

## AIR Spotlight - Inclusion of Retail and Wholesale Traders under MSME

AIR Spotlight is an insightful programme featured daily on the All India Radio Newsonair. In this program, many eminent panelists discuss issues of importance which can be quite helpful in [IAS exam](#) preparation. In this article, the topic of discussion is the inclusion of retail and wholesale traders under the MSME category.

### Participants:

- Sharad Kohli, Economic Analyst.
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### Context:

The government has announced fresh guidelines to bring retail and wholesale trade under the ambit of MSME.

### What is MSME?

- Micro, Small, Medium Enterprises ([MSMEs](#)) are entities that are involved in the production, manufacturing, and processing of goods and commodities and are stipulated by certain criteria of investment and turnover.
- The concept of MSME was first introduced by the Government of India through the Micro, Small & Medium Enterprises Development (MSMED) Act, 2006.
- **New Classification of MSME:**

Sector/Enterprise type	Micro-Enterprise	Small Enterprise	Medium Enterprise
Manufacturing & Services sectors, both	<ul style="list-style-type: none"> <li>• Investment less than Rs. 1 crore</li> <li>• Turnover less than Rs. 5 crore</li> </ul>	<ul style="list-style-type: none"> <li>• Investment less than Rs. 10 crore</li> <li>• Turnover less than Rs. 50 crore</li> </ul>	<ul style="list-style-type: none"> <li>• Investment is less than Rs. 50 crore</li> <li>• Turnover less than Rs. 250 crore.</li> </ul>

- India has 6.33 crore MSMEs out of which 6.30 crore (99.4%) are micro-enterprises.

### Background:

- There are around 6.6 crore registered and unregistered units of MSME in India. Surprisingly, only 25 lakh have been under the ambit of the MSME Ministry through the UDYAM registration process.

- When the MSME Act was passed in 2006, the retailers and wholesalers were included in the MSME. But, with the introduction of GST in 2017, they were dropped out of MSME.
- After that, many big and small retailers and wholesalers were continuously requesting the government to include them under the ambit of MSME.
- Shops and retail markets were the first to be hit during the pandemic, they were suffering from huge losses because of the fixed costs such as rent, wages, etc.
- According to a survey by the Retailers Association of India (RAI), the sector, dominated by small traders, saw a 79 percent contraction in monthly sales in May compared to pre-Covid levels due to lockdown-like restrictions imposed by States to curb the pandemic's second wave. Hence, this step is a very welcomed move by the government.

#### **Key takeaways of the announcement:**

- Accepting a long-standing demand, the Centre included retail and wholesale traders under the MSME (micro, small and medium enterprises) classification making them eligible for priority sector advances by banks and financial institutions per [RBI](#) guidelines.
- The Minister of MSME and Road Transport and Highways Nitin Gadkari said that this would benefit 2.5 crore retail and wholesale traders.
- Another benefit which the traders can reap is the Udyam registration portal. The Udyam portal is a free, paperless, online and instant registration portal.
- The Micro, Small, and Medium Enterprises sector in India is said to be the second-largest employment creator after agriculture, providing employment to an estimated 11 crore people. It contributes 29 percent of the GDP and accounts for 48 percent of the exports.
- MSMEs which self-certify their existence by registering on the government portal are eligible for a wide variety of benefits ranging from interest rate subsidy on bank loans to exemption under direct tax laws, concession in electricity bills among others.
- However, the retailers and wholesalers will not have other benefits which are provided to MSMEs except the priority sector lending; at least the doors are now open for them.

#### **What is Priority Sector Lending?**

- Every commercial bank has to reserve 40% of its lending for priority sectors such as agriculture, housing, MSME, education, etc.
- Out of 40 percent allocation under priority sector lending, 7.5 percent is reserved for the MSME sector. Now, this share will also be available for retailers and wholesalers.

#### **Will the retailers and wholesalers be able to avail of Credit Guarantee Schemes for MSME?**

- Various Credit Guarantee Schemes are available for the MSME sector.
- In the Atmanirbhar package, Rs 3 lakh crore of collateral-free automatic loans for businesses including MSMEs, and Rs 20,000 crore subordinated debt for stressed MSMEs were made available.
- In order to support Covid-hit MSMEs further, the government announced a three-month extension of its Rs 3 lakh crore [Emergency Credit Line Guarantee Scheme \(ECLGS\)](#) to September 30, 2021,

from June 30, 2021, or till guarantees for an amount of Rs 3 lakh crore are issued under the fourth revision of the scheme dubbed ECLGS 4.0.

- These schemes are only for the MSMEs which are already availing credits from the banks.
- Retailers and wholesalers may not be able to get these benefits but they can get assistance under the priority sector lending for funding their working capital.

#### **Retailers and Wholesalers are spread throughout the country:**

- If we compare MSME non-retail and wholesale with retail and wholesale sectors, then we will find that the retailers and wholesalers are spread throughout the country.
- When we look into manufacturing and services, there is a cluster-based development such as a market-specific to brass, leather, or something else but, the MSME in retailers and wholesalers can be found in every city or village because there are small shops and markets in each city or village.
- Micro-industries whose investment is not more than Rs. 1 crore and turnover not more than Rs. 5 crores, constitute 99.3 percent of the total business community in India.
- Therefore, we can say that micro-enterprises will be benefited the most.

#### **Retailers and Wholesalers as service providers:**

- The Centre removed the retailers and wholesalers from the list of MSMEs in 2017 saying that they were neither involved in manufacturing nor were they service units.
- The retailers went to the government and said that 'we are the service providers as we collect the goods from the wholesalers, on the basis of the locality we make them available to the consumers, we hire workers, rent a premise, etc. Hence, we are getting money for the services we provide to society.'
- If there were no retailers, it would not be possible to buy food and essential items from the factory directly. Hence, it is high time that the government recognized retailers and wholesalers as service providers.
- This recognition has happened because of two reasons:
  - First, the covid-19 pandemic has hit retailers and shopkeepers a lot. They were not making any sales, still, they had to bear the fixed costs such as electricity bills, rent, etc.
  - The second reason is the reinvention of the services or rationalization of the services as 'whatever you do to earn money is a service to yourself and a service to society.'

#### **Way Forward:**

- The government has formalized this sector. It is very difficult to count each and every shop in villages or cities. But, when people register themselves through the UDYAM portal, the government will collect the data and target the beneficiaries.
- More and more registration should be done because maybe the next step will provide the other benefits such as those enjoyed by the existing MSMEs, marketing of the product, promotion, etc. to the retailers and wholesalers as well.
- The retailers and wholesalers should grab this opportunity as this step has far-reaching benefits in the long term.

