

Policies which can Convert Unorganized Retailing in Organized Retailing

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Abstract: As far as India is concerned, this necessity of both organized and unorganized retailing. Both the formats have advantages and disadvantages. Complete organization of retailing stores will create unemployment, poverty and may be bad for the poor consumer also. At the same time a fully unorganized retail format will adversely affect economic growth, govt. Revenue and will be a hinder in the process of development of the country. Since long time, our retail landscape of India has undergone a major transformation over the last few years, enhancing the overall consumer experience to varying degrees. The Indian retail market is pegged at \$500 billion and holds a niche slot as one of the five major retail markets in the world. It is also the fastest growing, expected to scale up to \$1.3 trillion by 2020.

Keywords: Unskilled labour, agricultural, CRISIL, Economic growth and Taxes.

I. INTRODUCTION

Retailing in India is one of the major revenue earners for the economy, accounting for approximately 15% of the country's GDP. The market for retail in India is, undoubtedly, uniquely complex in terms of the wide geographical spread and distinct consumer preferences that vary vastly in each region. Such diversity lends itself to a need for localisation within each of the geographic zones. Moreover, in the present scenario, where unorganised retail formats such as traditional family run stores and small shops constitute a majority of the market (at over 90%), the challenges posed can be quite daunting. Over 30% of food staples and perishable goods produced in India get spoilt due to infrastructural bottlenecks. In addition to this, small retail outlets also prevent proper hygienic storage and movement of goods from farmers to consumers.

India is at the crossroads with regard to the retail sector. Several emerging market economies have gone ahead and reaped the benefits of modern retail. India is however a latecomer to organized retail expansion and the picture still remain unclear as to its future direction. The study advocates a balance approach to retail and suggests that the government plays a major role in shaping its future course.

Both organized and unorganized retailing is found in most countries throughout the world. India and china are strong examples of countries in which unorganized retailing dominated their markets. Today these countries have growing economy because of the influx of organized retailers into their markets.

In any country, particularly in developing and underdeveloped countries, we can find 3 types of retail like:

Organized Retail: Owned by the private or Govt. Sector based on certain systematic principles. Examples Big bazaar, Wal-mart etc. They have license to sell the products and abide by rules and regulation of govt.

Unorganised Retail: They are owned by a private individual and based on the principles, but not owned by any private company.

Grey Marketers: These are unauthorised small store which are owned by any private individual. They don't have a particular shop. These stores are a biggest threat to both organized and unorganised retailers. Ex-roadside and small sellers,.

In the developed economies, organised retail is in the range of 75-80 per cent of total retail ,whereas in developing economies, the unorganised sector dominates the retail business. The share of organised retail varies widely from just one per cent in Pakistan and 4 percent in India to 36 percent in Brazil and 55 percent in Malaysia Modern retail formats, such as hypermarkets, superstores, supermarkets, discount and convenience store are widely present in the developed world, whereas such forms of retail outlets have only just begun to spread to developing countries in recent years. In developing countries, the retailing business countries to be dominated by family run neighbourhood shops and open markets; As a consequence, wholesalers and distributors who carry products from industrial suppliers and agricultural producers to the independent family-owned shops and open markets remain a critical part of the supply chain in these countries.

II. ADVANTAGES OF ORGANISED RETAILS IN INDIA

Enhanced welfare gains of consumers- The emergence of organised retails undoubtedly gives consumers a wide choice of goods, more convenience, and a better shopping environment, among other benefits. This is feasible because organized retail can take several formats, from small neighborhood stores in densely populated cities with high real estate prices to the large air-conditioned malls in the periphery where real estate is cheaper. Organized retail can appear small but spread in all local markets, providing the convenience of a neighbourhood kirana store but the procurement on a mass scale that keeps prices low and provides greater variety.

Gains for Farmers: Organised retails will result in a complete revamp of the agricultural supply chain in the country. A recent study by CRISIL has estimated a current annual total loss of about Rs. 1000 billion in the agricultural supply chain, 57 percent of which is due to avoidable wastage and the rest due to avoidable costs of storage and commissions (CRISIL Research, June 2007). Organized retailers have already started procuring fruit and vegetables from farmers directly bypassing the various intermediaries who add more costs than value to the food chain. They are investing heavily on logistics in the form of centralized warehousing and distribution centres, transport and cold storage, either directly or through engaging third party logistics companies. They are also employing a large number of unskilled workers for sorting, grading, packaging and labelling. All these will enhance farmer's realizations, improve quality of products at the shop and reduce the ultimate consumer price.

Link with Manufacturing: The planning commission has identified four sectors as the major employment generating sector for the Eleventh Plan period, 2007-12. They are food processing industry textiles and clothing tourism and construction of these sectors, all except tourism are getting a fillip with the growth of organized retail. Again, the small and medium industry (SMI) sector is getting advantages with the emergence of organized retailers by becoming their suppliers. Modern retail will catalyze the development of the SMI sector in the country.

Boost to Exports- Organized retails's link with exports comes through foreign players. International retailers look for sources around the world and a country in which they operate becomes a source for their global sales. Some of the international retailers that have plans for India in the future have already developed suppliers in the country and have started exporting from India. For example, Wal-Mart exported an equivalent of US\$ 600 million, and IKEA about euros from India in 2006-07.

Impact on Growth and productivity- Organized retail will enhance the growth and productivity of India by helping the farmers, consumers and other sector by providing high quality products. Organized retailing will remove various inefficiencies that characterize the present India distribution system, which in turn will provide better price for the farmers and suppliers on the one hand, and lower prices for consumers, on the other.

Improvement of Government Revenues- Another significant advantage of organized retailing is its contribution to government revenues. Unorganized retailers normally do not pay taxes and most of them are not even registered for sales tax, VAT, or income tax. Organized retailers, by contrast, are corporate entities and hence file tax return regularly. The growth of organised retail business will be associated with a steady rise in tax receipts for the central, state, and local governments.

Impact on employment and prices. The growth of organized retail will enhance the employment potential of the Indian economy. While providing direct employment in retail, it will drive the growth of a number of activities in the economy which in turn will open up employment opportunities to several people. It may adversely affect employment in unorganized retail and the trade intermediaries associated with the traditional supply channels but the additional jobs created will be much higher than those that are lost. An important point to be noted is that while the jobs that organised retail displaces are the low-end, low quality, under productive ones, the new jobs created are the high quality, productive ones. It also generates a number of jobs for unskilled labour for the tasks of sorting, grading, labelling, etc.

III. ADVANTAGES OF UNORGANISED RETAILS IN INDIA

Employment Impact- According to ECR report, unorganized retail outlets employ more family labour than hired labour; on an average they employ 1.5 persons per shop from the family, and hired employees of 1.1 persons in India. It is a way of livelihood for Indian people.

Location advantage for the unorganized Retailers-Location is a comparative advantage for unorganized retailers as the mean distance to the residence for consumers at unorganized outlets is 1.1 km compared to 2.6 km for consumer at organized outlets. A majority of consumers walk to traditional retailers because it is convenient to reach.

Credit Facilities- Consumers get credit facilities in small unorganized retail store and can make a deferred payment which is not possible in organized retail stores

IV. CONCLUSION

There is no doubt that traditional retail has been performing a vital function in the economy and is a significant source of employment. However, it suffers from huge inefficiencies as a result of which consumers do not get what they want and farmers often get prices for their produce much below what is considered fair. In contrast, organized retail provides consumer with a wider choice of products, lower prices, and a pleasant shopping environment. It gives farmers a better alternative channel for selling their products at a better price.

The competition from organized retail has affected the business of traditional retailers but they are making efforts to stay on. In their struggle to face this competition, they are handicapped by a lack of access to formal credit from commercial banks. As in other countries, government policy can and should play an important role in modernizing the unorganized sector and improve its competitiveness. On the other hand, a policy of protection of traditional retailers by restricting organized retail will harm the growth prospects of the country by foregoing the enormous benefits that are generated by organized retail. However, the following measure can be taken to solve the paradigm of organized and unorganized retail.

- Liberalization policy for domestic retailers to become organized retail.
- More credit facilities for rural unorganized stores to develop their stores.
- Proper regulatory body for unorganized retailers for establishing retail shops.
- Ceiling on prices by the govt. to control price level of different organized retailers against predatory prices.
- Educating rural people and improving their standard of living.

So Indian retail requires a balanced strategy for organized and unorganized retail stores that may be called as conversion of Unorganized retailing in organized Retailing.

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