**Retail & Wholesale Trade: An MSME without benefits**

Four years after being excluded from the category of micro, small and medium enterprises (MSMEs), the retail & wholesale trade was reincluded under the MSME sector by the Government of India, Ministry of Micro, Small and Medium Enterprises (Policy Division) vide Office Memorandum No. 5/2(2)/2021-E/P & G/Policy, (E-19025) on Friday the July 2nd 2021. This was done for the specific purpose of permitting the retail and wholesale trade to secure priority sector lending (PSL) by the banks and financial institutions according to an official release. Loans given to the MSME sector come under priority sector lending under the RBI guidelines.

The fact however remains that under the NDA -1, the Government of India, Ministry of Micro, Small and Medium Enterprises (SME Section) issued an Office Memorandum F. No. UAM/MC/01/2017-SME dated 27th June, 2017 amending NIC Code 45, 46 & 47 and thereby removed the retail and wholesale trade from the ambit of MSME saying that they were neither involved in manufacturing and nor were they service units. Due to withdrawal of MSME status, retailers and wholesalers were forced to either borrow at a higher rate or from informal financial sources. The retail and wholesale trade were also denied certain other benefits enjoyed by the MSME’s.

It was certainly an aberration and an anomaly for which there cannot be any justification.

The Micro, Small and Medium Enterprises Development (MSMED) Act, which was notified in 2006, had defined an enterprise for the purposes of small businesses in terms of “manufacturing and service entities”. The retail and wholesale businesses were included under the definition of MSMEs under the 2006 Act.

The National Industrial Classification (NIC) is based on Industrial Standard Industrial Classification (ISIC) and The Statistical Classification of Economic Activities in the European Community (NACE). The Organization for Economic Cooperation and Development (OECD) also categorises the retail and wholesale trade as “Services”. The Government of India under the NIC also categorises the retail and wholesale trade as services, following the international norm and practice.

Earlier, the criteria for defining MSME was investment in plant and machinery, now it is also based on turnover of the company.

The MSME Annual Report 2020-21 of the Government of India provides the undermentioned statistics on the number of MSME’s and employment provided by them.

(As per the National Sample Survey (NSS) 73rd round, conducted by National Sample Survey Office, Ministry of Statistics & Programme Implementation during the period 2015-16, there were 633.88 lakh unincorporated non-agriculture MSMEs in the country engaged in different economic activities (196.65 lakh in Manufacturing, 0.03 lakh in Non-captive Electricity Generation and Transmission, 230.35 lakh in Trade and 206.85 lakh in Other Services) excluding those MSMEs registered under (a)Sections 2m(i) and 2m(ii) of the Factories Act, 1948, (b)Companies Act, 1956 and (c) construction activities falling under Section F of National Industrial Classification (NIC) 2008.)

**Estimated Number of MSMEs (Activity Wise)**

Activity Category Estimated Number of Enterprises (in lakh) Share (%) Rural Urban Total

Share of Manufacturing 114.14 82.50 196.65 31

Electricity\* 0.03 0.01 0.03 0

**Trade 108.71 121.64 230.35 36**

Other Services 102.00 104.85 206.85 33

 **All 324.88 309.00 633.88 100**

\*Non-captive electricity generation and transmission

(Source: MSME Annual Report 2020-21Government of India Ministry of Micro, Small and Medium Enterprises, Page 23)

(As per the National Sample Survey (NSS) 73rd round conducted during the period 2015-16, MSME sector has been creating 11.10 crore jobs (360.41 lakh in Manufacturing, 0.07 lakh in Non-captive Electricity Generation and Transmission, 387.18 lakh in Trade and 362.82 lakh in Other Services) in the rural and the urban areas across the country.)

**Estimated Employment in the MSME Sector (Activity Wise)**

|  |  |  |
| --- | --- | --- |
| Activity Category  | Estimated Number of Enterprises (in lakh)  | Share (%)  |
|   | Rural  | Urban | Total |   |
| Share of Manufacturing | 186.56 | 173.86 | 360.41 | 32 |
| Electricity\*  | 0.06 | 0.02 | 0.07 | 0 |
| **Trade**  | **160.64** | **226.54** | **387.18** | **35** |
| Other Services  | 150.53 | 211.69 | 362.22 | 33 |
| All | 497.78 | 612.10 | 1109.89 | 100 |

\*Non-captive electricity generation and transmission

(Source: MSME Annual Report 2020-21, Government of India Ministry of Micro, Small and Medium Enterprises, Page 26)

The statistics of the Government of India itself proves the fact that the trade having a 36 percent share is the largest in the MSME sector. With a 35 percent share in creating jobs and providing employment it is again the top category in providing jobs and creating employment.

The retail and wholesale trade though included in the MSME sector is only for limited and restricted purpose of getting priority sector lending. All other benefits available to MSME sector are yet to be opened for the retail and wholesale trade.

By classifying and including retail and wholesale trade as an MSME would benefit 3 crore retail and wholesale traders. They will be able to register on the Udyam Registration Portal also. The Udyam portal is a free, paperless online and instant registration portal.

The centre’s Udyam portal for MSMEs, which was introduced in 2015 as a simplified one-page registration form. The benefits of obtaining a Udyam registration include access to cheaper bank loans, tax rebates and receiving preference for government tenders.

The government time and again has announced various schemes for the MSMEs in order to help them get access to funds and tide over the impact of the covid19 pandemic. The wholesale and retail traders will have to wait for now to be eligible to avail those schemes and gain from the benefits attached to them. The non-inclusion of retail and wholesale traders as MSMEs earlier had denied them of this benefit.

Retailers and wholesalers in the country should be made competitive. For this they will need all the support that they can garner from the government. Recognizing millions of small and medium retailers under MSME will give them a much-needed impetus and finance options.

There are no justifiable reasons to discriminate against the retail and wholesale trade and deny them the benefits which they are rightfully entitled to. By bringing retail and wholesale trade on an equal footing with the MSME’s in all respects can bring in economic prosperity by creating additional employment opportunities for the poor and weaker sections of the society as well as better growth opportunities for the self- employed.

I sincerely appeal on behalf of all the paper trading community that the FPTA should use its good offices and influence with the present top leadership within the government and pursue the matter for the common benefit of the entire trading community.

Thanks.

S P Gupta

Former President -FPTA

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