

The Indian retail sector – Q3FY26

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The Indian retail sector is poised for sustained growth, driven by tier II and tier III city expansion, rising organised penetration, unified payments interface (UPI)-led digital adoption and rapid quick-commerce expansion



Projected market size in 2035¹

INR 210-215 tn

Projected e-retail GMV* by 2030²

INR 15-16 tn
*Gross merchandise value

88%

Tier II and smaller cities share of new online shoppers (CY20-30)³

India's digital economy projected by 2030⁴

INR 68.6 tn

By 2030, the sector is expected to broaden across essential and discretionary categories, with organised and omnichannel expansion reinforcing demand while the sector acts as an employment engine supporting job creation

Projected retail market size by key segments (by 2030)

Food and grocery⁴

INR 84.5 tn

Electronics⁴

INR 9.3 tn

Others⁴

INR 20.2 tn

Separately, e-retail growth is expected to be driven by grocery, lifestyle and general merchandise, contributing nearly 70 per cent of incremental e-retail growth by 2030, with penetration rising two to four times²

Retail jobs footprint and growth⁴

35 mn+

Jobs representing around 8 per cent of the total workforce in 2025

25 mn+

New jobs expected by 2030

Segmental performance

Performance snapshot

Drivers

UPI transactions are likely to scale-up⁵

1 bn daily FY27

Driven by rising UPI adoption, dominating retail digital payments

India's urban population expansion⁷

416 mn by 2050

Driven by India shifting from rural to urban, broadening consumption beyond metros

Organised retail formalisation⁶

Over 35% by 2030

Driven by store rollout and faster shift to organised formats

Festive and GST cuts boost auto retail sales⁸

5.2% Y-o-Y

Passenger vehicle sales reached 2,99,369 units (surge of 34 per cent Y-o-Y)

Challenges

*Foreign direct investment

Strict FDI* conditions slow foreign retailer expansion⁴

Foreign retailers must meet several entry conditions, which can delay store rollout and backend buildout

Rising need for personalised and tech enabled shopping experience⁴

Customers are becoming more digital savvy and expect more personalised experiences, increasing pressure on retailers to upgrade tech

Limited delivery reach across the country⁴

Online retail delivery does not cover all pin codes, limiting scale-up outside major markets (online retailers deliver to 15,000 to 20,000 pin codes out of nearly 1,00,000 pin codes)

Outlook

100 mn

Tier II and tier III cities expected to add new consumers to branded and organised retail by 2030⁴

75 mn

Middle-income households are expected to rise by 2030, boosting demand for branded and organised retail⁴

25 mn

Affluent households are expected to rise by 2030, accelerating premiumisation and discretionary spending⁴

-INR 3 tn

E-commerce warehousing market is expected to scale by 2033, supporting faster fulfilment and delivery capacity⁴

Key takeaways



Retail leasing is accelerating, rising 65 per cent Y-o-Y, supported by new mall supply and store rollouts in key micro markets⁴



Omnichannel retail is expected to grow fivefold to ~INR 4.9 tn by 2027, supported by software as a service (SaaS) enablers and a stronger logistics ecosystem⁴



FY26 growth was consumption-led, with private final consumption expenditure (PFCE) at 61.5 per cent of GDP*, supported by low inflation, stable employment and rising real purchasing power⁹



India is expected to have the second-largest online shopper base by 2030, estimated at 500-600 mn, supporting sustained e-retail growth and wider digital commerce adoption³

*Gross domestic product

Source: 1) India's retail market to more than double to Rs 210-215 trillion by 2035, DD news, 16 February 2026; 2) India's e-retail market set to reach Rs. 16,27,540 crore (USD 190 billion) gross merchandise value (GMV) by 2030, IBEF, 28 March 2025; 3) Digital India website; 4) Retail industry in India, IBEF, November 2025; 5) UPI transactions to reach 1 bn daily by FY27, Ministry of External affairs, 29 May 2023; 6) India's retail market to hit Rs. 1,37,28,000 crore (USD 1.6 trillion) by 2030, led by smaller players, IBEF, 28 March 2025; 7) The rise of India's tier 2 and 3 cities as investment hubs, Invest India, 02 June 2025; 8) GST cuts, Navratri drive 5.8% surge in passenger vehicle sales, IBEF, 08 October 2025; 9) India's GDP growth for FY26 is estimated at 7.4 per cent driven by the double engine of consumption and investment, PIB, 29 January 2026

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