

A ray of hope for retail and wholesale traders

The government has reclassified retail and wholesale traders into the category of MSMEs, four years after they were excluded from the same. These businesses belonged to the MSME cohort, as part of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. However, they were excluded from the same in 2017.

Their inclusion now, makes these retail and wholesale traders eligible for various government schemes and subsidies enjoyed by the MSME sector, as also Priority Sector Lending by banks. While it is a sigh of relief for these units facing stiff competition from e-commerce companies, industry experts opine that their inclusion into the MSME category will dilute the limited amount of funds available for manufacturing MSMEs, that are asset-heavy and worst-hit by the Covid-19 pandemic.

While the government has enhanced the corpus of the Emergency Credit Line Guarantee Scheme (ECLGS) for on-lending to the MSME sector, to Rs. 4.5 lakh crore in June 2021, the RBI has in its recent Financial Stability Report, July 2021, suggested that, “Since 2019, weakness in the MSME portfolio of banks and NBFCs has drawn regulatory attention, with the Reserve Bank permitting restructuring of temporarily impaired MSME loans (of size upto Rs. 25 crore) under three schemes... Despite the restructuring, however, stress in the MSME portfolio of PSBs remains high... Given the elevated level of debt of the stressed cohort, the implications of business disruptions following the resurgence of the pandemic could be significant.”

At a time when the industry is reeling under the economic uncertainties mounted by the Covid-19 pandemic, small retailers and wholesalers have got a breather to survive during the debilitating slowdown. However, more efforts may be needed to keep the MSME sector afloat the devastating impact of the crisis.

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