Title: Liberalisation of the Indian Retail Sector- An Examination of Macro Level HR Implications and Challenges

Abstract:
This conceptual paper examines the prospects of liberalisation of the Indian retail sector, with a futuristic eye on the macro level Human Resources (HR) implications and challenges. Drawing on broader theoretical concepts from the existing literature on globalisation and liberalisation, such as the 'race to the bottom' (RTB) and 'bottom of the pyramid' (BOP), it aims to first, look at the challenges global retail giants would face in order to adapt their organisational culture to the Indian business context. Second, in terms of sustainability, it looks at how the retail sector would cope with the vast requirement and challenges of its workforce. In doing so it identifies various implications on demographics, unemployment, indigenous traditions, RTB and reforms. This paper also identifies among others, three major challenges in the form of bureaucracy, corruption and online retail battles. It concludes by framing a conceptual model based on the implications and challenges discussed above. This paper thus contributes to new knowledge in the form of futuristic macro level HR implications and challenges within the prospective liberalisation of the retail sector in an emerging market economy, India.

Keywords: India, Retail, Liberalisation, Human-Resources

1.0 Introduction

This paper concerns an examination of macro level human resource implications and challenges in the planned liberalisation of the Indian retail sector. In doing so, it makes a timely contribution that captures the current debates regarding opening up of this significant sector to foreign direct investment (FDI) by major global retail players (see for e.g. Singh and Dave, 2013; Hemalatha, Narayanan, Sridevi and Jayakumar, 2013; Kathuria and Jain, 2012). This paper draws on broader theoretical concepts from the existing literature on globalisation and liberalisation, such as the 'race to the bottom' (RTB), 'bottom of the pyramid' (BOP), and Indian cultural value systems (Pereira and Muniappan, 2013).

In recent decades India has been regarded as the global service centre and often compared with China known as the global factory. Nevertheless, how have these countries gone from 'working' for the Western world to becoming powerful economies in their own right and now set to challenge their once 'employers'? With China growing from strength to strength, India has often been overlooked, but India's future prospects are exciting as '20 per cent of the world's population under the age of 25 live in India' (Nankervis & Chatterjee, 2007:85). This statement combined with the current despondency of the western economy, will surely result in a rise of the east. However is India really ready to take on this title of 'a future super power'? A much more recent development has been the alteration of FDI within the organised retail sector in India, as 'the deregulation of retailing in emerging markets creates opportunity windows for global retail giants' (Yong, 2007:5). In the case of India multi-brand retailers are wishing to operate under their own brands in the Indian market, but why is the Indian government allowing this to happen now? Is there any correlation between the liberalisation of India in the past and the retail sector today? It is thus broadly envisaged that if the retail sector were to liberalise, it would bring about a new stage of globalisation in India. It is envisaged that a new stage of globalisation would commence as it would play an instrumental role in meeting the demands of the rising middle class in India. This could be achieved in two ways. First, through giving families the opportunity to purchase global brands on a much more local and broader platform i.e. through retail stores, and second, by generating new employment opportunities (Pereira and Patel, 2013; Handa and Khare, 2010).

It is against this backdrop then that we ask through our two main research questions- *first*, how will retail giants need to adapt their organisational culture to the Indian business context? With the Indian government opening up regulations to allow FDI in retail, entering India has become a priority for global retailers (Deloitte, 2008). When a retailer such as Wal-Mart enters the Indian markets, with its incredibly deep pockets, it will be able to sustain losses for many years until competition is wiped out (Guruswamy et. al., n.d.). Not just Wal-Mart, but even a large Indian retailer such as Reliance could sustain losses for long enough to put smaller retailers under pressure. Thus, these large retailers have financial muscle and might and could extend for e.g. shopping credit cards, promotion and loyalty reward programmes, and delivery, something that has been tried and tested and in existence in western markets for years. Additionally, once the large players have established a database and data points for individual customers in different regions, their ability to develop predictive modelling and offer targeted discounts would be much higher than the traditional 'Kirana' retailer (see Singh and Dave, 2013). This would entail job and 'livelihood' losses in the millions, as it would damage the very foundations of the Indian economy and the entrepreneurial spirit which India prides itself upon.

Second, in terms of sustainability, how will the retail sector cope with the vast requirements and challenges of its workforce? For example, will it result in 'brain drain' from existing sectors into organised retail in India? What can prevent this? As seen in other sectors such as the services and IT sectors, will this be the same result for retail in India? The 'Manpower group' states that- 67% of companies in India struggle for qualified and experience staff (Radjou, Prabhu, Ahuja and Roberts, 2012). Previous research within the Indian 'business process outsourcing' (BPO) industry too has seen this trend of lack of qualified (quality of people) and with relevant experience for this industry (Budhwar, 2012; Varma and Budhwar, 2011). If there is inadequate quality in terms of human resources within the Indian retail market this would lead to it not being able to achieve its potential and perhaps even lead to its demise. Thus, within organised retail it is not a straight forward transactional process, but is now increasingly more service orientated whereby quality personnel are required. Further, the case for the retail sector could be that although demand may exist for luxury products organised retail- how can this be delivered in terms of experienced staff? (Radjou et al, 59-60). Also in terms of brain re-gain, with the despondency of the current western economy, it could lead to workers who moved to the West (some 20-30 years ago) to move back to India. Thus people of Indian origin hoping to explore opportunities in Indian retail could return.

Relevant to the above two research questions, a further argument is that large foreign MNCs such as for e.g. Tesco (a UK based global retail giant), who have a track record of exploiting their UK suppliers, are now expanding to countries such as India. Similarly, how can India prevent this from happening to their farmers and producers? Given that even in the traditional supply chain in India, middlemen take away a large portion of the profit leaving farmers/producers to live a hand-to-mouth situation (Guruswamy et. al., n.d.). This scenario will worsen in the dawn of a Tesco-like supply chain pushing thousands below poverty line. Indeed this could lead to a 'race to the bottom' amongst suppliers (Bhagwati, 2004). This could also lead to multiple producers going into partnerships to reduce competition and overall losses, which in turn could lead to increased competition amongst producers. From a policy point of view, will there be regulations in place in order to prevent exploitation of the mass producers i.e. the farmers? As India stands on the threshold of a huge socio-economic transition, the retail industry (which is a huge contributor to the GDP and the largest employer after agriculture), will play a crucial role in driving growth. Will this growth lead to an increase in the gap between the rich and the poor instead of bridging it? An ideal opportunity for India would be to find the 'sweetspot' as described by Prahalad (2010) in his concept of ‘the bottom of the pyramid’, within Indian retail and FDI. This would provide both opportunities for the poor as well as cater for the increasing middle class of India through global brands.

In an attempt to answer the above questions, this paper looks at the current and relevant literature and critically discusses various macro level implications and challenges in the scenario of liberalisation of the Indian retail sector. It concludes by framing a conceptual model, which could be read as propositions or scenarios to be tested in the future.

2.0 Reviewing Extant Literature

2.1 Setting the Scene

Globalisation is the convergence of economic and industrial policies of nations which is caused by transformations in the global economy (Ravenhill, 2008). In the context of India, there are alternating opinions on whether liberalisation drives globalisation or vice versa. Here it could be argued that liberalisation is actually driven by globalisation because the pressures on a country to integrate within the global economy are increasing and since the 1990s were more so than ever. Liberalisation has seen FDI in India become a vital part of its growth (Singh and Dave, 2013; Pereira and Patel, 2013; Kathuria and Jain, 2012). Very few would see this as a negative, but if we were to mention ‘globalisation’ opinions would be different. We can associate the varying beliefs of globalisation to being, capitalist i.e. anti-socialist or vice-versa. These opinions are explained below.

On one hand the neo-liberals who are pro globalisers, ‘simply let free markets rule and all will be well’ (Dicken, 2010:5). Pro globalisation scholars such as Bhagwati (1991; 2004) are in favour of this stance and state that “foreign aid kills development” therefore through FDI, less economically developed countries (LEDCs) not only have more being invested into their country but leads to a sustainable means towards economic development. Bhagwati believes that by firms investing in LEDCs they are given the opportunity to progress both economically and socially. However if LEDCs were to receive aid, then this may be a short term solution for urgent issues such as food shortages. Thus pro-globalisers argue that globalisation and foreign investment allows these citizens to earn a living and contribute towards their country’s growth and development.

As seen above, pro-globalisers believe an improvement in living standards occurs through globalisation (Nayar, 2007). On the other hand hyper-globalisers take the opposite view whereby ‘free markets it is argued, inevitably create inequalities’ (Dicken, 2010:5). Many have supported this stance, as (Pandey, 2011:257) argued: 'Neo liberals never worry about the poor or welfare, culture or ecology'. He takes the Indian flagship IT industry as the most quoted industry when discussing India and globalisation. Pandey (2011:258) thus suggests that 'only around 0.1% of India's population are benefiting from employment in India's rapidly growing outsourcing, IT and service industries'. Arguably then, although the IT industry may be growing, it is benefiting India on an extremely small scale. So rather than the free markets ruling, it is actually the multi-nationals who are exploiting the labour forces and therefore keeping the huge savings that they make by operating in India. The pro-globaliser, neo-liberal stance can be supplementary to capitalism, since it is the firms who are acting as the capitalists and the countries (usually LEDCs) are being capitalised. This model has been supported by Wadhva, (2004:274) who is of the opinion that 'economic liberalisation in the organized manufacturing sector (subjected to rigid labour laws for retrenchment) has led to growth with very little additional employment'. He also argues that this type of jobless growth will also lead to social unrest. Having discussed both sides of the globalisation debate, the next section would discuss the economic liberalisation in the context of modern India.

2.2 Overview of modern India- Economic Liberalisation

In July 1991 a flight leaving Mumbai en route to London was a turning point in Indian history (Nath, 2008), as many scholars have put forward this fact to the birth of modern India. The plane contained 4.89 tons of gold from the reserve bank of India (RBI) to be retained by the Bank of England (BoE) as collateral for future borrowings (Nath, 2008). This was indeed the beginning of the most significant event in the modern Indian economic liberalisation. The main objective of economic liberalisation is to improve the competitiveness of a nation in the global market place and to ensure security of well-being and people is achieved through accelerated rates of economic growth (Wadhva, 2004). In 1991 India went one step further and the finance minister of the time Dr Manmohan Singh, now the Prime Minister, felt it was time to liberalise India's economy and allow FDI, so India could compete on the global stage. However, it can be argued that, 'prior to the reforms, foreign investment was viewed with some suspicion' (Ahluwalia, 2006:2). For many observers this seemed a shock move for a country which had closely guarded economic policies for so long. As Wadhva (2004:268) states, '...India had governed its economy through a policy regime of centralised planning accompanied by an extensive regulatory framework for more than forty years'. This was what was known as the 'Hindu growth rate' (Bhagwati, 1993). Hence, it demonstrates that India was a much more protectionist nation whereby they focused heavily on regulations and restrictions on goods and services. This bold move towards a more liberal economy was indeed somewhat surprising, reasons of which will be analysed below.

The high levels of debt that India was in at the time caused financial concern, as, ‘the balance of payments situation was almost unimaginable and the rate of inflation was high’ (Pandey, 2011:254). It was hoped that through liberalising the economy that FDI and a much more manageable financial situation would reduce inflation. It is important for an underdeveloped country such as India to address inflation with little tolerance, with 45% of the country below the poverty line in 1983 (Ahluwalia, 2006). Considering this statistic, if inflation continued to increase, it would have led to many Indians losing the uphill struggle of fighting poverty, which would ultimately diminish growth in the long term. The private sector activity in India had been somewhat limited before the reforms, with businesses much more public sector orientated. However this was to change in light of the economic reforms. Thus, it could be argued that there was a greater need for a ‘...prominence of the private sector instead of dominance by the public sector’ (Pandey, 2011:255), to lift India out of low growth. Bureaucracy and government intervention also prevented firms from performing optimally. Through the reforms it was hoped that firms would be given much more flexibility. Moreover it was the economic inefficiency of the public sector which contributed to the financial concerns of the late 1980’s (Bhagwati, 1993). However, after several years of enjoying economic liberalisation, overall the gap between the rich and the poor grew. This called for a more inclusive growth. One such novel idea is discussed below.

2.3 Eradicating poverty through profits

The fortune at the bottom of the pyramid (BOP) is a pro-globaliser concept whereby firms serve the BOP (the poor citizens in LEDCs). This in turn drives inclusiveness where the country of operation (India in this case) eventually reaps the rewards from cooperating with the BOP, as will be highlighted through the cell-phone case below. Not seeing the poor as a burden but a commercial opportunity is important for businesses now more than ever. In this context Prahalad (2010:76) argues that, ‘If an industry or firm finds ‘the sweet spot’ meaning the right business model and the right combination of products and services- these markets could have explosive growth’. The notion of globalisation ignoring the poor was argued above however the fortune at the bottom of the pyramid may very well lead to the poor becoming drivers of globalisation. Multinationals overlooking the poor in emerging markets due to assumptions are leaving huge gaps in the market unaddressed. This is depicted in the following figure 1:

Insert figure 1 here

The above depiction though has many limitations when considering ignored markets. For example, 'a cell phone minute costs less than $0.01 in India probably the lowest rate per minute anywhere' (Prahalad, 2010:9). This rate demonstrates the high level of customer demand. In order to respond to this demand, India was required to provide products and services which could meet the customers' needs and build a commercial environment, indicating inclusiveness. However this success cannot be mirrored by all industries and hence the success of the BOP is very much dependent on the adaptability, flexibility and of course demand of the consumers.

As stated above, the awareness of opportunities and products is vital for the BOP to succeed. Moreover, the private sector must make efforts to address this huge market in order to benefit India. Inclusiveness is extremely important for an emerging economy such as India as it ensures that development programmes and business activity benefits the country of operation as much as possible. Creating demand amongst the BOP will drive inclusiveness as it will foster domestic competition (Prahalad, 2010). Indeed these markets will not be developed in a short period of time. However if globalisation was to prevail and reduce poverty levels in India, these aspects will have to be addressed at some point.

Thus in the context of this paper, BOP and FDI in Indian retail could prove a huge opportunity for India, especially as 30% of goods are to be sourced by local Indian producers. International retailers collaborating with local producers would not only enhance the profile of the retailers and the decision of FDI but more importantly give those at the BOP opportunity to drastically improve their livelihood. We now turn to another relevant concept below.

2.4 Race to the bottom

This is a hyper-globaliser concept i.e. 'the race to the bottom' (RTB), has become increasingly both controversial yet apparent between firms and FDI. The concept surrounds multinational firms and LEDC governments whereby 'governments must cater to domestic and international interests by cutting wage and benefits' (Rudra, 2008:2). But the bottom line is that 'business is business' (Friedman, 1970) and firms now more than ever are urged to cut costs. Hence, this theory of RTB involves firms assessing the commerciality of investing in a particular country. Thus, where does India fit in the race to the bottom? Has there been more harm than benefit as a result of RTB in India?

In India 'total central spending in education, health and social security reaches just 1% of GDP, which is far below the developing country world average of 7%' (Rudra, 2008:113). In this scenario it is vital for people living in poverty to be able to have access to employment opportunities in the future in order to improve their chance of escaping poverty, let alone survive. LEDCs are vulnerable and those people below the living standards in these countries are more so, 'as international markets expand, governments reduce taxes on capital and in order to compete with other states for foreign investment and prevent capital flight' (Rudra, 2008:21). Rudra has proved this to be the case for India. He argues that since liberalisation India has reduced public spending, due to the policies that Manmohan Singh had adopted to make India much more economically focused as opposed to being socialist in nature. Thus, the inward orientation of the Indian economy was the most drastic change of the liberalisation in 1991 (Wadhva, 2004). Based on the above concepts we continue our argument in the context of the liberalisation of the Indian retail sector, the focus of this paper.

2.5 From the bottom, the only way is up?

It is argued that the success of Indian firms today could not have been possible without the once exploiting multinationals being present in India. Referring back to Baghwati's concept of 'foreign aid kills development' (Bhagwati, 2004), if India had received foreign aid instead of foreign investment this would have prevented or at least minimalised the opportunities for people to work in a commercial environment. In the former case, where they could not only improve their skills but also their English speaking abilities, one of the main advantages that India has over its gigantic neighbours China. The call centres occasionally labelled 'cyber coolies' (Ramesh, 2004) have seen the rise of the service industry in India, but now Indian multinationals are challenging Western multinationals on the global frontier. In addition to this many eyebrows were also raised when Tata actually acquired one of Great Britain's flagship brands Tetley in 2000, eventually acquiring former British Steel and the luxury car brand Jaguar Land-Rover (The Economist, 2011), thus becoming the UK's largest manufacturing employer (Pereira, 2012). These acquisitions for many seemed a true turning point in Global business as it signified the transition of Indian businesses through acquiring what were British brands close to many consumers' hearts. So if we were to take on board these global economic developments, would it be naive to think that the Indian and Chinese entrepreneurs would refrain from exploiting African workers in the future?

Thus, India has been the overall winner in the 'race to the bottom' as it opened many doors for Indian entrepreneurs to become much more skilled and commercially astute, therefore allowing them to compete on the global market. Moreover, India is seen as a 'global hotspot' for the service industry (mainly through outsourcing). It is often argued that, had it not been for the call centres in India we would not have Indian firms such as Infosys, Wipro, Tata Consultancy Services and Satyam challenging on the global forefront of the service sector. However, as these global giants grow and attract further global businesses in India, do they retain the local indigenous Indian culture in their work environment (Pereira and Muniappan, 2013)? What are the impacts of the wider global culture on Indian work ethos? Thus, at a macro HR level, would the liberalisation of the retail sector lead to preserving Indian culture, safeguarding employee rights, ensuring that growth does not ignore the poor producers and workers at the bottom? Furthermore, would it promote education of the labour market for smooth integration with global organisational workforce and customers? These are important questions that need to be addressed.

In essence then, India's integration into the global economy as explained in the section above has been as a result of liberalisation. Having already observed the impact from an organisational perspective with the BOP and RTB respectively, how has India been affected on a broader scale? As the majority of people in poverty are considered unskilled workers, the growth of India's manufacturing industry was seen to be a challenge. However, 'economic liberalisation in the organized manufacturing sector has led to growth with very little additional employment' (Wadhva, 2004:271). This poses a great danger for the poor and unemployed as their unemployment may lead to social unrest.

In the context of this paper, FDI in Indian retail could bring about a new race to the bottom with the international firms squeezing the local producers. This could be achieved by leading them to outbidding each other therefore rather than fostering a sustainable business environment for local businesses. It could also e argued that the international retailers would actually eradicate numerous local producers to see who could be the last producer to supply the retailer therefore the winner of the 'race to the bottom'. We now consider two more aspects below i.e. poverty reduction and the question if liberalised industries are good for all?

2.6 Poverty reduction

If we were to consider the current deputy chairman of the *planning* commission for India, Ahluwalia's (2006) point of view, wherein he argues that although the 'rich' benefit greater from economic reforms such as liberalisation, the poor can also be rewarded through such policies. Poverty in India was reduced enormously over sixteen years between 1983 and

1999. It was 45% below the poverty line in 1983, 36% in 1993 and finally 26% in 1999 (Ahluwalia, 2006). Thus liberalisation has almost halved the amount of people living below the poverty line, showing how liberalisation can benefit the poor as well, through (as stated above) accelerating the growth rate. Employment however showed varied results. In order for India to compete on the international stage, employment rates are essential, more so for a modern economy, and especially in the formal sector. This sector accounts for only about 8% of total employment, but it represents the pool of high quality employment (Ahluwalia, 2006). Positively, the private sector has led to improved infrastructure allowing India to expect a rise in formal employment.

2.7 Liberalised industries good for all?

As a result of liberalisation, a number of industries flourished; telecommunications, construction and of course tourism. With these private sector firms being allowed to operate more freely, it gave the Indian economy the boost in infrastructure it needed which may not have been possible before through public finance (Ahluwalia, 2006). As discussed, inclusive growth is essential for the long term success of India. Previously sectors such as telecommunications upon liberalisation have brought inclusive growth to India, wherein, 'the prices are on average 50% of what they were during the monopoly era and deliveries are affected in shorter periods' (Chowdary 1998:14). This indicates increased competition as a result of the liberalisation and therefore benefiting India on a broad scale through offering fairer prices.

3.0 Critical Discussion

3.1 India's much debated retail sector

A current issue which is attracting headlines all over the globe is India's retail reform, enticing many global retailers to capitalise on India's growing middle class and ever prevalent attraction towards Western goods. Here we can identify globalisation at its purest form, the convergence of international economies and companies potentially collaborating towards providing Indian consumers with global goods. India being the world's largest democracy is also highly bureaucratic. Critics argue that this combination will inevitably lead to disagreements concerning the country's wellbeing. The Indian retail reform has been a matter of dispute between the government, the opposition and the Indian people. Multi-brand retailers (commonly known as supermarkets) such as Carrefour, Wal-Mart and Metro are currently not permitted to operate (under their own brand) in India (Chari, 2011). However the proposed reform will allow multi-brand retailers to operate under their own brand name.

This brought about large scale protests and uproar amongst citizens (Fontella-Khan, 2011), which led to the ruling government withdrawing this reform, although the Indian government have stressed it is a temporary withdrawal (Shobert, 2012). On the other hand, the single brand retailers such as Adidas, Louis Vuitton and Nike within the retail sector are now allowed '…100 per cent foreign ownership of single brand stores in the company' (Fontella-Khan, 2011: 17). As explained throughout this paper, India has historically been very protectionist in relation to international commerce, thus it is expected that there could be some degree of backlash when the government proposed opening up India to international retailers as the government believed, along with many others, that the retail reforms would bring huge benefits to the Indian economy with improvements in supply chain and alleviation of inflation being just two. A 'PESTEL' analysis of Indian retailing sector is depicted in figure 2 below:

Insert Figure 2 here

3.2 Should India liberalise the retail sector?

Organised retail in India is just starting. The living standards in India are improving on a daily basis with an emerging middle class and an increased proportion of educated citizens. Therefore organised retail has a part to play in India's future, however, why does India have to look globally for organised retail? What is wrong with domestic organised retail? Some argue that Indian organised retail is under-developed and is bound to experience difficulties if the retail sector were to open (Chari, 2011). Thus, it is understandable why domestic retailers are against the reform since they view the global retailers as competitors. In addition to this, as global retailers already have their brands somewhat established, Indian retailers would need to differentiate themselves from the global retailers in order to succeed.

An important point to consider here is that the 'muscling in' of big retailers may hit the vibrant Indian trading community consisting of over 15 million small retailers and lead to trampling of hundreds of small retail outlets (Ramchandran, 2007). Although the investments from big retail chains are necessary to fuel development and to promote efficient and modern manufacturing and processing industries, employment for thousands of people could be affected in the long run unless some action is taken (Ramchandran, 2007). In India, retailing is an extremely easy industry to set up, with low requirements of capital and infrastructure; this industry fulfils the crucial role of insulating people against being unemployment. As opposed to countries like China, where employment is regulated, the Indian retail industry provides an opportunity for becoming entrepreneurs (Guruswamy et. al., n.d.). Thus, one of the primary reasons for the surge of retailers is that retailing is a key form of disguised employment in the country. The overflowing agricultural sector which provides the highest number of jobs is dependent mainly on uncertain rainfall. Additionally, the manufacturing sector is now nearly saturated and it is difficult to even get jobs with relatively low wages in both. The services sector remains the only open door for many Indians. Thus, setting up a retail outlet using whatever capital is available is the obvious choice for many people (Guruswamy et. al., n.d.). However, the fact still remains that many of these self-employed retailers are simply trying to make ends meet in the face of limited opportunities and increasing competition from large retail giants. Furthermore, with the Indian government opening up regulations to allow FDI in retail, entering India has become a priority for global retailers (Deloitte, 2008). When a retailer such as Wal-Mart enters the Indian markets, with its incredibly deep pockets, it will be able to sustain losses for many years until competition is wiped out (Guruswamy et. al., n.d.). Not just Wal-Mart, but even a large Indian retailer such as Reliance could sustain losses for long enough to put smaller retailers under pressure. This would entail job losses in millions. Having discussed the scenario under which the Indian retail sector is currently poised, what follows below are the macro level implications and challenges.

3.3 Implication1- Demographic transition

The demographics of the Indian population is in a stage of transition as, ‘a new multifaceted consumer class with a relatively large affluent class at the top, a huge middle class at the centre and a small economically disadvantaged class at the end’ (Mishra, 2009: 26). In five years’ time if the Indian retail market is not opened up, it is fair to say that India would be regretting having not liberalised (Wadhva, 2004). This emerging middle class provides international retailers with the perfect platform to operate in India. It is now impossible to ignore India’s emerging middle class, taking into account the following figures/forecasts from a 2007 McKinsey report (see table 1 below):

Insert Table 1 here

As depicted in the above figure, the middle class in India is on the rise, and so are Indians expectations. As argued by Lintelo, (2008:7), ‘food, safety and hygiene also received growing attention over the last 5 years, typically around middle class consumer goods like bottled water and soft drinks’. As the middle class in India increases, so will their living standards and of course their disposable income. As expected, increased disposable income would without doubt accommodate an increased purchasing power. Therefore this essentially leaves a gap in the market on which organised retailing can capitalise on. Interestingly from a macro HR point of view, it is these very middle income group people who will be employed in the retail sector, as would there be an opportunity too for the 'deprived' and 'aspirers' depicted above.

Additionally, India's relatively youthful population are also well educated and have grown up in a globalised world (Nankervis & Chatterjee, 2007) and therefore are aware of Western brands. Thus, 'their tastes are indistinguishable from those of prosperous young Westerners' (Mishra, 2009:30), thereby portraying the importance of the emerging young. This demonstrates an emerging consumer with tastes similar to the Western world, giving global retailers an extremely straightforward platform on which they are able to operate as this young generation of middle class consumers would form part of the global retailers market. Finally as these retailers are already global they are already half way to succeeding in India. According to Foulis (2011:14), 'in order to succeed in India you need one eye on the world and another on the street'. As these retailers have already got their eye on the world, their market of young professionals will already be considered consumers from this aspect, meaning they would have to address the remainder of India who may be somewhat unfamiliar of their brands.

3.4 Implication 2- Indigenous Traditions

From a macro-economic perspective it is believed through opening the retail sector, inflation pressures that India is currently experiencing will decrease. Rising rates of inflation and food prices are reasons of concern for Indians. Inflation currently stands at 9% (Shobert, 2012) damaging not only consumerism in India but commerce in general. It is thought that through opening the retail sector inflation in India will decline as firms such as Wal-Mart offer groceries at low prices. "Wal-Mart decreases prices by 6%-7%, for national brand goods and by 3% - 8% for private label goods" (Chari, 2011:8), therefore if Wal-Mart were to have a foothold in the Indian market it would actually decrease the price of groceries for the Indian consumer. However, as '…in India food accounts for 50% of the consumption basket and the impact on inflation could therefore be significant' (Chari, 2011:8). Considering the two points above, it is clear to understand how through opening the retail sector, inflation would be reduced. Additionally, combining this with the emerging middle class could essentially work as a means of managing inflation sustainably.

Assuming that global retail players such as Wal-Mart and Carrefour will offer low prices to Indian consumers is a somewhat naïve, yet a hopeful concept. This however is linked to an efficient supply chain management, in direct opposition to the indigenous supply chain currently prevalent in India. Chari, (2011:9) argues that, 'India is the world's second largest producer of fruits and vegetables… producing around 180 million tonnes per year. Official estimates are that about 25-30% of this produce goes to waste between harvest and consumption'. Needless to say wastage of up to 54 million tonnes of fresh fruit and vegetables is unacceptable, foreign firms understandably have the technical knowledge and industry expertise to minimise wastage thus creating an efficient supply chain from farm to merchandise. Through their investment, global retailers would want to ensure that they operate as efficiently as possible resulting in reduced wastage and enhancing India's food supply chain. Chari, (2011:9) further argues that, 'if fresh produce is collected efficiently at the farm gate, and end to end cold chain is maintained in storage and transportation until it reaches supermarket shelves as in developed countries, this wastage can be eliminated'. By wastage being eliminated, farmers would be able to charge better prices and therefore improve their own operations. Eventually, it would lead to increasing produce quality and further driving down wastage but ultimately resulting in improved prices for the consumer therefore easing inflation through increased consumption.

The kirana store is close to many Indian's hearts in both urban and rural India and considered an important part of Indian culture. If global retailers were to expand into India, most citizens fear that this would mean the end of the kirana stores. As it stands, the Indian economy, with high inflation, means consumers are extremely price conscious. Large stores such as Wal-Mart would be able offer goods at a lower price due to reasons explained above and ultimately reduce or even eliminate the presence of kirana stores across the country. However kirana supporters do have some hope in the form of the 'unique selling points' or features that these stores possess, such as, delivery boys, family tabs (a credit account which can be paid off at a later date) and of course a personalised relationship with the storeowners (Nath, 2008). These features would be almost impossible to implement into organised retail.

Additionally, there is a myriad of incongruities when applying the Western model based on supermarkets and petrol-station-based convenience-stores to India. Less than 1% of Indians have cars and cars are filled by service attendants making it unnecessary for owners to get out of cars; consequently the petrol-station based convenience store format is not as "convenient" for Indians as for Western consumers. The major drivers for Indian consumers when choosing their retailers are proximity to the place of residence and the comfort level or personal relationship with the shopkeeper. Thus, an average Indian consumer finds it difficult to travel to the organised superstore for daily needs and then carry back the monthly supplies. The generally preferred option is the local storekeeper who provides free home delivery, keeps monthly accounts and even gives a sweet gratis to the customer’s child when the exam results are out. Due to the importance of factors like nearness to residence and personal relationship with shopkeeper in choosing a retailer, traditional retail outlets are quite convenient and acceptable to Indian consumers. As a result, India's retail scene doesn't simply pit the top groups against each other but it also matches the massive network of local “round-the-corner” shops as a strong group against organised retailers.

3.5 Implication 3- Unemployment

‘Retail trade employed 7.2% of the total workforce which translates to 33.1 million jobs’ (Department of Industrial Policy and Promotion 2010) in addition to this only 4% of the 15 Million retail outlets in India are over 500 square feet in size (Mishra, 2009). This highlights the importance of kirana stores and if the retail sector was to allow global retailers to invest it could lead to huge job losses. Possible job losses along with difficult business conditions that kirana stores will experience if global retailers were to enter the Indian market are reasons as to why the reform was withdrawn. Protestors holding placards with ‘FDI = Fast death instrument’ scribbled across the front are concerned about their livelihoods and how they will combat what will be an uphill struggle against global retailers.

Although large retail organisations and opening up of FDI in retail will have positive results on the economy, in the long run it would lead to greater efficiency and improved standards of living, as also greater integration with the global economy (Guruswamy et. al., n.d.). However, the labour displacement it would cause in the near term could destroy the traditional retail sector. Assuming approximately 15 million adults in the retail sector (and growing, as was discussed earlier), with a dependency ratio of 1:4, it would convert to 60 million people dependent on traditional retail for their livelihood. Destruction of traditional retail would mean dislocating millions and probably pushing a lot of families below the poverty line.

3.6 Implication 4- RTB in retail

Economies of scale, is one of the most popular concepts within economics, but not if you are a farmer in the UK. Large retailers such as Tesco and Sainsbury’s pressurise small farmers into producing higher volumes and standardised produce in order to please their large consumer base (Chari, 2011). This has unfavourable effects on the farmers as they are continuously exploited through unfair prices. These conditions leave farmers in extremely difficult situations as on the one hand they are being treated unfairly and on the other they have no choice but to supply to these large stores as they must make a living. Thus this concern is paramount as 'any global firm will be required to source at least 30% of their produce from small local companies' (Fontella-Khan, 2011). This is a huge concern as in the short term local producers will rush to be able to supply to the global retailers. However in the long term, these restrictions may lead to global retailers becoming frustrated and eventually wanting to find a local supplier at the cheapest price hence leading to another race to the bottom.

3.7 Implication 5- Reforms

The shift from socialism to capitalism which became apparent due to the liberalisation is still not a popular choice amongst some of the Indian population, as observed with the opposition to the current retail reform. But the gains from liberalisation as explained throughout would not have been possible without a more economically focused India. But it must also be understood that the correlation between economic adversity in India and economic reforms is very strong, nonetheless had these reforms been avoided or perhaps carried out in a time of prosperity such as 2005 when inflation was 3.53% (World Bank, 2012) they may have had more positive results for the economy. As Pandey, (2011:256) argues, '…economic reform, which is crises driven, is more difficult to sustain and less likely to succeed'. With regards to the retail reform, India is currently in a situation of high inflation and people believe that the government are at fault, thus imposing a reform at this point is less likely to succeed as the opposition and citizens have lost confidence in their government. Albeit, with businesses booming in India, it is still considered very much a third world country, with poverty common throughout the country not only restricting growth but also depressing the Indian economy. If present poverty rates were to continue (as is seen on such a large scale), a question which firms investing in India or even fellow superpowers may ask is, if India can't look after its own people how will an Indian firm look after its stakeholders? As Prahalad, (2010) outlined, the concept of the BOP could be an excellent opportunity for the Indian retail sector to put into practice. For example, if Wal-Mart were to take over kirana stores, maintain the existing staff and owners it would create a local atmosphere and drive inclusiveness, by offering fairer prices which kirana stores would find difficult to offer due to their smaller structure. Therefore the BOP is a method of which the poor can be utilised. However by no means will the 'BOP idea' eradicate the sheer masses living in poverty in India but will still be a sustainable method by which poverty can be addressed whilst also improving the economy.

4.0 Conclusions and Challenges for the future of the retail sector, if liberalised

This paper has identified that although the FDI in Indian retail is an excellent opportunity particularly for the growing middle class; India is still very much a third world country and has numerous social and political issues which need to be addressed. Some of which are highlighted below. The managerial implications for this will be huge and indeed may be a turning point in India as never would such a large foreign investment have an impact across all areas of the country. Therefore managers would be required to manage a foreign enterprise in a way which would comply with both unpredictable Indian consumers as well as international stakeholders. In this section we pull together a few important areas as propositions or 'areas of challenge', for future probing. These are depicted in a proposed model at the end.

4.1 Demand for organised retail

Taking into account the arguments above, wherein organised retailing is required in India, the transition of the Indian customer and the growing middle class are the two main drivers for this. By opening up the retail sector, increased domestic competition is expected to occur (as experienced in the telecommunications sector), leading to increased consumption and inclusive growth. This will result in two ultimate winners. First of all of course the consumer, but also the farmers/producers who will have the choice of who to supply. As argued above, relating to the race to the bottom of suppliers, this may indeed be the other path they could take, by provoking bidding wars between the global retailers and kirana stores, further driving inclusiveness within the Indian economy.

4.2 India is underperforming

Opinions on globalisation will always remain. However based on the discussions conducted, it is evident that it has allowed India to propel into global commerce and develop a world-class IT industry. Therefore globalisation has worked for India in the recent past, but it has taken a challenging route, challenges which continue to hinder the economy today. If the following were to be addressed then India could advance quicker. Investing in India attracts diverse opinions; the abundance of English speakers makes it an ideal place to locate operations (Nath, 2008). However an un-named prominent Western banker, in an article in the Economist, stated '...it's much easier to deal with the well understood 'org chart' of China Inc than the freewheeling chaos of India' (The Economist, 2010:3). The Western banker has thus outlined one of the main factors holding back the Indian economy, its bureaucracy. Too often the Indian government try to enforce new practices such as the retail reform but far too frequently they are slow to implement or occasionally reversed as highlighted previously. Senior executives of firms such as Wal-Mart and Tesco may lose patience with the Indian market and decide to abandon their entrance should the reform go ahead. Therefore in order for India to achieve 'super power' status it must first win the confidence of its citizens when addressing reforms and policy change. The fact remains that it is still extremely difficult to conduct or start business in India, as compared to other competing countries.

4.3 Becoming transparent

Another identifiable area of challenge is that of corruption. India is rated very low on the corruption perception index at 3.1 (International Transparency, 2011). This is a worryingly low score for an emerging economy, aiming for super power status. An example of this is aptly put forward by the following quote: '…in the old days ministers asked for bribes, now they ask for shares in firms to which they award contracts' (The Economist, 2010:3). This is worrying not only for people and firms who wish to enter India but more so for the larger Indian economy, as it may deter FDI.

4.4 Online battle- The future?

With the almost sudden emergence of online retail in China becoming a huge hit with the Chinese it is surely only a matter of time until India follows. This poses a huge threat to organised retail in India, as with technology and the volatility of consumer markets huge investments made in the near future for organised retail in India could become somewhat unnecessary if online retail is the long term solution to India's rapidly changing consumer market.

In conclusion then, this paper looked at the macro level HR implications and challenges in the event of liberalisation of the Indian retail sector. A conceptual model is developed below, based on the discussion above. As is evident, globalisation and liberalisation will lead to implications on demographics (which are in transition in India), indigenous traditions, unemployment, a 'race to the bottom' (RTB) and reforms. Three main challenges are also identified i.e. bureaucracy, corruption and online battles in the future. This model is produced below in figure 3:

Insert Figure 3 here

There are a few limitations of this paper. The main limitation being it is a conceptual paper. However, the Indian retail sector is still in ‘balance’, the reforms having been temporarily stalled by the government of India. Thus in the near future the authors would aim to test the above concepts in the above model, once the reforms go through. The other limitation is the theoretical concepts used for this paper. Future empirical research could probably provide reasons for utilising different theoretical concepts. Another limitation is that organised retail in India is at a very early stage. Hence, whilst such a drastic changes take place within the retail industry, it is unfair to compare large Indian retailers to large international retailers, as the international retailers have been in their respective markets for much longer than the existence of organised Indian retail.

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Figure 1 Ignored Markets- (Fortune at the Bottom of the Pyramid [BOP] Source: Prahalad, 2010:32)

Political	•The backlash of the reforms by the opposition parties and from sections of Indian citizens
Economical	• Three global retailers vs 15 Million Kirana stores*
Social	•The emerging middle class leading to further social divide
Technological	•Improvements in supply chain of retail in India as a result of the reforms
Environmental	•Issues surrounding infastructure - where will these stores go if the were to relocate to India?
Legal	•30% of produce to be sourced by Indian agirculture workers- What will be the implications of this regulation

*Kirana stores are a part of Indian tradition whereby their customer base is local residents the stores also have unique features such as delivery boys and customer tabs which can be paid off at a future date. (Nath, 2008)

Figure 2: **A PESTEL diagram presenting the current affairs surrounding the retail sector and the retail reform.**

McKinsey Global Institute's ' McKinsey Report (2007) Classificati	Number of households (in millions) in corresponding year			Authors Classification
Year	**2005**	**2015**	**2025**	
Globals (earn >$1000pm)	1.2	3.3	9.5	Affluent Indians
Strivers (earn $500 to $1000 pm)*	2.4	5.5	33.1	Growing Middle Class
Seekers (earn $200 to $500 pm)*	10.9	55.1	94.9	
Aspirers (earn $500 to $1000 pm)	91.3	106	93.1	Bottom of the Pyramid
Deprived (earn <$90 pm)	101.1	74.1	49.9	

*=Middle class

Table 1: Source- McKinsey Global Institute's 'McKinsey Report: Demographic forecast of India' (2007)

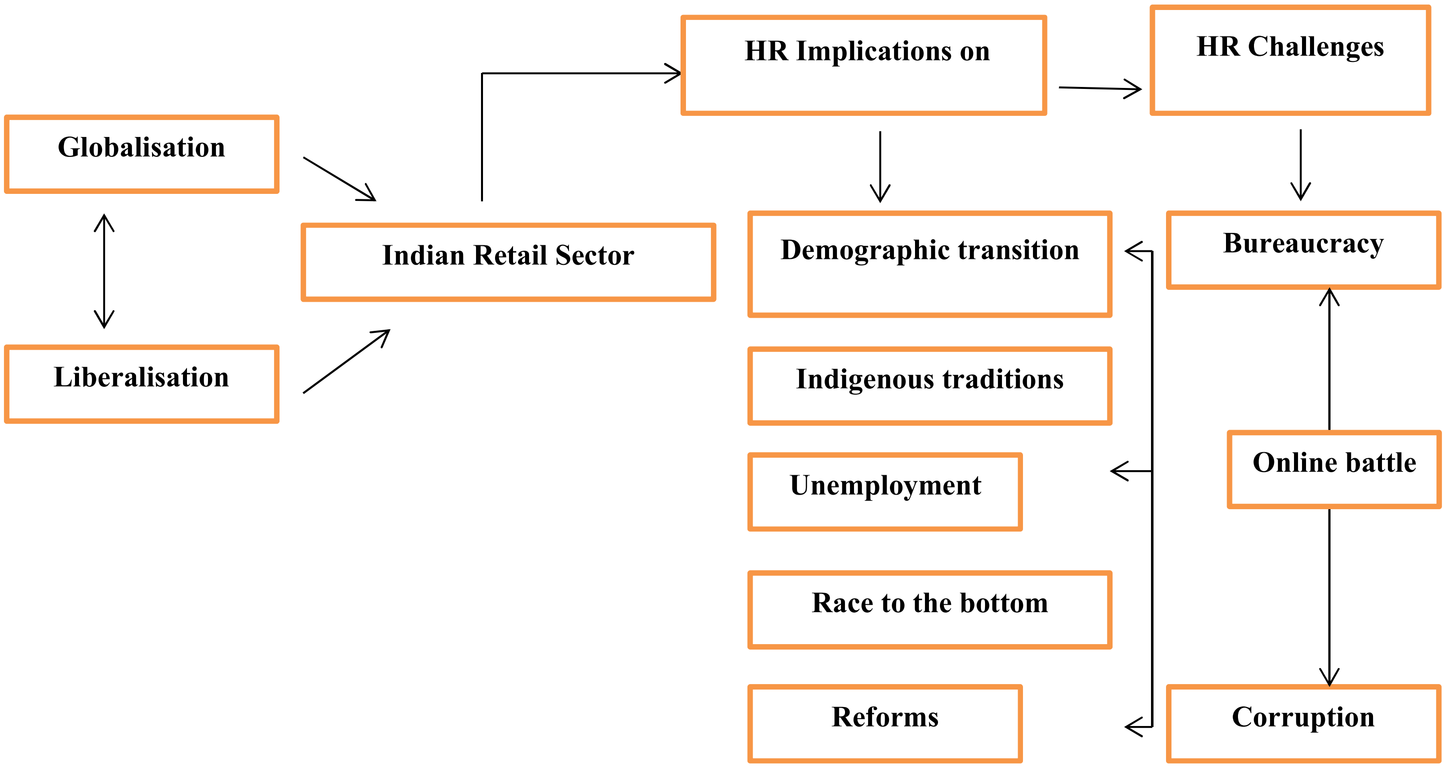

Figure 3: Conceptual Model Depicting Macro Level HR Implications and Challenges in the Event of Liberalisation of the Indian Retail Sector