



## Impact of Shopping Malls on Small Retail Outlets- A Case study of Srinagar City

### KEYWORDS

unorganised retail, profitability, sales turnover, FDI

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**ABSTRACT** *This paper attempts to assess the impact of shopping malls on the unorganised retail sector in the Srinagar city. The results from the sample respondents revealed that there has been positive impact of shopping malls on the small retailers in the catchment of these malls. The positive impact was observed on the sales turnover and operational profitability measures. Apropos to findings, the study concludes that there should be a gradual and phase wise introduction of the "FDI in retail sector" in order to avoid the backlash.*

### Introduction

Indian economy is dominated by agriculture sector on employment front with retail sector enjoying the second place. This is in fact the largest private industry in India and poised to witness a major shift on account of the opening of the retail industry to multi-brand foreign direct investment (FDI). Retail sector in India is anticipated to grow around 25-30% annually. The contribution of retail industry to GDP of India was between 8-10 per cent in 2007, and reached the figure of 22 per cent by 2010. The recent decision by Government of India to allow 100 per cent FDI in multi-brand retail has generated a lot of interest amongst all the stake holders on the likely impact of this decision. Albeit, the Govt. of India has been relentlessly advocating FDI in multi-brand retail primarily because of its impact on bolstering the farmers' incomes, both upstream and downstream infrastructure development, and remunerative prices for farmers, tame inflation and sophisticated technical and managerial skill transfer.

The gigantic retail stalwarts from abroad like Wal-Mart, Carrefour etc. with their huge capital base and Technical know, unorganised retail outlets in India are feared to be hit very badly. The implementation of WTO recommendations at macro level since 1991 has led to the development of Malls across length and breadth of the country. The recent decision, however, is likely to create a different set of imperatives for retail industry in India. This study attempts to address this concern though from a different perspective. The purpose is to assess the likely impact which malls have on the unorganised retail neighbourhood in their respective catchment areas within the vicinity of 200-500 meters distance.

The evidence on the impact of malls on unorganised retail is contrasting with some studies showing impressive and favourable impact of malls on the small shopkeepers. However, there is a strong evidence substantiating the claim that shopping malls have a detrimental impact on unorganised retail outlets.

### Literature Review

The review of literature shows that the emergence of shopping malls has severely influenced operations of small shopkeepers and other unorganised business outlets. The sales figures and operating profits have been shown to be badly experiencing a receding behaviour. A study on the "impact of malls on small shops and hawkers in Mumbai" (Kailhan, 2007) unambiguously indicated that there has been a severe impact of malls on the unorganised retail shops operating in the vicinity of malls. The study further stated that Mega Malls are making deep inroads in the sales of retailers operating in the unorganised retail sector.

A study on the "Impact of shopping malls on the unorganised retail sector – a case study of Mangalore region" stated that

the malls interestingly have no severe impact on the employment scenario. However, the study further revealed that Malls have severely impacted the Turnover and Operating profits of the sample shops. Besides, there is also an adverse impact on the customers of sample shops. A survey based study of small unorganised retailers operating in close proximity to Food World and Subhiksha ( CII-KSA Technologies) in Chennai showed that none of them had to close their operations with the advent of these big organised retail formats. The study observed that there was a little impact on the sales and inventory on the selected respondents in the initial period of time; however, it changed gradually.

### Objectives of the Study

The study was conducted with the following research objectives:

- To identify and outline the socio-economic profile of the selected unorganised retailers.
- To identify the impact of shopping malls on the sales and profits of the sample retailers.

### Research Methodology

The research design is descriptive and exploratory in nature. The former research design is characterised by that it describes the problem as it exists and the researcher has no control over the variables. The exploratory research design helps in getting a deeper insight into the problem. The sample size refers to the number of items to be selected from the universe to constitute the sample. A size of 200 small retailers was identified and selected for the study based on various attributes like shop size, type of goods and their shops being located in the defined zone of 200- 400 meters of distance from the shopping mall. The data collection was done with the help of a questionnaire crafted and administered with the purpose of eliciting the needed data for achieving the research objectives of the present study. The zone was created based on the proximity to the organised retail outlet with the purpose of identifying the severity of the impact on local shops. The data collection was done by conducting various on-site visits to the respondents.

The study was conducted in the Srinagar city of the state of Jammu and Kashmir. The city is witnessing a massive infrastructural development on various fronts. The peace and stability in the region has also attracted a lot of investment both from the local investors as well as the outside investment. The subsidy and other inducements from the state government has also given impetus to the development works in the city and organised retail sector being the biggest beneficiary. The Data analysis was done with the appropriate statistical techniques and tools like SPSS and Micro Soft Excel for sound interpretation.

**Analysis and Discussion****Table: 1 Demographic Profile of the respondents  
N=200**

Attributes/category	No of Respondents	Percentage of Respondents
a) Age		
Up to 25 years	20	10
26-35 years	100	50
36-45 years	60	30
Above 45 years	20	10
b) Gender		
Male	198	99
Female	2	1
c) Education Status		
Primary	70	35
Secondary	90	45
Graduation	30	15
Post-graduation	10	5

**Source: Primary Data**

The analysis of the table-1 shows that overwhelming majority of the respondents are male 99% and just 1% respondent is female. This is purely because of the religious influence of the Kashmiri society which discourages the female participation in the market particularly shop keeping. Besides, 45% respondents hold graduation degrees, 35% hold secondary (10+2) qualification and meagre 5% are post-graduates. This is explained by the overall lower literacy rates in Jammu & Kashmir particularly in Kashmir province. The literacy rates are below the national averages. Further, the analysis reveal that 50% respondents are between 26-35 age group and just 10% of the respondents are above the age group of 45 years. Which again reflects that the overwhelming majority (90%) are in the "baby boomer" category and can provide the "demographic dividend" to the state.

**Table: 2 Sales Turnover and Operating Profit behaviour of Unorganised Retail Outlets  
N=200**

Parameter	Increased	Same/Unchanged	Declined
Profit	60%	15%	25%
Sales	65%	20%	15%

**Source: Primary Data**

The Table: 2 throws some astonishing figures, than analysis reveal that a great majority of 60% respondents reported an increase in the profits after the opening of the organised retail formats like Malls, 15% reported status-quo in the profit

behaviour. However, still a good percentage of respondents revealed a drop in their profit rates post-mall operation.

**Findings of the Study**

- The male population dominates the unorganised retail industry in at least in the Srinagar area and the figure is 99%
- Around 80% of the respondents hold primary and secondary qualification.
- The respondents in the age group of 25-45 dominate unorganised retail and this group constitutes around 90% of the sample size. This again shows that the male adults primarily rule the roost.
- The study also revealed that the Mall don't have any adverse impact on the sales and profitability of the respondent shopkeepers.
- There is also negligible adverse impact on the customer patronage of the unorganised retail outlets on account of the Malls.
- An overwhelming majority of the respondents observe that the entry of malls and permitting FDI in retail segment is not going to adversely impact the small unorganised retail industry in Srinagar city.
- The majority of the respondents also revealed that there is no need for them to upgrade their floor space.
- However, some value added services give a better shopping experience, this was revealed by good percentage of respondents.

**Conclusion and Suggestions**

The study is a unique in that it has revealed some astonishing facts. The analysis of sample shops revealed that the malls and opening up of retail sector is not going to impact unorganised retail in a bad way. In contrast to the common belief, that Malls have an adverse impact on the unorganised retail segment, the study found quite an encouraging support for opening of the retail segment in at least in Srinagar city. This can be observed from the increasing sales, profits and customer base of unorganised small shopkeepers which fall in the vicinity of organised retail formats like Malls. The present study is just a humble attempt to unravel the mystery behind the impact of organised retail formats like supermarkets, malls etc. on the small shopkeepers. The findings of the present study are encouraging in that the policy makers can make certain policy changes in the context of retail segment in Kashmir. However, the implementation of the Central governments' decision on FDI in Retail should be carried out in a controlled and phased manner for better reflecting the demands of all the stakeholders involved.

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