



**REVIEW ON IMPACT OF GLOBALIZATION ON INDIAN RETAIL SECTOR - IMPACT
AND PROSPECT ASSESSMENT**

Dr. Amit Keshavrao Patil.
Associate Professor, Marketing
MITCON Institute of Management, Pune
amitpatil.mitcon@gmail.com

Dr. Jatin Trivedi
Associate Professor
Amity University Mumbai
contact.tjatin@gmail.com

Abstract

India has emerged as one of the financial superpowers having a major say in the global economy, the Indian economy on an average has witnessed a growth rate of 6-7 % every year, also being the second most populated nation in the world the Indian market has got huge potential. Multinational conglomerates and even local business houses have taken full advantage of the opportunities which lie in the country by expanding rapidly, almost all sectors have witnessed tremendous boom as a result, this can also be supported as mentioned by Nayak (2008), that ever since the Indian market was opened in the early 1990's to foreign investors there has been huge amounts of investments made by many multinationals, this has fuelled the growth in economy and along with it has led to most sectors within the country witnessing a boom, several job opportunities are there as compared to before, many choices for products and services are there which consumers can avail, rising level of disposable income and so on are factors that have led to overall growth. In order to highlight some of these issues and elaborate on the same this research is a case study on the Indian retail market whereby apart from positive sides negative side of globalization will also be discussed, the retail sector has been chosen because it has grown most amongst all sectors in India and also is the largest industry contributing to the Indian economy.

I. INTRODUCTION

Over the last twenty years or so India has emerged as one of the financial superpowers having a major say in the global economy, the Indian economy on an average has witnessed a growth rate of 6-7 % every year, also being the second most populated nation in the world the Indian market has got huge potential. Multinational conglomerates and even local business houses have taken full advantage of the opportunities which lie in the country by expanding rapidly, almost all sectors have witnessed tremendous boom as a result, this can also be supported as



mentioned by Nayak (2008), that ever since the Indian market was opened in the early 1990's to foreign investors there has been huge amounts of investments made by many multinationals, this has fuelled the growth in economy and along with it has led to most sectors within the country witnessing a boom, several job opportunities are there as compared to before, many choices for products and services are there which consumers can avail, rising level of disposable income and so on are factors that have led to overall growth. Steve Schifferes in an article on similar terms mentions the fact that as a result of globalization there has been boom in the Indian market, in particular the IT sector, as a result of this many other sectors have witnessed boom because of many multinationals entering the market and setting up plants and manufacturing operations (www.bbc.co.uk). It is clear from the above discussions that as a result of globalization and opening up of Indian markets to foreign investments the countries economy is on the upward curve, along with this most sectors like IT, Hospitality, Retail, Real estate and so on have witnessed a steady phase of growth.

Thakur (2009), mentions that as a result of growth in different sectors like IT, telecommunications, retail, real estate and others the Indian market has changed considerably in the last decade or so, the overall scenario has changed whereby there has been significant development in infrastructural facilities and so on. The Indian consumers are now demanding more value for money at all times, this has been because of the fact that for any product and service they now have multiple choices and organizations are providing them better quality in order to attract them, this in a way has led to organizations making new products and services as per the changing requirements of consumers. Similarly Pramanick & Gangu (2011), mention that as a result of globalization there have been many opportunities that have been created across the globe, not only foreign multinationals are entering the Indian market but Indian business houses too are venturing into foreign markets, this in a way has led to many new innovative practices being followed as a result of organizations adopting best policies and practices from different cultures, from a business point of view this has benefited the Indian customers as they are now getting superior value for money, also the market conditions have changed as a result of intense competition in different sectors. Many new players have entered different sectors in order to fulfill the rising demand, however this has intensified competition levels to an all time high, most businesses are now struggling to maintain market share and levels of profit. Above two facts clearly highlight that the Indian market has changed drastically as a result of FDI & Globalization, consumer mindset has changed, business models followed by organizations have changed, development in infrastructural facilities, entry of new players on a more often basis intensifying competition levels and so on are some of the changes that two aspects have brought about in Indian market.

As far as the Indian retail market is concerned Mukherjee & Patel (2005), mention that Indian retail market is in the midst of a retail boom, from small unorganized retail to organized retail the market is growing rapidly, many international brands have entered the market and local business players along with venture capitalists are setting up huge malls in different parts of the country. This has led to unorganized retail operators to change their business models in order to compete effectively against large players. Mall culture is now prevalent in most cities across the country, consumers now get everything under one roof and this in a way has changed their mindset to a considerable extent. On similar lines according to Gupta (2008), in recent years



retailing has become India's largest industry, it accounts for 8-10% of the GDP, there has been significant growth in organized retailing in India and the trend is set to continue over the next decade or so, the entry of many international and domestic players has led to the market conditions changing drastically, retail processes and operations have improved drastically over the past few years. Increasing globalization of Indian economy has led to the market being exposed to foreign markets and as a result there has been rise for international shopping experience in India, availability of credit cards, increased mobility, more disposable income and so on are some of the factors that have led to growth within the retail sector in India. The entire mindset of Indian consumers has changed which has resulted in new patterns in their buying behavior, this has led to retail organizations adopting new and innovative models in order to satisfy the growing and fast changing demands of Indian consumers. Above two discussions highlight some of the facts about how the retailing market in India has changed as a result of globalization.

According to another report as a result of globalization and increased cross border trade between nations across the world many developing economies are booming, India is one of the fastest growing and its retail sector in particular has witnessed many transformations, these have happened because of the fact that many western corporations and corporate have entered the sector, as a result consuming buying behavior trends have changed, there has also been increased influence of western culture and so on, but the most important change is that of competition, there is stiff competition in the market as many new players have entered, it is no longer a monopoly where few large players have complete control over everything right from quality of products to prices. In the current scenario customer demands are more and in case if retailers have to survive then they need to provide good quality at competitive prices (www.rncos.com).

All of the above discussions when taken into consideration points out towards the fact that globalization has been beneficial for markets across the world, also the Indian retail market has benefited out of globalization, however there have been negative aspects related to globalization like increased competition levels leading organizations to adopt aggressive and at times unethical practices in order to survive the competition. The market scenario is fast changing and retail organizations need to be effective and efficient in order to cope up with the volatility of change.

II. RESEARCH PURPOSE

One of the prime reasons behind choosing the topic and carrying out research is the fact that a lot of literature has been written on how globalization has impacted the Indian economy in a positive manner, however there are some negative aspects associated with the phenomenon, rising competition levels, high risks as economies are now exposed to downturns in the world economy and so on. In order to highlight some of these issues and elaborate on the same this research is a case study on the Indian retail market whereby apart from positive sides negative side of globalization will also be discussed, the retail sector has been chosen because it has grown most amongst all sectors in India and also is the largest industry contributing to the Indian economy.



III. MAIN AIM AND OBJECTIVES BEHIND RESEARCH

The main aim of research is to highlight positive and negative aspects of globalization and how it has impacted the Indian retail sector.

Following are the objectives behind research:

- a) To analyze and evaluate the literature related to globalization and its impact on trade across the globe
- b) To analyze and evaluate positive and negative aspects related to globalization
- c) To analyze and evaluate changing trends in Indian industry as a result of globalization
- d) To analyze and evaluate changing trends in Indian retail industry
- e) To analyze and evaluate positive and negative aspects of globalization which have affected Indian retail industry

IV. LIMITATIONS

As mentioned in the purpose section the research will be a case study on Indian retail sector so as far as geographical domain is concerned the research would be limited to the Indian market and its retail sector. Also it will look into some of the positive and negative impacts of globalization on the Indian market as covering all the aspects within the limited timeframe and word limit will not be possible.

V. QUESTIONS ASSOCIATED

- Q1) What have been the significant changes that have taken place in markets across the globe as a result of globalization?
- Q2) Which are the main positive and negative aspects associated with globalization that have affected markets across the globe?
- Q3) As a result of globalization how has the Indian economy been affected?
- Q4) What advantages and disadvantages has globalization brought about with it for the Indian economy?
- Q5) What are the major transformations that have taken place in the Indian retail market as a result of globalization?
- Q6) Which are the main positive and negative aspects associated with globalization that have affected the Indian retail market?

VI. STRUCTURE

The research will be divided into five main sections namely Introduction which is this chapter, literature review, methods used for research, analysis of data and finally conclusions and suggestions. The chapter will give the reader an idea about what the research will be all about, the next section would involve discussion of secondary data in the form of theories which are associated with research, the third section would contain a discussion on which methods have been used in order to carry out the research and what are the reasons behind it, the fourth section would be analysis of primary data that will be collected via the means of 5 semi



structured interviews with top managers of retail houses and questionnaire survey on local public sample size for which would be minimum 200, finally on the basis of results that have been obtained, theories that have been discussed in second section and authors own analysis of all the facts conclusions will be drawn and on those basis necessary suggestions will be made.

VII. LITERATURE REVIEW

In this piece of section secondary data will be discussed and analyzed, theories related to globalization and its impact on markets across the world, positive and negative impacts of globalization in different markets across the globe, boom in retail market in India, changing scenario of how the retail market is operating as a result of globalization, positive and negative impacts of globalization on the Indian retail market and so on. This is being done because of the fact that secondary data from reliable and genuine sources helps in eradicating validity and reliability problems associated with research, also the findings of primary data when matched with secondary data leads to the results being accurate.

1. GLOBALIZATION: IMPACT ON TRADE ACROSS THE GLOBE

According to Eikins & Voituriez (2012), as a result of globalization there has been tremendous growth in international trade, unlike previously where the markets of most nations across were closed to international trade now the scenario is completely different, many developing countries have opened their market for international trade. Many multinational organizations have entered markets across the globe which has resulted in increased cross border trade, also this has led to people getting more choices for products and services than what they used to get earlier, also as a result of globalization there are few barriers in international trade, governments across the globe in order to take advantage and grow their economy have eased sanctions on trade within their country, this has led to multinationals as well as domestic players expanding their business operations.

Also as quoted in an article by Dianu “The process of globalization has resulted radical transformation of economic life. This process is unprecedented: the generalization of market economy, the increasing of production, of needs and circulation of information, products, people and capital, implementation of technical systems becomes more efficient, increasing the quantity of waste, etc. The inequalities in society became deeper. The balance of planet is threatened. The reductionism of the signatory states of the WTO agreements has the following meaning: the states are no longer able to govern the country for the purposes of care to protect the interest of their peoples. They are obliged to encourage the development of a market free of any obstacle, a market which is subject to their national policy” From the above discussions it is clear that as a result of globalization there has been increase in international trade, governments across the world are removing trade barriers and easing processes of trade within their country, this has made many firms opening up plants across the globe.



2. GLOBALIZATION: POSTIVE AND NEGATIVE IMPACT ON INTERNATIONAL TRADE

According to Gitman & McDaniel (2008), globalization has been the engine that has created jobs and wealth, this has been because of factors like growth in international trade, increased productivity, many business opportunities across the globe, fall in prices leading to more and more people availing different products and services, multinationals expanding their presence in different nations, living standards of people rising and so on, on an overall basis globalization has led to the world economy becoming independent, no longer are western superpowers dominating and having a major say on international trade, developing nations are fast catching up with them. From the above discussions it can be concluded here that globalization has been good for international trade and economy because of many reasons.

According to Dubrin (2008), there are many disadvantages associated with globalization for international trade, the boom in developing countries has been as a result of multinationals from their nations entering markets of developing economies and investing heavily, however in case if they withdraw the investments the booming economies of these nations will fall flat, also as a result of globalization economies and trade between nations has been exposed to the volatilities of global market, another disadvantage which globalization has brought about is the fact that competition levels have intensified and small players in domestic markets face the bitter truth of being eliminated from the market, this is because they lack the financial power and resources to compete effectively against large multinational conglomerates.

Hussain (2010), on similar mentions the fact that on one hand people in developing nations have got jobs as a result of outsourcing by western multinationals, however people in developed countries on the other hand have lost their jobs, this has been done in order to minimize costs, western multinationals make products and services in developing nations and pay a small fraction of money to workers, on the other hand they sell the same products at a very high price in their respective countries, there have been many cases of human rights violation which have been raised in recent years. Also as a result of globalization consumer tastes and requirements are changing fast, from an organization point of view this is a huge disadvantage as continuously they have to adapt to these volatile changes.

Lane (2006), on similar terms adds that as a result of globalization developing and underdeveloped countries are being exploited by developed ones, also apart from this multinationals use heavy machinery which leads to loss of jobs, cultures across the globe have been disrupted, environmental problems and so on are some of the other demerits of globalization. Analyzing all of the above it can be said that globalization has advantages and disadvantages associated with it, trade has increased and so on but on the other hand rise in competition level, economies being exposed to volatile changes in global economy and so on are disadvantages associated with it.

3. BOOM IN RETAIL MARKET IN INDIA: CHANGING TRENDS

Bhatia (2008), mentions that there are three aspects that have fuelled the growth of retail industry in India, firstly newer and bigger forms of retailing have emerged in urban areas which have given customers a unique experience of shopping, this has been because of consumers demanding more, many multinational brands entering and Indian public having



more disposable income than ever before. Apart from this the other reason is growth of retail in rural sector, companies have recognized the vast potential of retail in rural India as more than 50% of the population is from rural parts, particularly FMCG & consumer durables sector, lastly the traditional retailers are now open to new ideas and the growth in organized retail in comparison to unorganized have fuelled the growth in the retail sector.

Pradhan (2012), on the other hand mentions the fact that within the next few years 25,000,000 sq.ft of retailing space is set to come up in urban areas, also once FDI comes large multinational players like wal-mart, tesco and so on will add to the already growing retail sector. The consumer base in countries like India and China amounts to hundreds of millions and is young and is expected to grow three times in the next few years, also these two countries have a 3rd of the world population, this supplemented by boom in economy, more jobs, high levels of incomes and so on have made these markets attractive destinations for foreign retailers, also this has been because of the fact that as per estimates in the next 10-15 years the majority of growth in consumption will be in the largest of developing economies. Analyzing the above two statements we can see that there are many factors that have caused boom in Indian retail sector, large young population, high levels of income and so on are some of the factors that have contributed to the growth in Indian retail sector.

4. RETAIL SECTOR IN INDIA: ADVANTAGES AND DISADVANTAGES OF GLOBALIZATION

Ashwathapa (2008), mentions that as a result of globalization Indian retail sector has benefited and also on the other hand risks have increased, with regards to benefit it has led to organizations adopting a customer centric model which in general has benefited the Indian public, they now avail best in quality and price products and services at their disposal, apart from this the employment opportunities have increased within the sector. However on the other hand there is a huge debate about wages being paid to workers, multinational brands pay only a small fraction to workers in developing countries as compared to what they pay in their country of origin, they sell the same product for a much higher price and in a way the western multinationals are benefiting hugely, the gap between the rich and poor is ever increasing.

On the other hand Sekri & Singh (2008), mention that as a result of growth in organized retail, small unorganized retail players are facing the heat, they face the threat of extinction from the market, taking into consideration that unorganized retail accounts for 90% or so of the retail sector this would be a huge blow in terms of loss of jobs and revenue. This has also led to the culture changing in India whereby there is heavy influence of western culture on Indians living in urban areas, one cannot imagine India without Kiranawala's (small corner shop) or rediwala's (street shops), also many multinationals will not be exporting to India but rather they would be importing products and services outside India which will lead to loss of foreign reserves.

According to Nair & Nair (2011), globalization has led to Indian retail market changing for good, in particular for farmers and other small time manufacturers, this is because of the fact that large retail houses deal directly with farmers and other small manufacturer in order to procure raw material or finished goods, food items and so on, this has led to the culture of middle men dealings declining, in a way farmers and other small manufacturers are getting the



best price for their products. Apart from this consumers are now getting fresh food products and so on without any adulteration at affordable prices, this is because the increase in commission as a result of middlemen being involved raises the prices of different products and services. Fernando (2011), on the other hand argues the fact that as a result of retail sector growing in India the competition levels have gone up, the cut throat competition has led to companies in India facing the heat because of foreign competition, also in order to cope up with pressures there is a risk of companies adopting to malpractices which will be detrimental for consumers and Indian economy alike. According to Kothari (2008), research methodology is beneficial in terms of completing the research in a timely and systematic manner, it helps the researcher by providing techniques which can be used for data collection, analysis and finding results.

VIII. RESEARCH DESIGN

This research is going to be descriptive in nature, this is because of the fact that all data collected and different phenomenon's on which it has been collected will be described in a detailed manner, also because of the fact that the author wanted to explore and find out about what are the different advantages and disadvantages associated with globalization this type of method has been chosen. Also the fact that the research is going to be a case study on the Indian retail market gives the research a descriptive design.

Research Approach

There is a pragmatic or mixed methods approach in order to carry out this research, this is because of the fact that data collected and analyzed will be qualitative as well as quantitative; use of both approaches gives this research a mixed methods or pragmatic approach. Also because of the fact that primary data gathered from interviews is in the form of words and responses obtained from general public have been measured using a likert scale of 1-5, these both sets of data have been compared and analyzed in order to get accurate research findings.

Research Philosophy

The philosophy adopted for doing this research is social constructivist paradigm, this is because of the fact that in order to discuss and know more about impact of globalization in positive and negative manner on businesses & Indian retail market in particular, the author has discussed the same with different people and gained their views, this is because of the fact that every individual has different views and as far as this research is concerned it is about knowing whether or not globalization has been beneficial for Businesses across the world.

Collection Of Data

It has been mentioned in the approach section that in order to conduct this research both primary and secondary data have been gathered, the following section will highlight from where and how the primary and secondary data was collected and advantages of doing the same.



Secondary Data

Secondary data has been collected in the form of theories, facts and discussions that have been done before on whether globalization has been good or bad for world markets and in particular the Indian retail sector, these were collected from trusted sources like published books, journals, newspaper articles, website articles and so on. The main advantage of secondary data was the fact that the author did not waste much time collecting it, also it was readily available and no money was spent on procuring it, the other advantage of secondary data was the fact that primary data contained views of people who were interviewed or asked to participate in questionnaire survey, their perceptions will be theirs and it doesn't necessarily mean that they might be right, in order to tackle the issue the results obtained through analysis of primary data were matched with those of secondary, in a way it removed any bias with regards to genuineness of results.

Primary Data

The primary data for this research was collected through two methods, qualitative was collected by interviewing 8 managers working with top domestic and multinational retail giants operating in the Indian market, this was done in order to get first hand information about what they think about globalization, whether or not it has been positive or negative from the viewpoint of Indian retail sector and companies operating within it, the interview technique used was semi structured. Qualitative data is rich in content and provides deep insights into various phenomenon, also other peoples perspective can be found out and also any judgment made before research is avoided by this method. Anderson (2004), mentions that Semi structured interviews allows the researcher to probe questions in depth and detail, this is because the questions are open ended and also the data obtained is qualitative which again adds depth to phenomenon's being discussed in research.

Quantitative data was collected through questionnaire survey, it had 8 questions and all questions were judged on a scale of 1-5 (1-Very high, 2-High, 3-Average, 4-Low, 5-Very low), the questions were close ended and focused on obtaining responses from people about how they are linking the changing Indian retailing scenario and whether or not it has changed for good or bad. Quantitative data is beneficial because it is collected from large number of people which subsequently leads to the researcher obtaining a general view on any subject, also personal opinion can be avoided as the questions are close ended. One of the other reasons for collecting quantitative data is the fact that it provided support to findings of interview and secondary data analysis results.

Data Analysis

It has been discussed in the previous parts that both qualitative and quantitative techniques will be used for analyzing the data, the primary data collected through interviews and also secondary data has been analyzed through qualitative techniques whereas primary data collected through the means of questionnaire survey was analyzed by using quantitative techniques. The following contains an in depth explanation of the techniques used.



Qualitative Analysis

All secondary and primary data was first put under different categories like views of people interviewed and facts obtained through secondary data on globalization and its advantages and disadvantages for markets across the globe, changing retail market scenario in India and lastly how has globalization impacted the retail market in India. The method used was discussion and argument analysis whereby different theories related to the above were discussed, the views of different authors and managers were combined in order to get genuine results, also this method was beneficial because of the fact that each and every phenomenon was discussed from different perspectives which gave the research depth. The advantage which this method provided the research was the fact that it was helpful in coming to a consensus on certain facts, this in a way lead to accurate conclusions being drawn out of research findings. Dey (2003), similarly mentions that qualitative data analysis is beneficial with regards to putting different theories under different sections and then discussing them in depth, this is followed by integrating all findings under a common umbrella which leads to accurate conclusions being taken out.

Quantitative Analysis

There were 8 questions in the questionnaire survey which were asked to people randomly about their experiences on how they feel about changing retail trends in India, how much do they like the mall culture, are they benefiting from changes as compared to before and so on. All the responses were obtained on a likert scale of 1-5, where 1 is very high response and 5 is very low response. Once all responses were obtained these were then put on excel and average or mean values of each question were obtained, the end result indicated how strong consumers feel about a particular phenomenon related to changing retail market scenario in India. One of the main advantages of quantitative data and analysis was the fact that responses were obtained without much fuss and also the analysis of results was done quickly, also it provided richness to the findings because of the fact that views were gathered from large number of people. Bamberger (2000), mentions that quantitative data analysis is beneficial for the research because of the fact that results obtained through it represent the views of majority population and therefore any bias is removed in the process.

Sampling Technique Used

For selecting managers with whom the semi structured interview was taken non probability purposive and judgmental sampling was used, this is because of the fact that managers who have more than 15 years of experience were chosen, this was done simply because of the fact that they have witnessed the changes in the retail sector in India and would be the ones who would be better equipped to answer questions on globalization, changes in retail sector in India and impact of globalization on retail sector in India, also their views helped the researcher to getting near enough accurate findings.



IX. CONCLUSION

Due to globalization within Indian retail market there is continuous improvement of products and services, organizations know for a fact that in case if they have to survive in the market their products and services should be of high quality and in accordance with consumer tastes and requirements. Every aspect like product quality, price, features and so on are being concentrated upon in order to get more and more customers, in a way this has led to consumers in India getting high value for different products and services at competitive prices.

And the disadvantage which globalization has brought about is the fact that competition levels have intensified and small players in domestic markets face the bitter truth of being eliminated from the market, this is because they lack the financial power and resources to compete effectively against large multinational conglomerates.

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