

DEFINITION OF A TRADER

BY Satya Pal Gupta

“All of the things now enjoyed by civilization have been created by some and sold by another man before anybody really enjoyed the benefits of them.”

James G. Daly

Something is happening, and it affects us all. A global revolution is changing business and business is changing the world. Today the nation confronts a global pandemic, the worst economic downturn since the Great Depression. There has been a systemic discrimination between the industry and trade, on top of climate change and income inequality. The present political establishment must accept and implement change, and not be blinded by the past policies. It is time to rewrite the rules.

In a deeply troubled times like the present one, it's hard for traders to sustain. In an era where traders struggle with discrimination, it's difficult to build a healthy economic culture. In a period where the planet keeps getting sicker and there is lack of social benefits for the trading community, it's hard for the trade to maintain itself and its dependants.

Business is not about industry and manufacturing alone. It can neither be limited to large or MSMEs, DISCOMs, HFCs, NBFCs, MFIs and so forth on one end and labourers, self-help groups and cottage industry on the other. There is a section in between the two and that is the trader and or self-employed person, wholesaler, retailer, dukaan-daar (shop keeper), vyapari (merchant), internal trade, call or name it in any way. Pre- and post-independence, successive governments have deliberately ignored the existence and welfare of this segment of the business sphere.

The role of the trader is very important as he facilitates exchange of goods within the country. By doing this the trader also makes sure that factors of production reach to the right places at the right time enabling the economy to grow. By allowing all different types of goods and services to reach across and throughout the country it improves the standard of living of its citizens. This also leads to growth of industry by ensuring the availability of raw materials and in creating more employment opportunities.

In times of pandemic and its resultant economic impact, the government has announced policies for different sectors. Once again, the retail trade has not been included.

The trader is defined under Section 2 of the Consumer Protection Act 1986. The “Atmanirbhar Bharat” scheme of May 2020, redefines the MSMEs, mentions large manufacturing sector, DISCOMs, HFCs, NBFCs, MFIs, labourers, self-help groups, cottage industry and yet fails to include trader and or internal trade. Thereby discriminating, and depriving the sector to seek and get any financial relief from the banking sector.

Retail or internal trade or domestic trade is one and the same and as it is known is one of the most important aspect of a nation's economy. A healthy trade sector indicates a healthy economy. The government needs to pay more attention to promote and protect internal trade.

India has the highest density of retail stores in the world – for every 1000 persons there are 15 retail outlets in India. Due to our immense population, internal trade in India is actually quite robust. Retailers, wholesalers, and other such self-employed persons are the lifeline of India's trade sector. The importance of internal trade lies in its reach and services provided to the last mile consumer.

Retail trade is the oldest business of the world. Retail started in the ancient age with barter system of exchange providing last point of contact with the consumer for the sale of merchandise used in everyday life.

Retail is the world's largest business sector with an annual turnover of over 25.038 trillion U.S. dollars in the year 2019 and is forecasted to reach 29.763 trillion U.S. dollars by 2023, growing at 4.5 per cent annually. (Source: emarketer.com)

Retail trade is also the biggest business sector of the country. In 'The 2019 Global Retail Development Index Report' by A T Kearney, India ranks 2nd, with a population of 1.37 billion, and retail sales amounting to 1,202 billion dollars, with an annual growth rate of 9 per cent between 2016 and 2018. The sales are likely to reach 1.4 trillion U.S. dollars by the year 2021. The retail sector contributes more than 11 percent to the country's GDP.

According to IBEF estimates for the year 2020 for the Indian Retail Trade, the share of footwear sales in the total retail sales volume would be around 1.2 percent, pharmacy 2.7 per cent, furniture and fixtures 3.6 percent, consumer durables including IT 5.2 percent, jewellery 8.0 percent, apparels 8.7 percent, others 4.3 percent and finally food and grocery, the remaining 66.3 per cent market share.

The retail sector consists of more than 65 million retailers, in both the unorganized and organized sector, having singular, mini, small, medium and large stores. Organized sector has a share of 6-8 percent whereas the unorganized has a 92-94 percent share. The country's retail trade is expanding 10% to 12% every year with addition of about 25 million middle class consumers.

Retail sector is the second largest employment generating sector in the country. It is estimated that the retail sector provides direct employment to around 8-10 percent of the working population (people between the age of 15-64 years and approximately 65 percent of the total population of 1370 million). It also provides employment and livelihood indirectly to about 200 million for transportation, storing, sorting, packing and other work through-out the country excluding low cost kiosks, push cart and foot path vendors.

It is important to note that one in every ten family in the country is directly and or indirectly associated with the retail sector. Also, if every person directly or indirectly associated with the retail sector and their dependents are accounted for, the numbers would cross a staggering 500 million.

The retail trade continues to grow with the increase in population, growing incomes, rising aspirations, expanding urbanization, low penetration of modern retail, highly effective and efficient delivery mechanism, low margins and no interest and no collateral credit.

Retail trade is governed by multiplicity of laws and requires numerous licences, permits and registrations. Some of the laws have become obsolete and redundant and need to be scrapped rather than be kept on the statute books. Compliance has become a major issue for the unorganized sector. The retail trade faces the burden of laws imposed by the Central Govt., State Govt., and local bodies at the same time. It is next to impossible for a small retailer (mom & pop store) to comply with all the legal provisions as he can do only one thing – either run the shop and or comply.

The Government should strengthen the provisions of the Negotiable Instruments Act with respect to the provisions of bouncing of cheques. Time bound decisions, dedicated courts and security deposit from the defendant before he is permitted to contest should be the norms. This step will go a long way in safeguarding the financial interests of the retail trade.

The provisions of Indian Bankruptcy Code especially the provisions of financial creditors are lopsided and favour the banking sector at the expense of small creditors. All creditors up to Rupees ten lakhs should be termed as financial creditor. A certain percentage of funds for distribution should be earmarked for distribution amongst retail trade only.

Provisions similar to the MSMEs safety and security of the timely payment and delayed interest should also be made applicable for retail trade to keep the sector in good financial health.

The retail trade/internal trade should be treated at par with Corporates/MSMEs for Income Tax purposes, and the tax rate should not be more than 20 per cent for traders having a turnover up to 50 Crores and 22 per cent for traders having turn over above 50 Crores.

Recently Shri Piyush Goyal, Hon'ble Union Minister for Commerce and Industry in his reply to a question raised in the Rajya Sabha replied, "The Government proposes to formulate National Retail Trade Policy. Stakeholder consultations are being held. Government has set up a National Traders' Welfare Board with the objectives of welfare of traders and their employees, simplification of the acts and rules applicable to traders, reduction of compliance burden and improvement in access to funds for traders. (Rajya Sabha, Question No. 1491 – Ambika Soni, Sept 23, 2020)

Though quite late, it is still a small step in the right direction. The Minister concerned and his team deserves compliments for their initiative. However, this is just a beginning. The consultations with the stakeholders should be in an open and transparent manner. The list of stakeholders be made known to all interested parties. Suggestions and comments be invited from retailers at large.

The Government needs to consult the retailers on the problems faced and take remedial measures to provide them relief especially with regards to funds availability from the banks and financial institutions at concessional rates of interest and without any collaterals.