

Study to Investigate the Failures of Retail Business in Rural Area

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Abstract

This paper investigate the failure of retail business in rural area in Sri Lanka. Retail industry is oldest and still existing industry in Sri Lanka. But success of this retail business is mostly happen only urban areas. Peoples who start retail business in rural area they wind up the business could not run the business. It is imagine problem of country why retails in rural area could not survive. If we need to improve the living hood of people who in rural Ares we have to find the reason to this problem. According to censers of 2012 in Sri Lanka, North central province is consider as rural area of this study. From this study we were found the seven factors that can be affect to fail the rural retails and taken probability of fail the retail as dependent variable. As objective of find the factors and determine the relationship we did Descriptive statistics and Correlation analysis to achieve objectives.

Index terms— rural retail, Rural area, failure factors, impact.

1 Introduction

ural Retailing deals directly with consumers and encompasses business functions such as selling goods and services to the consumers for their usage or their families. It is becoming an emerging trend in most urban areas; however, when it comes to rural areas, it does not happen like the same. We have limited our research to the north-central province in Sri Lanka, which is considered a rural area compared to other regions. The north-central province has two main districts, the Anuradhapura and Polonnaruwa districts. The total population in the Anuradhapura district is 860,575 (67.9%), and that of the Polonnaruwa district is 406,088 (32.1%). According to the 2012 census, the Anuradhapura district has the highest population.

The population solidity of Polonnaruwa district (132) is higher than the Anuradhapura district (129), while the majority of the population in the north-central province (96%) lives in the rural sector. According to the definition of the rural area, as mentioned in the earlier paragraph, there are no urban areas in the Polonnaruwa district and no Estate areas in the Anuradhapura district. The urban sector of the Anuradhapura district is the Nuwaragam Palatha Central, Mihintale, and Nuwaragam Palatha West. According to the census, the entire population in Polonnaruwa district is in the rural sector. Table ??1 presents the percentage distribution of the population by sector.

2 Table 1.1: Percentage distribution of the population by sector

3 Source: Highlights Census of Population and Housing -(2012) North-Central Province

In the north-central province, the economic activities people do for their living are critical characteristics in the population. Census 2012 gathered information on the economic status of the community aged 15 years and above, considering 52 weeks before the census, as mentioned in the table 1.1 Therefore, the indicators reflect the usual economic status of the population rather than the current financial status.

3 SOURCE: HIGHLIGHTS CENSUS OF POPULATION AND HOUSING -(2012) NORTH-CENTRAL PROVINCE

42 The economically active population or the labour force consists of the employed and unemployed persons.
43 According to the data, 54.8 per cent of aged 15 years and above population is economically active in the
44 north-central province. Polonnaruwa district (52.3%) reported a lower economically active percentage than
45 the Anuradhapura district (56.1%).

46 Retail break down from the French word 'retailer' refers to 'cutting off or divide'. Retail is the sale of goods
47 and services to consumers, not for resale purposes but for use and consumption by the purchaser. Manufacturers
48 sell a large number of products to retailers. Retailers attempt to sell those same quantities of products to the
49 consumers. Also, the retail sector is probably the most vital sector of the economy because it deals with consumers
50 directly without any third party involvement.

51 Different researchers have different opinions about rural retailing and the definition of the word 'rural'. Rural
52 areas are the settlement size with less than 10,000, which incorporates villages, hamlets, and isolated dwellings
53 (Countryside Agency, 2004). According to this researcher, they have defined the rural area as a 'size limit less
54 than 10,000', which is far away from other people, buildings, and other places and also its define the parameters
55 and differing levels of remoteness from large population concentrations which are not accounted.

56 Retailing is a socio-economic system, which brings people together to exchange goods and services for a small
57 deliberation, which matches the needs of people, the consumers, with those of manufactures and agriculturists.
58 This not only satisfies the essential daily necessities of life but also promotes a new lifestyle, ensuring peace,
59 happiness, and prosperity in the community (Rudrabasvaraj, 2010). According to this statement, to perform
60 retail, they should be consumers and manufacturers, and agriculturists. Retailing thus is seen as the ultimate
61 gate in delivering products for consumption by the final consumers. People or businesses that deal with retailing
62 are called retailers. Brokers who participate in retail functions of the marketing channel are persons or businesses
63 who have retailing as a profession (Aydin, 2013).

64 Many entities, i.e., procedures, wholesalers, and retailers, perform retailing; but the biggest part of retailing is
65 performed by retailers, as business wholesales come mainly from retailing (Kotler & Armstrong, 2012). This
66 statement proves that all businesses are based on retail. Even if almost all the businesses, manufactures,
67 wholesalers, and retailers sell goods to their customers, retailers mostly perform retailing because that is their
68 job (Mucuk, 2009).

69 Economically active population aged 15 years and above in Sri Lanka according to the census 2012 There are
70 some identifiable features such as independent ownership as sole trader, relatively distinct and discrete catchment,
71 reasonably short period of current ownership, dependence on part-time staff, long opening hours, low usage of
72 training but the potential willingness to take part in future, a wide range of general grocery items, a mixture of
73 food and non-food items, additional shopping, reliance on local wholesalers, and ageing shop infrastructure and a
74 relatively static or marginally improving shop environment (Grampian Regional Council, 1989). This definition
75 has some limitations. Firstly, competition is a function of the outlets relative to population density, and this
76 premised upon customers residing within specific boundaries. Secondly, rural retail consists of foods and non-food
77 outlets. Council's definition was oriented towards the grocery. Thirdly, shopping is as distinct as grocery spend
78 is not incorporated as a result, it does not account for leisure instead of only functional shopping. Fourth and
79 finally, the different scale of rural setting is not considered when it comes to retail; it can be large, small, or
80 medium scale. The scale does not matter at all.

81 Accordingly, the scale of retail does not affect consumers if that retail has the products most consumers looking
82 for a reasonable price. (Smith & Sparks, 1997) Defined a small shop as an outlet with an annual sales figure
83 of less than £175,000 and fewer than ten full-time or equivalent employees. However, rural retailers may have
84 created past these parameters in our country. When it comes to accessibility of retail, location plays a vital role.
85 Some research gives priority only to the location not to retailing.

86 Rural retailers are disadvantaged due to geographical isolation, as unfavourable cost structures, limited
87 populations. Consequently, trading conditions may be inefficient and pressured since rural retailers can be
88 social hubs fostering the community, the contraction of the sector, and has impacted negatively (NEF, 2003).
89 Diversity and heterogeneity characteristics of the rural area, while associated with economic decline, low income,
90 and inadequate service provision, any analysis should avoid generalisations (Hodge & Monk, 2004). As this
91 statement, diversity of rural areas can affect the purchasing patterns of consumers, and different attitudes and
92 opinions can affect decline situations of an economy because some significant factors can lead to this disadvantage
93 as well. Low income of rural area consumers can affect the retailing by purchasing less quantity of products, but
94 with a good income, they can buy the desired amount of products without any problem. Poor service can also
95 be a disadvantage. If a consumer is looking for something they need to purchase, and when the retailers are not
96 helping them towards the products that are they looking for, there is a risk of consumers move away from one
97 retailer and going for another-after all, they want instant service, not a delay in providing products and services.

98 We can assume most financial issues can affect to wind up this retail business in Sri Lanka. Because this is a
99 developing country, and people face high-income inequality, and thus, retail owners fail to collect initial capital
100 to run the business. When it comes to entrepreneurial knowledge, retailers should not want comprehensive
101 knowledge but should be aware of some basic facts to have a long run of retail business.

102 Another matter is the labour availability of retail. Generally, small-scale retail does not require more labour
103 or staff; 1 or 2, 3 members are sufficient to perform the daily tasks. Large retail, however, needs more labourers
104 to perform the functions. If the labours are not adequate to complete the daily works, it can be a huge loss and

105 disadvantage, and result in low income or profits. Also, these locations are situated far from the capital city and
106 urban areas; then, sometimes, suppliers cannot deliver consumer goods to such retail areas. This low supplier
107 availability also troubles retail owners.

108 Government support towards the retailers, and rules and regulations, can motivate or not motivate them.
109 Typically, we can see most retail owners face some problematic situations because they do not have proper
110 government support. In rural areas, most retailers have small shops; hence, they need government support to
111 the existence of their retails and contribute to the country. Owners' perceptions and attitudes are also affecting
112 the retail because the owners' perceptions can vary from one retailer to another because everyone does not have
113 the same knowledge, attitudes, and opinions towards retailing. According to some, retailing is not suitable as a
114 business, but for some, it is manageable.

115 4 II. Problem Statement and Objectives

116 Retail business failure has been a severe problem faced by our rural community. Hence, many studies have
117 contributed with new empirical evidence and their findings to the literature. However, researchers found many
118 reasons for retail business failure; for example, lack of proper capital, poor management, economic conditions,
119 entrepreneur knowledge fraud, and customer problems. These reasons affect retail business failure.

120 Within this context, we expect to find the factors that mostly affect retail business failure in the rural area
121 of the north-central province in Sri Lanka. Many research groups have searched to find the reasons for retail
122 business failure, while several methods have been proposed to decrease such failures in the retail business. There
123 for we can identify our study objectives as follows,

124 The following main objective and sub-objectives were developed for the present study, to identify factors that
125 cause the rural retail failure of the North-Central province of Sri Lanka.

126 5 b) Sub Objectives

127 ? To find out the motives which compel the entrepreneurs to windup their business. ? To find out the
128 relationship between the factors and identify the relationship type of those factors (positive/negative). ? To
129 find out which factors entrepreneurs should consider when they start a new retail business in rural Sri Lanka.
130 This is the conceptual framework we have developed for our research. Mainly we have identified depend and
131 independent variables for our problem of rural retail failure. To accomplish the objective of the study we used
132 seven independent variables from past research that can be affect to fail the rural retail business (Dependent
133 variable). We have named our dependent variable as Rural Retail Barriers and number of barriers are we have
134 mention as seven (7) variables in below. We have selected this factors because, most researchers mentioned those
135 kind of similar factors are the mostly effect to fail rural retail industry. So that we going to do our study in
136 Sri Lankan retail context with these variables. Dependent variable, which will be used in the current study, is
137 probability of failing the retail business measured by sampled data.

138 6 III. data and methodology

139 We were find out some variables as our independent variable to measure with dependent variable of Probability
140 of fail the business from past studies. This independent variables (Financial issues, Entrepreneurial knowledge,
141 Labour availability, Supplier availability, Government support, Owners attitude and perception) are affect to
142 determine the risk of fail rural retail business risk can measure the probability and impact by on a scale of 1 to
143 10. We planned to conduct a Likert scale questioner based survey to address the mentioned objectives and make
144 question for cover the seven variables. And find the correlation between depend and independent variables. We
145 are going to find out which factor/s mostly impact to dependent variable and what kind of relationship have
146 within this variables. And which factors entrepreneur should consider to start new business. SPSS will be used
147 for analysis purpose by descriptive statistics, Frequency table (Cross tab, Frequency distribution) and Correlation
148 also use for measure hypothesis part.

149 To find the factors of failure rural retail industry in North Central province in Sri Lanka. Fifty (50) sample
150 will select from Judgemental sampling method representing those who have established for five years from the
151 main two districts of Anuradhapura and Polonnaruwa of north central province. The proportion for 50% from
152 Anuradhapura and 50% venture from Polonnaruwa district. All of this retails are failed or failing retails. Because
153 our main objective is to discover the factors that lead to failures of the retail business in rural area. This study
154 is limited to retail business are established in rural area of North Central province.

155 Mainly our research related to collecting data related to finding factors that lead to failure of retail business
156 in the north central province of Sri Lanka. All our objectives are based on quantitative analysis. Questions
157 were collected from online source. In order to find out reasons which force to close retail business. Therefore
158 questionnaire were adapted to this type and same factors were used and questions are formatted in a way to suit
159 in Sri Lankan context. In our research have seven independent variables and one dependent variable it's measure
160 on scale of 1-10 and independent variables address by three different questions.

161 When conducting analysis we already had variables, first we performing Descriptive statistics and we going to
162 identify factors which were mostly affecting to the Sri Lankan entrepreneurs engaged in retail business and we
163 perform a Correlation test to identify the relationship among the independent variables and as well as relationship

8 CONCLUSION

164 between independent and dependent variable. From that analysis we would identify relationship between seven
165 independent variables and our main dependent variable which is risk of failure. Through that analysis we will be
166 able to identify which factors the Srilankan entrepreneurs should consider when starting new retail business.
167 IV.

168 7 Results and Discussion

169 The main findings of the study to investigate the failures of the retail business in the rural area are, 1. From the 7
170 independent variables, which is include in the conceptual frame work only 5 variables affect the failure of the rural
171 retail business and those variables are Financial issue, Entrepreneur Knowledge, Geographical Location, Owner's
172 perception and Government Support. 2. The most affecting variable is the Financial issues but that is affecting
173 only the Anuradhapura district 3. Supplier availability is very low in the Polonnaruwa district comparing to
174 Anuradhapura district. 4. Owners perception is negatively affecting the Anuradhapura district, 5. Supplier
175 availability and the labors availability' are not affecting the rural retailing failure and there is no relationship
176 among those two variables. 6. Financial issues and the supplier availability and government support and owners
177 perception affecting both District in a two different manner.

178 7. When comparing the two district Polonnaruwa district is facing less financial issues than Anuradhapura
179 district. 8. Labors availability is not affecting the failure of both district rural area. 9. Polonnaruwa district
180 highly influence by the deficiency of suppliers compare to Anuradhapura district. 10. Polonnaruwa district
181 reserve more government support and subsidies than Anuradhapura district. 11. Geographical location some far
182 affecting the rural retailing failure of both district.
183 V.

184 8 Conclusion

185 The results of the study revealed that out of seven factors, only five variables affecting the rural retailing failure
186 such as, Financial issue, Entrepreneur Knowledge, Geographical Location, Owner's perception and Government
187 Support Anuradhapura district and Polonnaruwa district affected by those variables are in a different manner
188 but the Entrepreneur knowledge, the labor availability and geographical location factors are affecting in a same
189 way for both district. There are two factors which are not affecting the rural retail business failure those two
190 factors are supplier availability and labor availability in here we can come for a conclusion which is whether there
191 enough labors or the suppliers are have or not they can keep their business going on, when it comes to government
192 support Polonnaruwa district gets the more subsidies that Anuradhapura district government should provide their
193 support equal to both district otherwise people trust of government will be shattered. Financial issues play a
194 crucial role in the Anuradhapura district retails and in Polonnaruwa district it is not like that. And supplier
195 availability is very low in Polonnaruwa district when it compares to Anuradhapura and that district is facing
196 less financial issues than Polonnaruwa district and government or the local authority should take necessary steps
197 to provide more financial support such as small loan schemes with a minimal interest rate to keep this district
198 run their business in a stable way also geographical location is some far affecting the failure of rural retailing
199 in an indirect way. If a new entrepreneur going to enter the rural retailing that person have to pay attention to
200 those five failing factors which causing the wind up of rural retailing for have a better business or the long run in
201 the market. Also when comparing the two variable which is not affecting the failure of rural retailing there are
202 no positive or negative relationship between those two factors and owners perception has negative relationship
203 towards the failure of rural retailing. ¹

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