

Impact of Organized Retail Companies on Economic Condition of Farmers

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Abstract

Purpose of this study is to check the effect of opening of the organized retail stores on the economic conditions in terms of job opportunities, income and purchasing power of farmers of Haryana and Himachal Pradesh. The scope of the study is only those farmers who are linked with Mother Dairy, Reliance Fresh and Walmart. The data has been collected through the help of a questioner filled from farmers and analyzed by applying one way ANOVA. It has been found that farmers have different opinion regarding positive effect of retail companies on farmer's income, job opportunities, purchasing power and timely payments to the farmers on the basis of the procurement area. The income effect has been found more in case of Reliance Fresh, favoritism is more in Walmart, purchasing power has increased of Walmart and Reliance Fresh linked farmers. One of the finding is that as the people are becoming older and older their perception towards retail companies is keep on changing. Further, it is concluded that as the education level of the farmers increases they become more cautious. The marginal and relatively small farmers believe that their income has increase after linked with retail companies. Retail companies do not favour large sized farmers over small farmers. Most of the farmers accept that payments are made in time and job opportunities for rural people may increase. During visit I observed that most of the labours and employees of retail companies are of other states.

1. Introduction

India is currently witnessing the growth in the organized retail industry because of increasing urbanization and consumerism. The growth of organized retail has been steadily rising since 1999 because of changes in FDI policy in retail trade. The wholesale trading sector was opened for FDI in 1997 under the Approval Route, In 2000, the policy incorporated the supplement of "cash and carry trading" to the wholesale trading sector. On 10 February 2006, the wholesale trading or cash-and-carry trading sector was put under the automatic route and allowed 51 per cent FDI in single brand retail trading under the approval route.

As a result, the percentage share of organized retail sector reached to 7% (Rs.1350 billion) in the year 2010 and expected to be 10 percent of total retail industry (Rs. 2400 billion) in 2013(see table1).

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In future it can be even more as on 14 Sep 2012 government allowed 51 percent foreign investment in multi-brand retail.

2. Review of Literature

This section presents review of research works pertaining to the field of retail industry, experiences of retail business, impact of organized retail business on farmers, small retailer, hawkers and ultimate king the consumers. Review of some of the studies has been mentioned below:

M Joseph ,N Soundararajan et al (2008.) attempted to analyze the impact of organized retailing on different segments of the economy by largest ever survey of unorganized retailers consumers, farmers, intermediaries, manufacturers, and organized retailers. They found that low-income consumers save more than others through shopping at organized retail outlets during discounting seasons. Another finding is that farmers gain considerably from direct sales to organized retailers as compared to other intermediaries or to government regulated

Table: 1. Share of Organised Retail in India

Year	1999	2002	2005	2009	2010	2013 Expected
Total Retail (in billion INR)	7000	8250	10000	18450	19500	24000
Organized Retail (in billion INR)	50	150	350	920	1350	2400
Share of Organized Retail (%)	0.70	1.80	3.50	5.00	7.00	10.00

markets. These days, large manufacturers have also started feeling the presence of organized retail through price, payment pressures, the efficient supply chain and logistics. Researchers recommended that the government should facilitate the emergence of a “private code of conduct” for organized retailers and simplification of the licensing and permit regime to promote the expansion of organized retail.

Rasheed Sulaiman V et al (2010) explored the procurement operations of some retailers and their impact on producers of fruits and vegetables at Vontimamidi (a Vegetable growing cluster that is a major procurement hub of organized retailers in Hyderabad, India). The study found that farmers those selling their produce through organized Retailers are benefitted by way of higher prices than what is offered to them by the local Market. However, the organized Retailers purchase only quality or the first grade produce but in limited quantities to meet their front-end demands. Important observation is that both the government and the retailers are not doing enough to support Farmers.

Jitender Singh (2011) studied the impact of organized retail chains on revenue of farmer (A Case Study Of Mother Dairy Centre In Haryana). The objective of the study was to examine the terms and conditions of the procurement contracts of Mother Dairy and Reliance Fresh and also comparing revenue impacts of Mother Dairy and Traditional Marketing Channel on farmer. He found that bylaws, Reliance Fresh is much better than the Mother Dairy procurement contract in terms of price information, quality monitoring, mode of payments. The relatively simple contract of Reliance Fresh provides an edge to the Company to attract better quality of the product. However it does not mean that the Mother Dairy does not put up an incentive to grow more and better quality to the farmer. Despite the complexity of the Contract of Mother Dairy (MD), it provides a relatively better deal to the farmer as compare to the traditional market chain. This may be the reason that it has been successful for such a long time in many areas. On the practical side of the impacts of MD, it is found that except Green Chilly, Onion, and Musk

Melon the prices of local market are co-integrated with Mother Dairy prices. However, the higher instability of revenue does. In short the direct procurement of the MD has enhanced the farmer s revenue.

Gagandeep Shmarma et. All (2011) assessed the effect of opening of the organized retail stores on the unorganized retail, farmers and consumer. Another objective of their study is to find that how much the economy of Punjab, affected by growth of retail sector. The study revealed the changing patterns of the Indian retail industry with special reference to Punjab as well as understands the impact of organized retail on the consumption or shopping habits of the consumer in the state of Punjab. The study revealed that the Punjab retail sector is changing, new retail stores are being opened and running successfully and some other big players are showing interest to invest in the retail sector in Punjab. The study found that only 4% unorganized retail store has been effected by organized retailer and no significant change has been found in the buying behavior of consumers.

B. Aparna and C.V. Hanumanthaiah (2013) conducted the study to assess the impact of the forthcoming retailer on farmers, consumers and different marketing channels in Rangareddy district of Andhra Pradesh. Three vegetables i.e., tomato, brinjal and bhendi were selected. It has been found that the cost of cultivation has decreased due to involvement of supermarket effort to the farmers due to efficient utilization of resources and the net price received by the farmer in supermarket channel was more for all the three vegetables when compared to traditional channel farmers. The total marketing cost incurred by growers was more in traditional channels. The producer’s share in consumer’s rupee and marketing efficiency was higher for supermarket channel than traditional market channel producers for all the three selected vegetables. The innovative institutions contribute in reducing transaction costs and augmenting farm profits. The income, credit cards, refrigerator ownership are consistently significant determinants in the shopping behavior of the consumers. At last it was suggested that

Government should regulate prices, open and operate retail outlets and should assess the production and consumption level and announce the minimum support prices of the vegetables.

P. K. Sinha, S. Gokhale and Sujo Thomas (2012) endeavored to explore the industry and evaluate the extent of its impact on distribution and procurement networks and changing consumption pattern in India. The Indian retail industry is witnessing far reaching changes. The change is riding on an overall growth in income and consumption across the country. The impact of large format retailer in driving consumption is still limited. In view of the fact that the retail industry is largest employer after agriculture in India.

MS Priya Vij,(2013) studied the consumer behavior towards organized and unorganized retail stores and found the consumers satisfaction level from organized retail stores as well as unorganized retail stores. It is the study about the perception of traditional retailers for the modern retailing. The study uses primary data collected through in depth qualitative analysis. The survey concluded that the growth in the Indian organized retail market is mainly due to the change in the consumer's behavior. This change has come in the consumer due to increased income, changing, lifestyles, and patterns of demography which are favorable. Now the consumer wants everything under one roof. This has given Indian organized retail market a major boost. While on the other hand the traditional stores are shops, where the shopkeepers keeps latest products to their stores. These retail shops lacking the interaction with the customers have miserably failed in building base with loyal customer. In India it is quite uncertain that the organized retail will be ever able to overcome the unorganized retail completely.

3. Quantative Approach

After reviewing the literature it has been found that FDI in retail is helpful for the economic development of any country. Therefore, the Govt. and Farmer's organizations are expecting that the FDI in retail will help in the upliftment of the farmers and their economic conditions, as India is country of 600 million farmers, 1,200 million consumers and only 5 million traders. According to the Farmer leaders biggest problem of farmers is marketing. Because the mandi system does not favour farmers as they lose 5% of the value in transportation, 10% in broker commission and 10% in quality parameters. Now important question is that, whether the direct purchase by large retailers will be able to improve economic condition of farmers or not? It is said that he ultimate beneficiaries of FDI in retail may be the farmers.

Therefore, to confirm this thinking an Endeavour has been made here to study the “**Effect of Organized Retail Companies on Economic condition of Farmers**”

4. Objectives of the Study

The following objective has been framed for the proposed study:

1. To study the effect of organized retailer's on the economic condition of farmers.
2. To study the effect of organized retailer's on job opportunities in the rural area.

5. Research Methodology of the Study

To achieved the above objectives the following hypotheses have been formulated:

- Ho1: The organized retailers have no significant effect on economic conditions of farmers on the basis of area.
- Ho2: The organized retailers have no significant effect on economic conditions of farmers on the basis of Retail Company.
- Ho3: The organized retailers have no significant effect on economic conditions of farmers on the basis of age.
- Ho4: The organized retailers have no significant effect on economic conditions of farmers on the basis of education.
- Ho5: The organized retailers have no significant effect on economic conditions of farmers on the basis of agricultural land.

This study is a part of a minor project carried out by me and financed by my University, for which a questionnaire was designed of 25 statement, out of which 7 statements has been taken for this research paper. These statements are based on 5 point Likert scale ranging from strongly agrees to strongly disagree. The farmers who are linked with Mother dairy, Walmart and Reliance Fresh of Haryana and Himachal Pradesh constitute the size of the population. The sample for the study has been taken by using random sampling method. A sample of 300 farmers has been taken for collection of data, out of which only 258 completely filled questionnaires have been selected for analysis i.e. 30 from Pataudi (Gurgoan), 44 from Kundli (Sonipat), 17 from Ugra kheri (Panipat), 33 from Shahbad (Kurukshetra) and 134 from around Shimla. The data has been analysed with the help of one way – ANOVA for testing equality on the basis of farmer's area, company, age,

education and agricultural land of respondent. The data has been analysed with the help of IBM SPSS statistics 20.0.

6. Finding and Discussion

This section deals with the result of the collected primary data. The data has been analysed with the help of one way – ANOVA for testing equality on the basis of farmer's area, company, age, education and agricultural land.

The table No. 2 shows result of one way ANOVA across five areas that have been taken for the study. Total 258 respondent have been examined the study. Majority (134) of respondents belong to nearby Shimla, 44 from Kundli, 33 from Shahbad followed by Pataudi (30) and Panipat (17). The Null Hypothesis is that the organized retailers have no significant effect on economic conditions of farmers on the basis of area.

Table: 2. ANOVA Analysis on the Basis of Area

Statements (Dependent)	Mean score					ANOVA	
	Pataudi N=30	Kundli N=44	Panipat N=17	Shahbad N=33	Shimla N=134	F	Sig.
FDI in retail will have positive effect on farmer's income.	3.6333	3.8636	4.2353	3.9394	4.2313	3.733	.006*
Private firms favour large sized farmers rather than small farmers.	3.1000	2.5909	2.4706	3.1818	2.6791	2.293	.060***
The payments to the farmers made in time	4.4668	4.0682	4.2353	4.7879	4.4030	3.333	.011**
Job opportunity will increase in organized retail sector for rural people	3.1333	2.7273	3.7647	4.0909	3.2687	9.292	.000*
Purchasing power of farmers has increased in past years.	4.1667	3.8409	4.2353	3.2424	3.4328	8.966	.000*

*Significant at 01 percent, ** Significant at 05 percent and *** Significant at 10 percent

Table: 3. ANOVA Analysis on the basis of Retail Company

Statements (Dependent)	Mean Score		ANOVA		
	Reliance Fresh N=161	Walmart N=58	Mother Dairy N=39	F	Sig.
FDI in retail will have positive effect on farmer's income.	4.1739	4.1034	3.5385	7.996	.000*
Private firms favour large sized farmers rather than small farmers.	2.5901	3.5000	2.3846	16.354	.000*
The payments to the farmers made in time	4.5093	4.6552	3.5128	27.111	.000*
Job opportunity will increase in organized retail sector for rural people	3.3416	3.3793	3.0000	1.731	.179
Purchasing power of farmers has increased in past years.	3.6522	3.8448	3.1282	7.811	.001*

*Significant at 01 percent

Significant effect across different areas have been found at 01 percent significant level with regards to the statement that FDI in retail will have positive effect on farmer's income ($F=3.733$ and $p\text{-value}=0.006$), Job Opportunity will increase in organized retail sector for rural people ($F=9.546$; $p\text{-value}=0.000$), Purchasing power of farmer's income has increase in past years ($F=9.546$; $p\text{-value}=0.000$). Whereas, significant effect among these five areas have been establish at 05 percent significant level with regards to the statement that payments to the farmers are made in time ($F=3.333$; $p\text{-value}=0.011$) and with regards to the statement that private firms

favour large sized farmers rather than small farmers is also has the significant effect at 10 % significant level. Therefore, the null hypothesis is rejected. It means farmers have different opinion regarding positive effect of retail companies on farmer's income, job opportunities, purchasing power and timely payments to the farmers.

The table No 3 illustrates result of one way ANOVA across retail companies that have been taken for the study. Total 258 respondent have been examined the study. Bulk (161) of respondents belong to Reliance Fresh followed by Walmart (58) and rest of are belong to Mother Dairy. The Null Hypothesis is

that the organized retailers have no significant effect on economic conditions of farmers on the basis of Retail Company. Significant effect has been found across different retail companies at 01 percent significant level with regards to the statement that FDI in retail will have positive effect on farmer's income ($F=7.966$; $p\text{-value}=.000$). It means that farmers have different opinion regarding positive effect on their income. It is found that positive effect on farmer's income is more in case of Reliance Fresh than the other company.

Significant effect has also been found across different retail companies at 01 percent significant level with regards to the statement that private firms favour large sized farmers rather than small farmers ($F=16.354$; $p\text{-value}=.000$), payments to the farmers are made in time ($F=27.111$; $p\text{-value}=.000$), purchasing power of farmer's has increase in past years. ($F=7.811$; $p\text{-value}=.001$). In all of the above cases null hypothesis is rejected. On the basis of mean score it can be said that income effect is more in case of Reliance Fresh farmer, favoritism is more in Walmart, Purchasing power of farmers of Walmart

and Reliance Fresh has increased, because payments to the farmers are made in time. No significant effect has been found on the economic conditions of farmers in terms of job opportunities because of business operations of retail companies. In view of these result, it is now established that null hypothesis is true and accepted.

The table No. 4 displays result of one way ANOVA crossways among five age groups. Total 258 respondents have been surveyed during the study. Highest (93) respondents belong to 40-50 years age group and followed by (55)30-40 years age group,(53) 20-30years age group, (36)50-60 years age group and least is 21 respondents are of oldest age group. The Null Hypothesis is that the organized retailers have no significant effect on economic conditions of farmers on the basis of area. Significant effect among these five age groups have been noticed at 01 percent level with regards to the statement that FDI in retail will have positive effect on farmer's income($F=7.576$; $p\text{-value}=.000$) because old people group's mean score is more in comparison to the younger group.

Table: 4. ANOVA Analysis on the basis of Age

Statements (Dependent)	Mean score					ANOVA	
	20-30 years (N=53)	30 -40 years (N=55)	40-50 years (N=93)	50-60 years (N=36)	60-above years (N=21)	F	Sig.
FDI in retail will have positive effect on farmer's income.	3.5660	3.9636	4.2258	4.1944	4.6190	7.576	.000*
Private firms favour large sized farmers rather than small farmers.	2.6792	2.8364	2.8817	2.5000	2.7143	.785	.536
The payments to the farmers made in time	3.9434	4.2545	4.6344	4.5000	4.6190	6.256	.000*
Job opportunity will increase in organized retail sector for rural people	2.9057	3.2727	3.3978	3.6111	3.3810	2.723	.030**
Purchasing power of farmers has increased in past years.	3.5472	3.6364	3.6452	3.6111	3.6190	.103	.981

*Significant at 01 percent, ** Significant at 05 percent

Another statement i.e. the payment to the farmers are made in time ($F=6.256$; $p\text{-value}=.000$) is also proved significantly effective. Significant differences has been ascertain at 05 percent level in relation to the statement that job opportunity will increase in organized retail sector for rural people($F=2.723$; $p\text{-value}=.030$). Consequently, the null hypothesis is redundant and it can be concluded that as the people are becoming older and older their perception towards retail companies is keep on changing and all the age groups have common view that the purchasing power of farmer has slightly increase in past years, As a result here null hypothesis is acknowledged.

The table 5 demonstrates result of one way ANOVA between five age groups. Total 258 respondents have been examined during the study of which 79 respondents are illiterate and middle school pass, 83 high school pass,51 senior secondary pass, 24 graduate and remaining 21 are postgraduate. The Null Hypothesis is that the organized retailers have no significant effect on economic conditions of farmers on the basis of Education. Significant effect has been noticed at 01 percent level with regards to FDI in retail will have positive effect on farmer's income ($F=6.370$; $p\text{-value}=.000$), the payment to the farmers are made in time ($F=6.585$; $p\text{-value}=.000$), the purchasing power of farmers have increase in past

time (F=4.320; p-value=.002). Accordingly in all of the above statements the null hypothesis is disused and these are significantly different because as the

education level goes up mean score trend is found downward

Table: 5. ANOVA Analysis on the basis of Respondent Education

Statements (Dependent)	Mean score					ANOVA	
	8 th & > 8 th (N=79)	Metric (N=83)	10+2 (N=51)	Graduation (N=24)	PG (N=21)	F	Sig.
FDI in retail will have positive effect on farmer's income.	4.2658	4.0241	4.2745	3.7083	3.3333	6.370	.000*
Private firms favour large sized farmers rather than small farmers.	2.6709	2.9036	2.7843	2.7083	2.5714	.550	.699
The payments to the farmers made in time	4.5570	4.4819	4.4706	4.0833	3.5714	6.585	.000*
Job opportunity will increase in organized retail sector for rural people	3.4304	3.2169	3.4902	3.0417	2.9524	1.654	.161
Purchasing power of farmers has increased in past years.	3.7595	3.6988	3.6471	3.4167	2.9048	4.302	.002*

*Significant at 01 percent, ** Significant at 05 percent and *** Significant at 10 percent

It can be concluded that as the education level of the people increases they become more cautious. Majority of the farmers belongs to high and senior secondary schooling. Graduate and postgraduate are account only less than 20% of the sample. Otherwise conclusion of no significant difference could be drawn. There is no significant effect on the basis of education on economic condition of farmers because of retail companies with regards to the statement that private firms favour large sized farmer rather than small farmer. The mean score reflect that farmers are disagree with the statement. It means that retail company do not do any discriminate between their suppliers. Hence, null hypothesis is acknowledged.

The table No. 6 reveals result of one way ANOVA between five categories of agriculture land holding of farmers. Out of total 258 respondents, 52 respondent have less than 2.5 Acres, 116 respondent

have land between 2.5 to 5 acres, 39 respondent have between 5 to 10Acres, 24 farmers have piece of in between 10 to 20 Acres and followed by big landlord who have more than 20Acres. The Null Hypothesis is that the organized retailers have no significant effect on economic conditions of farmers on the basis of agricultural land. None of the statement has been found statistically significantly different on the basis of agricultural land. On the basis of corresponding mean scores it can be concluded that marginal and relatively small farmers believe that their income has increase after linked with retail companies. Retail companies do not favour large sized farmers over small farmers. Most of the farmers accept that payments are made in time and job opportunities for rural may increase. During visit I observed that most of the labours and employees of retail companies are of other states.

Table: 6. ANOVA Analysis on the basis of Agricultural Land

Statements (Dependent)	Mean score					ANOVA	
	<2.5 Acres (N=52)	2.5-5 Acres (N=116)	5-10 Acres (N=39)	10-20 Acres (N=24)	Above 20 Acres (N=27)	F	Sig.
FDI in retail will have positive effect on farmer's income.	4.1346	4.1121	4.0000	3.8750	3.9630	.535	.710
Private firms favour large sized farmers rather than small farmers.	2.7308	2.8879	2.6410	2.8750	2.3704	1.208	.308
The payments to the farmers made in time	4.3077	4.4483	4.2821	4.5000	4.3704	.461	.764
Job opportunity will increase in organized retail sector for rural people	3.1538	3.3793	3.1026	3.1250	3.6667	1.616	.171
Purchasing powers of farmers have increased in past years.	3.4423	3.5948	3.7179	3.7917	3.7407	.943	.440

*Significant at 01 percent, ** Significant at 05 percent and *** Significant at 10

Percent Table No. 7 shows the level of employment that has increased in farmer's family by number of person. There are only 5(1.9%) families whose 3 members got employment due to the retail companies, 21 (8.1%) families whose 2 members got

job due to the presence of retail company in their area and 40 (15.5%) families whose only single member got employment because of the collection centres of these retail companies.

Table: 7. Employment has increased in farmer's family by

Category	Frequency	Percent	Valid Percent	Cumulative Percent
Zero Member	192	74.4	74.4	74.4
One Member	40	15.5	15.5	89.9
2 Member	21	8.1	8.1	98.1
3 Member	5	1.9	1.9	100.0
Total	258	100.0	100.0	

Table: 8. After the business relation with retail company income has increased by

Category	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 5%	79	30.6	30.6	30.6
5-10%	105	40.7	40.7	71.3
10-15%	56	21.7	21.7	93.0
15-20%	12	4.7	4.7	97.7
More than 20%	6	2.3	2.3	100.0
Total	258	100.0	100.0	

Table No. 8 explains that after the business relation with retail company income has increased by how much percentage. There are only 6 (2.3%) families whose income has increased by less than 20% due to the presence of retail company in their area and 12 (4.7%) families whose family income goes up by 15- 20% , 56(21.7%) families are such whose income goes up by 10-15% , 40.7% families are such where income hike in their family has been found 5-10% and 30.6% families are those, whose income has increased least one i.e. less than 5%.

7. Conclusion

It has been found that farmers have different opinion regarding positive effect of retail companies on farmer's income, job opportunities, purchasing power and timely payments to the farmers on the

basis of the procurement area. The income effect has been found more in case of Reliance Fresh, favoritism is more in Walmart, purchasing power has increased of Walmart and Reliance Fresh linked farmers. One of the finding is that as the people are becoming older and older their perception towards retail companies is keep on changing. Further, it is concluded that as the education level of the farmers increases they become more cautious. The marginal and relatively small farmers believe that their income has increase after linked with retail companies. Retail companies do not favour large sized farmers over small farmers. Most of the farmers accept that payments are made in time and job opportunities for rural people may increase. During visit I observed that most of the labours and employees of retail companies are of other states.

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