

# Study on Indian Unorganized Retail Sector on Southern Districts in Tamil Nadu

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**Abstract:** *The unorganized retail sector in India comprises a vast network of small retailers, including street vendors, hawkers, and independent small shops, which operate without any formal organizational structure or legal registration. In Tamil Nadu, the unorganized retail sector plays a crucial role in the local economy, particularly in the southern districts of the state. However, the unorganized retail sector in southern districts faces various challenges, including intense competition from organized retail, lack of infrastructure, and regulatory issues. The unorganised retail consists of small business operators who sell non-branded products on a lower scale. They sell goods in split quantities at a fixed location. Some vendors may be mobile within a small geographical area. An unorganised Indian retailer prefers not to use modern technology. The unorganized retail sector in the southern districts of Tamil Nadu, India, plays a significant role in the local economy, offering a diverse and vibrant shopping experience to the population.*

**Keywords:** Unorganized, Organized, retail sector, Kirana stores, Small retailers, Traditional retail, Supply chain, Distribution channels, Competition, Technology adoption, Rural retail

## I. INTRODUCTION

The unorganised retail consists of small business operators who sell non-branded products on a lower scale. They sell goods in split quantities at a fixed location. Some vendors may be mobile within a small geographical area. An unorganised Indian retailer prefers not to use modern technology. Rather they hire employees as their salesman and helpers. However, they have a massive potential of managing trade and inventory quite well. The unorganised Indian retail industry runs outlets locally to deliver products in a few minutes at your doorstep. The small shops run on minimum internet usage, low-quality inventory and a small supply chain. Furthermore, the vegetable vendors, grocers, and local cloth merchants use formats of low-cost retailing. According to some surveys, the unorganised retailing industry accounts for 97% of shopping needs. The Indian retail market has a proportion of around Rs. 400,000 crores, whereas the organised retail market size is only Rs. 20,000 crores. There's a vast difference between the two retailing industries. But both of them are known as the nation's shopkeepers who contribute to the Indian economy.

The unorganized retail sector in the southern districts of Tamil Nadu, India, plays a significant role in the local economy, offering a diverse and vibrant shopping experience to the population. Unorganized retail refers to the traditional, small-scale retailing characterized by independent retailers, family-owned shops, street vendors, and traditional markets. This sector represents a substantial portion of the retail landscape in the region, serving both rural and urban consumers.

### 1.1 Statement of Problem

Characteristics of the unorganized retail sector in the Southern districts of Tamil Nadu. The challenges faced by the unorganized retail sector in the Southern districts of Tamil Nadu in terms of its growth and competitiveness. The opportunities available to the unorganized retail sector in the Southern districts of Tamil Nadu to improve its growth and competitiveness. The potential solutions and policy recommendations to address the challenges faced by the unorganized retail sector in the Southern districts of Tamil Nadu.

### 1.2 Objectives of the study:

- To understand the structure and dynamics of the Indian unorganized retail sector: This objective could involve researching the types of retailers, their size, ownership, distribution channels, supply chains, and competitive landscape in the unorganized retail sector in India.
- To analyze the challenges and opportunities faced by the Indian unorganized retail sector.
- To identifying and analyzing the key challenges faced by unorganized retailers in India, such as regulatory constraints, lack of access to credit, limited technology adoption, and competition from organized retail.
- To explore potential opportunities for growth and development in the sector.
- To analyzing the buying behavior, consumption patterns, and preferences of consumers who shop at unorganized retail outlets in India.

## II. RESEARCH METHODOLOGY

### Research Design:

The study can use a mixed-methods research design, combining both quantitative and qualitative methods to gather data and insights.

### Sampling:

The study may have a limited sample size of 120. which may not be representative of the entire unorganized retail sector in the Southern districts of Tamil Nadu.

### Data Collection:

The study can collect primary data through surveys, interviews, and focus group discussions.

### Data Analysis:

The study can use descriptive statistics to analyze the quantitative data from the survey

### Scope of the study:

The study could examine the number and types of unorganized retail establishments in the southern districts, as well as their size, ownership patterns, and customer demographics. The study could analyze the competitive landscape of the unorganized retail sector in the southern districts, including the types of products sold and the prices charged by different retailers. The study could identify the challenges faced by unorganized retailers in the southern districts, such as competition from organized retailers and regulatory hurdles, as well as the opportunities available to them, such as lower overhead costs and flexibility in responding to local market demands. Assessing the effectiveness of government policies and interventions aimed at supporting the unorganized retail sector in southern districts. This could involve evaluating initiatives related to credit availability, infrastructure development, skill training, taxation, and regulatory frameworks.

### Limitations of the study

The unorganized retail sector in southern districts of tamil nadu is vast and diverse, with a large number of small-scale retailers operating in different regions.

- Access to reliable and comprehensive data on the unorganized retail sector in southern districts of tamil nadu can be limited.
- The unorganized retail sector is characterized by variations in business practices, operating models, and management styles
- Compared to the organized retail sector, there is relatively less research conducted on the unorganized sector in India.
- The unorganized retail sector is subject to rapid changes in market conditions, government policies, and consumer preferences.

The unorganized retail sector can be influenced by external factors such as macroeconomic trends, infrastructure development, or government interventions. These external factors, which are beyond the control of researchers, may affect the study's outcomes and limit the generalizability of findings.

### III. REVIEW OF LITERATURE

(Kumar I. , 2014) This study has been conducted on the basis of linkage between organised urban retail market and unorganised rural retail market in India. There are different factors which affect the decision-making of the customers while choosing any product. Retail market provides the final goods to the consumers. This market is an important source of generating self employment in India. It is differentiated into two categories such as organised retail market and unorganised retail market. Unorganised retail market like kirana stores which are not registered and have not follow any legal formalities but organised retail market run by the registered retailer with few employees providing comfort and self service facility to the customers.

(Purushothaman, 2018) This research articles has analyzed the problems faced by the unorganized retail traders in Kerala by the large scale entry of organized retailers. The entry of organized retail sector in the Kerala market has created enormous amount of anxieties and apprehensions in the mind of traditional retailers, venders, consumers, political parties and the general public at large. There are five types of problems that are faced by the unorganized retailers by the entry of organized retailers. These include infrastructure problems, product related problems, price related problems, promotion related problems and operation related problems.

(Bhatnagar, 2015)The Retail Industry in India rank forth as one of the most dynamic and fast paced industries with several players entering the market. The India Retail Industry is the largest among all the industries, accounting for over 10 percent of the country's GDP and around 8 percent of the employment. The growth in organized retailing in recent years can also be gauged by the rise of shopping malls as well as the rising number of modern retail formats. Shopping in India has witnessed a revolution with the change in consumer buying behavior and the format of shopping.

(SANGEETHA, 2017) Unorganised retail is one which is in existence since the ancient days, an unorganised retail which has good customer turnout to become a big retail outlet with many added features, and some have turnout to become branded outlet. Objectives of the study, To analyse factors influencing the service quality of measuring retail service business outlet. Methodology of the study, Descriptive research design has adopted in this study. Primary as well as secondary data have been adopted in this study. Sampling unit is Dindigul District. 600 respondents adopted in this study. Convenience sampling method adopted in this study.

(N.Muneendra, 2016)The Retail Industry in India has been showing exponential growth which is seen as sunshine industry. Indeed, healthy economic growth, changing demographics, increasing disposable incomes, rapid urbanisation, changes in family structure (increased nuclear families), increased women employment, diversified needs and wants of the consumers, changing consumer tastes and preferences are the other factors driving growth in the organised retail market in India.

(VIJAY, 2015)With the recent trends of globalization many international retailers are opening their stores in India.. India has emerged as favourable destination for international retailers. Business success depends on best way of people management. Tamil nadu state has given nod to central government FDI policy in retail sector. This will lead in generating all kind s of employment oportunity in retail sector. This research work analyses the employment scenario with organised and unorganised retailers.

(G. Somasekhar, 2015)The present study was conducted on unorganised retail outlets in the major towns of Anantapur, Chittoor, Kadapa, Kurnool and Tirupati in Rayalaseema Region of Andhra Pradesh. These locations have seen significant developments with respect to retailing, both organised and unorganised retailing outlets in equal measure. However, unorganised retail outlets have their own strategies and have to regulate their operational strategies to remain competitive. Twenty-one store attributes have been extracted from previous studies which are suitable to shoppers of Rayalaseema region of Andhra Pradesh.

(Ranjan, 2013) Customers are people who buy products and services from other people (usually companies of one sort or another). What customers think and feel about a retail store and/or its products is a key aspect of business success. Attitudes are shaped by experience of the product, the opinions of friends, direct dealings with the retail store, and the advertising and other representations of the company. Customer satisfaction refers to the extent to which customers are

happy with the products and services provided by a business. In other words Customer satisfaction, a business term, is a measure of how products and services supplied by a company meet or surpass customer expectation.

(A.Tulsi Ram Naveen, 2018) The total retail trade is divided into organized and unorganized sectors. Over 12 million outlets operate in the country and only 4% of them being bigger than 500 sq ft (46 m<sup>2</sup>) in size. Organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Unorganized retailing, on the other hand, refers to the conventional formats of low-cost retailing, for instance, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, handcart and pavement vendors, etc.

(Kumar D. J., 2015) Customers approach the retailers to meet the day to day requirements. However, instead of physically approaching the retailer, customers can these days approach the retailers online also. While selecting the retailer, customer is availed with two options; he can either choose the organised retailer or he can opt for unorganised retailer. This selection is affected by various factors and it further affects many factors, the study of which can be useful to draw beneficial business implications. The objective of this study is to identify the various factors which influence the perception of customers in selecting the different retail outlets (organised and unorganised) in the era of growing retail industry in India.

(A. Vasumathi, 2015) The study examines retail outlets attributes of proximity, price, quality, product variety; promotional offers, etc., to determine which attributes have the greatest impact on customer preference in purchasing food and grocery of organised and unorganised retail outlets. The authors conducted a study for the sample size of 100 customers in Chennai, Tamil Nadu, India (50 from each sector) and 50 managers were approached and conducted interview schedule to find the reasons and expectations of customers preferring the particular retail outlet. The findings of the study are family size is the better predictor for purchasing grocery in particular store as compared to family income. The best combination of store preferred by the customer is main street location, less than 500 square feet and II generation store.

#### IV. DATA ANALYSIS AND INTERPRETATION

##### Demographic Variables:

<b>Age</b>		
18-24 years	31	25.8
25-34 years	40	33.3
35-44 years	30	25
45-54 years	7	5.9
55 years and above	12	10
<b>Total</b>	120	100.0
<b>Gender</b>		
Male	82	68.3
Female	30	25
Prefer Not to say	8	6.7
<b>Total</b>	120	100.0
<b>Educational Level</b>		
No formal education	6	5
Primary school	3	2.5
Secondary school	25	20.8
Vocational training	13	10.8
College or university degree	73	60.8
<b>Total</b>	120	100.0
<b>Experience</b>		

Less than 1 year	27	22.5
1-5 years	33	27.5
5-10 years	29	24.2
10-15 years	17	14.2
More than 15 years	14	11.7
<b>Total</b>	<b>120</b>	<b>100.0</b>

Other Analysis:

**Chi-Square:**

**Age \* Ownership structure of your retail operation Null Hypothesis (H<sub>0</sub>)**

There is no significance relationship between age and ownership structure of your retail operation.

**Alternative Hypothesis (H<sub>1</sub>)**

There is a significance relationship between age and ownership structure of your retail operation.

**Case Processing Summary**

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Age * Ownership structure of your retail operation	120	100.0%	0	.0%	120	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig.(2-sided)
Pearson Chi-Square	22.149 <sup>a</sup>	12	.036
Likelihood Ratio	22.768	12	.030
Linear-by- Linear Association	2.316	1	.128
N of Valid Cases	120		

a. 10 cells (50.0%) have expected count less than 5. The minimum expected count is .88.

**Interpretation:**

As per the above table, it is inferred that the P value is 0.036<0.05. Hence Null hypothesis (H<sub>0</sub>) is rejected. There is a significant relationship between age and the ownership structure of your retail operation

**Correlation Analysis:**

**Null Hypothesis (H<sub>0</sub>)**

There is no significance relationship between education and how can Indian government support.

**Alternative Hypothesis (H<sub>1</sub>)**

There is significance relationship between education and how can Indian government support.

**Case Processing Summary**

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Education * How can indian government support	120	100.0%	0	.0%	120	100.0%

Symmetric Measures

	Value	Asymp. Std. Error	Approx. T <sup>b</sup>	Approx. Sig.
Interval by Interval Pearson's R	.214	.077	2.385	.019 <sup>c</sup>
Ordinal by Ordinal Spearman Correlation	.245	.084	2.743	.007 <sup>c</sup>
N of Valid Cases	120			

**Interpretation:**

As per the above table, it is inferred that the R value is 0.019 > 0.05. Hence Null hypothesis (Ho) is accepted. There is no significant relationship between education and how can Indian government support.

**Independent sample test:**

**T-Test**

**Group Statistics**

Gender	N	Mean	Std. Deviation	Std. Error Mean
How can you improve the overall shopping experience of your customer				
Male	82	3.1829	1.41533	.15630
Female	30	3.2667	1.33735	.24417

**Independent Samples Test**

	Levene's Test for Equality of Variances	t-test for Equality of Means						
		F	Sig.	t	d f	Sig. (2-tailed)	Mean Difference	Std. Error Difference
How can you improve the overall shopping experience of your customer	Equal variances assumed	.686	.409	-.281	110	.779	-.08374	.29770
ed experience of your customer	As sum Equal not assumed			-.289	54.367	.774	-.08374	.28991

**Interpretation:**

The significant value 0.409 < 0.05. Ho is rejected. Therefore, there is significant difference in equality of variance between group. Hence equal variance is not assumed when equal variance are assumed.

Hence,  $H_0$  is accepted there is no significant difference between gender and how can you improve your overall shopping experience of your customer.

**Reliability Analysis:**

**Case Processing Summary**

		N	%
Cases	Valid	120	100.0
	Excluded <sup>a</sup>	0	.0
	Total	120	100.0

a. List wise deletion based on all variables in the procedure.

**Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.535	.532	8

Interpretation:

The cronbach's alpha is 0.535 which is less than 0.7, so the given data are not reliable.

**V. FINDINGS OF THE STUDY**

**5.1 Percentage Analysis**

- The above table shows that majority of the retailers / respondents are in the age group of 25-34 years with 33.3%.
- The above table shows that the Majority of the respondents / retailers are Males with 68.3%.
- Majority of the respondents / retailers educational level is college or university degree with 60.8%.
- The majority of the respondents / retailers have been in the business is 1-5 years with 27.5%.
- The majority of the retailers / respondents are selling the products of Groceries with 45.8%.
- The majority of the retailers having ownership of sole proprietorship with the percentage of 35.8%.
- The majority of the retailers using distribution channel of online market place with percentage of 24.2%.
- The majority of the competitors for the unorganized retailers are E-commerce platforms with percentage of 37.5%.
- The majority of the unorganized retailers are compete with other retailers using providing better consumer service and experience with percentage of 24.2%.
- The majority of the retailers are respond that they are agree with having strong distribution channel network with 41.6%.
- The majority of the retailers are respond that the increasing adoption and technology is neutral with percentage of 35%.
- The majority of the retailers are respond that agree with the new distribution channels will create a new opportunities with percentage of 40.8%.
- The majority of the retailers are respond that the regulatory constraints are significant challenge for growth with strongly agree with percentage of 39.16%.
- The majority of the retailers are respond that they are agree to having multiple distribution channels with percentage of 42.5%.
- The majority of the retailers respond that they are strongly agree with having social media on their business with percentage of 41.66%.

## 5.2 Suggestions

Focus on improving the overall appearance of retail store. Cleanliness, proper lighting, organized shelves, and attractive displays can significantly impact customer experience and encourage repeat visits. Embrace technology to streamline retail operations and enhance efficiency. Utilize point-of-sale (POS) systems, inventory management software, and customer relationship management (CRM) tools to better manage sales, inventory, and customer data. Strengthen retail supply chain to ensure a consistent and timely supply of products. Establish strong relationships with suppliers, negotiate favourable terms, and explore options for bulk purchasing to reduce cost. Analyze customer preferences and demands in your area, and ensure you stock a wide variety of products to cater to their needs. Monitor market trends and introduce new and innovative products to attract customers and retain their interest. Implement loyalty programs and reward schemes to encourage repeat business. Offer discounts, promotions, or exclusive offers to regular customers, and leverage social media platforms to stay connected and engage with your customer base. Establish an online presence through a website or social media platforms. This will enable you to reach a wider audience, showcase your products, and provide convenience for customers who prefer online shopping.

## VI. CONCLUSION

The study of the Indian unorganised retail sector in Tamil Nadu's southern districts provides insight into the distinctive qualities, difficulties, and potential of this area. The findings emphasise the importance of the unorganised retail sector as a significant driver of the regional economy, creating jobs and meeting the various needs of the populace. While the sector is vital to the retail environment, the study shows that it also faces a number of difficulties, such as restricted access to financing, ineffective supply chains, poor infrastructure, and competition from organised retail giants. Small shops that operate in the unorganised sector face difficulties that limit their capacity to expand and turn a profit

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