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Title	Strategies for Financing Establishment of Malls for Organized Retailing

ABSTRACT

Organised retail has bright prospect in India and needs growing emphasis on construction of malls. Financing of construction of malls in India is an important issue. This issue has been addressed by Housing and Urban Development Corporation (HUDCO) under its broad area of operations regarding Urban Infrastructure. The Housing and Urban Development Corporation Ltd. (HUDCO) was incorporated on April 25, 1970 under the Companies Act 1956, as a fully owned enterprise of the Government of India to finance Housing & Urban Infrastructure projects.

The objectives of this research study were: 1) To find out, identify & analyze the current strategies for funding malls construction in India, 2) To assess the success/failure of funding of malls by HUDCO. 3)To analyze the feedback from the middle level managers of organizations having ownerships of malls for identifying opportunities, threats, strength & weakness of these organizations and 4)To identify the potential strategies for future funding relating to growth of malls.

The research is based upon primary & secondary data, period of study is 2001-2011. Primary data was collected through survey using questionnaires. First questionnaire pertained to financing aspects of the malls and second questionnaire was administered on managers of organizations involved in developing malls based in Delhi, Mumbai & Gurgaon and was meant to collect information on

factors and elements of strengths, weaknesses, opportunities & threats (SWOT) related to their organizations.

Secondary data were collected from HUDCOs Annual Reports for the ten years & Five Year plans and Economic Surveys , Commercial property reports and Industry Technical reports on malls .

MAJOR FINDINGS

1. Important factors of strengths identified for HUDCO are reputation and long experience, in financing real estate and infrastructure projects; broad range of products (purposes of financial assistance). Factors of weakness of HUDCO were challenges in terms of resource mobilization and limitations imposed by Government's policies and regulations on entering the business of malls
2. The study suggested following potential strategies for HUDCO for financing development of malls and shopping complexes:-
 - Financing big malls in partnership with established real estate developers.
 - Financing small malls to make them big
 - Financing malls for retail ventures supported by FDI.
 - Developing shopping complexes in association with producer & companies formed by farmers
3. SWOT of mall developers identified were as a) Strengths: Experience in developing commercial space, capacity to fund mall-constructions, tie up with retail chains and brand name. b) Weaknesses: Non –availability of large land parcels, high degree of borrowings, and untrained manpower .c) Opportunities: Favorable demographics, favorable govt. policies on FDI in real estate, growth of economy and growth in disposable income of people, increasing literacy rate and urbanization , and growth in infrastructure facilitating movements of people. d) Threats: High interest rates on borrowings, oversupply of malls at promising locations, and land ownerships in multiple names making acquisition of land a long –drawn process.