

# Assessment of Regulatory Norms in Retail Marketing

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## ABSTRACT

This paper aims to explore empirically the perceptions of regulatory bodies about the legal norms followed in retail sector. Retailers are required to follow the various legal norms in their business practices but in the extant literature there is dearth of research on the topic under consideration. The study is based upon the data obtained from regulatory bodies from a northern Indian city through a self designed schedule based upon five point Likert scale. It was found that retailers do not prepare books of accounts fairly as they disclose low sales and profit. In fact, the retailers fill the tax return but at the same time, they evade the taxes by manipulating facts regarding sales and profit. However, the study is confined to retail sector and the future study can cover other areas as well.

**Keyword:** Legal Framework, Retailers, Regulatory Bodies

## INTRODUCTION

The retailers are expected to follow the legal norms in their interaction with all the stakeholders framed by the legislative or by any regulatory body (Sharma and Sharma, 2009). Retailers are supposed to furnish all the needed information and documents authentically and without any delay. In fact, it is an 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, thus, examines the perceptions of five regulatory bodies, viz., Food and Supply Department, Taxation Department, Labour and Employment Department, Weights and Metrology Department and Retailers' Associations (Sharma and Sharma, 2011).

A regulatory body is a public authority/government department/a voluntary organisation, responsible for exercising needed power over some areas of human action in a regulatory/supervisory capacity. Regulatory bodies take care of administrative regulative activities by codifying and enforcing regulations and imposing control for the benefit of all. They have statutory authority to

perform their functions with oversight from the legislative branch. Regulatory bodies are commonly set up to enforce standards and safety and to oversee use of public goods and regulate business. Retailing involves the selling of goods and services to the ultimate consumers and for they are well connected with other stakeholders such as suppliers, financiers, employees and the Government. There are various regulatory bodies for regulating the retailing 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 while the Taxation Department collects the taxes from retailers and controls tax evasion. Labour and Employment Department has to deal with the issues of child labour, fair pay, working conditions and Weight and Metrology Department evaluates the measures of weights used by the retailers. Moreover, 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 et al., 2004).

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## OBJECTIVES

- To examine the nature and extent of legal norms in retailing practices.
- To suggest the various measures for implementing legal norms more effectively.

## Method

All the regulatory bodies concerning retail sector in J&K were contacted through census method so that the whole picture of abidance of legal norms by the retailers can be portrayed.

## Instrument

A schedule was developed specifically for the study after considering the relevant literature along with consultation with the experts on the subject. The items were generated from the studies conducted by Fassin, 2009; Kaptein, 2008; Lavorata and Pontier, 2005; Kujala, 2001 and Whysall, 1995. The schedule comprised of 29 items based upon five point Likert scale ranging from 5 to 1, where 5 means strongly agree and 1 means strongly disagree (5<.....>1). The total 29 items represent 6 items relating to Taxation Department, 8 items relating to Food and Supply Department, 5 items to Labour Department and 10 items relating to Retailers' Associations.

## Data

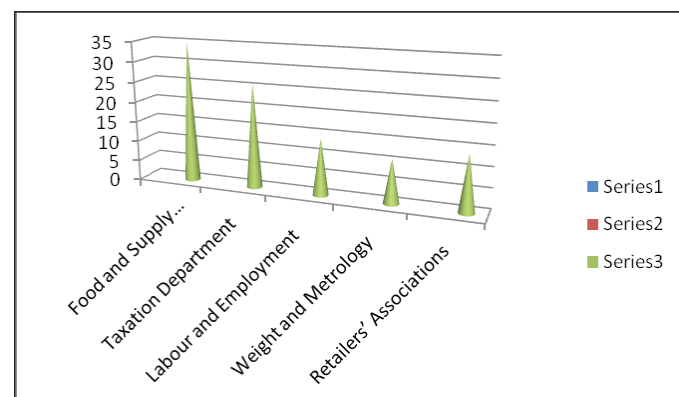
The data obtained from different regulatory bodies in Jammu city such as Food and Supply Department, Taxation Department, Labour and Employment Department, Weights and Metrology Department and Retailers' Associations. The officials of the regulatory bodies, who visited the retail stores having experience of retailers' dealings and practices, were approached. The final response was 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 1). The respondents belonging to Food and Supply, Labour and employment, Weights and Metrology used to visit retail stores on

monthly basis while Taxation Department officials visit quarterly. Moreover, a large number of retailers have membership of retailers' association which charge annual subscription fee from their members for carrying out their activities. These retailers associations, particularly, of provisional stores (kiryana) 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 (Table 1).

**Table 1: Respondents' Profile**

<i>Regulatory Body</i>	<i>Percentage</i>
Food and Supply Department	35
Taxation Department	26
Labour and Employment	14
Weight and Metrology	11
Retailers' Associations	14
Total	100

**Figure 1. Demographics Percentage wise**



## Analysis

The present study makes an attempt to explore the legal practices in retailing. Retailers are bound to do retail business by following law and order. Retailers are required to maintain proper books of accounts and disclose their actual sales along with profit to the taxation authorities (Yetmar and Eastman, 2000). They are also obliged to fill the tax return on time and pay the actual rate of tax. In fact, it is illegal on the part of retailers to evade tax (Kujala, 2001; Whysall, 2000, 1995; Cowell, 1988). It was found that retailers did not prepare the books of

accounts properly (2.78) and majority of the respondents viewed the retailers not disclosing actual sales (1.89) and profit (1.56). They should not evade tax by manipulating the books of accounts by disclosing less sales and profit (Reckers and Roark, 1994). In addition, two third of the total respondents experienced retailers filling the tax return on time but at the same time they found retailers evading tax (2.44) by manipulating some facts about the sales and profit (Table II).

Food and Supply Department scrutinises the quality and safety standard of the products sold by the retailers. They deal with adulteration of the products, products safety, packaging, outdated products etc. About half of the total respondents found products sold by retailers as safe and hygienic (3.27) but there is little adulteration in some products by few retailers, particularly those who themselves pack eatable products. About 73% of them found packages as good (3.82) and quantity as accurate (3.36) as mentioned on the pack.

About 72% of the respondents observed retailers less likely able to sell the out dated products as consumers are more conscious than before and suppliers take back the outdated products for either recycling or disposing off the products within an agreed period of time. The sole responsibility of this department is to regulate the employees' wages, working conditions, child labour etc. Majority (80%) of the respondents observed retailers not employing child labour (3.80) and giving reasonable salary to the employees (3.60). The respondents also found retailers not harassing the employees at store (3.40) as employees are well aware about their rights and can protect themselves from the exploitation by retailers.

Retailers have framed their associations for their security and protection. Retailers' associations work for creating the right environment for the growth and development of the retail practices. These bodies encourage, develop, facilitate and support retailers to become modern and adopt best practices that give delight to customers. These associations take annual membership fee and guide their members regarding various issues of common interest from time to time. They conduct meetings, seminars, workshops and circulate price list among members.

Majority of the respondents (80%) viewed retailers paying membership fee (3.80), following the price list (4.00), attending meetings (3.60), selling standardised products (4.00) and not practicing price discrimination

(3.20). Most of the associations, guide their members regarding fair retail practices (4.40). They warn those who do unfair retail practices but their membership is not cancelled (1.80) by them. The Retailers' associations have not yet prepared a code of ethics (1.20) but they agreed to formulate code of ethical practices and implement it soon and circulate to all members like the price list (Table II).

**Table 2: Perceptions about Regulatory Norms**

<i>Variables</i>	<i>Mean</i>	<i>Std Dev</i>
Taxation Department (N=09)	2.54	0.71
Retailers maintain proper books of accounts	2.78	1.09
They show actual sales	1.89	0.78
They disclose actual profit	1.56	0.73
The fill the tax return on time	3.22	0.97
They pay the tax on prescribed rates	3.33	1.00
They evade tax	2.44	1.13
Food and Supply Department (N=12)	3.36	0.31
Retailers do not adulterate the products	2.91	1.14
The products are safe and hygienic	3.27	1.01
Packages are good	3.82	1.08
The quantity is authentic	3.36	1.03
The quality of products is genuine	3.45	0.93
They do not sell outdated products	3.67	1.05
They have accurate measures of weight	3.00	0.77
They charge the printed price	3.36	0.81
Labour Department (N=05)	3.44	0.26
They do not employ minors in their stores	3.80	1.10
They close their shops on the last Sunday	3.20	0.45
They give reasonable salary to the employees	3.60	1.14
Employees are not harassed at retail store	3.40	0.89
Retailers are doing fair retailing practices	3.20	0.84
Retailers Association (N=05)	3.22	1.02
Your members follow price list	4.00	1.00
They give you needed information	3.80	0.84
They pay the membership fee	3.40	1.52
They attend the meetings called by you	3.60	1.14
They sell standardised products	4.00	0.71
They do not practice price discrimination	3.20	0.84
Their promotion is not deceptive	2.80	0.45
You guide them for fair retail practices	4.40	0.55
You cancel membership of those who do unfair practices	1.80	0.45
You have developed a code of ethics for your members	1.20	0.45
Overall Mean and Standard Deviation	3.15	0.75

## LIMITATIONS AND FUTURE RESEARCH

The study is area specific and examines the perceptions of regulatory bodies thus, the findings cannot be generalised to other areas. The future research can be done with large sample size covering the more geographical areas. Moreover, the study is confined to the investigation of legal norms in retailing context and future research should focus on ethical values in retailing from the perspective of various stakeholders. Since this is an initial attempt in the retailing literature on legal norms the prospective research can be more exhaustive and comprehensive and comparative in nature. The comparison can be made between retailers and regulatory bodies about their perceptions of Legal framework of retailing.

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