



Organized Vs Unorganized: Two-Tier Retail Sector Of India

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ABSTRACT

India basically has two-tier mechanism for retail sector, i.e., organized and unorganized sectors. Traditional family-run businesses and corner stores dominate India's fragmented retail industry. Most Indian stores are family-run "Kiranas." Shoe stores, pharmacies, clothes boutiques, businesses offering local delicacies like paan and beedi, street vendors, hand-pulled cart peddlers, etc. This is "traditional retail" or "unorganized retail." Several well-organized merchants have opened storefronts in metro areas and other significant cities in recent years. Most unstructured stores aren't sales, VAT, or income tax registered and rarely pay taxes. In this regard, present study attempts to assess the impact of India's organized sector on un-organized sector.

Keywords: retail sector, family run business, traditional retail, unorganized retail, organized sector.

1. INTRODUCTION

The retail industry in India may be traced all the way back to the beginning of the country's history. The retail industry in India has a rich and storied past, dating back several centuries. In ancient India, a massive market known as the HAAT was where buyers and sellers got together once a week to transact business. It takes time and a number of different processes to develop the landscape of the modern retail industry. There is a point of balance that can be found between the two extremes (i.e., between the ancient retail concept and the modern one, there exists a modern Kirana or Baniya shop). In India, it has not lost any of its influence. Because of this, there is a divide between what is known as the "unorganized" retail sector and the "organized" retail sector. The wholesale and retail trade sector contributes between 15 and 16 percent of India's gross domestic product. It is anticipated that the value of the Indian retail market will be 452 billion dollars, which will place it among the top five most lucrative markets in the world. India, which has a total population of over 1.5 billion people, has emerged as one of the most promising consumer markets in a very short amount of time.

The retail industry in India is witnessing a revolution that is unlike anything that has been experienced in other developed economies. As a result of the liberalization of the

consumer product market, which started in the middle of the 1980s and accelerated in the 1990s, the retail sector in India has started to undergo certain changes. The term "retail," which refers to the contact that occurs between a shopkeeper and a consumer, is applicable to a broad variety of settings, ranging from neighborhood markets and independent shops all the way up to megamalls and department stores owned by large chains.

As a consequence of this, we are going to concentrate on the two distinct types of retail marketing: those that take place within an organization and those that take place outside of an organization. Direct sales, direct advertising, and automated merchandising machines are all included in the category of non-store retail. The practice of selling a variety of different brands under one roof at a single establishment is known as "department store retailing." This strategy aims to attract a large number of different types of customers. Concerning the implications of this pattern, the most fundamental question is whether or not the growth of organized retail in India would have a net good effect on the economy.

The term "shopping environment" refers to the way in which the retail industry has developed over the course of history, from the opening of the first department store to the proliferation of shopping malls and the rise of online shopping. The data indicate that responses from customers vary depending on the kind of transaction that was carried out to make the purchase. The preferences and behaviors of shoppers are influenced by a variety of factors, including consumer demographics and psychographics, usage scenario, price sensitivity (Magi, 2003), social referents, involvement (Williams, Nicholas, and Painter, 1978), segmentation (Sinha, 2003), and need recognition.

There are two distinct varieties of retail establishments found in India. A sizeable percentage of India's extremely fragmented retail business is made up of the traditional family-run stores and corner stores found throughout the country. Even though the unorganized retail sector has had tremendous growth, there are currently initiatives underway to increase its market share; hence, the current moment is a great opportunity for new entrants.

2. THEORETICAL BACKGROUND

The objective of the research carried out by Joseph et al. (2008) was to investigate the effects that organized retail has on distinct economic zones. The findings of this study are based on the findings of the most extensive survey of its sort that has ever been carried out. This survey solicited responses from customers, manufacturers, farmers, traditional retailers, and inventory diaries. In addition to this, they considered the practices of other nations, particularly those of economies that are expanding like India's.

According to Rahman (2012), the unorganized sector presents organized retailers in India with the greatest opportunity as well as the greatest threat. This is followed by competition among organized stores, ineffective distribution networks, internal logistical hurdles, and retail shrinkage.

Thenmozhi and Dhanapal (2011) developed quality indicators for unorganized retail services and investigated how these indicators affected the level of customer loyalty and

retention. 463 customers were chosen at random from a subset of participating Kirana stores in the Indian state of Tamil Nadu using a method known as non-probabilistic convenience sampling. The level of service that various categories of clients got in retail environments was another topic of investigation that was covered in this study.

In addition, the purpose of the study was to assess the competitiveness of the organized as well as the unorganized retail sectors in India, as well as to determine the primary elements that contribute to that level of competitiveness. By combining Quality Function Deployment (QFD) analysis with the Kano model, the essay drew attention to major technical difficulties associated to kirana shops and garment sellers. The concept of linear cross elasticity has proposed a paradigm for improving product assortment in smaller, more disorganized retail establishments. The management repercussions of the study are discussed in detail in the paper.

Gupta, Pawan, and Dubey (2012) conducted a study to learn how customers respond to cluttered versus uncluttered businesses, how happy they are in both types of establishments, and how conventional merchants feel about the rise of e-commerce. Specifically, the researchers were interested in how customers react to cluttered businesses in comparison to uncluttered businesses. For the purpose of illustrating both the organized and unorganized retail sectors, research makes use of first-hand data that was obtained through in-depth qualitative analysis.

While some people have attempted to draw comparisons between the organized and unorganized retail sectors, the great majority of study that has been carried out in India up until this point has been on the effects of the unorganized retail sector. Because of this gap in knowledge, the purpose of the current study is to investigate the significance of India's unorganized retail industry, including its causes, its prospects, and the issues that it faces.

3. RESEARCH METHODOLOGY

The study is conceptual in nature based on secondary data. The data is collected from journal articles, periodicals, white papers and websites of national and international agencies. Due care has been taken to review only authenticated sources to ensure reliability of information presented.

4. DISCUSSION

Because it is one of the easiest ways to generate self-employment and has relatively low entry barriers, India's large population is a primary factor in the unorganized retail sector's dominance in the Indian retail industry. This is also due to the fact that the unorganized retail sector is relatively easy to enter (in terms of land, labor, and capital). The rise of contemporary shopping has had minimal impact on customers because they are still able to find tremendous convenience in these crowded stores. Kiranas increasingly offer "value-added" services like as pre-cut vegetables and other perishable goods in order to maintain their position as competitive businesses in today's market. They provide numerous services, such as financing, home delivery, and telephones to their customers.

4.1 India's Two-Tier Retail Sector Mechanism

Even when large-scale businesses make inroads into the lives of city people, the "grocery stores" on our neighborhood corners continue to push back. Right now, India is at a critical juncture in terms of its commercial sector. The seeming contradiction in India between the country's "structured" and "unorganized" retail sectors has given rise to a great deal of conjecture in recent years. It is important not to forget about the unregulated market. You may tune in to any news station, and you will hear an overwhelming number of stories about the current state of the retail business, particularly chain retailers. It is noteworthy that the unorganized retail sector directly employs 39,500,000 people, despite the fact that it is impossible to deny the contribution that the organized retail business has made to the expansion of the economy. As a result, neither the Indian government nor any other entity can contest the veracity of these economic facts.

It's no secret that India's retail industry is notoriously unorganized. Retail sales contribute somewhere around eleven percent to India's overall gross domestic output. The unorganized sector, which is primarily run by families and accounts for around 93 percent of India's retail industry, is the source of approximately 93 percent of this total. The level of competition coming from the unorganized retail sector is the most significant obstacle that the organized retail sector must overcome. Unorganized retail, sometimes known as mom-and-pop stores, has been a significant contributor to India's economy for many generations. Unstructured markets have an inherent advantage over structured ones, and that advantage is customer familiarity, which may be handed down from generation to generation. This is a particularly cost-effective model due to the fact that the owners manage the majority of the operations. As a result, rent, labor, and taxes are reduced to a minimum.

4.2 Sectoral Dependency: Unorganized upon Organized

Unorganized retailers who were located in close proximity to organized retailers saw a drop in the amount of firm sales and profit during the early years following the establishment of a large number of organized retailers. This change occurred in the years immediately following the introduction of organized retailers. The Indian Council for Research on the Influence of Organized Retailing on Unorganized Retail Sector International Economic Relations (ICRIER) claims that the entry of organized retail chains into the nation's neighborhood Kirana stores will not have any long-term impact on the economy of the country.

The unorganized retail sector will continue to prosper as long as people continue to view grocery stores and pantries as vital components of communal life. According to the findings of ICRIER, the unorganized retail sector will be unable to keep up with growing demand if organized retail does not continue to expand. As a direct consequence of this, the proportion of the retail market occupied by organized businesses will grow by between 45 and 50 percent per year. The observation is correct, as evidenced by the fact that it has already taken place in a number of different urban regions. It provided some insightful recommendations and advice. It creates a statewide standard licensing system

to encourage contemporary retail, with the intention of assisting the country's retail sector in reaching USD 590 billion in 2011-12. This was the target amount that was set by the bill. It contends that in order for grocery store retailers to be able to compete with organized retail sectors, they need to have greater access to institutional financing at lower costs. Only twelve percent of the unorganized retail market now has access to institutional investment.

Another piece of crucial guidance provided by ICRIER is that cash-and-carry businesses will sell to unorganized retail while simultaneously acquiring their products from farmers. Because of this, disorganized sellers are able to buy products at wholesale prices and then resale them at a price that generates a significant profit margin. Farmers will also benefit from this since they will be able to sell their products at a profit and will get paid in a timely and open manner for their goods. Disorganized retail will have no need to complain to the government once this buffer is in place, and even if they do protest, the government will simply ignore them if they do. The unorganized retail sector in India has reached a crossroads, while the organized retail sector is up against a number of challenges. For millennia, India's retail industry has been characterized by a lack of organization. Due to the fact that it is mostly owned and controlled by a single person, has low expenditures associated with real estate and laboratories, and pays little or no taxes, it has a cost-effective structure. Traditional retailing has an advantage because to the consumer familiarity that is passed down from generation to generation. Players in the organized sector, on the other hand, are responsible for major costs and are required to maintain prices that are sufficiently lower to compete with those in the unorganized sector. In addition, organized retail needs to battle with the assumption held by middle-class consumers that a sales outlet's prices will be higher if it is larger and has more lighting.

5. CONCLUSION

The purpose of the research is to acquire as much information as possible regarding the unorganized retail industry in India. Customers in modern-day India are consequently moving their spending patterns away from businesses that are not well organized and toward businesses that are better controlled. These findings have provided owners of businesses operating in India's unorganized retail sector with a better understanding of their role within the expanding retail industry of the country. As a result, these owners will be able to better prepare for the opportunities and challenges that lie ahead.

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