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An Investigation on Capital Investment and Credibility Nature of The Corner Shops Economy With Reference To Tirupattur District

Dr. Siva Gurunathan.S
Assistant Professor, PG and Research Department of Economics,
Sacred Heart College (Autonomous), Tirupattur -635601 E-mail:sivagunam1126@gmail.com

Dr. Indira. K
Assistant Professor, Department of Commerce, Vel's University,
Chennai- E-mail:indiraharshi@gmail.com

Abstract

Buying and selling of products as an activity allows operation at any level within the economy because the character of the activity is such that it fixes no lower limit to investment. This makes it possible for people with no skills and no capital to participate in the urban economy. The large number and the speed of growth in small-scale retailing indicate that it is providing an important alternative to the apparently limited employment opportunities urban economy. This study focuses on a major sub-group of these workers engaged in corner shops, those set up on pavements and in other public space, supporting one or two workers

Keywords: Capital Investment, Corner shops, Employment, Urban economy.

Introduction:

Over the last two decades the corner shop units have not only proliferated rapidly in number but also have spread spatially to virtually every comer of the study area, irrespective of the functional land-use. The rate of capital accumulation is slow because of low initial investments and the highly exploitative relations which choke any attempt to raise the level of profit. The complex socio-ethnic structure of the market creates certain barriers to entry so that some enter the sector with certain advantages, while others stabilize by being better operators. Each group devises different strategies to survive and succeed, implying a

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heterogeneity and scope for vertical mobility. The aim of the study is to bring out the economic viability of the units, their economic heterogeneity and identify the strategies adopted by the different groups. This will establish the possibilities for vertical mobility and hence the scope for capital accumulation and provide the economic basis for demanding a more positive role by the authorities.

Statement of Problem:

Corner shops have evolved because of a limited supply of capital and an excess of unskilled workforce. In a situation of extremely limited choice, corner shop has provided the means of livelihood. The alternative is impoverishment. The only appropriate evaluation of the role would be to relate the corner shops as an economic group with the other economic groups identified in the study area.

Research Questions:

1. Are they worse or better off than other workers in low-income occupations?
2. What proportions of the corner shops are "poor" as against the ratio for Tirupattur?

An indication of that status of a retailing activity would be the scope it provides for capital accumulation.

Definition of Corner Shop:

For purpose of study, a corner shop was defined as those

a) With an investment ranging from Rs. two lakhs and above.
b) Managed with family labor, (no one is formally employed on monthly/weekly/daily wages)
c) Profits of the shop are taken by the family head in the case of joint family, and sons and daughters are profit sharing persons.

Objectives of the Study:

1. To identify the capital accumulation of the corner shops in the study area.
2. To examine the credibility nature of the corner shops in the study area.

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Hypothesis of the Study:

H_o–There is no relationship between the capital rotation and education of the respondents.

H_o– There is no association between the age and nature of supply of the respondents.

Methodology:

The primary data have been adopted for this study. Pre tested questionnaire were used for the data collection with five variables and Cronbach's Alpha reliability shows that 0.7427, it shows that the used questionnaire is good and reliable to the respondents. The sample size of this study is 150 based on the simple random sampling.

Table - 1

Reliability Statistics	
Cronbach's Alpha	N of items
0.7427	5

Results and Discussions:

Capital Investment:

Capital Investment is different from one type of business to another. The General Merchants and Grocery shops have greater capital investment then the other shops. Fruits and Vegetables vendors have the lowest capital investment. The capital investment consists of the advance / rent paid at the time, the amount of fixed capital invested in the form of furniture's, racks, electrical fittings and the capital that was sunk for starting the shop the amount of rotating capital used by the shop keeper for purchase of stocks. All the values on capital investment were deflated for the present market rate.

a) Rent advance: Since the shop has to be in a prime location, shop keepers pay rent advance (which is sometimes non repayable) of anywhere between Rs. one lac to Rs 3 lacs. This is true of General merchants, Grocery shops and hardware merchants. The footwear and textile shops are managed in smaller carpet area and so they pay much

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lesser rent advance. Many of the vegetable and fruit shops are managed in the small booths (made of tin sheet, which are rented from the local municipality) and they put up temporary sheds for additional space. Hence their rent and advances are around Rs two lacs to Rs five lacs.

b) The shops do not have a neon lighted name boards for their establishments. The name board is written on a tin sheet and hanged in the front portion of the shops.

c) No single corner shop uses laptops or desk top computers for their business purposes. Most of the shop keepers have 'smart mobile' phones, connected to mobile internet, but most of them do not use mobile data for understanding/estimating market trends.

Table - 2

Descriptive Statistics			
	Mean	**Std. Error**	**Std. Deviation**
Capital Rotation	2.59	0.13	1.6
Nature of Supply	1.88	0.07	0.8
Age	2.13	0.08	1.0
Education	2.59	0.13	1.6
Gender	1.41	0.04	0.5
N	**150**		

Source: Result output of SPSS

The above table shows that the descriptive statistics consists of mean, standard deviation and standard error of the variables (Five) used in the study.

Table - 3

Correlations			
		Capital Rotation	**Education**
Capital Rotation	Pearson Correlation	1	1.000**
	Sig. (2-tailed)		.000
	N	150	150
Education	Pearson Correlation	1.000**	1
	Sig. (2-tailed)	.000	
	N	150	150
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: Result output of SPSS

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The variables capital rotation and education of the respondents perfectly correlated in this study and the p value for this correlation coefficient is 0.001. the p value is < 0.05, hence the reject the null of no relationship between capital rotation and education and relationship is statistically significant.

Credit in Business:

The corner shops survive by providing and receiving credit. Most of their sales for the customer are on daily / monthly credit. Most of the purchases made by the corner shops are on credit. When shops are bigger or have long existence, they are able to offer more credit and also receive higher credit. Corner shops in Tirupattur function on trust worthiness and confidence and goodwill they have gained in the market. Corner shops are given credit by the 'suppliers' of branded products. Products in the shelf of the corner shops are got on 'credit'. A shop with greater turnover has higher stocks and vice versa.

Table - 4

Cross Tabulation of Age and Nature of Supply of Respondents							
			Age				Total
			21-30	31-40	41-50	Above 50	
Nature of Supply	Credit	Count	36	12	6	4	58
		Expected Count	19.3	19.7	11.2	7.7	58.0
	Cash	Count	7	25	9	11	52
		Expected Count	17.3	17.7	10.1	6.9	52.0
	Credit and Cash	Count	7	14	14	5	40
		Expected Count	13.3	13.6	7.7	5.3	40.0
Total		Count	50	51	29	20	150
		Expected Count	50.0	51.0	29.0	20.0	150.0

Source: Compiled by primary data and result of SPSS

Table - 5

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	41.422[a]	6	.000
Likelihood Ratio	40.616	6	.000

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Linear-by-Linear Association	16.918	1	.000
N of Valid Cases	150		
a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.33.			

Source: Result output of SPSS

Pearson Chi-Square statistic, $\chi^2 = 41.422$, and $p < 0.001$; a small probability of the observed data under the null hypothesis of no association between nature of supply and age of the respondents. The null hypothesis is rejected, since $p < 0.05$.

Grocery and general merchants, vegetable and fruit shops offer credit to customers. They do not run any routine check about the customer before providing credit. Credit is offered as a business technique, so that the customer does not shift loyalty to another shop. In most of the shops, a small note book is maintained for writing the 'dues'. Many customers (Survey has found that 76%) do not settle their 'dues' fully at the end of the month, they make only part settlement. In the case of 27% of such customers, the 'unpaid dues' turn out to be bad debts and eat away the profits of the shop keepers.

Suggestions:

- There are no proper records to show the number of corner shops in a city/ village/ municipality. Mostly the shops are not registered and hence there is little data available on this. The government may take initiation to conduct census on the corner shops.
- Researchers/government agencies should be able to identify the owners of the shops, about what are the various goods they deal with, place and nature of business establishment etc.
- Corner shops are not provided with bank loans. Most of the corner shops function in rented buildings and their credit worthiness cannot be identified. Special efforts should be taken to provide bank loans.
- The survey reveals that corner shops will survive in India even if MNCs are permitted to sell vegetables and groceries. They can survive under any market situation; this is true of all the shops in India.

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Conclusion:

Corner shops are the biggest source of employment. If one in the family start a shop, all the young boys and girls in the family get 'employed' in the shop, in the process they understand the nuances of running a business, and when there is urban expansion and new colonies get formed, they are able to start their shops in these areas and corner shops also promote 'a happy family system'. Being educated or not does not really matter in running the business. The corner shops do not use lap tops or advanced gadgets to manage their business. Accounting, credit and debit entries are done manually. An uneducated corner shop keeper has the same probability as the educated shop keeper for running the business profitably.

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