

Impact of Digitalization on Kirana Stores - A study with reference to Mangalore city

Sanjana

Assistant professor
SDM College of Business Management,
Mangaluru
sanjanarao5924@gmail.com
9538579325

&

Radhika K G

Research Scholar
Mangalore University,
Mangalagangothri
radhikakg5395@gmail.com
9480109800

ABSTRACT

Digitalization has already triggered Disruptive waves in the business world and had redefined the way business is done. Digitalization impacted the demand and supply side and also opened up new market for the product, new business models and industries. Fintech companies such as Paytm, PhonePe and Google Pay all jostling to become the payments bridge between the stores and the customers. As India is undergoing a digital revolution, cash transactions are steadily declining and digital modes of payments are gaining momentum. Therefore, in order to not just survive but to also thrive, Kirana stores are trying to embrace technology and modernize their business to cater to raising customer expectations. Kirana stores are fast evolving with the adoption of technology to serve changing shopper aspirations and needs. Kirana stores have started to adopt point of sale, or PoS, machine to hand out digital bills and better manage the inventory. The study was conducted using questionnaire method in order to collect the responses from the owners of Kirana Stores of Mangaluru City. The objectives of the study are to analyse the impact of digitalization on Kirana stores and to study the various factors shaping usage of digital payment by Kirana stores.

Keywords: Digitalization, Kirana Stores, Business, Digital payments

INTRODUCTION

The Digital India program is a flagship program of a Government of India with a vision to transform India into a digitally empowered society. A well-developed digital payment ecosystem will not just pave the way for a cashless economy – a road that leads to economy growth; it is also a key weapon to fight black money and corruption which are rooted deep into the system. Digital payments are not one instrument but rather an umbrella term applied to a range of different instrument used in different ways. Digital India – the dream project of the government and a blessing for the citizens could help in connecting the dots of various projects, past and present, to bring India to a global platform. It will help in moving with the universal trends of digital innovation and create positive impact in the lives of people - rural and urban, young and old. The implementation of swiping machine has started playing an important role because it leads to the transparency of monetary flow, since the transactions done through the machines will leave a trail behind. The vision of Digital India programme is inclusive growth in areas of electronic services, products, manufacturing and job opportunities etc. and it is centred on three key areas –

- i. Digital Infrastructure as a Utility to Every Citizen
- ii. Governance & Services on Demand
- iii. Digital Empowerment of Citizens.

Kirana stores are an important part of the unorganized retail ecosystem by being present in rural and in urban areas, sometimes serving as the only local outlet for purchase of food and other items. Thus enormous benefits can accrue through making these transactions cashless. Digital India is a campaign launched by the government of India to ensure that services are made available to small traders electronically by improved online infrastructure. The humble kirana store or the neighbourhood grocery store has proved extremely durable and digital-resistant. In the era of technological development there are many digital transaction options available for small traders. As a mission of moving towards a less cash economy, the government is providing incentive to small traders to proactively accept payments by digital means. If person does the business through digitally approved channels above the fixed amount government gives relaxations in his income tax payment. Digital transaction would help the smaller traders to save upto 46% in tax. Apart from making tax savings small traders would be able to build their books which may also help them get loans easily. Present central

government is giving prizes through the lottery method to digital transactions and 0.25% incentives to green transactions. Kirana stores are an important part of the unorganized retail ecosystem by being present in rural and in urban areas, sometimes serving as the only local outlet for purchase of food and other items. Thus enormous benefits can accrue through making these transactions cashless. There is a huge untapped potential for mobile payments at unorganized kirana stores, where most Indians go to fulfil their daily needs. Kirana stores are the lifeblood of Indian consumption with a 96 per cent share of the grocery retail business. As part of promoting cashless transactions and converting India into less-cash society, various modes of digital payments are available. These modes are:

- ❖ Banking cards – Debit/ Credit cards
- ❖ Aadhaar Enabled Payment System (AEPS)
- ❖ UPI
- ❖ Mobile Wallets
- ❖ Bank pre-paid cards
- ❖ Point of Sale (PoS)
- ❖ Internet Banking
- ❖ Mobile Banking

CHALLENGES OF DIGITALIZATION FOR KIRANA STORES -

➤ **Digital Illiteracy**

Eventhough it is an era of Information and Communication Technology (ICT), in India approximately 70% of people are digital illiterates. They don't know how to use the electronic media in the day to day transactions. This cause is the mainly the barrier to the sole purpose of digital transactions.

➤ **Uncertainty in the digital transactions**

How far technology has developed in the same pace its misuse also witnessed. Following are the problems in the digital transactions.

- A. Fishing of the debit and card cards.
- B. Misuse of ATM cards.
- C. Credibility of the swiping machines.
- D. Fake calls from unidentified persons.
- E. Extra charges levied by the banks for digital transactions.

Because of these uncertainties in the digital transactions majority of people are not going for it, rather than they go for cash payments.

➤ **Point of Sale (POS) machines of foreign banks: Goal of Profit**

In most of the outlets and business establishments POS machines are from foreign banks like HDFC, ICICI and a like. Their main motive is to making profit rather than service oriented. Because of this in every digital transaction they levy charges. That amount neither goes to the bank nor to the outlets, but to the banks which supplies POS machines. Because of this people losing money and they never opt for cash transactions.

➤ **Rural Economy and lack of electricity and internet connection.**

Basically Indian economy is rural economy. It represents poverty, hindrances, illiteracy and lack of connectivity in every sector. In India, 70% represents rural area. The core principle of digital transactions is mainly done through electronic media. It needs electricity and internet connection. Eventhough we talk about digital economy, majority of India's rural area aloof from electricity and internet connection which could not fulfil the core purpose of digital transactions.

OBJECTIVE OF THE STUDY

- ❖ To analyse the impact of digitalization on Kirana stores in Mangaluru City.
- ❖ To study the various factors shaping usage of digital payment by Kirana stores.
- ❖ To know the difficulties in implementing digital mode of payment by Kirana store owners.
- ❖ To find the solutions and methods to ease the process of digitalization of Indian economy.
- ❖ To give suggestions based on findings.

SCOPE OF THE STUDY

Any field of research must have a definite scope. This paper is concerned with study of Impact of Digitalization on Kirana Stores in Mangaluru city. The perceptions are analysed and interpreted to arrive at a meaningful conclusion.

LITERATURE REVIEW

- ❖ Radhakrishnan (2004) concludes that the most affected stores with the entry of organized retail stores are: Small stores with small store area, less sales volume, few employee strength and isolated stores that does not have collaboration with other stores.

- ❖ Paromita Goswami and Mridula S Mishra (2009) suggested that, all kirana stores need to have a critical evaluation of their strength and weaknesses and to modernize their stores with immediate effect in order to survive. Kokatnur, Shilpa S. (2009) revealed that traditional retailers are severely affected by lapses in service and promotion strategies and need to redesign their business models.
- ❖ Paromita Goswami (2009) concluded that, kirana stores should upgrade their store and perform well in terms of customers need satisfaction in order to survive. Deepak Devagan and Mandeep Kaur (2010) emphasized that malls in small cities can dislodge the small stores and eroding their customer base.

RESEARCH METHODOLOGY

The study is based on both Primary & Secondary data. Secondary data are collected from various books, journals, articles, working papers, etc. Primary data are collected through the questionnaire method from the owners of Kirana Stores belonging to different walks of life and run by various generations around Mangaluru city. The primary data collected from the sample respondents on various aspects has been organised in the tabular form. Such organised data has been analysed with the help of different statistical tools like average, percentage, etc. for easy understanding of the data and for drawing meaningful conclusion. The sample size of 50 has been considered for the current study using random sampling method.

LIMITATION OF THE STUDY

- The study is limited to selected areas of Mangaluru City.
- The time constraints, hesitation, & lack of willingness to give information have made the study extremely difficult.
- The results are got time bound, so opinion may differ from time to time depending upon the circumstances.

DATA ANALYSIS

Table 1: Showing the business turnover per month

Turnover	No. of Respondents	Percentage (%)
Below 1 Lakh	14	28

1 Lakh-3 Lakh	19	38
3 Lakh- 5 Lakh	11	22
Above 5 Lakh	6	12
Total	50	100

N=50

SOURCE: SURVEY DATA

Analysis and Interpretation: It is clear from the above table that 28 percent of respondents have their monthly turnover less than 1 lakh, 38 percent between 1-3 lakh, 22 percent between 3-5 lakh and 12 percent above 5 lakh of monthly turnover.

Table 2: Showing whether the respondents are using digital modes of transaction

Particulars	No of respondents	Percentage (%)
Yes	48	96
No	2	4
Total	50	100

N=50

SOURCE: SURVEY DATA

Analysis and Interpretation: It is clear from the above table that 96 percent of respondents use digital modes of transaction in their business and 4 percent doesn't use. Majority of Kirana stores in Mangalore city use digital modes of transaction in their business.

Table 3: Showing the respondent's most preferred mode of transactions

Particulars	No of respondents	Percentage (%)
Cash Transaction	27	54
Digital Transaction	23	46
Total	50	100

N=50

SOURCE: SURVEY DATA

Analysis and Interpretation: It is clear from the above table that 54 percent of the respondents prefer cash transaction and 46 percent of respondents prefer digital transaction. Most of the people still prefer cash transaction over digital transaction.

Table 4: Showing the percentage of transactions through digital mode of payment before and after demonetization

Particulars	Before demonetization	After demonetization
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	No of Respondents	Percentage	No of Respondents	Percentage
0-10%	28	56	11	22
11-30%	18	36	26	52
31-50%	4	8	8	16
Above 50 %	-	-	5	10
Total	50	100	50	100

N=50

SOURCE: SURVEY DATA

Analysis and Interpretation: It is clear from the above table that before demonetization majority of the respondent's transactions i.e.28 (56% respondents) made payment of 0-10% transactions in digital mode and after demonetization majority of the respondents i.e.26 (52% respondents) are making 11-30% of their transaction's payment in digital mode. There is a major shift in mode of transaction after demonetization, from cash dealing to cashless transaction.

Table 5: Showing modes of digital payment preferred/used by respondents

Particulars	No of respondents	Percentage (%)
Debit/ Credit Card	44	91.67
Google Pay/ PayTM/ PhonePe	23	47.92
Internet Banking	13	27
Bank Apps	06	12.5

N=48

MRR=1.79

SOURCE: SURVEY DATA

Analysis and Interpretation: It is clear from the above table that 92 percent of respondents prefer/use Debit/ Credit Card, 48 percent Google Pay/ PayTM/ PhonePe, 27 percent Internet Banking and 13 percent of respondents prefer/use bank apps as mode of digital payment. Most of the Kirana store owners prefer Bank card - Debit/Credit card as mode of digital payment.

Table 6: Showing Concern about digital mode of payment

Challenges	No of respondents	Percentage (%)
Safety and security	38	76

Poor Internet Connectivity	19	38
High Cost of Instalment and maintenance	16	32
Lack Of Tech Know How	12	24
Misunderstanding among general public	07	14
Delay of service	04	08
Any other specify	02	04

N=50

MRR=1.96

SOURCE: SURVEY DATA

Analysis and Interpretation: It is clear from the above table that 76 percent of respondents have Safety and security concern, 38 percent Poor Internet Connectivity, 32 percent high Costs of Instalment and maintenance, 24 percent Lack Of Tech Know How, 14 percent Misunderstanding among general public, 8 percent Delay of service and 2 percent has other concern about digital mode of payment. The major concern for Kirana store owners about digital mode of payment is Safety and Security issue.

Table 7: Showing whether sales volume of the business has increased after installing swiping machine and digital modes of payment

Particulars	No of respondents	Percentage (%)
Yes	46	96
No	02	04
Total	48	100

N=48

SOURCE: SURVEY DATA

Analysis and Interpretation: It is clear from the above table that 96 percent of respondents agree that their business sales volume has increased after installing swiping machine and digital mode of payment, 4 percent disagreed to it. Therefore majority of the respondents are of the opinion that adaption of swiping machine and other digital mode of payment has increased sales volume of the business.

Table 8: Showing level of satisfaction by using digital modes of payment

Particulars	No of respondents	Percentage (%)
Highly satisfied	2	4
Satisfied	42	88
Neutral	3	6
Dissatisfied	1	2
Highly dissatisfied	0	0
Total	48	100

N=48

SOURCE: SURVEY DATA

Analysis and Interpretation: It is clear from the above table that 88 percent of the respondents are satisfied with the adoption of digital modes of payment, 4 percent were highly satisfied, 6 percent were neutral and 2 percent were dissatisfied using digital modes of payment. Majority of respondents were satisfied using digital modes of payment.

FINDINGS

- Majority of Kirana stores in Mangalore city use digital modes of transaction in their business.
- Most of the Kirana stores owners still prefer cash transaction over digital transaction due to its ease of transaction.

- There is a major shift in mode of transaction, from cash dealing to cashless transaction after demonetization.
- Most of the Kirana store owners prefer Bank card - Debit/Credit card as mode of digital payment, as they find it more reliable.
- The major concern for Kirana store owners about digital mode of payment is Safety and Security issue, followed by Poor Internet Connectivity and High Cost of Instalment and maintenance.
- Majority of the Kirana stores are of the opinion that adaption of swiping machine and other digital mode of payment has increased their sales volume of the business.
- Majority of respondents were satisfied using digital modes of payment.
- Managing loose change was a difficult task; its ubiquitous replacement in the form of candy/toffees was additional earnings for kirana stores earlier. Due to digitalization there is decrease in that additional income.

SUGGESTIONS

- ✓ Young consumers being key to drive cashless payments should also help the older generation to learn and adopt cashless payments.
- ✓ POS machines must be provided by the Indian bank or by the government.
- ✓ There should not be any charge on digital transactions.
- ✓ There should not be any limit and any charge on ATM transactions
- ✓ More incentives on digital transactions.
- ✓ Mobile based easy tax payment app.
- ✓ Strict enforcement of law to punish cyber culprits.

CONCLUSION

One can't beat a kirana store's knowledge of what the local community consumes. By modernising the kirana shops and ensuring that business becomes better for them on the supply side and the consumer side, we will be ensuring that both customers and business owners benefit. Digital modes of payment have eliminated the tension of carrying loads of cash with the consumer. No matter the size of a business, most customers expect to be able to pay using credit/debit cards or Digital Wallet. Accepting the digital modes of payment can increase the sales for a business and also breaks down the geographic barriers of doing business. When the sales are done through digital modes of payment there is a record of all

sales which cannot be hidden by the salesman to some extent so this directs him to make prompt tax payments. The adoption of digital modes of payment in the business organization will bring tax responsibility among businessmen; he cannot escape from paying the actual tax on his sales. So payments through digital modes are way for establishing cash transparency. In order to boost digital payments the government is providing incentives to the small traders to proactively accept digital transaction.

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