

Regulatory Bodies' Perceived Retailing Ethics

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ABSTRACT

The paper aims to explore empirically the perceptions of regulatory bodies about the ethical behaviour of retailers. In the modern competitive and globalised business unfair ethical practices as highlighted by media are common. In this context need arises to examine the ethical behaviour of retailer as well. In fact, the retailers are expected to follow the ethical virtues in their dealings with all the stakeholders in retail business. This initiates an investigation of perceptions of regulatory bodies about the extent to which retailers are being ethical in their conduct. The study is based upon the data obtained from regulatory bodies of a northern Indian city with a specific designed schedule. The exploratory factor analysis was carried out for data summarisation along with ANOVA to extract the mean difference in the perceptions of various regulatory bodies. The retailers are respectful but they hide some facts about retail business. They often criticise their competitors with regulatory bodies' officials and corruption also prevails to some extent in the relationship between retailers and regulatory bodies.

Keywords: Ethics, Retailers, Regulatory Bodies, Stakeholders

Introduction

Retailing involves the movement of goods and services from the manufacturer to the final users. In the whole distribution chain, retailers are the interface between manufacturer/wholesalers and ultimate consumers. Retailing in India is one of the pillars of Indian economy and accounts for 14 to 15 percent of its GDP. India is one of the fastest growing retail markets in the world and it has been forecasted that Indian retail will be nearly double in economic value, expanding by about \$400 billion by 2020. India's retail sector is essentially comprised of mom and pop shops and dominated by unorganised retail sector. Majority of the unorganised retail shops in India employ family members, do not have the scale to procure products at high volume wholesale level, and have no training on safe and hygienic storage, packaging or logistics. The unorganised retail shops source their products from a chain of middlemen who mark up the product as it moves from farmer or producer to the consumer. The Indian legal environment encompasses various laws and creation of various regulatory bodies which assist in successful implementation of these legal norms (Sharma & Sharma, 2011). A regulatory body is a public authority/government department/voluntary organisation, responsible for exercising needed power over some areas of human activity in a regulatory/supervisory capacity. Regulatory bodies take care of administrative legal and regulative

activities (codifying and enforcing norms and regulations and imposing supervision for the benefit of the public at large). The existence of independent regulatory agencies is justified by the complexity of certain regulatory and supervisory tasks that require expertise, the need for rapid implementation of public authority in certain sectors, and the drawbacks of political interferences. Regulatory agencies are usually a part of the executing branch of the government with statutory authority to perform their functions with oversight from the legislative branch. Regulatory bodies are commonly set up to enforce standards to oversee the use of public goods and regulate business.

There are different regulatory bodies for regulating the retail sector such as Food and Supply Department, Taxation Department, Labour and Employment Department, Weights and Metrology Department and Retailers' Associations as self-regulating agencies. The Food and Supply Department ensures the quality and safety of products of retail stores through sampling methods and Taxation Department collects the taxes from retailers and controls tax evasion and avoidance. Labour and Employment Department is concerned with issues of child labour, fair pay, working conditions and Weight and Metrology Department evaluates the measures of weights used by the retailers. Retailers have framed their

associations for their own welfare and better support from regulating agencies and these associations guide their members from time to time and make them aware about the new trends in retail sector by organising seminars and workshops etc. (Botero, Simeon, Rafael, Lopez-de-Silanes & Shleifer, 2004). The retailers are expected to behave in ethical manner with all the stakeholders including these regulatory bodies (Sharma & Sharma, 2011; Whysall, 1995). They are considered ethical when they are honest, fair, responsible and truthful in their dealings with all concerned (Whysall, 2000; Fredrich, 1993). They are supposed to furnish all the needed information and documents authentically and without any delay. In fact, it is the moral obligation on the part of retailers to fully cooperate with these regulatory bodies so that they can regulate the retail sector for the benefit of all the stakeholders involved in it particularly the consumers (Kujala, 2001; Clarkson, 1995; Carroll, 1991). The present study examines the perceptions of five regulatory bodies namely Food and Supply Department, Taxation Department, Labour and Employment Department, Weights and Metrology Department, and Retailers' Associations regarding ethical retail practices.

OBJECTIVES

The study is based upon the following objectives

- ◆ To examine the nature and extent of retailing ethics from the perception of regulatory bodies.

- ◆ To explore the dimensions of regulatory bodies' perceived retailing ethics.
- ◆ To find out the significant differences in perceived retailing ethics among various regulatory bodies.
- ◆ To suggest the various measures for making retailers more ethical with regulatory bodies.

Keeping into consideration the above objectives, the present study firstly describes the data measures constructed on the basis of earlier research studies. Secondly, the procedure for data collection is discussed in detail followed by detailed profile of respondents. Further, reliability and validity of various forms have been proved. In the next section, the analysis is done through exploratory factor analysis followed by the univariate analysis of variance (ANOVA). Finally, the study provides for the conclusion, limitations, and direction for further research.

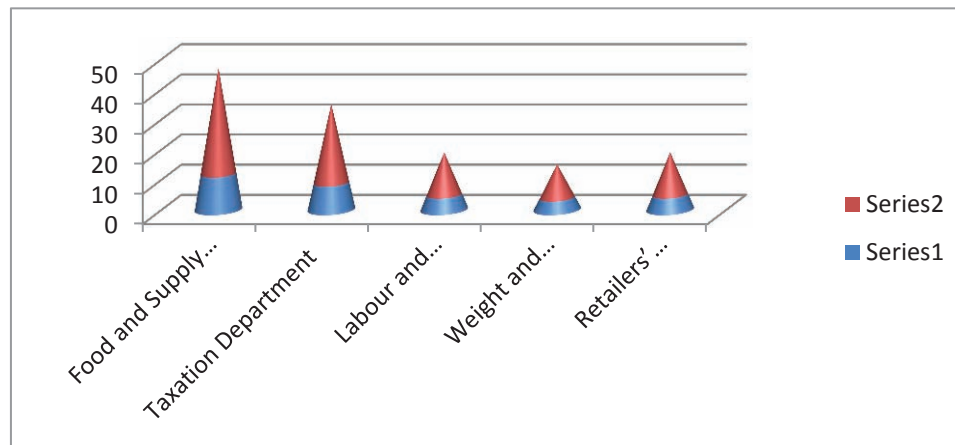
RESEARCH METHODS

Measures

The survey approach has been adopted and an instrument was designed keeping into consideration the literature and consultation with the experts on the subject. The instrument comprised of 16 items representing ethical

Table 1: The Existing Studies on Retailing Ethics

S. No	Author(s)	Contribution
1	Whysall (1998)	◆ Discussed ethical relationship in retailing conceptually.
2	Abratt, Bendixen and Drop(1999)	◆ Investigated the ethical beliefs of executives, managers and retail salespeople.
3	Whysall (2000)	◆ Discussed the significance of stakeholders in retailing by citing instances of several ethical issues in retailing.
4	Dubinsky, Rajan and Huang (2004)	◆ Suggested guidelines for retail managers regarding how to address the ethical issues.
5	Lavorata and Pontier (2005)	◆ Assessed the ultimate relevance of ethical policy for the retailers.
6	Sarma (2007)	◆ Found salespeople facing ethical troublesome situations with peer and customers..
7	Sharma and Sharma (2009)	◆ Viewed highly educated and senior in age retailers as more ethical than their less educated and younger counterparts.
8	Sharma and Sharma (2011)	◆ Examined the legal and ethical values of retailers and suggested stringent punishment to law breaker and publicizing unethical acts.
9	Sharma and Sharma (2012)	◆ Foundretailers dealing in shopping goods as moderate in practising legal norms and ethical values.
10	Sharma and Sharma (2013)	◆ Empirically examine the perceptions of manufacturers about ethical practices of retailers and found retailers delaying payment of bills.
11	Sharma (2014)	◆ Found demographic variables such as age, qualification; experience and types of products depict insignificant mean differences in the perceptions of wholesalers regarding the ethical retail practices.
12	Sharma and Sharma (2014)	◆ Assessed the impact of retailing ethics on customer satisfaction.

Fig. 1: Regulatory Bodies in Retailing

values which were based upon five point Likert scale ranging from 5 to 1, where 5 means strongly agree and 1 means strongly disagree. The responses were obtained from the regulatory bodies that regulate their retailing practices so that a whole picture of ethical values of retailers under reference in their dealings with various regulatory bodies can be examined empirically. This study bridges the gap in literature on retailing ethics as there is not even a single study which has examined the regulatory bodies perceived retailing ethics. Some of the existing studies on retailing ethics are presented with their contribution in Table 1.

Data Collection

The final data were obtained from various regulatory bodies in Jammu city viz., Food and Supply Department, Taxation Department, Labour and Employment Department, Weights and Metrology Department, and Retailers' Associations. The officials of the regulatory bodies, who visited the retail stores and having experience of retailers' dealings and practices, were contacted.

The final responses were available from a total of 35 respondents i.e. Food and Supply Department (35%), Taxation Department (26%), Labour and Employment Department (14%), Weights and Metrology Department (11%), and Retailers' Associations (14%, Table 8.1). The respondents belonging to Food and Supply, Labour and Employment, Weights and Metrology visit retail stores on monthly basis while Taxation Department officials visit quarterly. A large number of retailers have membership of retailers' association and these associations charge annual subscription fee from their members for carrying out

their activities. The retailers associations particularly of provisional stores (kiryana) also prepare a price list which each member has to follow and these lists are displayed at the retail stores so that it always remain visible to the consumers.

DATA ANALYSIS AND FINDINGS

This section comprised reliability and validity, exploratory factor analysis and Univariate analysis of variance.

Reliability and Validity

Reliability is an assessment of the degree of consistency between multiple variables of a construct (Hair, William, Barry, Anderson & Tatham, 2009, p. 161) was checked through split half values and Cronbach alpha (Malhotra, 2008, p. 285), by dividing the respondents into two equal halves. The data were proved satisfactory in terms of split half reliability as mean values obtained from both the halves were near to each other (Group I = 3.28 and Group II = 3.42). Moreover, Cronbach alpha value came to be 0.797 being above the minimum threshold of 0.7 (Table 2). Validity, the extent to which a scale or set of measures accurately represent concept of interest was assessed in terms of content, convergent and discriminant analysis (Hair *et al.*, 2009, p. 161). The content validity has been worked out by reviewing the related literature and discussions with the experts on similar topic. Convergent validity, the degree to which two measures of the same concept are correlated, was found to be satisfactory (Malhotra, 2008, p. 286), as the correlations between items were significant and their values found to be >

0.5. Further, communalities and factor loadings of all the items were also above 0.5 indicating convergent validity.

Table 2: Split Half Reliability

Group	Mean and Alpha Values
Group I	3.28
Group II	3.42
Cronbach's Alpha	0.797

Discriminant validity, the degree to which two constructs are different, proves if there is no correlation between two constructs. It demonstrates one construct as sufficiently different from the other constructs (Hair et al., 2009, p. 162). Discriminate validity has also been proved as the correlations between most of the constructs were < 0.3 (Table 3).

Table 3: Discriminant Validity

Factors	Cooperation	Honesty	Fairness
Cooperation	1		
Honesty	.270	1	
Fairness	-.026	.313	1

Exploratory Factor Analysis

For data purification of ethical values, the technique of factor analysis has been used through Statistical Package for Social Sciences (SPSS, 17 Version) with Principal component analysis along with varimax rotation. Factor analysis examines the underlying patterns or relationship for condensing the total data into minimum meaningful factors (Hair et al., 2009, p. 128). The items having factor loading less than 0.5 and Eigen value less than 1 were not considered for the subsequent analysis. With application of factor analysis, the data converged into three factors with 67.09% of variance explained (Table 4).

The three factors are F1 (Cooperation), F2 (Honesty), F3 (Fairness). The status of each factor is discussed in detail as under:-

Factor 1 (Cooperation)

Retailers have ethical obligation to cooperate with the regulatory bodies by providing them the required information. This factor is made up of items like, 'respect', 'cooperation', 'no criticism of competitors', 'authentic information', 'follow instructions', and 'needed information'. The overall factorial mean value (3.65) indicates retailers' cooperating with regulatory bodies. The Eigen value of this factor is 4.191 with 27.76 percent of variance explained (Table 5). The factor loadings range from .824 to .635 and communalities fall between .688 and .663. Majority of the respondents (88%) found retailers giving due respect (4.23) to them as they visit their retail stores and about 91% of them experienced full cooperation (4.20) from retailers (Table 4). About 75% of the total respondents experienced retailers furnishing the needed information (3.80) which is authentic to some extent (3.74). While about 77% of them observed retailers criticising their competitors with regulatory authorities just to shift their attention to other retailers (2.29).

Factor 2 (Honesty)

This factor comprised of variables such as, 'responsible', 'follow legal norms', 'honest' and 'truthful'. The overall factorial mean value (3.07) indicates retailers as moderately honest with regulatory bodies. The Eigen value of this factor is 2.451 with 25.94 percent of variance explained. The factor loadings range from .899 to .587 and communalities fall between .841 and .501. About 74% of the total respondents found retailers responsible (3.06), honest (3.09), follower of legal norms (3.20) and less truthful (2.94). As these mean scores are not so high, indicating retailers moderately ethical in their dealings with regulatory bodies.

Table 4: Exploratory Factor Analysis

Rounds	Variance Explained	Items Emerged	No of Factors Extracted	Iterations	No of Items Deleted	KMO	Bartlett
1	72.48	15	04	06	02	.589	326.71
2	74.78	13	04	06	01	.641	247.67
3	67.09	12	03	05	-	.641	214.54

Table 5: Factorial Profile of Ethical Retail Practices

Variables	M	SD	FL	C	EV	VE
<i>F1 Cooperation</i>	3.65	0.71				27.76
Respect	4.23	0.88				
Cooperation	4.20	0.68	.824	.688	4.191	
No criticism of competitors	2.29	0.83	.777	.621		
Authentic Information	3.74	0.82	.720	.578		
Follow instructions	3.63	0.94	.708	.625		
Needed information	3.80	0.72	.689	.617		
<i>F2 Honesty</i>	3.07	0.11				25.94
Responsible	3.06	0.87				
Follow legal norms	3.20	0.90	.899	.837	2.451	
Honest	3.09	0.92	.885	.841		
Truthful	2.94	1.08	.864	.814		
<i>F3 Fairness</i>	3.00	0.57	.587	.501		13.39
No corruption for unfair practices	3.40	1.24	.867	.773	1.408	
Disclosing all the facts	2.60	1.29	.642	.675		
Grand Mean, S D, VE and CA	3.35	0.60				67.08

* M= Mean; SD= Standard Deviation; FL= Factor Loadings; C= Commonalities; EV=Eigen values and VE= Variance Explained

Factor 3 (Fairness)

This factor has two items, viz., ‘no corruption for unfair practices’ and ‘disclosing all the facts’. The factorial mean arrived at 3.00 with Eigen value of 1.408 with 13.39 percent of variance explained. About half of the respondents found retailers not offering money for doing unfair practices (3.40) as they were afraid of corruption. However, 60% of the total respondents found retailers sometimes hiding some facts (2.60) about the retail business.

Regulatory Body wise Analysis

For finding out the mean differences in the perceptions of different agencies regarding ethical retail practices, ANOVA was used. ANOVA depicts significant mean differences in the perceptions of different regulatory departments about ethical retail practices ($F= 5.792$, $Sig. = .001$, Table 6). Further, post hoc analysis has been applied. The post hoc analysis shows significant difference in the response of Labour and Employment Department and Taxation Department. The respondents belonging

Table 6: Regulatory Body wise ANOVA

Factors	Source of Variation	Sum of Squares	Df.	Mean Square	F	Sig.
Cooperation	Between Groups	2.380	4	.595	4.661	.005
	Within Groups	3.830	30	.128		
	Total	6.210	34			
Honesty	Between Groups	10.633	4	2.658	8.126	.000
	Within Groups	9.814	30	.327		
	Total	20.446	34			
Fairness	Between Groups	16.074	4	4.018	4.935	.004
	Within Groups	24.426	30	.814		
	Total	40.500	34			
Overall	Between Groups	4.379	4	1.095	5.792	.001
	Within Groups	5.670	30	.189		
	Total	10.049	34			

Table 7: Regulatory Body wise Factorial Mean Values

Factors	Regulatory Bodies				
	Food and Supply	Taxation	Labour and Employment	Weight and Measures	Retailers' Association
Cooperation	3.80	3.22	3.93	3.75	3.67
Honesty	3.17	2.83	3.20	1.94	4.05
Fairness	3.42	3.06	3.80	1.63	2.20
Overall	3.46	3.04	3.64	2.44	3.31

to Labour and Employment Department accorded the highest mean score (3.64) followed by Food and Supply Department (3.46), Retailers Association (3.31) and Taxation (3.04, Table 7).

CONCLUSION

On the whole, the regulatory bodies observed retailers ethical and legal to some extent as the mean values are moderate. Retailers are more unethical from the viewpoint of taxation authorities as they evade tax by disclosing less sales and profit. Retailers' association should become more active and conscious about the retail practices and terminate the membership of those doing unfair and illegal practices and keep them disassociated and isolated for such a crime. They should adopt ethical code and train the members for more ethical retail practices. It is evident from the above analysis that retailers are respectful to the regulatory bodies' officials. But they are not transparent to large extent as they hide some facts and usually criticise their competitors with the officials. The retailers should provide authentic information to the regulatory bodies so that they can do their job in a responsible and accountable manner. Further, the retailers need to follow instructions provided by the regulators as denying them may tarnish their image in the market or publicise through media. Moreover the needed information should be furnished at the stipulated time. The retailers are legally bound to follow legal norms encoded as laws and Acts by the Central government, State government and Local bodies. Finally, corruption is common phenomenon everywhere and retailers should never give corruption to any regulatory body and in turn regulatory body is not authorized to seek any other funds from retailers in the form of corruption for safeguarding the retailers' interest. The rampant corruption should be mitigated from its roots.

Unique Contributions

By empirically exploring the regulatory bodies' perceived retailing ethics, this study bridges the gap in the literature

on retailing ethics and serves as a milestone for the forthcoming researches who can dwell further on the same theme with new insights. This study is valuable for the central, state and the local government bodies for strengthening the regulatory framework and guideline for policy formulation and implementation. Further, for improving the retailers-regulatory bodies' ethical relationships, this study is a mechanism to remove the loopholes in the existing set up and building more, trust, commitment and accountability.

Limitations of the present study

Like every research study, the present study is also suffers from certain shortcomings which in fact, serve as direction for the prospective research. Firstly, the present study explores the regulatory bodies' perceived retailing ethics by focusing on the regulatory bodies in J&K only. Secondly, in retailing there are various stakeholders and this study is confined to regulatory bodies excluding other constituencies. Thirdly, the current study extracts only three factors viz. cooperation, honesty, and fairness, out of 16 variables representing regulatory bodies perceived ethics. Finally, the present study is restricted to exploring the regulatory bodies' perceived retailing ethics and the theoretical model has not yet constructed and validated due to the small number of respondents.

Further Research Directions

On the basis of above study limitations, the further research directions in the field of retailing ethics are outlined as under:

- ◆ The future research can be undertaken on the perceptions of regulatory bodies covering different states and accordingly, a geographical gap analysis can be conducted.
- ◆ A comparative study on the perceptions of various stakeholders such as customers, employees, suppliers, etc. can be undertaken by the forthcoming

researchers along with a stakeholder differences analysis.

- ◆ In future more variables can be added for comprehensive research for extracting more factors.
- ◆ A theoretical model of regulatory bodies' perceived retailing ethics can be constructed and duly validated through multivariate techniques.

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