



A STUDY ON NEED AND CHALLENGES OF RETAIL SECTOR IN INDIAN ECONOMY

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Abstract

Retail Sector is a very large sector in India. It has occupied an important role all over the country. No place in India is found without Retail trade. Its importance has been increasing day by day due to its advantages like requirement of very limited capital, limited manpower, limited space and less legal formalities. Even a single person with limited resources can also start this business. As we know that India is a second most populated country in the world just after China. Poverty and unemployment are major problems in our country. These two problems are root cause and also remedy of each other. If one problem is solved other will be solved automatically. In this way we can say that employment help us in reducing poverty and other related problems like robbery, loot, crimes, Dacoit etc.

Retail Sector is one of the easiest, oldest, and cheaper ways of employment among the youth in country. The study comprises need and challenges of retail sector in Indian economy and also to provide recommendation and solution for the problems faced by Indian retail sector.

Key words: - Retail trade, employment generation, capital, resources.

INTRODUCTION:-

Indian Retail sector is one of world's biggest and largest employment providing sectors. After agriculture sector, retailing plays most important role in development of Indian economy. It not only contributes to increase National income of country but also helps in solving many problems like unemployment and poverty in the country. People from middle class families, rich families and even lower class families are employed under this business. In other words we can say that millions of people in India are depending on this sector for their livelihood. Bulk of the employment opportunities are available in retail trade and anyone who does not get a job tries to establish small



trade like Fruit shop, vegetable sellers, hawkers etc. employment in this sector has almost doubled in recent years.

OBJECTIVE OF STUDY:-

- 1) To analyze Need and challenges of Retail sector in Indian Economy
- 2) To provide recommendation and solution for challenges faced by retail sector.

MEANING OF RETAIL TRADE:-

Retail trade is a transaction of goods and services between seller and final consumers. The wholesaler purchases goods from manufacturer or producer in a large quantity. He sells the goods purchased by him to retailer in small quantities and after purchasing the goods from wholesaler, retailer sell the same to final consumer in smaller quantities for their personal use. In this chain of distribution retailer is the last link between consumer and manufacturer. He is the one who sells the goods produced by producer to final consumer. Retail Trade is the last and final transaction in the chain of distribution. In this way retailer is the most important link in channel of distribution.

He not only supplies the goods to consumers but also provides necessary information to wholesaler and manufacturer about taste, choice, fashion and preferences of consumers. He provides feedback of goods to manufacturer. Thus help the manufacturer in production of goods as per fashion, trend, choice, preferences and demand of consumers.

There are two types of retail trade i.e. organized and unorganized. Organized retailing includes all those activities which are undertaken by licensed persons. They are registered for payment of sales tax, income tax, etc. it covers corporate based hypermarkets and retail chains, and also the privately owned large retail businesses.

Unorganized retailing includes traditional formats of low cost retailing, like kirana shops, owner operated general stores, paan shops, handcraft, moving vendors etc. in Mumbai near CST (Chatrapati Shivaji Terminal) you can see long fashion street, rushed with people shopping their all needs and requirements. Even big personalities like film actor, actress, businessmen, students from rich families etc. come with expensive car for shopping here daily. So many roads, streets bridges and



flyover near railway stations are busy with this trade. People find more convenient and comfortable to visit these bazaars because here they can get goods at reasonable prices as compared to malls and super markets. Over and above reasonable prices they offer more varieties and options to the consumers.

NEED OF RETAIL SECTOR IN INDIAN ECONOMY:-

Unemployment in India is increasing rapidly, Government has not been able to provide employment opportunities in the proportion at which it is rising, and due to this reason youth of India adopt retailing as a mode of self-employment. Its specialty is that it absorbs the less educated as well as less literate people. It may business of food items like bread, jam, butter, snacks, biscuits, etc or vegetables, fruits, cloth, crockery, shoes, home appliances any business general people find it very easy to set up.

The main factors which contribute for development of retail sector in India can be explained as follows:-

1. RISING POPULATION OF COUNTRY: -

The emergence of retail trading is due to rising population of our country. People find it very difficult to get job as per their choice and qualification. Even graduate and post graduate people in our country are unemployed or they are forced to employ in a job which is not suitable for them or of not their choice. Due to illiteracy people do not prefer family planning programs and government is also neglecting this area. Retail industry provides employment opportunities for such a large population.

2. NUCLEAR FAMILY AND URBANIZATION: -

People from the rural and village areas are migrating to urban areas, only for the purpose of job. Urbanization is increasing at a very faster rate due to which concept of joint family is almost at the end in India. Parents are forced to survive without their children only because of their job in urban areas. People are migrating from rural areas to urban areas only for the sake of earning money. As in rural areas there are no other means of livelihood except agriculture



and traditional works. This is the main reason of splitting joint family in nuclear family. Retail sector helps to overcome this problem.

3. **LOW RATE OF LITERACY:-**

Literacy rate in India is very low due to which many people cannot get jobs in government sectors as well as private sectors. In this situation farming, agriculture, mining, fishing and laborious work are left for earning their livelihood. Retail sector offers one other option to them. Due to increasing unemployment people don't have money to fulfill their basic needs also and forced to survive without education. They don't have sufficient money to send their children to school. So numbers of illiterate persons are very high in India. Retailing is best suitable job for less literate persons as it requires convincing and selling skills more.

4. **POVERTY:-**

Due to rising population of country there is problem of unemployment in the country which in turn results in poverty. More than 30% of poor population in the world is staying in India. Poverty and unemployment are connected with each other they provide solution to each other. If a person is employed he will earn money and able to satisfy his basic requirements and thus poverty is removed. Retail sector acts as an important instrument for fighting with poverty.

5. **LESS LEGAL FORMALITIES:-**

Retail trading is very easy to form as well as dissolve. It requires very few or no legal formalities. Only by obtaining a license it can be started. That too, in unorganized sector there is no need to fulfill any legal formalities. Formation of Company organization requires fulfillment of lengthy legal formalities which is not possible for a general person. Due to its simplicity any one can start this business.

6. **FLEXIBILITY:-**

Retail sector offers maximum flexibility in business. If a person want to change the business it can be easily done without incurring an additional cost. Whereas in other forms of business



organization it is very time consuming and expensive to shut down one business and start with other business but retailing is not only flexible form of business but also stable form of business, if a person is able to manage it properly.

7. **SUITABILITY:** -

This business is more suitable for small and middle income group families. It can be started with limited capital and resources. A middle class person finds it very easy to earn his livelihood from this business. It is also suitable to those who are less literate with managerial skills and abilities.

8. **LESS CAPITAL REQUIREMENT:-**

In India capital collection is a major problem for a general person. Banks and other financial institution requires fulfillment of so much lengthy legal formalities. So a common man always afraid of starting a new business. Retailing requires very less capital which can be recover in very short period of time by earning marginal profit from this trade.

MAIN CHALLENGES IN INDIAN RETAIL SECTOR:-

Although Indian retail sector is highly developed and growth potential in this sector is more, it has many challenges in front of it. Government has allowed Foreign Direct Investment in retailing also which may be dangerous for small retailers. Online marketing and E-Commerce is one more big challenge for Indian Retail sector. It is harmful for small unorganized retailers as well as organized retailers. The advantages of E-commerce have become challenges for Indian retail trade. Consumers are getting branded and variety of product just in a click with the help of computer. They don't need to visit the market for shopping.

There are so many challenges for Indian Retail trade which can be listed as under:-

1. **LACK OF TRAINED MANPOWER:-**

Trained manpower is a big challenge for retail sector. People think that this business does not require experience and training. But in today's competitive world skilled and experienced manpower is essential. Basic skills like computer literacy, selling techniques and convincing



power are some of the very important in this business as per current requirement. The main cause of untrained manpower is lack of training facilities in this sector. There are no training institutions which provide training for such type of trade.

2. **IMPROPER CHANNEL OF DISTRIBUTION:-**

The channel of distribution should be proper i.e. traditional distribution of channel should replace by latest and advanced channels which are applied all over the world. With arrival of e-commerce and online business the traditional pattern of distribution is no more effective.

3. **NO HEALTHY COMPETITION:-**

Due to liberalization, privatization and Globalization there is cut throat competition in this sector. There is lack of healthy competition. Every trader wants to earn money very fast without any effort. They use shortcut methods like black marketing, Hoarding, corruption and exploitation.

4. **INADEQUATE PROFIT MARGIN:-**

In any business main motivational factor is profit, without profit no one is encouraged to continue the business. Sometimes profit margin of business is not adequate to recover the cost incurred by trader. So there is no motivation to work hard and continue the business.

5. **FOREIGN DIRECT INVESTMENT:-**

The government has opened retail sector for Foreign Direct Investment. This has affected unorganized Retail sector very badly. Due to this small retailer like food seller, vegetable seller etc. have lost their livelihood.

6. **ENTRY OF BIG CORPORATE:-**

Big corporate like reliance have entered in retail sector due to which major market has been diverted to it especially rich class people who prefer brand name. They purchase daily requirement from these supermarkets. This in turn affects small traders business. If Reliance



fresh is selling fruits and vegetables through super market we can imagine the position of small retailers. Ultimately their business is affected very badly.

7. *E-COMMERCE AND ONLINE SHOPPING:-*

Online shopping and growth of E-commerce is a big challenge for Indian Retail sector. Today many consumers don't want to waste time on shopping by visiting retail shops. They get different quality and variety of products online. Many companies advertise and offer multiple discount and various schemes to promote their selling in the market. This has affected profitability and popularity of Indian retailing in a worst manner.

RECOMMENDATION AND SOLUTION:-

Government is not supporting retail sector at desired level, there are no rules and policies are framed as such to develop this sector. The central government and various state governments provide loans at cheaper rate to industrial houses for their big projects but no such facility is available to retail sector.

Today also more than 30% of total poor population is living below poverty line in India. Hence there should be restrictive and selective entry of big corporate houses and multinational corporations in retail sector. These corporate and multinationals improve ratio of unemployed persons in the country. So Government should provide financial assistance and infrastructural facilities to small retailers.

Skill oriented education and training is today's demand. Our education system is not job oriented. This pattern must be changed education should be employment oriented and for this purpose government should launch variety of training and skill development schemes at school level.

We are living in global village and cannot be isolated from the world if we want to develop we have to be at par with other countries. Majority of the women in country are not allowed to enter in this business due to social and family restrictions. Women empowerment is also an important step to reduce poverty and unemployment from the country.



CONCLUSION:-

Retail trade is a big job provider but youths of modern age consider it to below their dignity. After getting education up to graduate level youths do not want to take retail trade as their profession. Further, there is growing competition with emerging super stores, chain stores, super bazaars, Malls, e-commerce on the lines of western countries. Therefore opportunities for youths to take to trade are becoming fewer opportunities. There is also a problem of capital and so far all the schemes have failed to provide funds to real needy and deserving persons.

Indian economy is a very fast growing economy. But we should not forget that India is a country of villages and if we really want to develop our country at global level we have to first develop our villages. Development process must start at grass root level. We cannot ignore and underestimate that primary sector is the major contributor in GDP of our country. More than half of the population is still depending upon agriculture for their livelihood. Their standard of living and income is very low. If government is able to solve all the problems by framing and implementing effective policies, Retail sector may become a major contributor in growth and development of Indian economy.

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