

CHAPTER IV

FINANCIAL POSITION OF SMALL SHOPS

The last chapter discussed the system of credit operating within the distributive trade of Boserah. Under the present heading we shall attempt to analyse the financial position of the forty-one small shop in the village.

A. Turnovers

Turnovers denote the value of sales made by a shop per unit of time. Normally a major part of a shopkeeper's capital is invested in commodities to be sold and his aim is to convert them into cash with the maximum of profits.

Table VIIIa on page 30 shows the distribution of the various types of shops in Boserah among groups of turnover. Its marked feature is the wide range of turnover shown by the eight types of business especially sundry shops. The marked variation shown in the turnover of sundry shops is to be attributed to similar variation in the volume and variety of stocks displayed by them. It appears that in Boserah the shops with greater quantity and variety of stocks attracted more customers than shops with inadequate stocks. These shops can supply nearly all that the customers needed without having to go to other shops.

Shopkeepers also differed in their willingness to grant credit to customers. Normally those who were more willing, obtained more turnover per day than the less willing ones.

Variation in the density of population in relation to the geographical location of the shops also accounts for the disparity in turnovers. Shops situated along the main street¹, where there ~~are~~^{were} more households per unit area, normally registered a relatively higher rate of turnover than the side-street shops.

TABLE VIII
DISTRIBUTION OF THE EIGHT TYPES OF
SHOPS AMONG TURNOVER RANGE

Turnover Range (E)	Types of Shops								Total No.
	AA	BB	CC	DD	EE	FF	GG	HH	
500 and less	5	5	-	2	1	-	-	1	14
500 - 1,000	6	9	1	-	1	1	-	-	18
1,000 - 1,500	1	-	1	-	-	-	-	-	2
1,500 - 2,000	1	-	-	-	-	-	-	-	1
2,000 - 2,500	1	-	-	-	-	-	-	-	1
2,500 - 3,000	-	-	-	-	-	-	-	-	-
3,000 - 3,500	2	-	-	-	-	-	-	-	2
6,000 & over	2	-	-	-	-	-	-	-	2

AA - Sundry Shops
BB - Coffee shops
CC - Goldsmiths
DD - Barbers

EE - Tailors
FF - Bicycle-repairing
GG - Rubber dealer
HH - Tinmith

1. See sketch map in Appendix IV, page 57.

TABLE VIIIb

THE ALLOCATION OF TURNOVER AMONGST
EIGHT TYPES OF SHOPS

Types of Shops	Total Value of Turnover per Month (\$)	Average Turnover per shop (\$)
Sundry shops	31,180	1,733.3
Coffee shops	8,117	567.5
Tailor shops	1,150	575
Barbers	320	160
Bicycle-repairer	546	546
Rubber dealer	7,550	7,550
Tinsmith	50	50
Goldsmith	1,550	775
	50,463	1,230.7

Lastly the shops also differ^{ed} in their willingness to give price reductions or rebates in order not only to attract customers but also gain their loyal patronage.

The turnover variations of the other types of shops appear to be limited to a much narrower range. This is perhaps due to the types of goods or services sold in those shops for which the demands were relatively stable.

Table VIIIb above shows the distribution of turnovers per month among the eight types of shops. The turnovers vary with the number of shops in each of the eight types, e.g. the sundries with the largest number produced the biggest monthly turnovers. But in

terms of average turnover the rubber dealer had the highest because of bulk and high value of the commodities he dealt with. The limited market for the products of the tinsmith is reflected in small turnover he obtained per month.

B. Subsidiary Lines

Some shopkeepers took on subsidiary lines in order to increase their earnings. Thus, some shops in Boserah whose main lines were rubber dealing, barbering, coffee shopkeeping and bicycle repairing respectively, took on the sale of sundry goods. Similarly sundry shops took on rubber dealing, petrol retailing, etc. This may result in part from the limited extent of the market which prevented the shopkeeper from specialising along specific lines.

C. Gross Profits

The difference between what the shopkeeper pays for his stocks and the proceeds realized from the sales of the same stocks represents his gross profits. To obtain the net profits, operation costs of the small shops should be excluded from the gross. Operation costs consist of wages, rents, interests, shop taxes, transport costs and payment for water and light, plus other minor costs.¹ In analysing the financial position of the shops the writer uses only figures of gross

1. Figures on some of the items on operation costs were difficult to obtain and their absence necessitates the omission of net profit figures from the following Tables IIa, b, c. The difficulties were mainly due to (a) failure of some shopkeepers to adopt adequate bookkeeping practice and (b) reluctance on their part to give information on some cost items.

profits and, though such figures do not reveal the true position of the shops, they are nevertheless indicative of earnings since the major part of operating cost is 'free' in the sense that wages were not paid to members of the families who worked in the shops. This applies to more than 80 per cent of the shops which used family labour. Daily requirements of most sundry shopkeepers were met from their own stocks and the cost of these requirements found a place in the gross profits. The significance of the latter is that for most of the shops the gross profits cover or more than cover their families' living costs.

Table IXa on page 34 shows the average financial position of the 41 shops in Baserah in terms of average gross profits.¹ It can be seen that as between the different turnover ranges the value of gross profits show on the whole such differences as might be expected. These differences are due in general to the same factors that were responsible for the differences in the turnover of shops as was discussed earlier in this chapter. Nevertheless, an important conclusion

1. Figures for gross profits were obtained in the following manner. Firstly, figures relating to the average values of stock replenishment per month were obtained from the shopkeepers. Then average values of sales per month were secured by multiplying the daily turnovers with the number of working days per month. Having obtained these two sets of figures, they were then subtracted, the former from the latter, giving the difference which in this case represents the average gross profit per month for the shop in question. E.G. a shopkeeper replenished its stock per month to the average value of \$900 and secured an average monthly turnover of \$1,200. The average monthly gross profits will then be \$1,200 minus \$900 which gives \$300. The writer admits the limitations of such a rough-and-ready procedure but, in view of the unwillingness on the part of the shopkeepers in general to divulge data and information relating to their profits such a procedure is the only one practicable. Thus it is necessary to treat the figures discussed in this chapter with caution since at best they represent the rough estimates of the shopkeepers.

can be drawn from a close study of the Table. That is shops with small turnover and relatively small profits could exist alongside big undertakings with much higher profits and turnover rates.

Their survival in the face of the competition of the larger shops might be attributed to the provision of better services, to faithful circle of customers sustained by strong credit ties and to other advantages such as proximity value and others. Table IXb on page 35 shows the distribution of the shops and their types among different profit groups. It is noted that nearly 70 per cent of the shops incurred profits which ranged from \$100 and less to \$300 and 30 per cent between \$300 and over and \$500.

TABLE IXa

ANALYSIS OF THE AVERAGE FINANCIAL POSITION
OF 41 SHOPS CLASSIFIED ACCORDING TO TURNOVER

Turnover Range in (\$)	Number of Shops in each Turnover Range	Average Gross Profits in (\$)
500 and less	14	125
500 - 1,000	18	275
1,000 - 1,500	3	320
1,500 - 2,000	-	-
2,000 - 2,500	1	300
2,500 - 3,000	-	-
3,000 - 3,500	2	500
6,000 & over	3	506

TABLE IXb

DISTRIBUTION OF THE EIGHT TYPES OF
SHOPS AMONG THE PROFIT GROUPS

Types of Shops	Profit Range in (\$)					
	100 & less	100-200	200-300	300-400	400-500	500 -
Sundry shop	4	5	3	2	3	1
Coffee shop	2	3	5	4	-	-
Goldsmith	-	-	-	2	-	-
Barbers	1	1	-	-	-	-
Tailors	-	-	1	-	1	-
Bicycle-repairer	-	-	-	1	-	-
Rubber dealer	-	-	1	-	-	-
Tinsmith	1	-	-	-	-	-
Total	8	9	10	9	4	1

The last table on profits is Table IXc on page 36 showing this time the allocation of total gross profits among the eight types of shops in Basorah. It also shows the average for each type. Here again gross profits vary among the different types of shops. The goldsmiths seem to secure the highest average gross profits among all the shop types. Given the high demand for their merchandise among the village customers competition between them is less keen owing to their small number (only 2). This suggest that the disparity

in total and average gross profits as between the different shop types is a function, given the scale of demand of the villagers for their respective goods and services, of the varying intensity of competition within each shop type. The latter depending on the number of shops operating within each type. In other words, given the demand for the goods of a particular trade, the less number of shops participating in the trade less keen is the competition and the higher the average gross profits.

TABLE IXc

ALLOCATION OF TOTAL GROSS PROFITS
AMONG EIGHT TYPES OF SHOPS IN BESERAH AND
THE AVERAGE GROSS PROFITS

Types of shops	Total Gross Profits per Month in (\$)	Average Gross Profit per shop in (\$)
Sundry shops	5,063	281
Coffee shops	3,077	219.8
Goldsmiths	750	370
Tailors	700	350
Barbers	290	145
Bicycle-repairer	346	346
Rubber dealer	250	250
Tinsmith	40	40
	10,516	256.4

D. Other Sources of Income

In rural areas it is not uncommon for some shopkeeper to take on other forms of self-employment as a way of utilising their labour to supplement their income. This happened frequently in Beserah when business conditions were poor, as for instance, during slump or recessions. In the village there were four out of forty-one shopkeepers who did so and the following four cases discussed the various forms of self-employment and their respective earnings.

1. Case AF¹. AF was a Tinsmith whose earnings from his trade were not adequate to support his family of seven. So he with the help of members of his family worked as tenant farmers on a rubber farm. Their work yielded them 75 katis of rubber per month.

2. Case Q. Q was a coffee shopkeeper and a local agent for aerated waters. According to him his earnings from his shop were not adequate to live on, so some members of his family supplemented the families income by working on their own rubber farms. Earnings from the latter amounted to \$70 per month.

3. Case AH. AH was a sundry shopkeeper as well as the owner of an eight-acre rubber farm. His families worked on this farm and obtained 150 katis of rubber per month.

1. Letters after every case denote shops. Ref. see Appendix III, p.55.

4. Cases K & M. They were two barbers whose wives sought odd jobs such as laundrying and tailoring from their neighbour in order that they could contribute their shares to their families' earnings. According to their estimated earnings from such activities varied from month to month within the range of \$10 to \$20 per month.

E. Investment by Shopkeepers

Six other shopkeepers in Besarrah derived extra income, not from the above sources already discussed, but from properties as a result of former investments. Normally such shopkeepers represent the group with relatively high average gross profits.¹ In their case it is not necessary for some members of their families to seek work outside the shops to supplement the families' income, since work in their shops ^{was} are more than adequate to occupy their time and energy fully.²

TABLE Ia
OTHER SOURCES OF INCOMES AND TYPES
OF WORKS IN ADDITION
TO SHOPKEEPING

Cases Under Study	Types of Works in addition to shopkeeping	Yield of Produce Or earnings per Month
1. Case AP	Rubber tapping	75 katis of rubber
2. Case Q	Rubber tapping	\$70
3. Case AH	Rubber tapping	150 katis of rubber
4. Cases K & M	Odd Jobs (such as laundrying, tailoring, etc.)	\$10 - \$20

1. See Appendix III on page⁵³ for details of every case study. It is found that nearly all the shops under discussion belong to higher profit group.
2. Some shopkeepers under this group informed the writer that they and their wives had to work till late in the night owing to high pressure of business.

TABLE Xb
TYPES OF PROPERTIES AND THEIR INCOMES

Cases Under Study	Amount and Types of Properties	Incomes from Column 2 in (\$)
1. Case I	4 shop-houses	142
2. Cases B & AE	10 acres of rubber farms and 25 acres of same for B & AE respectively	(Not given)
3. Case Y	5-acre rubber farms	(Not given)
4. Case AB	50-acre rubber farms	(Not given)
5. Case J	Dwelling houses	(Not given)
6. Case AK	4 Outboard engines	100 - 400

1. Case I. I was a sundry shopkeeper who had been in Besserah for sixteen years. Presumably from the profits made from his shopkeeping he was able to buy 4 shop houses while he subsequently rented together with the equipment. Total rent received per month is about \$142.

2. Cases B & AE. B and AE were both sundry shopkeepers. B had recently bought a 10-acre rubber farm worked by tenant farmer on a share basis. AE also possessed a rubber farm 25 acres in area which was also worked by tenant farmers. (Both shopkeepers are therefore landlords). But AE was also a dealer in rubber thus enabling him to market his share of the rubber through his shop.

3. Case Y. Y was a goldsmith who had been doing business in Bescrah for fifteen years. With the profits derived from his goldsmithing he bought 5 acres of rubber farm, worth according to him about \$1,500.

4. Case AD. AD was a rubber dealer-cum-sundry shopkeeper who had been in business for twenty-years. He was also a landlord with 25 acres of rubber farmlands. His share of the produce from the latter was marketed through his shop.

5. Case J. J was a coffee shopkeeper who had lived in Bescrah for thirty-two years. He owned a number of dwelling houses which were rented to tenants.

6. Case AK. AK was also a coffee shopkeeper and a capitalist who had 4 outboard engines plus some boats which were hired regularly to the fishermen who paid him commission based on the value of the latter's catches. For example, for every \$10 worth of fish catches he got as commission \$2. According to him he obtained 20 trips per month with commission varying within the range of \$5 to \$20 per trip. So his earnings from such commissions presumably varied from \$100 to \$400 per month depending on the value of fish catches per trip.

E. Motives for Investment

The significance of the above discussion is that some shopkeepers did not plough back all of their profits for the expansion of their shops but instead used some of their savings to invest in properties from which they obtained some extra incomes. Probably the limited extent of the market for their goods in the village

explained the main reason why they did not do so. A more plausible reason is perhaps their desire to spread their investment eggs in many baskets so that any crisis in one line may be offset by relative prosperity in the other. Finally the possession of properties such as lands, houses, etc. confers upon the owners high social gradings in the community and on non-Malay landowners a feeling of permanency, security and attachment to the country where they have earned their living.

