

**ANALYSES OF SOCIO – ECONOMIC DEVELOPMENT OF FRANCHISEE:
CONTRIBUTION OF FRANCHISE BUSINESS**

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Abstract

Franchisee being one of the beneficiaries of the franchise system of business tends to get benefit with the business operations. An attempt has been made through the present study to examine the contribution of the franchise business in raising the socio-economic status of the franchisee. Certain criteria have been identified, which measures the social and economic development of an individual and these criteria have been applied to examine the contribution of franchise business in raising the social as well as economic status of the franchisee. For the purpose of studying the above impact, two hypotheses have been formulated and tested separately with the help of multiple linear regression analysis. The study relies on the primary data collected from a purposive sample of 195 franchisees.

Key Words: Franchise Business, Social Development, Economic Development, Stakeholders, Regression Analyses.

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Introduction

Starting a business unit, be it a franchised or otherwise, opens a scope for social and economic development of all its stakeholders and the surrounding environment. An attempt has been made in the present study to examine the contribution of franchise business towards the social and economic development of the franchisee as the main stakeholder of the franchise business.

Franchise Business also known as Franchising is one of the methods of doing business. It is a method of marketing products and/or services, which is adopted by a wide variety of industries and businesses. Franchising is based on a relationship between two parties, the franchisor and the franchisee where the franchisor provides a licence to the franchisee, to do business and also provides the assistance in organization of various operational requirements, trains the franchisee and his employees, supports in merchandising and management, in return for a franchise fee / royalty. Franchisee is the main medium through which the business is expanded and operated across a wide geographical area.

Franchise Business is a system developed from USA (United States of America) where it was initiated by fast food industry. Today, franchising is used worldwide by entrepreneurs to expand their business in domestic as well as foreign countries.

Literature Review

In order to understand the feasibility and the depth of the present study, following literature has been surveyed.

Michael (2008) in a study provides a statistics regarding franchise network in U.S.A. It mentions that there exist at least 1500 operating franchise networks in U.S.A. which comprises 760000 franchisees. They provide employment to 18 million people. The research provides a new incentive system for the franchise system of business.

Keizer (2008), undertook a research where the question was posed and answered as “to what extent and in what ways franchising and micro franchising can contribute to structural poverty reduction”. The study relates specifically to the State of Ghana. In the conclusion the study states that both franchising and micro franchising create a win-win-win-win situation with regards to the franchisor, franchisee, customer and the economy at large.

Reynolds⁵² (2017), conducted a research in United States of America on the economic impact of franchised business. The report stated various contributions of franchise business such as direct economic output, direct employment and direct impact of franchise business to particular line of business.

Identification of Research Problem

Various studies that are done in the past, determine a link between franchise business and its contribution towards the social and economic development of the localities where the business is established. Most of these studies undertaken, relate to the foreign countries and not India. The available studies in the topic of franchise business mostly relate to the franchisors' perspective. However, the numbers of studies that reflect the franchisees' point of view are less.

Objectives of the Study

1. To highlight the measures of socio – economic development.
2. To analyse the contribution of franchise business in raising the social status of the franchisee as its stakeholder.
3. To analyse the contribution of franchise business in raising the economic status of the franchisee as its stakeholder.

Research Methodology

A systematic research methodology has been designed and executed for the conduct of the present study. This study has been done by selecting a sample of 195 franchise units in India. This sample is selected on the bases of purposive sampling method. A structured questionnaire has been administered in order to collect the data and the survey period was approximately six months in the latter half of the year 2019.

Measures of Socio – Economic Development

Socio – economic development refers to the progress in terms of social and economic factors within a given geographical territory. Social development precisely implies inclusiveness, social justice and the social participation whereas, economic development is the process of raising level of prosperity. Measuring the socio – economic development is a challenging task. Although the measures of social development differ from economic development, in order to measure the

socio – economic status various criteria are used. Some of the criteria for measuring social and economic development are listed as under.

Table No. 1: Measures of Social and Economic Development

Measures of Social Development	Measures of Economic Development
Savings	GDP (Gross Domestic Product)
Risk bearing capability	GNI (Gross National Income)
Communication skills	Literacy rate
Patriotism with wider responsibility	Capital investment
Ability to handle complexities in life	Purchasing power
Employment	Buying volume
Poverty	Mortality rate

Source: Sharma (1986), Fritz (2014)

Contribution of Franchising in Raising the Socio – Economic Status of the Franchisee

Franchisee being one of the beneficiaries of the franchise system of business tends to get benefit with the business operations. An attempt has been made through the present study to examine the contribution of the franchise business in raising the socio-economic status of the franchisee. Certain criteria have been identified, which measures the social development of an individual and these criteria have been applied to examine the impact of franchise business on raising the social as well as economic status of the franchisee.

For the purpose of studying the socio – economic contribution of franchise business, following two hypotheses have been formulated.

Ho (a) Franchise business does not have a significant influence on social status of the franchisees.

Ho (b) Franchise business does not have a significant influence on economic status of the franchisees.

Both the above hypotheses have been tested using multiple linear regressions and the results are shown in Table No. 2 and 3 as under followed by the analyses and interpretation.

Table No. 2: Contribution of Franchise Business in Improving the Social Status of the Franchisee.

Test: Ho (a)			
Dependent Variable : Rise in the social status of the franchisees			
R Square=.455 F=26.209 Sig=.000			
Independent Variables	Beta Values	T Values	Sig.
Confidence to face community	.197	3.122	.002
Non monetary contribution and participation	.189	3.418	.001
Respect gained in community	.153	2.375	.019
Patriotic behavior as responsible citizen	.137	2.248	.026
Environment Friendliness	.157	2.674	.008
Employment Generation	.443	7.439	.000

Source: Computed from primary data

For the purpose of analyzing whether there exists a significant impact of joining a franchise business on social status of the franchisee, six independent variables as listed in the above table have been considered and regressed against a dependent variable called ‘Rise in the social status of the franchisee’. The above table shows the result of testing **Ho (a)** where, the significant P-

value obtained through the test indicates that the alternate hypothesis can be accepted at 1 percent significance level. The total variance that is explained with the help of concerned six independent variables is 45.5 percent.

It has been observed from the test results that, all the independent variables are significantly contributing towards the rise in the social status of the franchisee. Specifically to explain the relation between the tested variables, it may be highlighted that, confidence gained by the franchisee to deal with complexities of life, his participating behaviour in the social events in non monetary terms too, the respect that he /she gained from the community, the friendly and caring attitude towards the environment, employment generation for self as well as others and his patriotism towards the state and nation indicate a positive relationship with his social status. It also implies a significant rise in the social status of the franchisee with respect to his association with the franchise system of business.

Presenting the output of the test in the form of regression equation would be as follows:

$$Y = \alpha + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + B_5X_5 + B_6X_6.$$

Rise in the social status of the franchisees = 0.005 + 0.227 (Confidence) + 0.175 (participation) + 0.161 (Respect) + 0.125 (Patriotism) + 0.166 (Environment Friendliness) + 0.424 (Employment Generation).

The above analysis shows that the social status of the franchisee is significantly raised after entering into the franchise system of business. This rise in the social status of the franchisees is highlighted due to significant improvement in various criteria considered for analysis.

Further, the rise in the economic status of the franchisee has been tested against five criteria which are considered as the independent variables to test their impact on a dependent variable called 'rise in the economic status of the franchisee'. The hypothesis **Ho (b)** has been tested and the result is shown as under.

Table No. 3: Contribution of Franchise Business in Improving the Economic Status of Franchisees

Test: Ho (b)			
Dependent Variable : Rise in the Economic Status of the Franchisees			
R Square=.246 F=12.313 Sig=.000 Decision= Reject null hypothesis			
Independent Variables	Beta Values	T Values	Sig.
Increase in purchasing power	.136	1.983	.049
Increase in savings	.183	2.490	.014
Increase in income	.163	2.163	.032
Increase in tax paid	.211	3.228	.001
Investments in fixed assets	.093	1.359	.176

Source: Computed from primary data

The above table indicates that out of the five criteria used to measure the economic status of the franchisees, the last criterion which states, 'investment in fixed assets does not significantly contribute towards the economic status as per this analysis. Thus, increase in purchasing power, increase in savings, increase in the income and the subsequent increase in the tax paid indicate positive impact on economic status of the franchisees.

The hypothesis tested above gives a P-value which is significant at 1 percent and therefore **Ho(b)** is rejected. This implies, there is a significant impact of franchising on rise in the economic status of franchisees indicated by a considerable increase in their purchasing power, savings, income and tax paid. The regression model tested with the help of these criteria for their impact on economic status has been explained to the extent of 24.6 percent.

Regression equation for the above test only with four significantly impacting variables would be as follows:

$$Y = \alpha + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4.$$

Rise in the economic status of the franchisees = 1.356 + 0.133 (Purchasing power) + 0.156 (Savings) + 0.141 (Income) + 0.217 (Tax paid).

Considering the above test results it can be concluded that, the franchise business has made significant impact on the rise in economic status of franchisees.

Conclusion

The present empirical study dealt with an analysis of contribution of the franchise business towards the development and rise in the social and economic status of the franchisee as one of the beneficiaries of the franchise system of business. It has been observed that franchise business is indeed one of the factors for the rise in the social as well as the economic status of the franchisees in India. Measures such as confidence gained by the franchisee to deal with complexities of life, his participating behaviour in the social events in non monetary terms too, the respect that he /she gained from the community, the friendly and caring attitude towards the environment, employment generation for self as well as others and his patriotism towards the state and nation indicate a positive relationship with franchisee's social status. However, increase in purchasing power, increase in savings, increase in the income and the subsequent increase in the tax paid indicate positive impact on economic status of the franchisees as a result of joining franchise business.

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