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## **Impact of Organised Retail on Unorganised Retail in India - The Changing Perspective in Rural Areas**

Paper Presented at the **National level Seminar on Renewable Energy Technologies for Sustainable Development in Rural Sectors of India** on 12<sup>th</sup> and 13<sup>th</sup>, February, 2015 at Government Arts College, Melur, Madurai by Sudeep B. Chandramana, Research Scholar, Department of Management Studies (DDE), Madurai Kamaraj University, Madurai - 21

### **1. Introduction**

Retailing is one of the largest sectors in the global economy and is going through an evolutionary phase in India. The Indian Retail industry has grown at a 24.6% CAGR during FY 09-14. This growth can be directly credited to the emergent Indian economy as well as increase in Private Final Consumption Expenditure (PFCE) and bring revolution in Indian peoples' consumption pattern. This tendency is expected to continue for at least the next two-three decades, magnetizing huge attention from entrepreneurs, business heads, investors as well as real estate owners and builders segments of the economy. Despite this growth, the Indian retail industry is highly fragmented, with the organized retailing still at a nascent stage which accounts for far less percentage than the unorganized retailing of the total Indian retail market. It is estimated that organized retailing accounts for less than 5% of today's market, but is expected to develop between 14% to 18% by 2015. Though the organized retail sector is growing, the impact of growth is affecting the unorganized retail sector, especially in the rural areas.

This study aims to identify the factors influencing the perception towards organized retailing from unorganized retailers. The primary data was gathered by administering a prearranged questionnaire with 100 customers selected purposively from Ernakulam District in Kerala. The rationale of the study is twofold: First, to examine the shift in perception in the retail sector taking place due to organized form of retailing. Secondly, the area has remained largely an unexplored part of research till date especially in Ernakulam. The data analysis of customer attitude towards unorganized and organized retailers shows that there is a difference between the consumers' perception towards both organized retailers and unorganized retailers regarding their store image, range of products, brand choices, price, store atmosphere, credit availability, and shop proximity. The data has been collected with the help of structured questionnaire containing close and open ended questions. Statistical software and MS excel were extensively used for analyzing the data collected.

### 1.1 Objectives of the Study

- 1) To study the factors influencing the consumers to buy from organized retailers than from unorganized retailers in rural areas of Ernakulam District.
- 2) To study the perception of customers towards organized and unorganized retailers.

### 2. Research Methodology

<b>Research Design</b>	Descriptive Research
<b>Sample Design</b>	
<b>Sampling Frame</b>	Consumers who purchase from both organized as well as unorganised retailers in Thiruvananthapuram District
<b>Sampling Unit</b>	Consumers from different age groups, gender, locations, income levels and educational backgrounds.
<b>Sampling Size</b>	100 customers
<b>Sampling Methods</b>	Purposive sampling
<b>Data Collection Methods</b>	
<b>Primary Data</b>	Survey Method - The entire schedule is standardized and formalised
<b>Secondary data</b>	Data were collected from respondents and journals and from previous study related to the retailing sector.
<b>Type Of Schedule</b>	Structured Questionnaire with suitable scaling.
<b>Type of Questions</b>	Likert scale, Close ended and multiple choice questions.
<b>Statistical Tool Used</b>	Chi square test, Weighted Average

### 3. Hypothesis framed for the Study

- 1) There is no significant difference between the choices of retailers' format across shopping items.
- 2) There is no significant difference in the choices of retailers' formats across the family income level.

## 4. Analysis

### 4.1 Demographic Profile of Respondents

Demographic		No. of Respondents	
		Frequency	Percentage
Gender	Male	45	45
	Female	55	55
Total		100	100
Age-group	Less than 20 yr	17	17
	20-30yr	42	42
	30-40yr	27	27
	40-50yr	11	11
	Above 50yr	3	3
Total		100	100
Marital Status	Single	53	53
	Married	47	47
Total		100	100
Educational Qualification	12th	20	20
	Graduate	35	35
	Post Graduate	31	31
	Professional	14	14
Total		100	100
Occupation	Student	30	30
	Private Employee	25	25
	Government Employee	12	12
	Business	17	17
	Housewife	16	16
Total		100	100
Family Nature	Nuclear	35	35
	Joint	64	64
Total		100	100
Monthly Family Income	less than 20000 Rs.	22	22
	20000-30000 Rs.	34	34
	30000-40000 Rs.	23	23
	Above 50000 Rs.	21	21
Total		100	100

The demographic characteristics of the respondents show that majority of respondents (55%) were female.

It is further revealed that most of the respondents (42%) belonged to the 20- 30year, age group, with 27% of the respondents falling in the age group of 30-40 year. Students comprise of a maximum portion of 30%, followed by private employees with 25%. Most of the respondents were single (53%). A majority of respondents (35%) were graduates, followed by post graduates (31%). This revealed that education level also played a dominant role in the preference of retail outlets.

## 4.2 Frequency of visit for shopping needs

Source of Purchases	No. of Respondents	Percentage
Organized Retailers	37	37
Unorganized Retailers	63	63
<b>TOTAL</b>	<b>100</b>	<b>100</b>
<b>Under the Organized Retail Format</b>		
Supermarket	19	51
Chain Stores	14	38
Departmental Stores	4	11
<b>TOTAL</b>	<b>37</b>	<b>100</b>
<b>Under the Unorganized Retail Format</b>		
Conventional Stores	10	16
Neighborhood Stores	44	70
Others	9	14
<b>TOTAL</b>	<b>63</b>	<b>100</b>

From the above table, it can be concluded that 37% of the respondents shop for essentials at organized retail formats and 63% of the respondents purchase from unorganized retailers. It further revealed that 51% of the respondents buy from Supermarkets, 38% from Chain Stores and 11% from Departmental Stores. Around 16% of the respondents preferred to buy from conventional stores, 70% and 14% preferred to buy from neighborhood stores and from other places like kirana stores etc which belong to the unorganized sector mainly in rural areas.

## 4.3 Chi-Square Analysis

**H<sub>0</sub>1: There is no significant difference between the choices of retailers' format across various shopping items.**

### Respondents' opinion of products purchased from retailers

*(Chi-square test @ 5% level of significance)*

Items Purchased	From Organized Retailers	From Unorganized Retailers
Grocery, Vegetables & Food items	5	18
Homemade Appliances & Electrical & Electronics	6	7
Textiles	10	9
All of above	16	29
<b>TOTAL</b>	<b>37</b>	<b>63</b>

$\chi^2_{\text{calculated}} = 4.8$

$\chi^2_{\text{tabulated (at 5% degree of significance)}} = 7.8$

**Interpretation:** The above analysis shows that there is no significant difference between the choices of retailers' format across the shopping items while shopping and hence the null



observed that due to changes in the disposable income and increased awareness of quality, the consumers' perception towards organized and unorganized retailers differ on the basis of quality and price. They preferred to buy different products from the organized and different from the unorganized retailers in rural areas.

From the study it was found that when compared to the unorganized retail format, most of the respondent had a good image about the organized retailers. Even the unorganized retailers had a good share in Market, but due to factors such as space, parking etc. a gap existed between both the formats. The customers wished for more outlets being opened. In spite of the enormous potential and growth opportunities available for the organized sector, it might not create a major impact on the unorganized retailers because of the mindset of the consumers will who cannot think of a life without having a local neighborhood store (kirana store).