

Effects of Supermarkets on Rural Unorganized Small Retailers

OPEN ACCESS

Manuscript ID:
ECO-2025-13038783

Volume: 13

Issue: 3

Month: June

Year: 2025

P-ISSN: 2319-961X

E-ISSN: 2582-0192

Received: 11.04.2025

Accepted: 15.05.2025

Published Online: 01.06.2025

Citation:

Das, Khagen, et al.
“Effects of Supermarkets on Rural Unorganized Small Retailers.” *Shanlax International Journal of Economics*, vol. 13, no. 3, 2025, pp. 34-40.

DOI:


<https://doi.org/10.34293/economics.v13i3.8783>



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Abstract

In recent years, supermarket has been playing a dominating role in the retail marketing world. Growing urbanization, increasing women's participation at workforce, rapid rise of the middle class, etc., are helping in the establishment and extension of supermarkets to rural areas having good transportation and communication facilities. This trend of supermarkets to rural area adversely affects the rural retailers in terms of number of customers or sale, earnings, savings, investment, standard of living, etc. It is because the rural retailers are unorganized and their competitive strengths are very poor as compared to organized supermarkets. A lot of differences like parking facility, discount facility, exchange offer, etc exist between the organized supermarket and unorganized rural retailers. It signifies the need to study the impact of the establishment of supermarket upon the rural unorganized small retailers in terms of volume of sales, profit, etc. A number of studies reflect the impact upon rural retailers in case of volume of sales and earnings as well as the reasons for such impact thereof, however, more study regarding the impact of supermarkets upon unorganized rural retailers with reference to parking facility, discount facility and exchange offer is also required. This paper highlights supermarkets' impact on unorganized rural retailers by taking into account the factors like differences of parking facility, discount facility and exchange offer, etc. Cross-section study reveals the negative impact of the establishment of supermarkets upon unorganized retailers in case of customers and sales volume with different intensities. The volume of sales of stationery and grocery shops has decreased seriously. The intensity of negative effect upon vendors of vegetables, fruits, etc., and other shops like hardware, book stall, etc is lesser. The reason for such negative impact is the lack of various facilities offered by unorganized retailers in comparison to supermarkets. The 't' and R² value shows that sales volume, earnings, etc are positively related with the various facilities provided by the retailers. The government and unorganized retailers need to undertake measures like formation of cooperatives, cartel, modernization of interiors, etc., for their safeguard.

Keywords: Supermarket, Unorganized Rural Retailers, Supermarkets' Effects

Introduction

Supermarket is defined as a self-service shop retailing foods and other household items. Generally, they are located in a commercial urban area having adequate parking area and good transportation facilities. “Urbanization and the increasing participation of women in the workforce have been important factors behind the rise of supermarkets. As the time spent in shopping for food has become more valuable, transportation facilities, access to cars, and refrigeration at home have allowed more bulk shopping and a preference for shopping at one place. These are the basic elements of the demand side for supermarket services”, (Arda). “There are two sets of demand side factors- urbanization with the entry of women into the workforce and per capita income growth along with the rapid rise of the middle class helps in establishing supermarkets in urban area” (Reardon and Gulati). The targeted customers of supermarkets

are individuals and families of various ages, income levels and of different cultural backgrounds. These characteristics are common in urban area which pushes the growth of supermarket there.

But in recent times, the attention of supermarket growers has been changing to extend its business operation to rural areas having good transportation and communication facilities to capture a new market. This may be due to lack strong rivals. Because, such area is generally characterized by unorganized small retailers whose competitive strengths is very low, may be due to lack of availability of diversified products or may be due to higher degree of demonstration effect of consumers, etc. But such growth of supermarket in a rural area may change the socio-economic structure, consumption pattern, income level, etc of the rural society. "Corporatisation of retail trade in India ostensibly entails, on the one end, speeding up of the supply chain and reduction of the number of "middlemen" between the producer and the end consumer. On the other end, it will mean the loss of livelihood for millions of small retailers, many of whom (as pointed out by researchers) are involved in this activity because of the absence of alternate livelihoods" (Hamil and Thanaraj). There is a great scope to hamper the unorganized rural small retailers in terms of number of customers or sale, earnings, savings, investment, standard of living, etc. "Unorganized retailers in the vicinity of organized retailers experienced a decline in their volume of business and profit in the initial years after the entry of large organized retailers", (Joseph et al.). "Almost all the retailers affected adversely by the organised retailers in terms of sales of FMCG products. There has been significant change in the sales structure of the retailers. Due to packaged food and organised retailing conventional traders are unable to maintain sales of all most all the category of offerings" (Baxi and Pandya). It justifies the need of study the effect of increasing number of supermarkets on small unorganized retailers of rural areas. This paper throws a light upon the effects of establishing supermarket in rural areas on unorganized small retailers.

Objectives

This study is concerned with the analysis of the following research questions.

- Have the number of customers, volume of sales and income earnings of the rural small retailers decreased due to establishment of supermarket?
- What are the differences between the rural small retailers and supermarket from the viewpoint selling strategy?
- What factors contribute to the influence of supermarkets on small retailers?

Hypothesis

H_0 : Measures to attract customers by small retailers corresponds with the volume of sales after the establishment of supermarket.

Description of Survey Region

For the purpose of study about the effect of supermarket upon unorganized rural retailers, Baihata Chariali area of Assam is taken into account. Baihata Chariali is a small town in Kamrup Rural district of Assam having rich heritage. It is 22KM away from Jalukbari, Guwahati. It is a centre point for trading activities for the people of more than 20 local villages. This region is residence to seven supermarkets and numerous traditional merchants. Supermarkets like Reliance Fresh Mart, M. Bazar, Haripriya Family Mart, and Reliance Trends have been established in recent years in Baihata Chariali. The establishment of these supermarkets has brought competitive challenges to the small retailers not only for customers and sells but also for their existence in long run.

Review of Literature

(Kalhan), viewed that the volume of sales and earnings of the small shops is likely to keep falling with the advent of organised retail malls. By citing the example of Kirana Store (a grocery store of Tirunelveli Municipal Corporation of Tamil Nadu), he said that the establishment of corporate retailers would be the last nail in the coffin of the unorganized retailers. He mentioned the various disadvantages of the unorganized retail stores in comparison to organized retailers as causes of shifting the customers towards the later.

(Guruswamy et al.) discussed the negative effects on small, unorganized retailers in terms of their profits and business due to increased competition

from established merchants who have access to Foreign Direct Investment.

(Arda), discussed the various transformations occurring in the food chain as a result of the rise of supermarkets. Supermarkets have not only revolutionized the retail aspect of the food industry, but they have also brought about significant transformations in the production and delivery processes of food to the stores. However, these modifications proved to be advantageous for major producers while posing challenges for smaller ones, particularly those who lacked proper organization.

According to a study conducted by (Joseph et al.), the retail market in India is primarily controlled by numerous small retailers. These include pavement vendors, hand-cart hawkers, paan and beedi shops, apparel shops, footwear shops, chemists, general stores, grocery shops, and more. These retail establishments are characterized by a lack of organization or adherence to traditional retail practices. According to their study, the unorganized retail sector has experienced a decline in turnover and profit following the emergence of organized retailers. Unorganized retailers have been experiencing a steady decline in their turnover and profit, with an annual decrease of 8-9 per cent. According to the study, the presence of organized retailers led to the closure of many small, unorganized retail outlets.

In a study conducted by (Hamil and Thanaraj), it was found that the establishment of supermarkets had a negative impact on all types of small retailers. The emergence of supermarkets has led to a decline in sales, profits, and customer base for small retailers. The decline of small retailers can be attributed to their weak financial foundation, limited size in comparison to large supermarkets, and the inability to offer a wide range of products under one roof.

In a research study conducted by (Baxi and Pandya) found that the sales of all retailers were negatively impacted by the emergence of organized retailers. Conventional traders were unable to maintain their sale due to organized retailing. Fast Moving Consumers Goods (FMCG) section were the affected one. However, the sale of food grains was the least affected. Although the number of loyal grocery and FMCG product consumers remained relatively stable, there was a significant decrease in

the overall volume of these consumers, reaching a 60% reduction. The stock of retailers reduced to a greater extent except the daily necessary items.

The literature review presented above highlights the extensive research conducted on the influence of supermarkets on the unorganized retail sectors. However, the majority of the studies focus on metropolitan and urban areas. However, the potential effects of the supermarket on the rural unorganized small retailers have not been thoroughly examined. This research aims to understand the impact of supermarkets on unorganized retail, specifically in rural India.

Data and Methodology

Cross section data has been used for this study. Questionnaire-based survey of unorganized retailers has been conducted in the study area by taking 101 retail shops as respondent by applying Convenience Sampling Method. We have made sure to carefully choose respondents who are primarily located near supermarkets. In this study only the small retailers which make business through unit stores located in market areas have been taken.

Among the 101 respondents 34.65% belonged to grocery, 23.76%, from retailer dealing with Garment alone, 19.80 % of the respondents were from stationery store owners, 11.88% respondents were from vendors of vegetable and fruit sellers and other types of retailers constitute 9.90%. The respondents have been carefully chosen to be mostly located near the supermarket.

To understand the effect of Supermarket on unorganized retailers, volume of Sale has been taken in to consideration. The volume of sale may change due to reduction of number of customers, purchasing lesser quantity, price increase, changing of preference pattern, availability of substitutes, etc. However, in this study, reduction of the number of customers and purchase of lesser quantity than earlier by the existing customers has been considered as main determinants.

Selling strategies refer the measures adopted to attract more customers and to raise the volume of sales. It also refers the facilities offered by the seller to the customers. However, for convenience, three core facilities- parking facility, discount facility and

exchange offer, available at supermarkets are taken in to account to understand the selling strategies of unorganized retailers.

Parking facility, discount facility and exchange offer have been assumed as the reasons for the effect on unorganized retailers' volume of sales after the establishment of supermarket. To explain the effect, percentage of the number of type retailers providing the particular facility to the total number of that type of retailers has been considered.

To measure the effect on the unorganized small retailers, the following three variable Linear Regression Equation is fitted.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mu$$

Where Y represents the number of retailers whose

volume of sales has decreased.

- X_1 represents the number of retailers who have parking facility
- X_2 represents the number of retailers who offer discount facility
- X_3 represents the number of retailers who provide exchange offer μ represents the disturbance term.
- $\beta_0, \beta_1, \beta_2, \beta_3$ are coefficients
- 't' test has been used to test the null hypothesis.

Results and Discussion

Impact on the Volume of Sales

The impact of the commencement of supermarkets upon the rural small unorganized retailers can be understood from the table 1.

Table 1 Supermarkets' Effect on Unorganized Rural Retailers

Retailers Type	Number	Retailers whose volume of sale has decreased		Retailers whose number of Customers have decreased		Retailers in case of whom the existing customers have bought lesser quantity than earlier	
		Number	Percent	Number	Percent	Number	Percent
Grocery	35	26	74.28	14	40.00	12	34.28
Garment	24	22	91.66	21	87.50	1	4.16
Stationary	20	17	85.00	13	65.00	4	20.00
Vendors	12	4	33.33	1	8.33	3	25.00
Others	10	6	60.00	4	40.33	2	20.00

Source: Surveyed Results

The above table shows that after the establishment of supermarket, volume of sales of each type of unorganized retailer has decreased. The most adversely affected one is Garment seller. The volume of sales of stationery and grocery shops has also decreased seriously. However, the intensity of negative effect upon vendors of vegetables, fruits, etc., and other shops like hardware, book stall, etc is comparatively lesser.

The volume of sale of each type of unorganized retailers has decreased both due to the reduction of number of customers and due to purchasing lesser quantity by the existing customers after the commencement of supermarket. In case grocery, 40 percent number of customers has decreased and 34.28 percent of remaining customers has started to buy lesser than earlier. The number of customers of garment sellers have decreased at the highest, i.e., by 87.50 percent and thereafter the number of customers of the stationary shops has decreased by

65 percent. This reduction of customers may be due to supermarkets' availability of products at lower price or may be due to better quality product or for other facilities offered by the supermarket. The least affected one in terms of the reduction of the number of customers is the vendors where the reduction rate of customer is only 8.33 percent. Again, 4.16 percent in case of garment seller, 20 percent in case of stationary shops and 25 percent in case of vendors of the remaining customers have started to buy lesser than earlier after the commencement of supermarket. As is evident from the table 1, this negative effect of reduction of sale due to both reduction of customers and reduction of purchase by the existing customers is applicable in case of other types of shops also.

Difference between Unorganized Small Retailers and Supermarket in Terms of Selling Strategies

The practical experiences of supermarkets show that they adopt various strategies to attract

the customers besides having more facilities from customer point of view as compared to unorganized retailers. Besides having wide variety of products or brands, electronic weighing, electronic Billing, selling under one roof, comfortable buying environment, etc, supermarket offers product exchange, gift vouchers, discount sale, lucky draw, buy one get one, parking facility, etc., to attract the customers or to raise the volume of sales. It results the reduction of volume of sales of unorganized retailers. "Due of organised retailing emergence in the market unorganised retailers have face reduction in customer and reduction in profit also. Organised retailing is one the form of retailing which creates an attraction towards nuclear family in Urban and Semi urban areas. To give counter effect to the organised retailers unorganised retailer have taken several steps and try to maintain customer base", (Baxi and Pandya). The following table shows the number of unorganized retailers in terms of offering parking facility, discount facility and exchange offer to attract customers.

Table 2 Number of Unorganized Rural Retailers Offering Supermarket's Facilities

Retailers Type	N	Parking facility	Discount facility	Exchange offer
Grocery	35	5	7	0
Garment	24	4	5	9
Stationary	20	5	0	0
Vendors	12	0	1	0
Others	10	3	2	2

Source: Surveyed Results

Table 3 Percentage of Unorganized Rural Retailers Offering Supermarket's Facilities

Retailers Type	Volume of sale decreased (%)	Parking facility (%)	Discount facility (%)	Exchange offers (%)
Grocery	74.28	14.28	20.00	0
Garment	91.66	16.67	20.83	37.50
Stationary	85.00	25.00	0	0
Vendors	33.33	0	8.30	0
Others	60.00	30.00	20.00	20.00

Source: Calculated from Surveyed Results

The table 2 shows that the number of unorganized retailers is very poor or almost nil in terms of facilities offered to attract customers. They are simply following the traditional methods of selling contrary to the consumer-friendly methods adopted by the supermarkets. From the tables 1 and 2, the results depicted by table 3 can be obtained.

From the table 3, the following estimated regression equation is obtained.

$$\hat{Y} = 31.48 + 0.88X_1 + 0.91X_2 + 0.$$

This regression equation gives results of table 4.

Table 4 Estimated Coefficients of Explanatory Variables

	Variance	Standard Error	t*	R ²
β_1	1.0012	1.0006	0.879	0.56
β_2	2.0981	1.449	0.628	
β_3	0.7151	0.845	0.993	

Source: Calculated from Surveyed Results

The tabulated 't' at 4 degrees of freedom and at 5% level of significance is 2.13. Since $t^* < t$, the study accepts the null hypothesis. Thus β_1 , β_2 and β_3 are not statistically significant. There are additional factors that impact the sales volume of small-scale businesses after the launch of supermarkets.

The partial regression coefficient of 0.88 means that holding all the other variables constant, an increase in parking facility is accompanied by an increase of volume of sale by 88 percent. Similarly, the discount facility and exchange offer can also positively affect the volume of sales as indicated by the coefficient values of β_2 and β_3 . As is evident in the study, since the facilities offered by the small unorganized retailers are negligible as compared to their rival supermarkets, it results the shifting of customers to the organized supermarkets causing threats to unorganized retailers. The R² value of 0.56 shows that the three explanatory variables, viz; parking facility, discount facility and exchange offer accounted for 56 per cent of the variations in the volume of sales of the unorganized small retailers.

Findings

1. The commencement of supermarkets in rural areas has adversely affected the volume of sales, number of customers and thereby the earnings of the unorganized rural retailers.

2. The most adversely affected retailer is Garment and stationery shops and thirdly the grocery store. However, the negative effect of supermarkets on vendors and others in case of volume of sale, etc is not so acute.
3. The unorganized retailers have not been able to offer facilities to attract more customers or to raise the volume of sales in line with the supermarkets. There are lot of differences between organized supermarkets and unorganized retailers in case of selling strategies.
4. Lack of modern facilities of the unorganized retailers is prime cause for the negative effect on them.

Besides the lack of parking facility, discount facility and exchange offer, there are many other factors such as buying under one roof, advertising, air cooling, availability of more brands, etc., are also the causes for the negative effect on unorganized retailers after the establishment of supermarkets.

Conclusion and Policy Suggestion

From the above analysis, it is concluded that the advent of supermarket in rural areas has adversely affected the unorganized retailers. Due to the establishment of supermarkets, the volume of sales, number of customers, earnings, etc have started to decrease. All types of small-scale merchants are inevitably affected by this negative impact. Strong capital base facilitates the supermarket to spend a lot not only in product availability and mega size appearance but also in offering various facilities to customers. On the contrary, the unorganized small retailers have not been able to offer such customer friendly facilities or environment. The result is the shifting of customers from the unorganized small retailers to the supermarkets. Continuation of this shifting of customers will be the threat in near future specially for the rural small unorganized retailers.

For safeguarding the unorganized small retailers, the government has to play an important role. Government may encourage the formation of retail cooperatives to enhance the competitive efficiency of unorganized retailers. "Mother Dairy as a co-operative organization has been active for more than a decade, sourcing fresh produce through federation, run and managed by farmers themselves.

Such collectivization of smallholders through the federation has reduced transaction costs incurred by them", (Sutradhar and Das). The government could consider implementing strategies to enhance the infrastructure and financial resources of unorganized retailers. In addition, smaller retailers may choose to collaborate and gather their resources to make larger purchases. "Small retailers may form a cartel for making bulk purchases and such cartels alone can serve the purpose of modern logistic services", (Hamil and Thanaraj). They should try create a customer friendly environment by maintaining cleanliness of marketplaces, promotional activities or by standardization of products and modernization of interiors, etc.

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