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STUDY ON THE EFFECT OF PRICE FLUCTUATION AND COMPETITION AMONG ITINERANT TRADERS IN MALAPPURAM DISTRICT, KERALA

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Abstract

In the current economic environment, itinerant traders face increasing challenges due to frequent price fluctuations and intensifying market competition. These factors directly impact their ability to maintain stable profit margins, manage operational costs, and retain customers. While competitive pricing can create opportunities for growth and innovation, excessive price wars and unpredictability in input costs can lead to unsustainable business practices and reduced economic stability.

Despite their crucial role in the informal sector and contribution to urban livelihoods, the effects of price volatility and competition on the overall sustainability and performance of itinerant traders remain underexplored. Hence, this study aims to examine how price fluctuations and market competition affect the business operations, profitability, and long-term viability of itinerant traders, identifying both the positive outcomes and critical challenges they face.

Key words: Itinerant Retailers, Price Fluctuations

I. INTRODUCTION

Itinerant trading is a global phenomenon and represents one of the most prominent features of the informal economy. Characterized by low entry barriers, limited capital investment, and self-employment opportunities, it attracts a large number of individuals, especially in urban and semi-urban areas. In cities and towns, millions of people earn their livelihood through itinerant trading by selling a wide variety of goods and services in public spaces such as streets, markets, and roadside stalls.

However, itinerant trading is subject to several challenges, particularly price fluctuations and intense competition. These factors can greatly influence both traders and the customers they serve. Price fluctuations introduce a level of uncertainty in the trade, especially when input costs rise unexpectedly. Traders may then face difficulties in maintaining profitability due to higher costs for supplies, permits, or transportation. Conversely, the availability of cheaper resources in certain areas allows traders to offer competitive pricing, helping them attract more customers. Competition among itinerant traders can also drive innovation, quality improvement, and diversification of products and services. When multiple traders operate in the same location, they are encouraged to distinguish themselves through better offerings and customer service. While this benefits consumers by providing more choices and lower prices, it also exerts pressure on traders to consistently adapt and improve.

Despite these positive effects, excessive competition can be detrimental. Traders may face difficulty in sustaining their businesses, especially when price wars force them to lower margins. Continuous under-pricing to outcompete others may threaten long-term viability and lead to business closures.

In summary, while price fluctuations and competition among itinerant traders can stimulate growth and customer satisfaction, they also pose considerable risks. Understanding these dynamics is essential for evaluating the sustainability and resilience of itinerant trading in the informal sector.



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II. STATEMENT OF THE PROBLEM

Itinerant traders play a significant role in the informal economy, especially in local markets like Tirur. These traders often deal with fluctuating market prices and intense competition from other sellers, including both organized retailers and fellow mobile vendors. Price fluctuation of goods is influenced by several factors such as supply variations, seasonal demand, and competitive pricing strategies adopted by traders.

In the Tirur locality, itinerant traders face uncertainty in pricing due to constant competition and customer bargaining behaviour. This situation directly affects their profit margins, income stability, and sustainability of their business. Moreover, customers tend to compare prices among different traders, which increases competitive pressure and forces traders to adjust prices frequently.

Despite their importance, limited studies have been conducted to understand how price fluctuation and competition impact itinerant traders at the local level. Therefore, this study attempts to examine the relationship between competition and price fluctuation, and to understand the challenges faced by itinerant traders, particularly in terms of customer bargaining and pricing strategies in Tirur.

III. SCOPE OF THE STUDY

This study is confined to itinerant traders operating in the Tirur locality. It focuses on analysing the effect of competition on price fluctuation of products sold by these traders. The study also examines the extent to which traders face bargaining from customers and how it influences their pricing decisions. The research covers different types of products sold by itinerant traders, such as vegetables, fruits, fish, and household items. Data is collected from a selected sample of traders to understand their experiences and practices regarding price setting and competition.

IV. REVIEW OF LITERATURE

Ramesh, V. (2023)

In the article “Post-Pandemic Recovery Among Itinerant Traders in Semi-Urban Tamil Nadu”, published in the Journal of Micro and Small Enterprises Research, Ramesh examined the challenges faced by street vendors in the wake of COVID-19. The study found that traders who adapted digital tools like UPI payments and social media promotions were better able to withstand the impact of price fluctuations and rising competition.

Patel, S. & Mehta, N. (2023)

Their research paper titled “Price Instability and Supply Chain Bottlenecks in Informal Trade”, published in the Indian Journal of Commerce and Trade, discussed how weak supply chains and inconsistent access to wholesale markets lead to frequent cost changes for itinerant traders in Ahmedabad. They suggested cooperative buying as a solution to enhance price stability and bargaining power.

Saha, R. (2022)

In her article titled “Urban Street Vendors and Informal Livelihoods: Challenges of Survival in Indian Cities”, published in the International Journal of Urban Economics, Saha explored how price volatility caused by inflation and rising fuel costs significantly impacts itinerant vendors in Kolkata. She emphasized the importance of policy-level interventions to regulate input costs and safeguard informal traders’ income.



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Kumar, M. & Joshi, A. (2021)

Their study, “Competitive Dynamics Among Itinerant Traders in Delhi’s Informal Markets”, published in the South Asian Journal of Business and Management Studies, highlighted that intense competition in urban markets forces traders to reduce prices continuously, affecting their long-term profitability. The paper also emphasized the role of product diversification and personalized customer service in sustaining competitiveness.

V. RESEARCH METHODOLOGY

The research methodology provides a systematic framework for collecting, analysing, and interpreting data related to the effect of price fluctuation and competition among itinerant traders. This study follows a descriptive research design, aiming to examine the challenges, strategies, and impact of economic variables on itinerant traders.

Research Design

The study adopts a descriptive research design, which helps in understanding the current practices, behaviours, and problems faced by itinerant traders due to price fluctuation and competitive pressures. It focuses on gathering detailed insights into their trading patterns, pricing strategies, and customer responses.

Area of Study

The research was conducted in selected urban and semi-urban markets where itinerant trading is actively practiced. Areas include roadside markets, local bazaars, in Tirur locality

Population and Sample Size

The population of the study comprises itinerant traders dealing in goods such as fruits, vegetables, garments, accessories, and household items.

A sample of 50 traders was selected using convenience sampling, based on their availability and willingness to participate

Data Collection Methods

Primary Data was collected through structured questionnaires and personal interviews with itinerant traders.

Secondary Data was obtained from journals, government reports, research articles, and published documents related to informal trading and market behaviour.

Tools of Data Collection

A questionnaire with both closed-ended and open-ended questions was used to collect data on the traders’ experience with price fluctuations, competitive strategies, profit margins, and customer preferences

Objectives

1. To analyse whether there is any relationship between competition and market price fluctuation of the products.
2. To identify whether itinerant traders face bargaining from customers.



HYPOTHESIS OF THE STUDY

H0=there is no significant relationship between competition and market price, fluctuation of the products

H1=there is a significant relationship between competition and market price Fluctuation of the products

LIMITATION OF THE STUDY

- Sample size limited due to constraints
- Lack of clarity of response
- Accuracy of the study is based on the information given by the respondents In Tirur locality
- Expensive and time constraints
- It doesn't represent the whole population

Research gap

Despite several studies on informal trading and the challenges faced by itinerant traders, limited research has been conducted specifically focusing on the dual impact of both price fluctuation and competition together, especially at the micro-local level such as small towns like Tirur.

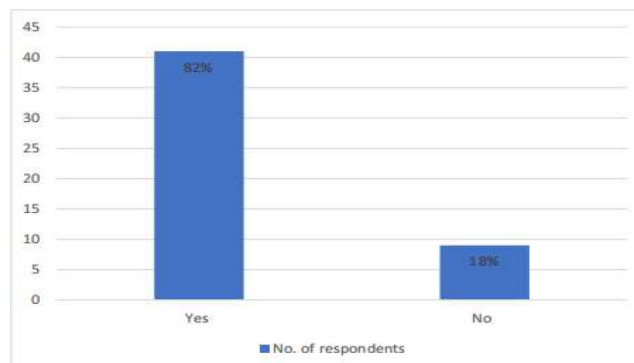
DATA ANALYSIS

TABLE NO: 1

| Bargaining from customers criteria | No. of respondents | Percentage (%) |
|---|---------------------------|-----------------------|
| Yes | 41 | 82 |
| No | 9 | 18 |
| Total | 50 | 100 |

CHART

BARGAINING FROM CUSTOMERS





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Interpretation

The table shows that 82% of respondents bargain while purchasing, whereas 18% do not bargain. This indicates that bargaining is a common practice among customers, especially in informal markets and among itinerant traders.

TABLE NO: 2
OBSERVED DATA

| Affects of market price fluctuation | Better quality of products | More productivity | Regular customers | Others | Total |
|--|-----------------------------------|--------------------------|--------------------------|---------------|--------------|
| Strongly agree | 10 | 2 | 8 | 0 | 20 |
| Agree | 5 | 4 | 7 | 1 | 17 |
| Neutral | 2 | 2 | 4 | 0 | 8 |
| Disagree | 1 | 1 | 1 | 0 | 3 |
| Strongly disagree | 0 | 0 | 0 | 2 | 2 |
| Total | 18 | 9 | 20 | 3 | 50 |

TABLE NO:3
EXPECTED FREQUENCY

| Options | Better quality of products | More productivity | Regular customer | Others | Total |
|-------------------|-----------------------------------|--------------------------|-------------------------|---------------|--------------|
| Strongly agree | 7.2 | 3.6 | 8 | 1.2 | 20 |
| Agree | 6.12 | 3.06 | 0.8 | 1.02 | 17 |
| Neutral | 2.88 | 1.44 | 3.2 | 0.48 | 8 |
| Disagree | 1.08 | 0.54 | 1.2 | 0.18 | 3 |
| Strongly disagree | 0.72 | 0.36 | 0.8 | 0.12 | 2 |
| Total | 18 | 9 | 20 | 3 | 50 |



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TABLE NO: 4

CALCULATION FOR CHI-SQUARE TEST

| O | E | O-E | (O-E) ^2 | (O-E) ^2 / E |
|--------------------|------|-------|----------|--------------|
| 10 | 7.2 | 2.8 | 7.84 | 1.08 |
| 2 | 3.6 | -1.6 | 2.56 | 0.71 |
| 8 | 8 | 0 | 0 | 0 |
| 0 | 1.2 | -1.2 | 1.44 | 1.2 |
| 5 | 6.12 | -1.12 | 1.25 | 0.20 |
| 4 | 3.06 | 0.94 | 0.88 | 0.28 |
| 7 | 6.8 | 0.2 | 0.04 | 0 |
| 1 | 1.02 | 0.02 | 0 | 0 |
| 2 | 2.88 | -0.88 | 0.77 | 0.26 |
| 2 | 1.44 | 0.56 | 0.31 | 0.21 |
| 4 | 3.2 | 0.8 | 0.64 | 0.2 |
| 0 | 0.48 | -0.48 | 0.23 | 0.47 |
| 1 | 1.08 | -0.08 | 0 | 0 |
| 1 | 0.54 | 0.46 | 0.21 | 0.39 |
| 1 | 1.2 | -0.2 | 0.04 | 0.03 |
| 0 | 0.18 | -0.18 | 0.03 | 0.18 |
| 0 | 0.72 | -0.72 | 0.51 | 0.72 |
| 0 | 0.36 | -0.36 | 0.12 | 0.36 |
| 0 | 0.8 | -0.8 | 0.64 | 0.8 |
| 2 | 0.12 | 1.88 | 3.53 | 29.41 |
| Total (χ^2) | | | | 36.55 |

H0=there is no significant relationship between competition and market price Fluctuation of the products

H1=there is a significant relationship between competition and market price fluctuation of the products.

Chi-square = calculated value = 36.55

Degree of freedom = (R-1) *(C-1) = (4-1) *(5-1) = (3) * (4) = 12

Level of significance = 5% (0.05)



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Table value = 21.026

Interpretation: -

The calculated value is greater than table value. Therefore, reject the null hypothesis (H0) and accept the alternative hypothesis (H1). So, there is a significant relationship between competition and market price fluctuation of the products.

FINDINGS

- There is a significant relationship between competition and market price fluctuation of the products
- A majority of itinerant traders (70%) believe that price fluctuations highly influence their trading practices.
- 92% of respondents agree that price fluctuation affects the trade, influencing what and how they sell.
- 84% acknowledge that price fluctuation impacts overall market dynamics, often leading to competitive pressure.
- 82% of the respondents confirmed that they face regular bargaining from customers.
- This bargaining often pressures traders to either lower prices or compromise on profit margins.
- Traders mentioned that price negotiation is a daily challenge, especially in areas with dense competition. There will be a relationship between market price fluctuation and competition
- The itinerant traders are satisfied with their income
- This analysis founded that accessibility of customers is the main factor while
- considering the selection of location
- Itinerant traders are facing the problem like bargaining from customers
- Most of the itinerant traders are trading fruits/vegetables and foods/clothes
- Itinerant traders purchasing goods mainly from the wholesalers and agents
- Most of the traders are paying rent for the trading place
- Majority gets cooperation from other vendors and not following
- discriminatory price policy
- Most of itinerant traders are not facing difficulty from authorities

SUGGESTIONS

- Make informed decision and stay updated on market trends
- Diversify offering and monitor competitors to attract customers
- Establish strong relationships with suppliers to negotiate better prices and terms
- Provide excellent customer service and value to build a loyal customer base
- Utilize technology tools to streamline operations and manage inventory efficiently
- Consider expanding customer base by exploring new markets or geographic areas
- Use targeted promotions and discounts to attract customers
- Stay agile and adapt trading strategies based on market conditions and customer feedback
- Optimize supply chain to minimize costs and improve efficiency
- Develop contingency plans to mitigate the impact of sudden price fluctuations
- Stay ahead of market trends, anticipate customer needs and be willing to
- adapt strategies to remain competitive in a dynamic market
- Develop a pricing strategy that aligns with trading goals and target market.



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CONCLUSION

Itinerant traders are an important part of the informal sector. They sell goods and services without permanent shops and help meet the needs of the urban poor and youth. Price fluctuations and competition among these traders affect both their businesses and the customers they serve. Changes in prices can influence consumer behaviour, business profits, investment decisions, and government policies. Working on this project was a valuable learning experience for me, and it helped me understand the challenges faced by itinerant traders.

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