



Consumer Perception regarding Foreign Direct Investment in Multi-Brand Retailing

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Abstract: The growth of a nation's economy is significantly influenced by foreign direct investment. Particularly following deregulation, India was able to draw a sizeable amount of FDI, and it is constantly looking into new opportunities for inflows. In September 2012, the government increased foreign direct investment (FDI) in single-brand retail commerce to 100%, subject to state approvals, while allowing 51 per cent FDI in multi-brand retail trade. Even though there are already foreign competitors in cash and carry and single-brand retail segments of the Indian market, the current debate is on the effects of FDI on multi-brand retailing. Except for the most important stakeholder, namely the customer, whose preferences, choices, and spending patterns significantly contribute to economic growth, the FDI in multi-brand retail policy appears to cater to several stakeholders.

Objective: To examine the perception of customers in the wake of allowing FDI in Multi-brand retailing.

Findings: Availability of a wide variety of product and job opportunities is also an important reason why 23.4 per cent of respondents have favoured FDI in Multi-brand retailing in India. However, 40.2 per cent of respondents also believed that there is a chance that FDI in multi-brand retailing gives rise to big arrogant international retailers.

Keywords: FDI, Consumer Perception, Multi-brand

1. Introduction

The growth of a nation's economy is significantly influenced by foreign direct investment. Particularly following deregulation, India was able to draw a sizeable amount of FDI, and it is constantly looking into new opportunities for inflows. This progressively paved the way for FDI to enter the Indian retail market, which has had a favourable effect on the sector as well as related ones like the manufacturing, agriculture, and supply chain. Foreign retailers wishing to establish or grow businesses in the nation have benefited greatly from the recent relaxation of the FDI retail policy. In a new effort to entice foreign supermarket chains such as, India opted to loosen sourcing and investment requirements for the retail sector.

In September 2012, the government increased foreign direct investment (FDI) in single-brand retail commerce to 100%, subject to state approvals, while allowing 51 per cent FDI in multi-brand retail trade. The opening of FDI in multi-brand is anticipated to have advantages such as job possibilities, organised retail outlets, accessibility to high-quality goods at lower prices, etc. The move is a big step in the right direction for boosting organised retail in the country, despite the fact that there are conflicting views on the

implications of FDI on the Indian economy in general and the retail sector in particular.

Because it is likely to result in increased investments and growth in the nation's retail business, which is currently among the world's greatest, this approach can change India's consumption into a new growth trajectory. Additionally, it is anticipated that FDI in multi-brand retail will alleviate the worries of foreign investors who have, up to this point, tried to grasp the subtleties of the FDI policy relating to multi-brand retail. Different stakeholders have varying opinions on how they see FDI in MBRT in India would affect their interests; therefore, various stakeholders have differing perspectives. Even though there are already foreign competitors in cash and carry and single-brand retail segments of the Indian market, the current debate is on the effects of FDI on multi-brand retailing.

In light of this, it is crucial to study the hotly contested judgement that permitted foreign capital in multi-brand retailing and its anticipated effects on the delicate issues that may impact the various stakeholders in society. Except for the most important stakeholder, namely the customer, whose preferences, choices, and spending patterns significantly contribute to economic growth, the FDI in multi-brand retail policy appears to cater to several stakeholders.

This paper is based on finding out what Indian customers believe about FDI in multi-brand retailing.

2. Literature Review

Yadav R. (2009) used essential variables to evaluate consumer perception and attitudes. It aims to pinpoint the crucial social and demographic factors that influence the perceptions and attitudes of mall patrons. According to the study, "customers' attitudes toward shopping malls are greatly influenced by the existence or absence of specific features, like amenities, proximity, infrastructure, atmosphere, merchandising and price, personal and entertainment value." If the variables mentioned above are present at their ideal level, the current investigation has confirmed that.

Das G. et al. (2009) examined how promotions affected several facets of customer purchasing behaviour. One hundred respondents' data were gathered from Big Bazaar retail locations using a standardised questionnaire based on Socio-Economic Criteria (SEC) classification. According to the study, sales promotions rank second in importance to product satisfaction for motivating consumers to buy convenience goods. The size of the customer's basket grows thanks to a sales promotion. Due to the advertisement, they make more of their everyday purchases.

The preferences of consumers for organised and unorganised retail formats of structure were examined by Sinha R. K. (2009). The study examines choices for the practical advantages offered by the two retail divisions using demographic and personal criteria. Along with conducting exploratory interviews with shoppers, a sample size of 100 East Delhi residents who were leaving retail establishments was gathered. Using SPSS, parametric and nonparametric tests were run. The data study reveals no correlations between respondents' perceptions of the distinctions between traditional and modern retail divisions and their actual patronage behaviour. The statement about patronising behaviour is unrelated to personal and demographic characteristics.

The shift in Indian consumers' attitudes and the rise of organised retail formats have changed how retailing is perceived in India. Consumer spending in the retail sector is viewed as a critical opportunity area that indicates the return of economic growth in India. Thus, Indian business houses are centring their strategic outlook on retail marketing, intending to make the most use of their resources to develop core competencies and achieve a competitive edge Saraf et al (2010).

Different product categories purchase brands differently, and some customers prefer non-branded goods from traditional retailers. As a result, India can have both traditional and modern retail. Foreign brands, particularly luxury labels, have yet to be widely known or used. The majority of respondents support permitting FDI in the retail sector. The study Mukherjee et al.(2011) suggests that consumer welfare should determine the retail FDI policy.

The government should allow FDI in multi-brand retail, improving customer choice and brand awareness in particular markets, such as fruits and vegetables. The different legal requirements and moral principles in retail practices are seen through consumers' perceptions, particularly regarding purchasing items. The findings Sharma et al (2011) show that shops adhere to legal and ethical standards to a reasonable extent. The study offers a course of action for stricter legal requirements and moral standards in stores selling consumer products to meet customer expectations ethically.

There is evidence linking feelings to buying habits and the time available for shopping, which is actually limited at airports. It explains why airports make the perfect setting for high-end retail concepts. Patrick (2012) also discusses how unpleasant arousal might cause people to spend more money. Cleanliness, quietness, adequate lighting, and ease of navigation contribute to increased client spending. Consumer perceptions regarding ethical fashion, which are based on how well-respected they believe a firm is in the fashion industry, impact whether or not they support companies they believe to be socially and environmentally responsible. To ensure the success of their ethical fashion products, retailers must take steps to educate consumers.

3. Data and Methods

This study adopted a descriptive, cross-sectional questionnaire-based survey. A non-random convenience sampling method was used. Participants were selected from the contact list of the first researcher, being invited by WhatsApp and email to complete the online survey. The online survey from lasted from May 2020, to Jan, 2021. The inclusion criteria were a citizen of India and age greater than 18 years. The consent form included in the online survey tool regarding their participation in the study. The distribution of the questionnaire extended to the whole country, in Uttar Pradesh, to where the first researcher belongs. Total responses were collected from 535 participants.

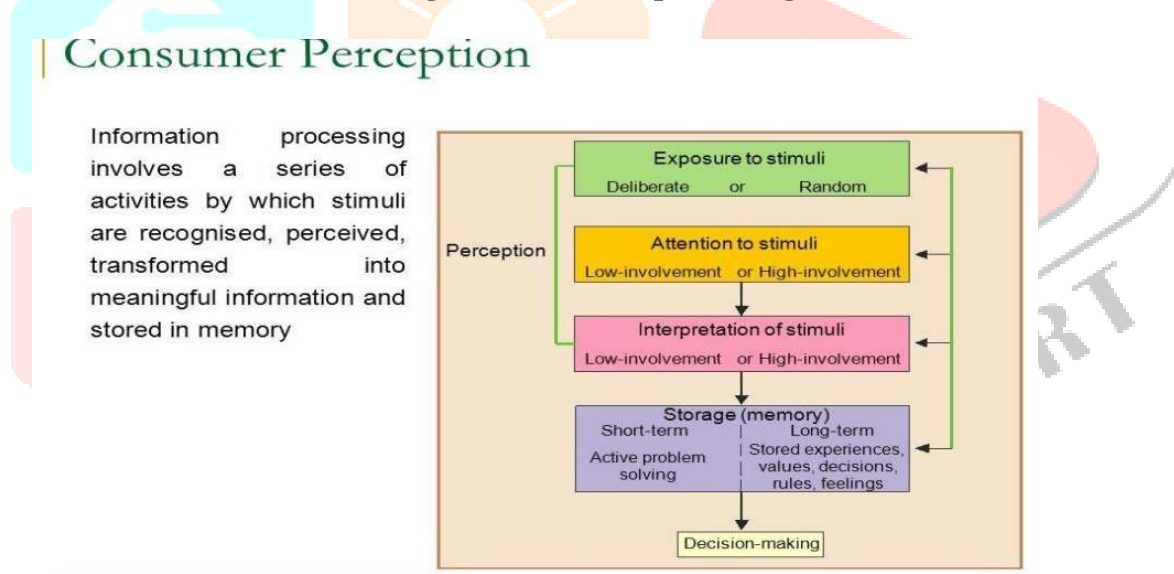
The data structure for the present study has been examined with the help of statistical software SPSS programs. Further, in order to examine and test the hypothesis of the present work, some econometric tools have been applied, which are listed below.

4. Consumer Preference: An Overview

The process of gauging perception involves sensory information awareness. This psychological process consists of creating and formulating mental images and imagination using different sensory organs. Thus, it demonstrates how a person chooses, recognises, organises, and interprets stimuli based on expectations, needs, and values. Thus, "how we see the world around us". The numerous theories of perception show how people use their imagination to paint pictures on canvases. Similar to how different people think and interpret various brands and items based on their capacities.

As a result, they must make their own decisions based on those perceptions rather than facts. These distinctions relate to the actual interpretation of choosing one item over another, believing in one thing while rejecting another, and having various tastes, likes, and dislikes for multiple brands and value systems. Any stimulus that a person perceives and transforms into useful outside-world imagery stored in the brain as part of information processing in the mind reflects the thought pattern of all those activities. Exposure, attention, memory, and interpretation are the four main divisions of the representation system shown in the diagram. The first three of them are perceptions:

Figure 1: Consumer Decision making in information processing



According to the perceptual process, exposure to stimuli will occur when some incentive enters the range of our sensory receptor system. Concentration refers to the point when motivation activates sensory receptors, and nervous tension leads to feelings reaching the neural system of a person, which then distributes and comprehends the evaluation and task crucial to these kinds of sensations. Consumers frequently construct mental representations of brands, establishments, and businesses. Any image or picture is a culmination of how a consumer perceives an object after processing data from various sources throughout time.

5. Indian Consumer and Retailing

There has been a striking change in Indian customers. Indian customers used to save most of their income, only buy the necessities, and rarely treat themselves. With increasing revenues, access to credit cards, exposure to western consumer culture, and a drive to raise their standard of living, Indian consumers are now spending more than ever. Their addiction is fuelled by organised retail, with its wide range of goods and abundance of shopping centres and supermarkets. Their new mindset is thus fuelling the development of organised retail in India Baskaran (2012).

Multinational retailers are now using modern business tactics to seize fresh retail prospects. Consumers no longer make the distinction between offline and online consumption channels. Large corporations are experimenting with various strategies to create seamless retail experiences that are integrated across all channels as a result. Retailers are experimenting with income models to enhance consumer value by utilising well-established e-commerce platforms and conventional methods.

The country's sizable middle class and primarily untapped retail market are the key attractions for global retail behemoths looking to expand into emerging regions, which will accelerate the growth of the Indian retail industry. Branded items in areas including garments, cosmetics, footwear, watches, beverages, cuisine, and even jewellery are gradually turning into business and leisure that are well-liked by the urban Indian consumer as their purchasing power rises. The country's e-commerce market is steadily growing. Customers have a wide variety of things to choose from at competitive prices. The retail business is experiencing the most significant change ever thanks to e-commerce, and this trend is expected to last for many years.

6. Empirical Analysis and Result

H₀₁: There is no association between income and consumer preference for FDI in multi-brand retailing in India.

H₀₂: There is no association between occupation and consumer preference for FDI in multi-brand retailing in India.

Table 1 presents the consumer perception regarding FDI in Multi-brand retailing. The scale was developed using a 5-point Likert scale. Strongly disagree '1', disagree '2', neutral '3', agree '4' and strongly agree '5'. It shows that respondents leaned in terms of agreement towards statement number 2, 3, 5, 7 & 8, and respondents remained neutral, i.e., neither agreed nor disagreed in terms of statement 1, which says I am not in favour of FDI in Multi-brand retailing in India (38.1 per cent). In statement number 4, the respondent disagrees (30.1 per cent). It can also be observed from the results presented in table 6.4 that the highest degree of agreement was for statement 3. The table indicates that most respondents (51.0 per cent) feel that FDI in Multi-Brand Retailing will offer a wide choice of products under one roof, reflecting the level of awareness.

Table 1: Consumer perception regarding FDI in Multi-brand Retailing

S.No.	Items	SD	D	N	A	SA
1	I am not in favour of FDI in Multi-Brand Retailing in India	40(7.5)	130(24.3)	204(38.1)	134(25)	27(5.0)
2	FDI in Multi-Brand Retailing give rise to big arrogant international retailers	19(3.6)	89(16.6)	183(34.2)	215(40.2)	29(5.4)
3	FDI in Multi-Brand Retailing will offer wide choice of product under one roof	18(3.4)	47(8.8)	147(27.5)	273(51.0)	50(9.3)
4	Customers will be forced to buy products at high rates	46(8.6)	161(30.1)	158(29.5)	139(26.0)	31(5.8)
5	FDI in Multi-Brand Retailing will create lots of jobs opportunities	25(4.7)	64(12.0)	142(26.5)	265(49.5)	39(7.3)
6	Average expenditure of the customers would decrease because of big retailers	24(4.5)	106(19.8)	184(34.4)	205(38.3)	16(3.0)
7	FDI in Multi-Brand Retailing would be threat to small retailers	15(2.8)	66(12.3)	160(29.9)	229(42.8)	65(12.1)
8	Do you feel that FDI in India Multi-brand retail is a welcome change	27(5.0)	65(12.1)	189(35.3)	230(43.0)	24(4.5)

Note: SD=Strongly disagree, D=Disagree, N=Neutral, A=Agree, SA=Strongly agree

Availability of a wide variety of product and job opportunities is also an important reason why 24.3 per cent of respondents have favoured FDI in Multi-brand retailing in India. Almost 38.1

per cent of respondents remained neutral in this regard. However, 40.2 per cent of respondents also believed that there is a chance that FDI in multi-brand retailing gives rise to big arrogant international retailers. It can also be seen that 42.8 per cent of respondents agreed with statement 7, which says that FDI in Multi-brand retailing would be a threat to small retailers. As these customer groups see the players' strategies, this finding is significant for retailers and policymakers. The strategy adopted by the players. 49.5 per cent of the respondents believe that FDI in multi-brand retailing would create many job opportunities. Nearly 43 per cent of respondents feel that FDI in India's multi-brand retailing is a welcome change. This is an important observation because the primary data shows that customers believe it will increase job opportunities, make a wide range of options available under one roof, lower average customer spending, and be a welcome change in multi-brand retailing in India. One of the most dreaded effects of this approach has been this problem.

The tool has moderate internal reliability (Cronbach's alpha=0.65) to measure perception of consumers with regard to FDI in multi-brand retailing in India. A score was developed by sumup the values in the scale. Higher values indicate in perception of consumers in favour of FDI in multi-brand retailing.

Table 2: Mean scores of individual items of Consumer perception regarding FDI in Multi-brand Retailing

Items	Mean	N	Sd
I am not in favour of FDI in Multi-Brand Retailing in India	2.96	535	1.00
FDI in Multi-Brand Retailing give rise to big arrogant international retailers	3.27	535	0.92
FDI in Multi-Brand Retailing will offer wide choice of product under one roof	2.46	535	0.90
Customers will be forced to buy products at high rates	2.90	535	1.06
FDI in Multi-Brand Retailing will create lots of jobs opportunities	2.57	535	0.95
Average expenditure of the customers would decrease because of big retailers	3.16	535	0.93
FDI in Multi-Brand Retailing would be threat to small retailers	3.49	535	0.95
Do you feel that FDI in Indian Multi-brand retail is a welcome change	2.70	535	0.92

Table 2 presents the association of mean scores of customer perception regarding FDI in multi-brand retailing with background characteristics. The One-Way ANNOVA analysis reveals that the p-value ($p=0.003$) is less than in terms of occupation from the table value. However, the p value is more ($p=0.165$) in case of income.

Table 3: Association of Mean scores of Consumer perception regarding FDI in Multi-brand Retailing with background characteristics

Variables	Category	Mean	N	Std. D	P value [#]
Zone	Central	26.00	3	4.36	
	East	23.98	45	3.41	
	North East	23.38	13	3.73	
	North	23.33	381	2.78	
	South	23.61	18	3.60	
	West	24.07	75	3.29	0.203
Age	<20	23.34	146	2.85	
	20 to 29	23.21	250	2.64	
	≥ 30	24.24	139	3.53	0.003
Residence	Rural	23.33	98	2.60	
	Urban	23.56	437	3.06	0.491
Migration in lifetime	No	23.48	242	3.05	
	Yes	23.55	293	2.92	0.784
Gender	Female	23.40	400	2.83	
	Male	23.87	135	3.36	0.112
Marital status	Ever Married	24.06	131	3.59	
	Unmarried	23.34	404	2.73	0.015
Education	School educated	23.68	96	2.79	
	Graduate	23.15	205	2.47	
	Post graduate or higher	23.77	234	3.41	0.077
Religion	Hindu	23.35	450	2.85	
	Muslim	24.70	64	3.26	
	Other	23.33	21	3.98	0.003
Caste	General	23.64	345	3.22	
	OBC	23.25	151	2.59	
	SC/ST	23.46	39	2.01	0.40

Family Type	Joint	23.49	212	3.00	
	Nuclear	23.53	323	2.97	0.860
Family member	≤5	23.40	336	3.01	
	>5	23.71	199	2.92	0.233
Occupation	Employed	24.11	167	3.45	
	Not employed	23.24	368	2.69	0.002
Monthly family income	Less than 50K	23.48	252	3.03	
	50K to 1 lakh	23.69	232	2.68	
	1lakh and above	22.82	51	3.80	0.165
Total		23.51	535	2.98	

One-way ANOVA test for continuous parameters

From the result of testing in above table the Null hypothesis H0 2 is rejected. There is association found between occupation and customer preference regarding FDI in multi-brand retailing in India. It was also observed in the result given in table 3 that we are fail to reject the Null hypothesis H0 1. There is no association found between income and consumer preference regarding FDI in multi-brand retailing in India.

Conclusion

The decision to ease FDI restrictions and open up multi-brand retailing was against the nation's economic expansion. Creating an organised retail structure and enhancing retailing activities can be a significant step for the retail industry. Although the goals seem admirable, the effects are hotly contested. Arguments include the closure of Kirana stores, the loss of millions of jobs, etc. In India, a significant chunk of the retail industry is unorganised, making it the second-largest sector that doesn't call for any special training. Consumers preferences and choices for various products vary significantly according to availability and convenience. The policies and arguments also have been cited as the negative impact of FDI in multi-brand retailing.

In this study, consumer preferences for organised and unorganised retailing were compared. Additionally, it makes an effort to assess consumer preferences for FDI in multi-brand commerce. The study attempted to find out the association between income and consumer preference regarding organised and unorganised Kirana shops for purchase. It has empirically found that there is significant association with regard to change in income. With the rise in income consumers were strongly in favour of organised Kirana shops. They are preferably found convenient while shopping in organised format.

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