

CHAPTER I

INTRODUCTION

The distributive system, composing in the main the wholesalers and the retailers, is an important sector of the Malayan economy, as it mediates the exchange of goods between the producers and the consumers. The small shops mainly as retail units occupy the final stage in the distributive chains as at this stage goods are sold direct to the ultimate consumers.

A. Purpose

The purpose of the study is to examine and analyse the structure of the small shops in Besaroh and at the same time to show how this structure was influenced by the various economic, social, occupational and sociological conditions prevailing in the area. Particularly, the study aims to bring to light the average profits accrued to each shopkeeper per month and whether this main source of income was in some cases supplemented by earnings from non-shop activities, to trace the extent to which credit obligations bind the villagers to the shopkeepers and the latter to the wholesalers, and finally to discuss the methods of competition among them.

B. Scope

The study is concerned with 41 shops located in three kampongs -- Kampong Pantai, Kampong Rumbia and Kampong Che' Lot -- in the Mukim of Besaroh. The majority of the people who lived

In the three kampongs were fishermen and farmers, the rest mostly Government employees. Shops located outside the three kampongs are excluded from the scope of the present study. Beserah is a fishing village with a population of 4,300 on the East Coast of Malaya, five miles to the north-east of Kuantan, the State capital of Pahang.

C. Method

Data and information were collected by means of intensive personal interviews of each of the 41 shopkeepers in Beserah. The interviews were based on a prepared list of questions¹ and shopkeepers' answers were recorded on separate sheets of paper. These interviews were also supplemented by personal observations on the activities and surroundings of the shopkeepers.

The selected data were then tabulated in the University of Malaya and the whole of this Exercise is based on those tabulations. Written sources have also been referred to in the course of writing.

The period of investigation was from June 16 to July 19, 1958. This period unfortunately coincided with a spell of bad trades among shopkeepers on account of the general trade recession which recently struck the world market. Thus the examination of figures on turnovers and profits must be viewed against this background.

1. See Appendix II on page 51 for question-samples.

D. Factors which favour the growth of small shops

Many economic, social and sociological factors can be expected to favour the growth of small shops in the village. One set of factors relates to the consumers' attitude and buying habits, and the other to the shopkeeper and his competitive ability.

1. Consumer's attitudes and buying habits. Nearness to the homes of the consumers is an important factor favouring the growth of the small shop. For the consumers to be able to 'buy round the corner' is a convenience especially when expressed in terms of time, energy and money saved. Village families who are poor could not afford to fill up their household stocks and a quick purchase round the corner serves as a useful substitute. Being poor, they could only afford to buy in small quantities which are sufficient for the day's meals. Small quantities are advantageous since they do not require elaborate storage facilities as would be necessary when buying in bulk. Such expenses for storage facilities could therefore be shifted to the shopkeepers. To the latter, selling in small quantities confers certain advantages such as greater profit margins.

The availability of small shops provides consumers with a ready-stand-by for urgent purchases. In a village a housewife may realize in time that the day's supply of rice has been exhausted,

With a small shop nearby this urgency may be quickly relieved by a quick shopping. The provision of free delivery services appeals to most customers. The perishable nature of certain goods such as fresh vegetables, home-made cakes, finds the small shops their most suitable outlets.

The extension of credit by shopkeepers to their customers is an inducement for the latter to buy in a particular shop. For this reason, credit may be used by the shopkeepers to tie their customers to their shops. A loyal patronage of a particular customer may be earned by the provision of satisfactory services spiced by pleasant manners and speech on the part of shopkeepers.

2. The Shopkeeper and his competitive ability. To a shopkeeper the possession of a small shop is not merely a matter of calculating profits, it also means the possession of an independent means of livelihood whereby shopkeeping may be the only minor income earner.

The element of family tradition sometimes may induce a shopkeeper to retain a family business even when the latter is proved to be a financial flop. In a family business a shopkeeper may not necessarily adhere to good accounting principles. He may be contented if the net returns would just cover his family's living expenses.

A village shopkeeper of ten occupies a relatively high social status, for nothing serves better as an index to his wealth than the goods which he displays on his shop shelves. This factor frequently

may induce a person to take up shopkeeping. For example, when many customers are indebted to him their position as his debtors makes his position superior to theirs and this knowledge may make him forget that his business is not as good as he thinks.

Small shops offer opportunities for those in possession of small sums of money to start their own business enterprises. In an underdeveloped economy where the capital market is not well organised and opportunities for investment in buying shares are lacking, the opening of small shops offer exciting and attractive alternatives.

B. Diseconomies of Small-scale Retailing

The disintegration of retailing into small units does not always serve the interests of both shopkeepers and the customers. Small retail units besides being relatively inefficient are seldom in a position to enjoy the economies of large scale retailing which their bigger counterparts such as the big chain stores generally do. Their relatively small resources for instance, may not permit them to purchase their supplies in large quantities as to justify the grant of liberal concessions such as rebates, discounts or credit, by the wholesalers. Their bigger counterparts, on the other hand, do enjoy these concessions and are thus able to transfer those concessions to their customers in the form of lower prices. But

in the case of shopkeepers of small retail units these economies of large scale are denied them and as a result, relatively higher prices have to be charged for their goods. Thus the burden of their inefficiencies and diseconomies have to be borne finally by the customers.

At this stage the question arises as regards the extent to which the factors discussed above, are important in influencing the size of many small shops in Bescrah. There is no doubt that both the positive and negative factors operated in varying intensity in shaping the structure and development of the small shops in Bescrah. The rest of the chapters are devoted to an analysis of the small shops in order to throw light on those forces which helped or hindered their development.

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