A STUDY OF ECONOMICAL IMPACT OF ENTRY OF ORGANIZED RETAILERS ON UNORGANIZED RETAILERS WITH SPECIAL REFERENCE TO MAHARASHTRA STATE

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ABSTRACT

This research work deals with the major implications of modern retailing in Maharashtra state with main objectives to find out economical impact and employment impact on unorganized business, manufacturers, intermediaries due the entry of organized retailers when there is FDI in organized retail in Maharashtra.

Only four categories of products like A) Clothing, textile, fashion accessories B) Home appliances, Electronic, electrical equipments C) Food-Grocery, D) Books, Music, Gifts are considered for study. For the study, Geographically Maharashtra state is divided into six regions viz. Mumbai, Nashik, Pune, Aurangabad, Amravati, Nagpur. The study is based on data collected from organized retailers, unorganized retailers, Consumers, intermediaries, manufacturers from all 6 regions of Maharashtra. The retail store formats considered for the study are Supermarkets, Hypermarkets and Discount Stores.

Segment wise - region wise – year wise data is collected and compiled using questionnaires, interview method for calculating results. The data analysis covers region wise and segment wise economical impact, employment scenario, local business trends, customer perceptions. At the end, the study also tries to bring out impact of technology and on line mode of transactions on customers and retailers.

With the stringent competition around & in spite of facing financial constraints, majority of unorganized retailers do not see Loss of sale, Reduction in sale, Reduction in their staff and loss of customers. Various satisfaction factors considered by customers for buying at organized and unorganized retail stores are discussed separately. Segment wise – region
wise and year wise findings are stated separately for organized and unorganized retailers, manufacturers and intermediaries and customers.

Indian Retail sector is dominated by unorganized retailers. The entry of organized retailer will improve infrastructure, technology, supply chain giving consumer experience of buying products at lower prices. The frontend and backend operations related to retail industry will increase employment opportunities.

**Key words:** Economical Impact, Employment Impact, Organised Retailers, Unorganized Retailers, Customer Perceptions, Local Business Trends


**INTRODUCTION**

In recent times, The Indian retail industry is expanding and diversifying across the country, thereby boosting the demand in good service to the customers as well. The Indian retail industry has come of age and the demand for modern shopping centers and shopping complexes, which offer shopping, food and entertainment under one roof, is on the rise. A sizeable market of young working population, hefty pay-packets, increase in the number of nuclear families in urban areas, higher disposable income, growing consumer aspirations, western influences and rising demand for luxury items are few of the factors that have spurred the growth of organised retail in India. Earlier research in this area stated that unorganised retailers, manufacturers and intermediaries have started feeling the competitive impact of organized retail through both price and payment pressures. With this steep competition it is necessary to find out impact of organised retailers on unorganised retailers, manufacturers, their employees, customers and intermediaries.

Indian retail industry is divided into Organised retailing and Unorganised retailing. Organised retailing includes corporate backed Hyper market, Supermarkets, Departmental stores, Cash and Carry stores. Unorganised retailing is traditional formats of low cost retailing Local Kirana shops, General stores, pavement vendors, Fruits, vegetable and Food stores.

According to A T Kearney report (2011), organized retail accounts for 7% of India’s roughly $435 billion retail market and is expected to reach 20% by 2020. India is treated as a high potential market with accelerated retail market growth of 15 to 20 percent expected in the coming 5 years, supported by a GDP growth of 6 to 7 percent.

**SIGNIFICANCE AND IMPORTANCE OF STUDY**

Mukherjee et. al. (2011) found that the share of retail trade in GDP is approximately 11-12 per cent. In 2010, the Indian retail market was valued at $435 billion, of which the share of organised or modern retail was 7 per cent i.e. $30.05 billion. The sector is expected to grow to 20 per cent by 2020 (A.T. Kearney, 2011). Supporting Government policies, FDI in retail, growing income and higher consumption pattern of middle class wooing big retailers to open their outlets in India. (Handa & Grover, 2012) stated that by 2016-17 Indian Retail Business size will be US$1011bn which was US$322 bn in 2006-07. This shows that Indian Retail Business Market is
A study of Economical impact of Entry of organized retailers on unorganized retailers with special reference to Maharashtra state growing. Kumar P. (2013) in stated that food and grocery retailing is estimated to contribute to around 50% (Rs 3500-4000 billion) of the total sales from retailing.

It is necessary to find out whether such trends will continue in future. In a competitive environment Manufacturers, intermediaries and employees are also observing changes and feeling the impact when organised and unorganised businesses are competing with each other. It is observed that customers buy from organised as well as unorganized retail stores.

Intermediaries and manufacturers are feeling the competitive impact of organized retailing. The retailing industry is generating huge employment opportunities in the all functional areas viz. Store Operations, Merchandising, Purchase, Logistics, Marketing, Publicity, Accounting and control. Singhal (2010) analysed that an estimated 90+ million jobs will be created over the next five years, of which almost 50 per cent are expected to be in the services sector (45 million).

With new policy on the flow of FDI is expected to be more in infrastructure development. Supporting to central government policies of FDI in organised retail, Maharashtra has given nod for FDI in organised retail in state.

STATEMENT OF PROBLEM
In past few years cities in Maharashtra observed growth of organized retailers. Many people expressed the concern having negative impact of organised retailers on unorganized retailers. Hence the researcher has decided to find out “Economical Impact of Entry of organized retailers on unorganized retailers in Maharashtra state”.

Objectives of Study
Following objectives are stated for research work
1. To find out impact on unorganized business due to the entry of organized retailers
2. To assess the impact on employment and income in both organised and unorganised retail sector
3. To study impact on consumers, intermediaries, manufacturers and farmers due to entry of organised retailers
4. To study the increasing or decreasing trend in local business activity

Limitations of Study
- Data analysis is based on the responses given by respondents
- Only four categories of product like clothing and fashion, electronics and electrical, food and grocery and books music & gifts are considered for study
- No distinction is made with foreign and domestic organized retailers and manufacturers based on their size of stores, capacity and income. Cash and Carry type of Organised Retailers are not considered for this study

RESEARCH METHODOLOGY
The researcher has used descriptive research design method and stratified sampling method. Within a strata, random sampling method to collect the samples. The population for the study is organised and unorganised retailers, manufacturers and intermediaries, Employees and consumers of retailers in Maharashtra. The samples are collected from six geographical regions of Maharashtra viz. Mumbai, Nashik, Pune, Aurangabad, Amravati, Nagpur. In each region The retailers are divided into 4
segments which are A) Clothing, textile and fashion accessories B) Home appliances, Electronic and electrical equipments C) Food and Grocery D) Books, Music, Gifts. The following table describes the samples taken from each region and segments.

**Sample size of Organised and Unorganised retailers, Manufacturers, Intermediaries**

<table>
<thead>
<tr>
<th>Sr No</th>
<th>Category</th>
<th>No of regions</th>
<th>Sample from Segment A</th>
<th>Sample from Segment B</th>
<th>Sample from Segment C</th>
<th>Sample from Segment D</th>
<th>Total sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Unorganised retailers</td>
<td>6</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>192</td>
</tr>
<tr>
<td>2</td>
<td>Manufacturers</td>
<td>6</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>48</td>
</tr>
<tr>
<td>3</td>
<td>Intermediaries</td>
<td>6</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>48</td>
</tr>
<tr>
<td>4</td>
<td>Organised retailers</td>
<td>6</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>96</td>
</tr>
</tbody>
</table>

**Sample size of Employees and consumers**

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Type</th>
<th>No. of retail outlets</th>
<th>Number of samples</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Employees of Organised</td>
<td>96</td>
<td>3</td>
<td>288</td>
</tr>
<tr>
<td>2</td>
<td>Employees of Unorganised</td>
<td>192</td>
<td>2</td>
<td>384</td>
</tr>
<tr>
<td>3</td>
<td>Consumers</td>
<td>98</td>
<td>10</td>
<td>980</td>
</tr>
</tbody>
</table>

Questionnaires, Observations, and Interview methods tools are used for collecting primary data. The secondary data is collected by analyzing International and National journals, articles from books, magazines and newspapers, websites and various government policies.

**LITERATURE REVIEW**

Many research work identified benefits earned by consumers, government, small scale industries and also to unorganized retail sector. Mishra & Dash (2008) analysed that Organised retail has changed not only the Indian traditional retailing structure but also the consumption behavior. In the article (Singh & Bose, 2011) identified that in India with nearly 80 percent of the market controlled by tiny family-run shops. Organised retail makes up only 6 percent of the market. John, Clark and Hojong (cited in Manju & Malik, 2012) found out that helpfulness of sales person, friendliness, quality level, merchandise selection and exchange, value for money, location of store etc are used to measure customer satisfaction.

A research outline of PwC Research (2011) stated that the 700 million Indians residing in rural India are an opportunity that retailers cannot ignore. India has a large population of middle-class of 75 million households or 300 million individuals. Joseph et al. (2008) in their study did not find any adverse impact of organized retail on intermediaries. Manju & Malik, (2012) highlighted that as majority visitors are of young group and their needs to taken into account while deciding market strategy.
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T Kearney report (2013) analysed that high operating costs, low bargaining power with vendors, heavy discounting to improve sales have affected profits and expansion plans.

Janardan (2014) discussed the need to optimize their supply chains and item management processes. A study by Raut & Dash (2011) analyzed various major factors that define consumer buying behavior like accessibility factors. Similar findings are revealed by (Srivastava & Matta, 2012 ). Clement & Kodimela (2011) examined the factors that influence the customers switching behavior to organized retail. According to Sorescu. et al (2011), Retailers are often directly engaged with large number of end consumers which creates opportunity and challenges for building stronger relations with their customer base. Prabha Devi & Sellappan (2009) focused on impact of service quality at retail stores. The quality services that are considered to satisfy customers today may be different tomorrow.

Dubinsky, Skinner & Steven (1984) examined relationships among perceived job characteristics, job satisfaction, motivation, organizational commitment, role perceptions, and job performance of retail salespeople. Coelho, Augusto & Lages (2011) identifies indirect effect of job complexity & work relationships on creativity. They tried to find out impact of contextual factors on front line managers. According to report on Skill Development (FICCI Report, 2010), there will be huge demand of skilled manpower in shop floor executive, back store operations and merchandising. Sahoo & Das (2011) discussed about employee empowerment for competitive advantage. Mukherjee & Goyal (2012) explores that increments in the organised retail outlets are linked to the performance of the employees, while in the unorganised retail outlets they are linked to employee’s years of experience. According to the (Economic Survey 2013, 2013) , The traditional retailers are giving a strong competition to organised retailers and the decision to permit foreign retailers to open stores in the country will not affect small players in India.

IMAP Report (2010) highlighted that increase in global online population and localization strategy promotes online retail spending. This increases cross border online purchases. The study by Maki & Kokko (2012) identifies impact of automated processes in retail on customers. Maheshwari (2004) stated that infrastructure such as power, transport and telecommunication and water supply are important for economic growth.

DATA ANALYSIS

The data analysis comprises of 3 different sections based on the objectives of the research work. which are

- Direct and indirect economic impact on unorganized business
- Impact on employment and income in both organized and unorganized retail sector
- Increasing and decreasing trend in local business activities

Impact on unorganised retailers

http://www.iaeme.com/IJM/index.asp
The results from the above graph states that the monthly income of retailers from Mumbai and Pune is higher than other regions where as it is lower for the retailers from Aurangabad and Amravati. In all regions, for every year, the unorganised retailer’s monthly income from the Food and Grocery segment is highest compared to other segments.

The following figure 2 indicates opinion of unorganised retailers. The opinion of retailers is collected in the scale of 1 to 5. 1 being low and 5 depicts high. The study indicates that in spite of facing financial constraints, majority of unorganized retailers do not see loss of sale, reduction in sale, reduction in their staff and loss of customers. They have sensed little impact on prices of products due to increased competition.
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Figure 2 Opinion of unorganised retailers in Maharashtra state as whole about the impact of organised retailers on their business

Figure 3 Changes required in business strategies of Unorganised Retailers (in percentage)

http://www.iaeme.com/IJM/index.asp
To stay competitive in changing environment all the unorganised retailers from all the regions have expressed desire to bring changes in their business by following methods: Adding space and infrastructure and furniture for proper display of items, Adding new products in their business by keeping variety of items with proper quality and quantity, Improving quality of service, Improving customer relationship, Giving the facilities of different mode of payments.

**Figure 4** Last three years Segment wise Year wise employment Organised Retail in Maharashtra

**Figure 5** Total Number of Employees Division wise – Year wise in organised retail

- It is observed that there is increase in employment due to steady expansion of new organised retail outlets in all segments. Liberalised Government policies and regulations, increased FDI in organised retail sector is making it easy for retailers to start new retail outlets at various places. There by increasing employment opportunities in this sector.
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- It is found out from the above graph that Pune and Mumbai region have highest employment in all three years and the total number of employees are increasing every year. While Amaravati and Aurangabad Divisions lagging due to less infrastructure development.
- Electronic and Home appliances segment has more employment compared to other segments but require work force having technical skills.

Table 1 Segment wise and skill wise employees presently working

<table>
<thead>
<tr>
<th>Product Category</th>
<th>Full Time Skilled</th>
<th>Part Time Skilled</th>
<th>% of Part time skilled employees</th>
<th>Full Time Un Skilled</th>
<th>Part Time Un Skilled</th>
<th>% of Part time Unskilled employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cloth and Textile</td>
<td>1248</td>
<td>42</td>
<td>3.26%</td>
<td>168</td>
<td>78</td>
<td>31.71%</td>
</tr>
<tr>
<td>Electronics and Home appliances</td>
<td>832</td>
<td>22</td>
<td>2.58%</td>
<td>176</td>
<td>52</td>
<td>22.81%</td>
</tr>
<tr>
<td>Food and Grocery</td>
<td>2644</td>
<td>44</td>
<td>1.64%</td>
<td>298</td>
<td>128</td>
<td>30.05%</td>
</tr>
<tr>
<td>Books, Music &amp; Gifts</td>
<td>292</td>
<td>0</td>
<td>0.00%</td>
<td>66</td>
<td>26</td>
<td>28.26%</td>
</tr>
</tbody>
</table>

It is very clear from the table that maximum Full time skilled employees are working in Food and Grocery segment and maximum part time unskilled employees are working in cloth and textile segment. Over all in all the segments percentage of employees working as part time skilled is minimum Books, Music and Gift segment has less number of employees working compared to other segments.

Figure 6 Availability of requirements of personals in various sub sectors of organised retail sector

Sales has maximum requirement even if it is having highest trained persons available. Customer care, Infrastructure, Technology has 4 to 7% requirements of trained employees. Marketing and promotion has 14% requirement of employees. Position and Skill requirement also changes due to Type of store, Types of customers visiting the stores, Nature and price of product, Complexity and technical nature of products.
It is inferred from the above graph that while working with organised retailer

- 85.86% employees experience that there are more number of opportunities for employment and 69.66% employees find promotion prospects. 83.11% employees receive product or position specific training.
- 84.48% employees observes that there are regular increments in salary. 74.48% also feel proper leave structure is followed.
- Majority observes good work environment and work culture and find change in availability of basic facilities provided to employees. They also observe change in life style.

<table>
<thead>
<tr>
<th>Employment Scenario in organised retailers</th>
<th>Employment Scenario in unorganised retailers</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is 15 to 20% increase in employment in last three years in all levels of management in organised retailers</td>
<td>The sector has observed 10 to 13 % of increase in employment in last three years. Generally employees joining the unorganized retail sector do not leave their jobs due to minimal qualification (High school or less).</td>
</tr>
<tr>
<td>Food and Grocery segment has maximum employment opportunities followed by cloth and textile industry.</td>
<td>There is very less increase in the salary of employee over last three years. Many times there are no increments given. Variation in salaries are found from region to region.</td>
</tr>
<tr>
<td>Majority of organised retailers give regular increments to employees. Increments are based on performance</td>
<td>Majority of them have separate HR department. Employees performance is appraised through proper appraisal procedures,. Majority retailers give Bonus &amp; extra allowances and provident fund and increment</td>
</tr>
<tr>
<td></td>
<td>Majority of employees in this sector do not get Provident Fund, Health allowance and other allowances. Many employees are not sure about increments. Employees generally receive Bonus of 10 to 15% of their salary during festival time once in a year. There is no proper leave structure but employees do get annual leave.</td>
</tr>
</tbody>
</table>

Table 2 Comparison of Employment in Organised and Unorganised Retail sector
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Figure 8 Region wise Percentage increase in number of persons working in unorganised retailers

- Mumbai and Pune regions have shown higher percentage increase in the years 2011-12 and 2012-13. Other regions have shown average percentage increase 6% to 6.9% in both the years. The figures are really significant to infer that there in increase in number of persons working either as a family members or hired persons from outside.
- Intermediaries activities associated with organized retailers are more in the region Mumbai, Pune, Aurangabad and Nagpur due to availability of more number of organized retail outlets. Majority of intermediaries from all the segment feel increase in employment. Measurable increase in employment is observed in Electronic and Home appliances segment.
- Seasonal fluctuations, discount schemes, offers on products and good shopping experience increased number of customers visiting to organised retail outlet. This has increased demand of products there by showing increased trends in local business activities

Figure 9 Segment wise opinion of intermediaries receiving benefits due to organised retailers (shown in percentage)

It is significant from the graph that Food and Grocery segment intermediaries higher demand and increase in employment compare to other segments. Over all
analysis states that majority of intermediaries from all the segments are receiving benefits due to emergence of organised retailers. There is increase in economical local activities like buying, selling, transporting, renting etc due to increase in number of organised and unorganised retailers in all the segments in all the regions.

**Impact on manufacturing industry**

- It is pointed out from the above graph that 52.38% manufacturers receive training on various aspects. Due to advance training and adoption of new technology 85.72 % manufacturers experience reduction in wastages and 90.47% manufacturers sense reduction in losses. This has helped 76.19% manufacturers to increase productivity.
- 76.19% manufacturers feel increase in demand and 90.48% manufacturers sense increase in profit. Due to the growth in the business 61.91 found increase in employment. 71.43% manufacturers have increased investment in their production.
- It is found out that 95.24% manufacturers have adopted better supply chain and distribution channel and 71.43% manufacturers have started working on brand and quality of products.
- Almost all the manufacturers adopted better supply chain and distribution channel to reach to customers with quality products hence they are working more on brands. The overall discussion reveal that manufacturing activities are increasing basic economic activities of local businesses such as buying, selling, investing, increase in employment etc. So by getting associated with organised retailers there is upward trend in local business activities.

**Impact on customers**

It is found out from the research work that reliability of products, brand name, performance of sales person, quality product and service, price margin, offers and discounts, parking facility, loyalty and membership cards, mode of payment, after sales service, internet shopping, attractive schemes are few prime factors which attract customers to organised retail stores. Due to lay out and ambience, skillful staff, facilities available at organised retail stores, customers get quality buying experience.
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The customers prefer to buy from unorganised retail stores due to convenient location, extended facility of home deliver, fresh stock, buying grocery items, credit facility. Customer is able to bargain while buying products from unorganised retail stores. Customers are satisfied with early opening and late closing of unorganised retail stores. Customers are happy with honest dealing of unorganised retailer. But they are dissatisfied with the lay out and ambience of store, knowledge of salesman, neat and clean outlook of sales person. Customers do not find basic facilities, parking facility at unorganised retail stores.

Notion of savings from organised retail

![Figure 11 Region wise monthly savings from Organised Retail Outlets](image)

The notion of savings done by consumer while purchasing depends on how much money he/she spends monthly in organised retail stores. 30 to 35% customers in all the regions observed that they are able to save Rs.500 to 1000/- per month of their purchase. 32% to 40% customers experience Rs. 1000 to 3000/- savings from organised retail stores. 15% to 18% customers observed savings of Rs. 3000 to 5000 while making purchases at organised retail stores. Very few countable customers who purchase costly items like furniture or home appliances observed Rs. 5000 to 10000/- savings.

FINDINGS AND RECOMMENDATIONS

After studying and analysing data the following conclusions are drawn. Impact on unorganised retailers

- There is gradual increase in monthly income of all unorganised retailers from all segments in all regions. It varies with the type of segments and life style and standard of living in the regions. The monthly income from Mumbai and Pune region is higher than other regions.
- In spite of facing financial constraints, majority of unorganized retailers do not see Loss of sale, Reduction in sale, Reduction in their staff and loss of customers. With the stringent competition around, unorganized retailers are trying to change their Pricing, Distribution, Promotion and Product strategies giving emphasize more on Quality with variety and customer satisfaction and their retention.
There are no rules and policies regarding recruiting the employees in unorganised retail sector. Bonus/increment in salary is sole prerogative of the owner. Majority of employees working in all the segments other than electronic and home appliances segment are unskilled as they are recruited as either helpers or technicians.

Employment in organised retail sector
- It is observed that in every division of Maharashtra there is definite increase in employment during last three years. Pune and Mumbai division has highest employment compared to other divisions. Maximum Full time and part time skilled employees are working in Food and Grocery segment.
- Sales has maximum requirement even if it is having highest trained persons available.
- Majority of organised retailers from all the segments follow proper HR practices.

Impact on manufacturing and local business activities
- It is observed that job opportunities for all categories of jobs are available in Logistics, Warehouse and Core Production sub sectors in manufacturing industry.
- Majority of intermediaries found increase in employment due to increase in business activities after getting associated with organised retailers.
- Increase in economical local activities like buying, selling, transporting, renting etc due to increase in number of organised and unorganised retailers in all the segments in all the regions.

Impact on customers
- Many customers prefer more than one type of retail store format for buying their needs. Satisfaction factors considered by customers for buying at organised retailers are skillful professional staff, every thing at one place, Basic facilities, good parking facility, Quality product and service, variety in product, methods of payment, attractive schemes, internet shopping and effective complaint handling system
- Satisfaction factors considered by customers for buying at unorganised retailers are reliability of product, Fresh stock, home delivery, convenient timings of store, easy product return policy, credit facility and bargaining power.

Major Recommendations
- To stay competitive and retain customers, unorganised retailers should keep quality products with more number of varieties with reasonable prices and also announce promotional schemes for their business and make various types of payment mode available to their customers.
- The unorganised retailers should understand the importance of customer relationship management, train their employees accordingly and adopt innovative techniques to retain customers. They should give emphasis more on neat and clean look of their workers and neatness and cleanliness of business place.
- They should also try to adopt technology in their business which will ensure proper weighing, supply of fresh products and proper billing and less wastages
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of items. They should possess skills of accurate inventory management and supply chain management to avoid various losses.

- Unorganised retailers should extend all kinds of employment benefits to their employees and register themselves for paying taxes.
- Government should ensure that the growth of unorganised retailers will take place with the help and support of organised retailers. This will enhance local business activities and economic activities in the region.
- Organised retailers should open more outlets in Amravati and Aurangabad regions to enhance economic activities in these areas.

CONCLUSION

The Indian retail industry is expanding and diversifying across the country. The economical impact is found out by analysing income and employment in both organised, unorganised retailers and manufacturers. The trends in local business activities is studied by carrying out year wise, segment wise and region wise analysis. The entry of organized retailer will improve infrastructure, technology, supply chain giving consumer experience of buying products at lower prices and employment opportunities. At the end, the study also tries to understands various satisfaction factors with respect to his buying at organised or unorganised retail stores, savings from organised and unorganised retail outlets and their preference of buying

REFERENCES


http://www.iaeme.com/IJM/index.asp 15  editor@iaeme.com


