



CONSEQUENCES OF COVID-19 ON RETAIL SECTOR IN INDIA

M. Pallavi

Associate Professor, Department of Business Management, Sardar Patel College,
Hyderabad, Telangana, India

ABSTRACT

The retail sector in India is 5th largest global destination and most dynamic fast-growing sectors the retail sector brings together the consumer, distributors and manufacturers along with other segments like transportation, logistics and other chains. It being one of the pillars in Indian economy the retail sector contributed nearly 40% to India's consumption and close to 10% of India's GDP early 2020. There was a severe impact on retail sector due to covid-19 as the government announced quarantine and restricted physical service in the stores. At this situation government took a decision to sell the essential goods and services though least services started but this influenced retail sector because of high decline in demand for non-essential goods and services. After the pandemic the fear of crowded places consumers have preferred to online shopping this was an overall impact on retail business. Due to change in consumer buying behaviour after the pandemic the retail sector need to face the challenges. This paper deals with the impact and challenges faced by the retail sector during the pandemic. The study will focus on the government initiatives to improve the retail industry in India.

Key words: Retail Sector, Impact, Challenges, covid-19, Govt. Initiatives.

Cite this Article: M. Pallavi, Consequences of COVID-19 on Retail Sector in India, *International Journal of Marketing and Human Resource Management (IJMHRM)*, 13(1), 2022, pp. 59–64.

<https://iaeme.com/Home/issue/IJMHRM?Volume=13&Issue=1>

1. INTRODUCTION

Indian retail industry is one of the most dynamic and fast-moving industries as a result of entry among several new players in the sector. India is the fifth-largest global destination in the retail sector and ranked 63 in the world banks doing business 2020. It consists of all the companies which are selling goods and services to the consumers and the retailer is to play a role of facilitator between a manufacturer and a consumer. The retail sector is classified as organized and unorganized retailing based on the employment condition. The retail sector in India has undergone a tremendous growth in the last 10 years. The covid-19 was the biggest unpredicted interruption of life and the business in the recent history and the changes in the external environment of retail sector has drastically affected in the country. The sale in India was slide to 79% during pandemic compared to pre-covid sales as per Retailer Association of India (RAI).

Most of the stores were shut except stores selling essential food and medicine rest all the non-essential stores such as apparel and home appliance have stagnated completely during lock down. Retailing in India is one of the important pillar of Indian Economy and its accounts for about 10 Percent of its Gross Domestic Product. India is a growing country which has large space for consumer as well as capital goods. India's abundant and diversified natural resources attract the multinational players and its sound economic policy, good market conditions and highly skilled human resource, it makes a proper destination retails industry sector in India to Investment. The Indian Retail Industry has more than Fifteen Million Retailers, Small and Big Retailer in India with traditional and modern trade. The Overall Retail Market in India is likely to reach the Indian retail market is estimated to be US\$ 600 billion and one of the top five retail markets in the world by economic value. India is one of the fastest growing retail markets in the world, with 1.2 billion people. presenting a strong market position in the globe. India is the 5th largest retail market in the world. out of total Indian retail market, 8% is made up by the Organized retail market and created almost 30% growth in 2015. and hence at the a much faster pace than the overall retail market which is forecast to grow by 16% in the same period. Until 2011, the Central Government of India did not allow Foreign Direct Investment in retail sector.

The Retail Industry is divide Generally into Organized and Unorganized Retail in India
Organized Retail in India: Organized retailing refers to trading, and selling activities undertaken licensed retailers, those who have registered for sale tax, Goods and service tax, income tax, etc. authorities in India. These included Corporate-backed Hyper Market, Super Market, and Retail Chain. It is estimated share of Organized retail to go up 20 per by 2020.
Unorganized Retail in India: Unorganized retailing refers to the traditional form of low cost retailing i.e., Local Market, Local Shops, Single Owner operated shops, general stores, convenience store, cart stores, Street Vendors, Hawkers etc. The growth in unorganized retail sector in pegged at 6 %.

The study contains information about the retail industry and its consequences, challenges faced by the retailers in India during covid-19.

2. OBJECTIVES OF THE STUDY

- To study the impact of covid-19 on retail sector in India.
- To identify the challenges faced by the retail sector during the pandemic.
- To explore the Government of India initiatives to develop the retail Industry.

3. IMPACT OF COVID-19 ON RETAIL SECTOR

3.1. Impact on Indian Economy during Pandemic

The impact of covid-19 on retail sector is largely disruptive with distinct number of factors and the lock down has pushed the country's domestic economy of 13billion people into a dark zone. It has severe impact on the organized and unorganized retailers in India. The global financial institutions have changed the outlook of India's economy and growth has lowered the country GDP growth rate. It has directly affected the demand, production & operations and supply chain of the Indian retail sector. Indian retail sector is one of the pillars of Indian economy, it employs about 40 million Indians. The retail sectors are a capital and labour intensive business, which mean that any interruptions can lead to disproportionate employment consequences and confirmed financial crises in the country. The labour in this retail sector majorly part-time, low-wage worker which are lacking of the social protection measures which increased the social consequences of the crisis in the retail sector.

3.2. Impact on Lifestyle of People during Pandemic in Retail Sector

The retail sector has observed a swap in the consumer behaviour and overall lifestyle. Due to Covid-19 the consumers have become more conscious of health, safety norms and fear of crowded places. Most of the consumers have changed their traditional shopping habits and move towards online, contactless shopping and payments by staying at home and not moving out to the store. With digitalization success the retailers have change their selling habits as well and opt for online shopping through websites or applications, with the trend and innovate themselves to improve sales and enhance digital footprints. Due to covid-19 there was a change in needs and wants of consumers in retail sector.

4. VARIOUS CHALLENGES FACED BY THE RETAIL SECTOR DURING PANDEMIC

4.1. Stumble in Consumption during Pandemic

Consumer spending fell sharply in 2020 due to the pandemic. Consumers has no option for spending on products due to decrease in the income levels. The lock down has lowered the consumption of the goods due to fear of disease and economic impact of the pandemic cut into the people's wallet.

4.2. Reduction in Business in Retail Sector

Due to pandemic there was a change in demand for essential and non-essential retail goods. The government gave permission in pandemic to sell only essential goods with shops like supermarkets and Kirana stores might face a smaller impact. But the people staying at home look after to depend more on their local store more than before ever. Specifically, in India most of the non-essential goods have got affected by 80% to 90% reduction on sales in 2020 mainly fashion, home application, apparel and footwear retail shops. Even the retailers selling essential goods faced losses because they didn't allow selling the non-essential goods which would prefer higher margins. The retailers have the habit of doing clearing sale every year in the month of march the financial year 2020 was affected by this covid-19.

4.3. Decrease in Brand Loyalty

Brand loyalty describes consumer devoted to a brand due to them believe the brand offers a high quality, experience, product or service than others. The covid-19 has disrupted many consumers from their normal shopping patterns due to lock down they have started buying only the essential goods from the nearby retailers in their area, and according to necessity the consumers have faced to purchase available alternative brands or visit different stores in the pandemic.

4.4. Disruption in Supply Chain

Due to lockdown there was a gap on the free movement of transportation it has entirely affected the supply chain covering all the industries from the suppliers of raw material till the last mile of the customer there was disruption in each stage. The retailers have faced the challenge of inventory and deliverables of the products.

5. CHALLENGES FACED BY THE INDIAN RETAIL INDUSTRY

5.1. Inadequate Infrastructure: In Indian Retail Industry is identifying that inadequate infrastructure is one of the major challenges that take into consideration. The challenge facing developing countries goes beyond lack of infrastructure just like Electricity, proper space, basic amenities, safe storage, safety measures, deliveryservices, drinking water, sanitation, savage

water, lack of modern energy source, medical facility, etc. Prior to these Indian entrepreneurs recognise the importance of the Infrastructure continuously contributing to increased investment and productivity Indian Retail Industry.

5.2. Distribution System

This is the main hindrance for the Indian retailers while developed countries created the proper distribution channels, this is the major hindrance for retailers as non-efficient distribution channel is very difficult to handle and can result in huge losses. Transportation including, road, railways, airways, have to be enhanced the capacity of supply chain and logistics. India has lot of potential to make distribution channel easier through using Modern Technology, Logistics support, Innovation, Robotics, and Inventory Management.

5.3. Unskilled Human Resource

Employee poaching is also very high in the Indian retail industry. Manpower is scares in this industry and such attracting employees of competitors by offering them better salaries, incentives, other facilities like pickup and drop, basic amenities, etc., However, the unskilled workforce is available to retailers that if the employee deny the following a working holiday or till late hours, or they ask for a hike they are simply replaced by newer and cheaper staff.

5.4. Policy Barriers

Multiple laws and regulations are in India in force at the central, state and local governing absence of specific legislations controlling distribution trade and the existence of rule and law such as Essential Commodities Act, Goods and Service tax, and Other relative's laws, like The Weights and Measure act, leads to market distortion. Modern Entrepreneurs wants easier formats of rules and regulations. Organized retail in India is managed by both the Ministries of Commerce & Consumer Affairs. Retail policies framed by the Ministry of Commerce and the Ministry of Consumer Affairs regulates retailing in terms of licenses and legislations. There is need to create a single apex body to take care of retail operations.

5.5. Insufficient Funds

The Indian retail sector accounts for 22 per cent of the GDP to 8 per cent of the total employment. India continues to be among the most attractive investment proposition for world retailers. Despite, of that Foreign Direct Investment up to 100 per cent was allowed for cash and carry wholesale trading and export trading under automatic route and FDI up to 51 per cent was allowed in single brand product, with prior government approval.

5.6. International Standard

Even though Indian Retail Industry has 5 million retail outlets prior to this retail outlet are not up to the mark of International Standard. Still Some of the International brands have not opens their retail outlets in India.

6. IMPACT AND CHALLENGES AFTER LOCKDOWN

The COVID-19 Pandemic has slow down the economy. The exceptional global crisis creating a future negative impact on consumer sentiment that retail industry had been suffering. In India, the complete lockdown has changed the scenario of the Indian retail industry and it is necessity from the health care perspective. In India the retail industry is the second most employer of the country and provide for larger employment to huge population. A Medium and Small size firms alone employ about 400-450 million people and monthly business \$70 billion. Keeping with this number in mind some questions are arises. Will the retail industry able to survive from

huge crisis? How many retail industries will shut down? How many retail industry will bankruptcy and shutting down, how will the Indian market survive in this pandemic situation? Due to mandatory closure of the retail store across the country, the retailer faces the huge crisis and insolvency problem with store at risk to shut down and millions of people become the jobless.

7. OPPORTUNITIES IN INDIA FOR THE RETAIL INDUSTRY

The Indian Retail Industry is playing a significant role in providing employment a large to Indian people. The lockdown become a real accelerator of digital transformation in the retail industry. Prior to this COVID-19 Pandemic has created the many opportunities to retail industry and its time to change the business scenario. The Retail Industry have accelerated space their digital initiative and doubling the rate of online services and home delivery option. The Indian Retail Industry is step by step inching its way toward becoming the giant industry. The whole concept of shopping has altered in its terms of format and consumer behaviour, ushering in a revolution in shopping in India. Modern retail has entered India as seen in sprawling shopping centre, multi-store mall and huge complex offer various services under one roof. The Indian society has experiencing the significant changes in its demographics. A large number of working young population associated with the Indian Retail Industry is core part. This will help the retail industry to expand the reach in such high potential to Indian retail market.

8. GOVERNMENT INITIATIVES TOWARDS RETAIL INDUSTRY IN INDIA

The government of India has taken initiatives to improve the retail industry in India

- In July 2021, the Andhra Pradesh government announced retail parks policy 2021-26, anticipating targeted retail investment of Rs. 5,000 crores (US\$ 674.89 million) in the next five years.
- On 21st October 2021, the RBI announced plans for a new structure for the retail digital payments in offline mode to accelerate digital payment adoption in the country.
- Government may change Foreign Direct (FDI) rules in food processing in a bid to permit E-commerce companies and foreign retailers to sell Made in India consumer products.
- Government of India has allowed 100% FDI in online retail of goods and services through the automatic route, thereby providing clarity on the existing business of E-commerce companies operating in India.
- The government focus to improve digital infrastructure in Tier 2 and Tier 3 markets would be favourable to the sector.
- The minister of MSME announced inclusion of retail and wholesale trades as MSMEs. Retail and wholesale trade will now get the benefit of priority sector lending under the RBI guidelines.

9. CONCLUSION

This covid-19 has brought many changes all over the world in all the aspects. It has an impact on the economy and lifestyle of the people. Financial crisis has faced in India due to pandemic mainly in organized and unorganized retail sector. Specially there was a great impact of covid-19 on the non-essential items in retail business. The supermarkets and local Kirana retailers appeared to be the winners in this pandemic as many of the consumers have brought their essential goods from the nearby local supermarkets. In this covid-19 consumers along with the

retailers have opt for digital shopping and payment. Pandemic has given many challenges to the modern retailers and provided opportunities to both the traditional and modern retailers.

REFERENCES

- [1] M. Nicola et al., “The socio-economic implications of the coronavirus pandemic (COVID-19): A review,” *Int. J. Surg.*, vol.78, no. March, pp.18 –193, 2020.
- [2] J. Saha, B. Barman, and P. Chouhan, “Lockdown for COVID-19 and its impact on community mobility in India: An analysis of the COVID-19 Community Mobility Reports, 2020,” *Child. Youth Serv. Rev.*, vol. 116, no. June, p. 105160, 2020.
- [3] R. Kr. R. R. Aa. E. Elavarasu, “Challenges and Opportunities of Retailing in India During Covid-19 Pandemic Period -a Behavioural Approach,” no. July, 2020
- [4] Dyatkin, B. (2020). COVID-19 pandemic highlights need for US policies that increase supply chain resilience. *MRS Bulletin*, 45(10), 794-796.
- [5] Naeem, M. (2020). Understanding the customer psychology of impulse buying during COVID-19 pandemic: Implications for retailers. *International Journal of Retail & Distribution Management*, 49(3), 377-393.
- [6] *Entrepreneurship, Business and Economics*, 8(1), 77-88. Łasak, P. (2021). The commercial banking sector in Eurozone after the pandemic: the paths to recovery. *European Research Studies Journal*, 24(1), 1233-1246.
- [7] N. Akhtar, M. Nadeem Akhtar, M. Usman, M. Ali and U. Iqbal Siddiqi, “COVID-19 restrictions and consumers’ psychological reactance toward offline shopping freedom restoration,” *Serv. Ind. J.*, Vol. 40, no. 13–14, pp. 891–913, 2020
- [8] Abay, K.A., Tafere, K. and Woldemichael, A., 2020. Winners and losers from COVID-19: Global evidence from Google Search. *World Bank Policy Research Working Paper*, (9268).