



Original Article

# Economic and Social Implications of the Shift from Traditional Retail to Digital Platforms

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## Abstract

India's retail landscape is undergoing a major transformation. After the pandemic, digital adoption surged, and consumers quickly became comfortable with technology-driven shopping. As a result, online platforms are expanding fast, especially in urban areas, offering convenience, competitive prices, and access to a wide variety of products. Yet, traditional retail—kirana stores, local vendors, and street sellers—continues to dominate with more than 85% of the market. Their strength lies in personal relationships, easy accessibility, and the trust they have built over generations. This study explores how both traditional and digital retail systems differ in their structure, customer behaviour, and overall development. It also examines what these shifts mean for India's economy and society. Using a descriptive and analytical approach, the research draws on secondary data from government reports, industry publications, and market analyses to understand changing employment trends, contributions to GDP, and evolving consumer preferences. The findings show that while digital retail contributes significantly to GDP growth and creates new types of technical jobs, it also puts pressure on the unorganized retail sector—particularly small shopkeepers and rural vendors whose livelihoods are more vulnerable. The report reveals that only 28% of rural internet users shop online, underscoring the widening digital gap between rural and urban India. At the same time, the rise of digital adoption among kirana store owners points to a growing trend toward blended retail models. More than 80% of these shopkeepers now use tools like inventory management apps and UPI payments, showing how traditional businesses are gradually integrating technology into their daily operations. To support this shift, the study proposes a Hybrid Retail Integration Model. This approach aims to combine the efficiency of digital platforms with the trust and personal connection of traditional markets, supported by shared infrastructure, digital literacy initiatives, and inclusive policies. The study ultimately concludes that India can achieve more inclusive, resilient, and future-ready economic growth by promoting collaboration- not competition- between digital and traditional retail systems.

**Keywords:** Traditional Retail, Digital Economy, Consumer Behavior, E-commerce Adoption, Hybrid Business Models, Socio-Economic Impact

## Introduction

India's retail sector is undergoing major change as digital adoption accelerates and consumer preferences evolve. Despite this shift, traditional markets- kirana stores, street vendors, and local bazaars- still dominate the industry, contributing over 85% of total retail sales due to their convenience, personal connection, and strong customer trust (Retailers Association of India, 2021). At the same time, the rapid growth of e-commerce has introduced a new retail experience, offering home delivery, competitive prices, and a wider variety of products. According to Deloitte India (2022), traditional formats remain the preferred choice for buying food and daily essentials, especially in smaller towns. However, about 65% of urban consumers now turn to online platforms for non-essential items such as electronics, fashion, and travel. The COVID-19 pandemic further accelerated this shift, with 73% of consumers increasing their online purchases (PwC India, 2021). Yet, participation from rural areas remains limited- only 28% of rural internet users shop online, pointing to a clear digital divide (IAMAI-Kantar, 2023). This study explores how traditional and digital retail models interact and evaluates hybrid approaches that can support inclusive and sustainable growth across India's diverse retail ecosystem.

## Literature Review

Traditional market systems have long been the backbone of local economies.

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Built around physical shops, face-to-face interactions, and strong community relationships, these markets rely heavily on trust, personal connections, and informal credit networks. For generations, this model has supported livelihoods and shaped everyday commerce. However, with rapid technological progress, the digital economy has grown at an unprecedented pace. Online services, digital payments, and e-commerce platforms have reshaped how people buy and sell. Companies like Amazon, Flipkart, and Alibaba have transformed retail by offering wider product availability, greater price transparency, and easier access for consumers (KPMG, 2022). Consumer behavior has also shifted, especially after the pandemic. Shoppers now place a higher value on convenience, personalized experiences, and mobile-friendly options. The rise of social media and digital advertising has further encouraged younger consumers to choose online shopping (PwC, 2021). Economically, this shift presents both opportunities and challenges. While the digital economy contributes significantly to GDP and creates new jobs in technology and logistics, it also raises concerns about job losses within traditional retail sectors. Additionally, issues such as the digital divide and complex taxation systems continue to hinder truly inclusive growth.

While many studies have explored different aspects of retail, very few directly compare how traditional and digital market systems coexist. Much of the existing research overlooks the real socioeconomic impact of digitalization on small vendors and local businesses. It also falls short of providing practical, integrated models that could help both sectors grow together in a sustainable, hybrid way. This gap highlights the need for deeper and more inclusive research in this area.

#### Research Objectives

1. To understand the structural differences between traditional and digital markets
2. To explore how customers behave in each type of market

3. To assess the economic and social impact of digital transformation on traditional retail
4. To propose sustainable models that allow both systems to coexist and grow together

#### Research Methodology

The main aim of this study is to explore how India's shift from traditional retail to digital platforms is affecting society and the economy. It focuses on changes in consumer behavior, differences in how each retail system is structured, and the overall impact of digital transformation on traditional markets. To achieve this, the study follows an analytical and descriptive research design. A mixed- method approach- combining both quantitative and qualitative data- has been used to provide a more complete and well-rounded understanding of the issue.

Research papers, government publications, journal articles, market databases, and reliable websites are the sources of the secondary data. Survey results are interpreted and comparative charts are created for study using statistical tools (like Excel). The study's general methodology makes it possible to compare the structural characteristics of retail formats, examine shifting consumer trends, and evaluate the socioeconomic effects of these changes in a methodical and significant way.

#### Traditional (Unorganized) Retail in India Market Share & Structure:

Traditional retail (kirana, street vendors, informal trade) still dominates India's retail landscape, holding approximately 88%- 93% of the total retail market as of 2023 - 2025 ([The Economic Times](#) [The Economic Times](#)). Kirana stores alone account for about 75%-78% of consumer goods sales and 92.6% market share in 2023, down from 95% in 2018, with projected decline to ~88.9% by 2028([The Economic Times](#)[The Economic Times](#)). Over 12-13 million kirana outlets operate across urban, semi-urban, and rural India.

**Table No.1: Traditional (Unorganized) Retail in India:**

Sr. No.	Metric	Value / Share	Year / Source
1.	Traditional (Unorganized) Retail Share	88%-93% of total retail	2023-25 ( <a href="#">Economic Times</a> )
2.	Kirana Store Share	92.6% of retail (down from 95% in 2018)	2023 Datum report ( <a href="#">The Economic Times</a> )
3.	Projected Kirana Share	~88.9% by 2028	Datum forecast ( <a href="#">The Economic Times</a> )
4.	Number of Kirana Stores	~12-13 million	As of ~2022-24
5.	Employment in Unorganized Retail	~40 million (approx. 8% of workforce)	Latest estimates ( <a href="#">USDA</a> )
6.	Retail's Contribution to GDP	~10-11% via traditional formats	Recent estimates ( <a href="#">USDA</a> )
7.	Food & Grocery Segment Share	~65% of retail in traditional stores	2023 data ( <a href="#">USDA</a> )
8.	Quick-Commerce Growth Impact	~74% growth, ~46% users reduced kirana usage	2024-25 flows ( <a href="#">The Economic Times</a> )
9.	Digital Adoption by Kirana Owners	~80-84% adopting Technology integration	2024 survey insights ( <a href="#">The Economic Times</a> )

### Economic Impact:

Traditional retail contributes to around 10-11% of India's GDP and employs roughly 8% of the workforce (~40 million workers) ([USDA](#)). Food and grocery constitute about 65% of traditional retail turnover, representing the largest segment in daily essentials distribution ([USDA Apps](#)).

### Growth & Transition Trends:

A 2024 report by Datum shows kirana stores saw market share drop from 95% (2018) to 92.6% in 2023, expected to further decline to 88.9% by 2028. Quick commerce is a key disruptor: in 2024 it grew at ~74%, eating into kirana patronage. Around 46% of quick-commerce users have reduced purchases from traditional stores, with over 82% shifting at least 25% of their purchases away ([The Economic Times](#)). Despite disruption, kiranas are adapting- 84% of store owners report adopting digital tools (like WhatsApp ordering, digital payments, inventory apps) to stay competitive; over 80% see digitization as essential ([The Economic Times](#)).

### Business Model Comparison

In traditional marketplaces, trust is built through personal relationships, face-to-face interactions, and simple, local systems of managing stock and deliveries. These businesses typically operate with low overheads and depend heavily on community connections. In contrast, digital platforms rely on centralized operations, automated inventory systems, and streamlined supply chains. While these technologies boost efficiency, they also require higher investments in infrastructure and digital tools. Traditional retailers often struggle to grow beyond their immediate locality because of physical and geographic limitations. Digital businesses, however, can scale rapidly and reach customers across the country- or even globally. Their customer loyalty is driven by convenience, discounts, and personalized shopping experiences, whereas traditional markets rely on familiarity and long-standing personal ties. By comparing these two systems, it becomes clear that each has its own strengths and challenges. This analysis suggests that a blended, hybrid approach- combining the reliability of

traditional markets with the efficiency of technology- could help create a more resilient and future-ready retail environment.

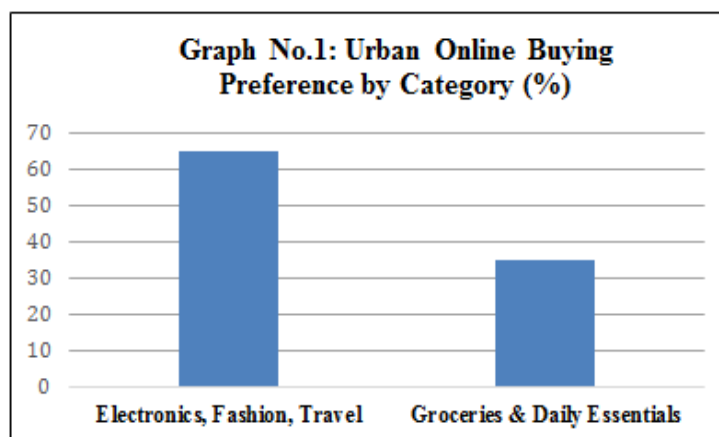
### Consumer Behavior Analysis

As India's digital economy has grown, the way people shop has changed noticeably. Traditionally, consumers relied heavily on neighborhood kirana stores and local street markets, where shopping was built on personal relationships, trust, and even a bit of bargaining. These familiar spaces continue to play a major role in daily life- more than 85% of all retail sales in India still happen through traditional formats because they offer nearby access, personalized service, and a sense of cultural comfort (Retailers Association of India, 2021). Digitalization, however, has added new layers to consumer behavior. A Deloitte India study (2022) reports that about 65% of urban consumers now prefer online platforms for fashion, electronics, and travel. They're drawn by the convenience, attractive prices, and wider range of choices that digital platforms offer. Still, when it comes to everyday essentials and groceries, traditional shops remain the preferred option, especially in smaller Tier II and Tier III cities. The COVID-19 pandemic accelerated this shift. According to PwC India (2021), 73% of consumers increased their online shopping during the pandemic, driven by mobile-first habits. Although trust in online transactions has grown, issues such as delivery delays, refund challenges, and doubts about product authenticity continue to affect customer satisfaction.

The IAMAI- Kantar report (2023) also points to a clear digital divide between urban and rural India. Limited infrastructure and low digital literacy are major barriers. While 69% of urban internet users shop online regularly, only 28% of rural users engage in e-commerce, highlighting the need for more inclusive digital access.

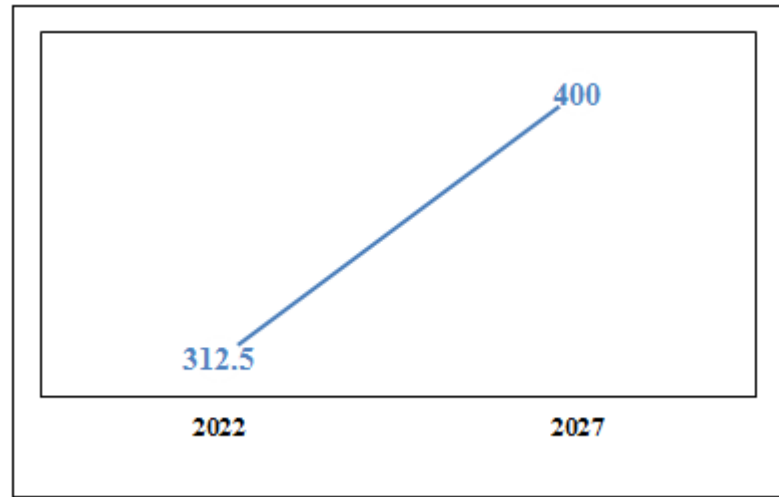
### Buying Patterns by Category

Urban Indian consumers prefer online platforms (~65%) for discretionary categories like electronics, fashion, and travel, but continue to rely on traditional retail for groceries and daily essentials- especially in Tier II and III cities. ([The Economic Times](#))



### Digital Adoption Post-Pandemic:

The number of Indian digital buyers is expected to grow from ~312.5 million in 2022 to about 400 million by 2027, driven by younger, mobile-first consumers.



**Graph No. 2: Expected Growth of Digital Buyers in India (Millions)**

#### Ad Spend Shift:

Digital advertising spend surpassed television for the first time in FY 2024, increasing from 36% to 41% of total ad budgets, largely fueled by e-commerce expansion. ([ipsos.com](https://www.ipsos.com))

#### Retail Leasing & Consumer Taste:

In H1 2025, 54% of net retail leasing (2 million sq ft) in India's top seven cities was driven by apparel and F&B brands, reflecting a shift towards experiential retail favored by Millennials and Gen-Z consumers. ([The Economic Times](https://www.theeconomictimes.com))

Overall, consumer behavior in India shows two clear patterns. The digital economy is rapidly growing, especially for non-essential purchases in urban areas, where convenience, greater awareness, and better digital access play a big role. At the same time, traditional markets still lead when it comes to everyday shopping needs, particularly in smaller towns and communities.

#### Economic and Social Impact

The rise of the digital economy has created a mixed impact on employment. While many small shops and traditional retailers have faced job losses, new opportunities have emerged in areas like technology, logistics, and digital services. However, micro, small, and medium enterprises (MSMEs) often struggle to compete with large tech platforms, which benefit from advanced technology and economies of scale. The divide between urban and rural areas further highlights inequalities in digital literacy, internet access, and basic infrastructure. Urban businesses and consumers are adapting quickly to digital systems, but many rural communities are still left behind, limiting their ability to take advantage of digital growth. These challenges point to a clear need for inclusive policies and stronger digital empowerment initiatives. Ensuring that both traditional and digital sectors- and both urban and rural regions- can grow together is essential for creating balanced development and equal opportunities for everyone.

**Table No.2: Economic and Social Impact of Digitization**

Sr. No.	Dimension	Key Statistic (FY 2023-2025)	Source
1.	E-Commerce share of retail	7-9% (2023), projected 15-17% by 2030	( <a href="https://www.theeconomictimes.com">The Economic Times</a> )
2.	Online shopper penetration	20-25% of ~850m users	( <a href="https://www.theeconomictimes.com">The Economic Times</a> )
3.	Market size & growth	USD 14.7B (2024), ~18.7% CAGR	( <a href="https://www.theeconomictimes.com">The Economic Times</a> )
4.	Quick commerce	USD 7.1 B (2025), ~20% market share, ~50% YOY growth	( <a href="https://www.cornellscjohnson.com">Cornell SC Johnson</a> , <a href="https://www.theeconomictimes.com">The Economic Times</a> )
5.	Digital economy share	11.7% of GDP (2022-23), rising to ~20% by 2029-30	( <a href="https://pib.gov.in">pib.gov.in</a> , <a href="https://meity.gov.in">meity.gov.in</a> )
6.	Employment in digital sector	14.67 m workers (~2.55% workforce)	( <a href="https://pib.gov.in">pib.gov.in</a> , <a href="https://meity.gov.in">meity.gov.in</a> )
7.	Digital Payments Index	+10.7% in FY 2025	( <a href="https://www.thetimesofindia.com">The Times of India</a> )
8.	UPI dominance	~80% of digital payments, ~12.2 bn txn in Jan 2024	( <a href="https://www.thetimesofindia.com">The Times of India</a> )
9.	Ad Spend shift	Digital = 41% ad spend in FY 2024	( <a href="https://www.ipsos.com">ipsos.com</a> )
10.	Retail Leasing Trends	54% in apparel & F&B in H1 2025 (2 m sq ft)	( <a href="https://www.theeconomictimes.com">The Economic Times</a> )



### Digital Economy's Contribution to GDP & Employment

In FY 2022-23, the digital economy contributed 11.74% of GDP (~INR 31.64 lakh crore or USD 402 billion), employing 14.67 million workers (~2.55% of workforce), with productivity roughly five times higher than the rest of the economy. It is forecasted to reach ~20% of national income by FY 2029-30 ([pib.gov.in](https://pib.gov.in))

### Digital Payments Growth

The RBI's Digital Payments Index rose 10.7% year-on-year in FY 2025, indicating solid progress in adoption and infrastructure. UPI remains dominant, accounting for ~80% of all digital transactions in 2023-24. As of January 2024, UPI volume: ~12.2 billion transactions valued at ~₹18.4 trillion. ([The Times of India](#)).

### Financial and Digital Inclusion in Rural Areas

Sahaj Retail plans to expand its rural service-centre network from 320,000 to 600,000 centers, enhancing digital inclusion, literacy, and access to e-commerce and utilities in under-served areas. ([The Times of India](#))

### Challenges and Opportunities

The shift from traditional markets to a digital economy brings both significant challenges and promising opportunities for the future of commerce. One of the biggest hurdles is the gap in infrastructure and regulation. Many small and traditional businesses still struggle with unreliable internet access, limited digital tools, and a lack of proper training to use these technologies effectively. On top of that, unclear policies, fragmented e-commerce regulations, and bureaucratic barriers make it hard for MSMEs- especially those in rural and semi-urban areas- to smoothly transition into the digital space.

Another major challenge involves cybersecurity, taxation, and data privacy. As digital platforms expand, the risks of data breaches, online fraud, and misuse of consumer information also increase. At the same time, digital businesses often struggle with confusing or overlapping tax regulations, which can create compliance problems and lead

to unfair competition with unregulated players in the market.

Despite these challenges, the digital economy also creates exciting opportunities through hybrid and omni-channel models. These approaches blend the strengths of traditional retail- such as trust, personal relationships, and local presence- with the convenience and efficiency of digital tools like e-commerce platforms, mobile apps, and digital payments. With this mix, traditional businesses can reach more customers, engage with them more effectively, and modernize their operations, all while staying true to their roots. This kind of integration offers a promising path toward inclusive and sustainable growth, helping bridge the gap between long-standing traditions and new technologies.

### Hybrid Retail Integration Model:

The Hybrid Retail Integration Model aims to create a balanced and sustainable system where traditional markets and the digital economy can grow and thrive together.

The goal of the first element, Digital Enablement of Traditional Retail, is to provide local and small businesses with digital capabilities without sacrificing their unique character. With the rise of local store e-catalogues, customers can now explore products online while still buying from the neighborhood shops they trust. These stores are also stepping up their convenience levels by offering doorstep delivery through last-mile service partners and accepting UPI or QR code payments. This lets them provide fast, cashless, and hassle-free transactions- bringing them closer to the convenience offered by big e-commerce platforms.

The second component- shared infrastructure platforms- focuses on improving resource efficiency. By building hyperlocal e-commerce hubs, multiple small shops can connect to a single online platform, helping them reach more customers. Shared warehouse facilities also reduce storage costs, speed up deliveries, and improve inventory management, allowing even small retailers to compete more effectively.

**Table No. 3: Hybrid Retail Integration Model**

Sr. No.	Model Component	Key Strategies
1.	Digital Enablement of Traditional Retail	Local store e-catalogues, UPI/QR payments, last-mile delivery tie-ups
2.	Shared Infrastructure Platforms	Hyperlocal e-commerce hubs, common warehousing
3.	Consumer Trust & Experience	Click-and-collect, experiential retail spaces with digital kiosks
4.	Rural-Urban Digital Inclusion	Digital literacy programs, low-cost rural broadband
5.	Policy & Financial Support	Govt-backed transformation schemes, tax incentives

The third pillar of this strategy- Consumer Trust & Experience- aims to improve customer satisfaction by blending the best parts of both offline and online shopping. Services like click-and-collect offer customers the ease of ordering online while giving them the reassurance of picking up their items from a familiar nearby store. Experiential retail setups with digital kiosks enhance the shopping journey even further, offering features like self-checkout, interactive product details, and virtual try-on

options to make the overall experience smoother and more engaging.

The fourth element- Rural-Urban Digital Inclusion- focuses on closing the gap in digital adoption. By improving access to affordable internet in rural areas, more people and businesses can participate in the digital economy. Digital literacy programs can help rural consumers and shop owners understand how to use e-commerce platforms effectively. This approach not only expands the customer base for all retailers but also promotes fair and balanced growth across regions.

Finally, the Policy & Financial Support component provides the essential foundation for making the hybrid model work. Government-backed digital transformation programs can help traditional retailers upgrade their operations and move smoothly into the digital space. At the same time, tax benefits for businesses that invest in digital tools or form local partnerships encourage sustainable growth and make it easier for both traditional and modern retailers to thrive together.

Together, these five elements create a comprehensive approach to blending traditional retail with the digital economy. By working in harmony, they support mutual growth, improve customer experiences, and ensure fair participation for all types of businesses in the marketplace.

#### Conclusion:

A comparison of India's traditional markets and the growing digital economy shows a dynamic relationship between long-established, trust-based commerce and rapidly evolving, technology-driven retail models. Traditional markets still play a vital role- especially in smaller towns and rural areas- by meeting everyday needs, supporting local jobs, and fostering community connections. In contrast, the digital economy excels in scale, convenience, and product variety. It fuels urban consumption and makes a significant contribution to overall GDP growth.

Although traditional and digital retail often appear to be in competition, this study shows that the most promising path forward is actually convergence. Hybrid models- those that blend the efficiency and broad reach of digital platforms with the personal touch of physical stores- offer the best of both worlds. For this balanced growth to happen, however, challenges such as limited digital literacy, unclear policies, and gaps in infrastructure must be addressed. By equipping small shopkeepers with digital tools, building shared infrastructure, and implementing inclusive policies, India can create a retail ecosystem that welcomes innovation while preserving its cultural and economic roots.

In the end, the coexistence of traditional and digital markets- working together rather than replacing one another- provides the strongest foundation for a resilient, inclusive, and future-ready retail landscape in the country.

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#### Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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