

Ministry of Micro, Small & Medium Enterprises

Inclusion of Retail and Wholesale trades as MSMEs

Relevant to Mahindra Retail and Dealerships

2nd July 2021

Context

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”. While retail and wholesale businesses were included under the definition of MSMEs under the 2006 Act, the Centre removed them from the list in 2017 saying that they were neither involved in manufacturing and nor were they service units.

Federation of Automobile Dealers Associations (FADA) on Tuesday sought re-inclusion of automobile wholesale and retail trade, including workshops, under the ambit of MSME Act. Also, traders were seeking access to much-needed capital having been impacted greatly due to the COVID-19 pandemic. Dealers of automobiles and tractors were also demanding extend the definition of the MSME sector to include them.

Salient Features

- Revised guidelines for MSMEs with inclusion of Retail and Wholesale trades as MSMEs.
- Revised guidelines will benefit 2.5 Crore Retail and Wholesale Traders.
- Changes would allow retail and wholesale trade to also get benefit of priority sector lending under RBI guidelines.
- Retail and wholesale trades will be now be allowed to register on Udyam Registration Portal.
- 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.

Stakeholders Reactions

- i. **Consortium of Indian Associations:** Although the government's intention is commendable, the move is disastrous as the inclusion of 2.5 crore traders as MSMEs would dilute the sector which is already vast and is struggling for survival. “There is already no data to classify the MSMEs as manufacturers, service providers, exporters, ancillaries, among other categories. By including a vast number of traders, it would further complicate it and make it difficult to assess and monitor those involved in various sectors and prepare targeted schemes both for employers and employees”. The issues and challenges are largely different between Traders and Manufacturers, though both need each other.

Conclusion

This will help crores of traders get easier finance, various other benefits and help boost their business. The move will have an immediate impact on smaller retailers and wholesalers with businesses up to Rs 250 crore of turnover in availing immediate-term finance as part of various schemes announced under “Atmanirbhar Bharat” initiative. The decision will have a structural impact for the sector, helping it get formalised by giving better finance options for businesses.