

# ANALYSIS OF AWARENESS OF RETAIL CONSUMERS TOWARDS THE FDI: INDIAN RETAIL CONSUMERS' PERSPECTIVE

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## ABSTRACT

*The present study aims to analyse Indian retail consumers' awareness towards the FDI. India's rising retail boom is a success story. With strong fundamentals developing in the Indian market in the liberalized surroundings with changes in earnings levels, lifestyles, taste & behaviour of consumers with preference for better quality and branded products, vast household market with a very competitive manufacturing base, India has also observed a major retail boom in recent years. Being encouraged by India's growing retail boom many multinational companies also started making beeline to enter India's retail market. Investment from overseas has also been hailed by Indian industry, by and large, as the same has been considered to be very vital for adding to domestic investment, addition to capacity, higher growth in manufacturing, trade, business, service, demand, consumption and income with multiplier effects. The present study shows that the demographics of retail consumers have an association with level of awareness towards the FDI, with consideration of Indian retail industry.*

**Keywords:** Retail, Retail Consumers, FDI, Consumer Perception, Modern Retailing.

## INTRODUCTION

Over the past several decades, modern retailing has become increasingly global in scope. The term globalization of retailing encompasses many interrelated developments such as (1) major retailers based on mature markets establishing a market presence in countries in different stages of economic development, (2) the supply chain undergirding the operations of retailers becoming increasingly global in scope, and (3) the diffusion of retailing innovations in various parts of the world. By and large, the retail market environment in numerous countries worldwide has been subject to the influence of globalization forces. The influence of these globalization forces is evident with regard to various aspects of retailing

such as the retailing supply chain, product assortment, store format, and branding (Reinartz, Benedict Dellaert , Manfred Krafft , V. Kumar , & Rajan Varadarajan, 2011).

However, India stands today as the major democracy, its administrative as well as the political set up have many flaws and shortcomings. The Indian system of administration and governance is impregnated with flaws like lack of power, bureaucratic hassles, political uncertainty, and infrastructural deficiencies. In spite of all these political shortcomings, India is perceived to be one of the most profitable grounds for investing, in the eyes of the wealthy European as well as American investors. This is the true reason why the researches made into the sector establishes more and more foreign investors coming to India and investing liberally into the various sectors of the Indian economy (<http://www.fdi.in/index.htm>, 2009).

## LITERATURE REVIEW

The international business literature has traditionally drawn upon internalization theory (Buckley & Mark Casson, 1976) and transaction costs economics (TCE) (Williamson & Oliver E., 1985; Yiu & Shige Makino, 2002) as primary explanations of foreign direct investment (FDI) levels. Several authors (Hoskisson, Robert E., Lorraine Eden, Chung Ming Lau, & Mike Wright, 2000) have argued that international business research should involve multiple theoretical perspectives and emphasized the value of considering the influence of institutions on FDI. Direct investment in a foreign market is a primary example of a business activity influenced by institutional factors of home countries as well as those of host countries.

According to the IMF (International Monetary Fund) and OECD (Organisation for Economic Co-operation and Development) definitions, direct investment reflects the aim of obtaining a lasting interest by a resident entity of one economy (direct investor) in an enterprise that is resident in another economy (the direct investment enterprise).

The policy of reforms followed by Government of India in the post 1991 period recognizes the important role of foreign capital in the industrial and economic development of the country. Foreign capital inflow is encouraged not only as source of financial capital but also as a tool of knowledge and technology transfer.

The Central Government took several initiatives and measures during this period to encourage foreign investment inflows, particularly the flow of Foreign Direct Investment (FDI) into our country. Major thrust areas include infrastructure development, particularly energy, power, telecom and township development. FDI in most of the sectors/activities including manufacturing sectors are under the automatic route and require only notifying the Reserve Bank of India. Initiatives have also been taken to make procedures related to transfer of shares and repatriation more simple. The policy and procedures for induction of foreign technology have also been progressively simplified. To create a more conducive investment climate, the procedures governing approvals/clearance are continuously reviewed.

It is to be noted that there is prevalent widespread opposition, especially by the left parties towards FDI in retail trade. May be in the early 1990s employing safeguards to protect domestic retailers was the need of the day. Almost more than one and a half decades down the line there is a need for Foreign Direct Investment in retail trade. It is a flawed argument that the Wal-Marts', Tesco's' and Asdas' will lead to the winding up of the small scale

domestic retailers. Instead it is going to provide a stiff competition to the Pantaloons' and the Westsides'.

"In the next few years, we'll see whether the states that adopted FDI are doing good or bad. If we see these states are doing well, the hesitant states will open up and if doing bad then it would be a lesson for everyone," As of now only ten states in the country have endorsed the Centre's decision to allow FDI in multi-brand retail (Basu, 2012).

The retail industry in India is of late often being hailed as one of the sunrise sectors in the economy. AT Kearney, the well-known international management consultancy, recently identified India as the 'second most attractive retail destination' globally from among thirty emergent markets. It has made India the cause of a good deal of excitement and the cynosure of many foreign eyes. With a contribution of 14% to the national GDP and employing 7% of the total workforce (only agriculture employs more) in the country, the retail industry is definitely one of the pillars of the Indian economy (Singhal, 2011).

The retail industry is divided into organised and unorganised sectors. Organised retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Unorganised retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc.

Given this backdrop, the recent clamour about opening up the retail sector to Foreign Direct Investment (FDI) becomes a very insightful issue, with influence to support both sides of the debate. It is widely acknowledged that FDI can have some positive results on the economy, triggering a series of reactions that in the long run can lead to greater competence and development of living values, apart from greater integration into the global economy. Supporters of FDI in retail trade talk of how ultimately the consumer is benefited by both price reductions and improved selection, brought about by the technology and know-how of foreign players in the market. This in turn can lead to greater output and domestic consumption.

However, the most important factor against FDI driven "modern retailing" is that it is labour displacing to the extent that it can only expand by destroying the traditional retail sector. Until such time we are in a position to create jobs on a large scale in manufacturing, it would make distinguished sense that any policy that results in the elimination of jobs in the unorganised retail sector should be kept on hold.

Majority of the Indian consumers are of the view that the opening of the FDI in retail will result in substantial growth of sales of their products. Majority of Indian consumers are of the view that the decision of opening of the FDI in retail would affect positively in the form of new orders/contracts generated. Large numbers of Indian retail consumers' think that the decision regarding FDI would have a positive impact on their employment whereas some Indian consumers expect no change in the employment scenario (CII, 2011).

**METHODOLOGY**

The objective of present study is to analyse the awareness and perception of Indian retail consumers towards the Foreign Direct Investment (FDI). The current research is based on the concept of exploration studies in the research methodology. Exploration is particularly useful when researchers lack of knowledge of the problems they will meet during the study. Exploration studies are a valuable means of finding out 'what is happening; to seek new insight; to ask question and to assess phenomena in new light (Shajahan, 2005). It is usually a preliminary or pilot study and is followed by descriptive or experimental research. Through exploration studies researchers develops concepts more clearly, establish priorities, develop operational definition(s), and improve the final research design. Hypothesis for the research may be needed. The objective of exploration may be accomplished with different techniques. Both qualitative and quantitative techniques are applicable. For the fulfilment of present objectives we set the following hypothesis;

- There is an association between the education and awareness about FDI amongst Indian retail consumers.

**Research Design**

- Research type: Exploratory Research.
- Method of data collection: Survey (for primary data).
- Instrument: Well-structured questionnaire.
- Sampling method: Convenience sampling
- Sample size of this research: 180

A sample of 180 retail consumers was selected. The study sample includes the respondents from Pune City. The sample was chosen by convenience sampling. Questionnaire was used to collect data. Well-structured questionnaire was developed through adopting questions from various researches and revised to suit this specific study. Initial changes were made to clarify or delete some statements according to recommendations or comments of the experts. Self-administered questionnaires were distributed to the respondents. 200 questionnaires were distributed to the respondents. Out of which 180 were completed in all respects. 8 were not returned and 12 were not completed in some aspects. Due to this we used data of 180 questionnaires for data analysis. Response rate was 90% for the present study. Data analysis was done using SPSS Version 17.

**FINDINGS**

Based on Table-I demographic characteristics of the sample as well as select information about the respondents that is awareness about the FDI in retail and their educational qualification. The percentage of participants based on their gender is male (80.56%) and female (19.44%).

Table II provides information on association between education and awareness of respondent about the FDI in retail. The Chi-Square test revealed the significant association between the educational qualification and awareness about the FDI in retail. From the Chi-Square test output table-II, we see that a significance level of 0.048 (Pearson's) has been achieved. This

means the Chi-Square test is showing a significant association between the above two variables at 95.2% confidence level.

Thus, we conclude that at 95% confidence level, the education of Indian retail consumers and their awareness about FDI are associated significantly with each other. From the obtained Contingency Coefficient (C) of 0.638, it can be inferred that the association between the dependent and independent variables is significant. Also from the lambda Asymmetric Value (with Education code Dependent) 0.204, we conclude that there is a moderate level of association between the above two variables. While predicting the awareness of respondent about the FDI in retail when we know educational background can be done with 80 percent confidence.

**Table 1.** Select Characteristics of Survey Sample

Characteristics	Value	Frequency	Percent
Age Group	18-25	32	17.78
	25-35	40	22.22
	35-45	65	36.11
	45-55	23	12.78
	More than 55	20	11.11
Gender	Male	145	80.56
	Female	35	19.44
Education	Below Graduation	55	30.55
	Graduate	86	47.78
	Post-graduation and above	39	21.67
Awareness about FDI	Aware	109	60.56
	Not Aware	71	39.44

**Table 2.** Relationship between Education and Awareness of FDI

Chi-Square	Value	DF	Significance
Pearson	20.117	2	0.048
Likelihood Ratio	24.593	2	0.001
Linear-by-Linear Association	2.570	1	0.124
N of Valid Cases	180		

The minimum expected Frequency is 20.42.

Cells with expected Frequency < 5 is 0 of 12(0%)

Statistics	Value	ASE1	Val/ASE0	Approximate Significance
Contingency Coefficient	0.638			0.05
Lambda: Symmetric	0.205	0.123	1.581	0.114
Awareness of FDI Code Dependent	0.204	0.115	1.564	0.119
Education code Dependent	0.208	0.146	1.301	0.193
Goodman and Kruskal Tau: Awareness of FDI Code Dependent	0.118	0.041		0.009
Education code Dependent	0.173	0.057		0.012

Number of missing observation: 0

### CONCLUSION AND RECOMMENDATIONS

Our research on FDI in retail was intended to determine the awareness of retail consumers towards the FDI. Findings offer significant implications for the retailers and administrative authorities. We observed that for the retail consumers there is a need to know about the role of FDI in retail such as scope, limitations, opportunity from FDI in retail with the consideration of Indian retail industry. This approach will enhance the awareness of FDI amongst Indian retail consumers. Another finding of this research shows that there is positive perception in the mind of consumers about FDI, but this positivity towards the FDI depends on the level of awareness about FDI amongst Indian consumers. Indian administration authorities should set appropriate strategies for the enhancement of FDI awareness amongst Indian consumers.

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