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Measuring the Retail Sector in the National Accounts

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MEASURING THE RETAIL SECTOR IN THE NATIONAL ACCOUNTS¹

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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 accounts for 94.6% of all trading enterprises and 35.7% of all enterprises in India, and is dominated by unincorporated enterprises. Within the retail trade, the own account enterprises, which do not employ any hired workers, are predominant and account for 79.2% in rural areas and 61.4% in rural areas. 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 8.6% of GDP in 2007-08 and has been growing in real terms at about 7.6% per annum since 1999-2000, indicating that 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 gross value added (GVA) 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.

I Introduction

1. Measuring the output and value added of service industries, in general, either in real terms or in nominal prices, is beset with several conceptual problems. The measurement issues for services, though mostly common for different institutional sectors of the economy such as general government, corporations and households, differ to some extent from sector to sector due to the nature of functioning of these institutional sectors. In the case of general government, which is a non-market producer, the underlying issues relate to measuring the real output of services. In the case of corporations, these issues relate to using appropriate deflators for services or estimating volumes of services. Besides these common issues, the household sector has other problem areas of measurement due to non-availability of their accounts and integration of economic activities with household consumption.

2. The most commonly used methods for measuring output and value added for service industries involve in bifurcating the producers in each economic activity into market producers (who provide services at economically significant prices, which will normally enable the producers to generate operating surplus after meeting input costs)

¹ Views expressed in the paper do not necessarily represent those of the CSO, India.

and non-market producers (who provide most of their output to others either free or at prices which are not economically significant). For the market producers engaged in service activities, output in nominal terms is measured from the books of accounts broadly as sum of sales and changes in inventories. On the other hand, for the non-market producers, output is measured at nominal prices on the basis of input cost approach, as sum of inputs, compensation of employees and consumption of fixed capital. For both market and non-market producers, output and value added at constant prices is generally estimated by deflating the estimates of nominal prices by a relevant price deflator (mostly the CPIs or the PPIs) or by extrapolating the base year estimates with physical (volume) indicators.

3. The simple deflation procedure (using a price index) results in incorrect measures of volumes of output in the case of service industries, and more specifically for non-market producers. This gives rise to the question of what is the best procedure for measuring the output of services in terms of volumes or the GDP at constant prices for services. Different countries follow different procedures in their quest for measuring the volumes of services produced, especially by non-market producers, as close to reality as possible. These procedures include indicators based on outputs, outcomes and quality of services. Vast literature on the country practices followed in measuring volume of services is available in public domain and the proposed OECD Handbook 'Measuring Education and Health Volume Output' is expected to provide comprehensive guidance to the compilers of national accounts. The 1993 SNA, the UK-ONS's Atkinson Review on Measurement of Government Output and Productivity for the National Accounts and the Eurostat Handbook on price and volume measures in national accounts also provide guidelines on these aspects.

4. Coming to retail trade services, this is one of the industries contributing significantly to the GDP and employment in most countries, and especially in developing countries. Measurement of output of trade, conceptually, is more complex as compared to other service activities, since this output comprises a number of non-quantifiable services involving transfer of ownership of goods and the other services associated with sales. If one can distinguish these individual service products from the trading activity, it would be possible to associate them with some price and consequently measure its output, either in real or nominal terms. However, since this procedure is not possible, presently most countries measure the output of trade, including retail trade, as the trading margins, which is the difference between the sale value and purchase value of goods traded. Thus, neither the sale value of goods is treated as gross output or the purchase value of sold goods as intermediate consumption, in the case of trade activity, which is one of the distinguishing features of this activity as compared to other economic activities.

5. For measuring the real output of trading activity, some of the procedures adopted by countries include, (i) deflating the gross margins by a CPI or a PPI (single deflation), (ii) deflating separately the sales value of goods and the purchase value of sold goods by respective price indices (double deflation) and taking the difference as gross margins in real terms (however, this procedure can give erratic picture when price indices used in double deflation differ significantly from each other, and also when the margins are low), (iii) moving the benchmark (or base year) estimates with the deflated value of sales (thus assuming that the ratio of margins to sales is fixed) thereby creating a volume measure for the economic activities in the retail trading, (iv) preparing a gross trading index based

on the volumes of goods traded (such as agriculture, mining, manufacturing and imports), and (v) the labour input method (applying an imputed productivity on the estimated labour force in the trading activity).

6. This paper provides an overview of India's practices in measuring the GVA of retail trade activity (from the production approach), especially the informal part (the words unorganized and informal are used interchangeably at present in the Indian national accounts). Section II provides the coverage of retail trade activity in India's GVA estimates, with Section III covering data sources in its estimation as well as the problem areas in the availability of source data. Section IV highlights the methods followed for estimating GDP. Few country practices in measuring the output of retail trade and its comparison with Indian methodology are covered in Section V. Few tables showing the size of retail trade sector in India in terms of number of enterprises, employment and GVA are given in Section VI.

II. Coverage of Retail Trade Activity

7. The Trade industry includes wholesale and retail trade in all commodities whether produced domestically, imported or exported. It covers activities of purchase and selling agents, brokers and auctioneers. Wholesale trade covers units, which resell without transformation, new and used goods generally to the retailer and industries, commercial establishments, institutional and professional users or to other wholesalers. Retail trade covers units, which mainly resell without transformation new and used goods for personal or household consumption. As per India's National Industrial Classification, 1998 (which is identical with ISIC Rev.3.0 at 4-digit level), this industry consists of following five categories in Indian national accounts (the grouping has been done for the sake of comparability with past data in respect of this activity):

- Maintenance and repair of motor vehicles (502+50404) (50404 refers to the activity of Maintenance and repair of motor cycles, scooters and three wheelers);
- Sale of motor vehicles (50-502-50404);
- Whole sale trade except of motor vehicles + Auctioning activities (51+74991) (Auctioning activities are covered under 74991);
- Repair of personal household goods (526); and
- Retail trade, except motor vehicles (52-526).

III. Sources of data

8. The GDP estimates of Trade industry (same sources for both retail and wholesale trade) are prepared separately for three institutional sectors in the Indian national accounts, namely (i) public sector comprising (a) departmental enterprises of government (part of general government in 1993 SNA) (b) public enterprises (which is equivalent to public non-financial corporations in 1993 SNA), (ii) private organised sector (which is equivalent to private non-financial corporations in 1993 SNA), and (iii) private unorganised sector (which is the household sector in 1993 SNA and includes the informal economy/sector and NPISHs). The major sources of data for estimating the gross value added (GVA) of trade are:

Public Sector

Departmental Enterprises of Government

9. Departmental enterprises also referred to as Departmental Commercial Undertakings (DCUs) are unincorporated enterprises owned, controlled and run directly by public authorities. These enterprises normally do not hold or manage financial assets and liabilities apart from their working balances and business accounts payables and receivables. Unlike administrative departments, DCUs charge for the goods and services they provide on commercial basis. The criteria followed to distinguish enterprise activity from administration activity are: (i) use of commercial accounting methods to determine profit and loss and (ii) control of productive capital in the form of equipment such as machines, plants and stocks. The main sources of data for the departmental enterprises are the government budget documents. In the trade industry, these enterprises relate to government run retail stores.

Public Enterprises

10. Non departmental commercial undertakings (NDCU) comprise Government companies in which not less than 51 per cent of the paid up capital (PUC) is held by the central government or state government or partly by central government and partly by one or more state governments and subsidiaries of government companies, Statutory corporations set up under special enactments of parliament or state legislatures, nationalized banks, etc.

11. Non Departmental Commercial Undertakings (NDCU) hold and manage the financial/non-financial assets and liabilities. Assets may be tangible as well as intangible assets. These enterprises have separate boards of directors and present profit and loss accounts and balance sheets.

12. The main source of data for estimating the GVA for this sector is the annual accounts of each of the non departmental enterprises. The annual accounts presented by these enterprises contain two parts viz. profit and loss account and balance sheet. The profit and loss account gives the details of income and expenditure incurred by the enterprise during the accounting year whereas the balance sheet provides the details of the economic position of the unit at a point of time in comparison to the previous year.

Private Organised/Corporate Sector

13. Private Corporate Sector comprises all non-government financial/non-financial corporate enterprises, co-operative institutions and quasi corporate bodies. Non-government non-financial enterprises include public and private limited companies (inclusive of foreign controlled rupee companies/ foreign direct investment companies) registered as joint stock companies under the Companies Act, 1956. Co-operative institutions comprise all co-operative banks, co-operative credit and non-credit societies.

14. The basic source of data for non-government non-financial corporate companies is the annual accounts filed by the companies to the government. A sample of large companies' accounts are consolidated by the Reserve Bank of India (RBI) (for joint stock companies) and by the National Bank for Agriculture and Rural Development (NABARD) (for cooperatives).

Private Unorganised/Household Sector

15. The household sector comprises, apart from individuals, all non-government, non-corporate enterprises like sole proprietorships and partnerships owned and/or

controlled by individuals and non-profit institutions which furnish educational, health, cultural, recreational and other social and community services to households.

16. There is no regular mechanism for collecting data on the retail sector in India for the unorganised sector (as also for most non-agricultural activities). Therefore, indirect methods are adopted for estimating the GVA of retail sector, as also for several other activities in the unorganised sector.

17. The principal sources of data for estimating the GVA for the unorganised component of trade, therefore, are the labour force surveys (5 yearly), population censuses (10-yearly) and the adhoc enterprise surveys conducted by the National Sample Survey Organisation (NSSO). Another source of data is the volume of goods traded (again indirectly estimated through the marketable surplus ratios and output of goods from primary and manufacturing industries and imports).

IV. Method of compiling GVA estimates for Retail Trade

18. In line with the sources of data mentioned in the previous section, the GVA estimates of Retail Trade industry are prepared separately for:

- Public sector having units engaged in retail sale trade;
- Private Organized sector consisting of (a) Private Corporate units engaged in retail trade, (b) Trading Co-operative units engaged in retail trade;
- Private Un-organized sector having units engaged in retail trade.

Public Sector

19. Estimates of GVA relating to public sector units engaged in both retail and wholesale trade are based on the analysis of accounts of the public sector enterprises and budget documents. A complete analysis of the reports including the profit-loss account and balance-sheet are undertaken for preparing the components of value added, as well as the output (margins) and intermediate consumption.

20. The constant price estimates of value added in the public sector are prepared by moving the base year estimates with a specially compiled quantum index based on quantities of different products handled by trading units in the public sector. This procedure is presumed to be better than applying a price deflator on the margins, when no suitable price indices are available for retail trade in public sector.

Private Organized Sector

21. The two segments for which GVA compiled separately in this sector are (i) private corporate sector and (ii) cooperative societies.

22. It should be straight forward to compute GVA for this sector given that annual accounts are filed by the companies every year. However, owing to the large number of companies, it has not so far been possible to consolidate these accounts. The RBI, however, is able to prepare detailed consolidated accounts (industry-wise aggregation) for about 3000 large companies. With the help of the link between the paid up capital (PUC) of sample companies and the global PUC in each industry category, the global industry-wise corporate sector accounts and aggregates (Output, intermediate consumption, compensation of employees, GVA, Savings, capital formation, etc.) are prepared. However, this detailed procedure cannot be carried out every year due to reasons like

time-lag, variation in sample size, lack of updated data on PUC, etc. Therefore, the GVA of retail trade for the joint stock companies is prepared initially for the base year of national accounts. For subsequent years, the growth in GVA observed in the trading companies common to both years, is used to extrapolate the base year estimates. The growth rates of common companies for different industries are available from the quarterly financial results announced by the listed companies. These quarterly financial results are also consolidated by the RBI. The estimates of GVA for co-operative societies (for trade only) are prepared from the data made available by the NABARD.

23. The constant-price estimates of private corporate segment are obtained by applying the GDP implicit deflator (excluding Trade, hotels and restaurants) on the current prices estimates.

Private Unorganized Sector

24. As mentioned earlier, indirect methods such as labour input method (LIM) are adopted for estimating the GVA for the retail trade in unorganized (can broadly be termed as informal sector) sector. This method requires data on two components, namely, (i) employment in retail trade and (ii) productivity of labour, i.e. value added per worker (VAPW).

25. The employment data that is available from the labour force surveys (following the household approach) is in terms of number of workers, whereas for the adoption of LIM, one needs the number of jobs rather than workers, as labour productivity estimates come from enterprise surveys and in this people working in the enterprise are taken into account. This means that a person performing two jobs is counted as one in labour force surveys, but as two in LIM. For conversion of labour force survey data on number of workers to number of jobs, the principal workers also working as subsidiary workers are added to the workers in principal status and subsidiary status. This method, however, provides data on total number of jobs performed in retail trade activity, which means these total count of jobs include the jobs performed in the public sector and private organised sector. Therefore, one needs to make adjustment for this before arriving at the Labour input in the unorganised sector. The estimated total labour input in the public and private organised sector is available from the Ministry of Labour, every year.

26. The value added per worker in the retail trade is estimated from the adhoc enterprise surveys of NSSO on retail trade. This is done by dividing the total value added from the retail trade estimated from the enterprise survey with the number of workers in the retail trade also estimated from the same enterprise survey.

27. Since the labour force surveys are conducted once in every 5 years and enterprise surveys on an adhoc basis, it is only possible to estimate the GVA for retail trade activity for the base years of national accounts, as a product of estimates of labour input (from the labour force surveys) and value added per worker (from the adhoc enterprise surveys).

28. For subsequent years, a volume index by the name Index of Gross Trading Income (GTI) is specially prepared using the detailed output data available every year from the commodity producing industries, such as agriculture, livestock, forestry, fishing, mining and manufacturing and imports.

29. The GTI is based on (i) the value of marketable surplus in commodity producing sectors in agriculture, livestock, fishing, forestry, mining and manufacturing & value of imports and (ii) the corresponding Trade, Transport Margins (TTMs). The marketable surplus ratios are available regularly (with some time lag) from the Ministry of Agriculture. The GTI is estimated by multiplying the marketable surplus by the corresponding trade and transport margins for groups of commodities for which these marketable surplus ratios are available. The TTMs used are from the data available from the adhoc enterprise surveys and benchmarked to latest input-output tables (IO Tables). The commodity/crop wise marketable surplus ratios and TTMs used in preparing GTI index are given in the CSO's publication, "National Accounts Statistics: Sources and Methods, 2007", which is available on the internet at www.mospi.gov.in.

30. The GTI is computed both at nominal and at constant prices. The base year GVA of retail trade is moved with the index of GTI at current and constant prices to obtain the GVA estimates for retail trade respectively at current and constant prices. In the absence of any current data on the output of retail trade in unorganised sector, this volume index provides a reliable measure for the trading activity, as it takes into accounts the total volume of goods entering the trading chain. Also, the GTI is computed at both nominal and constant prices so that the base year GVA can be extrapolated separately with these two indices, rather than preparing GTI only at nominal prices to prepare GVA in nominal terms and using a price deflator to arrive at GVA in real terms. The computation of GTI in nominal and constant prices takes into account the volumes and prices at detailed commodity level which enter trading and, therefore, this procedure is considered to be a better measure of the output of retail activity in the unorganised sector.

V. A brief review of country practices in measuring retail trade

31. Most developed countries have a regular mechanism of collecting data on sales/turnover and these data are directly used for estimating the margins and intermediate consumption. Adjustments are also made for the purchase cost of goods sold for changes in inventories net of appreciation. Some countries also use physical quantity indicators for some of the retail activities. For volume estimates, either the margins or the sales are deflated by separate price indices to obtain volumes for margins or volumes of sales or use volume extrapolators for each of the activities. The sales volumes are used as proxy for margin volumes (which means that the ratio of margins to sales is treated as fixed). Several developed countries do not cover small retailers on the ground that this activity is insignificant. On the other hand, for taking care of the contribution of unorganized retail activity in GDP estimates, some developing countries apply a fixed ratio to the organized retail activity. Few countries apply value added ratios of organized sector on the total value of output of retail activity in the unorganized sector, which is estimated on the basis of Economic Censuses or some benchmark surveys/studies. However, several developing countries use the labour input method to estimate the contribution of unorganized retail activity. Some developing countries use the overall CPI for deflating the current price estimates.

32. The Indian practice of measuring retail trade as far as organized sector is concerned, is in line with the established procedures of accounting for nominal estimates. However, for constant price estimates, the CSO uses specially compiled quantum index based on quantities of different products handled by trading units in the public sector, as against applying price deflators on nominal GVA estimates. Generally, it

is difficult to find appropriate price deflators for different service activities, therefore, this specially compiled volume index is more appropriate. This procedure, in fact, can give an implicit price index for retailing activity, independently.

33. For the unorganised sector, the CSO practice of using the labour input method ensures that the retailing activity is exhaustively covered in the GVA estimates. The application of a specially computed GTI for extrapolating the base year estimates, gives a better set of estimates of GVA for retail activities, as it takes into account a procedure to estimate the volumes of goods that are transacted by traders. Here again, since the GTI is computed both at current and at constant prices, an implicit price index for retailing in unorganised sector can be computed independently. The advantage of this implicit price index is that it takes into account a number of goods transacted by the traders and the use of underlying prices of each of these goods.

VI. Size of Retail Trade Activity

34. In India, the retail trade industry accounts for 35.7% of total enterprises in the country, with the break-up of 44% of enterprises in urban areas and 30.5% enterprises in rural areas. The industry is dominated by small retailers which do not employ any hired worker. Such enterprises constitute 39.2% of total, but almost 50% in urban areas. This means that every second enterprise in the country which does not employ a hired worker is a retail enterprise.

35. Between wholesale and retail, for each wholesale enterprise, there are about 18 retail enterprises in the country. While this ratio is about 14 in urban areas, it is about 21 in rural areas.

Table 1: Number of Trading Enterprises in India, Economic Census, 2005
(*000)

Units in	Rural		Urban		Total	
	Without any hired workers	Total	Without any hired workers	Total	Without any hired workers	Total
Wholesale trade	261	368	209	484	470	852
Retail trade	6170	7789	4396	7164	10566	14953
Total trade	6431	8157	4605	7648	11036	15805
All activities	18110	25536	8830	16291	26940	41827
Percentage share in all activities						
Wholesale trade	1.4	1.4	2.4	3.0	1.7	2.0
Retail trade	34.1	30.5	49.8	44.0	39.2	35.7
Total trade	35.5	31.9	52.2	46.9	41.0	37.8
All activities	100.0	100.0	100.0	100.0	100.0	100.0

36. Within the trading enterprises, which are about 16 million, as many as 15 million are engaged in retailing and out of which 11 million enterprises are own account enterprises.

Table 2: Number of Trading Enterprises in India, Economic Census, 2005
(*000)

Activity	Number of units	% share in total enterprises in Trade
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	Rural	Urban	Total	Rural	Urban	Total
Wholesale Trade	368	484	852	2.3	3.1	5.4
• Without any hired workers	261	209	470	1.7	1.3	3.0
• Employing at least one hired worker	107	275	382	0.7	1.7	2.4
Retail Trade	7789	7164	14953	49.3	45.3	94.6
• Without any hired workers	6170	4396	10566	39.0	27.8	66.9
• Employing at least one hired worker	1619	2768	4387	10.2	17.5	27.8
Total Trade	8157	7648	15805	51.6	48.4	100.0
• Without any hired workers	6431	4605	11036	40.7	29.1	69.8
• Employing at least one hired worker	1726	3043	4769	10.9	19.3	30.2

37. The following table shows further break-up of the profile of trading enterprises which engaged at least one hired worker. It is the unorganized sector (non-public and private corporations) which predominantly runs the trading enterprises, and especially the retail activities.

Table 3: Distribution of total number of trading establishments with at least one hired worker by type of ownership as per EC 2005 (number)

Type of trade	Total (at least one hired worker)	Distribution of NDEs/DEs by type of ownership			
		Govt./PSU	Pvt. corporations	Pvt. Unincorporated (Prop. & Part.)	Pvt. Others
RURAL					
Wholesale	107,410	5,121	2,554	94,430	5,305
Retail	1,618,793	78,457	41,767	1,465,356	33,213
URBAN					
Wholesale	274,901	3,158	4,581	262,660	4,502
Retail	2,768,428	46,648	47,704	2,634,944	39,132
RURAL & URBAN COMBINED					
Total trade	4,769,532	133,384	96,606	4,457,390	82,152

38. Table 4 provides a distribution of trading units by number of workers in the unit. This is an interesting table, which shows that though there are 1.7 million retailing units having more than 1 worker in the unit, none of them have hired workers. This means that these enterprises are run by family members.

Table 4: Distribution of number of trading units by size class of number of workers (number)

Enterprise Type	Trade Type	Distribution of number of trading units by number of workers in the unit				
		1	2 to 5	6 to 9	10+	all
(1)	(2)	(3)	(4)	(5)	(6)	(7)
RURAL						
Without hired worker	Wholesale	214029	45702	658	250	260639
	Retail	5120899	1039546	6031	3397	6169873
	ALL	5334928	1085248	6689	3647	6430512
With atleast one hired worker	Wholesale		96709	7374	3327	107410
	Retail		1561671	38692	18430	1618793
	ALL		1658380	46066	21757	1726203
All enterprises	Wholesale	214029	142411	8032	3577	368049
	Retail	5120899	2601217	44723	21827	7788666
	ALL	5334928	2743628	52755	25404	8156715
URBAN						
Without hired worker	Wholesale	171479	37283	616	89	209467
	Retail	3739778	650488	4786	844	4395896
	ALL	3911257	687771	5402	933	4605363
With atleast one hired worker	Wholesale		239686	28900	6315	274901
	Retail		2594541	141280	32607	2768428
	ALL		2834227	170180	38922	3043329
All enterprises	Wholesale	171479	276969	29516	6404	484368
	Retail	3739778	3245029	146066	33451	7164324
	ALL	3911257	3521998	175582	39855	7648692
RURAL & URBAN COMBINED						
	Total trade	9246185	6265626	228337	65259	15805407
% Distribution:		58.5	39.6	1.4	0.4	100.0

39. The following two tables present the labour input (number of jobs being performed in trading enterprises).

Table 5: Total labour input in trade and all activities ('000), 2004-05

Activity	Rural			Urban			Total		
	Female	Male	total	Female	Male	total	Rural	Urban	Total
Wholesale	76	1975	2051	246	3609	3855	2051	3855	5906
Retail	2838	14558	17396	2204	15799	18003	17396	18003	35399
Total trade	2915	16533	19448	2450	19407	21857	19448	21857	41305
All activities	150673	285131	435804	25700	95025	120725	176373	380156	556529
Percentage in total number of workers in all activities									
Wholesale	0.1	0.7	0.5	1.0	3.8	3.2	1.2	1.0	1.1
Retail	1.9	5.1	4.0	8.6	16.6	14.9	9.9	4.7	6.4
Total trade	1.9	5.8	4.5	9.5	20.4	18.1	11.0	5.7	7.4
All activities	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Percentage in total number of workers in Trade									
Wholesale	0.2	4.8	5.0	0.6	8.7	9.3	5.0	9.3	14.3
Retail	6.9	35.2	42.1	5.3	38.2	43.6	42.1	43.6	85.7
Total trade	7.1	40.0	47.1	5.9	47.0	52.9	47.1	52.9	100.0

40. Though retail enterprises form the bulk of trading enterprises (95%), the share is slightly less when it comes to the employment in retail sector to the extent of 86%. The retail sector still accounts for 6.4% of total labour input in the country. However, this ratio is significantly high at 15% within urban areas but only 4% within rural areas, which otherwise is predominantly agricultural based.

41. Table 6 presents the distribution of labour input in trade by institutional sectors. Within retail trade, only about 1% are employed in organized sector, where the rest are all in the unorganized sector. The position is not better even for the wholesale trade, where only 0.6% of workers in wholesale trade in organized sector.

Table 6: Distribution of labour input in trade by institutional sectors ('000), 2004-05

Activity	Total labour input	Organized sector				Unorganized sector
		Public sector	Corporations-Pvt	cooperatives	total	
Wholesale	5906	26	164	47	237	5669
Retail	35399	108	243	85	436	34963
Total trade	41305	134	407	132	673	40632
Wholesale	14.3	0.1	0.4	0.1	0.6	13.7
Retail	85.7	0.3	0.6	0.2	1.1	84.6
Total trade	100.0	0.3	1.0	0.3	1.6	98.4

42. Table 7 gives the estimates of GDP from the trade and the overall GDP at current prices for the year 2007-08. Since the break-up of retail and wholesale trade is not available for the organized sector, the overall contribution of retail trade has not been provided in the table. However, since the retail activity is dominated by unorganized sector, where its contribution is 8.6% of total GDP, it can be assumed that the retail sector approximately accounts for about 9% of GDP in India.

Table 7: Contribution of Trade in GDP (Indian Rupees in billion), 2007-08

	Organized sector	Unorganized sector	Total
Wholesale trade		1054	
Retail trade		3706	
Total trade	1356	4761	6118
All activities	18536	24672	43208
% share in the GDP of all activities			
Wholesale trade		2.4	
Retail trade		8.6	
Total trade	3.1	11.0	14.2
All activities	42.9	57.1	100.0
% share in the GVA of total trade			
Wholesale trade		17.2	
Retail trade		60.6	
Total trade	22.2	77.8	100.0

VII. Concluding Remarks

43. In India, the retail trade activity is dominated by small family run enterprises. Such enterprises constitute 39.2% of total enterprises in the country, but almost 50% in urban areas. Of the 15 million retail enterprises in the country, 11 million do not employ any hired worker. Of this, 1.7 million units though have more than 1 worker in the unit, but none of them are hired, and manage with only household members. For every wholesale enterprise in the country, there are about 18 retail enterprises.

44. In terms of employment, the retail sector employs 6.4% of total labour input in the country. However, this ratio is significantly high at 15% within urban areas but only 4% within rural areas, which otherwise is predominantly agricultural based. Almost 99% of the workers in retail sector are working in unorganized retail enterprises.

45. The trading activity contributes about 14% to the overall GDP, of which retail enterprises contribute about 9%.

46. Considering this important position in the Indian economy, it is essential that the output of retail sector is measured as realistically as possible. However, lack of regular source of data on informal economy in general makes this task quite difficult, as retailing is mostly in the unorganized sector. Therefore, indirect methods, such as labour input method, are being adopted in the Indian national accounts to estimate the output of retailing. In this method, the data on two components, namely, (i) employment in retail trade and (ii) productivity of labour, i.e. value added per worker (VAPW) are initially taken into account, to prepare a set of benchmark estimates as product of labour input and VAPW. The labour input data is available from the labour force surveys, but these numbers need to be adjusted for multiple jobs, as it is the count of jobs that is relevant for the labour input method. The VAPW is estimated from the latest available enterprise survey on retailing. This procedure ensures that the GVA of retailing is measured as exhaustively as possible.

47. For subsequent years, the CSO compiles a volume index by the name Index of Gross Trading Income (GTI) using the detailed output data available every year from the commodity producing industries, such as agriculture, livestock, forestry, fishing, mining and manufacturing and imports. This index is computed both at current and at constant prices and is used to extrapolate the base year estimates to arrive at current and constant price GVA estimates for retail trade. The procedure for compiling GTI is complex as it is based on (i) the value of marketable surplus for each commodity in commodity producing industries in agriculture, livestock, fishing, forestry, mining and manufacturing & value of imports and (ii) the corresponding Trade, Transport Margins (TTMs). The computation of GTI in nominal and constant prices takes into account the volumes and prices at detailed commodity level which enter trading and, therefore, this procedure is considered to be a better measure of the output of retail activity in the unorganised sector.

48. A similar approach is followed for estimating the volume of retail trade in public sector, where again the CSO uses specially compiled quantum index based on quantities of different products handled by trading units in the public sector. The application of these volume indices for both public sector and unorganized sector is definitely more appropriate than applying a general CPI on the nominal output estimates.

Through this procedure, in fact, it is also possible to compute a price deflator from GDP estimates for the retail activity, which otherwise is not possible.

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