FDI AND UNORGANIZED RETAIL IN INDIA

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ABSTRACT

Retail is the biggest employer in India and unorganized retail has really big chunk in it. It is obvious that organized retail is mostly penetrated in urban part of country which is small portion of this huge sector. Further, India's GDP has also growing at fast rate and now only second fastest after China. Foreign Direct investment plays important role in the growth of any country. Initially India was little conservative approach towards FDI but now country and especially retail sector is taking it seriously and understanding its role in new way. Unorganized retailer also have seen lot of differences in taste and preferences in consumer buying, the study of this shift can give a lot of help to this sector in improvement and fight against organized retail and FDI in Retail. There are various kinds of protest and different opinion from politicians and other unorganized retail groups were seen against the sector in recent past. This paper is written actually to find out how unorganized retail can take a clue from the FDI benefit outside country and improve in their functioning and mixes to compete at national level.

Keywords: Unorganized retail, Foreign Direct Investment, GDP, Taste & Preferences.

INTRODUCTION

Foreign investments provide the much-needed impetus for the growth of the Indian economy. Despite recent problems with the economy, foreign direct investments (FDI) have continued to roll in, across several industries and sectors, proving that investors believe in the strength of India's markets. FDI inflows to India grew 17 per cent in 2013 to touch US$ 28 billion, according to a United Nations report.

The Government of India's policy regime and a positive business environment have also played significant roles to ensure that foreign capital keeps flowing into the country. The Centre has taken several initiatives in recent years. In 2013, the government relaxed FDI norms in several sectors, including defence, PSU oil refineries, telecom, power exchanges and stock exchanges, among others.

In 2013, Tesco, the UK's largest retailer, Singapore Airlines and Etihad lined up to invest in the country as the government opened more sectors to foreign investments.

India has received total foreign investment of US$ 306.88 billion since 2000 – 94 per cent of that amount has come during the last nine years.

During the first 10 months of FY 2013–14, the highest FDI was recorded in the services sector (US$ 1.80 billion), followed by the pharmaceuticals (US$ 1.26 billion), automobiles (US$ 1 billion) and construction development (US$ 966 million) sectors.

Mauritius led inflows into India with US$ 4.11 billion of FDI during April–January, 2013–14, followed by Singapore (US$ 3.67 billion), the UK (US$ 3.18 billion) and the Netherlands (US$ 1.7 billion).

In the period 1999–2004, India received US$ 19.52 billion of foreign investment. In the period 2004–09, foreign investment in the country touched US$ 114.55 billion, further increasing to US$ 172.82 billion between 2009–September, 2013.

PricewaterhouseCoopers India, says that the whole issue is now dependent on the number of seats contesting political parties get. "Till then, it's a wait-and-watch game for everyone," she says.

India needs to look at how the Free Trade Agreements (FTA) were impacting its domestic manufacturing, said Amitabh Kant, Secretary, Department of Industrial Policy & Promotion (DIPP).

"We have to move out of Udyog Bhawan (the building that houses Commerce and Industry Ministry)… it is important to identify the problem areas impacting the domestic manufacturing and progressively work towards creating a strong local industry," Kant said.

Taking charge at a time when the DIPP is facing hurdles in moving ahead with opening up foreign direct investment (FDI) in various sectors, particularly multi-brand retail, Kant, in an interview with Business Line, shares his views on creating a proper ecosystem to attract investment.
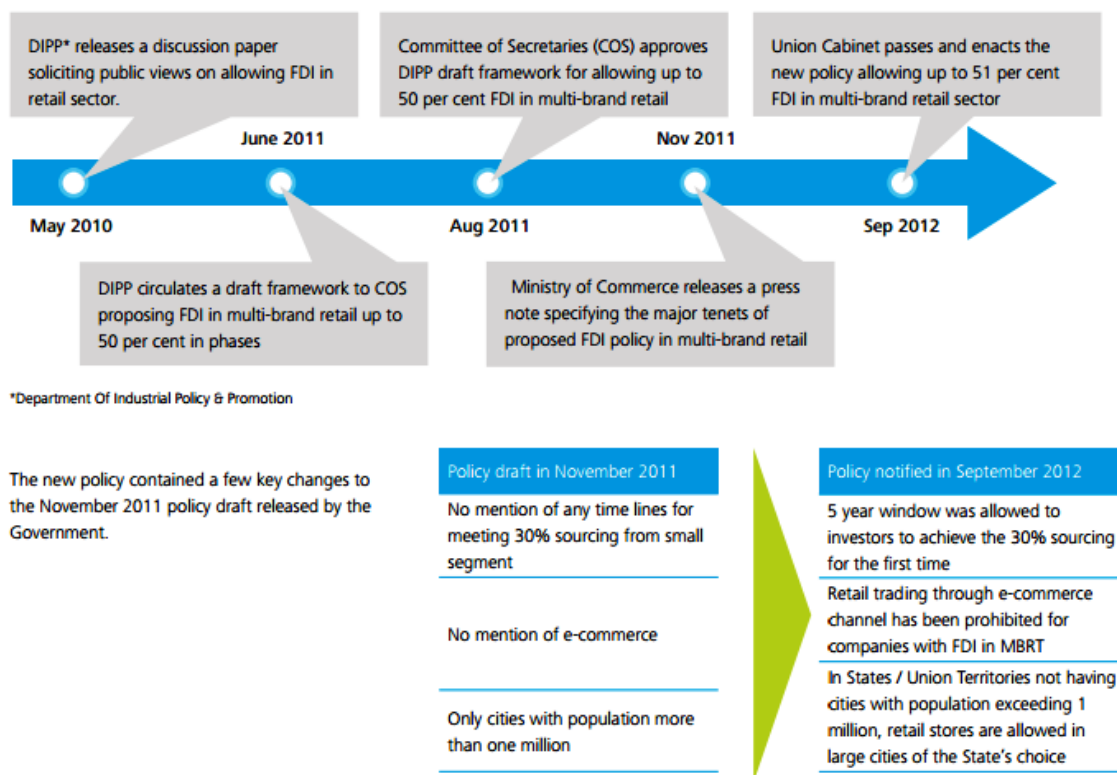
The Government of India had been considering opening up the MBRT sector to FDI for some time. They had released a discussion paper in 2010 on the topic and had extensively gathered public, academic and industry views on the issue. In November 2011, the Government came out with its proposal for the new FDI policy. However, unable to achieve political consensus on the issue, they had to shelve their plans for the enactment of the policy. Finally the Government decided to pass the new FDI policy on MBRT in September 2012.The FEMA notification issued by the Reserve Bank of India permitting FDI in the retail sector was laid before the Houses of Parliament and the same have been cleared without any modification.

HYPOTHESIS

H1: There is an association between value for money buying from this store and recommending stores format to my friends and relatives

H2: There is an association between fast checkout services of the retailer and I am satisfy with the store and intend to visit the store again

H3: There is an association between extensions of credit facility of the store and giving preference over other stores.

LITERATURE REVIEW

DR. K. RATNA MANIKYAM have identified some gap in rural retailing **i.e.** lack of literacy and awareness, Low per capita income, wide geographic spread, Gaps in road and Telecommunications connectivity, Lack of reliable electricity and water supply, Limited Distribution network for example cold storage, Competition from local players. The strategy should be well planned for rural areas.

Prof. Prem Vrat and Akshay Jain, Prateek Raj in their paper focuses primarily on the Small and Medium Scale Retail Sector of India which is largely unorganized. A detailed analysis on Kirana store have been discussed by the authors in the paper starting from product planning, assortment planning and etc.

According to Dr. Sheetal Mundraa, Mukesh Mundrab, Dr. Manju Singh FDI has proved to trigger off growth and development of any countries. The Indian retail industry is witnessing large and far reaching changes in last 2 decades of development. The authors have also mentioned that Government should facilitate the FDI so that we get maximum benefits of FDI that outweighs the losses we may suffer.

According to Sivaraman P. (2010) there is an impact of organized retailing on unorganized retailing and it has been focused in this study. The research says that there are few important factors which are measured by customers while shopping from any retail outlet like assortment of the products shop proximity , brand choices, price, store ambience, credit availability, store image, and complements.

According to Deloitte (Global Powers of Retailing 2013) a robust retail strategy must include: A strong vision of the experience the customer desires across all channels, a nimble operating model that can adapt as the retail environment changes,a deep understanding of how to support

the vision through inventive digital solutions and retail technologies, such as playbooks to operationalise the Omni-channel strategy.

Adil Zia, Khalid Mohammad Azam this paper is an attempt to develop a scale measuring Shopping Experience and to measures the impact of various factors of shopping experience in the context of unorganized retail. Seven dimensions with significantly positive impact are "Helpfulness", "Acknowledgement", "Place to enjoy", "Store service quality", "Shopping convenience", "transactions" and "Merchandise", and four dimensions with insignificantly positive impact are "returns and exchange", "reliability", "product variety" and "store appearance". Three dimensions with significantly negative impact are "complain handling", "physical aspect" and "loyalty programs" and one dimension with insignificantly negative impact is "shopping time".

Dr. S. G. Khawas Patil and Mr. Laxmikant S. Hurne the paper aimed at three objectives to study To know benefits from FDI in multi-brand retail, To know threats due to FDI in multi-brand retail. And To know what may happen, after starting organized retail stores in India by MNCs. The entry of multinational retailers is likely to start competition, to give consumers a better products and better prices. Mega retail stores have to keep price possibly low and attractive.

 Nisha Rathore has studied the impact of organized retailing on unorganized sector. The study has also indicated how the consumer will be benefited from organized retailers. The major findings from this paper are unorganized retailers in the vicinity of organized retailers have been badly affected in terms of their volume of business and profit. Unorganized retail has maintained employment levels perhaps as a result of competitive response. Lower income consumers have saved more from purchases at organized outlets and the major factors that attract unorganized retailers to consumers are proximity.

According to PWC report (2012) The driving forces for Indian retail Industry are, Higher incomes driving the purchase of essential and non-essential products, Evolving consumption patterns of Indian customers, new technology and lifestyle trends creating replacement demand Increase in rural income as well as urbanization ,Increase in easy access to credit and consumer awareness ,Growth of modern trade format across urban, Tier I, Tier II and Tier III cities and towns and rapid urbanization and growing trend towards nuclear families

RESEARCH METHODOLOGY

Primary data for this research was collected through questionnaire survey..   In the questionnaire, all the questions are closed ended. To know the importance of variable we have kept 5 point rating scale (1- Least important and 5- Most important). However, before the questionnaire was conducted, a pilot study was done in order to measure the construct and validity of questionnaire.

CRONBACH ALPHA RELIABILITY ANALYSIS

The value of Cronbach's alpha coefficient is .836 which is closer to 1.0; this shows the internal consistency of the items in the scale.

Factor Analysis seeks to find the latent factors that account for the patterns of co linearity among multiple metric variables.

Two Tests in Factor Analysis:

a) **Barlett's Test of Sphericity**

b) **Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO)**

Exploratory factor analysis

The value of KMO statistic is high (.754) and Bartlett's test of Sphericity is significant (sig= .000), which reveals that data is appropriate for factor analysis.

H1: There is an association between **value for money buying from this store** and **recommending stores format to my friends and relatives**

Pearson Chi – square is 0.003 is much lesser than 0.05, hence, we may conclude that There is an association between value for money buying from this store and recommending stores format to my friends and relatives

H2: There is an association between **fast checkout services of the retailer** and **I am satisfy with the store and intend to visit the store again**

Pearson Chi – square is 0.016 is much lesser than 0.05, hence, we may conclude that There is an association between fast checkout services of the retailer and I am satisfy with the store and intend to visit the store again

H3: There is an association between **extensions of credit facility of the store** and **giving preference over other stores.**

Pearson Chi – square is 0.000 is much lesser than 0.05, hence, we may conclude that There is an association between extensions of credit facility of the store and giving preference over other stores.

Reliability Statistics

Cronbach's Alpha	N of Items
.836	26

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.754
Bartlett's Test of Sphericity	Approx. Chi-Square	2354.010
	df	325
	Sig.	.000

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent

	388	100.00%	0	0.00%	388	100.00%
I need to get value for money buying from this store * I will recommend this type of stores format to my friends and relatives						

I need to get value for money buying from this store * I will recommend this type of stores format to my friends and relatives Cross tabulation

Count

		I will recommend this type of stores format to my friends and relatives					Total
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
	Strongly Disagree	0	0	1	0	1	2
	Disagree	2	1	0	7	3	13
I need to get value for money buying from this store	Neutral	1	0	16	39	24	80
	Agree	3	5	26	76	43	153
	Strongly Agree	0	1	21	60	58	140
Total		6	7	64	182	129	388

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	36.272[a]	16	0.003
Likelihood Ratio	30.688	16	0.015
Linear-by-Linear Association	6.987	1	0.008
N of Valid Cases	388		

a. 15 cells (60.0%) have expected count less than

5. The minimum expected count is .03.

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent

		388	100.00%	0	0.00%	388	100.00%
Fast checkout and prompt service * I am satisfy with the store and intend to visit the store again							

Fast checkout and prompt service * I am satisfy with the store and intend to visit the store again Cross tabulation

Count

		I am satisfy with the store and intend to visit the store again					Total
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
Fast checkout and prompt service	Not at All Important	0	0	0	0	3	3
	Not Important	0	1	1	2	3	7
	Neutral	0	2	14	17	21	54
	Important	1	3	22	84	51	161
	Very Important	6	2	19	67	69	163
	Total	7	8	56	170	147	388

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	30.325[a]	16	0.016
Likelihood Ratio	28.349	16	0.029
Linear-by-Linear Association	0.086	1	0.77
N of Valid Cases	388		

a. 16 cells (64.0%) have expected count less than

5. The minimum expected count is .05.

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent

		388	100.00%	0	0.00%	388	100.00%	
Extension of Credit Facility * In the future, this type of store is one of the first store I will look when I need shopping for grocery and food products								

Extension of Credit Facility * In the future, this type of store is one of the first store I will look when I need shopping for grocery and food products Crosstabulation

Count

		In the future, this type of store is one of the first store I will look when I need shopping for grocery and food products					Total
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
Extension of Credit Facility	Not at All Important	1	2	1	1	0	5
	Not Important	2	0	10	6	2	20

Neutral	1	1	17	24	23	66
Important	4	5	31	56	67	163
Very Important	4	2	24	50	54	134
Total	12	10	83	137	146	388

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	54.186[a]	16	0
Likelihood Ratio	32.855	16	0.008
Linear-by-Linear Association	13.271	1	0
N of Valid Cases	388		

a. 13 cells (52.0%) have expected count less than

5. The minimum expected count is .13.

CONCLUSION & MARKETING IMPLICATIONS

The conclusion from this paper will give clue on what is important for unorganized retailers in the light of FDI coming to India. Implication and well assessment of elements will help this sector. Satisfaction level of customer is also varied in unorganized retailers seen in this paper.

SCOPE FOR FUTURE RESEARCH

This paper is kept itself in line with FDI probable entry in Indian retail. Afterwards happening and important implication is not covered here and surely will cover in other papers to come.

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