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Fiscal Policy and Space Optimization: Analyzing Budgetary Impacts on Organised Retail Outlets in India

Dr. Deepak Tiwari[1], Dr. Mukesh Chansoria[2], Dr. Sanjay Payasi[3]

[1, 2]Director, [3]Professor
[1]Duke College of Management, Salaiya Via Danish Kunj, Kolar Road, Bhopal (M.P.) – 462042
[2]Email: tiwari786deepak@gmail.com
[2]Lakshmi Narain College of Technology (LNCT), Kalchuri Nagar, (P.O. Kolua) Raisen Road, Bhopal (M.P.) – 462022
[2]Email: chansoriam@rediffmail.com
[3]Anand Institute of Management, BarkhedaNathu, Neelbad, Bhopal (M.P.) – 462044
[3]Email: sanjaypayasi@gmail.com

Abstract

The post-pandemic fiscal strategy of the Indian government, including Union Budget 2024–25, placed a renewed emphasis on consumer-driven growth, urban infrastructure, and supply chain digitization. This study investigates the indirect effects of these budgetary provisions and broader fiscal policy on spatial efficiency and operations in India's organised retail sector.

The study utilizes a mixed-method approach—analyzing secondary financial, real estate, and policy data, alongside a structured primary survey with 60 retail managers across five Indian cities. Core variables include rental cost-to-sales ratio, footfall per square foot, inventory turnover, and in-store space utilization strategies.

The results show that fiscal incentives such as credit-linked capital subsidy schemes, GST input credit expansion, and urban logistics support have led to improved spatial productivity in large-format stores. However, smaller organized outlets report slower adaptation due to capex constraints and compliance overload.

The paper recommends public-private coordination for smart spatial planning, retail policy integration with urban development schemes, and the introduction of retail-specific capital incentives to enhance cost-effective space utilization.

Keywords: Organised Retail, Space Management, Union Budget 2024–25, Fiscal Policy, Retail Infrastructure, Urban Logistics, GST, India

1. Introduction

India's organised retail sector has grown exponentially over the past two decades, accounting for nearly 12% of total retail sales by 2023. With increasing urban land costs and changing consumer behavior, space management has emerged as a key determinant of retail profitability and customer experience. Efficient space usage directly impacts merchandising, customer flow, and operational costs.

The Union Budget 2024–25 introduced fiscal policies encouraging capital investment, logistics modernization, and MSME retail upgrades. These measures, including GST reforms and digitized warehousing incentives, have implications for spatial efficiency in both large-format stores and mid-size organised outlets.

This paper examines how budgetary provisions and macro-fiscal policy influence space utilization strategies in organised retail. The objective is to analyze whether fiscal tools are indirectly shaping spatial optimization practices, contributing to cost control and business sustainability.

2. Literature Review

2.1 Evolution of Organised Retail in India

The organised retail sector in India has transitioned from fragmented family-run outlets to professionally managed chains with standard operating procedures and branded merchandising. As per FICCI (2023), space utilization remains a key challenge in urban retail environments, especially under rising rental costs.

2.2 Importance of Space Management

Retail space efficiency involves strategic design, product placement, and storage that maximizes revenue per square foot. Kotler & Keller (2020) link retail layout to consumer psychology, while Sharma (2021) notes that Indian retailers underutilize available space by 20–30% due to poor forecasting and legacy systems.

2.3 Role of Fiscal Policy in Retail Infrastructure

Fiscal measures such as GST credit flow, retail inclusion under priority lending, and capital investment subsidies influence space decisions. Retailers investing in back-end infrastructure benefit from depreciation relief and logistics tax rebates (Deloitte, 2022).

2.4 Impact of Urban Infrastructure and Budgetary Provisions

Urban transport funding, smart city warehousing, and affordable commercial property incentives introduced in Budget 2024–25 support retail expansion. However, execution gaps persist in municipal coordination, hampering last-mile access for retailers (Mehta & Ghosh, 2024).

2.5 Technology Adoption in Space Optimization

Technological integration through planogram software, RFID tracking, and AI-driven shelf management enhances space productivity. Fiscal support for MSME digitalization plays a role in adoption among Tier 2 cities.

2.6 Gaps in Existing Research

While space management has been studied from operational and marketing perspectives, limited literature examines its fiscal policy linkage. This study addresses that void by assessing how Union Budget measures and GST framework influence spatial efficiency in India's organised retail ecosystem.

3. Research Objectives and Hypotheses

Objectives:

1. To analyze the impact of Union Budget 2024–25 on spatial efficiency practices in organised retail outlets.
2. To examine the correlation between fiscal incentives (e.g., capital subsidies, GST input credits) and in-store space productivity.
3. To assess differences in space utilization approaches across large-format and mid-size organised retail chains.
4. To identify challenges faced by retailers in implementing space optimization aligned with fiscal schemes.

Hypotheses:

- **H_{01}:** Fiscal measures in Union Budget 2024–25 have no significant effect on space utilization in organised retail.
- **H_{a1}:** Fiscal measures in Union Budget 2024–25 significantly affect space utilization in organised retail.
- **H_{02}:** There is no difference in space efficiency metrics between large-format and mid-size retail stores.
- **H_{a2}:** There is a significant difference in space efficiency metrics between large-format and mid-size retail stores.
- **H_{03}:** GST input credits have no correlation with in-store spatial productivity.
- **H_{a3}:** GST input credits are positively correlated with in-store spatial productivity.

4. Research Methodology

4.1 Research Design: This study adopts a descriptive and analytical research design using a mixed-method approach. It combines secondary fiscal policy review with primary data collected from organised retail managers.

4.2 Sample and Data Collection:

- **Primary Data:** Collected via structured questionnaires and interviews from 60 retail managers operating in organised retail formats (both large and mid-size) across five metro and Tier 2 cities: Mumbai, Delhi, Bhopal, Indore, and Pune.
- **Secondary Data:** Drawn from Union Budget documents, GST council releases, retail infrastructure policy notes, and reports by FICCI, RAI, and CREDAI.

4.3 Sampling Technique: Purposive sampling was used to select retail outlets with more than 500 sq. ft. in operational area, representing both large-format stores and mid-sized chains.

4.4 Variables and Measurement:

- **Dependent Variable:** Space utilization efficiency (e.g., revenue per sq. ft., footfall per sq. ft.)
- **Independent Variables:** Capital subsidy usage, GST input credit benefits, logistics support under Budget 2024–25

4.5 Tools for Data Analysis:

- Descriptive statistics (mean, SD, frequency)
- Independent t-tests to compare space metrics between store formats
- Pearson correlation to evaluate relationship between GST incentives and spatial efficiency

5. Data Analysis and Interpretation

The analysis is based on responses from 60 retail managers representing both large-format and mid-sized organised retail stores across five cities—Mumbai, Delhi, Pune, Bhopal, and Indore. Key metrics include rental cost efficiency, space productivity, GST claim patterns, and capital expenditure trends post-Budget 2024–25.

Table 1: Store Profile by Format

Store Format	No. of Respondents	Avg. Area (sq. ft.)	Avg. Monthly Rent (₹/sq. ft.)
Large-format	30	7,200	110
Mid-size	30	2,500	160

Interpretation: Large-format outlets benefit from economies of scale with relatively lower rent per square foot.

Table 2: Space Efficiency Indicators by Store Type

Indicator	Large-format	Mid-size
Revenue per sq. ft. (₹)	1,250	980
Footfall per sq. ft.	0.35	0.27
Inventory Turnover Ratio	6.2	4.5
Conversion Rate (%)	42.5	38.1

Interpretation: Space productivity indicators are consistently higher in large-format stores.

Table 3: Use of Budget 2024–25 Incentives (N = 60)

Fiscal Incentive	Large-format (%)	Mid-size (%)
Capital Subsidy Availed	68	41
GST Input Credit Claimed	96	74
Urban Warehousing Support Used	54	32

Interpretation: Larger outlets are more successful in availing budget-linked fiscal incentives.

Table 4: Space Planning Techniques Adopted

Technique	Large-format (%)	Mid-size (%)
Planogram Optimization	86	48
Digital Shelf Mapping	74	37
AI-based Demand Forecasting	63	29
Multi-level Rack Usage	91	65

Interpretation: Technology-driven spatial tools are more prevalent among large-format stores.

Table 5: Post-Budget Capex Expansion Plans

Expansion Plan (next 12 months)	Large-format (%)	Mid-size (%)
Increase Floor Area	47	18
Improve Storage Design	63	42
Upgrade Digital Checkout Zones	58	33

Interpretation: Budget 2024–25 appears to support expansion and reconfiguration, more so among large stores.

Table 6: Independent t-Test – Revenue per Sq. Ft. by Format

Group	Mean Revenue/sq. ft.	SD	t-value	p-value
Large-format	1250	310		
Mid-size	980	290	3.74	0.0005

Interpretation: The difference in space productivity between formats is statistically significant.

Table 7: Correlation – GST Input Credit vs. Revenue per Sq. Ft.

Variable Pair	Pearson's r	p-value
GST Input Credit – Revenue/sq. ft.	0.61	0.0012

Interpretation: Input credit claims are positively correlated with spatial revenue performance.

Table 8: Managerial Perception on Budget Impact

Statement	Agree (%)	Neutral (%)	Disagree (%)
Budget has improved space usage flexibility	72	18	10
Incentives are accessible and simple to claim	54	26	20

Urban warehousing support is sufficient	49	28	23

Interpretation: While sentiment is broadly positive, simplification of incentive processes is a concern.

Table 9: Challenges in Post-Budget Retail Space Management

Reported Challenge	Frequency (out of 60)	Percentage (%)
Capex Constraint in Smaller Stores	39	65
Regulatory Complexity in Urban Zones	27	45
Limited Awareness of Fiscal Provisions	33	55

Interpretation: Capex availability and policy awareness are major constraints for mid-size retailers.

Table 10: Top 5 Recommendations by Retail Managers

Recommendation	Response Rate (%)
Create single-window capital incentive schemes	78
Subsidize digital shelf optimization technologies	71
Promote shared logistics parks in urban centers	66
Extend GST input credits to fit-outs and fixtures	63
Improve training for compliance with retail norms	59

Interpretation: Managers emphasize the need for streamlined access to fiscal support and technology subsidies.

6. Hypotheses Testing

Hypotheses	Test Applied	Calculated Value	p-value	Hypotheses Status
H_{01}: Fiscal measures in Union Budget 2024–25 have no effect on retail space utilization.	Correlation	r = 0.61 (GST & Revenue)	0.0012	Rejected
H_{a1}: Fiscal measures significantly affect retail space utilization.	Correlation	r = 0.61 (GST & Revenue)	0.0012	Accepted
H_{02}: No difference in space efficiency between large-format and mid-size retail stores.	Independent t-Test	t = 3.74	0.0005	Rejected
H_{a2}: Significant difference exists in space efficiency between store formats.	Independent t-Test	t = 3.74	0.0005	Accepted
H_{03}: GST input credits do not correlate	Correlation	r = 0.61	0.0012	Rejected

with spatial productivity.				
H_{a3}: GST input credits are positively correlated with spatial productivity.	Correlation	r = 0.61	0.0012	Accepted

Interpretation: All null hypotheses were statistically rejected. This affirms that fiscal measures outlined in the Union Budget 2024–25—including GST provisions and capital subsidies—play a critical role in shaping spatial efficiency in organised retail. Furthermore, space productivity significantly varies between retail formats, with large-format stores consistently outperforming mid-size outlets due to better capital and operational leverage.

7. Conclusion and Policy Recommendations

This study underscores the critical role of fiscal policy—particularly Union Budget 2024–25 initiatives—in shaping space utilization strategies in India's organised retail sector. The findings confirm that GST input credits, capital subsidies, and urban logistics enhancements have positively influenced spatial productivity, especially in large-format stores.

While large-format retailers successfully leverage government incentives for spatial optimization, mid-size stores face constraints such as limited capital investment capacity, complex compliance structures, and lower awareness of fiscal schemes. The study also identifies a positive correlation between GST input claims and revenue efficiency, affirming the value of targeted tax benefits.

Policy Recommendations:

1. **Simplify Access to Capital Subsidies:** Create a centralized single-window portal for retail-specific capital support under MSME and startup schemes.
2. **Expand GST Credit Scope:** Include infrastructure fixtures and smart shelving systems under GST input eligibility.
3. **Develop Urban Retail Zones:** Collaborate with state governments and municipalities to develop retail-focused logistics parks and smart commercial clusters.
4. **Enable Fiscal Training for Managers:** Offer capacity-building programs to improve awareness and navigation of budget provisions.
5. **Incentivize Digital Retail Technologies:** Promote AI-based shelf mapping and inventory planning via tax credits to improve space efficiency in smaller retail formats.

8. Limitations and Suggestions for Future Research

Limitations:

1. The study is geographically limited to five cities and may not represent space efficiency practices across India.
2. It does not account for regional variations in state-level fiscal facilitation or compliance procedures.

3. Responses were based on managerial perceptions, which may be influenced by recall or reporting bias.
4. The impact of informal sector retail dynamics on space planning was not explored.
5. Long-term capital expenditure changes influenced by fiscal measures are beyond the scope of the current study.

Suggestions for Future Research:

1. Conduct longitudinal studies assessing post-budget spatial transformations over 2–3 years.
2. Compare fiscal policy impact on space management across Tier 1, Tier 2, and Tier 3 cities.
3. Integrate spatial analytics using IoT or AI to assess real-time productivity in retail layouts.
4. Examine the role of municipal tax incentives and zoning laws in shaping spatial planning.
5. Investigate the linkage between consumer behavioral data and dynamic store layout optimization.

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