



Impact of Organised Retail on Unorganised Retail: Evidence from the Indian Retail Sector

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ABSTRACT

The retail sector represents one of the most dynamic and rapidly evolving segments of the Indian economy. Traditionally dominated by unorganised retail formats such as kirana stores, street vendors, and small family-owned shops, the sector has witnessed significant transformation with the emergence of organised retail in the form of supermarkets, hypermarkets, shopping malls, and large retail chains. This study examines the impact of organised retail on the unorganised retail sector in India by analysing changes in consumer behaviour, market competition, employment patterns, and supply chain efficiency. The research is based on secondary data collected from government reports, academic journals, and industry publications. The findings indicate that although organised retail enhances operational efficiency, product availability, and modern shopping experiences, unorganised retail continues to dominate due to its proximity, personalised services, and flexible credit facilities. The study concludes that both organised and unorganised retail sectors are likely to coexist in the Indian market, provided that traditional retailers adopt technological innovations and adapt to evolving consumer expectations.

Introduction

Retailing constitutes the final stage of the distribution process in which goods and services are sold directly to consumers for personal consumption. It plays a vital role in linking producers, wholesalers,



and consumers within the broader economic system. In developing economies such as India, the retail sector contributes significantly to employment generation, income distribution, and overall economic growth.

Historically, the Indian retail market has been largely dominated by the unorganised sector, which includes small neighbourhood stores, street vendors, weekly markets, and family-run retail establishments. These retailers operate on a relatively small scale and often function with minimal formal regulation. However, the Indian retail landscape has experienced substantial transformation in recent decades due to factors such as globalization, urbanization, rising disposable income, and changes in consumer lifestyle patterns.

The emergence of organised retail formats such as supermarkets, hypermarkets, department stores, and shopping malls has significantly altered the structure of the retail industry. These modern retail outlets provide standardized pricing, improved store layouts, wider product assortments, and enhanced customer experiences. Despite the rapid expansion of organised retail, the unorganised sector continues to account for the majority share of the Indian retail market.

India's retail industry is estimated to exceed one trillion dollars in value and contributes nearly ten percent to the national Gross Domestic Product (GDP). The sector also provides employment to millions of individuals, making it one of the largest sources of non-agricultural employment in the country. The coexistence of organised and unorganised retail formats raises important questions regarding market competition, sustainability of traditional retailers, and the long-term structural transformation of the retail industry in India.

Growth of Organised Retail in India

The organised retail sector in India has witnessed remarkable growth over the past two decades. Several economic and social factors have contributed to this expansion, including rapid urbanization, rising income levels, growth of the middle-class population, and improvements in retail infrastructure. The development of shopping malls, supermarkets, and large retail chains has provided consumers with modern shopping environments that offer convenience, product variety, and enhanced service quality.

Technological advancement has also played a significant role in the growth of organised retail. Large retail companies utilize advanced supply chain management systems, automated inventory control, and centralized procurement mechanisms. These systems enable retailers to optimize logistics operations, reduce operational costs, and maintain consistent product availability. In addition, organised retailers



benefit from economies of scale, which allows them to offer competitive pricing and promotional discounts that attract a wide customer base.

The increasing adoption of digital payment systems and the rapid growth of e-commerce platforms have further strengthened the position of organised retail in urban markets. These developments have contributed to a gradual shift in consumer preferences toward modern retail formats.

Comparison Between Organised and Unorganised Retail

The Indian retail sector is characterized by a dual structure consisting of organised and unorganised retail formats. Organised retail typically refers to licensed businesses that operate within formal regulatory frameworks and maintain standardized business practices. These include supermarkets, department stores, hypermarkets, and large retail chains that provide modern infrastructure and structured operational systems.

In contrast, the unorganised retail sector consists primarily of small family-owned stores, street vendors, and local market sellers. These businesses operate on a relatively small scale and often rely on traditional retailing methods. While organised retail offers wider product variety and modern shopping facilities, unorganised retail is known for personalized customer service, flexible pricing, and convenient location within residential areas.

Impact of Organised Retail on Unorganised Retail

The expansion of organised retail has introduced significant changes in the competitive dynamics of the retail industry. One of the most noticeable effects is the increase in market competition. Large retail chains often attract consumers by offering discounts, promotional schemes, and loyalty programs. These strategies can influence purchasing behaviour and encourage consumers to shift from traditional retailers to organised retail outlets.

Consumer behaviour has also evolved as a result of changing lifestyle patterns and increasing exposure to modern retail environments. Organised retail outlets typically provide well-organized store layouts, hygienic shopping conditions, branded product assortments, and digital payment options. These factors contribute to an enhanced shopping experience that appeals particularly to urban consumers.

Another important impact of organised retail is the improvement of supply chain efficiency. Organised retailers adopt advanced logistics systems, centralized warehousing, and automated inventory management to streamline operations. These practices reduce product wastage and improve the



availability of goods. Consequently, organised retailers are able to maintain higher operational efficiency compared to many small retailers.

The expansion of organised retail has also generated debate regarding its impact on employment. While modern retail establishments create job opportunities in areas such as logistics, retail management, marketing, and supply chain operations, concerns have been raised about the potential displacement of small retailers. However, several studies suggest that the growth of organised retail also creates indirect employment opportunities in sectors such as transportation, warehousing, and manufacturing.

Strengths of Unorganised Retail

Despite the rapid expansion of organised retail, the unorganised sector continues to maintain a strong presence in the Indian market. One of the key advantages of traditional retailers is their close proximity to residential neighbourhoods. Small kirana stores are conveniently located and allow consumers to make quick purchases for everyday necessities.

Another significant strength is the personalized relationship between shopkeepers and customers. Many small retailers maintain long-term relationships with their clientele, which fosters trust and customer loyalty. Additionally, traditional retailers often provide informal credit facilities to regular customers, allowing them to purchase goods even when immediate payment is not possible.

Unorganised retailers also benefit from relatively lower operating costs compared to large retail chains. Since these businesses typically operate on small premises and are often managed by family members, their overhead expenses remain minimal. This cost advantage enables them to remain competitive even in markets where organised retail is expanding.

Challenges Faced by Unorganised Retailers

Although the unorganised retail sector remains dominant in terms of market share, small retailers face several challenges in the evolving retail environment. Limited access to financial resources restricts their ability to modernize infrastructure or adopt advanced technologies. Many traditional retailers also lack efficient inventory management systems, which can affect operational efficiency.

Furthermore, competing with the large-scale discounts and promotional strategies offered by organised retailers can be difficult for small shopkeepers. The limited product variety available in traditional retail outlets may also influence consumer purchasing decisions in favour of organised retail stores.



Opportunities for Coexistence

Rather than completely replacing traditional retail, organised retail may coexist with unorganised retail within the Indian market. Both retail formats serve different consumer segments and fulfil distinct shopping needs. Organised retail provides large product assortments and modern shopping experiences, whereas unorganised retail focuses on convenience, personalized services, and local accessibility.

To remain competitive, small retailers can adopt modern business practices such as digital payment systems, improved inventory management, and participation in online delivery platforms. With appropriate technological adoption and supportive government policies, traditional retailers can continue to thrive alongside organised retail.

Conclusion

The growth of organised retail has significantly transformed the Indian retail landscape by introducing modern infrastructure, advanced supply chain systems, and improved customer experiences. However, the unorganised retail sector continues to play a crucial role in the Indian economy due to its accessibility, personalized services, and strong community connections.

The evidence suggests that organised and unorganised retail sectors are not necessarily mutually exclusive but can coexist within a balanced retail ecosystem. While organised retail is expected to expand further in urban areas, traditional retailers can maintain their relevance by adapting to technological advancements and evolving consumer expectations. Future research may focus on the role of digital transformation, e-commerce integration, and policy support in shaping the long-term relationship between organised and unorganised retail sectors in India.

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