"Digital Transformation of Varanasi's Unorganised Retail: A Systematic Review of Barriers and Prospects"

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Abstract

One of the oldest cities in India, Varanasi, presents opportunities as well as challenges for the digital transformation of its unorganized retail sector. The potential for digitizing the city's traditional retail businesses is examined in this study, which also identifies significant barriers like cultural resistance, low digital literacy, and inadequate technology infrastructure. Many small retailers struggle with the cost of implementing digital systems and worry about losing their traditional clientele. Digital solution implementation is further complicated by the sector's informal nature. Despite these barriers, there are a lot of prospects of digitization. It can increase the market reach of regional retailers, simplify supply chains, and improve inventory management. Digital payment systems can encourage financial inclusion and lessen reliance on cash, while tailored e-commerce platforms for Varanasi's distinctive products could increase tourism-related sales. The study highlights that focused digital literacy initiatives, affordable technology, and encouraging governmental regulations are necessary for a smooth transition. Varanasi's retail industry can embrace the advantages of the digital economy while preserving its legacy by removing these obstacles and seizing opportunities.

Keywords: Digitisation, Un-organised Retailing

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Introduction:

Varanasi, one of the oldest continuously inhabited cities in the world, is not only a spiritual and cultural hub but also a significant center of economic activity in northern India. The unorganized retail sector, a thriving and diverse ecosystem of small businesses, street vendors, and local markets that has supported the city's commerce for centuries, is the backbone of its economy. In the quickly changing digital landscape of 21st-century India, this sector—marked by its informal nature, family-owned enterprises, and traditional practices—faces both opportunities and challenges. The unorganized retail sector in Varanasi reflects the extensive informal economy of India. It consists of numerous small-scale retailers, ranging from the lively ghats that sell religious items to the narrow gallis (lanes) adorned with stores offering a wide range of products, including handloom textiles and local delicacies. These businesses, often handed down through generations, operate without formal registration, relying on cash transactions and personal connections with customers and suppliers. While this sector has been resilient in

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preserving local customs and providing livelihoods to a significant portion of the population, it faces increasing pressure to adjust to evolving consumer behaviors and technological progress.

Digitization has become a crucial factor in India's overall development, driving both economic advancement and societal improvement. The introduction of the Digital India program in 2015 has paved the way for a comprehensive digital overhaul across the nation, with the aim of empowering citizens, enhancing governance, and fostering a knowledge-based economy. Within the retail industry, digitization holds the promise of optimizing operations, broadening market access, and integrating into the formal economy.

In urban hubs such as Varanasi, the digitalization of informal retail has the potential to stimulate inclusive development, narrowing the digital gap and extending the advantages of technology to the small businesses that serve as the economic foundation of the city.

Literature Review

(Mittal & Anupama, 2011) According to the study, compared to organized retail establishments, Kirana stores exhibit a greater foot traffic to customer conversion rate. Although the study finds that the main obstacles and opportunities faced by the organized and unorganized sectors are nearly identical, they still perceive each other as their greatest threats. This implies that both sectors may gain from minimizing the difficulties and taking advantage of the opportunities.

(Dash & Chandy, 2009) The main obstacles facing organized retailing are the unorganized sector's competition, rivalry among organized retailers, ineffective distribution channels, internal logistical issues, and retail shrinkage. The main obstacles that unorganized retailers face in organized retailing are distribution channels, operational costs, logistical issues, and competition from other kirana retailers. According to the study, addressing these issues may result in a win-win situation for all parties involved and allow organized retailing and kirana to coexist in the same retail environment.

(Mookerjee, Chattopadhyay, & Rao, 2022) The study discovered that small independent retailers in rural and suburban areas of India face challenges in implementing digital technologies, even in the face of fast technological adoption in the nation's metropolises and major cities. According to the study, in order to expand their customer bases, both organized and unorganized businesses—which are located on different sides of the digital divide—should use the same digital technologies and e-commerce.

(Bhattacharjee, Kumar, Verma, & Maiti, 2024) According to the study, small businesses in the unorganized sector have a significant opportunity to improve their operational performance through digitalization adaptation. Moreover, the heightened availability of mobile applications as a whole propels the progress of digitization in India's unorganized neighborhood retail sector.

(Goswami, & Mishra, 2009) Small enterprises, such as the Kirana stores in India, hold a prominent position in emerging economies since they are the go-to sources for goods in the community and provide jobs on a big scale.

(Soluk, Kammerlander, & Darwin, 2021) In India, Kirana stores are small, local businesses that provide basic groceries, individualized attention, and flexible financing options. These are typically a type of disorganized, regional retail store that offers everything from branded goods to necessities. They focus on local communities, have a smaller selection of products than Western grocery stores, and frequently offer delivery services and credit to regular customers. This model places a strong emphasis on interpersonal connections and flexibility to accommodate the wide range of community needs. Additionally, these shops serve as crucial connectors between rural and urban areas.

(Venkatesh, Thong, & Xu) Several additional significant variables could also be hypothesized as significant predictors for digitalization and digital transformation in the current context of unorganized small businesses in India. One key indicator is compatibility, which measures how much the staff members of these companies either understand the technology or are driven to use it because they think it could help them perform better.

Objectives

- To study the scope of digitization of Varanasi's unorganized retail sector

- To determine and examine the main barriers to the unorganized retail sector's in adoption of digital technologies in Varanasi.

- To investigate the potential prospects of digitization for Varanasi's unorganized retail industry

- To assess the future outlook of digitizing the unorganized retail sector.

Research Methodology

This study uses a conceptual research methodology that is founded on an extensive review of the literature. Analyzing scholarly works, business publications, and official government records about India's unorganized retail and digitization is part of the methodology. It focuses on providing definitions for important terms, integrating theories already in existence, and creating a

theoretical framework to investigate the scope, barriers and prospects associated with digitizing Varanasi's unorganized retail industry. To get insights and conclusions, the paper will compare and contrast similar contexts through conceptual analysis.

Understanding Digitization in Retail: What Does Digitization mean?

In the retail industry, digitization is the process of transferring data, operations, and systems from physical to digital formats. In order to increase productivity, boost customer satisfaction, and develop new value propositions, it entails integrating digital technologies into a variety of company operations. To put it simply, digitalization in unorganized retail refers to the application of digital tools and technologies to enhance the functioning of a retail enterprise. This covers tasks like interacting with consumers online, taking digital payments, managing inventories and sales using computer systems, and using data to help with decision-making. In essence, it aids in the efficiency and customer base expansion of small, unofficial retailers.

The Scopes of Digitalization: Going Beyond Digital Transactions

While the capability to receive digital transactions is undeniably a vital part of digitalization, it is not the sole focus. Digitalization in the retail sector covers a broad spectrum of technologies and methods:

Digital Payments:

Accept various types of digital payments (credit/debit cards, mobile wallets, UPI, etc.) and integrate them with payment gateways and banking systems.

Inventory Management:

Digitally monitoring stock levels, implementing automated reordering systems, and providing real-time inventory visibility.

Point of Sale (POS) Systems:

Conducting digital billing and invoicing, and integrating with inventory and customer relationship management systems.

Customer Relationship Management (CRM):

Maintaining digital customer databases, and loyalty programs, and executing personalized marketing and communication.

E-commerce Integration:

Establishing online storefronts and implementing omnichannel retail strategies.

Supply Chain Management:

Digitally tracking goods from supplier to store, automating ordering systems, and facilitating real-time communication with suppliers and logistic partners.

In the unorganized retail sector of Varanasi, digitization is not about completely replacing traditional methods but rather about implementing essential digital tools gradually, depending on the size, resources, and customers of each retail shops. By giving retailers the tools they need to improve customer service, expedite operations, and participate in the digital economy, the objective is to build a more competitive and efficient ecosystem. Digitization seeks to modernize local retail shops while maintaining their traditional charm, posing both a challenge and an opportunity for them to prosper in a digital marketplace, as opposed to directly competing with organized retailers.

Barriers of Digitization for Unorganized Retailers:

Technological Barriers:

The journey towards digitization presents significant technological obstacles for unorganized retailers, as many lack access to essential hardware like computers, smartphones, and point-of-sale systems, which are crucial for digital operations. The complexity of digital systems can be daunting for traditional retailers accustomed to manual processes, and integrating new digital systems with existing business practices is often challenging, disrupting established workflows and requiring significant adjustments.

Financial Constraints:

Unorganized retailers face a major financial challenge in digitization due to the high upfront costs of acquiring digital infrastructure, which can be prohibitive for small businesses operating on tight margins. In addition to the initial investment, ongoing expenses such as

subscription fees, maintenance costs, and necessary upgrades create a continuous financial burden. Many retailers are uncertain about the return on investment and question whether the benefits of digitization will outweigh the significant costs involved.

Lack of Digital Literacy:

The lack of digital literacy is a fundamental obstacle for many unorganized retailers, as they often have limited understanding of basic computer skills and digital concepts. This makes it difficult for them to effectively navigate and utilize new technologies. Finding the time and resources for digital skills training presents another challenge, as retailers must balance the demands of running their business with the need to acquire new competencies. Additionally, there often exists a generational gap in technology adoption, with older retailers potentially struggling more to adapt to digital systems compared to their younger counterparts.

Resistance to Change:

Cultural factors play a significant role in the resistance to digitization among unorganized retailers, as many have deep-rooted preferences for traditional business practices. There is often a fear that increased digitization could lead to job losses or reduce the need for personal interaction, which many retailers value as a core aspect of their business. Furthermore, the comfort with the status quo and a perceived lack of urgency to change can result in inertia, hindering the adoption of digital technologies.

Infrastructure Limitations:

Infrastructure challenges present significant barriers to digitization for unorganized retailers, as unreliable or slow internet connectivity can render digital systems ineffective or frustrating to use. Frequent power outages in some areas can disrupt digital operations, leading to data loss or system downtime. Additionally, many small shops face physical space constraints, making it difficult to accommodate digital equipment such as computers or POS systems without significant reorganization.

Privacy and Security Concerns:

As retailers consider digitization, concerns about privacy and security come to the forefront. Many worry about their ability to protect customer data and personal information in an increasingly digital landscape.

There's often uncertainty about the legal requirements surrounding data protection and digital transactions, leading to hesitation in adopting new systems. Trust issues exist on both sides, with retailers and customers alike expressing reservations about the security and reliability of digital systems.

Other Barriers:

Several other factors contribute to the difficulties faced by unorganized retailers in digitization efforts such as Slowed Transactions, Inventory Mis-handling, Modifications to Customer Communication, Changes in Time Allocation, Technology Dependency, Supply Chain Difficulties and Language barriers & complexity in using digital services

Prospects of Digitization for Unorganized Retailers:

The digitization of unorganized retail presents both challenges and significant opportunities for growth, efficiency, and competitiveness. In Varanasi and similar contexts, unorganized retailers can benefit from the following key opportunities brought about by digitization:

Increased Market Reach:

Possibility of showcasing products to a larger audience via social media and e-commerce platforms. Access to customers outside of the immediate location area through online presence. Possibility of online storefronts enabling 24/7 business operations.

Better Control of Inventory:

Real-time stock level monitoring in order to prevent overstock and stockout circumstances. Automatic reordering processes to keep the right amount of inventory on hand. More accurate demand forecasting based on trends and historical data.

Availability of Digital Payment Methods:

The capacity to take a variety of payment options, including mobile wallets, UPI, and credit/debit cards. Lower risk involved in handling cash. Enhanced cash flow management and quicker transaction processing.

Data-Driven Decision Making:

Capability to make well-informed choices about pricing, promotions, and product mix, capability to

gather and analyze sales data to understand customer preferences and buying patterns, and monitoring performance to pinpoint areas where the company needs to improve.

Connectivity with E-commerce Platforms:

Possibility of listing goods on well-known e-commerce platforms to reach a larger audience, possibility of higher sales via internet channels and, having access to major e-commerce players' transportation and logistics networks.

Benefits of Tax and GST:

Simplified adherence to GST regulations via digital documentation, possibility of tax breaks and incentives for online purchases and, streamlined procedures for keeping financial records and filing tax returns.

Improved Customer Relationship:

Personalized recommendations and marketing based on consumer data; enhanced customer support via digital channels of communication and, targeted advertising and incentive schemes to improve customer retention

Financial Services Accessible:

Based on past digital transaction history, simpler access to financial institutions, utilizing online banking services to improve money management and, possibility of providing clients with financial services (such as bill payment and mobile recharges).

Empowerment and Skill Development:

A chance for employees and retailers to learn new digital skills, possibility of younger family members helping modernize businesses, and, Empowerment via the availability of online tools and learning environments.

Digitalizing Varanasi's unorganized retail sector has enormous potential when done carefully, but it also comes with a number of difficulties, such as interruptions to regular business operations. Technological developments must be balanced with maintaining the market's historical advantages and cultural significance in order for strategies to be effective. Through the strategic implementation of digital tools that complement their distinct socioeconomic context, retailers may overcome challenges, improve productivity, and broaden their

customer base. In order to position these companies for long-term success in the digital economy, effective digital transformation may transform operations while preserving essential components of unorganized retail, such as interpersonal connections, local knowledge, and cultural identity.

Future Outlook

Varanasi's unorganized retail sector's digitization may provide other culturally diverse urban areas in India and abroad with a game-changing model. By utilizing technological advances, the city believes to increase market reach and productivity, which could double or triple the retail sector's economical contribution and raise local GDP. This strategy, which combines cutting-edge digital innovations with centuries-old trading traditions, promises to build a more adaptable retail ecosystem. It is anticipated that the change will encourage entrepreneurship, especially among the younger generation, and establish Varanasi as a center for retail technology startups. Offering immersive experiences that draw tech-savvy tourists while conserving cultural heritage, the Varanasi city could redefine tourist attractions and commercial spaces by seamlessly fusing digital and physical retail experiences. Achieving this ambitious objective also necessitates carefully navigating obstacles like data privacy, the digital divide, and preserving of traditional skills. By fusing old customs with new technology, the ultimate objective is to develop a model of sustainability that shows that historical cities like Varanasi can not only endure but also flourish in the digital era.

Conclusion

With far-reaching implications for the city's economic future and potential knock-on effects across similar urban centers in India, the digital transformation of Varanasi's unorganized retail sector conveys a complex yet promising landscape of challenges and opportunities. Managers need to take a comprehensive approach when addressing these challenges and opportunities. They must consider not only the technological aspects of digitization but also its social, cultural, and economic impacts. Succeeding in this endeavor will require adaptive leadership, cultural sensitivity, and a readiness to explore innovative solutions. Effective management will play a crucial role in navigating the complexities of Varanasi's unorganized retail sector as it embraces this digital transformation. The decisions and strategies implemented during this phase will not only shape the future of retail in Varanasi

but also have the potential to be a blueprint for other historical urban centers dealing with the pressures of modernization while preserving their distinct cultural identities.

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