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THE RETAIL SAGA

Development of the service sector and increasing employment opportunities will attract many retail giants to Ahmedabad, thus prompting the retail industry to grow to greater heights in future, says
ANUSHRAV BHATT



Retailing is the interface between the producer and the individual consumer buying for personal consumption. It is the last link that connects the individual consumer with the manufacturing and distribution chain. The retail industry

in India is of late often being hailed as one of the sunrise sectors in the economy. With a contribution of 14% to the national GDP and employing 7% of the total workforce (only agriculture employs more) in the country, the retail industry is definitely one of the pillars of the Indian economy.

The retail industry is divided into organised and unorganised sectors. Organised 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. Unorganised retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana shops. Unorganised retailing is by far the prevalent form of trade in India - constituting 98% of total trade, while organised

trade accounts only for the remaining 2%.

Organised retail is still in the stages of finding its feet in India even now. Though organised trade makes up over 70-80% of total trade in developed economies, India's figure is low even in comparison with other Asian developing economies like China, Thailand, South Korea and Philippines, all of whom have figures hovering around the 20-25% mark.

India, being a free and democratic country, provides its people with this cushion of being able to make a living for oneself through self-employment that is the main reason for development of unorganised retail. Today, in India, retailing is by far the easiest business to enter, with low capital and infrastructure needs, and as such, performs a vital function in the economy as a social security net for the unemployed.

The opening up of retail trade for foreign direct investment (FDI) promises to usher in revolutionary changes to the Indian consumer market in the days to come. Recently, in a significant step towards liberalising India's retail trade, the government had decided to partially open the retail sector by announcing 51 percent FDI in single brand retailing. This means that foreign companies willing to enter the Indian market will now be able to invest upto 51 percent in setting up production facilities, distribution network and retail shops and the

rest will come from Indian investors. It is widely acknowledged that FDI can have some positive results on the economy, triggering a series of reactions that in the long run can lead to greater efficiency and improvement of living standards, apart from greater integration into the global economy. Ultimately the consumer is benefited by both, price reductions and improved selection.

Indian retail sector is the second largest employer after agriculture in the country and the entry of foreign companies will not only increase the number of employment opportunities but also exports. Entry of foreign brands would also improve the quality and variety of products, increase competition and expand manufacturing.

The demand for retail space will be generated in cities in near future. In Ahmedabad many commercial projects are in the pipeline. Adequate retail space will be generated in the coming years at prime locations. Today, Ahmedabad is one of the most rapidly growing urban centers. Development of the service sector and increasing employment opportunities will attract many retail giants to Ahmedabad. Certainly, in the coming days, the retail industry is likely to grow in Ahmedabad.



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■ THE OPENING UP OF RETAIL TRADE FOR FOREIGN DIRECT INVESTMENT (FDI) PROMISES TO USHER IN REVOLUTIONARY CHANGES TO THE INDIAN CONSUMER MARKET IN THE DAYS TO COME.

■ ENTRY OF FOREIGN BRANDS WOULD IMPROVE THE QUALITY AND VARIETY OF PRODUCTS, INCREASE COMPETITION AND EXPAND MANUFACTURING.



The author is a city-based housing planner, civil engineer and lawyer