

Full Length Research Paper

Understanding the process of market relationship: The Indian experience

R. Rajesh

Department of Sociology, Bangalore University, Jnanabharathi, Bangalore 560056, India.
E-mail: rajesh_rr@hotmail.com, rajesh_rrs@yahoo.com. Tel: +91-80-22961771/9, +91-80-23211728.

Accepted 28 December, 2009

Market has taken an upbeat in the present globalise world. The idea of market has dominated the discussion in both academic and practical worlds. It is in this context, it is more essential to understand, the local knowledge especially when the Multinational companies are expanding into the new spaces. At the outset, it might look as though the globalise world has one language, whereas, the regional factors circumscribe the onset. The actors involved in routine activities in a market like situation, enact their roles in a contextual setup. With these premises, a field-based research was carried out in a marketplace situation in India. It was intended to understand the relationship between the two important players, especially the buyer and seller. As a factorial point among the actors involved, the socio-cultural aspects play a predominant role in predefining the long lasting relationships in the market situation. The process of establishing a relationship was predefined by the identities of the actors involved. Indeed, the outcome of any transaction, by and large, can be projected with a proper understanding of the actors involved and the context in which the transactions are made.

Key words: Marketplace relationship, process, socio-cultural aspects.

INTRODUCTION

'Market' has become important in this liberalised era of all economies in the world. It is such a common institution that it is a part of everyday life of the individual today. The idea of market dominates our everyday discourse and political reality. After the collapse of communism (market), the open market (capitalism) appears to be perhaps the only viable form of exchange or co-ordination in a complex economy. With the changes in the world and urbanisation market has gained more importance in the academic and practical world than ever before. With the changes in the global phenomenon, because of globalisation, liberalisation and privatisation, it has become all the more important to study and analyse 'market'.

The ever-changing global phenomena and the fact reacting political realities find it difficult to cope with alterations and modifications in the present system of exchange. These markets evolved with time and space, have taken different forms uniting and integrating ultimately leading to Single Market Programmes (SMP), like European Union and to some extent SAFTA, SAARC, etc. At the global level, market integrations are being discussed to have 'space-integration', while at the micro/regional level instead of 'space-integration', 'space-segregation' prevails both at the subjective as well as the

objective levels. It implies 'social distance' between people, including the semaphoring of social hierarchy.

The exchange of goods and services is a central theme in economics, but it has many social dimensions. The present research work examines how economic exchange or 'market' is affected by the social and cultural contexts within which it occurs. As a well known fact, the exchange system, that is, 'market' has changed considerably from medieval and traditional 'marketplace' existences to modern 'place-less markets' and further, to the new modern political economies. These transformations from one form to another, with the changes in the contents as well have raised certain apprehensions about how market works. Further, the context in which the developing countries are outsourcing their back office work, the reality in the developing countries or even in the outsourcing economies are not just the way it is visible. The market structure and functioning patterns are more complicated with the interwoven of various social and cultural aspects of the societies.

Several studies have been conducted by scientists from various disciplines on matters concerning 'market' including Economic Historians, Anthropologists, Geographers, Rural and Development study scientists,

Economists, Sociologists, and the like. Economic historians have conducted several studies to understand the market from the historical perspective as well as in their respective time and socio-historical context. Polanyi (1944) has analysed precapitalist or traditional societies, Blackman (1962) looked into Britain's grocery trade in nineteenth century, Britnell (1978), Yousef (1999). Grabowski (1999) Hayes (2002), have attempted to understand trade, market activities in the past. Miller examined the grain trade in Northern France between 1700-1860 (Bossenga, 2000). Economic Anthropologists, on the other side, have also tried to understand the trade, market and exchange activities in various societies across the world. Malinowski (1922) Knight (1933), Bunzel (1938) examined the economic life of primitive peoples. Berdan (1989) unveiled the trade and markets in precapitalist states; Bossen (1989) tries to explore the women and economic institutions. Geographers have studied 'market' in terms of location, distance, patterns and weekly market structures. Bromley (1971), Bohle and Goettingen (1981) analysed the weekly market and on spatio-temporal patterns, whereas, Yousef (1999) on transportation and other geographical dimensions. Similarly, agricultural scientists and other experts from other disciplines have studied market from their own limited perspective.

The 'Market' is a central building block in the edifice of modern economic theory (Wang 1999). It has been the central and sole property of economic discipline and it has been argued that in market the people ('economic agents' or players) act rationally to maximise the utility and profit (the rationality of economic activity was rooted in the self-interest of the individual). Hence the economists' (classical and neo-classical; Adam, 1886; Robbins 1935; Alfred, 1920) argue that there is little place for social aspects in market. Classical economists have predominantly influenced their doctrine of 'homo economicus' and the actors in the market being 'rational', having profit/utility maxims' which strongly influenced the studies mentioned earlier. Economists have conducted innumerable studies on 'market' and plethora of works can be cited in this context; Smith (1776) Marshall (1920), Robbins (1935) Akerlof (1970; 1980) on rational models, exchange system, labour contracts etc. Duesenberry (1960) wrote that "Economics is all about how people make choices". Dyer (1989) analyses the 'consumer' in the market of late middle ages, and Grabowski (1999) analyses the evolution of impersonal market along with the market evolution and economic development.

Questioning the economists' hegemony on the study of market, many sociologists have raised logical questions about the concept of 'homo economicus', the doctrine of 'rationality' of man in the market and the maximisation of profit and utility. Classical sociologists like Weber (1978), Durkheim (1984), and other sociologists like Veblen (1898), Parsons and Smelser (1956); Smelser (1963),

Simmel (1990), and Pareto vehemently argued for the study of markets from the sociological perspective. Later number of sociologists like Goffman (1983) Granovetter (1985) and especially Weber (1978) highlighted the importance of the study of sociology of markets. Weber was fascinated by the market as a social phenomenon, and he called the market a 'community' (1978). Weber in his writings asserts that the mundane roots of law resided in the primacy of everyday social life, but he resisted the view that the everyday nature of economic activity automatically reflected its intrinsically social nature (Albrow 1990: 261). Sociological investigations of economic exchange reveal how institutions and social structures shape transaction patterns among economic actors (Sorenson and Stuart, 2001).

Economic sociologists Smelser and Swedberg (1993) and Swedberg (1987, 1997, 2001) argued specifically for 'economic sociology' as a discipline and worked emphatically for the growth and development of the same. Burt (1993, 1997), Davern and Eitzen (1995), Fligstein (1996, 2001), Aspers (1999), Carruthers and Uzzi (2000); Granovetter (2001); Randles (2003); Samuels (2003) and others have been working on various aspects of matters concerning 'market and society' to cite a few from different perspectives and angles.

It is evident from the literature that the arguments of the presence of social factors in the market are being discussed. Interestingly not many studies seem to have been carried out on markets in transition. The line of thought and the argument in this paper is not the question of who has the legitimate right to study markets. Many economists themselves have accepted the fact of social elements present in the market. The fact and the important aspect that is missed out are one, the studies on transitional markets and secondly, to what extent the socio-cultural factors affect the market transactions.

RATIONALE

Finest and the intricate socio-cultural factors which affect the exchange or transactions at the market situations are yet to be visualised along with its intensity. Touching upon these issues, this paper tries to identify these two aspects (transitional market and socio-cultural aspects) and analyse the market reality. When we discuss the market, it necessarily has to be groups of people interacting with each other on certain grounds (till now mistakenly established as economic/monetary). These people are the members of the society with specific socio-cultural background. Anyhow, this issue will be discussed later at length, but definitely, they are individual entities and are actors (exchange) who engage in transactions performing different roles designated at different times. It means, one could be a seller and another buyer, and they may enact different roles in different contexts, though not mutually.

The 'market' is a galaxy of events and phenomena and no activity can be understood or studied in isolation; it was in this regard, that several related aspects are brought under one package and are analysed to understand phenomenologically, market as a whole. In 'market' all events are interconnected, interdependent and interwoven just like social matrix. If one tries to understand one phenomenon or event of market another automatically gets revealed and many cases very interesting and unassuming facts do emerge. Therefore, unless all such things are studied, in-depth, the gamut of market is not understandable properly. The present paper has attempted to go to the field to explore the activities of the players in market transaction. It would be better to understand the process in which the relationship is built. The relationships are established over a period of time with lots of social interlinkages.

METHODS

This paper attempts to understand market conceptually with the help of empirical data as well. For the said purpose, it is endeavoured neither to understand & analyse the traditional markets (marketplaces, villages) nor the modern hi-tech markets (like cyber markets, metropolitans). Rather, the study attempts to understand 'markets and societies' which are in transition from earlier form to later. A town Shimoga (Karnataka, India), with relatively less population neither a village nor a modern urban agglomeration is ideal for this kind of study. It is also important that such a town should not be too orthodox or too cosmopolitan in terms of culture. This study is based on the empirical data collected from the field considering the two major role performers in the exchange activity in the market situation. Marketplace is used to understand the market activity, particularly the shop owner and their permanent customers and their relationship. For the study, four categories of market (shop) that is grocery, garment, stationery and vegetable were selected for the study with 30 retail shops in each category which in total were 120 retail shops (owners as well). Further, in each shop five permanent customers were selected which totalled up to 600 customers with 150 customers in each category. These shops were selected especially because of the fact that people necessarily have to visit these shops and it was assumed that there exists relationship. Interviews were conducted with the help of structured interview schedule for both the actors spending one full day in each shop.

Data collected from the field explain the relationship and association between the socio-cultural backgrounds and the preferences of the actors (shop owner and permanent customer) in the market situation. The market in Shimoga is also complicated as is found in any other city in India. It is a mixture of different groups of various social categories. Meanwhile, one could also witness that certain caste groups dominating certain markets, similarly, certain other communities or caste groups have not entered other markets other than their traditional spaces. It is not only the entry or non-entry in to the market but also the power and access to do so is very much important, which needs to be noticed. Entry of certain communities in the market was time specific along with dominance and resistance to the same by the established, traditional and conventional business communities. Weber (1978) defines social closure as a process by which a collectivity of people attempts to maximize rewards and opportunities by limiting access to rewards and opportunities only to their own group.

Based on the data collected it was found that there were statistical significance as well as the substantial significance

between the social backgrounds of the shop owners and the permanent customers. Among the class background of both permanent customers and shop owners, correlation (at the 0.01 level (2-Tailed) Pearson's) was 0.519 in the provisions/grocery market, 0.493 in the textiles/garments market and 0.218 in the stationery market. However, correlation was only 0.018, which is not significant. It is obvious that upper class people would not get into vegetable business, even if they, it could be found in wholesale rather than in the retail business.

In relation with caste, not much significant relationship was found statistically though, substantial analysis established the relationship and association between the common caste background of the actors. For instance, discriminatory interaction was observed many a time, the actions of the individuals in the market situation are also because of certain relative and subjective discriminations, preferences, and reservations. Based on certain social factors, there could be political discrimination of oneself towards 'others', or it may be the discrimination of actions on the basis of politics of preferences. This is also because of the cultural discrimination and cultural preferences which is built systematically through socialisation process by the family on the one side and society in general on the other.

On similar lines, the close association with the actors involved were found in connection with their respective native places, mother tongue and religious backgrounds. It was found there was an established structure within the market based on several lines. However, it was observed that relationship was not just economical but more of social and cultural aspects. Further, it was more complicated as every time a new variable intervened. The process through which the market relationship was explored was revealing.

THE PROCESS OF MARKET RELATIONSHIP

Having understood the market structure in relation with caste background, family structure and support it is essential to understand the market in connection with the actors of market. The important player and actors of market interaction are the buyer and seller, more than that their relationship between the two upon which the whole transaction is built. Further, market activities can be better understood only when the actors and their interactions, intentions, purpose behind their activities are understood. It is in this direction, as mentioned earlier the level of interaction, basis and aspects are examined in relation with the shop owner and the permanent customers. Market interaction is taking place in a social context and they belong to different social entities, hence, the interactions will have different purposes and agenda.

ACTOR DYAD IN MARKET RELATIONSHIP

While studying the relationship between the players of market, only the permanent customers of specific shops and their relationships are being examined. In other words, in this research the market situation and activities are being understood under the presumption of two basic actors, that is, shop owner and his/her permanent customer. Before they come in contact with each other and become dyad in the market relationship they are separate individual entities having their identity (social) and background. These aspects of identities are taken as

Table 1. First phase -Fresh new contact.

Customer	Shop owner
* Need	* Availability
* Appeal	* Proximity
	* Location
	* Appearance

Table 2. Second phase -Acquaintance and interactional level.

Trying to build relationship (mutual benefit)	
Customer	Shop owner
Economic (Expect and check)	Economic (Cross verify)
* Product	* Affordability
* Price	
* Quality	
Social (Project and check)	Social (Enquiry through other means)
* Interaction	* Background
* Mannerisms	* Social
* Culture	* Cultural
* Status	* Mannerisms
	* Respect
Trial period	Experiment period

premise for the establishment of relationship between the two. The dyadic relationship built over a period of time is attempted to explain in the graphical manner which is understood to have taken several phases and is bound as a process in the present scenario.

The process model of Dyadic relationship

When these two individuals converge then there are possibilities of interaction → Enquiry → Bargain → Market Activity.

It was observed in Table 1, that the factors of outer circle (Rajesh 2005) like gender, profession, proximity, price, product, time, goods, gestures, behaviour, respect, honesty and loyalty influenced the relationship to move on to the second phase.

Where as in this phase (Table 2) the factors of inner circle (Rajesh, 2005) like caste background, nativity, religion, language, community (ethnic), class and other such close social affiliations.

The initial need of both the players makes them to get in contact with each other through various ways (explained later) starts the relationship that concentrates on the economic frontier. However, this would happen every time when a new customer encounters with the shop every day. The present research is not concerned with this type of one time interaction, but in the interactions which reoccur, leading to the formation of relationship.

In the second phase, it is interesting to note that initially the relationship started with the commodity need gets transformed into a social need of having a continuous and permanent relationship. In this process, the relationship starts building after the fulfilment and satisfaction of economic factors like price, product, quality and time (availability).

These economic factors are fulfilled by all the shops because of competition, hence, these factors are treated as constant in this present research and particularly where the products, with all types of quality are available in the fixed price context of MRP (maximum retail price). Then, the next question is when all the economic related aspects are available in all shops around, what makes one to get close and become a permanent customer of a particular shop? The obvious response is the social factors which attracts and pulls towards each other. But, the realisation of these social backgrounds of each actor takes time. Even before that the relationship can get established, the basic human interactional symbols are important which in fact brings people together. These symbolic factors are culture, respect, recognition, mannerisms, etc. work towards each other.

In the later stage that is in the III phase (Relationship includes; More than Acquaintance, Good established Relationship, Mutual Trust and Belief, Honesty, Enhanced Co-operation, Interaction (social)

Elongated Discussion, when all the mentioned factors are fulfilled, the two factors 'Mutual Trust' and 'Social Control' act operational for integration. This process gets

confirmed by a prolonged and ever testing period from both the sides. By this time the relationship would have been built leading to the permanent customer of the said shop.

The relationship built between the actors the time, perpetual and frequent contacts are very essential. This helps in understanding each other better and come closer. In this connection, it is attempted to examine the frequency of visit by the customers to the market in relation with their time spending is made. The market is "a social institution which facilitates exchange" and this institutionalization of a market is a "political cultural construction" reflecting power struggles among firms attempting to control the market and ensure their survival (Fligstein, 1996). This power struggle, as Weber saw, includes both a "struggle of competition" among rivals "vying for opportunities of exchange" (Weber (1922, 1978) and an "interest struggle" between the buyer and seller engaged in an actual exchange relationship (Swedberg, 1999). Here in this research, measures of institutional forces are seen or measured as general isomorphic effects and social embeddedness in different types of market.

While understanding the 'market' Plattner (1989) stressed that 'the most significant piece of information to know about a trader is what social category he or she belongs to. In the extreme this may be a caste identity; otherwise, it may be a class, kinship, or social network affiliation. Knowing who a trader is may sometimes be the best way to know what he is buying or selling' explains in the context of analysing the economic behaviour'.

CONCLUSION

In 'market', both market and 'non-market' (conventional understanding) exchanges or economic aspects and social aspects jostle together to make an activity complete. After having a detailed analysis of the market, it may be inferred that in every market transaction, one can find the different levels of interaction and intensity of the same, which are based on various contextual, historical and based on socio-cultural background. The patterns that exist in the market can predict the business activity. It is precisely because of these reasons some make good business and some do not. Those who cannot are not because of outer circle factors, but because of inner circle. It is precisely, for this reason many people think several times before establishment of business units.

Further, it is also true that the factors of inner circle matter a lot when the customers are from the same section, the pattern already exists, and the concept of insider and outsider resides in the minds. Whereas, the customer base is not the same and floating population, the factors of outer circle come into picture. Again, the elongated relationship and information spreading through the word of mouth would not happen.

All the markets need not and would not have same pattern of market. Different societies with different composition will have varying patterns and hence would not emerge as the similar phenomenon. These patterns also change with time and space as societies and markets are changing. As a result, different markets and even individual interaction per se would have their own logical to rationalise and cannot be generalised. Hence, the construction of maxims and rationalisation by Neo-classical economists seems illogical and their generalisations of the theory itself seem irrational. Every individual, group and society will have its own logical and reasons for rationalisation of its act, as they are time, region and socio-cultural specific and that cannot be equated and evaluated.

ACKNOWLEDGEMENT

I am thankful to Professor V. N. Bhat for his suggestions and continuous support.

REFERENCES

- Akerlof GA (1970). "The Market for 'Lemons': Quality Uncertainty and the Market Mechanism", *Quarterly J. Econ.*, August 84(3): 488-500.
- Akerlof GA (1980). 'A Theory of social custom, of which unemployment may be one consequence', *Quarterly J. of Econ.*, June 44: 4
- Albrow M (1990). *Max Weber's Construction of Social Theory*, St. Martin's Press, New York.
- Sorenson, Olav and Stuart, Toby E (2001) "Syndication Networks and the Spatial Distribution of Venture Capital Investments", *Am. J. Sociol.*, May, 106(6): 1546-1589.
- Aspers P (1999). "The Economic Sociology of Alfred Marshall: An Overview", *Am. J. Econ. Sociol.*, Issue October.
- Berdan FF (1989). "Trade and Merchants in Precapitalist States" [in Stuart Plattner 1989, *Economic Anthropology*, Stanford University Press, California.
- Blackman J (1962). 'The food supply of an industrial town: a study of Sheffield's public markets, 1780-1900'. *Bus. Hist.* 5(2): 83-97.
- Bohle HG, Goettingen (1981). "Diversity of Commodity Flows in a South Indian Weekly Market System: Spatio-Temporal patterns and functional implications", *The Deccan Geographer*, January – June. 19(1).
- Bossen L (1989). 'Women and economic institutions', in S. Plattner (ed.), *Economic Anthropology*. Stanford, CA: Stanford University Press.
- Bossenga G (2000). (Review) *Mastering the Market: The State and the Grain Trade in Northern France 1700-1860*, (by Judith A Miller, Cambridge University Press, Cambridge) *Social History*, May, 25(2): 238.
- Britnell RH (1978). 'English markets and royal administration before 1200'. *Econ. Hist. Rev.*, p. 31.
- Bromley RJ (1971). "Markets in the Developing Countries: A Review", *Geography*, 56(7): 124-131.
- Bunzel R (1938). 'The Economic Life of Primitive Peoples', in F. Boas (ed.), *General Anthropology*. Boston: D.C. Heath.
- Carruthers BG, Uzzi B (2000). "Economic Sociology in the New Millennium", *Contemp. Sociol.* May, 29(3): 486-494.
- Davern ME, Eitzen DS (1995) "Economic Sociology: An Examination of Intellectual Exchange", *Am. J. Econ. Sociol.* 54(1): 79-89.
- Duesenberry J (1960). (in Macy, Michael W; Flache, Andreas (1995) "Beyond Rationality in Models of Choice", *Ann. Rev. Sociol.* 21: 73).
- Durkheim E (1984). *The Division of Labour in Society*, Free Press, New York.
- Dyer C (1989). 'The consumer and the market in the later Middle Ages'. *Economic History Review*, 13: 305-327.

- Fligstein N (1996). "Markets as Politics: A Political-Cultural Approach to Market Institutions", *Am. Sociol. Rev.* 61(4): 656.
- Fligstein N (2001). *The Architecture of Markets: An Economic Sociology of Twenty-First-Century Capitalist Societies*, Princeton University Press, 288p.
- Goffman (1983). "The Interaction Order," *Am. Sociol. Review*, 48: 1-17
- Grabowski R (1999). 'Market Evolution and Economic Development: The Evolution of Impersonal Markets', Oct issue *Am. J. Sociol.*
- Granovetter M (1985). 'Economic action and social structure: The problem of embeddedness'. *Am. J. Sociol.* 19 (3): 481-510.
- Granovetter M (2001). "A Theoretical Agenda for Economic Sociology", in *Economic Sociology at the Millenium*, edited by Mauro F Guillen, Randall Collins, Paula England and Marshall Meyer, Russell Sage Foundation, New York.
- Hayes N (2002). 'The construction and form of modern cities; exploring identities and community', *Urban Hist.* 29(3, 12): 413.
- Knight FH (1933). *The Economic Organisation*, Chicago pp: 40-44 [in Edward E. LeClair, JR and Harold K Schneider, *Economic*
- Marshall A (1890, 1920, 1961) 'On markets', in A. Marshall (ed.), *Principles of Economics*. London: Macmillan. *Anthropology: Readings in Theory and Analysis*, Holt, Reinehart and Winston, INC, New York].
- Malinowski B (1922). *The Argonauts of the Western Pacific: An Account of Enterprise and Adventure in the Archipelagoes of Melanesian New Guinea*, London: G Routledge and Sons.
- Parsons T, Smelser NJ (1956). *Economy and Society: A study in the Integration of Economic and Social Theory*.
- Plattner S (1989). "Markets and Marketplaces" article in Plattner Stuart (1989) (ed.), *Economic Anthropology*. Stanford, CA: Stanford University Press.
- Polanyi K (1944 {1957}). *The Great Transformation: The Political and Economic Origins of Our Time*. Boston: Beacon Press.
- Rajesh R (2005). 'Structure, Functioning and Understanding of Market: The Misconception', unpublished paper presented at the 37th IIS World congress, Stockholm, Sweden.
- Randles S (2003). "On Economic Sociology, Competition and Markets", CRIC discussion paper. [www.http://cric/53p](http://cric/53p).
- Robbins L (1935). *An Essay on the Nature and Significance of Economic Science*. London: Macmillan.
- Samuels W (2003, January) "Towards a Political Economic Sociology" <http://www.gsm.uci.edu/econsoc/essays.html>
- Simmel G (1990). *The Philosophy of Money*. London: Routledge.
- Simon HA (1991). "Organisations and Markets", *J. Econ. Perspect.* Spring 5(2): 25-44.
- Smelser NJ (1963). *The Sociology of Economic Life*.
- Smelser NJ, Swedberg R (1993). *Explorations in Economic Sociology*. Russell Sage Foundation.
- Smith A (1986 {1776}). *The Wealth of Nations*. London: Penguin.
- Swedberg R (1987). 'Economic Sociology'. *Current Sociology* (spring): 35: 1-221.
- Swedberg R (1997). "New Economic Sociology: What has been Accomplished, What is ahead?", *Acta Sociol.* 40(2): 161-183.
- Swedberg R (1999). "Max Weber as an Economist and as a Sociologist: Towards A Fuller Understanding of Weber's View of Economics", *Am. J. Econ. Sociol.*, October 58(4): 561-583.
- Veblen T (1898). "Why is Economics Not an Evolutionary Science", *The Quarterly J. Econ.* 12p.
- Wang N (1999). "Transaction Costs and the Structure of the Market: A Case Study", *Am. J. Econ. Sociol.* Oct., 58(4): 783, 23.
- Weber M (1978). *Economy and Society: An Outline of Interpretative Sociology*, Vol. I and II, Berkely CA University of California, Press,.
- Yousef TM (1999). "Market Integration in the Age of Economic Liberalism: Egypt, 1850-1939", browsed on 18/7/2003 http://www.eh.net/Clio/Conferences/ASSA/Jan_00/yousef.shtml.