

# Impact of Malls on Small Shops and Hawkers

*A small sample survey of the impact of malls on small shops and hawkers in Mumbai points to a decline in sales of groceries, fruits and vegetables, processed foods, garments, shoes, electronic and electrical goods in these retail outlets, ultimately threatening 50 per cent of them with closure or a major decline in business. Only 14 per cent of the sample of small shops and hawkers has so far been able to respond to the competitive threat of the malls with the institution of fresh sales promotion initiatives.*

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Organised corporate retailing is poised to become the business of the decade in India. Retailing presently contributes about 10 per cent of India's gross domestic product (GDP) and 6-7 per cent of employment. With some 15 million retail outlets, India has the highest retail density in the world. But only 4 per cent of these outlets are more than 500 sq ft in size and almost all are family-owned shops and establishments [Mukherjee and Patel 2005]. The value of organised retail is expected to grow 2.8 times in the coming four years to a Rs 1,000 billion industry, attracting many global retail chains like Wal-Mart, Tesco, and Carrefour [Outlook, October 16, 2006]. Foreign direct investment (FDI) up to 51 per cent in single brand retail was permitted last year and multi-brand retail is expected to open up to FDI soon.

Meanwhile, Indian retail chains like Reliance Retail, Croma, Aditya Birla group, S Kumars, Shoppers' Stop, Westside, Subhiksha, and Trinethra have all been consolidating their realty, brands, market shares and locations. Retail giants, the largest being Wal-Mart-Bharti, Reliance, AV Birla group and Future group (Pantaloon), plan to expand the share of organised retail from the current 3 per cent to approximately 15-20 per cent in four years by investing more than \$ 25 billion (excluding real estate investment). Of the proposed investment, 60-65 per cent will go towards setting up the supply chain for food and groceries [CII – A T Kearney 2006]. What is particularly disquieting is the pace at which corporate retail chains are entering and expanding in the retail market, with analysts quoted as saying that

India is attempting to do in 10 years what took 25-30 years in other major global markets. However, to-date there is very little understanding of what the impact of corporate retail will be on the so-called unorganised retail sector and the agricultural sector (the country's two largest sources of employment). This preliminary study is aimed at investigating the impact of malls on small shops and hawkers.

## Methodology

We have a randomly chosen sample of 82 small retail shops and establishments (defined in terms of size, inventory and employment) and 30 hawkers within about one-kilometre radius of a mall in Greater Mumbai. Thirty of these small retail shops were in Lower Parel in the vicinity of a mall, 10 were near a new mall in Mumbai Central, and the remaining 42 were located in the vicinity of two malls in the Bhandup-Mulund area. The hawkers were scattered over these areas, 16 in Lower Parel, 11 in Bhandup-Mulund and the remaining in Mumbai Central. In all, 112 responses were obtained. The retail outlets, including those that processed and sold food, were all run by owners or caretakers. Such retail outlets are referred to as "unorganised" retailers.

A mall typically has a large real estate infrastructure spread over many thousand sq ft where a number of specialty retail chains and a supermarket coexist. Four malls, one each in Lower Parel and Bombay Central, and two in Mulund were chosen on the basis of the time they have been in operation. It is assumed that the older the mall, the more discernible and long-lasting is the impact on nearby small shops and hawkers. The Phoenix Mall in Lower

Parel is at least four years old, the Mulund malls are less than three years old but more than one year old, and the Bombay Central one was 3/4 months old at the time of our survey. Shops in both Mulund and Bhandup within a one-kilometre radius had been surveyed in assessing the impact of the two malls in Mulund.

A questionnaire was administered to the shop owners or operators in the absence of the owners. The first part sought basic information on floor size, value of inventory and employment, both family and non-family. The second part of the questionnaire sought data on the impact on sales, profits, employment, working hours and high value customers lost, if any. This part of the questionnaire sought information from the respondents with reference to the period after the mall started operations in their area. The third part asked the respondents to attribute causes for the decline in sales, if any. The factors causing competitive disadvantage were listed – cost prices, operating costs, taxes, selling price, and any others. The respondents were also asked to rank the intensity of the threat they faced and whether their

**Table 1: Distribution of Sample Shops/Hawkers by Floor Space**

| Sq Ft       | Number | Per Cent of Total |
|-------------|--------|-------------------|
| Hawkers     | 30     | 28                |
| ≤ 100 sq ft | 14     | 13                |
| 100-200     | 25     | 22                |
| 200-300     | 22     | 20                |
| 300-400     | 10     | 9                 |
| 500-600     | 6      | 5                 |
| More        | 4      | 4                 |
| Total       | 112    | 100               |

**Table 2: Distribution of Sample Shops/Hawkers by Value of Inventory**

| Rs Lakh      | Number of Shops/Hawkers | Per Cent of Total |
|--------------|-------------------------|-------------------|
| < 1          | 7                       | 6                 |
| 1-5          | 44                      | 39                |
| 5-10         | 41                      | 37                |
| 10-20        | 16                      | 14                |
| 20-50        | 3                       | 3                 |
| More than 50 | 1                       | 1                 |
| Total        | 112                     | 100               |

**Table 3: Pattern of Employment in Sample Shops/Hawkers' Stalls**

|                                   | Number of Shops/Hawkers Stalls | Per Cent of Total |
|-----------------------------------|--------------------------------|-------------------|
| Self-employed family members only | 67                             | 60                |
| Family members and employees      | 45                             | 40                |
| Total                             | 112                            | 100               |

children would continue operating the shop. Finally, a special section for hawkers asked them if bribe payments, eviction drives and harassment by agents of malls had increased. The survey involved three investigators and took 10 days.

## Survey Results

The survey results are presented in Tables 1 to 13. If we exclude the hawkers who have no shop floor area, then 52 per cent of the sample represents shops and establishments less than 300 sq ft in size (Table 1). The most frequent shops in the sample are shops less than 200 sq ft (Table 1). 82 per cent of the shops had an inventory of less than Rs 10 lakh (Table 2). 60 per cent had no employees other than family members (Table 3). The average employment per shop was 3.5 persons; the most frequent type of shop had two family members manning operations. So the sample was largely composed of the family-owned small shop.

71 per cent of the respondents reported falling sales (Table 5). In only 18 per cent of the shops/hawkers were the sales unaffected by the large retail chain malls. Only 11 per cent reported an increase in sales (Table 5). These were shops offering products and services not available in the malls, e.g. stationery, photocopying facilities, courier services, mobile phone and computer accessories. Some eateries close to the malls reported an increase in sales due to patronage of the mall employees. Most frequently shops reported a 20 per cent fall in sales (Table 6) but the intensity varied by type of product. 64 per cent reported a loss of high value customers (Table 7). Particularly important is the fact that the decline in sales is not limited to grocery stores. Unbranded garment shops, shoe shops and electrical retailers, all seem to have suffered (Table 8). This may lead to deeper questions regarding the changing class composition and shifts in consumption patterns in the vicinity of the malls. It may also indicate the loss of real purchasing power among the classes in the vicinity of the malls that used to patronise unbranded garment and shoe shops.

There have been cases of job loss in some shops and establishments. In all nine retailers had fired their staff over the period since the mall came up. In all 11 hired help had been retrenched, which is less than 3 per cent of the original workforce of 401 persons. Hence, despite the sales downturn there has been no significant decline

in employment so far. This reflects the family basis of the sector where a decline in sales is not matched by retrenchment but results in shrinking earnings per head. If the downward pressures continue to intensify, some more retrenchments may occur; however, closures seem immanent.

Sales decline is evenly distributed by value of inventory up to 25 lakhs (Table 10). The decline in sales has most frequently impacted larger shops in the size range of 400-500 sq ft and 300-400 sq ft and least commonly the size range of 100-200 sq ft (Table 9). But the less than 100 sq ft size shops are also frequently affected (Table 9).

Seventy-one per cent of the sample reported a sales decline, but only 14 per cent reported some new sales promotion initiatives, due perhaps to the low capital base, low profit margins and poor availability of skilled manpower. Tele orders, home delivery and sales on credit were the main types of new initiatives. Nearly all of them did not advertise at all. However, the shops particularly in Parel, for example, suffered from a shortage of manpower and capital, a result of a narrow and deteriorating working capital base. Parel is particularly badly affected because of the loss of high value customers like mill workers. As the mills closed down one after another the shops and eating places lost their clients. The new real estate development in the area has brought corporate offices, and with these a new class of people whose preference patterns and needs are unfamiliar. Despite the falling sales, 96 per cent of the retailers have not increased their working hours. The main reason is once again an inability to afford additional hired help while the existing workers, mainly family members, are already working for 11 to 14 hours per day. Hence, there seemed little scope for additional manhours or work intensification.

Sixty-three per cent of the sample said that they felt threatened by the malls (Table 13). 16 per cent of them felt threatened with

**Table 5: Summary of Sales Performance since the Start of Mall Operations**

| Sales Level       | Number of Shops/Hawkers | Per Cent of Total |
|-------------------|-------------------------|-------------------|
| Remained the same | 20                      | 18                |
| Increased         | 12                      | 11                |
| Declined          | 80                      | 71                |
| Total             | 112                     | 100               |

**Table 6: Extent of Decline in Sales of Sample Shops/Hawkers since the Start of Mall Operations**

| Sales Decline (Per Cent) | Number of Shops/Hawkers Stalls | Per Cent of Total |
|--------------------------|--------------------------------|-------------------|
| ≤10                      | 23                             | 22.5              |
| 10 > ≤20                 | 28                             | 27.5              |
| 20 > ≤30                 | 23                             | 22.5              |
| 30 > ≤40                 | 23                             | 22.5              |
| > 40                     | 5                              | 5                 |
|                          | 102                            | 100               |

**Table 7: Patronage of High Value Customers by the Sample Shops/Hawkers Due to Mall Operations**

| Patronage of High Value Customers   | Up | Same | Down |
|-------------------------------------|----|------|------|
| Number of shops/hawkers reporting   | 7  | 41   | 64   |
| Per cent of shops/hawkers reporting | 6  | 37   | 57   |

**Table 8: Sales Decline of Shops/Hawkers by Business Type as a Result of Mall Operations**

| Business Type      | Number of Shops/Hawkers Showing Sales Decline | Total Number of Shops/Hawkers | Per Cent of Shops/Hawkers Showing Sales Decline |
|--------------------|---|-------------------------------|---|
| Grocery            | 26  | 30                            | 87  |
| Vegetables, fruits | 5   | 5                             | 100   |
| Processing food    | 8   | 18                            | 44  |
| Garments           | 12  | 14                            | 86  |
| Shoes              | 5   | 6                             | 83  |
| Electronics        | 2   | 2                             | 100   |
| Electrical         | 1   | 1                             | 100   |
| Others             | 21  | 36                            | 58  |
| Total              | 80  | 112                           | 71  |

**Table 4: Distribution of Employment by Product Type in the Sample Shops/Hawkers**

| Business Type      | Shops/Hawker's Stalls | Family Members | Employees | Average Number of Family Members Per Establishment | Average Number of Employees Per Establishment |
|--------------------|-----------------------|----------------|-----------|--|---|
| Grocery            | 30                    | 62             | 32        | 2  | 1   |
| Vegetables, fruits | 5                     | 7              | 0         | 1  | 0   |
| Processing food    | 18                    | 23             | 83        | 1  | 5   |
| Garments           | 14                    | 32             | 15        | 2  | 1   |
| Shoes              | 6                     | 12             | 2         | 2  | 0   |
| Electronics        | 2                     | 2              | 4         | 1  | 2   |
| Electrical         | 1                     | 1              | 2         | 1  | 2   |
| Others             | 36                    | 57             | 56        | 2  | 2   |
| Total              | 112                   | 196            | 194       | 1.8  | 1.7   |

closure, 34 per cent feared a major decline in business and 13 per cent expected a minor decline (Table 1, 3). So 50 per cent of the sample was expecting serious trouble. 82 per cent said that their children would not continue with the business. Yet only 11 per cent of the sample of 112 shops/hawkers were involved in a campaign against the malls.

It would be useful to compare the two areas where malls have been around for an adequate period of time, like in Parel and in the Bhandup/Mulund area. Nirmal Lifestyle is close to Bhandup, R Mall is in Mulund. Nirmal is two years old and R Mall is three years old. Phoenix Mall in Lower Parel is four years old. There were 53 respondents (retail shops and hawkers) in the Bhandup-Mulund area (1 km radius area around the two malls). In this area both malls are not more than three years old. There were 46 respondents from the Parel area where the mall is at least four years old. All respondents were asked to recall and evaluate their sales since the mall started in their respective area. The Bhandup and Lower Parel area responses have been summarised in Tables 14 and 15 respectively.

In Lower Parel, 89 per cent of those who reported a drop in sales recorded a decline in sales in the last four years itself when the mall was in operation. Within this category of people who date their decline in sales over the last four years, 61 per cent said they experienced decline in the last two years, which may possibly indicate an intensification of impact over time. This can be viewed against 5.6 per cent of respondents reporting the drop to the period when the mall did not exist. In the Mulund/Bhandup area, figures were respectively 93 per cent reporting a sales decline, and within this category, 75 per cent said the decline occurred in the last two years. The two malls are less than three years old. Only 4.5 per cent of the respondents in the area dated their decline in sales to the period when the malls did not exist.

Hawkers are at the bottom of the retail pyramid, on the streets, readily available and handy for customers. They are a feature of all urban spaces globally. Municipal authorities have fought battles to evict them, but with little success. Street trading is one of the points of entry for migrants into the working life of the city; it is also one of the traditional supplementary activities of the families of the working poor, particularly for women [Lubell 1991]. The number of hawkers in Mumbai is

estimated at two and a half lakh [Government of India 2004]. But the number of unlicensed hawkers has been rising steadily since the Municipal Corporation in Mumbai has officially stopped issuing licences since 1978. Our sample of 30 hawkers was located within a safe distance of the malls in Parel and Bhandup-Mulund areas. Mall developers have been particularly hostile to hawkers. 72 per cent of them had no co-worker to help them, while about 21 per cent had another person, usually from the family, to help them.

Hawkers, particularly women and children, are predictably at the receiving end now, facing increasing eviction drives and harassment around the malls. 41 per cent reported an increase in eviction drives,

**Table 9: Sales Decline of Sample Shops/Hawkers by Shop Size as a Result of Mall Operations**

| Size of Shops/<br>Hawker's Stalls<br>(sq feet) | Number of<br>Shops/<br>Hawkers<br>Showing<br>Sales<br>Decline | Total<br>Number<br>of Shops/<br>Hawkers | Per Cent<br>of Shops/<br>Hawkers<br>Showing<br>Sales<br>Decline |
|--|---|---|---|
| Tiny < 100                                     | 23  | 31                                      | 74  |
| 100-200  | 11  | 14                                      | 35  |
| 200-300  | 13  | 25                                      | 52  |
| 300-400  | 18  | 22                                      | 82  |
| 400-500  | 9   | 10                                      | 90  |
| 500-600  | 4   | 6                                       | 67  |
| >600   | 2   | 4                                       | 50  |
| Total  | 80  | 112                                     | 71  |

**Table 10: Sales Decline of Sample Shops/Hawkers by Business Inventory Size as a Result of Mall Operations**

| Inventory (I)<br>as on<br>(Rs Lakh) | Number of<br>Shops/<br>Hawkers<br>Showing<br>Sales<br>Decline | Total<br>Number<br>of Shops/<br>Hawkers | Per Cent<br>of Shops/<br>Hawkers<br>Showing<br>Sales<br>Decline |
|-------------------------------------|---|---|---|
| <1                                  | 5   | 7                                       | 71  |
| 1 ≤ I < 5                           | 31  | 44                                      | 70  |
| 5 ≤ I < 10                          | 29  | 41                                      | 71  |
| 10 ≤ I < 25                         | 13  | 16                                      | 81  |
| 25 ≤ I < 50                         | 2   | 3                                       | 67  |
| I ≥ 50                              | 0   | 1                                       | 0   |
| Total                               | 80  | 112                                     | 71  |

**Table 11: Perception of Economic Disadvantage vis-à-vis the Malls by the Sample Shops/Hawkers**

| Compared to Malls                        | 'Yes' | 'No' | Per Cent<br>of Total<br>Responding<br>'Yes' |
|--|-------|------|---|
| Cost price is higher                     | 24    | 88   | 21  |
| Transport and handling<br>cost is higher | 9     | 103  | 8   |
| Taxes are higher                         | 58    | 54   | 52  |
| Selling price is higher                  | 26    | 86   | 23  |

24 per cent in harassment by agents of the malls, while 17 per cent reported an increase in bribes and hafta (Table 12). Mall promoters have joined the conflict to evict hawkers and revamp their precincts. 72 per cent of the hawkers were experiencing a fall in sales and all reported falling profits, which means falling income for them.

## The Macro Picture

The competition for urban space between the organised and the informal retailer is becoming more intense. With rural-urban migration and general unemployment in the cities, the organised sector is unable to absorb labour in sufficient quantities. In the post-liberalisation

**Table 12: Attitude of the Public Authority towards Sample Hawkers**

|                                      | 'Yes' | 'No' | Per Cent<br>of Total<br>Responding<br>'Yes' |
|--------------------------------------|-------|------|---|
| Hafta                                | 5     | 24   | 17  |
| Harassment by agents<br>of the malls | 7     | 22   | 24  |
| Eviction                             | 12    | 17   | 41  |

*Note:* All the 29 hawkers have been in the vicinity of a mall for two to four years.

**Table 13: Extent of Threat Perceived by Sample Shops/Hawkers**

| Perception of Threat | 'Yes' | 'No' | Per Cent<br>of Total<br>Responding<br>'Yes' |
|----------------------|-------|------|---|
| Feel threatened?     | 71    | 41   | 63  |
| Nature of threat:    |       |      |   |
| Closure              | 18    |      | 16  |
| Major decline        | 38    |      | 34  |
| Minor decline        | 15    |      | 13  |

**Table 14: Summary of Sales Response of Sample Shops/Hawkers since the Start of Mall Operations in Bhandup**

|                    | Numbers | Per Cent |
|--------------------|---------|----------|
| Decline in sales   | 44      | 83       |
| No change in sales | 8       | 15       |
| Increase in sales  | 1       | 2        |
| Total              | 53      | 100      |

**Table 15: Summary of Sales Response of Sample Shops/Hawkers since the Start of Mall Operations in Lower Parel**

|                    | Numbers | Per Cent |
|--------------------|---------|----------|
| Decline in sales   | 28      | 60.9     |
| No change in sales | 9       | 19.6     |
| Increase in sales  | 9       | 19.6     |
| Total              | 46      | 100      |

period, the rate of growth of employment in the organised sector is barely 0.34 per cent, lower than in the pre-liberalisation phase, and 3.6 times lower than the growth rate of employment in the informal sector in the same period. The informal sector grows with “passive proletarianisation”; the direct producers do not get into salaried positions in the formal labour market [UN Human Settlements Programme 2003]. As fresh migrants into the city join the reserve army of the urban unemployed, incomes within the sector tend to drop [Roberts 2004]. There is growing inequality within the informal sector as there is between the formal and informal. The weakest and the smallest shoulders have to bear the heaviest burden of informalisation [Bremán 2003].

If the number of malls and retail chains multiply, the sales impact on small shops is likely to be intensified and earnings will keep falling till all these micro-accumulators become micro-subsistence seekers. Informal sector employment can be classified into at least two sub-categories – an intermediate sector, which has a reservoir of micro-enterprises and the community of the poor, residual and underemployed labour [Davis 2006]. FDI in retail and the growth of large corporate retail trade will slowly erode the informal petty accumulators and increase the masses of the informal proletariat.

The wage employment generated in unorganised retail is informal employment. Informal employment, by its very definition, implies the absence of formal contracts, rights and bargaining power. Hence, deteriorating business conditions here will increase petty exploitation and worsen the lot of the wage earners. The informal proletariat is also the most vulnerable; it is composed of unskilled, fresh immigrants from rural areas and is least mobile of the workforce.

In a survey-based study [A Mukherjee and N Patel 2005] sponsored by Indian Council for Research on International Economic Relations, the researchers make a case for introduction of FDI in organised retail over a period of five to six years to boost the pace at which the sector is growing. An organised retail sector, they suggest, will ensure better quality, prices and service quality to the consumer. It will encourage investment in the supply chain, link local suppliers to large global markets and improve the quality of employment. Their sample of 391 respondents was spread out over 14 types of participants in the retail sector, from domestic organised

retailers, real estate developers, foreign players and manufacturers to unorganised retailers spread over eight cities. The sample however had only 64 domestic unorganised retailers, 50 workers in the unorganised retail, and no hawkers. Since this sector generates 6 to 7 per cent of total employment in the economy, there is a need to focus some research on the impact of organised retail and FDI in retail on this segment alone and the present study is such an attempt.

Will organised retail and related activity absorb the 40 million persons currently employed in the sector? An average mall employs not more than 500 personnel directly in its various retail outlets.<sup>1</sup> This estimate excludes contract staff like housekeepers, loaders, security staff, etc. Mumbai has about 27 malls now. Even if they were to increase to a thousand (so as to impact unorganised retail in all areas) not more than 50,000 would be employed directly. However, not less than five lakh people are employed in the unorganised retailing sector in Mumbai and they would in all possibility be adversely affected. The dislodgement and unemployment effect could be far greater than the employment effect. Moreover, the shop floor staff in the malls have at least high school level qualifications, unlike their counterparts in the small shops, most of whom are barely literate and cannot be rehabilitated in organised retail.

In the present study the focus has been entirely on this segment and the impact on them is quite clearly damaging; only a few (14 per cent) were able to upgrade their services or respond to the changed circumstances. An escalation of competition from corporate retail and FDI will thus hasten their decline.

There is a need to extend this research by using a larger sample across the

country, with a control group of retailers as yet unaffected by organised retailing so as to fully grasp the income and employment impact. Also, as the supply chains of the organised retailers develop, there is a need to study their impact on the welfare of the ultimate producers and consumers whom they are supposed to benefit. Whatever international evidence we have at hand indicates the dangers of monopoly capital in retailing for geographically distributed small producers who are not in a position to bargain for a fair price with these bulk buyers. **EPW**

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## Note

1 We estimated this informally from conversations with mall employees and retail management trainees.

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