

Will super markets upset the economy of small towns in India?

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Abstract

Retailing in India is one of the pillars of its economy. It accounts for about 10 percent of its GDP. The Indian retail market is estimated at US\$ 600 billion and one of the top five retail markets in the world in economic value.

Multi brand retail refers to the sale of multiple brands belonging different manufacturers in a single store. Though the Central Government in 2012 allowed 51 percent foreign direct investment (FDI) in multi brand retailing in India, it depends on receiving the clearance from the concerned state government. But multi brand retailing from domestic entrepreneurs has picked up rapidly in recent years. Vishal Mega Mart, Big Bazaar, Pantaloon, Shoppers Stop, Reliance Fresh, etc. are some of the examples of multi brand retail firms from India.

In majority of metropolitan or big cities, smaller towns, semi-urban areas and villages, Indian retail industry still runs under the owner manned small shops. They are spread across the length and breadth of the country and provide livelihood to the owners and millions of many others. The extension and expansion of the shopping malls, convenience stores and super markets may affect the mainstay of the economy of the smaller towns and urban areas. This paper basically tries to analyse the preliminary effects of opening of a super market on the owner manned small and petty shops, based on case study of a small town of Upper Assam, India.

Key Words: *Multi brand retail trade, super market, shopping mall, convenience store, urban economy, vishal mega mart.*

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I. Introduction

Retailing is said to be the interface between the producer and the individual consumer buying for personal consumption. This excludes direct interface between the manufacturer and institutional buyers such as the government and other bulk consumers. Retailing is the last link that connects the individual consumer with the manufacturing and distribution chain. A retailer is involved in the act of selling goods to the individual consumer at a margin of profit. The organized retailing deals with the trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. which include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. The unorganized retailing deals with the traditional format 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. (Hamil and Priyadharshini, 2014). On the other hand, the multi brand retailing refers to the sale of multiple brands belonging different manufacturers in a single store. The Government of India cleared the proposal for 51 percent foreign direct investment (FDI) in multi brand retailing in 2012, subject to the clearance from the concerned state government and fulfilment of certain other conditions.

India has a huge retail market and it is growing very rapidly. The country's 500 million people under the age of 25 have access to more money that has additionally resulted in independence, aspirations and a demand for products (FICCI-PWC, 2013). The Indian retail industry has emerged as one of the most dynamic and fast paced industries due to the entry of several new players. It accounts for over 10 percent of country's Gross Domestic Product (GDP) and around 8 percent of the employment. India is the world's fifth-largest global destination in the retail space. India's retail market is expected to increase by 60 percent to reach US\$1.1 trillion by 2020, on the back of factors like rising incomes and lifestyle changes of the middle class and increased digital connectivity (IBEF, 2018).

Need of the Study

India's retail trade is extensively dominated by the unorganised sector, with its around 93 percent share in overall retail trade, mainly run in the form of owner manned shops. However, organised retail in India has been on the rise due to a number of factors such as revolution in consumer expectations in the post-liberalised India, growing number of middle class population, availability of higher disposable income, growing trend of mall culture and expansive tendency of online shopping. When retail trade moves from unorganised sector to organised sector's dominance, from the perspectives of labour welfare, rise in tax collections and application of many other statutory rules and regulations; social scientists and economists will term it as a positive development. At the same time many studies have already highlighted the adverse effects that super markets and shopping malls can have on a large number of small shop owners engaged in retail trade. Hamil and Priyadharshani (2014) had shown that the employment in the unorganised sector came down by around 38 percent in the 69 shops where the survey was conducted after the opening of super markets in the study area (Tirunelveli Municipal Corporation Area, Southern Tamilnadu). Likewise, the percentage of shop owners' earning, with an average monthly profit of above ₹ 25,000/-, came down from 22.6 percent to 3.5 percent after the opening of the super markets. Rani and Ramachandra (2015), after reviewing data from 2008 to 2013, and forecasting for 2013-18, comment that the future will be rosier for the modern players in retail trade than the traditional players. They further comment that the traditional mom and pop stores must go for substantial makeover to remain relevant. According to Reardon and Gulati (2008), the traditional sellers of the urban centres might lose their businesses to the organised sector relatively early compared to the retailers living in the far flung areas. Jadhav and Karangutkar (2017) find that, due to the boom of mall culture, there are adverse effects on small retailers in terms of customer engagement as well as sales volume. Under the above mentioned backdrop, the present study has tried to capture the initial effects of opening of a super market in the economy of a small town.

II. Methods and Materials

The Vishal Mega Mart opened its branch at Biswanath Chariali town on 28th October 2018. Thirty six (36) retailers were surveyed after the fortnight of the opening of the mall to capture its immediate effects on retail trade in the areas of grocery, household appliances and stationeries, garments, footwear and cosmetics. Descriptive statistics have been used in the study to interpret the results.

Description of the Study Area

Biswanath Chariali is a small town in Assam. It is the headquarter of Biswanath District, which was created on 15th August 2015. The town derives its name from Biswanath Ghat, also popularly known as Gupta Kashi. The Biswanath Chariali town is divided into 8 wards. The population of the town, under the jurisdiction of the Town Committee, has a population of 19,145 of which 9,771 are males while 9,374 are females, as per the Census of India, 2011.

Findings

Initial Effects on Consumers

The immediate effect has been the rise in consumption expenditure in the town. It is not only the rise in the consumption expenditure of the local consumers but also due to the rise in the number of customers in the town as well due to the inflow of customers from the adjacent as well as from far flung areas to the shopping mall.

The under-confident consumers, in terms of bargaining capacity, are found to have benefitted from the opening of the shopping mall. They are said to have derived a good deal out of the shopping mall. As these customers do not possess the knowhow and confidence of bargaining with the sellers, they were often taken for a ride by the unorganised retailers in terms of charging high prices for the products. The reasonable fixed price system at the shopping mall for standard items are well liked by the under confident customers under the impression that they get a fair deal in the mall.

Initial Effect on Retailers

The opening of one single mega mart was found to have upset the dynamics of the economy of the town. It was found to have brought a slump in the overall business in the traditionally unorganised retail business dominated town during the fortnight of the opening of the mall.

The most severely hit segment of the retail market was the household appliances and stationeries – sales dipping by 40-50 percent. The least affected segment is the groceries – sales going down by approximately 10- 15 percent. For other segments of the market, the sales came down by 10 to 50 percent.

However, other retailers of the non-Vishal Mega Mart segment, admitted that the flow of customers to the town from the neighbouring areas had increased, post Vishal Mega Mart opening. As a result, these retailers benefitted from them in the form of rise in the sales. But it also implies that the retailers of the neighbouring areas had definitely suffered as a result of low volume of sales in their areas.

Most of the retailers were also of the opinion that increased number of super markets and shopping malls would severely dent their sales and revenue as the prices at which they obtain their goods from the wholesalers were already very high due to the distant location of the market from the mainland market. The super markets have advantage in this regard as they buy in bulk and also directly from the producers.

III. Conclusion

The customers gain but the traditional retailers suffer. The super market culture will raise consumerism but the demise of traditional retailers will raise unemployment and reduce self-employment and income generation. In short, consumerism grows but employment / self employment suffers. As agriculture is already replacing a large number of workforce coupled with slow rate of job creation in the manufacturing sector and other non-farm sectors, it is going to be tough time for the people who are absorbed in self employed traditional retail trade who also happen to be employment providers to many others, albeit at sustenance level.

Traditional retail trade has been one of the mainstays of these small towns and urban centres. Their demise will also see adverse effect on the distribution of income and wealth. As per the India Inequality Report 2018, India's top 1 percent of the population holds 73 percent of the wealth while 67 crore citizens, comprising the country's poorest half, saw their wealth rise by just 1 percent. Growing number of super and hyper markets in the smaller towns is not going to help in the attainment of the long cherished planned goal of equitable distribution of income and wealth in the society. If the existing retail trade industry has also contributed to our journey to be the 7th largest nominal GDP (World Bank, 2019), we do not need their destruction, rather we need their reorientation and restructuring to put them on a strong ground to compete with the fast expanding mall culture in the country.

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