



A Comparative Study between Small Retailer and Mall Shop Keepers with Special Context to Capital Employed and Profitability in Indore City

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Abstract

Small retailer and the mall shop operators are very important for full filling the day to day needs of the city along with it, provides a wonderful opportunity for earning of livelihood in the form of own business and employment. The business environment in the last decade has changed the face of every business activity with paradigm shift in the volume and quality. The phenomenon gave birth to idea of doing a comparative study. The research study is design for finding the answers of such questions like which segment's ROI is better by comparing the relevant data of small retailer and mall shop operators. it is the comparative study of capital employed , working capital along with profitability between small retailer and mall shop operators of Indore city.

Introduction

India is considered to be an ancient country, and so is the retail business in India. India is called 'The nation of small traders and retailers'. We cannot imagine life in our country without the support of small traders and retailers who provide lots of services. In the recent times among all the other growing sector, small trading and retailing have become the most growing sectors in our economy which in turn help the nation to enjoy greater economic and social progress.

In recent past the indian retail has moved from unorganised to organised sector these gave birth to another concept of retailing which we know as mall culture. since the inception of mall culture the competition started between mall operators and small traders.

Concept of Capital Employed

The term capital means the fund required for establishing, developing expanding and diversifying any business venture successfully. It is the combination of owners fund and barrowed funds technically called as debt and equity .these ratio presents the capital structure of any business. In such competitive world one cannot think of any business starting without capital the quantum may be different but need is compulsory. In every business, the capital employed is divided in two major parts namely long term and working capital. The capital employed plays very vital role in every business. One part of capital reflects in non- current asset and working capital is in current assets. It is observed that some business need of long-term capital is more and in some case working capital need is more it depends up on the nature and type of business.

Concept Of Profitability

Every business operation is an economic activity and from such activity, we expect return these returns are based on effective operation and utilization of capital employed. The result of such action is known as profit. Profit is such a vital aspect of any business weather the business is a small unit or a big unit the significance of profit remain same because the survival and sustainability of every business largely depends on it profit earning capacity of the business.

Concept of ROI



Return on investment (ROI) is a popular financial metric for evaluating the financial consequences of investment. It measures the profit or loss on an investment that is capital employed in the business. ROI normally expressed as percentage of return on investment made in the business. it is typically used for making financial decision of the business or to compare the profitability along with efficiency of different investments.

ROI = Net profit/ capital employed x 100

Net profit before inters and tax

Debt plus equity

Review Of Literature

According to Dash (2011), the Indian retail sector is growing at a very rapid pace all over the country. In India retail sector is contributing 10% to the GDP as compared to 8% and 6% in China and Brazil respectively.

Rahman (2012) found that organised retail sector is expected to grow 10%, the study revolved around the opportunities and challenges faced by organised retail sector in India. The study finds that unorganized retail sector is the biggest challenge for organized retail.

Piyush Kumar Sinha; Hari Govind Mishra ;Surabhi Koul, IIM Ahmedabad suggested in their ground theory approach, that the small retailers are searching for the profits, and the problem is, they are using the traditional and outdated techniques if they remove the low selling products and if they bring new variety of products. They are of the belief, it will attract the customers and it will also maximize the profit. (Chaing & Wilcox 1997) their studies are mainly on the importance of profit related variables on retail product adoption and shelf allocation of the products

Objectives of the Research

To understand the requirement and importance of capital employed in each segment.

To observed relationship between capital employed and turnover.

To observed relationship between capital employed and profitability.

Hypothesis Of Study

Capital employed turnover ratio of small retailer is better as compare to mall shop operators.

ROI of small retailer is better as compare to mall shop operators.

Research Methodology

Data Collection

For the purpose of ideal impact to be created in any research work the data collected plays a very important role as far as research analysis is concern. Therefore, the collection of data is done very sincerely and with utmost care. The data is collected through questionnaires and interviews from the different areas of Indore city. The complete research work is based on primary data no secondary data is used.

The sample size for the study considered are 138 selected by convenience sampling. Proper care has been taken that data should represent different areas of Indore. For the purpose of analysis of data and to draw the effective conclusion, cross tabulation of data will be done along with calculation of various ratios like capital employed with turnover and return on investment

Validation Of Data

For the purpose of the study and analysis the data tabulation is as follows :

Investment made to start the Business in the Mall * Annual Turnover in last five years							
Cross tabulation							
			Annual Turnover in last five years				Total
			20 Lk - 40 Lk	40 Lk - 60 Lk	60 Lk - 80 Lk	Above 80 Lk	
Investment made to start the Business in the Mall	10 Lk - 20 Lk	Count	6	3	2	1	12
		% of Total	10.2%	5.1%	3.4%	1.7%	20.3%
	20 Lk - 30 Lk	Count	5	5	3	0	13
		% of Total	8.5%	8.5%	5.1%	0.0%	22.0%
	30 Lk - 40 Lk	Count	2	0	9	2	13
		% of Total	3.4%	0.0%	15.3%	3.4%	22.0%
	Above 40 Lk	Count	4	0	5	12	21
		% of Total	6.8%	0.0%	8.5%	20.3%	35.6%
Total		Count	17	8	19	15	59
		% of Total	28.8%	13.6%	32.2%	25.4%	100.0%

Cross Tabulation Table 1

The above table shows Cross-Tabulation between Investments made to start the Business in the Mall with Annual Turnover in last five years. This shows that most of the respondents answered for that they have the turnover between Rs. 60-80 lakhs (32.2%) with the highest investment to start business Rs. above 40 lakhs (35.6%).

The following table shows Cross-Tabulation between Investment made to start the Business with Annual Turnover in last five years for small and retail traders

Cross Tabulation Table 2

Investment made to start the small retail Business * Annual Turnover in last five years Cross tabulation							
			Annual Turnover in last five years				Total
			1 Lk - 5 Lk	5 Lk - 10 Lk	10 Lk - 15 Lk	Above 15 Lk	
Investment made to start the Business	1 Lk - 5 Lk	Count	14	16	3	5	38
		% of Total	17.7%	20.2%	3.7%	6.3%	48.1%
	5 Lk - 10 Lk	Count	5	10	8	5	28
		% of Total	6.3%	12.6%	10.1%	6.3%	35.4%
	10 Lk - 15 Lk	Count	1	3	3	3	10
		% of Total	1.2%	3.8%	3.8%	3.8%	12.6%
	Above 15 Lk	Count	0	0	1	2	3
		% of Total	0.0%	0.0%	1.2%	1.4%	3.8%
Total		Count	20	29	15	15	79
		% of Total	25.3%	36.7%	19%	19%	100.0%

Source : Primary Data Collected from Respondents by Researcher

This shows that most of the respondents answered for that they have the turnover between Rs. 5-10 lakhs (36.7%) with the maximum retailers investment to start business is ranges between Rs. 1-5 lakhs (48.1%). it is observed that investment turnover ratio is declines as investment increases in small retail business.

Cross Tabulation Table 3

Investment made to start the Business in the Mall * Profits in last five years Cross tabulation								
			Annual Profits in last five years				Total	
			5 Lk - 10 Lk	10 Lk - 15 Lk	15 Lk - 20 Lk	Above 20 Lk		
Investment made to start the Business in the Mall	10 Lk - 20 Lk	Count	8	4	0	0	12	
		% of Total	13.5%	6.8%	0%	0%	20.3%	
	20 Lk - 30 Lk	Count	9	4	0	0	13	
		% of Total	15.2%	6.8%	0%	0.0%	22.0%	
	30 Lk - 40 Lk	Count	0	2	9	2	13	
		% of Total	0%	3.3%	15.3%	3.3%	22.0%	
	Above 40 Lk	Count	0	0	12	9	21	
		% of Total	0%	0%	20.3%	15.2%	35.5%	
	Total		Count	17	10	21	11	59
			% of Total	28.8%	17.7%	35.6%	18.6%	100.0%

The above cross tabulation shows that higher investment higher profits in terms of volume (35.5%) respondent falls in category of 40 lakh and above.

Calculation of ROI reveal the following facts

Operators who have invested 40 lakh or more (20.3%) of respondents ROI is 43.3% and 15.2% respondent's ROI is above 50%.

Those who has invested between 30 – 40 lakh (15.3%) respondent's ROI is 50% and 3% operators ROI is 57.14%.

Investor in range between 20 – 30 lakh, 15.2% respondent's ROI is 30% and 6.8% operators ROI is 50%.

Capital employed range between 10-20 lakh, 13.5% respondents earning is above 50% and 6.8% earns 83%

Cross Tabulation Table 4

Investment made to start small Business * Annual profits in last five years Cross tabulation								
			Annual Profits in last five years				Total	
			1 Lk - 2 Lk	2 Lk - 4 Lk	4 Lk - 6 Lk	Above 6 Lk		
Investment made to start the Business	1 Lk - 5 Lk	Count	24	14	0	0	38	
		% of Total	30.3%	17.7%	0%	0%	48.0%	
	5 Lk - 10 Lk	Count	0	15	8	5	28	
		% of Total	0%	19.0%	10.1%	6.3%	35.4%	
	10 Lk - 15 Lk	Count	0	0	7	3	10	
		% of Total	0%	0%	8.8%	3.8%	12.6%	
	Above 15 Lk	Count	0	0	1	2	3	
		% of Total	0.0%	0.0%	1.2%	1.4%	3.8%	
	Total		Count	24	29	16	10	79
			% of Total	30.4%	36.7%	20.2%	12.6%	100.0%



Calculation of ROI reveal the following facts

Operators who have invested 15 lakh or more (1.2%) of respondents ROI is 33% and 1.4% respondent's ROI is above 40%.

Those who has invested between 10 – 15 lakh , 8.8% respondent's ROI is 40% and 3.8% operators ROI is 48%.

Investor in range between 5 – 10 lakh, 19% respondent's ROI is 40% and 10% operators ROI is 66%. 6.3% earns almost 80%

Capital employed range between 1-5 lakh, 30% respondents earning is above 60% and 17.7% earns 100%.

Hypothesis Testing

The rigorous analysis of the data on various parameter provided clear picture that capital employed turnover ratio of small retailer is better but not in all the investment categories in some case it shows declining trend.

On the issue of ROI the analysis confirm that yes ROI of small retailer is better than mall operators (30% respondents earning is above 60% and 17.7% earns 100%.)

Conclusion Of The Study

The analysis of collected data is very clearly fulfilling the objective of research paper. If we evaluate the objectives, one after another we can say that capital employed in the business plays very significant role in the development of any business it may be a small retailer or mall shop operator.

When we move on to the second objective the data analysis very strongly confirm that the relationship exists between capital employed and turnover. In most of the cases, the relationship is directly proportionate to each other but the phenomenon is more evadable in the case of mall operators. In some cases as far as small retailers are concerned the relationship shows inverse relation.

The third most important objective of research is relationship between capital employed and profitability of mall shopkeepers are concern the return on investment shows different picture. The range of return on investment is between 30% to 83% but average return is around between 40% to 58% whereas in case of small retailers in Indore city the return on investment is ranging between 40% to hundred percent. With maximum return on investment and with minimum capital employed it ranges between 60% to hundred percent.

The discrepancies in capital employed and turnover ratio along with ROI is the reflection of operating ability and operating efficiency of the business. We cannot overlook the various other factors like economic environment, local business style etc. which really contributes to overall profitability and turnover of the business. In some cases, the possibility of over capitalization and under capitalization can't ignore.

Limitation Of The Study

Due to the time and cost constraints the result of the study is difficult to be generalize to other parts of the country as only one city is selected for study. Another limitation may be the accuracy of data provided by the respondent because the data demanded was sensitive for the public domain One city might be the fair and true representative of the M.P.

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