it contribute 95 % of share in retail sectors.we know India is a populated developing country and most of them are living in village and rural areas, most of them are farmers and uneducated traditional retailers. but at last decade India is a biggest frontier for global retailing after implementing LPG programme.so that large number of organized biggest retail businesses are entered India to sell their products. Pantaloon Retail, Shoppers’ Stop, Marks & Spencer, Hyper City, Lifestyle, Subhiksha, Trent, Reliance Retail etc are included in this

group.now India is allowing 100% foreign direct investment in certain condition but it now allowing 51 % are permitted. Shortage of capital and requirement of large size investment India now is allowing foreign direct invest ment in retail sectrs.it indicate India is one of the retail trading partner in the world.this major international organized retail sector influencing in Indian retail sector and making huge profit that is why unorganized sectors facing some challenges to compete against biggest organized sectors .because organized sectors are internationally branded and globally approved product and quality not only they are using sophisticated technology for their product.

### **Retail market sector:-**

Trade or retailing is the single largest component of the services sector in terms of contribution to GDP. Its massive share of 10-11% is double the figure of the next largest broad economic activity in the services sector. Retailing is the largest private sector in India and second to agriculture in employment. After farming, retailing is India's major occupation (8% of total population). It employs 40 million people. The retail industry is divided into organized and unorganized sectors.

### **Organized retailing**

Refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Modern format retailers which include Supermarkets like Foodworld, Hypermarkets like Big Bazaar, HyperCity; Departmental Stores like, Shoppers Stop, Lifestyle, Pantaloons, Piramyds, Westside and Trent, Specialty chains like Ikea the retail furnishing house and entertainment chains like Fun Republic, Fame Adlabs, Inox and PVR. 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.

### **Unorganized retailing,**

On the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand

cart and pavement vendors, etc. Unorganized retailing is by far the prevalent form of trade in India – constituting 95% of total trade, while organized trade accounts only for the remaining 5%. Organized retail trade employs roughly 0.5 million people and unorganized 39.5 million.

## **ANALYSIS AND INTERPRETATION**

### **Impact of large size organized retailing sector to traditional unorganized retailing sector**

The major impact of the organized sector to unorganized sectors are classified in to two broad heads 1) Positive impact 2) Negative impact

Positive impacts to the unorganized retailing are.

#### 1. Technological up gradation:--

Improved technology in the sphere of processing, grading, handling and packaging of goods and further technical developments in areas like electronic weighing, billing, barcode scanning etc., could be a direct consequence of foreign companies opening retail shops in India. Further, transportation facilities can get a boost, in the form of increased number of refrigerated vans and pre-cooling chambers which can help bring down wastage of goods.

#### 2. International outlook develop

Organize retail organization using international system for selling, marketing and treating their customers. It can imitate by traditional unorganized retail business organization.

#### 3. Can utilize international marketing facility

Highly sophisticated marketing can adopt by imitating organized retail sectors.

#### 4. Improve managerial ability.

International standard improve the managerial skill and ability of the traditional retailers

#### 5. Develop infrastructure of the retailers.

Organized retailers are international standard so traditional retailers can also imitate facility.

#### 6. Manpower skill development.

By allowing market-savvy, market-intelligent and best management practices of corporations such as Wal-Mart, Carrefour, Ahold, JC Penny, etc to enter India the know-how and professionalism of Indian employees shall increase. Also there shall be a greater managerial talent inflow from other countries which add to transfer of knowledge and technical know-how.

#### 7. Better enforcement of tax laws

While there will be increased tax revenue on the one hand, on the other hand there will be better enforcement of tax laws on the organized sector and international players. Tax evasion by players of the organized sector will not be possible like those of the unorganized sector. Thus, the exchequer of the Govt. shall increase

#### 8. Overall growth and expansion

FDI would result in market growth and expansion. A greater consumer spending shall lead to greater GDP growth.

### **Negative impact:-**

#### 1. Adverse impact on the employment

Retail in India has tremendous growth potential and it is the second largest employer in India. Any changes by bringing major foreign retailers who will be directly procuring from the main supplier will not create unemployment on the front end retail but also the middleman who has been working in this industry will be thrown out of their jobs.

#### 2. Predatory practices of the multi nation retailer's chains

FDI in retail is often supported on the basis of the need to develop modern supply chains in India, in terms of the development of storage and warehousing, transportation, logistic and support services, especially in order to meet the requirements of agriculture and food processing industries. While the infrastructure and technology needs are undeniable, the belief that the entry of multinational food retailers is the only way to build such infrastructure is unfounded.

#### 3. Distortion of urban development and culture

Though FDI in Indian retail will indirectly or directly contribute for the enhancement of Tourism, Hospitality and few other Industries, the culture of the people in India will slowly be changed. The youth will easily imbibe certain negative aspects of foreign culture and lifestyles and develop inappropriate consumption pattern, not suited to our cultural environment

#### 4. Threat on Organized Retail Players

Entry of global players would increase internal rivalry among the players than promoting business of overall industry. Their economies of scale will allow them to reduce their margin to provide value for money products in the beginning to grab the market share which is not possible for domestic players to reduce in comparison to global players because of huge investment.

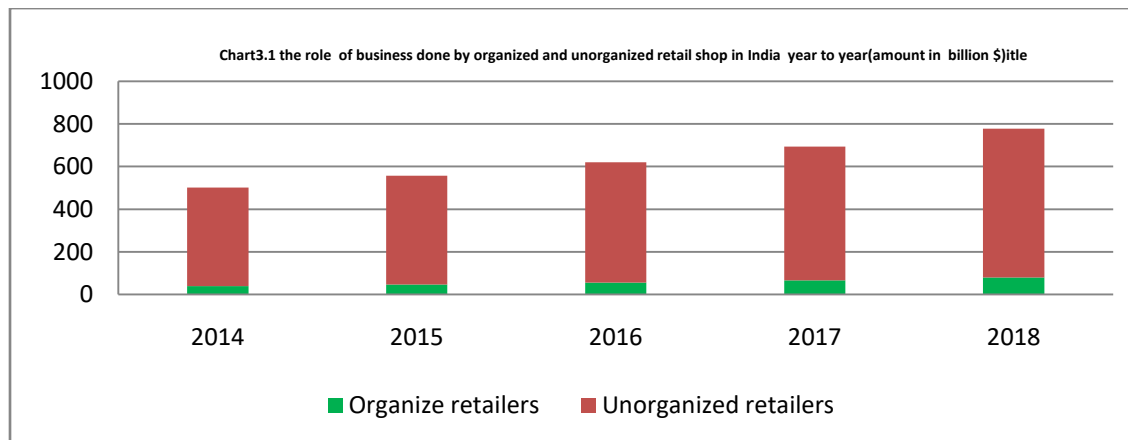
Majority of the Indian players have not attained even break-even point as organized retail is still at the nascent stage in India.

#### 5. Decline business and production:-

Organized retailers are international managerial skill and technology, quality of product also well so business will decline and production. Table 3.1 showing the role of business done by organized and unorganized retail shop in India year to year (amount in billion \$)

Type of market	2014	2015	2016	2017	2018
Organize retailers	39.26	46.82	55.84	66.6	79.43
Unorganized retailers	462.43	509.94	563.55	627.4	697.71
Total business	501.69	556.76	619.39	694	777.14

\*2018 numbers are estimate; source Tecnopark



Inferences: the diagram depicts the Indian market has 90% unorganized retailers and 10% only organized retail shops

TABLE 2: FOREIGN DIRECT INVESTMENT FLOWS TO INDIA: COUNTRY-WISE AND INDUSTRY-WISE

Date : Aug 29, 2018		(US\$ million)				
	2013-14	2014-15	2015-16	2016-17	2017-18 P	
1	2	3	4	5	6	
Total FDI	16,054	24,748	36,068	36,317	37,366	
<b>Country-Wise Inflows</b>						

Mauritius	3,695	5,878	7,452	13,383	13,415
Singapore	4,415	5,137	12,479	6,529	9,273
Netherlands	1,157	2,154	2,330	3,234	2,677
USA	617	1,981	4,124	2,138	1,973
Japan	1,795	2,019	1,818	4,237	1,313
Cayman Islands	25	72	440	49	1,140
Germany	650	942	927	845	1,095
Hong Kong	85	325	344	134	1,044
United Kingdom	111	1,891	842	1,301	716
Switzerland	356	292	195	502	506
UAE	239	327	961	645	408
France	229	347	392	487	403
China	121	505	461	198	350
Italy	185	167	279	364	308
South Korea	189	138	241	466	293
Cyprus	546	737	488	282	290
Canada	11	153	52	32	274
Others	1,626	1,682	2,243	1,490	1,889
<b>Sector-wise Inflows</b>					
Communication Services	1,256	1,075	2,638	5,876	8,809
Manufacturing	6,381	9,613	8,439	11,972	7,066
Retail & Wholesale Trade	1,139	2,551	3,998	2,771	4,478
Financial Services	1,026	3,075	3,547	3,732	4,070
Computer Services	934	2,154	4,319	1,937	3,173
Business services	521	680	3,031	2,684	3,005
Electricity and other energy Generation, Distribution & Transmission	1,284	1,284	1,364	1,722	1,870
Construction	1,276	1,640	4,141	1,564	1,281
Transport	311	482	1,363	891	1,267
Miscellaneous Services	941	586	1,022	1,816	835

Restaurants and Hotels	361	686	889	430	452
Real Estate Activities	201	202	112	105	405
Education, Research & Development	107	131	394	205	347
Mining	24	129	596	141	82
Trading	0	228	0	0	0
Others	293	232	215	470	226
P: Provisional.					
Note: Includes FDI through SIA/FIPB and RBI routes only.					

Source: <https://rbi.org.in/Scripts/AnnualReportPublications.aspx?Id=1249>

**Table 3 FDI EQUITY INFLOWS (MONTH-WISE) DURING THE FINANCIAL YEAR 2018-19:**

<i>Financial Year 2018-19( April-March )</i>	<i>Amount of FDI Equity inflows</i>	<i>In Rs. Crore)</i>	<i>(In US\$ mn)</i>
1	<b>April, 2018</b>	35,104	5,348
2	<b>May, 2018</b>	30,479	4,513
3	<b>June, 2018</b>	19,597	2,891
4	<b>July, 2018</b>	19,025	2,770
5	<b>August, 2018</b>	17,441	2,508
6	<b>September, 2018</b>	33,472	4,635
7	<b>October, 2018</b>	34,595	4,698
8	<b>November, 2018</b>	12,495	1,739
9	<b>December, 2018</b>	31,056	4,391
<b>2018-19 (form April, 2018 to December, 2018) #</b>		233,263	33,492
2017-18 (form April, 2017 to December, 2017) #		231,457	35,941
<b>%age growth over last year</b>		<b>(+) 1%</b>	<b>(-) 7%</b>

**Source:** [https://www.ibef.org/download/fdi\\_factsheet\\_12\\_march\\_2019.pdf](https://www.ibef.org/download/fdi_factsheet_12_march_2019.pdf)

**Note:** (i) Country & Sector specific analysis is available from the year 2000 onwards, as Remittance-wise details are provided by RBI from April, 2000 onwards only. # Figures are provisional, subject to reconciliation with RBI, Mumbai.



**FINDING AND SUGGESTION:-**

The important finding and suggestions are discussed below.

1. FDI bring some direct and indirect impact in retail sectors of Indian retail market
2. Most of the positive impacts are bring high growth than ruined
3. FDI improve the competitive skill of the retails sectors
4. Internationalisation is possible
5. It helps to improve managerial skill and technical knowhow of the traditional retail sectors
7. After the implementation of FDI in retail sectors Unorganized retail sectors showing a growth trend.
8. Working capital is major problem of traditional retail sectors, extensive institutional credit should give at lower rate.
9. A retail commission is need to retail traditional and organized outlet to control.
10. Competition and strict control predatory pricing should be strengthening.
11. There is a competitive response from traditional retailers through improved practices and technology up gradation.
12. FDI Equity participations in the year 2018-2019 are Up and Down situation
13. Comparing to previous year(2017-2018) FDI Equity participation is decreased 1%

**CONCLUSION:-**

The world over retail sector has been growing rapidly with increasing sophisticated and modernized outlook. However the Indian retail sector is under invested and has been facing the problem of backed infrastructure. now it is the time, to traditional retailers to consolidate their position in the retail trade with assistance from the government.

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