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Retailer's Perception Towards FDI In Multi-Brand Retail

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Abstract

Purpose – The purpose of this research is to exploring perception of retailers towards allowing FDI in multi-brand retail.

Methodology– We used the modified scale developed by Dhanya and Ramachandran (2016) to measure the perception of retailers towards allowing FDI in multi-brand retail. We used the structured questionnaire to collect the desired data from consumers. We used the exploratory factor analysis technique with the help IBM SPSS Statistics to exploring perception of retailers towards allowing FDI in multi-brand retail.

Findings – We explored the perception of retailers towards allowing FDI in multi-brand retail into five factors namely (i) well-being of economy, (ii) supply chain and storage facility, (iii) competition, (iv) employment and (v) inflation. The underlying factors explained total 81.08% variance for retailer's perception.

Keywords: perception of retailers, multi-brand retail, FDI.

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Introduction

The Indian retail industry has emerged as one of the most dynamic and fast-paced industries due to the entry of several new players. Total consumption expenditure is expected to reach nearly US$ 3,600 billion by 2020 from US$ 1,824 billion in 2017. It accounts for over 10 per cent of the country's Gross Domestic Product (GDP) and around 8 per cent of the employment. India is the world's fifth-largest global destination in the retail space. India's retail sector investments doubled to reach Rs 1,300 crore (US$ 180.18 million) in 2018[1]. Kearney (2017) stated that As of 2017, out of the top 30 developing economies of the world, India is ranked the most attractive country in which to invest in organized retail. India is a large market, with many potential customers, and a growing middle class that implies business opportunities, there also major challenges, such as access and quality of the transport infrastructure and logistics networks, as well as access to the rural population (Banerjee, 2019).

Foreign Direct Investment and economic growth

Foreign Direct Investment is the investment made in production or business by the country in another country by either means of buying a company or expanding its business in the foreign country. It is usually by means of bonds and shares (Dhanya and Ramachandran, 2016). Campos and Kinoshita (2002) investigated that there is no empirical evidence to test positive relationship between impacts of FDI with economic growth in the host country. Aggarwal (2007) has highlighted the various important factors which will help in the emergence of organized retailing in India and their effect on the economy.

FDI in multi-brand and retailers' perception

This study is study the perception of retailers towards allowing FDI in multi-brand retail in India. This study is basically to understand the veracity of the aforementioned questions in the minds of retailers by analyzing the perception of the retailers, of how

[1] Accessed from https://www.ibef.org/industry/retail-india.aspx on 04-october, 2019.

they actually feel, will the FDI in retail sector help to develop their market or will it put them down.

Literature review

Mathew Thomas (2012) explained how FDI will affect the common man. He has stated that FDI is welcomed by the Government as it will provide more revenue and employment to farmers. Mr P. Chengal Reddy, Secretary General, Consortium of Indian Farmers association has expressed his views under the title FDI in Retail – the Indian Farmer’s Perspective, where he states that Indian agriculture lacks in proper storage, investment and technology, low price realization, appropriation by middlemen and wastage up to 30-40 percentage. Wang (2002) studied FDI inflows and economic growth by using data from 12 Asian economies over the period of 1987-1997 and found that total FDI inflows in manufacturing sectors significantly affects the economic growth. Babar and Khandare (2012) focused mainly about the structure and direction of India’s FDI during globalization period. An analysis is been made on the benefits of FDI towards economic growth. Ritu et al. (2019) used the exploratory factor analysis techniques to explore the factors that influence buying behaviour of women car customers. Singh (2018) same as Ritu et al. (2019) used the exploratory factor analysis to explore the factors influencing the buying behaviour of Smartphone. Therefore, we will also used the exploratory factor analysis technique.

Methodology

We used the modified scale developed by Dhanya and Ramachandran (2016) to measure the perception of retailers towards allowing FDI in multi-brand retail. We designed the structured questionnaire to collect to explore the perception of retailer towards allowing FDI in multi-brand retail. Items were measured on likert 5 point scale. We coded strongly disagree = 1, disagree = 2, neutral = 3, agree = 4 and strongly agree = 5. We distributed 620 questionnaires to retailers. We received 530 filled questionnaires from retailers, and this research show the very high response rate (=85.48%). We cleaned our data and found 490 out of 530 questionnaires to further analysis. We used the structured questionnaire to collect the desired data from consumers. We used the exploratory factor analysis (EFA) technique with the help IBM SPSS Statistics to exploring perception of retailers towards allowing FDI in multi-brand

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retail. We used the exploratory factor analysis as per used by Ritu *et al.* (2019) and Singh (2018).

Results and discussion

This research include the high number of male retailers n=440 (89.80%) and very low frequency for female n= 50 (10.20%) (*see table 1*). This survey include majority of married retailers (76.53%) with age group of 35-50 years (56.12%). Additionally, this research indicates 45.51% retailers employed less than five employees in their store followed by 29.39% and 17.96% of retailers who employed 3-5 employees and 5-8 employees respectively. Further, this survey indicates that 16.94% of retailers have established their stores less than five years ago. Additionally, this research shows that 38.37% of retailers have established their stores fifteen years ago.

Table I: Demographic profile of retailers

Variables	Category	Frequency	(%)
Gender	Male	440	89.80
	Female	50	10.20
Marital status	Married	375	76.53
	Unmarried	115	23.47
Age (years)	<35	75	15.31
	35-50	275	56.12
	50-60	113	23.06
	>60	27	5.51
How many years has this retail outlet been in existence? (years)	<5	83	16.94
	05-10	77	15.71
	10-15	142	28.98
	>15	188	38.37
How many numbers of employee in this retail store?	<3	223	45.51
	03-05	144	29.39
	05-08	88	17.96
	>08	35	7.14

We explored the perception of retailers towards allowing FDI in multi-brand retail using the EFA with the help of IBM SPSS Statistics (see table II). We used the 21 items which measure the perception of retailers towards towards allowing FDI in multi-brand retail. First, we confirm the sample adequacy for running the EFA that is measured by KMO measure of

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sampling adequacy =0.884 and KMO is more than threshold limit =0.60. Additionally, correlation among latent variables is significant (Bartlett's test of sphericity, $p < 0.000$).

All the items have more .64 factor loadings that are more than threshold limits .40 (see *table II*). Highest factor loading is .92 that is represent by X11 "Allowing FDI in multi-band retail will eliminate the role of the middlemen currently existing and will directly benefit the farmers" and lowest of X17 "FDI in multi-brand retail will help in curbing the inflation as the prices of farm produces will be controlled due to efficient transportation and storage". Internal reliability of latent variables is confirmed by cronbach's α which shows every latent variable have more than threshold limits .70.

Table II: Exploratory factor analysis for retailer's perception regarding allowing FDI in multi-brand retail.

Items Code	Well-being of economy (F1)	Supply chain and storage facility (F2)	Competition (F3)	Employment (F4)	Inflation (F5)	Variance Explained (%) (F6)	Cronbach's α
			Factor Loadings				
X11	.92						
X19	.89						
X23	.87						
X1	.78					27.87	.92
X3	.76						
X20	.76						
X10	.72						
X9		.89					
X14		.86				18.63	.91
X5		.83					
X22		.78					

X2	.71					
X12	.69					
X16		.90				
X4		.87			15.34	.78
X8		.84				
X18		.75				
X13			.88			
X6			.76		11.56	.68
X21			.74			
X15				.86		
X7				.76	7.68	.74
X17				.64		

Total explained variance = 81.08%; KMO measure of sampling adequacy = 0.884; Bartlett's test of sphericity ($p < 0.000$)

Principal component analysis (PCA) extracted the five factors above 1 eigen value (see *table II*). These extracted five factors explained total 81.08% variance regarding perception of retailers towards allowing FDI in multi-brand retail. First factor (labeled *well-being of economy*) explained 27.87% variance followed by Factor 2 (labeled *supply chain and storage facility*) that is explained 18.63%. Factor 3 (labeled *Competition*), Factor 4 (labeled *employment*) and Factor 5 (labeled *inflation*) explained 15.34%, 11.56% and 7.68% variance respectively. All these extracted latent variable explained high level of perception of retailers towards allowing FDI in multi-brand retail.

Conclusion

The purpose of this research is to exploring perception of retailers towards allowing FDI in multi-brand retail. We explored the perception of retailers towards allowing FDI in multi-brand retail using the EFA with the help of IBM SPSS Statistics. The perception of retailers towards allowing FDI in multi-brand retail extracted into five latent variables that explained total 81.0% variance. *Well-being of economy* explained 27.87% variance followed by *Supply chain and storage facility* that is explained 18.63%. *Competition*, *Employment* and *Inflation*

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explained 15.34%, 11.56% and 7.68% variance respectively. This research shows that retailers are more liberal towards allowing FDI in multi-retail brand. It is opinion of surveyed retailers that allowing FDI in multi-brand retail will help to accelerate the economy growth, strong the supply chain and strong system of country boost the healthy completion in retail sector and curb the inflation.

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Questionnaire

Kindly rate your agreement with following statements on five point likert scale. Strongly disagree=1, disagree=2, neutral=3, agree=4 and strongly agree=5.

Items Code	Items	SD	D	N	A	SA
X1	The proposed retail format of allowing only 51% stake in the business will protect the domestic player from being overtaken by the foreign company.					
X2	Newer and better supply chain system will ensure timely replenishment of stock at the retail outlets for sale.					
X3	Allowing FDI in multi-band retail will eliminate the role of the middlemen currently existing and will directly benefit the producers.					
X4	FDI in multi-brand retail will motivate local competitors to innovate cheaper products with high quality					
X5	Allowing FDI in multi-brand will help storage facilities that in return of better storage of perishable goods.					
X6	FDI in multi-brand retail will generate the high revenue that in return increases the standard of living of the people.					
X7	FDI in multi-brand retail will promote free and fair competition thereby sharply lowering inflation.					
X8	Foreign investment helps to bring better technology to win the local competition.					
X9	The supply chain system will improve after allowing the FDI in multi-brand retail.					
X10	By introducing FDI in multi-brand retail, the tax revenues from the MNCs will increase for the government which will further reduce the budget deficit.					
X11	Allowing FDI in multi-band retail will eliminate the role of the middlemen currently existing and will directly benefit the farmers.					

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X12	FDI in multi-brand retail will help in establishing better and efficient supply chain system.					
X13	Allowing FDI in multi-brand retail will create more job opportunities in service sector.					
X14	Allowing FDI in multi-brand retail will enhance the cold storage facility.					
X15	Allowing FDI in multi-brand retail will bring in lot of cash flow which will help the government in building better infrastructure spurring development and economic growth.					
X16	Foreign investment will induce monopoly in the retail sector.					
X17	FDI in multi-brand retail will help in curbing the inflation as the prices of farm produces will be controlled due to efficient transportation and storage.					
X18	Allowing FDI in multi-brand retail will not affect adversely the local competition.					
X19	Allowing FDI in multi-brand retail will lead to creation of Special Economic Zones which will help in development of rural areas and promote the real estate market.					
X20	Allowing FDI in multi-brand retail will bring in wide range of products for the consumers who have become brand-conscious and are willing to spend.					
X21	FDI in multi-brand retail will benefited the local youth for job opportunities.					