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INDIA'S RETAIL SECTOR AND FOREIGN DIRECT INVESTMENT

History of the evolution of the retail sector in India can be traced to the village fairs or *melas* which existed for a long time in our country and still an integral part of our rural economy. These were primarily a source of entertainment rather than an outlet for a well-conceived economic activity. Later on, as the consumption basket expanded and production for market took hold, some forms of retailing started shaping up and they evolved into traditional neighbourhood shops *viz.* the *kiranas*, convenience stores, *etc.* Lack of proper distribution network in the economy, with geographically dispersed production locations, aided the profiteering activities of these retail shops.

In 1950s the Government stepped in with the objective of ensuring distribution of basic items at fair prices and introduced the Public Distribution System (PDS). The Government also supported *Khadi* stores and co-operatives that essentially helped small producers involved in various traditional production activities. The Government intervention helped remove some of the major distributional bottlenecks which, in turn, ensured availability as well as fair price of consumer goods.

The economic reforms and liberalisation in the 1990s made room for the entry of foreign brands. With the rise in disposable income and the growth of urban middle class, the household consumption basket expanded to include items that Indian consumers did not typically purchase until then. The entry of foreign goods contributed to this trend and expanded the consumers' choice set. These developments created an environment conducive to the introduction of modern retailing that includes exclusive brand outlets, super markets, departmental stores and shopping malls. Almost all major Indian private corporate groups (the Tatas, the Reliance, the Birlas, etc.) have now entered the retail sector to share its benefits.

Prominent Features of India's Retail Sector

The retail industry in India consists of the traditional formats of retailing such as the local *kirana* shops, owner-operated general stores, *paan-beedi* shops, convenience stores, handcart and pavement vendors, weekly *haats* and *bazars*, and the organised retail sector which includes licensed retailers who are registered for sales tax, income tax, etc. The privately-owned large retail businesses and the corporate-backed retail chains and hypermarkets constitute the organised retail industry in India. Such retail business is extensively seen in Tier-1 cities such as New Delhi, Mumbai, Chennai, Kolkata, Hyderabad and Bangaluru.

It is noteworthy that the retail industry in India is highly fragmented with millions of tiny outlets scattered all over the country. The proliferation of retail outlets is primarily explained by the relative ease with which a retail outlet can be established. The traditional forms of retailing require low investment and minimal infrastructure.

The informal nature of the relationship between the traditional retail stores and the consumers is also an important feature of India's retail sector. The repeated interactions with customers who live in geographically proximate locations generate mutually beneficial trust in exchanges. The customers are often able to obtain their consumables on credit and the stores earn customer loyalty.

Retails in the organised sector are also expanding in Tier-2 and Tier-3 cities such as Agra, Ahmedabad, Bhubaneshwar, Dehradun, Pune, etc. (Tier-2 cities); and Ganganagar, Muzaffarnagar, Nizamabad, Ernakulam, Roorkee, etc. (Tier-3 cities). However, one unique aspect of India's retail sector is that along with these modern formats, all other traditional formats of the earlier stages coexist.

Retail Sector in India: Size and Structure

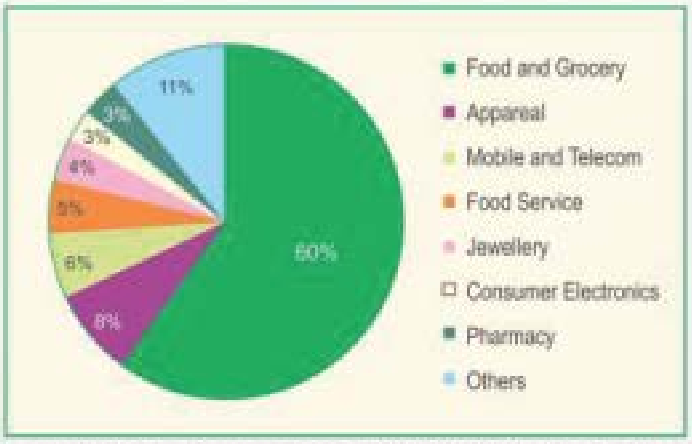
In India, retailing has been an important service industry. In particular, with faster growth of the overall economy, higher disposable incomes, and rapid urbanisation in recent years, there has been acceleration in the growth of this sector. In fact, it has been identified as an emerging industry with enormous future growth potential.

Over the last decade, the Indian retail industry has witnessed a noticeable shift towards organised retailing formats and the industry is moving towards a modern concept of retailing. However, it is very difficult to know the true size of the retail sector in India, primarily, due to the unorganised nature of this sector. A large number of retail outlets are family-owned with family members working part-time or full-time, thus, making it harder to obtain a precise estimate of actual employment generated by the retail sector in India.

According to the Retail Sector Report published by the Federation of Indian Chambers of Commerce and Industry (FICCI), the Indian retail sector accounts for 22 per cent of the country's Gross Domestic Product (GDP) and contributes to 8 per cent of the total employment. The size of India's retail market was estimated at US$ 435 billion in 2010. Of this, 95 per cent of the market was traditional retail and 5 per cent of the market was organized retail. India's retail market is expected to grow at 7 per cent over the next 10 years, reaching a size of about US$ 850 billion by the year 2020. Organized retail is expected to grow faster than the traditional retail.

Notably, food and grocery retail trade accounts for nearly 60 per cent of the total revenues and is the largest segment of the retail industry in India. This is because, at the family level, consumer expenditure on food and groceries accounts for, on an average, 50 per cent of the total retail purchase. According to the report titled *'Indian Retail Market: Opening More Doors'* published by Deloitte[1] which shows market break-up of the India's retail trade (revenue-wise), as featured in the Retail Market Study of 2012, food and grocery accounts for 60 per cent share, apparel 8 per cent, mobile and telecom 6 per cent, food service 5 per cent, jewellery 4 per cent, consumer electronics 3 per cent, pharmacy 3 per cent and others 11 per cent as shown in Graph-1.

Graph-1



Source: Deloitte Report on 'Indian Retail Market: Opening More Doors', 2012

[1] "Deloitte" is the brand under which tens of thousands of dedicated professionals in independent firms throughout the world collaborate to provide audit, consulting, financial advisory, risk management, and tax services to selected clients. In India, it offers a range of audit & enterprise risk, tax, consulting and financial advisory services across major cities.

According to the Technopak Analysis[2], the size of the retail industry in India has substantially increased since 2001. The increasing trends are depicted in the table given below:

Size of the Retail Industry in India in terms Value and Employment

	2001	2012	2021
India's GDP (in billions of US$)	450	1958	3310
Estimated Merchandise Consumption (Retail Sales) (in billions of US$)	120	489	810
• Unorganised Retail Sector	115 (95.8%)	455 (92.9%)	648 (80.0%)
• Organised Retail Sector	5 (4.2%)	34 (7.1%)	162 (20.0%)
No. of Employees in the Unorganized Retail Sector (millions)	18	22	31
No. of Employees in the Organized Retail Sector (millions)	0.1	0.7	3.3

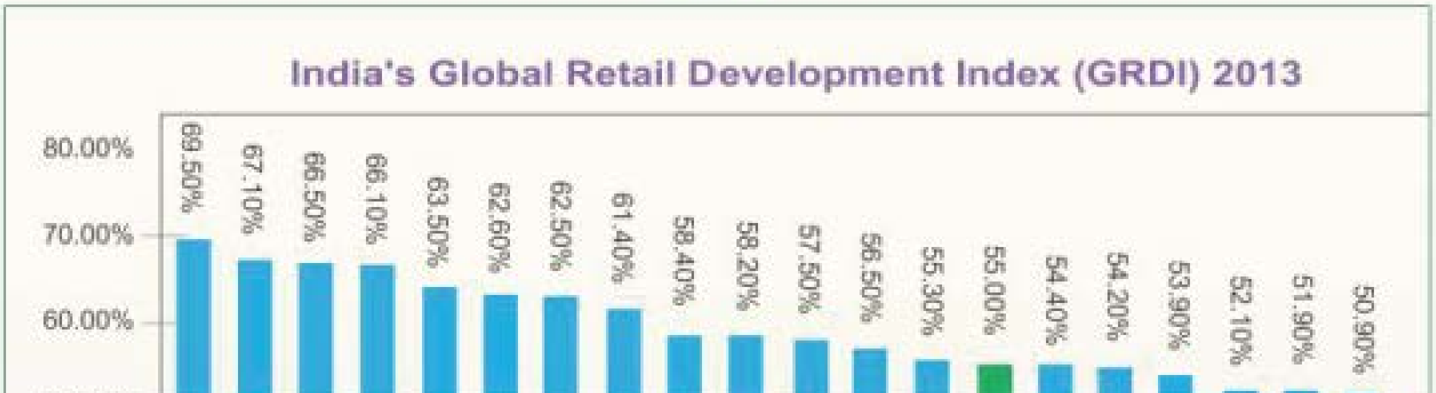
Source: White Paper published by Technopak Analysis on the theme 'FDI in Retail'

The US-based global management consulting firm, A. T. Kearney, in its *Global Retail Development Index* (GRDI) 2013[3] , has ranked India as the fourteenth most attractive destination for retail investment, among the 30 emerging markets, as indicated in the Graph-2. The fact, however, cannot be ignored that the global slowdown has not spared India, whose GDP growth rate slipped to 5 per cent in 2013, down from a 10-year (2003-2013) average of 7.6 per cent.

[2] Technopak is a certified and one of India's leading consulting firms with an expertise in the fields of retail, consumer products and e-tailing (electronic retailing); fashion - textile and apparel; food services and agriculture; education; and health care.

[3] The annual A.T. Kearney Global Retail Development Index (GRDI) ranks 30 developing countries on a 0-to-100-point scale-the higher the ranking, the more attractive is the country to foreign investments. GRDI scores are based on four variables which include country and business risk (25 percent); market attractiveness (25 percent); market saturation (25 percent) and time pressure (25 percent). Data and analysis used for drawing GRDI are based on the United Nations Population Division database, the World Economic Forum's Global Competitiveness Report 2010-2011, National Statistics, Euro money and World Bank Reports, and Euro monitor and Planet Retail databases.

Graph-2[4]



High operating costs, low bargaining power with vendors, and heavy discounting to improve sales have affected profits and expansion plans in India's retail sector. Real estate cost and space availability also remain important issues. Many players in the India's retail sector are, therefore, actively looking at improving sales productivity, cutting operating costs and reducing store size.

However, the long-term fundamentals for retail trade are strong in India with its large, young and increasingly brand and fashion conscious population. During the last two decades, India's middle class has grown significantly with its increased average income and consumer aspirations. With the improvement in transportation and communication infrastructure, there has also been a convergence of consumer tastes. Furthermore, India has a relatively young population. The median age is about 26 years. That is, more than 600 million people are under the age of 26 years. They are not only a source of very large future demand but also their tastes and preferences are likely to be less rigid and, therefore, more amenable to the changing composition of the consumer products.

Policy of Foreign Direct Investment (FDI) and Retail Trading in India

Foreign Direct Investment (FDI) is an investment made by a non-resident entity/person resident outside India in the capital of an Indian company under Schedule 1 of *Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000*. Open economies with skilled workforce and good growth prospects tend to attract larger amounts of FDI than closed and highly regulated economies. The investing company may make its overseas investment in a number of ways - either by setting up a subsidiary or associate company in the foreign country or by acquiring shares of an overseas company, or through a merger or joint venture. India being one of the founder members of the World Trade Organization is a signatory to its General Agreement on Trade in Services (GATS). Under this Agreement, which also deals with 'wholesale and retailing services', all the WTO member countries, including India, are required to open up their retail trade sectors to foreign investment.

[4] Graph-2 is the representation of the GRDI 2013 of the first twenty countries. The horizontal x-axis represents the name and the respective rank of the countries concerned and vertical y-axis represents range of score attained by countries in the calculation of GRDI and the labels giving points above each country bar represent the exact GRDI score of the respective countries.

Foreign Investment in India is governed by the FDI Policy announced by the Government of India and the provisions of the Foreign Exchange Management Act (FEMA), 1999. In this regard, the Reserve Bank of India (RBI) had issued a notification, which contains the Foreign Exchange Management Regulations, 2000. This notification has been amended from time to time. The Department of Industrial Policy and Promotion (DIPP) under the Ministry of Commerce and Industry, Government of India is the nodal agency for monitoring and reviewing the FDI Policy on a regular basis for effecting changes in sectoral policy and sectoral equity cap, the limits of which vary from 20 per cent to 100 per cent. The FDI Policy is notified through Press Notes/Policy Circulars by the Secretariat for Industrial Assistance (SIA) under the Department of Industrial Policy and Promotion (DIPP) in the Ministry of Commerce & Industry.

FDI is allowed under Direct/Automatic Route and also under the Government Route[5]. The foreign investors are free to invest in India, except in few sectors/ activities, where prior approval from the RBI or Foreign Investment Promotion Board (FIPB) would be required.

Box 1

Growth History of FDI in Retail Sector in India

- As part of the economic liberalization process set in place by the Industrial Policy of 1991, the Indian government set to open the retail sector to FDI in slow and graduated steps.
- 1995: General Agreement on Trade in Service (GATS) of the WTO which includes both wholesale and retailing services, came into effect.
- 1997: FDI in cash and carry (wholesale) with 100% rights allowed under the Government approval route.
- 2006: FDI in cash and carry (wholesale) was brought under automatic approval route; Upto 51% investment in single brand retail outlet permitted under Government route, subject to Press Note 3 (2006 series).
- 2011: 100% FDI in Single Brand Retail allowed under the Government route.
- 2012: 100% FDI in Single Brand Retail allowed under the Government route. On 20 September 2012, the Government allowed 51% FDI in multi-brand retail under the Government route.
- 2013:FDI up to 100 per cent is allowed for retail trade of 'single brand' products, under automatic route in case of investment up to 49 per cent and with prior Government approval in case of investment beyond 49 per cent.

As per the Statement on Industrial Policy dated 24 July 1991, FDI in the trading sector was permitted up to 51 per cent only in the trading companies, primarily engaged in export activities. In 1997, FDI in trading companies was permitted upto 100 per cent under the Foreign Investment Promotion Board (FIPB) route in case of the following activities: (a) exports; (b) bulk imports with ex-port/ex-bonded warehouse sales[6] ; (c) cash and carry wholesale trading[7] ; and (d) other import of goods or services provided at least 75 per cent is for procurement and sale of goods and services among the companies of the same group and not for third party use or onward transfer/distribution/sales.

As part of liberalization process, in the year 2000, in addition to FDI in export trading, bulk imports with ex-port/ex-bonded warehouse sales, and wholesale cash and carry trading, other permissible modes of trading, as per the Export-Import Policy, opened up for FDI were— (i) in companies for providing after-sales service; (ii) in domestic trading of products of joint ventures; (iii) in trading of hi-tech items; (iv) in items for social sector; (v) in hi-tech medical and diagnostic items; (vi) in items sourced from Small Scale Industries Sector; (vii) in domestic sourcing of products for exports; (viii) in test marketing[8] of such items for which a company has an approval for manufacture provided such test marketing facility is for a period of two years; and (ix) in investment in setting up manufacturing facilities.

In 2006, FDI in cash and carry wholesale trading was brought under automatic approval route and investment upto 51 per cent was permitted in single brand retail outlet[9] through Government route and subject to Press Note[10] 3 (2006 Series). In 2011, FDI in Single Brand Retail was allowed to the extent of 100 per cent under the Government route and in 2012, the Government approved to permit 51 per cent FDI in multi-brand retail[11] under the Government route and subject to Press Note 5 (2012 Series). In December 2012, Parliament approved of the Central Government's decision to allow FDI in

[5] FDI is allowed under the automatic/direct route without prior approval either of the Government or the Reserve Bank of India in all activities/sectors as specified in the consolidated FDI Policy, issued by the Government of India from time to time. FDI in activities not covered under the automatic route requires prior approval of the Government which are considered by the Foreign Investment Promotion Board (FIPB), Department of Economic Affairs, Ministry of Finance.

[6] A bonded warehouse is a building or other secured area in which dutiable goods may be stored, manipulated, or undergo manufacturing operations without payment of duty. It may be managed by the State or by private enterprise. In case of import with ex-port/ex-bonded warehouse sales, imported goods are temporarily or for a fixed period are entered for warehouse storage before they are transported out-bound to another country.

[7] Cash & Carry Wholesale Trading means sale of goods/merchandise to retailers, industrial, commercial, institutional or other professional business users or to other wholesalers and related subordinated service providers.

[8] Product development stage where the product and its marketing plan are exposed to a carefully chosen sample of the population for deciding if to reject it before its full scale launch.

[9] FDI in single brand retail implies that a retail store with foreign investment can only sell one brand and only those which are branded at the time of manufacturing and subject to the conditions laid down by the Government.

[10] The Department of Industrial Policy and Promotion (DIPP) , Ministry of Commerce & Industry, Government of India makes policy pronouncements on FDI through Press Notes/Press Releases which are notified by the Reserve Bank of India as amendments to the Foreign Exchange Management (Transfer or Issue of Security by Persons Resident Outside India) Regulations, 2000.

[11] FDI in multi-brand generally refers to a retail store with a foreign investment selling multiple brands under one roof and subject to the conditions laid down by the Government.

Multi-Brand Retailing. This paved the way for foreign retailers to open retail stores with 51 per cent ownership in major cities to sell a large variety of products under one roof.

Current Policy on FDI in Retail

(i) Cash and Carry Wholesale Trading

As per the current status, FDI up to 100 per cent for cash and carry wholesale trading is allowed under the automatic route. Wholesale trading would, accordingly, be sales for the purpose of trade, business and profession, as opposed to sales for the purpose of personal consumption. The yardstick to determine whether the sale is wholesale or not would be the type of customers to whom the sale is made and not the size and volume of sales.

Box 2

Conditions for Wholesale Trading through Cash & Carry Outlets

- For undertaking Wholesale Trade, requisite licenses/registration/permits, as specified under the relevant Acts/Regulations/Rules/Orders of the State Government is required.
- Except in case of sales to Government, sales made by the wholesaler would be considered as "cash & carry wholesale trading/wholesale trading" only with valid business customers.
- Full records indicating all the details of such sales should be maintained on a day-to-day basis.
- Wholesale trading of goods would be permitted among companies of the same group. However, such trading to group companies taken together should not exceed 25 per cent of the total turnover of the wholesale venture.
- Wholesale trading can be undertaken as per normal business practice, including extending credit facilities subject to applicable regulations.
- A wholesale cash & carry trader cannot open retail shops to sell to the consumer directly.

Box 3

Valid Business Customers for Wholesale Trader

- Entities holding sales tax/VAT registration/service tax/excise duty registration; or
- Entities holding trade licences issued by a Government Authority reflecting that the entity/ person holding the license/registration certificate/ membership certificate are themselves engaged in business involving commercial activity; or
- Entities holding permits/licence etc. for undertaking retail trade (like *tehbazari* and similar license for hawkers) from Government Authorities/ Local Self Government Bodies; or
- Institutions having certificate of incorporation or registration as a society or registration as public trust for their self consumption.

(ii) Single Brand Product Retail Trading

As per the current position, FDI up to 100 per cent is allowed, under automatic route in case of investment up to 49 per cent and with prior Government approval in case of investment beyond 49 per cent, for retail trade of 'single brand' products. Foreign investment in single brand product retail trading is aimed at attracting investments in production and marketing, improving the availability of such goods for the consumers, encouraging increased sourcing of goods from India, and enhancing competitiveness of Indian enterprises through access to global designs, technologies and management practices.

Applications seeking permission of the Government for FDI in retail trade of 'single brand' products would be made to the Secretariat for Industrial Assistance (SIA) in the Department of Industrial Policy & Promotion. The applications would specifically indicate the product/ product categories which are proposed to be sold under a 'single brand'. Any addition to the product/product categories to be sold under 'single brand' would require a fresh approval of the Government.

Box 4

Conditions for Single-Brand Product Retail Trading

- Products to be sold should be of a 'Single-Brand' only.
- Products should be sold under the same brand internationally.
- 'Single-Brand' product retail trading would cover only products which are branded during manufacturing.
- A non-resident entity or entities, whether owner of the brand or otherwise, shall be permitted to undertake 'single brand' product retail trading in the country for the specific brand.
- In respect of proposals involving FDI beyond 51 per cent sourcing of 30 per cent of the value of goods purchased will be done from India, preferably from Micro, Small and Medium Enterprises (MSMEs), village and cottage industries, artisans and craftsmen, in all sectors.
- Retail trading, in any form, by means of e-commerce, would not be permissible, for companies with FDI, engaged in the activity of single-brand retail trading.

(iii) Multi-Brand Retail Trading

Currently, 51 per cent FDI is permitted in multi brand retailing in India under the Government route. However, multi-brand retail implies that a retail store with a foreign investment can sell multiple brands under one roof with the following conditions:

Box 5

Conditions for Multi-Brand Product Retail Trading

- Fresh agricultural produce may be unbranded.
- Minimum amount to be brought in, as FDI, by the foreign investor, would be US$ 100 million.
- At least 50 per cent of total FDI brought in the first tranche of US$ 100 million shall be invested in 'backend infrastructure'[12] within three years. Subsequent investment in the backend infrastructure would be made by the Multi-Brand Retail Trading retailer as needed, depending upon its business requirements.
- At least 30 per cent of the value of procurement of manufactured processed products purchased shall be sourced from Indian 'Micro, Small and Medium' industries, which have a total investment in plant & machinery not exceeding US$ 2 million[13].
- The procurement requirement, as mentioned above, would have to be met, in the first instance, as an average of five years' total value of the manufactured/processed products purchased, beginning 1 April of the year during which the first tranche of FDI is received. Thereafter, it would have to be met on an annual basis.
- Self-certification by the company, to ensure compliance of the conditions mentioned above, which could be cross checked, as and when required. Accordingly, the investors shall maintain accounts, duly certified by statutory auditors.
- Retail sales outlets may be set up only in cities with a population of more than 10 lakhs as per 2011 Census or in any other cities as per the decision of the respective State Governments, and may also cover an area of 10 kms around the municipal/urban agglomeration limits of such cities[14].
- Government will have the first right to procurement of agricultural products.
- Retail trading, in any form, by means of e-commerce, would not be permissible, for companies with FDI, engaged in the activity of Multi-Brand Retail Trading.
- Applications would be processed in the Department of Industrial Policy & Promotion, to determine whether the proposed investment satisfies the notified guidelines, before being considered by the Foreign Investment Promotion Board for Government approval.

[12] 'Back-end infrastructure' includes capital expenditure on all activities, excluding that on front-end units; for instance, investment made towards processing, manufacturing, distribution, design improvement, quality control, packaging, logistics, storage, warehouse, agriculture market produce infrastructure, etc. Expenditure on land cost and rentals will not be counted for the purpose of back-end infrastructure.

[13] This valuation refers to the value at the time of installation, without providing for depreciation. The 'small industry' status would be reckoned only at the time of first engagement with the retailer, and such industry shall continue to qualify as a 'small industry' for this purpose, even if it outgrows the said investment of US$ 2 million during the course of its relationship with the said retailer. Sourcing from agricultural co-operatives and farmer co-operatives would also be considered in this category.

[14] Retail locations will be restricted to conforming areas as per the Master/Zonal Plans of the concerned cities and provision will be made for requisite facilities such as transport connectivity and parking.

(iv) E-Commerce Activities

100 per cent FDI is permitted through automatic route. E-commerce activities refer to the activity of buying and selling by a company through e-commerce platform. Such companies would engage only in Business to Business e-commerce and not in retail trading, *inter-alia* implying that existing restrictions on FDI in domestic trading would be applicable to e-commerce as well. Online shopping is in the early stages, with e-commerce sales equal to less than 1 per cent of all retail sales, but growth is expected as more people access the Internet. Mobile phones, electronic appliances, apparel, movies, music, and books are the fastest-growing categories, with new entrants, new business models, and new niche categories flooding the market.

An Enabling Policy

The FDI policy in retail is an enabling policy only and the State Governments/Union Territories would be free to take their own decisions in regard to implementation of the policy. Therefore, retail sales outlets may be set up in those States and Union Territories which have agreed, or agree in future, to allow FDI in multi-brand retail trading under this policy. The establishment of the retail sales outlets will be in compliance with the applicable State/Union Territory laws/regulations. Retail trading, in any form, by means of e-commerce, would not be permissible, for companies with FDI, engaged in the activity of multi-brand retail trading. Though the FDI Policy in multi-brand retail is approved by the Cabinet, the final authority for granting trade licences rests with the States under their respective Shops and Establishment Acts and only in the cities with a population of more than one million.

Out of twenty nine States and seven Union Territories in the country, only eleven States and two Union Territories are in favour of FDI in Multi-Brand Retail according to the government data as in the month of June 2014.

Box 6

States and Union Territories in India in favour of FDI in Multi-Brand Retail

- Andhra Pradesh
- Assam
- Delhi
- Haryana
- Himachal Pradesh
- Jammu & Kashmir
- Karnataka
- Maharashtra
- Manipur
- Rajasthan
- Uttarakhand
- Daman & Diu (UT) and
- Dadra & Nagar Haveli (UT)

Key Players in Indian Retail Market

Some of the key players in the Indian retail market, with a dominant share include Pantaloon Retail, a Future group Venture; Shoppers Stop Ltd; Spencer's Retail, a RPG Enterprises and Lifestyle Retail and Landmark Group Venture. Other major domestic players in India are Bharti Retail, Tata Trent, Globus, Aditya Birla 'More' and Reliance Retail. Some of the major foreign players who have entered the segment in India are: IKEA, M/S H&M MENNES & MAURITZ GBC AB & Decathlon S.A., France, British retailer Tesco Plc (TSCO) and Marks & Spencers, which have a joint venture with Reliance Retail.

Box 7

Effects of FDI on Retail Sector: Views For and Against

Views For

- With FDI in the retail sector organised sector will grow and it will generate revenue for the government.
- Will infuse capital and develop efficient supply chain logistics.
- At least 50 per cent of total investment will be in villages.
- Transformation of rural India through improved agro-processing and cold chain.
- Farm produce reaches store directly thereby, reducing wastage.
- Excessive reliability on intermediaries/mediators would fade away.
- Farmers will benefit immensely as retailers will introduce stability and economies of scale.
- Farmers will receive better/fair prices by directly selling to organised retailers.
- Farm produce will reach in hygienic conditions to stores directly resulting in good quality, quantity and at lower prices to the consumers.
- Consumers will benefit from the product choice to choose from variety of goods.
- Will provide superior technical and operational expertise.
- Will provide a larger market which may spread beyond national boundaries.
- Will check inflation by increased competition and resultant lower price.
- Will create jobs not only in the front-end retailing but also in the activities at back-end retailing.

Views Against

- Foreign retailers may not necessarily source their supplies from the local farmers, suppliers, and domestic manufacturers.
- Farmers may face problems like rejection of supplies because of non-compliance with quality standards.
- Small farmers will not benefit from the FDI policy.
- Difficulties may arise in disposing rejected quantities and in complying with inconvenient delivery schedules.
- Big retailers may be unwilling to extend production and consumption loans to farmers.
- Farmers and domestic manufacturers may lose their markets.
- Will mainly cater to high-end consumers placed in tier-1 and tier-2 cities and will not deliver mass consumption goods for consumers in villages and small towns.
- Workers safety and policies are not defined/ mentioned clearly.
- Will affect around 50 million small merchants in India.
- Retailers face heavy loss of employment and profit.
- Will lead to an increase in the real estate cost.

SWOT Analysis of FDI in Indian Retail Sector

SWOT stands for the Strength, Weakness, Opportunity and Threat. SWOT Analysis is a simplistic analytical technique which is used to focus on these four parameters of any object under study and summerises the prevalent situations on the basis of these four parameters and help in the devising of future vision, plans and strategies employing existing strengths, redressing existing weaknesses, exploiting opportunities and defending against perceived threats.

Box 8

Strength

- Will boost economic development.
- Young and dynamic manpower to take the challenge.
- Highest shop density in the world so no fear for small outlet.
- High growth rate in retail and wholesale trade in India.
- Presence of big business/industry house which can absorb losses.

Weakness

- Low capital investment in retail sector.
- Lack of trained and educated force.
- Lack of competition.
- More prices as compared to specialized shops.
- Poor infrastructure.
- Heavy wastage due to non-availability of sufficient warehouses and cold storage facilities.

Opportunities

- Hope of Major employment generation in future.
- Will improve the financial conditions of farmers.
- Will add to retailer's efficiency.
- Foreign capital inflows.
- Growth of well developed and networked supply chain logistics including transportation, communication, and storage infrastructure.
- Big markets with better technology and branding.
- Quality improvement with cost reduction.
- Increasing the export capacity.
- Increase in lifestyle changes and status consciousness.

Threats

- *Kirana* and retailers may lose business in long run.
- Fear of controlling the retail sector by foreign investors/big stores.
- FDI in multi-brand retail may result in job losses in manufacturing sector.
- Roadside bargains may start which may harm the farmers.
- Work will be done by Indians and the profit will go to foreigners.
- Farmers will be exploited and will lose their fields and crops to foreign investors.

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