Research Paper MANAGEMENT

Impact of Organised Retailing on Unorganised Small Traders in Salem District, Tamilnadu-an Empirical Study.

Mr.C.CHINNARAJA ASST.PROFESSOR, BUSINESS ADMINISTRATION WING, DDE, ANNAMALAI UNIVERSITY, ANNAMALAI NAGAR -608002. TAMILNADU.

Dr. M.SIVASUBRA MANIAN PROFESSOR AND BUSINESS ADMINISTRATION WING HEAD, DDE, ANNAMALAI UNIVERSITY, ANNAMALAI NAGAR- 608002.TAMILNADU

ABSTRACT

Organised retail is to continue the growth in Tier I and Tier II cities. This change is due to increase in consumer Most of the organised retailing has started in India after 1991, liberalization. Indian organised income, lifestyle, awareness and few other reasons. Our study is to find out the impact of organised formats entry into the well established unorganised market in Salem district, Tamilnadu. This study involves a detailed analysis of a survey conducted by us in Salem district unorganised market. The findings reveal a significant change in the buying habits of consumers after the entry of organised stores. This paper not only highlights the organised retailing's impact but also the consumers' pattern of shift towards it from unorganised stores in the survey area.

KEYWORDS ORGANISED STORE, CONSUMERS' SHIFT, LIFESTYLE.

INTRODUCTION

Indian retail sector is continuing to grow despite irregular global economic trends. The Indian retail sector accounts for 22percent of the GDP and contributes to 8percent of the total employment. The list of segments which present themselves for a high growth opportunity in the Indian retail landscape is endless. Some of these segments are clothing, textiles, fashion accessories, jewelry, watches, footwear, health, beauty care, pharmaceuticals, consumer durables, home appliances, mobiles, furnishings, utensils, furniture, food, grocery, catering, books, music, gifts and entertainment. More than 95% of the Indian retail sector falls in the unorganized sector category. Organised retail is expected to grow from 5-6% to 14-18% of the total retail market by 2016.

Initially the retail revolution began in the big tier I cities and tier III cities as well. The changing landscape of the Indian retail segment and the increasing competition has also forced retailers to tap growth opportunities in tier II and III cities in India.

The penetration of organized retail will happen much faster in the coming decade, even in tier 2 and tier 3 Indian cities, because of the changing demographics of India's population and a healthy rate of economic growth. Apart from retail growth in urban and tier-I cities, there is also a radical shift witnessed in consumption patterns in smaller towns with people moving beyond necessities and using products that were once sold only in urban areas.

The organized retailing refers to the trading activities undertaken by the licensed retailers those who registered themselves for sales tax, income tax, etc. These include the corporate backed hypermarkets, supermarkets, departmental stores, retail branded goods in non-food categories, speciality chains, Malls. Whereas Indian retail is dominated by a large number of small retailers consisting of the local kirana shops owner manned general stores, chemists, footwear shops, apparel shops, paan and beedi shoos, hand-cart hawkers, pavement vendors, etc. which together make up the so called 'Unorganised retail' or traditional retail.

STATEMENT OF THE PROBLEM

The emergence of new trends in retailing is a significant event in Indian marketing scenario. One such major change was allowing large scale retailers, chain shops and departmental stores to operate and promote a large scale marketing activity. The presence of the organised retail outlets would affect the business performance of the unorganised smaller traders. Despite the economy showing signs of recovery, many retailers who have only traditional stores are finding it extremely challenging to maintain profit and market share. Unorganised small traders face problems like price, lack of employees, lack of training, lack of sales training, unsafe location, etc. due to the emergence of the organized retail outlets in the area. As against this view, the critics of this emerging phenomenon point to the inevitable negative impacts of organized retail chains on the unorganized small traders who are under the threat of simply being wiped out by the powerful organised networks of giant retail chains. According to the ICRIER Report, unorganized small retailers in the vicinity of organized retail outlets have been adversely affected in terms of their volume of business and profit. The impact of organized retail outlets on the unorganized small traders is really very big, since the organized retail outlets use their money power to buy more stock and bargain to reduce the price and sell the same of at lower rates for certain commodities only, whereas they do not do the same with all products and the customer are cheated and they do not move to small business people feeling that the organized retailers are the true people. The entry of organised retailers affected greatly the unorganized small traders, those who are trading a particular type of goods, like, groceries or vegetables or stationery. Their business started declining. They start facing threat of losing the customers. Many shops closed after failing to tolerate the competition. There are a few classes of shops those items are not sold in malls or super bazaars are still surviving. Only finger counting few unorganized small traders those are able to tolerate pressure of competition also surviving but hardly. The individual ratailers are still trying hardly to survive, by giving home service, offering discounts, showing offers, etc. In this context, an attempt has been made to find out the impact of organized retail outlets on unorganised small traders in Salem district.

OBJECTIVES OF THE STUDY

1. To study the growth and progress of retailing
2. To review the retail operations of the select organized retail outlets in Salem district
3. To understand the perceived impact of unorganized small traders towards organized retail outlets in Salem district.

Testing of Hypotheses

In order to examine the perception of the unorganized small traders towards impact of organized retail outlets, the following null hypotheses were formulated and tested. **H**01: There is no significant change in the business operations of unorganized small traders between before and after the entry of organised retail outlets in Salem district. **H**02: There is no significant relationship in the perceived impact of unorganized small traders belonging to different socio-economic and business profiles towards the organized retail outlets in Salem district.

Research Methodology

The present study is empirical in character, based on survey method. The present study attempts to examine the impact of organized retail outlets on unorganized small traders in Salem district. This study is confined to five major retail segments namely, food and grocery, fashion and accessories, footwear, pharmaceuticals and electronics. These five retail segments cover nearly 70% of retail business in recent years. By using non-probability sampling, 150 respondents i.e.30 unorganised small traders form above mentioned each retail category was taken, with the criterion that these outlets must be operating within a five kilometer radius of organized retail outlets. As an essential part of the study, and interviews schedule was constructed base on Likert scaling technique. The secondary data gave been collected mainly from journals, magazines, govt. reports, books and unpubl9shed dissertations.

Framework of analysis

The ultimate objective of the study is to examine the perceived impact of unorganized small traders towards organized retail outlets in Salem district. In order to understand the perception of the unorganized small traders, paired comparison t-test, analysis of variance, student test, analysis of co-efficient of variation, multiple regression analysis, and percentage analysis have been employed. The paired comparison t-test was employed to examine the changes in the businesses of the unorganized small traders between before and after the entry of organized retail outlets in Salem district. Student t-test and analysis of variance were employed to find out the relationship among the acceptance levels of the unorganised small traders belonging to different socio-economic and business profiles towards impact of organized retail outlets. The coefficient of variation is employed to find out the consistency in the acceptance level of the unorganized small traders towards impact of organized retail outlets. Multiple regression analysis is used t measure the effect of selected independent variables on the acceptance level of the unorganized small traders toward impact of organised retail outlets. To arrive at possible solutions, simple percentage analysis is also employed in this study.

FINDINGS

1. Out of 150 respondents, majority of the respondents are dissatisfied, 32% with their present business, followed closely by neither satisfied nor dissatisfied 24% and highly dissatisfied 22%. 15.33% and 6.67% of the respondents are highly satisfied and satisfied respectively with their present business is Salem district.
2. Most of the respondents indicate that they disagree 35% with the attributes of organized retail outlets, followed closely by neither agree nor disagree 22.67% and strongly agree 17.33%. 16% and 8.67%of the respondents agree and strongly disagree respectively with the attributes of organized retail outlets.
3. The small traders engaged in the pharmaceutical business have lost 2.4% of regular customers and 24.77 customers on a weekday. Moreover, on an average they have reduced 0.87 hired personnel and 0.37 family members, who were working at their retail outlets. In addition, they have lost an average monthly sales amounting to Rs.3733.33 after the arrival of organized retail outlets. On the arrival of organized retail outlets, the small traders engaged in the footwear business have lost 2.37% of regular customers and 23.07% customers on weekday. Alongside, on an average they have reduced 0.94 hired personnel and 0.40 family members who worked at their retail outlets. Likewise, they have lost and average monthly sales amounting Rs3433.33 after the arrival of organized retail outlets.
5. On the arrival of organized retail, the small traders engaged in the fashion and accessories business have lost 2.47% of regular customers and 24.77% customers on a weekday. Moreover, on an average they have reduced 0.64 hired personnel and 0.30 family members, who were working at their retail outlets. Furthermore, they have lost an average monthly sales amounting Rs.3233.33.
6. The impact of organized retail outlets, on an average on the small traders engaged in the food and grocery business leads to the lost of 2.37% regular customers and 23.07% customers on a weekdays. More to the point, on an average they have reduced 0.63 hired personnel and 0.60 family members who worked at their retail outlets. As well they have lost an average monthly sales amounting to Rs.3100 after the establishment of organized retailers.
7. After the arrival of organized retail outlets, on an average the small traders engaged in the electronics business have lost 2.47%regular customers and 24.77% customers on a weekday. Alongside on an average they have reduced 1.16 hired personnel and 0.57 family members, who were working at their retail outlets. In addition, they have lost an average sales amounting Rs.3733.33 also.
8. No significant relationship is found among the acceptance levels of the respondents belonging to different genders, age groups, educational status groups, experience, business categories, shop locations, types of business, size of stores and amount of investment towards impact of organized retail outlets on unorganized small traders in Salem district.
9. Female respondents, respondents in the age group above 50 years, respondents having H.Sc. qualifications, respondents belonging to above 15 years of experience, respondents engaged in pharmaceutical business, respondents having shops at local neighborhood, respondents who have retail cum wholesale business, respondents who have store size below 200 Sq.ft. and respondents who have an investment above Rs.6 lakhs have higher acceptance level toward impact of organized retail outlets on unorganized small traders.
10. There exists consistency in the acceptance level of male respondents, respondents belonging to age above 50 years, respondents who have PG and above qualifications, respondents who have above 15 years of experience respondents engaged in pharmaceutical business, respondents having shop at local neighborhood, respondents who have retail cum wholesale business, respondents who have store size of 201-300 Sq.ft. and respondents who have an investment above Rs.2-4 lakhs level towards impact of organized retail outlets on unorganized small traders.
11. There has been a low degree of correlation between the independent variables and acceptance with the impact of organized retail outlets on unorganized small traders. The R square indicates that 6 percent of variation in acceptance towards impact of organized retail outlets is explained by all independent variables taken together. The gender, age, educational status, experience, types of business, size of the store and amount of the investment have no significant effect on the respondents'acceptance towards impact of organized retail outlets on unorganized small traders.
12. The majority of respondents indicate that they disagree 22% with the impact of organized retail outlets, followed by neither agree nor disagree 21.33% and strongly agree 20.67%. 19.33% and 16.67% of the respondents agree and strongly disagree with the impact of organized retail outlets on unorganized small traders.

13. All the 150 respondents are aware of the closure of unorganised retail formats in their vicinity in the recent past. Ranging from 4.67 percent to 12.67 percent of the respondents' reasons to close the retail formats in their vicinity are unknown one, shifted to profitable business and migrated for other reason. Reduced margin, competition from unorganized retailer and competition from organized retailers are the reasons for the closure of retail outlets at 18.67% , 22.67% and 34% respectively.

SUGGESTIONS

1. The unorganized small traders comprise less educated, therefore, education of unorganized small traders needs to be stressed. Education on planning marketing and evaluation of trade activities will make the unorganized small traders undertake trade activities. It is therefore suggested that appropriate educational programmes will make them aware of technical know-how and face the practical difficulties of the trade activities. Moreover, the unorganized small traders shall be given education on banking operations and personality development i.e. self-esteem, self-confidence, communication skills, and leadership qualities.
2. The unorganized small traders are facing stiff competition from organized retailers. Hence, it is suggested that reservation of certain products should be exclusively made for unorganized retail sector in order to protect them from the competition from organized retailers. Moreover, industry status should be given to unorganized retail sector to improve retail development, to facilitate organized financing and to establish insurance norms.
3. At present only 12% of unorganised retail enjoys access to institutional credit. The unorganised retail sector in India is severely constrained by limited availability of bank finance. The RBI needs to evolve suitable lending policies that will enable unorganized small traders to expand and improve efficiencies. Further, the co-operative and commercial banks should advance adequate amount of working capital loans to the unorganized small traders. Instead of following the routine norms for sanctioning loans, the unorganized small traders who are competent and capable of carrying out the useful activities should be given adequate financial assistance. Further, the banks should sanction addition loan as and when the unorganized small traders require and pay off their previous loans promptly.
4. 64.67 % of the unorganized small traders demand for common shopping complex, sanitary facilities, transport facilities for carrying their products, water facilities and free or concessional rate electricity, etc. Therefore, the appropriate authorities can provide the aforesaid necessary facilities to the unorganized small traders.

CONCLUSION

With the re-emergence of economic growth in India, consumer buying in retail is being projected as a key opportunity area. As a consequence, Indian corporate housed are refocusing its strategic perspective on retail marketing with the idea to use resources optimally in order to create core competence and gain competitive advantage. The emergence of organised retail outlets in the market is very significant in the recent past. In the present study the focus has been given completely on this segment and its impact on unorganized small traders. Based on the results of the survey, the study has made a number of specific policy recommendations for effective functioning of the unorganized small traders. If this study provokes the people concerned to take some positive measures in order to improve it, the researchers will feel amply rewarded.

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