

Impact of Liberalization on unorganized retail industry: A case study of Delhi

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Abstract

The aim of the paper is to study the impact of liberalization on unorganized retail industry of India. Small sample of 150 retailers has been selected for the study. Unorganized Retail Industry is facing lots of challenges as a result of opening up of this sector for FDI and stiff competition from Indian organized retailers like Big Bazar, Reliance, Spencers, Vishal mega mart, Lifestyle Shoppers stop etc. The finding of the research shows that though the competition has increased the profit of the shop keepers has not declined. They are not facing any problem while selling the product.

Key words: Unorganised retail sector, Problems, Liberlisation

Introduction

The Indian Retail sector has gone through major transformation over the last decade with a noticeable shift towards organized retailing. According to the Yes bank- ASSOCHAM study, the retail market is expected to reach a whopping Rs. 47 lakh crore by 2016-17. Favourable demographics, increasing urbanization, nuclearisation of families, rising affluences amid consumers, growing preference for branded products and higher aspirations are the factors which will drive retail consumption in India.

Retail Industry can be broadly classified into two categories, namely- organized and unorganized retail.

- (a) Organised retail- Organised retailers, who are licensed for trading activities and registered to pay taxes to the government.
- (b) Unorganised retail- It consists of unorganized small shops – conventional Kirana shops, general stores, corner shops among various other small retail outlets.

In past few years Indian Retail Sector has seen tremendous growth in the organized segment. Companies like; Tata, Reliance, Adani Enterprise and Bharti have been investing considerably in the booming Indian retail market. Along with these giant retailers, a number of transnational brands have also entered into the market to set up retail chains in close association with bigger Indian companies. The Indian retail sector is highly fragmented and unorganized sector has around 13 million retail outlets that account for around 95-96% of the total Indian retail industry. The growth potential in the sector is immense, there are obstacles too, and that could show the pace of growth of new entrants.

Objectives of the study

The specific objectives of the study are;

- To ascertain the overall impact of liberalization on the performance of unorganized retail industry.
- To identify the factors due to which they are not feeling the impact.

Research Methodology

For the purpose of study, selected retailer of apparel, grocery, homeware in Delhi have been considered. The sample of 150 units comprised of 50 units each selected from apparel, grocery and homeware. However, as the information provided by the 16 respondent were not complete, they were not included in the

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final analysis. Thus the final sample comprised of 134 retailers of Delhi. The study is based on primary data which has been collected by a structured, non – disguised and pre-tested questionnaire. The analysis has been done on the basis of two variables, viz. Products, they are dealing with and age of the shop. On the basis of age, shops have been categorized into three age- groups, viz. A1 (up to 10 years) A2 (10 to 20 years), and A3 (above 20 years). And on the basis of products they are dealing with, analysis has been done on the basis of three categories; apparel (TX), Grocery (GR) and Homeware (HW).

Discussion and Analysis

The sample comprising 134 shops includes 45 apparel shops (TX), 46 grocery shop (GR) and 43 homeware shop (HW). It has been observed 60 shops into age group of A1, 45 shops fall into the age group of A2 and 29 shops fall into the age group of A3.

A number of statement indicating the impact of liberalization on unorganized retailers have been developed and the respondents were asked to express their level of agreement/disagreement with these statements on five point Likert scale. Kruskal- Wallis test has been applied to know the significant differences among the respondents relating to different types of retailers and age groups with respect to these statements. The test has been applied at assumed p-value =0.05. The statements with less than 0.05 p-value are considered significant and those with p-value more than the assumed value are considered to be insignificant. The data obtained from the respondents has been presented in Tables 1, and 2.

Table 1. Impact of liberalization (Mean scores based on retailers dealing with different kinds of product)

Statements	Total	TX	GR	HW	K.W. Statistics	p-value
(a) Liberlisation has resulted in more competition.	4.25	4.30	4.30	4.16	8.866	.31
(b) Liberlization has resulted in more quality consciousness .	4.56	4.58	4.48	4.63	7.450	.041
(c) Liberlization has resulted to reduction in profit margin.	4.46	4.37	4.46	4.56	1.134	.679
(d) Attitude of cosumers has changed due to libelisation	4.32	4.30	4.35	4.32	14.89	.001*
(e) Selling products are more difficult in the era of liberalization.	3.50	3.20	3.53	3.77	3.880	.275
(f) Customer expectation has increased after the coming of organized retail sector.	3.75	3.77	3.83	3.65	32.341	.000*
(g) Liberlisation is the right step of Govt. of India.	3.64	3.68	3.53	3.73	8.762	.034

*denotes significant results having p-value less than 0.05

Table 1 shows that most of the respondents from different categories agree with the statement, 'Liberisation resulted in more competition', 'Liberisation resulted in more quality consciousness', 'Liberization has resulted to reduction in profit margin' and 'Attitude of cosumers has changed due to libelisation'(mean score being more than 4). The table further reveals that most of the respondents agree or were neutral with the statements, 'Selling products are more difficult in the era of liberalization' , 'Customer expectation has increased after the coming of organized retail sector' and 'Liberisation is the right step of Govt. of India.' (mean scores being more than 3).

K-W statistics shows that there are significant differences among the respondents relating to different categories with respect to the statements, 'Attitude of consumers has changed due to libelisation' and 'Customer expectation has increased after the coming of organized retail sectors as the p values are lower than the assumed p value of 0.05.

Table 2. Impact of liberalization (Mean scores based on the age of the retailers)

Statements	Total	A1	A2	A3	K.W. Statistics	p-value
(a) Liberisation has resulted in more competition.	4.47	4.35	4.76	4.31	2.632	.721
(b) Liberization has resulted in more quality consciousness .	4.56	4.52	4.44	4.72	1.55	.991
(c) Liberization has not resulted to reduction in profit margin.	4.42	4.31	4.18	4.78	1.09	.310
(d) Attitude of cosumers has changed due to libelisation	4.52	4.55	4.25	4.77	4.89	.755
(e) Selling products are not difficult in the era of liberalization.	4.13	3.56	4.09	4.76	3.81	.677
(f) Customer expectation has increased after the coming of organized retail sector.	3.77	3.98	3.43	3.90	8.21	.105
(g) Liberisation is the right step of Govt. of India.	3.02	3.01	3.09	2.98	2.68	.265

Age-wise analysis in the above table shows that majority of the respodents belonging to different age group strongly consented that 'Liberisation has resulted in more competition', 'Liberization has resulted in more quality consciousness', 'Liberization has not resulted to reduction in profit margin', 'Attitude of cosumers has changed due to libelisation' and 'Selling products are not difficult in the era of liberalization'(mean scores being more than 4). Further, the respondents agree from all age group that ,Customer expectation has increased after the coming of organized retail sector. It can also be observed from the table that the respondents from all age categories are neutral with the statement, 'Liberisation is the right step of Govt. of India.'(mean score is 3.02).

K-W statistics reveals that there are no significant differences in the perception of units relating to different age groups with respect to various statements relating to impact of liberalization. In nutshell, it has been revealed that units belonging to all three age groups do not differ in their opinions regarding the impact of globalization.

Conclusion

We have seen nation wide protest against the entry of Walmart in India. Concern has always been expressed that the small retailer will be affected badly by the entry of the giant players in the market. But through the research analysis, it is found that even after the entry of single brand retailer and after the start of organized retail shops like, Big Bazaar, Shopper stops, Lifestyle, Vishal mega mart, Spencers, Metro, the small unorganized shop keepers are not much affected. Their profit margin has not been affected and the loyal customers are still coming to their shops for their daily purchase. The competition has increased and people have become more quality conscious. Their attitude towards shopkeeper has changed as their expectation has increased.

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