

1<sup>st</sup> March 2023

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To,  
Shri Narayan Tatu Rane  
Hon'ble Minister of MSME  
Government of India,  
Udyog Bhavan, Rafi Marg,  
New Delhi- 110011.

**Subject: Challenges & Issues faced by Retailers & Traders Community and our recommendations to curtail the same.**

The *Forum for Internet Retailers, Sellers & Traders, (FIRST India)* setup in May 2022, has been established in order to support the entry of retailers, sellers and traders who have been inducted in the definition of micro small and medium enterprises under the MSMED Act 2006. The Indian retail, trade & commerce sector, representing enterprises based in India, which are in the business of wholesale & retail selling of goods and services, both, offline as well as online to consumers, are all eligible under this change notified on 2nd July 2021.

Together with Indian policymakers, FIRST India can work on a daily basis to create a conducive policy and ecosystem which will help remove, the biggest obstacles for online merchants to expand their business nationally as well as across-borders

**INDIAN RETAIL INDUSTRY:**

Retail sector in India is a fast growing, dynamic & ever-evolving industry in which the traditional unorganized retailers amount to 95% while the organized retail chains make up 5% of the total retail industry. This industry contributes 10% towards the national GDP & 8% towards the national employment. Retail sector accounted for \$836 billion in FY 2022, with 81.5% contribution coming from traditional retailers while organized brick-and-mortar retail & online sales channels account for 12% and 6.5% respectively. India is currently the 4<sup>th</sup> largest preferred retail destination globally & is projected to reach \$2 Trillion from 2021-2032 at a growth rate of 10%.

Modern retail provides employment opportunities to the educated unemployed youth as well as those who are not very literate and/or are economically backward. It also helps the growth or consumption and demand by creating a conducive environment for the consumers. Retailing supports considerable investment by the public and private sectors in urban renewal by providing shopping facilities to the residents. Development of retail clusters also fosters cultural, civic and economic development of remote areas of the country. This is also important in the context of tourism. The small towns and villages then serve to develop surrounding rural areas by providing a range of facilities and services.

The nature and scale of retailing in India has also undergone major changes, mainly driven by economic development and also by changes within the industry itself. Specific retail planning requirements demands attention of the government authorities to carry out planning and development functions respectively. A variety of initiatives need to be introduced to provide a conducive environment for the growth of the retail enterprises. To allow the retail industry to achieve its true potential, some exceptions and relaxations in the current regulatory frameworks needs to be implemented.

The following key points are with regards to the problems that retailers, traders & distributors are facing on a national level along with the recommendations & changes the industry proposes:

### **1. Appointment of Nodal Officer at the ministry of MSME**

Appointment of Nodal Officer by Ministry of MSME to facilitate a single window clearance, who will liaison with the relevant licensing authorities, on behalf of the retailer, so that these licenses may be procured faster and more efficiently.

The Nodal Officer will also look at Laws and Rules which have outlived their utility and suggest changes. An effort should be made to grant and renew various clearances, permissions, licenses, registrations for establishment and running of a retail enterprise online with no or minimal human interface.

### **2. Reforms & Inclusions in National Acts & laws**

#### **I. Shop & Establishment Act:**

- Self-employed establishments where less than 9 employees are in working condition, for such type of Small and Medium Retail Traders following facilitation needs to be provided under Shops and Establishment Act, through online registration for “Inspection” or “approval” under labour laws.
- If in any case complaint of a specific nature is received, without prior permission of a District Officer, general inspection of shops should not be carried out by Labour Department, Sales Department etc.
- Retail enterprise should be allowed to stay open every day of the year to cater to the needs of the working class and other class of customers provided that the employees are given compulsory weekly offs on a preferential basis.
- Retail enterprise dealing in all goods and commodities should be allowed to conduct retail operations between 5 a.m. and 11 p.m. The enterprises can remain open between 11.00 pm and 5 am only for logistics and supply purposes.
- Women employees should be permitted to work up to 10.00 p.m., provided precautions are taken for ensuring their safety during such time and provisions made for dropping them to their respective homes safely in the event they work till late in the night by concerned management.
- The decision must remain with the respective female employee as to whether she chooses to work such shifts or not.
- Retail enterprise should be exempted from maintaining physical records for attendance and salary.

- Provision for Retail Enterprise to maintain employee-related records required under various labour laws in electronic form, and to accept returns in electronic form should be made in line with the progress of computerization in the Labour Department.
  - Retail Enterprise must have an option for self-certification and filing of consolidated annual returns under 13 acts administered by the Labour Department as below:
    - a. Shops and Establishment Act, 1948
    - b. Minimum Wages Act, 1948
    - c. Payment of Wages Act, 1936
    - d. Apprentices Act, 1961
    - e. Contract Labour (Regulation and Abolition) Act, 1970
    - f. Child Labour (Prohibition and Regulation) Act, 1986
    - g. Payment of Gratuity Act, 1972
    - h. Equal Remuneration Act, 1976
    - i. Payment of Bonus Act, 1964
    - j. The Employment Exchanges (Compulsory Notification of Vacancies Act), 1959
    - k. The Workman's Compensation Act, 1923
    - l. Inter State Migrant Workman (Regulation of Employment & Conditions of Services) Act, 1979
    - m. The Factories Act, 1948
  - Option should be given to employ housewives and students on part-time basis. Retail enterprise could offer part-time employment to such individuals, provided the worker is not ready to work full time. For this purpose, the consent of the worker shall be taken before hand. Minimum per hour wage rate should be proportionately determined in accordance with minimum monthly / daily wage rate specified under Minimum Wages Act. These part timers shall be exempted from other laws. The retail unit must not engage more than 25% of its employees as part time employees.
- II. Essential Services Maintenance Act:** Food and Grocery Retailers are entrusted the responsibility of delivering certain services to citizens which, if obstructed, affect the normal life of people. Sometimes occurrences like *bandhs* result in compulsory shutting of retail establishments. This leads to disruption of product access to citizens on the one hand and huge wastage of produce on the other hand for retailers and ultimately to the nation. Only perishable goods/items from Food and grocery business to be included in Essential Services Maintenance Act (ESMA).
- II. Essential Commodities Act:**
- The implementation of ESSCOM Orders' (Essential Commodities) should be rationalized.
  - The permissible stocking limits for which license is required should be enhanced.
  - The procedures for getting license and its renewal should be reduced and simplified.
  - Currently under ESSCOM licenses have to be applied commodity-wise, and these change frequently requiring trade to update itself on Gazette Notifications. Also commodity limits are mentioned zone-wise (population based town / city / zone classification), and category-wise (wholesale / retail / processing, etc.) making implementation complex and unfriendly. The stocking limits in godowns in rural areas can be higher as space for godowns in urban areas is costly / not viable.
  - Greater storage limits for retail chain stores based on monthly sales considering that these stores have high footfall requiring greater storage limits.

### **3. Retail Entertainment Zones (REZ)**

The Regional Plan / Development Plan should reserve spaces for retail and entertainment on the same lines as reservations for essential services and restaurants in order to make retail more affordable. The urban town planning policy currently does not clearly reserve spaces for shopping and recreational need of citizens. Therefore, shops are set up in a haphazard manner and compete for spaces in commercial locations which are extremely expensive and untenable for the retail industry. The central government should recognize the need for shopping and recreational areas to create much needed balance in urban places between residential, commercial, industrial, shopping and recreational areas. Efforts must be made for providing retail areas with direct access to mass public transport systems, secure a traffic plan designed for the long term, secure all year-round electricity, water, gas, sewage and IT connections.

Creating a zone for retail and recreation would ensure that there is an increase in consumption and more importantly would raise the standard of well-being of citizens. A retail park is a larger retail development, where many big box retailers and other retailers create an outlet for a day out for the entire family. This gives the advantage of choice to the consumer, increases competition which, reduces prices for the consumers and reduces vehicular usage by eliminating the need to travel to different parts of the city to compare retailers. The retail park should preferably be adjacent to a highway and with an integrated public transport system. This will support connectivity for the customer, will ease traffic in and around the city, provide customer convenience and result in cleaner/environmentally friendly city.

#### **I. Special zones for Retailers in Road Transport and Highways Development Plans:**

- i) Rest points along with retail outlets should be established along with the highways as Ministry of Road Transport and Highways is upcoming with various infrastructure development programme, with earmarked spaces in master plans this will help in raising the standard of development.
- ii) The earmarked spaces for retail / entertainment developments would also rationalize the land prices to support retail development.
- iii) The infrastructure on the road, public transportation, power and other fronts can be planned in advance accordingly.

### **4. Banking & Financial Reforms**

The Wholesale trade /Distributive trade is currently going through challenges which are resulting in distribution becoming unviable & next to closure. These challenges specifically consist of:

- Banks charging 2% digital transaction cost on retailers who then recover it from their customers,
- Small traders are not well-equipped to bear the costly and time-consuming police & court procedures on account of increasing cyber-crimes & also the partial view of banks ombudsman in favor of bank does not promise sympathetic hearing or justice,
- Dishonor of Cheque's rules and its implementation seems to be meant only for big account holders while small traders do not get justice due to long drawn legal work.

- While granting loans or charging interest rate factors such as high undue collateral pledge demands, higher ratio of capital to loan and interest rate etc. as compared to banking loans available to industry, is discouraging
- After settling of disputes for default (if any), and also in case of unnecessary disputed amount to be paid for the Credit cards, the banks do not upgrade/upload the NOC in the system to upgrade the CIBIL score of the clients.

Our recommendations to the above issues are changes which can be brought in the established reforms:

- Major portion of retail industry is still unorganized and hence is not able to grow at its natural potential. This can be rectified by placing retail industry on the same standards as that of other high capital industries & MSMEs. The first step in this process should be of providing retailers with special subsidies and creating mechanisms for easy access to loans through traditional banking methods. These loans will most importantly help small retailers in setting up new shops and outlets and establish them as organized businesses.
- To encourage plastic money / cash less society, Transaction Cost on credit card usage be prevented or withdrawn.
- Bank Account holders should be fully insured against cybercrime loss of bank balance & responsibility of the banks to be accountable and prompt. Wrongly debited amount should first be restored, subject to further investigation
- We recommend to treat traders at par with manufacturers as far as amount of sanction of loan & rate of interest are concerned and working capital loans be provided on the basis of the turnover of the company, without collateral securities. Banks should forward credit to the trading sector at lowest range say 1% more than the RBI Repo rate i.e., 5% to 6 %, which at present is 11% to 12 %. No trade can survive, sustain & grow at this rate of interest.
- Instructions should be made to all banks to make regular updating so that retailers are not refused any Credit by the banks both in the form of Credit Card & Banking Loans.

#### **5. Relaxation within GST system for retailers & traders.**

To initiate a lower GST for consumer durables & reducing compliance costs that will go a long way both for the industry and the consumers. In addition to that, the retail sector also anticipates the implementation of a National Retail Policy which will include facilitating modernization and digitization by promoting modern technology and fast infrastructural support.

Outline supportive policies, simplified regulations, skill development, and simple goods and services tax (GST) norms to aid in the development of the retail industry.

Small businessmen registered under GST should get special exemption in interest of bank loan so that the businessmen can increase their business and grow within the increasing competition from online sellers.

Through Single Point GST, complete tax should be collected from the end user on the products Maximum Retail Price (MRP) and Wholesaler, Retailer, Transporters and Job Workers should be kept out of it. Further specific recommendations are as follows:

- The Return date should be extended by day one if the due date is Sunday since there are 2 due dates in a month & it is very hard on Dealers.
- The cut-off date for ITC in GSTR-1 should be extended to 19<sup>th</sup> instead of 11<sup>th</sup> since there is no revenue loss to the department but it is very harmful to stop the ITC of purchasers on 11<sup>th</sup> though GSTR-3B Date is 20<sup>th</sup>
- The Dealers Should be given at least 90 days to clear mismatch.
- The Bank & market Interest rate is decreasing day by day so Interest rate in GST should be reduced to 12% from 18% is a very harsh and old rate.
- There are so many mistakes in initial 5 years of GST & these were not evasion of tax hence amnesty scheme should be there to make suitable corrections and avoid so many Notices.
- Restriction of set off IGST First completely from CGST even though Dealer has sufficient credit balance in SGST since it is creating imbalance in Credit ledger of the Dealer.
- Suspended registration should be automatically revoked after filing of all the return by the dealer and it is in the Law but GSTN has not started it yet.
- GSTR-10 the final returns Maximum late fees of Rs. 10000 should be reduced since in most of the cases this return is NIL but lot of dealers failed to filed.
- GSTR-9 should be made more useful since Final Assessment are made with the help of this Annual Return but it is not very useful for final assessment and Lot of notices have to be issued to make final assessment and it has made the Assessment procedure so much cumbersome. The annual return should have a column where dealer can file his explanation.
- There should be a further relaxation in section 16(4) to make the ITC available till filing of Annual Return It was a practice in VAT and if the same is given here then it will be a great relief to the dealers and it will be no loss to revenue but if it is restricted then it will be a double burden on the dealer.
- E-Invoice is visible on GEPP Portal only after 3 days post generation date After 3 days there is no facility to print/get a copy of E-Invoice from GEPP Portal. This technical restriction needs to be solved.
- Functionality of transfer of cash ledger balance from one distinct person to another distinct person i.e. GSTIN with same PAN has not yet started on GST Portal.
- SOP needs to be issued for GST Registration application.

## **6. Legal reforms to safeguard the trading community**

- a. Trade Friendly Laws & Regulation are required to safe guard the Distributive Trade Community
  - The need to standardize Distribution Agreements being entered in to between manufacturers and distributors by way of *Model Distribution Agreement*,
  - The Business Terms and the Margins given to Distributors by the companies should be at par with the Online Portals & Offline Big Industrial Houses Pan India,
  - Selling price at the Online & Offline should be made compulsorily same,
  - Every Manufacturer / Brand be asked to manufacture a different line of articles, with different specifications, with different article numbers for both online & offline mode,
  - The Manufacturers / Brands be directed not to keep their MRP'S inflated to give heavy discounts, since it misleads the consumer & he refrains from buying from the offline stores, seeking for same discounts,
  - Manufacturers are squeezing credit facility from the distributors, but forcing them to sell on credit to create a wider market, to increase their sales.
  
- b. Jurisdiction/ Distributors Grievances Cell / Arbitration Board:
  - The Jurisdiction should be only as per the address of the Invoice or the address of both buyer & seller,
  - To curtail the high handedness of the Manufacturers/Principals, a Distributors' Grievances Cell.
  - Central level arbitration Board be constituted for the cases & complaints faced by traders & retailers and to settle their issues
  - In the matter of cheque bouncing cases and payment defaults of any Traders, the Arbitration
  - Committee of the Apex Body be empowered to settle such disputes out of courts.

## **7. Priority Sector Banks for traders**

The current banking system, despite RBI's instructions to treat trade / small enterprises and business as priority sector fails to deliver. The failure of mainstream Banking sector to cater the needs of traders is due to the fact that these Banks do not understand the business cycle of traders and cyclic spikes in business. They do not want to take risk by lending to a majority of traders as the traders are not able to produce much required collaterals and guarantees.

Central government should device specialized financial institutions which are just for traders and understand the business cycle. If such kind of banks and financial institutions are introduced into our trading system, it will help traders to flow investment into their businesses and enterprises. In this context, the Non-Banking Finance Companies and Cooperative Banks may be associated with Central Government and should be asked to provide a viable scheme for advancing loans to small traders at a reasonable interest rate and without having much bureaucratic hurdles and paper work.

## **8. Promotion of E- System**

Trade policy should encourage the development of trade centric applications which helps not just streamlining the regulatory compliance but also help keeping business records in vernacular language with option to generate reports to meet audit and other government agencies. The policy should also device mechanism to create awareness about E-Governance among the trading community and assist them in adopting digital literacy in their respective business.

A single ID system should be introduced by the central government for retail traders, to simplify the licences and registration process all over the country.

A single-window system for licences, extensive skill development programmes, a proposed month-long Retail Shopping Festivals & promotion, Retail Bazaar - an e-commerce platform for businesses, initiatives should be taken up by Central Government.

The DPIIT has proposed to formulate a national retail policy to promote the growth of domestic trade. This policy aims to streamline the retail trade and promote ease of doing business in the retail trade sector. Its major objective is to identify and address existing infrastructural gaps affecting the retail trade industry and promote e-commerce all over the country. Leveraging retail trade for socio-economic development and accelerating investment flow to underdeveloped regions.

## **9. Support to traders to boost economy**

Government has also acknowledged the importance of Supply Chain providing Traders by including them in MSME status. This status will benefit traders when improved liquidity with the banks is guided to finance Trading Houses by auto increasing existing and new working finance sanctions so that economic cycle is duly oiled to promptly move. Finance in the hands of distributive channel and in supply chain will eliminate the fear of NPAs.

The Government policies are encouraging trading community to be more responsible and fully compliant for which provision should be made to avail collateral free finance, as announced, at 7.5% p.a. interest rate.

Many traders have requests that bank charges are waived for at least a year including minimum balance requirement, digital transaction charges, cheque book fee, cheque dishonor charge, RTGS & NEFT charges, loan processing charges etc. so that the traders can utilize this money within the business.

## **10. Human Resource Development, Skill Development & Income Generation**

Special emphasis needs to be given to the development of human resources and skill development for the Retail industry by making it mandatory for retail establishments to employ certified Personnel / Staff. The required staff for the different retail sectors should be skilled as per National Skill Qualification Framework aligned modules formulated or approved by the appropriate authorities for the concerned retail segments.

Central & State run agencies can collaborate with retailer's associations as well as the local retail industry to understand their resource requirements so that appropriate manpower is created for the retail industry by setting up Skill Development Programme for the Tribal & Rural Youth and Centre of Excellence. This can aid in generating 300- 400 skill workers and create employment for more than 5000 employees.

#### **11. Other Recommendations**

- A special focus on the retail sector is important for the long-term revival of the economy.
- Following the 'Vasudhaiva Kutumbakam' principle under India's G20 presidency, the retail industry is poised to shift from 'Make in India', to 'Make for World'.
- Tax benefits and relief to individual taxpayers to increase the monthly disposable income and support consumption.
- The F&B retail sector needs to be considered a priority and an essential service. Various subsidies and benefits should be given on land rates and other necessities such as electricity.
- Expedition of the National Retail Policy to enable ease of doing business.
- Enablement of MSME retailers.
- Extension all the MSME benefits to retail traders as well.
- Promotion of Digital transactions by giving waiver of MDR/subsidized MDR on use of the debit card.
- Provision of 150 percent depreciation on new investment in capital goods and permitting depreciation charges over an accelerated time frame.
- Reintroduction of "EPCG for Retail Sector", to create modern infrastructure in the retail sector. Concessional duty benefits under the EPCG scheme to be extended for import or capital goods required by retailers.

We recommend to implement new schemes & instrument to aid in high end skilling for the retail & trade sector through which they can employ individuals within their business which will help to increase employability within the nation,

To ensure a constant growth in this sector an expert committee of all participants of the sector should be established on National, State as well as local level so that a healthy chain of communication & feedback is developed which can not only help to grow but also to increase the gambit of registered business in this sector

We trust that this matter will receive your due and urgent consideration, and you will find it appropriate to direct the relevant authorities to cease actions that are detrimental to the growth of our MSMEs and the National Economy.

Yours Sincerely,



Dr. Aruna Sharma,  
Secretary General