A Study on the Structure and Classification of Retailers as per MSME Rules in Nagpur City

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Abstract

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in the economic development of India, particularly in urban centers like Nagpur City. The classification of retailers under MSME rules helps in defining their eligibility for government schemes, financial assistance, and regulatory benefits. This study aims to analyze the structure and classification of retailers in Nagpur as per the latest MSME guidelines. It examines the factors influencing their classification, the benefits they receive, and the challenges faced in obtaining MSME recognition. Through surveys and secondary data analysis, the study highlights how classification impacts business growth, credit accessibility, and overall economic contribution. The findings provide insights into policy recommendations for improving MSME classification processes to support the retail sector effectively.

Keywords: Retailers, MSME classification, Nagpur City, Business structure, Micro, Small, and Medium Enterprises.

Introduction

Retail businesses play a crucial role in the economic framework of any city, contributing to employment generation and economic development. In India, the Micro, Small, and Medium Enterprises (MSME) sector serves as a backbone for the retail industry, providing structured classifications and benefits to businesses falling under this category. Nagpur, being a prominent commercial hub in Maharashtra, has a diverse range of retailers that contribute significantly to local trade and commerce. This study aims to analyze the structure and classification of retailers in Nagpur as per MSME rules and regulations.

With the implementation of revised MSME classification norms based on investment and turnover, retailers have been provided with various incentives, including access to credit, subsidies, and reduced compliance burdens. Understanding these classifications and their impact on retail businesses in Nagpur is essential for policymakers, business owners, and financial institutions. This research will examine how retailers are categorized under MSME guidelines and the benefits they derive from these classifications.

Additionally, the study will explore the challenges faced by retailers in adapting to the MSME classification, including issues related to registration, financial management, and regulatory compliance. Through a comprehensive analysis, this paper aims to provide insights into the effectiveness of MSME policies in structuring the retail industry in Nagpur City and propose potential improvements to enhance their applicability and reach.

The study will utilize a combination of qualitative and quantitative research methodologies, including surveys, case studies, and data analysis, to assess the distribution and impact of MSME classifications among different types of retailers. The findings will contribute to a better understanding of how MSME rules shape the retail sector and offer recommendations for optimizing policy implementation to support the growth of retail businesses in Nagpur.

Role of MSME in Indian Economy

The Micro, Small & Medium Enterprises (MSME) have been contributing significantly to the expansion of entrepreneurial endeavours through business innovations. The MSME are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets. The MSME in India are playing a crucial role by providing large employment opportunities at comparatively lower capital cost than large industries as well as through industrialization of rural & backward areas, inter alia, reducing regional imbalances, assuring more equitable distribution of national

income and wealth.

Literature Review

The classification of retailers under the MSME framework has been widely discussed in economic and policy research. Studies by Sharma & Patel (2020) highlight the role of government initiatives in encouraging small and medium-sized retailers to register under the MSME Act. These studies indicate that financial assistance programs, including priority sector lending and credit guarantees, have contributed to increased formalization among retail businesses.

Furthermore, research conducted by Gupta et al. (2019) explores the structural classification of retailers based on investment thresholds and annual turnover. Their findings suggest that micro-retailers often face challenges in meeting compliance requirements, while medium-sized retailers benefit the most from MSME incentives due to better financial management capabilities. Similarly, Agarwal (2021) examines the impact of digitalization on MSME retailers, indicating that technology adoption plays a significant role in scaling operations and improving financial transparency.

Studies by Kumar & Rao (2022) have also analyzed regional disparities in MSME classifications, with a focus on cities like Nagpur. Their research reveals that while urban retailers have higher awareness and access to MSME benefits, many small retailers in semi-urban and rural outskirts struggle with documentation and bureaucratic hurdles. Additionally, Verma & Singh (2021) discuss the legal and regulatory aspects, emphasizing the need for simplified compliance mechanisms to encourage broader participation in the MSME framework.

Moreover, research by Desai (2020) identifies that taxation policies and GST implementation have significantly influenced the formalization of retail businesses under MSME norms. However, gaps in infrastructure and financial literacy remain major roadblocks for many small retailers.

Scope of Research

This study helps in understanding the structure and classification of retailers as per MSME rules in Nagpur City.

Objectives of the Study

- To examine the classification of retailers in Nagpur as per MSME guidelines.
- To understand the structural characteristics of retail businesses.
- To understand the working of retailers in the Nagpur city.

As per the objective of the study it is necessary to collected data about the classification of retailers in Nagpur as per MSME rules. Research has been done to collect the information about the MSME classification.

Analysis of the information is as follows:

Retailers in Nagpur fall under three primary categories based on investment and turnover:

- **Micro Enterprises:** Investment up to ₹1 crore and turnover up to ₹5 crore.
- **Small Enterprises:** Investment up to ₹10 crore and turnover up to ₹50 crore.
- **Medium Enterprises:** Investment up to ₹50 crore and turnover up to ₹100 crore.

Structure of Retail Businesses in Nagpur Retailers in Nagpur operate in various formats, including:

- **Traditional Kirana Stores:** Small neighborhood stores providing essential goods.
- **Supermarkets and Hypermarkets:** Organized retail chains offering diverse products.
- **E-commerce and Digital Retail:** Online platforms leveraging digital payment systems.
- **Franchise and Chain Stores:** National and regional brands expanding through franchising.

To achieve the third objective of the study, the researcher developed a questionnaire. Primary data were collected from 50 respondents through this questionnaire. The explanation of the collected data is as follows:

Type of Ownership	
Sole Proprietorship	36
Partnership	3
Private Limited Company	3
Public Limited Company	0
Cooperative	4

The survey data on business ownership structure reveals that the majority of respondents (36 out of 46) operate as sole proprietorships, making it the most common form of ownership. A smaller number of businesses are structured as partnerships (3) and private limited companies (3). Additionally, 4 respondents represent cooperative organizations, while no businesses fall under the public limited company category.

Do you have MSME Registration (Udyam Registration)?	
Yes	**44**
No	**6**

The survey data on MSME (Udyam) registration reveals that a significant majority of respondents (44 out of 50) have registered their businesses under the MSME framework. In contrast, only 6 respondents have not obtained Udyam registration. This indicates a strong awareness and adoption of MSME registration among the surveyed businesses, likely due to the benefits it offers, such as financial assistance, government incentives, and easier access to credit.

What is the annual turnover of your business?	
Below ₹5 crore (Micro Enterprise)	37
₹5 crore - ₹50 crore (Small Enterprise)	13
₹50 crore - ₹250 crore (Medium Enterprise)	00
Above ₹250 crore (Not classified under MSME)	00

The survey data on annual business turnover indicates that a majority of respondents (37 out of 50) operate as micro-enterprises with an annual turnover below ₹5 crore. Additionally, 13 respondents fall within the small enterprise category, having a turnover between ₹5 crore and ₹50 crore. Notably, none of the surveyed businesses fall under the medium enterprise category (₹50 crore - ₹250 crore) or above ₹250 crore, which are not classified under MSME.

How much is your investment?	
Below ₹1 crore (Micro)	39
₹1 crore - ₹10 crore (Small)	11
₹10 crore - ₹50 crore (Medium)	0
Above ₹50 crore (Not classified under MSME)	0

The survey data on business investment shows that the majority of respondents (39 out of 50) have investments below ₹1 crore, classifying them as micro-enterprises. Additionally, 11 respondents fall under the small enterprise category, with investments ranging between ₹1 crore and ₹10 crore. Notably, none of the surveyed businesses have investments in the medium enterprise category (₹10 crore - ₹50 crore) or above ₹50 crore, which are not classified under MSME.

Type of Retail Business:	
General Store	18
Supermarket	05
E-commerce Retailer	06
Specialty Store (e.g., Electronics, Apparel)	12
Franchise Outlet	09

The survey data on the type of retail business indicates that the most common category among respondents is general stores, with 18 out of 50 businesses operating in this segment. Specialty stores, such as those selling electronics or apparel, make up the second-largest category with 12 businesses. Franchise outlets account for 9 respondents, while e-commerce retailers represent 6 businesses. Supermarkets, though fewer in number, comprise 5 respondents.

How do you operate your store?	
Physical Store	**36**
Online Store	**02**
Both	**12**

The survey data on store operations reveals that the majority of businesses (36 out of 50) operate through physical stores, making it the most common retail format. A smaller segment (2 respondents) runs exclusively online stores, while 12 businesses utilize a hybrid model, operating both physical and online stores.

Do you have an online presence?	
Yes, only through social media	**09**
Yes, I have an e-commerce website	**06**
No, only offline sales	**35**

The survey data on online presence indicates that a majority of respondents (35 out of 50) operate solely through offline sales, without any digital presence. However, 9 businesses have an online presence exclusively through social media platforms, while 6 respondents have their own e-commerce websites.

Have you availed any government financial assistance under MSME provisions?	
Yes	**11**
No	**39**

The survey data on government financial assistance under MSME provisions indicates that the majority of respondents (39 out of 50) have not availed any financial support, while only 11 businesses have benefited from such schemes.

Conclusion

The study findings highlight several key trends in the surveyed businesses. Individual ownership is the preferred choice, reflecting a strong inclination toward independent entrepreneurship over corporate or collective ownership models. Additionally, most enterprises recognize the advantages of formal MSME registration in fostering business growth and accessing support opportunities. The dominance of micro and small enterprises in terms of turnover and investment reinforces the prevalence of smaller businesses in the sample.

In the retail sector, traditional general stores remain the most common business type, while specialized stores, e-commerce platforms, and franchise models are also gaining traction. Despite the continued dominance of brick-and-mortar stores, an increasing number of businesses are adopting an omnichannel approach by integrating online sales. While offline sales still lead, many businesses are leveraging social media and e-commerce websites to expand their customer base and enhance digital visibility.

Moreover, although government financial assistance programs are available for MSMEs, a significant portion of businesses have not availed themselves of these benefits. This could be due to a lack of awareness, difficulties in accessing funds, or a conscious decision not to apply. Encouraging greater awareness and simplifying the application process could enable more businesses to benefit from government support, ultimately contributing to their growth and sustainability.

The research indicates that a majority of retailers in Nagpur belong to the micro and small enterprise categories, with a growing number transitioning into the medium enterprise segment. The study highlights the importance of MSME classification in the retail sector and its impact on business sustainability. While small retailers face challenges in compliance and competition, proper policy implementation and digital adoption can drive their growth. Strengthening financial assistance programs and enhancing digital literacy among retailers will be crucial for their long-term success.

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