

FDI In Multi-Brand Retail And Receptiveness Of Consumers

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Abstract

Purpose – The purpose of this research is to investigate relation between factors influencing the perception of consumers and receptiveness of consumers towards allowing FDI in multi-brand retail.

Methodology– We adopted the modified scale developed by Tripathi et al. (2013) to measure perception of consumers towards allowing FDI in multi-brand retail. Additionally, we measured the receptiveness of consumer towards allowing FDI in multi-brand retail using the three items from Eckman et al. (2015) research. We used the structured questionnaire to collect the desired data from consumers. We used the structural equation modeling technique to investigated relation between factors influencing the perception of consumers and receptiveness of consumers towards allowing FDI in multi-brand retail.

Findings – The findings suggest that factors influencing the perception of consumers towards allowing FDI in multi-brand retail have significant relationship with receptiveness of consumers towards allowing FDI in multi-brand retail. This research indicates that allowing FDI in multi-brand retail will be benefited to end consumers.

Keywords: Perception of consumers, FDI, multi-brand retail, receptiveness of consumer.

1. Introduction

Retail

Retailing is the interface between the producer and the individual consumer buying for personal consumption. As such, retailing is the last link that connects the individual consumer with the manufacturing and distribution chain (Jain, 2013). With a population of nearly 1.2

billion, India is a dream destination for global retailers. But their stake in the Indian consumer's growing wallet is dependent on the Central Government's evolving policy on FDI in the retail sector, which has caused much political turbulence along the way (Chandy, 2019).

FDI in Multi Brand Retail

FDI in Multi Brand retail implies that a retail store with a foreign investment can sell Multiple Brands under one roof and opening up FDI in Multi-Brand retail will mean that global retailers including Wal-Mart, Carrefour and Tesco can open stores offering a range of household items and grocery directly to consumers in the same way as the ubiquitous "kirana" store (Nizamuddin, 2013). Currently, foreign participation in the multi-brand retail format is not permitted, which is why one does not see the likes of a Harrods, Wal-Mart, or Tesco setting up their hypermarket in India (Chandy, 2019).

Receptiveness of people towards FDI in multi-brand retailing

Consumer receptiveness and academic perception of consumer receptiveness has been addressed in wider studies (Alexander et al. 2010). Tripathi et al. (2013) studied the receptiveness of people towards allowing FDI in multi-brand retail. Negative public reception towards allowing FDI in multi-brand retailing might be harmful to economy. The media has extensively covered negative public reaction towards allowing FDI in multi-brand retail. Therefore in this research, we investigated relation between factors influencing the perception of consumers and receptiveness of consumers towards allowing FDI in multi-brand retail.

2. Hypotheses Development

H1: Consumers perception regarding improved product quality significantly influences the receptiveness of consumers towards allow FDI in multi-brand retail.

H2: Consumers perception regarding convenience to consumer significantly influences the receptiveness of consumers towards allow FDI in multi-brand retail.

H3: Consumers perception regarding threat to domestic economy significantly influences the receptiveness of consumers towards allow FDI in multi-brand retail.

H4: Consumers perception regarding well-being of economic significantly influences the receptiveness of consumers towards allow FDI in multi-brand retail.

3. Literature review

Tarun (2012) compared India and China with their strengths such as cheap labour, huge markets, literacy, resource by taking the case of two major companies (i) Wal-Mart operations in China; (ii) Hyundai operations in India. Campos and Kinoshita (2002) investigated that there is no empirical evidence to test relation between impacts of FDI on economic growth in the host country. Similar, Nyatepe-Coo (1998) also does not find relationship between the contributions of FDI to economic growth during the period 1963 to 1992 in Southeast Asia, Latin America and Sub-Saharan Africa. 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. Vedamani (2004) has explored about the retail industry in India where scenario is unique. Mishra (2007) has studied that organizational retail has started gaining popularity among consumers which can change the way of consumer behaviour towards traditional formats.

4. Methodology

We adopted the modified scale developed by Tripathi et al. (2013) to measure perception of consumers towards allowing FDI in multi-brand retail. Additionally, we measured the receptiveness of consumer towards allowing FDI in multi-brand retail using the three items from Eckman et al. (2015) research. We used the structured questionnaire to collect the desired data from consumers. We distributed 420 questionnaires to retail consumers in Haryana that they have purchasing power to buy a retail product. We received back 390 filled questionnaires, and this research show the very high response rate (=92.87%). We cleaned our data and found 350 out of 390 questionnaires suitable to further analysis of data. We used the structural equation modeling technique to investigate relation between factors influencing the perception of consumers and receptiveness of consumers towards allowing FDI in multi-brand.

5. Results and discussion

This survey include the 57.14% (n=200) male consumers and 42.86% (n=150) female (*see table 1*). Sample consists of majority of married consumers (60%). 37.14% of respondents were age group of 35-50 years; 34.29% were less the 35 years that is indicate survey consumers were young. Additionally, this research indicates 5.71% of respondents were super senior age group. 42.86% of sampled consumers were private sector employee followed by 22.86% private sector employee; 20% and 11.43% of respondents were engaged in business and student respectively.

Table 1: Demographic profile of sample

Variables	Category	Frequency	(%)
Gender	Male	200	57.14
	Female	150	42.86
Marital status	Married	210	60.00
	Unmarried	140	40.00
Age (years)	<35	120	34.29
	35-50	130	37.14
	50-70	80	22.86
	>70	20	05.71
Occupation	Student	40	11.43
	Private Sector Employee	150	42.86
	Public Sector Employee	80	22.86
	Business	70	20.00
	Others	10	02.86

We checked the internal quality of latent variables and observed variables (*see table 2*). Latent variables improved product quality (IPQ), convenience to consumer (CC), threat to domestic economy (TDE), well-being of economic (WE) and receptiveness of people (RP) show the high reliability (Cronbach's $\alpha > .72$). We deleted the IPQ5 “The role of management colleges will increase for giving retail education to the youth”, IPQ7 “Persistence of political inconclusiveness on this issue of FDI in multi-brand retailing”, CC5 “Improvement in the shopping experience of consumers” and WE2 “It will help in curbing inflation” statements

which indicate low factor loadings. All the statements except IPQ5, IPQ7, CC5 and WE2 show high factors loadings (>.67).

Table 2: Internal of Quality of Variables

Latent Variable	Code	Items	Cronbach's α	SFL
Improved Product Quality (IPQ)	IPQ1	Capital investment would substantially increase.	0.91	0.88
	IPQ2	It will push Indian manufacturers to improve their quality.		0.74
	IPQ3	Distribution system would improve.		0.75
	IPQ4	Competitive environment will be created which will put pressure on domestic firms to improve their quality to survive.		0.87
	IPQ6	It will make way for inflow of knowledge from international experts.		0.89
	IPQ8	Indian retailers will have a partnership opportunity.		0.76
	CC1	Products would be widely available.		0.84
	CC2	Consumers will get all the products under one roof.		0.81
Convenience to Consumer (CC)	CC3	Access to international brands would be easier.	0.88	0.74
	CC4	It will provide more choices for consumers.		0.83
	CC6	Consumer convenience would increase.		0.76
	TDE1	FDI in multi-brand retailing will reduce profit margin for domestic companies.		0.86
Threat to Domestic Economy (TDE)	TDE2	Money will go out of India.	0.76	0.67
	TDE3	Bargaining power of consumers would be negligible.		0.72
	TDE4	Loss of cultural or ethical values due to more foreign influence.		0.75
	WE1	Consumers will get the product at low prices		0.83
Well-being of economic (WE)	WE3	It will create more employment opportunities in the Indian market.	0.77	0.75
	WE4	Elimination of Middleman.		0.79
	WE5	It will stimulate economic growth of the country		0.83
	RP1	Multi-retail stores project desirable lifestyles	0.82	.88
Receptiveness of People (RP)	RP2	Products of multi-retail stores are well		.82

	made	
RP3	Products of multi-retail stores are prestigious	.78

Using the structural equation modeling (SEM) with help of the IBM Amos software (v26), we investigated the relationship among factors influencing the perception of consumers and receptiveness of consumers towards allowing FDI in multi-brand retail. The authors found significant correlation among latent variables. We used the χ^2 statistic ($\chi^2 (329) = 846.54, p < .000$) indices to confirm the fitness of hypothesized research model. We divided the value of χ^2 by its degree of freedom that is 2.57 (it should be $1.00 >$ and < 3.00). Additionally, the value of other indices, goodness of fit index (GFI=0.93), comparative fit index (CFI=.92) and root mean square error of approximation (RMSEA=0.04) are very desirable that indicate the high fitness of research model.

Table 3: Brief summary of testing of hypotheses

Path relation	Hypotheses	Path coefficient	p-value	Hypothesis supported
IPQ $\rightarrow$ RP	H1	0.45	0.000	Yes
CC $\rightarrow$ RP	H2	0.52	0.000	Yes
TDE $\rightarrow$ RP	H3	-0.36	0.001	Yes
WE $\rightarrow$ RP	H4	0.49	0.000	Yes

Latent variables, improved product quality ($\beta = .45, p < 0.000$), convenience to consumer ($\beta = .52, p < 0.000$), threat to domestic economy ($\beta = -.36, p < 0.001$) and well-being of economy ($\beta = .49, p < 0.000$) significantly influenced the receptiveness of people (consumers) (see figure 1). The latent variable threat to domestic economy show significant negative relation with receptiveness of consumers. All exogenous variable explain the 65% variation in the receptiveness of people towards allowing FDI in multi-brand retail in India.

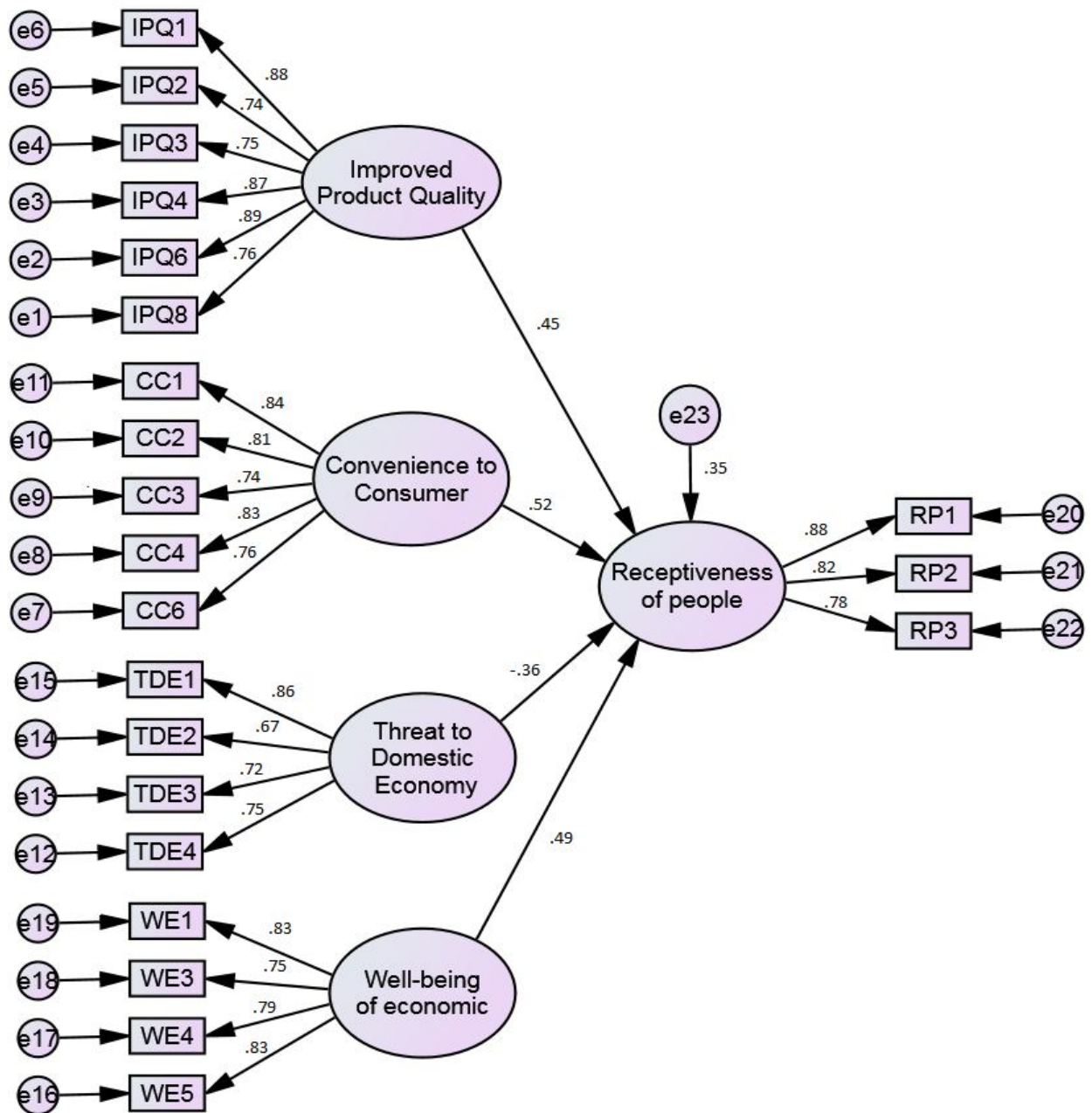


Figure 1: Structural relation among factors influencing perception of consumers and receptiveness of consumer towards allowing FDI in multi-brand retail.

5. Conclusion

The purpose of this research is to investigate relation between factors influencing the perception of consumers and receptiveness of consumers towards allowing FDI in multi-brand retail. India has been witness of high political non-consensus of allowing FDI in multi-brand retail among political parties in India. In this research, we tried to know the perception of general public towards allowing FDI in multi-brand retail. We used the structured questionnaire to collect the desired data from general public on their perception towards allowing FDI in multi-brand retail. The findings suggest that factors influencing the perception of consumers towards allowing FDI in multi-brand retail have significant relationship with receptiveness of consumers towards allowing FDI in multi-brand retail. This research indicates that allowing FDI in multi-brand retail will be benefited to end consumers. The findings of this research indicate that allowing FDI in multi-brand retail will be benefited to end consumers. With respect to other stakeholders (local retailers, farmers etc.), government should take care allowing the FDI in multi-brand retail.

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