

INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT

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- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19-22 June.

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FDI IN MULTIBRAND RETAILING IN INDIA: PERCEPTION OF THE UNORGANISED RETAILERS IN BUSINESS CAPITAL OF UTTARAKHAND

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ROHTAK

ABSTRACT

FDI in retail remained a hot topic in 2011, in November Government made a proposal to allow 51% FDI in multibrand retailing and raise the bar to 100% in single, many industry experts voiced in support and many against, almost all unions of the unorganized retailers across the country went against it and gave a stiff resistance which ultimately led to the rollback of FDI decision in multibrand retailing. This resistance of unions of unorganized retailers gave a clear reflection that all of their members understand the repercussions of the FDI, particularly multibrand FDI in retailing, which will ultimately led to their expulsion from current business. The doubt that whether the much touted plight of the local / street cart over this issue by the unions was really his own and the individual local retailer actually knew about the multibrand FDI mania gave inspiration for this research which aims at giving a fair idea of the understanding of the local unorganized player in this particular matter. The exploratory research was carried out in the month of January, 2012 in Haldwani, which is popularly referred as business capital of Uttarakhand, owing to the high volume of annual trade (being one of the largest fruit and vegetable market of north) using a structured questionnaire administered to the unorganized local retailers on the basis of random and judgmental sampling basis. The results were surprising that considerable no of them didn't even had heard of FDI, and correlation of the various responses led to a conclusion that the source of information was also a factor of voicing against the FDI. Even the influence of Education level was quite evident. The study concludes with the suggestions for addressing the queries of the unorganized local retailers and gaining their good faith in any further decision.

KEYWORDS

FDI, Multibrand Retailing, Unorganized Retailer.

INTRODUCTION

India Retail Report 2009 by IMAGES F&R Research quoted, "In this land of 15 million retailers, most of them owning small mom and pop outlets, we also have a modern retail flourishing like never before. There is little room for conflict as evidenced from the fact that India presents a unique case of consumption-driven economy".

The little room for conflict which was underestimated became such huge in just three years that it forced Government to curtail its decision on 51% FDI in multi brand retailing within a month of its proposal. The government of Manmohan Singh, prime minister, announced on 24 November 2011 the following:

- 51 % FDI in Multi- Brand retailing.
- Single brand foreign retailers, such as Apple and IKEA, can own 100 percent.
- Both multi-brand and single brand stores in India will have to source nearly a third of their goods from MSME.
- Multi-brand retailers must have a minimum investment of US\$100 million with at least half of the amount invested in back end

And later Government had to rollback it decision on multi-brand FDI later due to heavy protest by major political opponents and the trade unions. **Tripathi, Salil (2011)**, suggests that critics of retail policy had five points; One, India doesn't need foreign retailers, since homegrown companies and traditional markets are doing the job well. Two, independent stores will close, leading to job losses. Three, profits will go to foreigners. Four, there will be sterile homogeneity and Indian cities will look like cities anywhere else. And five, the government hasn't built consensus.

The hue and cry made on the name of small unorganized retailers was such that, entire Nation came to a stand still for quite some time after the 24th Nov decision, which completely ended only when Government took back its multi-brand FDI decision.

The story started when 51 percent investment in single brand retail was permitted for the first time in 2006, although prior to Jan 24, 2006, FDI was not authorized in retailing, most general players had been operating in the country by franchise agreement, Strategic Licensing Agreements, manufacturing and wholly owned subsidiaries ex: Levis, Nike, Pizza Hut etc. During the years 2006-09, with the increase in no of middle consuming class and their rising money power, India became one of the top destinations for FDI in retail.

On January 11, 2012, India has finally approved increased competition and innovation in single-brand retail, by allowing 100% FDI in it.

NEED FOR THE STUDY

This study was conducted to understand the level of understanding of the local unorganized retailers with respect to FDI, more particularly towards multi-brand FDI, its affects, and to gauge their perception towards Government's decision. This study will help to identify the level of genuineness of the fact that all unorganized retail players, were against its FDI decision. It will help in adopting measures to increase the level of awareness and minimize inflated concerns of the affected.

OBJECTIVES

1. To study the awareness level towards FDI
2. To analyze the respondent's knowledge of Multi-Brand FDI, its effects.
3. To analyze source of information regarding FDI and its impact on overall view.
4. To suggest positive measures to build consensus among respondents and avoid negative concerns.

REVIEW OF LITERATURE

According to **Tomu Francis (2006)**, organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc basically involving the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Unorganized retailing, on the other hand, refers to the traditional formats of the retail industry involving example, the local kirana shops the corner stores, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc. The latter involves a large majority of the Indian populace that is involved in the retail industry.

Press note 3, 2006 by DIPP lays following conditions, for coming under the purview of single brand retail:

- Should be a single brand
- Should be sold under the same brand internationally

- It would only cover products branded during manufacture

While the government of India has also not clearly defined the term “multi-brand retail,” FDI in multi-brand retail generally refers to selling multiple brands under one roof.

Indian Brand Equity Foundation (2011), Reports, “India has been ranked as the fourth most attractive nation for retail investment among 30 emerging markets by the US-based global management consulting firm, A T Kearney, in its Global Retail Development Index (GRDI) 2011, and Indian retail sector accounts for 22 per cent of the country’s gross domestic product (GDP) and contributes to 8 per cent of the total employment”.

Chris Devonshire-Ellis and Ankit Shrivastava (2012), lists following benefits of multi-brand retail:

Soaring inflation is one of the driving motives behind this move towards multi-brand retail. Allowing international retailers such as Wal-Mart and Carrefour, which have already set up wholesale operations in the country, to set up multi-brand retail stores will assist in keeping food and commodity prices under control. Moreover, industry experts feel allowing FDI will cut waste, as big players will build backend infrastructure. FDI in multi-brand retail would also help narrow the current account deficit. Additional benefits include moving away from an industry focus on intermediaries and job creation. Once modern retailers introduce an organized model, other vendors, including small retailers, would mechanically copy this model to improve efficiencies, boost margins and stay in business. Organized retail would thereby bring more stability to prices, unlike the present system where hoarding and artificial shortages by profiteering intermediaries push up product prices

Further they are of the view that it will benefit the unorganized and local players in long run and opine that the advantages outweigh the disadvantages of allowing unrestrained FDI in the retail sector, as successful experiments in countries like Thailand and China demonstrate. In both countries, the issue of allowing FDI in the retail sector was first met with incessant protests, but allowing such FDI led to GDP growth and a rise in the level of employment.

RESEARCH METHODOLOGY

The study is based on both primary and secondary data. The required information was collected through the following sources.

PRIMARY DATA

A non-probability, convenience sampling technique was used to administer the questionnaire. A structured questionnaire was prepared by the researcher to identify awareness level about FDI, Multibrand and Single Brand FDI, the response of the unorganized retailers towards the government decision and the source of information of FDI. The questionnaire was administered in local (Hindi) language.

SAMPLE SIZE

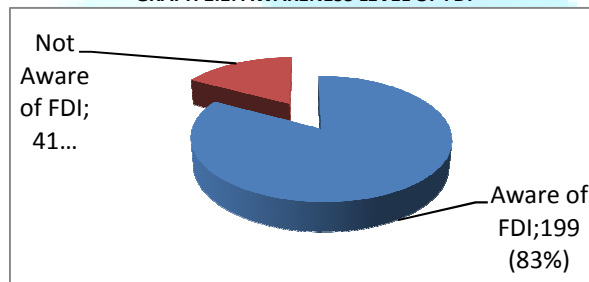
The initial data was collected from 240 unorganized retail players. However for getting the meaningful and reliable insights the respondents who were actually aware of FDI (199) were evaluated on other parameters.

TOOLS AND TECHNIQUES

The data collected through questionnaire were tabulated and analyzed by using pivoting methods in excel.

DATA ANALYSIS AND INTERPRETATION

GRAPH 1.1: AWARENESS LEVEL OF FDI



Source: Primary Data

The data analysis showed that 83% of the respondents had heard of FDI previously, while 17% had not heard of the FDI before. Based on this response, the questionnaire of the responds who were aware of FDI in india were analysed further to gain deeper insights.

TABLE 1.1: PERCEIVED EFFECT OF FDI VIS A VIS EDUCATION LEVEL

Will FDI in Retail Effect you	Uneducated	Below X	Up to XII	Graduation & Above	Grand Total	% of Res
Don't No	15	6	13	18	52	26%
No	11		4	7	22	11%
Yes, in a +ve way	4		5	16	25	13%
Yes, in a -ve way	28	29	20	23	100	50%
% of Respondents	29%	18%	21%	32%	199	100%

Source: Primary Data

50% of the respondents had an opinion that FDI will have negative effect while 13% said that it will impact positively, while 26% were unable to analyze what will happen. 32% of the total (Including Big and Small Shop owners) had a graduate and above degree while 29% were uneducated. 18 and 21% were below matriculation and up to +2 respectively. However it was interesting to note that overall 48% of uneducated said that FDI will impact negatively while only 36% of respondents with graduation and higher degree said it will impact negatively.

TABLE 1.2: KNOWLEDGE OF SINGLE AND MULTIBRAND FDI

Do you Know Multi/Single Brand FDI	Blank	No	Yes (Irrelevant Answer)	Yes (Relevant Answer)	Grand Total
Uneducated		31	14	13	58
Below X		18	17		35
up to XII	5	15	19	3	42
Graduation & Above	4	7	16	37	64
% of Respondents	5%	36%	33%	27%	199

Source: Primary Data

The respondents were asked whether they were aware of single and multi brand FDI concerns, and if their answer was yes they were asked to just specify the difference. Though almost 50% of the Respondents answered that FDI will impact negatively, however only 27% of total actually knew what FDI (Multi / Single

Brand) is all about. Educated (Graduation and above) were clearly aware of the differences and meaning. (70% of the Respondents Who Actually knew about FDI and the said difference.

TABLE 1.3: REACTION TOWARDS GOVERNMENTS DECISION ON MULTIBRAND FDI

Do you Favor the Govts decision to allow FDI in Multibrand Retail	Below X	Graduation & Above	Uneducated	up to XII	Grand Total	% of Res
Against it	35	27	22	19	103	52%
can't say		2			2	1%
Neutral		30	36	17	83	42%
Yes, it will benefit us		5		6	11	6%
Grand Total	35	64	58	42	199	100%

Source: Primary Data

52% of the Respondents were against The Multi Brand FDI, though only 27% as discussed earlier actually knew what multi brand FDI was. Only very few 6% of total supported Government saying it will benefit them.

TABLE 1.4: REACTION TOWARDS GOVERNMENTS DECISION ON MULTIBRAND FDI VS SOURCE OF INFO

Response For:	Government Decision for Allowing Multi Brand FDI					% of Res
	Against it	Can't say	Neutral	Yes	Grand Total	
Source of FDI Info						
Family Members	15		11	4	30	15%
Fellow Businessmen & Union Leaders	47		3		50	25%
Newspaper / TV	15		50	7	72	36%
Other Sources	26	2	19		47	24%
Grand Total	103	2	83	11	199	100%

Source: Primary Data

36% of the Respondents got information on FDI from TV and Newspapers while 25% got from fellow Business Man and union leaders. 15% Got information from their family members and rest 24% from other sources. The co-relation of source of information and views of respondents for FDI gave an interesting outcome that almost 94% of the respondents who got information about FDI from Fellow Businessman and Union Leaders, voted against FDI. Almost 69% of the Respondents who got the info about the FDI through TV/Newspaper had almost a neutral view.

TABLE 1.5: PERCEPTION OF FUTURE VS REACTION TOWARDS GOVERNMENT'S DECISION

Response For:	Government Decision for Allowing Multi Brand FDI					% of Res
	Against it	can't say	Neutral	Yes	Grand Total	
Future Scenario						
Big will grow and smaller will Perish	70		20	2	92	46%
Both Big & Small players will benefit	1		26	8	35	18%
Don't Know	18		16	1	35	18%
Nothing will happen	14	2	21		37	19%
Grand Total	103	2	83	11	199	100%

Source: Primary Data

Majority (46%) of the respondents had a view that Big will grow and smaller will perish, while others were almost divided equally in their perception i.e. Both Big & Small Players will benefit, Don't Know, and nothing will happen. When this perception was further analysed vis a vis their reaction towards Government's decision of allowing multi brand FDI, 68% of Respondents who were against FDI had a view that Big will grow and smaller will perish, while rest either Didn't had an idea or said nothing will happen and even Both Big and Small will grow (The point to be considered here is though they had answered previously that they were against Government's Decision, however either they didn't knew the future scenario or had a conflicting view).

TABLE 1.6: ANNUAL TURNOVER AND EDUCATION LEVEL

Annual turnover & Education	Uneducated	Below X	Up to XII	Graduation & Above	Grand Total	% of Res
10 Lkhs and above	3	8	8	9	28	14%
5 - 10 Lkhs			4	47	51	26%
2 - 5 Lkhs		4	5		9	5%
Below 2 Lkhs	55	23	25	8	111	56%
Grand Total	58	35	42	64	199	100%
% of Res	29%	18%	21%	32%	100%	

Source: Primary Data

56% of the Respondents were having annual turnover below 2 Lkhs, 26% Respondents had turnover between 5 -10 Lkhs, 14% were having 10Lkhs and above while 5% were having 2-5 Lkhs annual turnover. On Education front 32% were having qualification above graduation, 21% upto 12th, 18% below 10th.

TABLE 1.7: ACTION AGAINST DECLINING BUSINESS VS SOURCE OF INFORMATION

Response For:	Government Decision for Allowing Multi Brand FDI				Grand Total	% of Res
	Family Members	Fellow Businessmen & Union Leaders	Newspaper / TV	Other Sources		
What will be the action if Business Declines						
Don't Know	14	33	32	14	93	47%
It won't Happen		4			4	2%
Reduce Costs	3		36		39	20%
Switch my occupation	13	13	4	33	63	32%
Grand Total	30	50	72	47	199	100%
% of Res	15%	25%	36%	24%	100%	

Source: Primary Data

47% Did not had any idea what they shall do if business declines, 32% had a view that ultimately they will have to switch their present business and 20% hoped that reducing cost will help them to stay in the business. While 2% were adamant saying it won't happen (FDI cannot impact them). The Correlation of the responses for the actions that respondents were willing to opt in case their business is affected negatively with the source of information gave very meaningful insights. The 92% of respondents who had a view of Reducing Costs had Newspapers/TV as their source, While breakup of those who had got information from fellow Businessmen had 66% who Didn't Knew what to do, 8% adamant of saying it won't happen and almost 26% of having an opinion of changing the business.

TABLE 1.8: ACTION AGAINST DECLINING BUSINESS VS ANNUAL TURNOVER

Response For:	Annual Turn Over					% of Res
	10 Lkhs and above	5-10 Lkhs	2 - 5 Lkhs	Below 2 Lkhs	Grand Total	
What will be the action if Business Declines	23	25	5	40	93	47%
Don't Know			4		4	2%
It won't Happen		25		14	39	20%
Reduce Costs	5	1		57	63	32%
Switch my occupation						
Grand Total	28	51	9	111	199	100%
% of Res	14%	26%	5%	56%	100%	

Source: Primary Data

90% of (Almost 28% overall) of the respondents who said that they will switch their occupation were having turnover below 2lakhs. More importantly as per table 1.7, the source of Information for 90% of such respondents (switch occupation) was other than TV and Newspapers.

TABLE 1.9: ANNUAL TURNOVER OF RESPONDENTS AGAINST FDI AND HAD A VIEW OF SWITCHING OCCUPATION

Respondents Against FDI & had answered to Switch occupation	10 Lkhs and above	5-10 Lkhs	2 - 5 Lkhs	Below 2 Lkhs	Grand Total
Family Members		0	0	13	13
Fellow Businessmen & Union Leaders	1	0	0	10	11
Other Sources	2	0	0	21	23
Switch my occupation Total	3	0	0	44	47
Grand Total	3	0	0	44	47

Source: Primary Data

When 3 Parameters were considered together and analysed, it was found that, all those who were against FDI and had said to Switch their Occupation, got the update for FDI from sources other than TV/Newspapers. And Further 90% of them were having turnover below 2 Lakhs.

FINDINGS OF THE RESEARCH

- The research shows that only 83% of the initial respondents were aware of FDI and 17% did not had any idea of FDI.
- 50% of the respondents (out of 199) were having an opinion that FDI will have negative effect and 13% said that it will impact positively
- The study reveals that 48% of uneducated respondents said that FDI will impact negatively while only 36% of respondents with graduation and higher degree said it will impact negatively.
- 27% of respondents actually knew what FDI (Multi / Single Brand) is all about, though 52% of them were against The Multi Brand FDI, Educated (Graduation and above) were clearly aware of the differences and meaning. (70% of the Respondents Who Actually knew about FDI and the said difference).
- 36% of the Respondents got information on FDI from TV and Newspapers while 25% got from fellow Businessmen and union leaders. 15% got information from their family members and rest 24% from other sources.
- The study reveals that almost 94% of the respondents who got information about FDI from Fellow Businessman and Union Leaders, voted against FDI, while around 69% of the respondents who got the info about the FDI through TV/Newspaper had almost a neutral view.
- (46%) of the respondents had a view that Big will grow and smaller, while others were almost divided equally in their perception.
- The survey decoded that 68% of respondents who were against FDI had a view that Big will grow and smaller will perish, while rest (32%) who were actually against FDI, either didn't knew what will be the future scenario or their future perception posed a conflicting view.
- 47% of the respondents did not had any idea what they shall do if business declines, 32% had a view that ultimately they will have to switch their present business and 20% hoped that reducing cost will help them to stay in the business.
- The 92 % of respondents who were having a view of reducing Costs had Newspapers/TV as their source of information of FDI, while breakup of those who had got information from fellow Businessmen had 66% who Didn't Knew what to do, 8% adamant of saying it won't happen and almost 26% of having an opinion of changing the business.
- The study reveals that all those who were against FDI and had said to Switch their Occupation, got the update for FDI from sources other than TV/Newspapers. Further 90% of them were having turnover below 2 Lakhs.
- In a nutshell, all the respondents are not against FDI, the most of the respondents who are against FDI(multibrand) and tout their negative impacts are not having their own understanding of the scenario, they are responding based on what they are being made to visualize by others (in this case mostly by fellow businessmen and union leaders) . Newspaper and TV has been a most authentic source of information and has been an important factor in shaping the understanding the views of the respondents in a positive manner.

RECOMMENDATIONS/SUGGESTIONS

- The Government should use alternative means to increase the level of understanding of FDI and implications, and continuously post information through local media channels (local newspapers, regional TV channels, Community radios) so as to build a positive environment.
- The MSME backed programmes, specially focused on small unorganized retailers should be made; so as to help the local retailers increase efficiency and build competitive advantage.
- Panchayati Raj institutions can play a vital role in disseminating positive information and creating awareness in this regard.
- Similar study can be undertaken with a higher geographical reach so as to gauge the clear-cut understanding level of the unorganized players, majority of who as such sound to have appropriate knowledge of scenario and being completely against FDI (Multibrand).
- The concerned ministry can set up time bound task force where various stakeholders may be asked to address their individual concerns regarding FDI to a regional / national helpline within a given timeframe, by attending such concerns/queries (may be in a collective manner) the informative / development programmes can be made.
- Government should allow FDI in multibrand retailing in a phased manner, phased opening of the sector for FDI will help the fellow unorganized player to gauge the impact, if any and adjust accordingly.

CONCLUSION

Every coin has two faces, everything has its merits and demerits, the same is the case of allowing multi brand FDI in India, however the main concern is the merits and demerits of FDI has not been analysed properly, and voices which are deemed to be of the affected ones are actually of the mediators or politicians, who are known for voicing such concerns for their own benefits.

Given the small penetration of organized retail in India (not even in double digit till Jan 2012), the opening up of sector for FDI is going to have a positive impact for consumers and medium and small suppliers. It is supposed to tame inflation, increase jobs, reduce wastages, and improve supply chain. FDI may impact local, unorganized retailer, in case he fails to cut costs, improve services, however he will surely gain, if he incorporates changes with time. Opening up of organized Cash and carry Services next door, will lower his burden, provide more choices at lower costs to him, to ultimately satisfy his customer. His personal touch with customers, knowledge of their preferences, will surely help him build competitive advantage. Further, what is the evidence and assurance that big Indian

retailers have not impacted small and unorganized players or will not do so in future? Hence we need to focus more on, educating small and unorganized retailers for future course of action to excel in their business, how to build competitive advantage. Advice and help on being more structured, vendor management, cutting costs, taking licenses & registration (and their benefits e.g. funding) will not only help them but also the government in long run.

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ANNEXURE

QUESTIONNAIRE

1. Are you aware of FDI in Retail in India?
 - a. Yes, I have heard
 - b. No
 - c. Yes & I know about it
 - d. Blank
2. What is your annual turnover?
 - a. Below 2 Lkhs.
 - b. 2 - 5 Lkhs.
 - c. 5-10 Lkhs.
 - d. 10 Lkhs and above.
3. Will FDI in Retail Effect you?
 - a. Yes, in a +ve way
 - b. Yes, in a -ve way
 - c. No
 - d. Don't know
4. Do you know what Multi Brand and Single brand FDI is, if yes please explain what does it means to you?
 - a. Yes (Relevant Description). The Answer was marked as "a" by evaluator later as per the worthiness of description.
 - b. Yes (Irrelevant Description). The Answer was marked as "b" by evaluator later as per the worthiness of description.
 - c. No
 - d. Blank
5. What will happen if Multi Brand FDI is allowed?
 - a. Both Big & Small players will benefit
 - b. Big will grow and smaller will perish
 - c. Don't Know
 - d. Nothing will happen
6. What is your Education Level?
 - a. Uneducated
 - b. Below X
 - c. up to XII
 - d. Graduation & Above
7. Are you in favor of Governments decision of allowing FDI in Retail?
 - a. Neutral
 - b. Against It
 - c. Yes, it will benefit us
 - d. can't say
8. How did you come to know about the effects of FDI in Retail?
 - a. Newspaper / TV
 - b. Fellow Businessmen & Union Leaders
 - c. Family Members
 - d. Other Sources
9. FDI will create employment opportunities, do you agree?
 - a. Yes
 - b. No
 - c. Can't Say
10. What will you do if FDI is allowed and your business starts declining?
 - a. Reduce Costs
 - b. It won't Happen
 - c. Don't Know
 - d. Switch my occupation

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