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Financial problems of unorganised retail sector

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Abstract
The size of Indian retail industry is more than US $350 billion but it is highly unorganized. The organized sector has started developing in the past few years. Many International brands have entered in to the market with the growth in organized retailing, unorganized retailers are fast changing their business models. The aim of this paper is analyzing financial problems of unorganized retail sector in India. This study conducted in the area of Chennai city, Tamilnadu. Totally 600 retailers were approached. However, 528 responses were identified for the further analysis. It is observed that majority of the retailers are suffering from the problem of bad debts.

Keywords: Retailers, unorganised, financial problem, market, bad debts

Introduction
The evolution of retail dates back to ancient era. The origin of retail is as old as the trade itself. Barter system is considered to be the oldest trade form. For centuries, buyers and merchants used to assemble at a predefined place for exchange of goods. Till then, goods were exchanged in lieu of goods. As time rolled by, bartering evolved as a trade and goods were sold in exchange of money. People used to assemble at Haats where trade was finalized. Haats are the exclusive example of present day malls. In line with malls, different sellers used to sell variety of products. Entertainment programmes were of special attraction on these places. Itinerant salesman was also common in that period. These were the door to door sales man who ferried daily needs along with specialty goods. They can be called 'early entrepreneurs' as well who had the foresight of realizing consumers need with an eye on their own profit margin.

Later, retailers opened independent stores known as kirana shops or mom and pop stores. This is one of the most prominent and recognized form of retailing in India till today. Traditional in nature, these stores stock limited variety of merchandise depending upon the customer requirements in a specific region. This format of retailing also gave birth to facilities such as phone ordering, credit facility, home delivery and customization in terms of offering & packaging for valued customers. PDS or Public Distribution System would alone appear to be the single largest retail chains in the country. Started at the time of World War II, it was scrapped after the war was over. But as the world moved towards the fiftieth year of the twentieth century, India had to reintroduce PDS due to inflationary pressures. Melas are another good example for unorganized retail sector. Melas are fairs that virtually every state in India has its own ranging from product fairs to religious fairs. Book fair, Trade fair, Eid fair or Diwali fair can be easy examples. Then came an era dominated by manufacturers trying to establish their retail presence. Bombay Dying, Raymond's and Bata are a few examples to name.

After July, 1991 as India progressed towards a new era of globalization and liberalization, Indian unorganized retail sector too moved towards newer horizons. With increased free trade between nations and boundary-less business market, traders could market their product at any part of the world.

The cultural barriers got reduced which further paved way for global village effect. The major change during this phase was marked by the growth of internet. This was one of the most important technological developments for both the organized and unorganized retail sectors.

Growth of internet widened the knowledge sphere of both retailers and consumers. Electronic mails started the practice of sending customized messages on a mass level keeping

economic considerations under control. Advent of plastic money simplified the transaction process for the consumers.
Urban unorganized retailer had also started keeping debit/credit card transaction machines to facilitate the payment process. Quick response scanner codes and itemized electronic bills started becoming a normal feature. Technological development worth mentioning during this transition phase of retail industry is the telecom boom which revolutionized communication and collaboration.
Retailing has witnessed its golden period during this phase. Unorganised retail sector in the past decade has observed tremendous growth in terms of retail revenue, customer satisfaction and consumer feedback. After Lehman Brothers collapsed, global recession followed which swallowed the economy almost every nation.
The unorganized retail traders generally depend on two kinds of capital, (1) Equity or own capital and (2) borrowed capital consisting of (i) long term capital for its investment in equipment and other capital assets and (ii) short term capital to meet current needs of the Business. Own capital is usually provided by the Retailers themselves. It is sometimes supplemented by the resources raised from friends and relatives either as partners. Small retailers generally do not encourage capital from outside agencies as it involves sharing of management and control. Much of this initial capital is required for the purchase of fixed assets like land, building, Furniture, other Technical equipments and the balance amount for working capital. Own capital may not be sufficient to meet the long term needs. In such a case, besides the own capital, long term capital is needed for expansion and renovation of enterprises and modernization of shops. Short term credit is needed for working capital, to buy trade goods, to pay wages and to maintenance expenditure. The another side unorganised retailers are suffering from Inadequate fixed capital, Inadequate working capital, Problem of bad debts, Difficulties in getting Government concessions/Subsidies, Inability to provide securities for loan and Reluctance of financial Institutions to extend credit to retailers. This study briefly analyse above stated points of retailers problems.

Research Methodology

The primary objective of this paper is to analyse the financial problems of unorganized retail sector. Retailer's opinion is described in this study; hence this study falls under descriptive in nature. Financial problem refers to the retailer personal barriers. Financial problem scale has been developed by the researcher. There are 11 statements are considered for analyzing the personal problems of the retailer in the study. It is measured with five point scale where 5 stands for strongly agree, 4 for agree, 3 for neutral, 2 for disagree and 1 for strongly disagree.
The samples of retailers are chosen from Chennai city, Tamilnadu. Totally 600 retailers were approached. However, 528 responses are fit for the further analysis. Hence, 550 is the sample size of the study. Finally 528 retailers are considered as a sample size for the study. Descriptive statistics, Friedman's multiple comparison test and Multiple regression analysis are used to describe the sample, to show that which are the statements those highly influenced and measure the linear association between the dependent and independent variable.

Table 1: Retailer opinion towards financial problems in retail business.

S. No	Financial problems of Retailers	Mean	S.D	Friedman's test Mean Rank	Chi square value	P-value	Multiple comparison test
1	Inadequate fixed capital	3.30	1.486	3.30	53.594	0.001*	4 5,2 3,1,6
2	Inadequate working capital	3.41	1.455	3.63			
3	Problem of bad debts	3.43	1.379	3.43			
4	Difficulties in getting Government concessions/Subsidies	3.59	1.422	3.75			
5	Inability to provide securities for loan	3.51	1.426	3.66			
6	Reluctance of financial Institutions to extend credit to retailers	3.25	1.459	3.23			

Source: Primary data computed; * Significant @ 1% level.

Retailers opinion towards financial problem of retail business is displayed in table-1. Inadequate fixed capital, inadequate working capital, problem of bad debts, difficulties in getting government concessions/ subsidies, inability to provide securities for loan and reluctance of financial institutions to extend credit to retailers are the various financial problems faced by the unorganized retailers. The respondents rate their opinion towards these problems. The mean value is ranged from 3.25 to 3.59. Based on the mean value, it is inferred that the respondents suggested about financial problem is at average level. The corresponding standard deviation values indicate that there is no much deviation within the group of retailers.
H_0: Opinion about financial problems is found to be similar among all the respondents.
In order to test the above stated hypothesis Friedman test is applied. The Friedman mean rank lies between 3.25 to 3.59, chi square value is 53.594 which is significant at one percent level. Hence the hypothesis is rejected. To identifying the highest contributing factor to the financial problem, friedman multiple comparison test is applied. After applying the test, 6 statements are grouped into 3 categories. Difficulties in getting government concession/subsidies placed as first rank and this factor highly contributing towards financial problems, followed by inability to provide securities for loan and inadequate working capital together occupies the second place. Problem of bad debts, inadequate fixed capital and reluctance of financial institutions to extend credit to retailers along occupies the last place.

Table 2: Effect of financial problem on unorganised retailers

R	R Square value	Adjusted R Square value	F -value	P-value
0.666	0.434	0.424	13.438	0.001*

Financial problems	B	Std. Error	Beta	t-value	P-value
(Constant)	4.834	0.148	0	32.639	0.001*
Inadequate fixed capital	0.118	0.055	0.142	2.142	0.033**
Inadequate working capital	0.210	0.058	0.246	3.610	0.001*
Problem of bad debts	-0.168	0.075	-0.187	-2.237	0.026**
Difficulties in getting Government concessions/Subsidies	-0.365	0.064	-0.419	-5.693	0.001*
Inability to provide securities for loan	0.001	0.071	0.002	0.019	0.985 (NS)
Reluctance of financial Institutions to extend credit to retailers	0.005	0.054	0.006	0.098	0.922 (NS)

Source: Primary data computed; * Significant @ 1% level; ** Significant @5% level; NS: Non significant

Table-2 reveals that the effect of financial problems based on unorganized retailer. Here, inadequate fixed capital, inadequate working capital, problem of bad debts, difficulties in getting government concessions/subsidies, inability to provide securities for loan and reluctance of financial institutions to extend credit facilities to retailers, are the financial problem is treated as independent variables and challenges is treated as dependent variable.

H_0: Financial problems do not have influence on unorganised retail stores

Regression analysis is applied to identify the strongest predictor of financial problem on Unorganised retailers. The measure of strength of association in regression analysis is given by the co-efficient of regression determination denoted by R Square value is 0.434. The adjusted R square value is to be 0.424 which displays that 42.4 percent of the influence on the level of challenges. The F- value is 13.438 and P- value is 0.001 which is significant at one percent level. Hence above stated hypothesis is rejected. It is noted that financial problems are significantly influencing the unorganised retailers of retailing business. The corresponding p-value of these variables is significant at one percent level. So, these variables significantly influence on unorganised retailers. Problems are expressed by the following equation.

Problems = 4.834 (constant) + 0.210 (inadequate working capital) + 0.118 (inadequate fixed capital) – 0.168 (problems of bad debts) – 0.365 (difficulties in getting government subsidies/concession)

The equation explains that the inadequate working capital and inadequate fixed capital have positive impact on unorganised retailers. Whereas the problems of bad debts and difficulties in getting government subsidies/concession have negative impact on unorganised retailers. To increase one unit of challenges the inadequate working capital increased by 0.210, inadequate fixed capital increased by 0.118. however problems of bad debts decreased by 0.168, difficulties in getting government subsidies/concession decreased by 0.365 where other factors remain constant.

It is found that inadequate working capital and inadequate fixed capital have positive impact on the unorganised retailers. Problems of bad debts, difficulties in getting government subsidies/concessions have negatively impact on unorganised retailers of retail business. (Vetrivel, 2017) [16] analysed also retail shoppers problems on the other aspect of labour and marketing problems. It is found the labour problem and marketing problem also influenced unorganised retail sector.

Conclusion

The analysis concluded that the unorganised retail sector is likely to show significant effect on financial based problems. It is identified that financial problems significantly influence on unorganised retailers. Inadequate working capital and inadequate fixed capital have positive impact the unorganised retailers. Problems of bad debts, difficulties in getting government subsidies/concessions have negative impact on unorganised retailers of retail business and majority of the retailers are facing the problem of limited financial resources. Hence, it is suggested that the government should provide financial facility (short term and medium term loans) to those retailers who are financially weak.

It is observed that majority of the retailers are suffering from the problem of bad debts. Though bad debts are unavoidable in business, it can be minimized. For that, it is suggested that the retailers should maintain friendly relationship with their customers, must assess the credit worthiness of their customers before allowing credit and allowing credit sales only to the regular customers. Then only the retailers can overcome from this critical problem.

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