

An Analysis of Impact of FDI on Small Retailers in India

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Abstract

Foreign direct investment plays significant role in growth every economy. It has also affected small retailers in the economy. In India, traditionally goods were being sold in unorganized retail market such as grocery store and kiriyana shops. These shopkeepers were able to develop strong relationship with local customers as a result of their friendly behavior. FDI in the retail sector has expanded commodity markets manifolds. As a result of adoption of advanced supply chain, it has reduced transaction and transformation costs. The benefit of which has been transferred to the consumers. This research paper emphasize on the analysis of impact of FDI on small retailers in India. The study has been conducted in Delhi, NCR for the period of two years from 2018 to 2019 with sample size of 200. For the purpose of data analysis, statistical techniques such as Exploratory Factor Analysis, ANOVA have been applied. The captured responses were entered, coded and tabulated in SPSS software.

Keywords: Consumers, Foreign Direct Investment, Retailers, Suppliers, Kiriyana Store

Introduction

Retail comes from the French word retailer, which refers to "cutting off, clip and divide. Retailing business includes all the business activities involved in proving goods or services to the ultimate consumers for their personal use. A retailer establishes link between manufacturers and final consumers. The manufacturers sell the goods produced by them to wholesalers and sometimes directly to the retailers. All these business enterprises who are directly providing goods or services directly to the consumer either through direct selling or through internet marketing are involved in retailing business. A Retailer plays significant role in breaking bulk and providing benefit not only to the consumers but also to the wholesalers and manufacturers.

Literature Review

M. Joseph and N. Soundararajan, 2009) in their study has shown that very few small shops have been closed down as a result of competition resulted from organized retail. The small shopkeepers have been able

to run their business successfully by adopting better business practices and technology. The study shows the positive effect of FDI in automobiles, telecom and consumer electronics sectors.

Freda J Swaminathan, Vina Vani, (2008) – in their study have discussed the growth of malls in Delhi NCR region in India. The study emphasized on understanding the consumer attitude towards shopping malls which has an impact on consumer shopping and entertainment behavior. The kind of offerings retailers are required to offer also depends on consumer behavior towards shopping malls. The study has provided various directions to make retail business successful in India. Ganguli Shrishendu, B. Vinod Kumar (2008) – In their study, the researcher takes into consideration both service quality and features and measures their impact on consumer satisfaction as well as loyalty. This study attempts to find out the underlying constructs of these service variables for the Indian retail super market customers. An attempt has been made to explore the impact of these factors on customer satisfaction and loyalty as dependent variables, also explores the effect of satisfaction on loyalty. Authors have concluded that, customer satisfaction has strong influence on loyalty, which means satisfied customers continue shopping and recommend retail store to others.

Dassani Vaishali (2007) - She has specified all the details regarding Reliance mart, which occupied 1,65,000 Sq.Ft. of retail space at Ahmedabad. Reliance Retail, a part of Reliance group's initiative opened hypermarkets in Jamnagar and Gurgaon. Sixty two national distribution centers across India will serve as supply chain network for Reliance Retail's first phase of expansion across 1500 towns in urban and rural India. News of Wal-Mart's entry has provoked opposition from small scale retailers fearing that millions will lose their livelihood if large chains come in.

Gupta C.P., Mitali Chaturvedi (2007) – 'Retailing: An Emerging Trend in India', in India Retail Industry has become the second largest employer after agriculture. It is found that the gap between living standards of the consumers of metro and non-metro cities are narrowing own day by day. The study shows that the retailers are able to deliver better quality products and services to the consumers if prime space is available to them. It also increases their operational efficiencies and decline in costs.

Research Methodology

The present paper focuses on analysis of impact of FDI on small retailers in India. Exploratory research is being carried out for the study.

Objective of the Study:

1. To find out the factors showing the impact of Foreign Direct Investment on retail sector in India.
2. To examine the variations in the perception of customers in relation to demographic variable and factors showing impact of Foreign Direct Investment on retail sector in India.

Hypothesis:

- 1.H1: The perception of retailers of different age group does not differ about factors showing impact of Foreign Direct Investment on retail sector in India.
- 2.H2: The perception of retailers of different gender group does not differ about factors showing impact of Foreign Direct Investment on retail sector in India.
- 3.H3: The perception of retailers on the basis of years of experience in their business does not differ about factors showing impact of Foreign Direct Investment on retail sector in India.

Scope of the study

The present study is based on retailers in Delhi NCR. The study has been conducted over a period of 2 years. From the retailers, the data has been collected through questionnaire.

Data Collection:

The study is based on both types of data collection techniques; primary and secondary. For the purpose of study, the secondary data has been retrieved from the research papers published in various journals and magazines. The structured questionnaire has been designed to collect the primary data. The questionnaire is based on 5 point Likert scale.

Sample Design:

On the basis of non-probability sampling, 200 respondents have been selected for the study. Out of total 200 questionnaires distributed, total 150 have been collected and 120 are found complete in all aspects to conduct the analysis.

Analytical Tools:

After data collection, data preparation, and data analysis was carried out. Total 120 questionnaires have been considered for analysis. For the purpose of data analysis, statistical techniques such as Exploratory Factor Analysis, ANOVA have been applied. The captured responses were entered, coded and tabulated in SPSS software.

Data analysis and Interpretation

The result analysis show that the sample represents the entire population as the survey has captured responses from respondents of different age groups, gender and duration of

their business. With the help of simple descriptive statistics the respondents' characteristics are summarized. The demographic profile of the respondents has been presented in Table 1.1

Table 1.1 Respondent's Profile

Variable	Description	No of Respondents
Age	20-25	11
	26-35	28
	36-45	48
	46-55	29
	Above 56	04
Gender	Male	109
	Female	11
Duration of Business	0-5	14
	5-10	33
	10-15	19
	15-20	30
	20 or above	13

Factors showing impact of Foreign Direct Investment on Retail Sector in India:

Total 19 items related to impact of FDI on retail sector as shown in table 1.2 has been used for the purpose of study.

EFA has been applied to identify the factors showing impact of FDI on Retail Sector.

Table 1.2 Items of impact of FDI on retail sector

Item Code	Description
S1	Super market offer their product at low price compare to small retailers.
S2	Super market apply new strategies to attract customer as compared to small retailers
S3	Super market offer better quality products as compared to small retailers.
S4	Super market have increased competition for small retailers.
S5	Emergence of super market is a threat for small retailers.
S6	Super market creates more opportunities as compared to small retailers.
S7	Small retailers are force to keep more variety as a result of big retail houses.
S8	Profit margin of small retailers has reduced as a result of big retailers selling at heavy discounts.
S9	Super market has affected customer base of small retailers
S10	Technology of super market is better compared to small retailers.
S11	Super market offer more variety of products
S12	Super market offer good ambience
S13	Display of product of super market is more user friendly
S14	Worker at super market is more friendly
S15	Super market changes offer more brand as compared to small retailers
S16	Super market offer everything under one roof
S17	Purchasing good from super market saves time and money of customers
S18	Super market offer customer innovative products
S19	Super market offer convenient shopping for customers

To identify the factors, the factor analysis has been applied to the captured responses from 120 respondents corresponding to 19 items. Factors have been extracted considering the eigen value of each factor to be more than one. The variables having loadings of at least 0.4 have been considered for the purpose of further analysis. As a result, one variable (Small retailers are force to keep more variety as a result of big retail houses) has been deleted due to its

loading value of < 0.4. The remaining 18 variables yielded five factors structure. The Varimax rotation method has been applied on the extracted factors. The variable constituents of all extracted factors along with their factor loadings have been presented in table 1.3.

Table 1.3 Rotated Component Matrix

Items	Component				
	1	2	3	4	5
Super market offer their product at low price compare to small retailers.			.821		
Super market apply new strategies to attract customer as compared to small retailers		.779			
Super market offer better quality products as compared to small retailers.			.640		
Super market have increased competition for small retailers.		.640			
Emergence of super market is a threat for small retailers.		.506		.427	
Super market creates more opportunities as compared to small retailers.		.578			
Small retailers are force to keep more variety as a result of big retail houses.		.264			
Profit margin of small retailers has reduced as a result of big retailers selling at heavy discounts.				.748	
Super market has affected customer base of small retailers				.728	
Technology of super market is better compared to small retailers.	.551				
Super market offer more variety of products			.585		
Super market offer good ambience	.737				
Display of product of super market is more user friendly	.585				
Worker at super market is more friendly	.509				
Super market changes offer more brand as compared to small retailers					.812
Super market offer everything under one roof					.639
Purchasing good from super market saves time and money of customers	.647				
Super market offer customer innovative products					.500
Super market offer convenient shopping for customers	.760				

Table 1.4
Factor Loading based on Rotational Matrix

S.No.	Factors	Item	Loading
1	Convenience & comfort for customers	Technology of super market is better compared to small retailers.	.551
		Super market offer good ambience	.737
		Display of product of super market is more user friendly	.585
		Worker at super market is more friendly	.509
		Purchasing good from super market saves time and money of customers	.647
		Super market offer convenient shopping for customers	.760
2	Level of Competition	Super market apply new strategies to attract customer as compared to small retailers	.779
		Super market have increased competition for small retailers.	.640
		Emergence of super market is a threat for small retailers.	.506
		Super market creates more opportunities as compared to small retailers.	.578
3	Quality based Pricing Policy	Super market offer their product at low price compare to small retailers.	.821
		Super market offer better quality products as compared to small retailers.	.640
		Super market offer more variety of products	.585
4	Demand for product	Profit margin of small retailers has reduced as a result of big retailers selling at heavy discounts.	.748
		Super market has affected customer base of small retailers	.728
5	Variety of Products	Super market changes offer more brand as compared to small retailers	.812
		Super market offer everything under one roof	.639
		Super market offer customer innovative products	.500

After taking into consideration the loading of variables against different factors, five factors have been explored. On the basis of study of literature, these factors have been named as convenience and comfort for customers, level of competition, quality based pricing policy, demand for products, variety of products.

Convenience and comfort for customers

Total six items loaded on this factor, which was a maximum number of items on any factor in this study. The factor included following items: technology of super market is better compared to small retailers, super market offer good ambience, display of product of super market is more user friendly, worker at super market is more friendly, purchasing good from super market saves time and money of customers, super market offer convenient shopping for customers.

Level of competition

Total four items loaded on this factor, which was a maximum number of items on any factor in this study. The factor included following items: super market apply new strategies to attract customer as compared to small retailers, super market have increased competition for small retailers, emergence of super market is a threat for small retailers, super market creates more opportunities as compared to small retailers.

Quality based pricing policies

Total three items loaded on this factor, which was a maximum number of items on any factor in this study. The

factor included following items: super market offer their product at low price compare to small retailers. super market offer better quality products as compared to small retailers. super market offer more variety of products .

Demand for Product

Total two items loaded on this factor, which was a maximum number of items on any factor in this study. The factor included following items: profit margin of small retailers has reduced as a result of big retailers selling at heavy discounts, super market has affected customer base of small retailers.

Variety of Products

Total three items loaded on this factor, which was a maximum number of items on any factor in this study. The factor included following items: super market changes offer more brand as compared to small retailers, super market offer everything under one roof, super market offer customer innovative products

Comparison Between Perception of Different Retailers:

To study the difference in the perception of different retailers about factors showing impact of FDI on retail sector, the following hypothesis have been formulated.

H1: The perception of retailers of different age group does not differ about factors showing impact of Foreign Direct Investment on retail sector in India.

Table 1.5

**Perception of retailers of different age group
About factors showing impact of FDI on retail sector**

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.
Age	F1	3.247	4	.812	1.190	.319
	F2	2.366	4	.591	1.141	.341
	F3	18.254	4	4.564	6.239	.000
	F4	5.918	4	1.480	2.008	.098
	F5	2.308	4	.577	.889	.473

As per the table 1.5, the results indicate that the significance value of Convenience and comfort for customers, Level of Competition, Demand for product and Variety of Products are higher than 0.05 where as value for Quality based Pricing Policy is less than 0.05. It indicates that there is no significant difference in the perception of retailers of different age group about factors showing impact of FDI on retail sector such as Convenience and comfort for customers, Level of Competition, Demand for product and Variety of Products. So, the hypothesis that the perception of retailers of different age group does not differ about factors such as Convenience and comfort for customers, Level of Competition, Demand for product and Variety of Products showing impact of Foreign Direct

Investment on retail sector in India whereas there is significant difference in perception of retailers of different age group about factor Quality based Pricing Policy. So, the hypothesis that the perception of retailers of different age group does not differ about factors such as Quality based Pricing Policy showing impact of FDI on retail sector is rejected. Retailers upto 35 years agree that super markets offer better quality based pricing policy as compared to small retailers where as retailers above 35 years are neutral.

H2: The perception of retailers of different gender group does not differ about factors showing impact of Foreign Direct Investment on retail sector in India.

Table 1.6
Perception of retailers of different gender group
About factors showing impact of FDI on retail sector

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.
Gender	F1	.931	1	.931	1.360	.246
	F2	.284	1	.284	.543	.463
	F3	1.383	1	1.383	1.615	.206
	F4	.278	1	.278	.363	.548
	F5	1.801	1	1.801	2.826	.095

As per the table 1.6, the results indicate that the significance value of Convenience and comfort for customers, Level of Competition, Quality based Pricing Policy, Demand for product and Variety of Products are higher than 0.05 where as value for Quality based Pricing Policy is less than 0.05. It indicates that there is no significant difference in the perception of retailers of different gender group about factors showing impact of Foreign Direct Investment on retail sector in India such as Convenience and comfort for customers, Level of Competition, Quality based Pricing Policy, Demand for product and Variety of Products. So, the hypothesis that the

perception of retailers of different gender group does not differ about factors such as Convenience and comfort for customers, Level of Competition, Demand for product and Variety of Products showing impact of FDI on retail sector is accepted.

H3: The perception of retailers on the basis of years of experience in their business does not differ about factors showing impact of Foreign Direct Investment on retail sector in India.

Table 1.7
Perception of retailers on the basis of years of experience in their business
About factors showing impact of FDI on retail sector

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.
Duration of business	F1	2.929	4	.732	1.069	.375
	F2	1.039	4	.260	.490	.743
	F3	15.661	4	3.915	5.193	.001
	F4	3.049	4	.762	1.000	.410
	F5	1.993	4	.498	.764	.551

As per the table 1.7, the results indicate that the significance value of Convenience and comfort for customers, Level of Competition, Demand for product and Variety of Products are higher than 0.05 where as value for Quality based Pricing Policy is less than 0.05. It indicates that there is no significant difference in the perception of retailers having different years of experience in their business about factors showing impact of FDI on retail sector such as Convenience and comfort for customers, Level of Competition, Demand for product and Variety of Products. So, the hypothesis that the perception of retailers having different years of experience in their business about factors such as Convenience and comfort for customers, Level of Competition, Demand for product and Variety of Products showing impact of FDI on retail sector is accepted.

Whereas there is significant difference in perception of retailers having different years of experience in their business about factor Quality based Pricing Policy.

So, the hypothesis that the perception of retailers having different years of experience in their business about factors such as Quality based Pricing Policy showing impact of FDI on retail sector is rejected. Retailers with their experience in business upto 5 years agree that super markets offer better quality based pricing policy as compared to small retailers, retailers with their experience in business from 5 to 20 years are neutral whereas retailers with their experience in business above 20 years disagree.

.Conclusion

FDI is a two edged weapon which has both pros and cons in any economy. Government should take some steps so that Foreign Direct Investment does not have any negative impact on small retailers in India. Government should implement some policies to ensure that FDI turns to be beneficial not only for economy as a whole but also for customers and retailers in India.

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