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A Comparative Study on Service Quality Performance between Organized and Unorganized Retailing With Reference To Delhi & NCR

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Abstract

Retail industry is one of the biggest sector and second largest employment provider after agriculture in India. Due to easy access and unconditional knowledge requirement for opening up a retail store/ outlet, the presence of hawkers, street vendors, small kiriyana stores can be observed easily in India. There is not any requirement to have a degree in retail management and any specified criteria to open up a retail store. Therefore small unorganized retailers capture the bigger share of retail in India. Both organized and unorganized retail stores co-exist in India. Organized retail segment is peeping in and making its position at a very faster pace in the sector,

Key Words: Organized retail, Unorganized retail, FDI.

1. Introduction

Retail sector in India is categorized as organized and unorganized retail. But, still as compare to other countries like USA, Japan and China, the unorganized sector is holding its dominating position over unorganized retail sector. The sector holds the position of one of the pillars of Indian economy, as it contributes to an economy in a large format by involving a significant part of population. It is one of the easiest ways to generate livelihood for oneself. As very less investment is required to start up a retail store. An individual whether educated or uneducated, can easily start up its retail store with less capital and labour. USP (Unique Selling Proposition) of unorganized retailer is location advantage, due to which they are able to cater the needs of small daily workers to large family income members.

The sector uptill now was dominated by unorganized retailers, who are

now facing competition from big organized Indian retailers and foreign retailers like Tesco, Walmart etc. The big global giants, by purchasing in bulk, succeed in cutting down, as a result are able to decrease the prices of the products offered to their customers. Unorganized retailers on the other hand purchase are still dependent on local suppliers for the raw materials, moreover the demand made by them is less so, they are not able to gain profit due to bulk buying. As per IBEF (India Brand Equity Foundation) report, it is projected that by the year 2021 traditional retail will hold a major share of 75% followed by organized retail which is expected to have a share of 18% and e-commerce retail share which is expected to reach 7% of the total retail market.

The main source of data pertaining to organised sector is the Annual Survey of Industries (ASI). The ASI covers all factories under sections 2m(i) and 2m(ii) of the Factories Act 1948, The survey also covers bidi and cigar manufacturing establishments registered under the Bidi and Cigar Workers Act 1966. Although the scope of the ASI was extended to all registered manufacturing establishments in the country, establishments under the control of the Defence Ministry, Oil storage and distribution units, Restaurants and cafes and Technical training institutions not producing anything for sale or exchange were kept outside the coverage of the ASI. The ASI extends to the entire country except the States of Arunachal Pradesh, Mizoram and Sikkim and Union territory of Lakshadweep.

2. Literature Review

Gandhi M. B. & Chinnadorai (2017) focused on the unorganized retail sector in India. They emphasized that although organized retail sector is expected to grow at a faster pace as compare to unorganized retail sector but unorganized retail sector holds a dominating position in the market based on its unique selling proposition (USP) of location advantage which leads to an easy access to consumers in India. Venkatesh N. (2013) carried out there study in Chennai and Bangalore. The study concluded that FDI is likely to have very less impact on small retailers as their target group is low income group people. The study further highlighted that FDI is likely to have a positive impact on Indian economy so it should be promoted by the Government.

Kumar A. & Kamal (2014) highlighted in the study that retail sector in India possess numerous opportunities for growth . The foreign retailers are gaining faith for making investments in India. The industry is observed to be shifting at a very faster rate from unorganized to organized retail, new modern formats of retailing is also observed. Manikyam R. K. (2012) observed in the study that in Indian organized retail face a big challenge from unorganized retail as these small retailers are having low cost structure, low taxes to pay, owner operated business model and they maintain personal touch with customers which gives satisfaction to purchase from them. The percentage of organized retail is very less as compare to organized retail , thus the sector possess big opportunities for growth especially in untapped rural markets.

Anitha N. (2016) tried to explore the factors which affect the choice of consumers while selecting a retail store format. The study was conducted in Chennai with a sample of 600 respondents. The results analyzed using

factor analysis revealed that life style factors like fashion, health, family, food, enjoyment, consciousness plays a major role while selection of a retail store format for purchase.

Objectives and Methodology of the study

The objectives of the study are:

1. To study the reasons for growth of retail sector in India.
2. To study the opportunities and challenges available in front of organized and unorganized retailers in India.
3. To suggest ways to strengthen retail sector in India.

The paper is based upon the descriptive research, comparative study of various research papers and reports of IBEF (India Brand Equity Foundation) and BCG (Boston Consultancy Group).

There are enormous opportunities for growth of retail sector in India. Retailing acts as one of the cheapest source of earning livelihood for people of India. It provides employment opportunities for people of India after agriculture sector.

While considering the place of unorganized sector in comparison to organized retail sector in India, Unorganized sector still holds the dominating position due to a number of advantages available like, location benefit, easy access to customers, products offered in small quantities, low cost of real estate as most of them operate business from residential areas so electricity bills and other utility bills are non commercialized as compare to organized retailers. Due to the changing preferences and likings of the customers there is an upsurge need for unorganized retailers to bring updations in there traditional stores to bind customers towards themselves.

Opportunities and Challenges available for retail sector in India-

The retail sector can be broadly categorized as organized retail sector and unorganized retail sector. The organized retail represents the retailers who have registered themselves for income tax purposes and unorganized retailers are those who have not registered themselves for income tax purposes. As per the changing needs and requirements of the customers in the present scenario, the retailers now a days are required to put there heart and soul in order to provide the best product and services otherwise due to cut throat competition in the market, the customer expected to shift towards the other retailers in no time.

The opportunities available in front of unorganized retail sector are:

1. India being the second largest growing economy in the world acts as an opportunity for retailers.
2. Increasing per capita income of the people.
3. More earnings leading to more expenditure.
4. Rise in spending power due to dual family income.

Challenges for Unorganized retailers:

1. Big competition from organized retail sector.
2. Lack of Government support.
3. Lack of standardization of products

4. Unawareness about new technologies.
5. Lack of retail knowledge, skills and expertise
6. Customers attracted towards online retailers and organized retailers
7. Less Government support.

The organized retailers are trying their level best by providing best ambience with attractive offers to the customers. By offering discounts, attractive offers and better sales services the retailers are trying to cater present and prospective customers towards themselves.

Challenges Faced by organized retail sector in India

1. Increasing real estate prices.
2. More expectations of the customers
3. Stiff competition from foreign retailers
4. Unorganized retailers easy access to customers
5. Increased utility charges as compare to unorganized retailers
6. Personal touch to the customers given by unorganized retailers.

On the basis of analyzing the opportunities available and challenges in front of both organized and unorganized sector in India, it can be concluded that due to the changing demographics of consumers in India and growing Indian economy the sector possess a number of untapped potential for growth in the near future. In the long run both unorganized and organized retailers are going to co-exist in the economy. The location advantage and offering of goods in small quantities catering the needs of low income groups and middle income groups is the biggest advantage to unorganized retailers, on the other hand, more young techno savvy customers are emerging which are now demanding more than just buying from a shopping place are helping organized retailers to make a position in the market.

Suggestions to make retail sector strengthen:

1. Schools offering retail management must be opened: Schools which provide technical education to students so that they can start up their own retail store as per the need and requirements of the new age customers.
2. Co-operative stores must be opened: With the initiation of the Government retailers co-operative stores must be opened which can prove out to be helpful for them to enjoy economy of combined demand for goods.
3. Both organized and unorganized retailers join hands together: Both organized and unorganized retailers must work together for upgradation and upliftment of the sector.

Conclusion

When we compare between the customers attracted towards organized retailers and unorganized retailers, it can be found that youngsters are attracted more towards organized retail and the unorganized retailers are able to cater especially the needs of daily wages group class and households living nearby by providing them credit facilities and small quantities.

In the nut shell, it can be said that for both organized and unorganized retailers, the key to survive is to provide best shopping experience to the customers by way of adopting innovative practices to meet up there expectations and to offer them best value for the money spent.

The Government is also suggested to open up technical skills learning schools for traditional retailers to meet up the demand of customers and to stay ahead with organized retailers.

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