

A Comprehensive Study of the Retail Sector's Impact on India's GDP

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Abstract : The retail sector plays a pivotal role in the economic development of India, contributing significantly to the nation's GDP. This study examines the dynamic role of retail in shaping India's economic landscape, focusing on its impact on GDP growth, employment generation, and investment. With the rise of organized retail, coupled with the expansion of e-commerce, the retail industry has evolved from traditional small businesses to a more structured and technologically advanced sector. Through the analysis of data from various sources, the study highlights the correlation between retail sector performance and GDP growth over the past decade. The research also explores the influence of government policies, foreign direct investment (FDI), and digitization in accelerating the sector's growth. Furthermore, the study delves into the challenges faced by the retail industry, such as regulatory barriers and competition from global players.

The growth of Indian organized retail market is mainly due to change in consumer behaviour. The scenario of Indian retail sector is very dynamic and varied. These papers provide information about the change in consumer income and their behaviour. This paper also provides the information about the current and future scenario of the retail sector.

Keywords: Retail Sector, GDP, E commerce, FDI, Global Players.

Introduction - Retail industry is the base and new of the Indian economy retail, contributes in GDP 10% and contributions to employment 8% of total population. This paper is related to the growth of GDP and consumer behaviour, their income, living of standard. Digital technology are also helpful for the growth of retail industry. In India retail industry expected to reach US\$1,407 billion in 2026 and in 2030 expected valued is US\$1,884 billion. From this data we say that in future retail will growth and they generate the employment. In simple word we can say that retail is the big source of employment.

India's retail Platform is projected to increase at a slow down pace of 9 percent over this decade, from \$779 billion in 2019 to \$1,407 billion by 2026 and more than \$1.8 trillion by 2030. Although the pandemic put major stress on discretionary spending, mostly in lifestyle retail categories such as apparel, footwear, fashion accessories, Aesthetic, small appliances, home decor items, this segment is expected to bounce back stronger after the pandemic. The lifestyle retail categories are expected to grow at a healthy 10 percent to become a \$249 billion market by 2026. The rest of the retail industry, dominated by food and groceries, will continue to grow at about 9 percent (see figure 1.2).

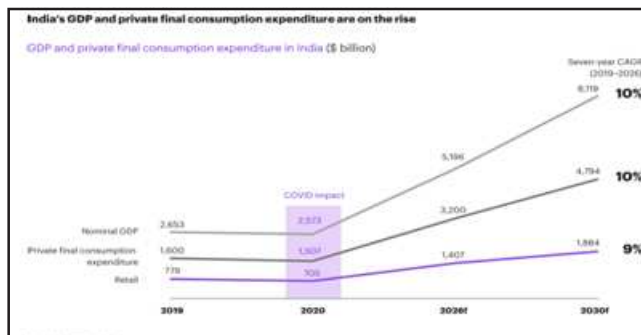


Fig.1.1 India's GDP and Private final Consumption expenditure are on the rise.

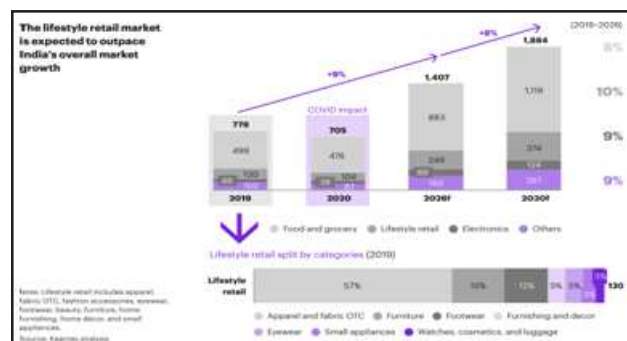


Fig. 1.2 Retail Market Split by Categories (\$billions) Seven Year CAGR.

Retail plays a critical role in the growth of India's GDP, serving as a major economic driver through consumption, employment generation, and supply chain development. Here's an introduction to its role:

1. Employment Generation: Second-Largest Employer: Retail is India's second-largest employment provider after agriculture, engaging millions in both organized and unorganized sectors. From small local businesses to large chains, the sector creates diverse job opportunities, aiding overall economic growth.

2. Catalyst for Consumption and Demand: Retail serves as the final link in the supply chain, connecting consumers to goods and services. As consumption rises, driven by India's growing middle class and young population, retail plays a crucial role in expanding markets for goods produced domestically.

3. E-commerce and Digital Transformation: The rapid growth of e-commerce, driven by widespread internet and smartphone penetration, has revolutionized the retail sector. Online retail, logistics, and digital payments contribute to formalizing the economy, improving tax revenues, and supporting overall GDP growth.

4. Supporting Sectors: Retail growth boosts related industries such as manufacturing, logistics, and warehousing, creating a multiplier effect across the economy. The expansion of retail infrastructure stimulates investment in real estate, IT, and technology sectors, further supporting economic development.

Retail management strategies for a growth of GDP:

1. Offering new product: In today's time the customers asks for some new product every day. The customer asks for the product according to the trends and technology and if the desire of the customer is fulfilled then only he will buy the product.

2. Customer attraction: Focus on the needs and wants of the customer. The management of the retail be such that whatever the customers wants.

3. E-Commerce and online shopping: Online shopping allows retailers to reach wider customer. In online shopping customer can shop 24*7. They didn't go to visit a store.

4. Customer income: When income increase the demand for normal goods increase which is called income effect. This is reflected as an upward shift in the demand curve. When consumer spends more money, business performs better. This is why business and investors pay close attention to consumer spending pattern.

Various retail format in India

1. Hyper Market: Stores with 8K to 12K sq ft area. There are very in large in size they provide large parking then super market and depart mental stores.

2. Super Market: The super market typically has peaces for fresh meat, fresh dairy item, baked goods and similar food staffs. If space is also reserve for cane and packaged

goods and for various non-food items such as kitchen wear, households cleaner, pharmacy products and some products that are consumed regularly such as alcohol, medicine and clothing.

3. Shopping Mall: It is an arrangement of retail store and providing the right mix of shopping. Here retail space is shared by other retailers who operates these retail outlay individually such group of a retail outplayed in the same building or premises is called a shopping mall.

4. Department Store: It have various departments like cosmetics, clothing and food products etc under one room. Here every department is trusted as a profit centre or strategic business unit. These stores are larger in size as compare to connivance store and speciality store.

5. Convenience Store: It is a small local easily access store with stocks steps such as bread milk and packaged food (FMCG) product.

Challenges faced by Retail industry in India

1. Competition: Intense competition from established player and new entrants including online retailers is a major challenge.

2. Logistic and Infrastructure: Navigating a complex logistic network and addressing infrastructure gaps, particula in rural area remains a hurdle.

3. Inventory management: Managing inventory table affecting minimizing waste and ensuring timing delivery are crucial challenges in a dynamic market.

4. Consumer trust and safety: Building consumer trust and ensuring a secure shoping experience are vital. Especially in the online space.

5. Tax rates: In India GST is the biggest challenge for the retailers. In india there are multiple tax rates 5%, 12%,18% and 28%.

6. Real State: In urban areas the cost of land is high, the landlords decide the rates as per their own and that rate retailer's will not afford.

7. Human resource: Retail industries turnover rate is 10%-12% this is due to lack of progression. HR should first ensure that the retail store is safe for customer and employees.

Under- Researched Gap:Based on a thorough review of retail management strategy implementation literature, two gaps emerged that need more empirical investigation. These gaps are:

Gap one: Despite existing studies on retail sector growth, several research gaps remain. Limited studies analyze the differential impact of organized retail on state-wise or district-wise GDP in India.

Understanding why some regions (e.g., Gujarat and Maharashtra) attract more organized retail investment compared to others (e.g., Bihar and Odisha).While organized retail creates jobs, it also displaces small traders. More empirical research is needed on net employment effects and income redistribution. The extent to which small Grocery stores adapt by integrating digital payments, e-

commerce, and supply chain improvements remains underexplored. Furthermore most studies focus on short-term retail expansion effects, but long-term contributions to GDP growth, employment stability, and structural transformation need further examination in this area.

Gap two: The growth of e-commerce in India is expected to have a significant impact on the country's GDP, particularly in rural areas. This is the most important factor in boosting the country's GDP. it Enhancing Market Accessibility, Increasing employment opportunities, Development of infrastructure and fostering entrepreneurship. By 2030 India's e-commerce market is projected to reach \$325 billion, with rural India leading the growth. Forecasting a substantial surge to \$325 billion By 2030, the report added that the nation's digital economy is expected to reach an impressive \$800 billion By the same time. Currently valued at \$70 billion, India's online shopping makes up approximately 7 per cent of the country's total retail market.

Relationship between ecommerce growth and India's gap has been widely studied, gaps remain in understanding its specific impact on rural economic development. Accurate data on rural e-commerce transactions and consumer behaviour is often scarce, making it difficult to quantify the true impact on rural GDP.

While we know e-commerce is contributing to rural GDP, there's a lack of precise data on the extent of this impact. More research is needed to quantify the direct and indirect effects of e-commerce on rural incomes, employment, and overall economic output. Furthermore studies should explore the challenges faced By rural businesses in adopting e commerce, such as poor internet connectivity, digital illiteracy, infrastructure limitations and logistical hurdles in rural areas. It needs to more exploration.

Research Methodology



Figure: 1.3 Retail sector is contribute to India's GDP

Pie chart that shows the distribution of responses to the question, "How much does the retail sector contribute to India's GDP?" According to 35 responses. The pie chart is divided into four sections: 57.1% of respondents believe the retail sector contributes 12%, 11.4% believe it contributes 15%, 20% believe it contributes 10%, and 11.4% believe it contributes 20%.

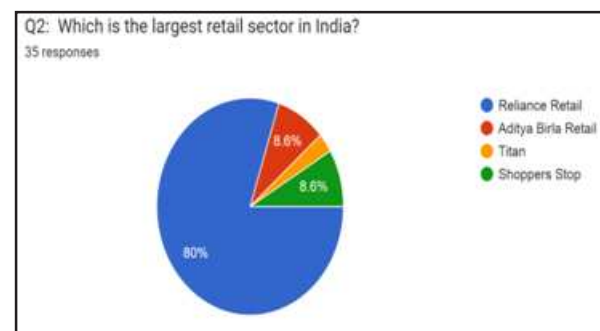


Figure: 1.4 The largest retail Sector in India.

Pie chart illustrating the results of a poll question: "Which is the largest retail sector in India?". There were 35 responses.

1. The pie chart is divided into four sections, each representing a different retail sector:
2. Reliance Retail: Dominates the chart, accounting for 80% of the responses. This section is colouring blue.
3. Aditya Birla Retail: Represents 8.6% of the responses. This section is colouring red.
4. Titan: Represents 8.6% of the responses. This section is colouring yellow.
5. Shoppers Stop: Represents 8.6% of the responses. This section is colouring green.
6. In summary, the pie chart indicates that Reliance Retail is considered the largest retail sector in India by a significant margin, according to the poll results.

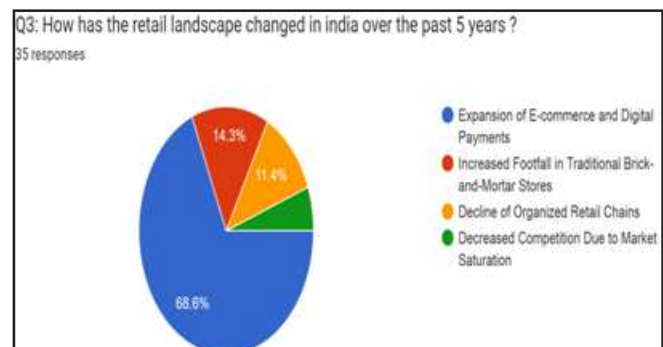


Figure: 1.5 The Landscape changed in India the past 5 Years.

The presents a pie chart illustrating the changes in the Indian retail landscape over the past 5 years. The data is based on 35 responses to the question: "How has the retail landscape changed in India over the past 5 years?"

1. The pie chart shows the following distribution:
2. Expansion of E-commerce and Digital Payments: 68.6%
3. Increased Footfall in Traditional Brick-and-Mortar Stores: 14.3%
4. Decline of Organized Retail Chains: 11.4%
5. Decreased Competition Due to Market Saturation: The remaining percentage (likely a smaller portion).

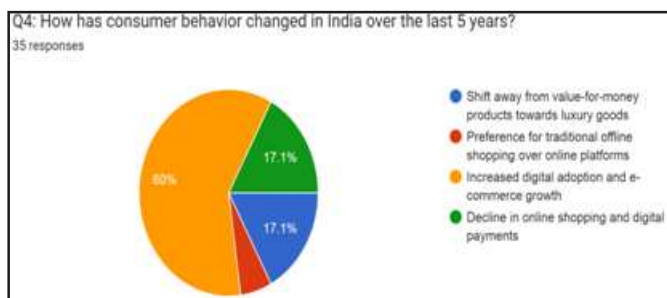


Figure:1.6 Consumer Behaviour changed in India's over the last 5 Years

This pie chart show how consumer behavior in India has changed over the last 5 years, based on 35 responses. The chart is divided into four segments, each representing a different trend:

1. Increased digital adoption and e-commerce growth: This segment is the largest, accounting for 60% of the responses.
2. Shift away from value-for-money products towards luxury goods: This segment accounts for 17.1% of the responses.
3. Decline in online shopping and digital payments: This segment also accounts for 17.1% of the responses.
4. Preference for traditional offline shopping over online platforms: This segment accounts for 17.1% of the responses.

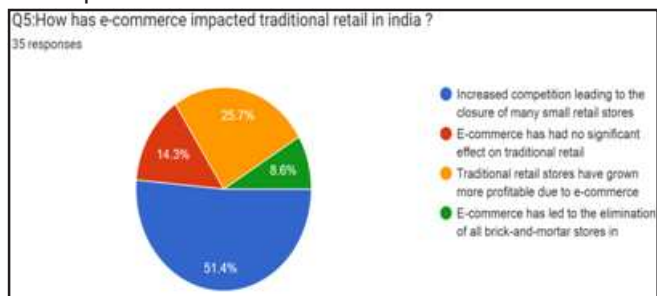


Figure:1.7 E-commerce impacted traditional retail in India

According to this pie chart the impact of e-commerce on traditional retail in India, based on 35 responses. The responses are divided into four categories:

1. Increased competition leading to the closure of many small retail stores (Blue): 51.4% of respondents believe that e-commerce has led to increased competition, causing the closure of small retail stores.
2. E-commerce has had no significant effect on traditional retail (Red): 14.3% of respondents think e-commerce has not significantly affected traditional retail.
3. Traditional retail stores have grown more profitable due to e-commerce (Orange): 25.7% of respondents believe traditional retail stores have become more profitable because of e-commerce.
4. E-commerce has led to the elimination of all brick-and-mortar stores (Green): Only 8.6% of respondents think

that e-commerce has led to the elimination of all brick-and-mortar stores.

5. In summary, the pie chart indicates that most respondents believe e-commerce has increased competition and led to the closure of small retail stores in India.

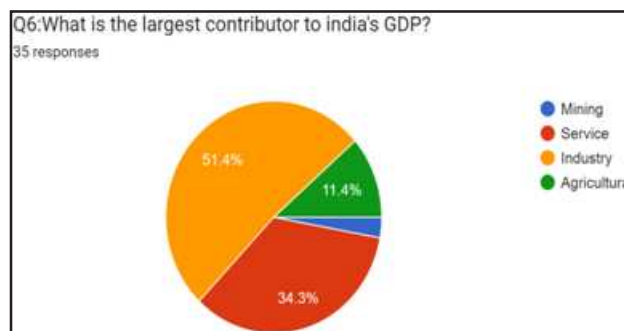


Figure: 1.8 The Largest contributor to India's GDP.

The chart is titled the largest contributor to India's GDP and indicates that it's based on 35 responses.

1. Here's a breakdown of the pie chart:
2. Industry (Orange): Represents the largest portion with 51.4%
3. Service (Red): Accounts for 34.3%
4. Agricultural (Green): Makes up 11.4%
5. Mining (Blue): Has the smallest share.

In summary, the pie chart visually represents that the Industry sector contributes the most to India's GDP, followed by the Service sector, with Agriculture and Mining contributing smaller portions.

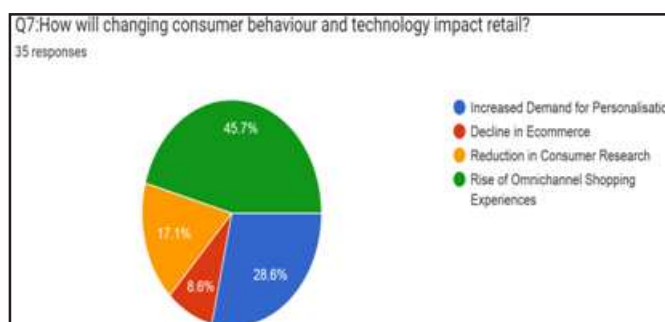


Figure: 1.9 The Changing consumer behaviour and technology impact in retail management.

The pie chart illustrating the impact of changing consumer behavior and technology on retail, based on 35 responses.

The chart includes four categories:

Rise of Omni channel Shopping Experiences: This category has the largest share, accounting for 45.7% of the responses.

1. Increased Demand for Personalization: Represented by 28.6% of the responses.
2. Reduction in Consumer Research: This accounts for 17.1% of the responses.
3. Decline in Ecommerce: Has the smallest portion, with only 8.6% of the responses.

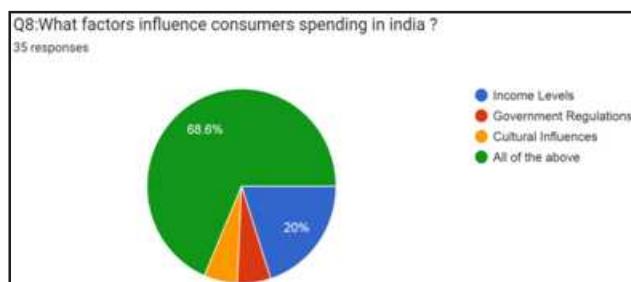


Figure: 1.10 Factors influence consumers spending in India.

Pie chart summarizing the responses to the question: "What factors influence consumer spending in India?". The data is based on 35 responses. The pie chart is divided into four sections, each representing a different factor:

1. Income Levels: Represented in blue, accounting for 20% of the responses.
2. Government Regulations: Represented in red. The exact percentage is not explicitly labelled on the pie chart.
3. Cultural Influences: Represented in orange. The exact percentage is not explicitly labelled on the pie chart.
4. All of the above: Represented in green, accounting for 68.6% of the responses.

In summary, the pie chart illustrates that the majority of respondents (68.6%) believe that income levels, government regulations, and cultural influences all play a role in influencing consumer spending in India. Income levels alone were cited by 20% of respondents.

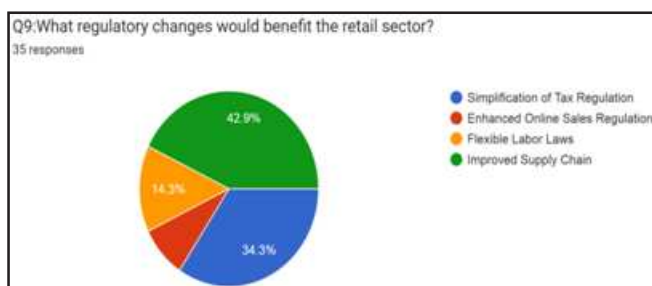


Figure: 1.11 Benefits of regulatory changes in the retail sector.

This pie chart displaying the results of a survey question: "What regulatory changes would benefit the retail sector?" The survey received 35 responses, and the pie chart breaks down the percentage of responses for each category. The categories and their corresponding percentages are as follows:

1. Improved Supply Chain: 42.9% (represented in green on the pie chart)
2. Simplification of Tax Regulation: 34.3% (represented in blue)
3. Flexible Labor Laws: 14.3% (represented in orange)
- Enhanced Online Sales Regulation: The remaining percentage (represented in red, though the exact

percentage isn't distinctly visible in the crop).

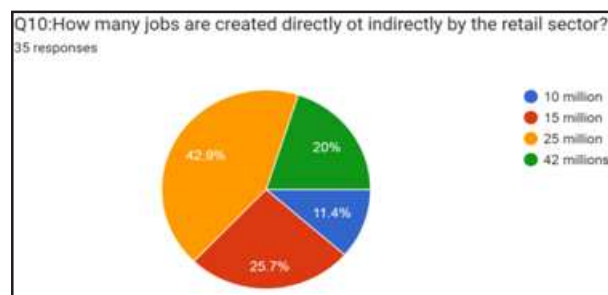


Figure: 1.12 Many jobs are created to directly and indirectly by the retail sector.

This pie chart representing the responses to the question "How many jobs are created directly or indirectly by the retail sector?" There were 35 responses in total. The pie chart is divided into four segments, each representing a different number of jobs:

1. 25 million: 42.9% (Orange)
2. 15 million: 25.7% (Red)
3. 42 million: 20% (Green)
4. 10 million: 11.4% (Blue)

This data highlights a significant perception that the retail sector has a substantial impact on job creation, with the majority of respondents estimating around 25 million jobs.

Conclusion: The Indian retail market is the largest sector among all the industries and it is very challenging. Retail Industry depends on government regulation, customer demands, etc. Many investors invest in the retail Industry but few investors can manage to survive. The retail industry contributes around 10-12% in the growth of India's GDP. The middle class plays an important role in the growth of the Retail Industry and the GDP of India. If the salary of the middle will increase then their buying capacity will also increase. Retail Industry expected to reach more than US\$1.8 trillion by 2030. They increase the real estate business, they provide employment and they help to develop urban areas. Retail industry fulfills the needs of the customers. There are two types of retail sector organized or unorganized sector and it is a dynamic they will change according to technology and customers demand. This Retail is the link between manufacturer and customers.

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