

ET INTERACTIVE

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## ‘We need a clear retail policy’

*RETAILERS Association of India (RAI), the country's apex retailers' body, was created to develop, facilitate and propagate practices and processes that will grow the Indian retail industry. Kumar Rajagopalan, RAI CEO, spoke to Sreeradha D Basu about the effects of the slowdown, FDI in retail and the incentives required from the government for the sector. Excerpts:*

**The retail sector has been lobbying for industry status and a retail policy. The government has not so far acted on this demand of the industry...**

The need for recognising retail as an industry has been before the government for some time now. The sector employs more than 25 million people and can help boost consumption and drive growth in the economy. The government has already witnessed the benefits of encouraging retail in areas such as banking, insurance and telecom. RAI was formed to work with all stakeholders to create the right environment for the growth of retail in India. RAI has a significant number of small retailers as its members and the association strives to establish modern retail practices in the country.

**What are the main challenges and opportunities before the Indian retail sector today?**

The return of consumer confidence to a healthy level provides retail business a big boost. However, to build on the internal consumption potential of the country, the retail sector needs to be supported with changes to some of the laws of the country and creating of infrastructure. A clear retail policy is required to help modern retailing grow. An empowered committee with representatives from the retail industry should guide and supervise implementation of the same.

**How has the global slowdown affected the Indian retail sector? Is the situation improving?**

Global slowdown has definitely affected us and dampened customer sentiments. But there is more optimism now. Besides, consumption levels in India were anyway on the lower side and given our demographic profile, consumption will rise. Some retailers have started experiencing double-digit growth on a month-on-month basis. This has enabled many retailers get back to faster front-end (store level) expansion programme without increasing their capacity at the backend.

**What are RAI's views on FDI in retail?**

Retail definitely needs investments. FDI offers a method of getting a more competitive source of funds. In some instances, FDI can help retailers get much needed technical know-how. Tie-ups can also help transfer supply chain efficiencies and buying efficiencies for retailers. The country has already experienced the impact of FDI in consumer-facing industries such as banking, telecom and insurance.

**How will the GST regime affect the country's retail business?**

If GST is implemented after adequate consultations with various stakeholders, it can be a great boon for the country. Cross border retail across states can get easier with GST and this would help many retail companies to expand their distribution optimally. It can also have significant

impact on the supply chain. Although the road infrastructure in the country has improved significantly in the past few years, it has not translated into great savings on transportation time due to the multiple state level and city level entry formalities in across the country. The GST regime can help address some of the problem. The need for considered implementation is critical for GST to succeed. For instance, if some goods like garments get taxed higher due to averaging of rates, the garments sector could find itself facing demand issues.

**What additional incentives can the government give to boost the retail sector?**

There are several other affirmative steps that can be taken. This includes GST refunds to make India attractive for foreign tourism to shop, reduction in custom duties on consumer items and creation of retail and entertainment zones on the lines of SEZs. This shall also be a step in the right direction to promote shopping and tourism, thereby increasing our foreign exchange reserves. Another initiative that can boost consumption would be a central directive to enable retailers to operate on a 24x7 basis, subject to adherence to labour laws.

