Measuring the Retail Sector in the National Accounts

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Abstract

The ISIC Rev 3 code 52 covers "retail trade, except of motor vehicles and motorcycles; repair of personal and household goods". The retail trade industry accounts for a significant number of enterprises and contributes a large part of employment and GDP in most developing countries. In India, the retail trade industry is dominated by unincorporated enterprises. Of the total trading enterprises, the own account trading enterprises which do not employ any hired workers, are predominant and account for 71% of the trading enterprises in rural areas and 55% of total retail trading enterprises overall in the country. Besides, the retail trade industry employed 6.4% of the total workforce in 2004-05 and has been growing at about 4.5% per annum since 1993-94. As against this, this industry accounted for about 9% of GDP in 2007-08 and has been growing in real terms at about 7.6% per annum since 1999-2000. Thus, the retail trade industry is one of the key drivers of GDP growth in India.

Since the retail trade industry in India is predominantly run by unincorporated enterprises, measuring the output of this industry and including its contribution in national accounts is quite problematic. The problem is compounded by the fact that the periodic enterprises sample surveys carried out in India on unorganised sector do not cover trade sector at present. This paper will explain how India has approached the problem of measuring the GDP of retail trade sector through indirect methods such as benchmark-indicator approach, the labour input methods for benchmark estimates and adoption of proxy indicators for subsequent years. The paper also reviews few country practices in this region in measuring the output of retail trade and presents the advantages and disadvantages of the Indian approach, particularly in the context of achieving GDP exhaustiveness and inclusion of contribution of informal sector in the national accounts.