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IMPACTS OF SUBSTANTIAL STRATEGIC ISSUES AND TRENDS OF FOREIGN DIRECT INVESTMENT ON INDIAN RETAIL CONSUMER SERVICE INDUSTRY: AN EMPIRICAL INVESTIGATION

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ABSTRACT

Retail industry of India is one of the boom sectors with growth potential. However, Indian retail industry growth is comparatively slower than other parts. This study assesses the strategic issues related to the impact of foreign direct investment (FDI) on the retail industry of India and the Indian retail industry's trend along with the foreign companies' entry into the Indian market. Certain factors have been found crucial in the existing scenario which forces unorganized retailers to bring change in their business operations. This study was carried out in western Uttar Pradesh of India. The data was collected through a structured questionnaire by personal interview. This study indicates that 47% of the consumer purchase/ buy from unorganized shops and 53% buy from organized shops/outlets on the other side, 38% consumer purchase from conventional stores and from neighbourhood shops while 25% buy from other sources. The analysis shows that 41% of the respondents prefer to buy from supermarkets, however, 33% of the respondents prefer to buy from chain stores. Similarly, 18% of the respondents buy groceries from unorganized shops while 14% of respondents each prefer textiles and vegetables from unorganized stores, The study shows that 18% of respondents buy durable products/ items from organized stores followed by 17% respondents who buy textiles also from organized shops. It is also concluded that 17% of consumers buy from unorganized shops due to affordable prices and/or low prices while 15% of respondents stated that they get better customer care services whom they buy from unorganized retailers.

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1. INTRODUCTION

The high economic growth, increase in per-capita income clubbed with an increasing number of

consumers, brand awareness has given potential growth to retail deviation in India. Various international brands have entered the domestic market due to liberalization and globalization. The increase in consumer awareness has led consumers to experiment with different international brands. A large number of foreign retailers and domestic corporate houses have been attracted to invest in this sector and subsequently many companies all over the world are encouraged to enter India's retail market looking widespread India's growing retail boom.

The Indian sector of trading is different from that of the developed. As a matter of fact, systematic retail ranges from 75-80% of total retail in contrast to developing economies where the unsystematic sector dominates the business of retail.

The Indian retail sector has witnessed intense growth over a period of time due to changing consumer demographics, credit availability, a vast improvement in infrastructure, technology advancement. Hence, foreign direct investment (FDI) can be a powerful tool to spear the Indian retail industry competition.

2. LITERATURE REVIEW

Gupta (2012) stated that the quality of foreign direct investment (FDI) is the key factor that matters most rather than quantity for a country like India. The attractiveness of countries for FDI inflows is largely dependent upon the infrastructure availability of export orientation of MNC production (Sinha, 2003). Sengupta et al. (2011) mentioned that the pillar of the Indian economy is retail industry reasoning thereof employing 7 percent of the total workforce and contribution of 14 percent of national GDP. Vaidine and Alekhya (2012) opined the rapid evolution of retail in India due to the ever huge foreign investors and worldwide firms are investing in this retail sector. Kinra (2006) found that Indian consumers need foreign brands as of superior quality compared to brands of India. Basu (2012), endorsed centre's conclusion is to permit FDI in multi-brand retail in ten states only.

Mukerjee and Patel (2005) mentioned that the crucial beneficiaries of retail thunder are consumers due to initiation by organized retailers to track and study consumer behaviour and consumer loyalty programs to retain consumers. Joseph and Soundararajan (2009) suggested that these current outlets must provide better product quality at a low price and multiple choices under one roof.

Ferndes et al. (2012) illustrate that the Indian retail industry is one of the most boom Indian economy sectors. Venkateshwarlu and Rajani (2007) highlighted the severe impact of malls on the chaotic retail shop which are especially running close by the mall area.

Chandrachud and Gajalakshmi (2013) suggest the industry of retail and India Government to make certain sufficient measures to accept challenges at the time when the global retailers are taking entry. Ankush et al. (2012), analyzed the critically stated that the Government of India decides to the unlock sector of retail for FDI in two sections. One is a single brand and the other is multiple brands that will impact on different components of the economy of India. McKinsey (2012) argues that compared to International counterparts, the retail productivity in India still very less.

This study is an attempt to assess the impact of FDI on the retail industry in India. Both, the organized and unorganised retailers are in dilemma as regards to consumer's perception and preferences for various products. Because of the foreign players' entries in the Indian markets, the retailing field has noticed substantial changes. Moreover, the unpredictable behaviour of consumers,

both organized and organized retailers are finding difficulties in framing strategies, therefore, the present study has become very important because of the various issues and concerns which require an in-depth study. The study will be useful to evaluate the shortcomings in the present market operation, problems related to the changing business environment.

3. METHOD

This study collects both primary and secondary data. The primary data has been collected through direct interview method. The secondary data are taken from Indian government publications, department of planning publications as well as work of scholars to assess the complete circumstances of FDI on retail industry in India. A structured questionnaire with suitable scaling is used. A survey was carried out based on convenience sampling comprising 143 consumers/respondents in the Western UP region of India including adjoining NCR region as well (Noida and Geater Noida), with different age groups, location, income levels, educational background, and gender.

4. RESULTS

Table 1 exhibits the demographic descript of the sample, with 143 questionnaire respondents.

Table 1: Description of sample

Demographic data	Total Number	% of Respondents
Age (Years)		
Less than 30	32	23
31-40	33	23
41-50	55	38
Above 50	23	16
GENDER		
Male	51	36
Female	92	64
QUALIFICATION		
Intermediate	27	19
Graduation	62	43
PG/ Professional	54	48
OCCUPATION		
Student	29	20
Employees	37	26
Housewife	28	19
Business/ Trade	49	35
MONTHLY INCOME		
Less than Rs. 15000	49	34
Rs. 15000- 30000	45	32
Above 30000	49	34
LOCATION		
Urban	65	45
Semi Urban	45	32
Rural	33	23
MARITAL STATUS		
Single	56	39
Married	87	61
FAMILY STRUCTURE		
Single	45	33
Married	37	25
Married with Children	61	42

Table 2 shows the finding on consumer's shopping preference that gives more or less about the same for purchases from unorganised and organised shops.

Table 2: Source of Purchase

S.NO	Purchase source	Number of Respondents	%
1	Unorganised Shops	67	47
2	Organised Shops	76	53
	Total	143	100

Table 3: Purchase Preferences in Unorganised Stores

S.N.	Source of Purchase	Total number	%
1	Conventional Stores	55	38
2	Neighbourhood Shops	53	37
3	Others	35	25
	Total	143	100

Based on Table 3 responses, the consumers buying from unorganized sector states that about 37-38% of respondents purchase from conventional stores and neighbourhood shops, while 25% of respondents buy from other sources.

Table 4: Purchase Preferences in the Organised Stores.

S.N.	Source of Purchase	Total number	%
1	Super Market	59	41
2	Chain Store	46	33
3	Others	38	26
	Total	143	100

It is evident from Table 4 that 41% of respondents who buy from organized stores prefer supermarkets for purchase while 33% of respondents prefer chain stores, while 26% prefer to purchase from other sources including online buying etc. Table 5 clearly indicates that 18% of respondents buy groceries from unorganised retailers while 14% each prefer textiles and vegetables while 15% of respondents prefer durable goods and 13% buy almost all the products from unorganized shops.

Table 5: Product Purchased from Unorganised Retailers

S.N.	Item purchased from	Total number	%
1	Grocery	26	18
2	Textiles	20	14
3	Vegetables	27	14
4	Food Items	19	13
5	Stationary	17	13
6	Durables	22	15
7	All of the above	18	13
	Total	143	100

Table 6: Product Purchased from Organised Retailers

S.N.	Item purchased	Total number	%
1	Grocery	19	14
2	Textiles	24	17
3	Vegetables	18	12
4	Food Items	18	12
5	Stationary	27	15
6	Durables	25	18
7	All of the above	12	12
	Total	143	100

Table 6 clearly indicates that 18% of respondents buy durable from organised retailers while 17% of respondents purchase textiles besides 15% but stationary from organized stores and 12% of respondents purchase all of the mentioned products from the organized stores.

Table 7: Factors affecting buying from Unorganized Retailers

S.N.	Reason for buying	Total number	%
1	Good Quality	18	13
2	Affordable Price	25	17
3	Offers	17	13
4	Customer Care	22	15
5	Attractive Schemes	17	13
6	Home Delivery	15	10
7	Credit Facility	15	10
8	Others	10	9
	Total	143	100

From Table 7, 17% of respondents are impacted to buy from unorganized stores due to affordable prices or low prices whereas 15% mentioned due to better customer care while 13% each buy due to good quality, offers and attractive schemes.

Table 8: Factors Influencing buying from Organized Retailers

S.N.	Reason for Buying	Total number	%
1	Good Quality	29	20
2	Affordable Price	19	13
3	Offers	18	13
4	Attractive Schemes	18	13
5	Door Delivery	19	13
6	Self Sense/ Satisfaction	23	16
7	Discount	17	12
8	Credit Facility	-	-
	Total	143	100

From Table 8 it is evident that 20% of respondents are of the opinion that they buy from organized retailers for good quality while 13% of respondents each buy for an affordable price, offers, door delivery and rest 12 % respondents buy for the discount they get from these stores.

Table 9: Income-based Purchase.

S.N.	Income (Rs.)	Organized %	Unorganized %
1	Less than Rs.15,000	32	59
2	Rs.15,000-25,000	51	34
3	More than Rs. 25,000	60	30
	Total	143	100

Table 9 clearly indicates that 59% of respondents with an income level of less than Rs. 15,000 and 32% of respondents buy from organised stores within the same income level whereas 60% of respondents with income level more than Rs. 25,000 purchase from the organized stores and the remaining 30% purchase from unorganized stores in the same income group.

Table 10: Purchase Made based on Location

S.NO	Location	Organized %	Unorganized %
1	Urban	79	42
2	Semi-Urban	36	67
3	Rural	28	34
	Total	143	100

From Table 10, it is evident that 79% of urban respondents purchase products from organised retailers while 42% of urban respondents purchase from unorganized stores while 67% semi-urban respondents buy products from unorganized stores and 36% semi-urban respondents purchase products from organized stores. However, 28% of rural respondents purchase products from organized retailers while 34% of rural respondents buy from unorganized stores.

5. CONCLUSION

Based on the analyses of data, this study understands the changes that take place in the minds of the consumers with respect to organized and unorganized retailing. Also, there are tremendous changes in the demographic system of consumers in India. They have been found as they buying different products both from the organized as well as unorganized retailers. From the major observations, the entry of big/major retail players is giving competition in the market and giving the consumers a better deal of prices and better choices of products. The external/international players need to offer products at low and affordable prices to attract buyers.

6. AVAILABILITY OF DATA AND MATERIAL

All information has been included in this article.

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