ISSN NO- 2231- 4687
Impact Factor: 6.81 (SJIF)
Vol.-9 Issue- 2, February 2020
International Journal of Management and Economics (IJME)

Traditional Retailing System and Emerging Malls in Maharashtra State

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Abstract:

Unorganized retail has dominated the Maharashtra market for decades but now organized retailing have started creating its own status in Indian retailing sector which is discussed in the following chapter under different sections. The current chapter reveals the Maharashtra at a glance, retailing system in India, its history and meaning, retailing formats, impact of the small scale of each vendor was perfect to cater to the reluctant Indian shopper while the large number of players kept several people employed. In this situation there was little motivation to bring organization into the sector. It took strong economic growth, liberalization of the economy and change in the Indian mind-set to realize the advantages of bringing organization to India's retail industry. Organized retail has a bright future in Maharashtra, but not one that will be easy to achieve.

Maharashtra at a glance:

Maharashtra occupies the western and central part of the country and has a long coastline stretching nearly 720 kilometers along the Arabian Sea. Maharashtra is the second largest state in India both in terms of population and geographical area (3.08 lakh sq. km.). The State has a population of 11.24 crore1 which is 9.3 per cent of the total population of India. The State is highly urbanized with 45.2 percent people residing in urban areas. The State has 35 districts which are divided into six revenue division's via Mumbai, the capital of Maharashtra and the financial capital of India, houses the headquarters of most of the major corporate & financial institutions. India's main stock exchanges & capital market and commodity exchanges are located in Mumbai.

The gross state domestic product (GSDP) at current prices for 2011-12 is estimated at 11,99,548 crores and contributes about 14.4 per cent of the GDP. The GSDP has been growing at a rapid pace over the last few years. Presently industrial and services sector both together contribute about 87.1 per cent of the State's income.

The agriculture & allied activities sector contributes 12.9 per cent to the State's income. Maharashtra is the most industrialized State and has maintained leading position in the industrial sector in India. The State is pioneer in Small Scale industries. The State continues to attract industrial investments from both, domestic as well as foreign institutions. Progress on Human Development Index is often depicted as a benchmark of a state's progress of key development indicators. As per India Human Development Report, 2011 Human Development Index of India is 0.467 and State ranks 5th in the country with Human Development Index of 0.5722.

The State has maintained leadership position in the industrial sector in India. Presence of strong industrial sector remained backbone of the State's economic development. The industrial policy of the State has not remained static, but has undergone many changes with the passage of time. In order to address the challenges of globalization, liberalization and privatization, the State adopted first Industrial Policy in 1993, which was revisited in 1995, 2001 & 2006 and recently the new Industrial Policy 2013 has been announced. Sectors which were exclusively in the public domain were opened to private sector, relaxation of norms for Foreign Direct Investment (FDI), favorable policies related to IT, BT, SEZ and Mega Projects, grape processing, etc. resulted in further development of the industrial sector in the State.

Besides Mumbai, Thane and Pune, second-tier towns like Nasik, Aurangabad, Nagpur and Kolhapur have also emerged as Industrial centers resulting in remarkable industrial growth in the State institutions. India's main stock exchanges & capital market and commodity exchanges are located in Mumbai.

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Besides Mumbai, Thane and Pune, second-tier towns like Nasik, Aurangabad, Nagpur and Kolhapur have also emerged as Industrial centers resulting in remarkable industrial growth in the State. Maharashtrian citizens are living in comfortable houses. 6,587,266 (81.6%) of these have occupied the houses permanently indicating their stability in the area. 1,925,822 (23.9%) of the households are size of 4 members; indicating that they are nuclear families. 5,419,455 (67.2%) of the urban households are living in owned houses; indicating their economical stability. 6,645,419 (82.5%) of the urban households have separate kitchen room available and 4,524,341 (54.7%) of households are having independent sleeping room for married couples; indicating the standard of living of urban citizens. 7,608,033 (94.3%) of the urban households have electricity as a source of lighting and 6,584,731 (81.6%) have bathroom facilities within the house. 4,842,219 (60%) of the households are availing the banking services; indicates the modern life style. Apart from routine work and domestic activities the urban citizens are involved in activities like Anti ageing and healthcare Weight loss programmes, skin- and hair-care regimens, Education Professional re-education via part-time and online courses, Travel Trekking and adventure holidays, travelling to exotic destinations, Learning music of Hindustani and western kind, training for instrumental music, dance or a new language, cycling, joining a band, viewing and buying artistic paintings, books, and sculptures. Listening and buying old music and films from Bollywood, Hollywood or regional or world cinema, attending rock concerts, exhibitions of posters and vintage cars. They are also involved in spirituality Yoga, meditation, vipassana, following gurus and organized spirituality, religious holidays, Even many of the urban citizens are undertaking cosmetic Surgery Botox, facelifts, hair transplants, breast augmentation, nose jobs, liposuction, and cosmetic dentistry. They all want to ride motorcycles, go on a solo journey to Laddakh, and drive cars to very long distance tours or pilgrimages

It can be concluded that human being in urban areas is living a life of certain standard. They are busy, caring, spiritual, health conscious and dynamic. The Indian society is changing and hence the Spending pattern of these urban citizens is also changing. The discretionary spending is capturing majority of consumer spending.

This is shift from necessities. The food expenditure is losing its share in total consumption it has gone down to 25% from 42%. This is because the citizens are mostly eating out during the working day and during nights on holidays, and eating out is part of discretionary expenditure and not the necessary expenditure. Spending on purchases that improve the economic prospects and quality of life is increasing.

The other major areas of increasing spending share are health, education, transport, and communication. Here also the shift from ordinary to stylish is experienced which has transformed these spending from necessary to discretionary spending. The spending on health care is almost 8% of the total spending. Means of private health care have become most important for urban Indians. Education and recreation spending is also growing by 5.5%. Educating the children has become priority for almost all Indians. The high income urbanites are spending more on better quality education. The spending on communication is 2.5% and there are many urban citizens who are using dual card cell phones. The transport has 18% share of spending. Personal products and services have 8.5% share in spending. Household products have 3%, Housing Utilities have 12%, Apparel have 5% and food and beverages have 38% share in total consumption5.

Retailing in India:

Retailing is one of the pillars of its economy and accounts for about 22 percent of its GDP. Organized retailing, in India, refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the publicly-traded supermarkets, corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Supermarkets and similar organized retail accounted for just 4% of the market Landscape of the Retail sector in India

One of the biggest opportunities and challenges that characterize the India retail sector is its structure. While it has matured over the years, it is still highly fragmented, with an estimated 12 to 15 million outlets. Its overall size is estimated to be INR 31 trillion (USD 534 billion) in 2013-14, with CAGR of 15 per cent over last five years, which is much higher than the growth of the Indian GDP in the same period.

With over 92 per cent of the business coming from the fragmented unorganized sector, such as traditional family run mom and pop stores and corner stores, the Indian retail sector offers immense potential for growth and consolidation. The revenue generated from organized retail (or modern retail) was INR 0.9 trillion (USD 15.5 billion) in 2009, INR 2.4 trillion in 2012 (USD 1.4 billion) and is expected to continue growing at an impressive rate to a projected INR 5.5 trillion (USD 94.8 billion) by 2018.11

Currently, India is one of the fastest growing economies in the world and by 2030, India would be one of the Top 5 economies in terms of GDP. The India retail market is estimated at US$ 470 Bn in 2011, accounting for ~35% of GDP and is expected to grow to US$ 675 Bn by 2016, @ CAGR of 7.5% sales will grow from US$ 392.63 billion in 2011 to US$ 674.37 billion by 2014 whereas its report for the first quarter of 2012 estimated that the total retail sales will grow from US$ 422.09 billion in 2011 to US$ 825.46 billion by 2015.

The growing wealth with the middle-class in India, the population size and the big percentage of population being in 30s, makes immense possibilities for entrepreneurial growth in the retail sector. It is projected to become a US$ 260 billion business over the next decade with around 21 per cent penetration Technopak Advisors Pvt. Ltd have estimated the category wise share of different consumer items traded under both unorganized and organized retail in India as on 2006,2011 and projections of 2016.The details of these estimates are given as under13:

Table 1: Indian Retail sector-share categories of retail shares in India.

Sr. No	Category	2006	2011	2016	CAGR %
1	Food and Grocery	217	325	425	5.50
2	Restaurants & Food Junction	4.6	8.8	15.8	12.5
3	Apparel	25	35	50.2	7.5
4	Furniture & furnishings	6.5	9.1	17.1	13.5
5	Healthcare & Fitness services	0.4	1	2.5	20
6	Consumer Electronics &Information Technology	16.5	22.7	42.8	13.5
7	Pharmacy	8	13.9	23.4	11
8	Jeweler, Watches etc	16.5	25.6	44.2	11.5
9	Beauty Services	0.6	1.3	3	18
10	Footwear	3.6	4.5	8.3	13
11	Others	11	23	42.5	13.1
	Total US $(Bn)	310	420	675	7.5

Categories like Apparel market which is estimated at US$ 5.5 Bn in 2011 and is expected to grow to US$ 8 Bn by 2016, @ CAGR of 8.5%The organized Food and Grocery retail market in India is estimated at US$ 9 Bn in 2011 and is expected to grow to US$ 34 Bn byn2016, @ CAGR of 30% At 35%, Food & Grocery has the highest share of organized retail. Food & Grocery along with Apparel, Jewellery & Watches and Consumer Electronics & IT accounts for ~80% of the organized retail market in India in 2011 which is likely to grow in 2016.

History of Traditional Retailing in Maharashtra

While barter is considered to be the oldest form of retail trade, since independence, Retail in India has evolved to support the unique needs to our country given its size and complexity. They will continue to be present in most parts of the country and form an essential part of life and trade in various areas. The PDS or the Public Distribution System is the single largest retail chain existing in the country. The evolution of the public distribution of grains in India has its origin in the 'rationing' system introduced by the British during the World War II. By the year 1946, as many as 771 cities / towns were covered. The system was abolished post war, however, on attaining Independence, India was forced to reintroduce it in 1950 in the face of renewed inflationary pressures in the economy.

In Maharashtra, Bombay Bazaar, which stores under the label Sahakari Bhandar, and Apna Bazaars run a large chain of Co-operative stores. In the past decade, the Indian marketplace has transformed dramatically. It was at this time that many steps towards liberalization were taken in the period of 1985-90. It was at this time many restrictions on private companies were lifted, and in the 1990's the Indian economy slowly progressed from state led to becoming 'market friendly'.

Concept of Traditional Retailing:

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 Traditional Retail Format:

Kirana shops: This type of retail stores are independent and have emerged with the spread and density of population. Historically they are traced to the generation of surplus in agriculture that needed to be sold to obtain other essential commodities by the producer. This was accompanied by the emergence of a trading class in India. Generally the kirana, mom and pop and family owned retail stores represent the retail business in India. These are usually shops with a very small area, stocking a limited range of products varying from region to region according to the needs of the clientele or the whims of the owner. About 78% of these retail stores are family owned businesses utilizing only household labour. Even among the retail enterprises that employ hired workers the bulk of them use less than three workers.

According to ORG-MARG a small retailer is defined as one with an average turnover between Rs. 17,500 and Rs. 52,500 per annum17. Conventionally retailers source the merchandise from wholesalers and sell it to end users. Manufactures distribute goods through carrying and forwarding agents to distributors and wholesalers. Mandis and Weekly Bazaars: These are the daily and weekly retailing where customers can get fresh vegetables, fruits daily in Mandis, each village, town city is having one or more mandis. Farmers bring fresh vegetables and fruit from their farms and sell in mandi. Whereas in weekly bazaar customers get everything of their household need on a fixed day of week in their town. Weekly bazaar is one stop shopping concept where all type of traders are having their stall in the Bazaar, where customer can get each and everything they need right from food to cattle and farming equipment, grocery to cloths and toys etc. in fact shopping mall culture is modern format of Bazaar structure. Fairs and Festive shops: India is having various festivals, on the occasion of these festivals local authorities or traders arrange fairs and festive shops where people get entertainment and they can shop at the same time. Normally fairs are arranged once in a year.

Impact of MRC (Modern Retail culture) on Traditional retail sector

The retail sector is expanding and modernizing rapidly in line with India's economic growth. It offers significant employment opportunities in all urban areas. In analyzing the impact of the increasing trend of large corporate entering the retail trade in the country. In addition, an extensive review of international experience, particularly of emerging countries of relevance to India, has also been carried out as part of the study.. The unorganized retail sector is expected to grow at approximately 10 per cent per annum with sales rising from US$ 309 billion in 2006-07 to US$ 496 billion. Yet, they see the advantages from a more efficient supply chain and logistics that accompany the growth of organized retail.

Emphasis on Organized Food and Grocery Retail: Implications for Kirana Stores and Street Vendors

Retail trade comprises a plethora of goods and services, including food and grocery, apparel, footwear, jewellery and accessories, books and music, medical services, household appliances and so on. In 2003-04, retail sales in India amounted to 61 percent (USD 234 billion) of the total private consumption expenditure of USD 375 billion20. However, in view of the still evolving lifestyle patterns as far as goods and services other than food and groceries are concerned, and the persistence of widespread poverty and inequality in the country, as 77 percent of Indians spend less than Rs 20 per day21, an overwhelming majority of India's population spends large chunks of its income on food and grocery items. The 61st round of NSSO estimated that the share of food in consumption expenditure was 55 percent and 42 percent in rural and urban India respectively22. Another report noted that in 2003-04, food and groceries accounted for 41 percent (USD 154 billion) of total private consumption expenditure and 77 percent (USD 180 billion) of total retail sales23. The domination of this segment of retail has drawn the attention of the larger retailers in the country. As a result, 60-65 percent (around USD 15 billion)24. Of the proposed investment for theexpansion of organized retail is expected to be earmarked for food and grocery retailing. Apart from 12 million shops, an estimated 10 million street entrepreneurs derive their income from the retail trade in the country. A large majority of small shops and street hawkers are involved in food and grocery retailing.

Unorganized food and grocery retailers account for 99 percent of the total food and grocery retail sales in the country. However, massive investments by organized retailers with special emphasis on the lucrative food and grocery segment, evidently the major growth driver for the whole organized retail industry, has become a cause of great concern for the unorganized food and grocery retailers. On the basis of a study of the Indian food retailing sector noted that although there are more gainers than losers as organized retailers enter the Indian food retail industry, entry will have an adverse impact on the country's kirana stores. Even though there may be more gainers from organized retail in the country than sufferers, there is consensus that the process would have a significant impact on unorganized retailers, making it a matter of serious concern. The repercussions of organized food and grocery retail for the unorganized traders appear even more serious in view of the absence of any form of social protection during the time of contingencies, which is one of the key characteristics of the unorganized sector. Another issue is gradual governmental withdrawal on the social front over the years. Social sector expenditure as percent of total government expenditure (combined central and state governments) has declined from 22.3 percent in 2000-01 to only 20.4 percent in 2004-05, and as percent of GDP from 6.25 percent to 5.66 percent during the same period25.Performance of Organized Retail in India.

The Retail Business in India is currently at the point of inflection. As of now, rapid change with investments to the tune of US$25 billion were being planned by several Indian and multinational companies in the next 5 years. Organised retail is expected to garner about 16-18 percent of the total retail market (US$65–75 billion) in the next few years. India has topped the A.T.

Conclusion

Today malls are gaining importance as the disposable incomes of consumers are increasing. Consumers visit malls to pass time shop and also to dine at the restaurants located in the malls. There is development of rich in mall segment, which is catering to particular segment of people, they are meant for specific types of products which are called as specialty malls. There are a significant number of new competitors in the retail sector, and the established players are seeking opportunity to expand rapidly. Currently, the government does not allow 100 percent foreign direct investment (FDI) in the retail sector. However, it is on the anvil and the entry of multinational retail chains would change the entire retail scenario of the country. Wal-Mart which took the franchising route to enter the country has now entered in to the joint venture (Bharati Wal-Mart). The government has allowed single brand retailers to make direct investments.

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