A STUDY ON CONSUMER ATTITUDE TOWARDS FDI IN RETAILING WITH REFERENCE TO PALAKKAD CITY

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ABSTRACT

Retailing is the largest private sector industry in the world economy and a latest survey has projected India as the top destination for retail investors. FDI influence on the Indian retail sector sets in, the total size of the retail trade is expected to grow extensively and the consumer segments patronizing the big malls will create frenzy for organized retailing predicting a growth of 25-30 per cent per annum over the next decade. Moreover, Indian retail chains would get integrated with global supply chains since FDI will bring in technolo gy, quality standards and marketing thereby, leading to new economic opportunities and creating more employment generation. In this study, an attempt is made to know the consumer awareness and attitude towards FDI.

Key Words: *Retail, FDI and Awareness.*

INTRODUCTION

Retailing in India is slowly on the rise with changing consumer preferences and tastes and evolution of a global structure. Money is no longer a constraint. A gradual change in the retailing scenario is noticeable with regular shops making way to high end market malls and stores in urban areas. As income levels increase radically resulting in higher disposable income, people continue to look for happiness in acquiring things albeit with greater vigor. Lifestyles are changing not only because of changing incomes but also because of the mind-boggling variety of goods that are now available for acquisition and consumption. Providing consumer satisfaction has been replaced by providing consumer delight with marketers making indefatigable efforts to innovate not only in products, but also in the methods of marketing.

The peculiarity of the Indian retail scene lies in the co-existence of innumerable small informal sector retail stores alongside with modern chain stores and malls. The poor and the middle class constituting a major part of the population, patronize the smaller stores as they are more comfortable with them. The poor especially, would never dream of shopping in the modern stores as they perceive high risk of receiving discriminatory service from store staff. On the other hand, small local stores still find patronage from a substantial number of customers belonging to the middle class and above because of their convenient location in residential areas. All emergency needs are met by them.

CHALLENGES IN RETAILING

The industry is facing a severe shortage of talented professionals, especially at the middle management level. Most Indian retail players are under serious pressure to make their supply chains more efficient in order to deliver the levels of quality and service that consumers are demanding. Long intermediation chains would increase the costs by 15 per cent. Lack of adequate infrastructure with respect to roads, electricity, cold chains and ports has further led to the impediment of a pan-India network of suppliers. Due to these constraints, retail chain shave to resort to multiple vendors for their requirements, thereby, raising costs and prices. The available talent pool does not back retail sector as the sector has only recently emerged from its nascent phase. Further, retailing is yet to become a preferred career option for most of India's educated class that has chosen sectors like IT, BPO and financial services. Even though the Government is attempting to implement a uniform va lue-added tax across states, the system is currently plagued with differential tax rates for various states leading to increased costs and complexities in establishing an effective distribution network. Stringent labor laws govern the number of hours worked and minimum wages to be paid leading to limited flexibility of operations and employment of part-time employees. Further, multiple clearances are required by the same company for opening new outlets adding to the costs incurred and time taken to expand presence in the country. The retail sector does not have 'industry' status yet making it difficult for retailers to raise finance from banks to fund their expansion plans. Government restrictions on the FDI are leading to an absence of foreign players resulting into limited exposure to best practices.

STATEMENT OF THE PROBLEM

Retail is the second largest sector next only to agriculture in terms of employment generation. It employs more than 33 million people and it contributes more than 5 percent to GDP of India. It is highly unorganized and is dominated by small retailers. There is great potential of growth in this sector but it is not able to exploit its potential to the fullest due to infrastructural constraints. Retail sector is in dire need of investment to overcome this constraint. India's supply chains require substantial backend investment in order to build retail businesses. This has greater implication for agriculture sector as a substantial percentage of agricultural output is lost, due to lack of proper infrastructure like cold chain storage and warehousing, food processing machinery etc.

Foreign direct investment (FDI) in the retail sector in India is restricted. In 2006, the government eased retail policy for the first time, allowing up to 51 per cent FDI through the single brand retail route. Since then, there has been a steady increase in FDI in the retail sector. Foreign capital inflows, particularly foreign direct investment (FDI) has been playing a crucial role in emerging economies. The question of whether FDI generates positive welfare effects for the host countries has been a subject of greater debate. Most scholars believe that FDI tends to be beneficial.

OBJECTIVES OF THE STUDY

The study mainly aims to study the reasons for allowing and not allowing foreign direct investments in retailing and also to know the restrictions of FDI on retailers.

SAMPLE DESIGN

For the purpose of study, 120 respondents were selected from Palakkad city using convenience sampling method. Tools that are to be used for analysis are Percentage Analysis, Analysis of variance (ANOVA) and Non- parametric Test (Ranks).

LIMITATIONS OF THE STUDY

The study suffers from the following limitation like generalization of the finding to other areas and time period. The result cannot be generalized for the foreign direct investment flow in other challenging sectors.

REVIEW OF LITERATURE

- RaviKiran and Deepika Jhamb (2011) studied consumers' attitude towards emerging retail formats and to propose a framework for consumers' preferences towards emerging retail formats by taking into account demography, product-type and the product and store attributes of retailing. The results highlights that the food and groceries; health and beauty; apparel; jewelers and consumer durables are the fastest growing categories of organized retailing. The factors contributing to retail growth in India are dynamics of demography, double income, urbanization and internet revolution. Consumers prefer modern retail formats like hypermarkets, malls and supermarkets. Convenience and variety are the attributes for preferring organized retailing. Youth in the age group of 18-30 years has a greater inclination to visit organized retail outlets and prefer to visit hypermarkets and malls for hedonic perspective.
- Anusha Chari and T. C. A. Madhav Raghavan (2012) have said India's retail market remains largely off-limits to large international retailers like Wal-Mart and Carrefour. Opposition to liberalizing foreign direct investment in this sector raises concerns about employment losses, unfair competition resulting in large-scale exit of incumbent domestic retailers and infant industry arguments to protect the organized domestic retail sector that is at a nascent stage. Based on international evidence, we suggest that allowing entry by large international retailers into the Indian market may help tackle inflation especially in food prices. Moreover, technical know-how from foreign firms, such as warehousing technologies and distribution systems, can improve supply chain efficiency in India, in particular for agricultural produce.
- S. Harish Babu (2012) said that the retail industry in India is expected to grow high in the coming years. Retailing consists of all business activities involving the sale of goods and services to ultimate consumers. Consumers are always hungry for modern ways of shopping. Indian retail sector is growing fast and its employment potential is growing fast. The retail scene is changing really fast. Retailers are rethinking their approaches towards the suppliers so that they can get the best pricing strategies for them. Retail sector in India is also catalyst for the growth of stalling tactics of below the line marketing used by major retail players like Spencer, big bazaar, reliance fresh etc. For tapping customers by creating points of sales displays. So we can say that India is a rising star and going to be one of the fastest growing regions of the future.
- Sutirtho Nandi (2012) said that with the economies of the developed world in dire straits, and signs of recovery seeming increasingly remote, the onus of ushering in a new wave of economic growth has fallen squarely on the shoulders of the BRIC countries (Brazil, Russia, India, China). How these countries will respond to this herculean task will depend upon numerous factors: one of them being trends in their inward and outward Foreign Direct Investments (FDIs). This paper attempts to analyze the past, present and future of FDI policies in BRIC countries and their effects on the health of the

economy worldwide. The analysis done in this paper will serve to shed at least an iota of light on the daunting task of decisively understanding economic growth paradigms in the BRIC nations and their potentially cascading effects on the future economic sustainability of the planet.

ANALYSIS AND INTERPRETATION

Awareness of FDI

Table 1 describes the awareness of FDI distribution of the respondents selected for the study. The awareness of FDI is classified as yes and No.

Table 1: Aware of current FDI wise distribution of the respondents

Awareness of FDI	Number of respondents	Percentage
Yes	**86**	**71.7**
No	**34**	**28.3**
Total	**120**	**100**

Source: primary data

It is found from table 1 that 86(71.7%) of the total respondents are aware of FDI and 34(28.3%) are not aware of FDI. It is concluded that among the total respondents selected for the study, majority (71.7%) are aware of FDI.

Should Indian government allow FDI in retail sector

Table 2 describes about should Indian government allow FDI in retail sector distribution of the respondents selected for the study. Should Indian government allow FDI in retail sector is classified as yes and no.

Table 2: Should Indian government allow FDI in retail sector wise distribution of the respondents

Do you think that the Indian government	Number of respondents	**Percentage**
Yes	**95**	**79.2**
No	**25**	**20.8**
Total	**120**	**100**

Source: primary data

It is found from table 2 that 95(79.2%) of the total respondents want Indian government to allow FDI in retail sector and 25(20.8%) do not want to allow FDI in retail sector. It is concluded that among the total respondents selected for the study, majority (79.2%) want Indian government to allow FDI in retail sectors.

Level of agreeability

Table 3 describes the level of agreeability distribution of the respondents selected for the study. The level of agreeability is classified as highly agree, agree, neutral, disagree, highly disagree.

Table 3: The level of agreeability wise distribution of the respondents

STATEMENTS	HA	A	N	DA	HDA
Fixing equity limits	57 (47.5)	47 (39.2)	9 (7.5)	7 (5.8)	
Allow FDI in specific cities/ areas only	38 (31.7)	53 (44.2)	17 (14.2)	11 (9.2)	1 (.8)
An inclusion of specific production for the domestic retailers	21 (17.5)	56 (46.7)	34 (28.3)	8 (6.7)	1 (.8)
Increase employability source from local area	56 (46.7)	29 (24.2)	19 (15.8)	15 (12.5)	1 (.8)
Certain products must be manufactured/ sourced in India by the foreign investors.	50 (41.7)	28 (23.3)	30 (25.0)	11 (9.2)	1 (.8)

Allow certain retail formats only	35 (29.2)	46 (38.3)	25 (20.8)	13 (10.8)	1 (.8)
Allow branded products only	38 (31.7)	35 (29.2)	26 (21.7)	18 (15.0)	3 (2.5)
Restrict FDI profits allowed to leave in India	34 (28.3)	46 (38.3)	15 (12.5)	19 (15.8)	6 (5.0)
Regulations to ensure international standards within retail sector	41 (34.2)	55 (45.8)	17 (14.2)	7 (5.8)	
Geographical restrictions on FDI	52 (43.3)	46 (38.3)	14 (11.7)	8 (6.7)	

It is found from table 3 that among total respondents 57(47.5%) have highly agreeability towards fixing equity limits and 56(46.7%) have agreeability towards inclusion of specific production for the domestic retailers.

It is concluded that among the total respondents selected for the study. The majority 57(47.5%) have highly agreeability towards fixing equity limits for FDI in retail.

Rank Analysis

Reasons for allowing foreign direct investment in retail sector

Table 4 describes the allowing foreign direct investment in retail sector distribution of the respondents selected for the study. The reasons for allowing foreign direct investment in retail sector is classified as improved skill and technology, Low priced products, Availability of all products, Availability of imported goods, Variety of products and Availability of branded goods.

Table 4: Reasons for allowing foreign direct investment in retail sectors

Reasons	Mean rank	Final rank
Improved skill and technology	4.73	6
Low priced products	6.32	4
Availability of all products	6.05	5
Availability of imported goods	6.62	2
Variety of products	6.70	1
Availability of branded goods	6.55	3

It is found from table 4 that among the total respondents selected for the study, variety of products is given the top priority and availability of imported goods the next priority.

It is concluded that among the total respondents selected for the study, majority have given top priority to variety of products.

Reasons why foreign direct investment should not be allowed in retail sectors

Table 5 describes the reasons why foreign direct investment should not be allowed in retail sectors distribution of the respondents selected for the study. The reasons why foreign direct investment should not be allowed in retail sectors is classified as domestic sectors gets affected, proximity issues, leads to monopoly and future price increase.

Table 5: Reasons why foreign direct investment should not be allowed in retail sectors

Reasons	Mean rank	Final rank
Domestic sectors gets affected	3.57	4
Proximity issues	5.71	1
Leads to monopoly	4.03	3

Future price increase	4.73	2

It is found from the table 5 that among the total respondents selected for the study, Proximity issues are given the top priority and future price increase the next priority.

It is concluded that among the total respondents selected for the study, majority have given top priority to proximity issues as the main reason for not allowing FDI in retail sector.

ANOVA

Personal factors and level of agreeability towards the following statements in fixing restrictions in foreign direct investment on foreign retailers.

Hypothesis: There is no significant difference between the personal classifications of the respondents on their mean scores relating to level of agreeability towards the following statements in fixing restrictions in foreign direct investment on foreign retailers

Table 6 describes the result of ANOVA in terms of personal factors, source of variations, degree of freedom, and sum of squares, mean sum of square, f values, p values and their significance on the level of agreeability towards the following statements in fixing restrictions in foreign direct investment on foreign retailers.

Table 6: Results of ANOVA personal factors and level of agreeability towards the following statements in fixing restrictions in foreign direct investment on foreign retailers.

Personal factors	Source of variation	Degrees of freedom	Sum of squares	Mean sum of squares	f values	p values	Significant/Not significant
Gender	Between Groups	1	134.446	134.446	5.615	.019	NS
	With Groups	118	2825.554	23.945			
	Total	119	2960.000				
Age group (in yrs)	Between Groups	3	146.456	48.819	2.013	.116	NS
	With Groups	116	2813.544	24.255			
	Total	119	2960.000				
Educational level	Between Groups	3	254.353	84.784	3.635	.015	NS
	With Groups	116	2705.647	23.325			
	Total	119	2960.000				
Marital status	Between Groups	1	102.894	102.894	4.250	.041	NS
	With Groups	118	2857.106	24.213			
	Total	119	2960.000				
Type of family	Between Groups	1	10.048	10.048	.402	.527	NS
	With Groups	118	2949.952	25.000			
	Total	119	2960.000				
Size of family	Between Groups	2	53.842	26.921	1.084	.342	NS
	With Groups	117	2906.158	24.839			
	Total	119	2960.000				
Number of earning members	Between Groups	2	91.782	45.891	1.872	.158	NS
	With Groups	117	2868.218	24.515			
	Total	119	2960.000				
Monthly family income	Between Groups	3	26.664	8.888	.351	.788	NS
	With Groups	116	2933.336	25.287			
	Total	119	2960.000				

Note:-S- Significant (p value≤0.05): Ns-Not significant (p value>0.05)

It is found from table 6 that the hypothesis is rejected (Significant) in three cases and accepted (Not Significant) in five cases. It is concluded that there is significant difference in mean scores between gender, educational level and marital status in respect of their level of agreeability towards the statements in fixing restrictions in foreign direct investment on foreign retailers.

Findings

Majority (50.8%) of the respondents gender are males, were in the age group of 30-35 years. Majority (71.7%) of the respondents are aware of current FDI, (79.2%) of the respondents want Indian government to allow FDI in retail sector and (47.5%) have highly agreeability towards fixing equity limits for FDI in retail. Majority have given top priority to variety of products. Majority have given top priority to proximity issues as the main reason for not allowing FDI in retail sector. There is significant difference in mean scores between gender, educational level and marital status in respect of their level of agreeability towards the following statements in fixing restrictions in foreign direct investment on foreign retailers.

SUGGESTIONS

Activity should be undertaken in investment promotional polices to fill in informational gaps. To maximize spillover benefits from foreign direct investment on a sustained basis, host country features in terms of human capital, technological capacity etc..must be improved.

There is a need of forming an autonomous non- governmental regulatory body with industry representation and facilitating agency at the state and central level to tackle post sanction hassles.

To make the existing single window system more effective and strengthen the concerned departments to leave the powers to a single window system (SWS). Foreign funded enterprises should be made compulsorily to bring research and development centers and management expertise and marketing skills along with capital. Business entry and exist norms should be eased.

CONCLUSION

FDI Retailing is likely to lead to more investment in organized retailing sectors. It would lead to establishment of sophisticated supply chains, inflow of technical know-how, and up gradation of human skills. But a rational approach is required to handle unorganized retail sector, concerns of unorganized sector and people involved in it is very important. For this foreign players should not allowed to trade in certain sensitive products and certain Zoning restrictions may be imposed. But the change that the movement of retailing sector into the FDI regime would bring about will require more involved and informed support from the government.

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