

UDYAM REGISTRATION AND THE ROLE OF MSMEs IN BIHAR'S INDUSTRIALISATION (2020–2022): AN ANALYSIS BASED ON STATE-LEVEL OFFICIAL DATA

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Abstract

This study explores the structure and scale of Micro, Small, and Medium Enterprises (MSMEs) in Bihar in the time of initial phase of Udyam Registration, covering the period from July 2020 to March 2022. We used official secondary data [5] from the MSME ministry, the paper discussed the distribution of enterprises by size category, investment level, turnover range, and employment generation. The findings of this paper says that over 97% of registered units are micro-enterprises, with more than 99% operating below ₹50 lakh in investment and 93.8% reporting turnover under ₹1 crore. Employment data also shows there is a strong concentration of the micro segment, suggesting limited scale and formal expansion of industry. Udyam Registration has increased visibility and formalisation, the data discussed here indicates that deeper institutional support is needed so that it converts registration gains into real industrial growth. This study discussed that it contributes to the broader understanding of digital education and role in decentralised industrial development, with specific policy which is relevant for low-industrialised states like Bihar.

Keywords: MSMEs, Udyam Registration, Bihar, Investment, Turnover, Employment, Industrialisation, Digital Formalisation

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) are a important component of India's economic scene, particularly for states like Bihar that is very much under persistent industrial underdevelopment. In July 2020, the Government of India launched the Udyam Registration Portal—a digital platform. Its aim was to simplify MSME registration and also to improve access to formal credit, schemes, and procurement. In Bihar over 3.11 lakh registrations occurred under this system by March 2022, it reflected a large increase in formalisation. However, that beyond the increase in registered numbers, it was not clear that whether these enterprises have scaled in terms of turnover, investment or employment contribution. National-level studies which existed before often overlook state-specific structural realities,

especially in the backward regions. This paper tried to address that gap by analysing Udyam-registered MSMEs of Bihar to understand their distribution of enterprise category, financial scale, and employment capacity, that helped in evaluating whether digital formalisation has translated into meaningful industrial growth.

2. Objectives of the Study

This study looks at the structure of MSMEs in Bihar. These are the units registered under the Udyam portal. The time covered is from July 2020 to March 2022. The aim is to understand their role in Bihar's industrial growth. That includes both their size and their financial capacity.

1. The first objective is to study how these enterprises are spread across categories. That means checking the share of Micro, Small, and Medium enterprises under Udyam in Bihar.
2. The second objective is to look at their financial details. That is based on investment and turnover. These figures tell us about their scale of operations.
3. The third objective is to find out how much employment these MSMEs create. That is studied separately for Micro, Small, and Medium units.

3. Review of Literature

The MSME sector is important for India's economy. That is because it adds nearly 30% to GDP. It also covers almost half of the country's exports. This was shared in the MSME Annual Report 2021–22 [1]. But many MSMEs in states like Bihar still work in an informal way. That stops them from getting full support from formal systems.

To solve this, the government started the Udyam Registration Portal in 2020. That portal made registration easier and more open. The Ministry also gave a circular [2]. That circular explained how data from IT and GSTN would be used. This data helps in classifying enterprises. That makes the process clearer and more automatic.

Some private sources also added useful points. One article by Hero Housing Finance (2020) [3] explained the new MSME definition. That definition uses two limits—investment and turnover. This change makes more enterprises eligible. Another source, IndiaFilings (2020) [4], gave the full registration steps. That made it clear that the Udyam process is easy and fully online.

Then came the Udyam Registration Publication (2020–22) [5]. That gave the first official data on registered MSMEs across India. In Bihar, it showed that 97.8% of these units were micro-enterprises. That means high registration but low scale.

The Udyam Bulletin – Volume V [6] gave regular updates. That showed how registrations changed by state and sector. It also pointed out that digital formalisation has started. But small firms in Bihar still face big challenges.

These sources together give a clear picture. Udyam Registration has helped in formalising MSMEs. But problems like low investment and poor growth still remain. This study looks at Bihar's MSMEs using Udyam data. That helps in checking how deep the digital formalisation really is.

4. Research Gap

Many national-level studies have looked at the Udyam Registration system, which was made to formalise the MSME sector. But most of these do not focus on state-level issues in backward regions like Bihar. That creates a gap in understanding. Bihar has a large number of MSME registrations, but very few studies break down the data by enterprise size, investment, or employment under the Udyam system. There is also little proof on whether this registration has led to real economic inclusion or if it has just remained a formality. This study looks at that missing part. It focuses only on Bihar's MSMEs after 2020. That data is studied with a development view, which helps to understand the real impact and gives ideas for better policy planning.

5. Research Questions

Based on the study's objectives and secondary data, the following research questions are asked:

1. What is the category-wise distribution of Udyam-registered MSMEs in Bihar?
That includes Micro, Small, and Medium enterprises. The time period covered is from July 2020 to March 2022.
2. How are these MSMEs placed in different investment and turnover categories?
What does that say about their financial strength or business size?
3. What is the employment generation capacity of these MSMEs in Bihar?
How does that change based on enterprise size—Micro, Small, or Medium?

These questions are used to explore the structure of MSMEs in Bihar. That also helps to understand how formalisation through Udyam links with real economic growth.

6. Hypotheses

These hypotheses are made to answer the research questions. That is based on the trends seen in Bihar's Udyam Registration data.

- **H1:** Most Udyam-registered enterprises in Bihar fall under the Micro category. That number is more than 95%. This shows that very few units have grown into Small or Medium levels.
- **H2:** A large part of MSMEs in Bihar work with low financial strength. That means their investment stays below ₹50 lakh. Their turnover is also mostly under ₹1 crore. This shows they have less capital and smaller market access.
- **H3:** Most of the jobs created by MSMEs come from Micro enterprises. Small and Medium ones give only a small share. That shows Micro units lead in employment, while the others play a minor role.

7. Data Source and Methodology

This study is fully based on secondary data. That data comes from the Udyam Registration Publication (2020–22). It was released by the Ministry of MSME, Government of India [5]. The dataset includes details for Bihar. That includes the number of MSMEs registered from July 2020 to March 2022. These are divided by enterprise size, investment level, turnover, and employment.

The research uses a descriptive method. Tables from the report were used. That includes data from pages 26 and 33 to 35 [5]. These tables helped in finding trends related to Bihar's registrations.

The data was handled using Microsoft Excel and R software. These tools helped in organising the data. That also included calculating percentages and making visuals. Pie charts and bar graphs were used. This study did not use any primary data. No field survey was done.

8. Data Presentation and Interpretation

This section shows MSME data for Bihar. That data is taken from the Udyam Registration Publication (2020–22). Four structured tables are used. Each table is matched with a visual figure. The analysis covers key points. That includes how enterprises are divided by category. It also looks at their investment levels. Turnover ranges are included too. Employment generation is also studied.

Table 1: Category-wise Distribution of MSMEs in Bihar (2020–22)

Source: Udyam Registration Publication[5], Page 26

Enterprise Category	Number of Units	Share (%)
Micro	3,04,717	97.8%
Small	6,477	2.08%
Medium	437	0.14%
Total	3,11,631	100%

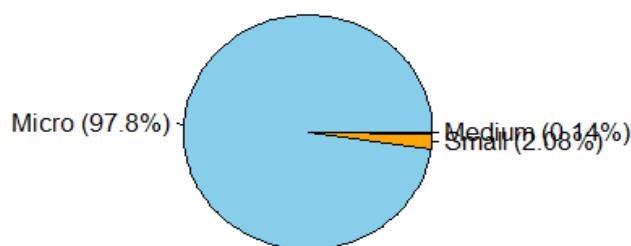
Figure 1: MSME Composition by Category (Bihar)

Figure 1: MSME Composition by Category (Bihar)
(Pie Chart showing Micro, Small, Medium proportions)

Interpretation of Table 1 and Figure 1:

These show the structure of Bihar's MSME sector. The data confirms that Micro enterprises dominate. That is 97.8% of all registered units. Small and Medium enterprises are very few. Their share is less than 2.25%. This shows a strong imbalance in the system. That means most units stay at the micro level. There is very little scaling. This finding supports Hypothesis H1. That hypothesis talks about the lack of shift towards bigger and growth-focused MSMEs.

Table 2: Investment-wise Distribution of MSMEs in Bihar

Source: Udyam Registration Publication[5], Page 33

Investment Range	Number of Units
≤ ₹50 lakh	3,09,238
₹50 lakh – ₹1 crore	1,374
₹1 crore – ₹5 crore	850
> ₹5 crore	169

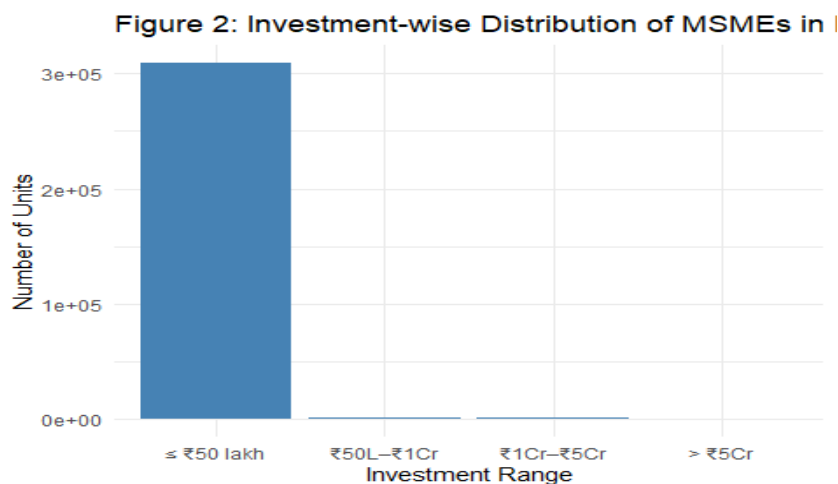


Figure 2: Investment-wise Distribution of MSMEs
(Bar Chart comparing number of enterprises across investment categories)

Table 2 and Figure 2:

Table 2 shows one clear fact. That is that more than 99.2% of MSMEs in Bihar are in the lowest investment group. That group means investment of ₹50 lakh or less. Figure 2 gives a visual of this. The bars for higher investment levels are almost not visible. This supports Hypothesis H2. That hypothesis says there are strong capital limits. It also shows that access to formal finance is still very limited for most MSMEs in Bihar.

Table 3: Turnover-wise Distribution of MSMEs in Bihar

Source: Udyam Registration Publication[5], Page 34

Turnover Range	Number of Units
≤ ₹1 crore	2,92,398
₹1 crore – ₹5 crore	13,283
₹5 crore – ₹10 crore	3,679
> ₹10 crore	348

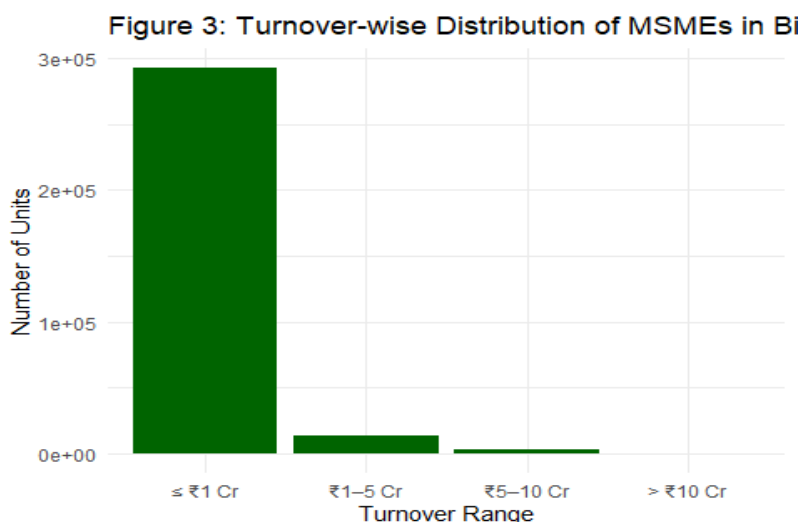


Figure 3: Turnover-wise Distribution of MSMEs
(Bar Chart showing number of units across turnover brackets)

Interpretation of Table 3 and Figure 3 :

These show the turnover levels of MSMEs in Bihar. Table 3 says that 93.8% of the units have turnover below ₹1 crore. That means most of them run on a very small scale. Figure 3 shows this clearly. The bars after ₹5 crore are almost flat. That tells us their market reach and production size are very limited. These results support Hypothesis H2 again. That hypothesis talks about weak finances. Here, it is not just about investment, but also low revenue.

Table 4: Employment by MSMEs in Bihar

Source: Udyam Registration Publication[5], Page 35

Enterprise Type	Persons Employed
Micro	20,36,205
Small	1,05,089
Medium	35,594
Total	21,76,888

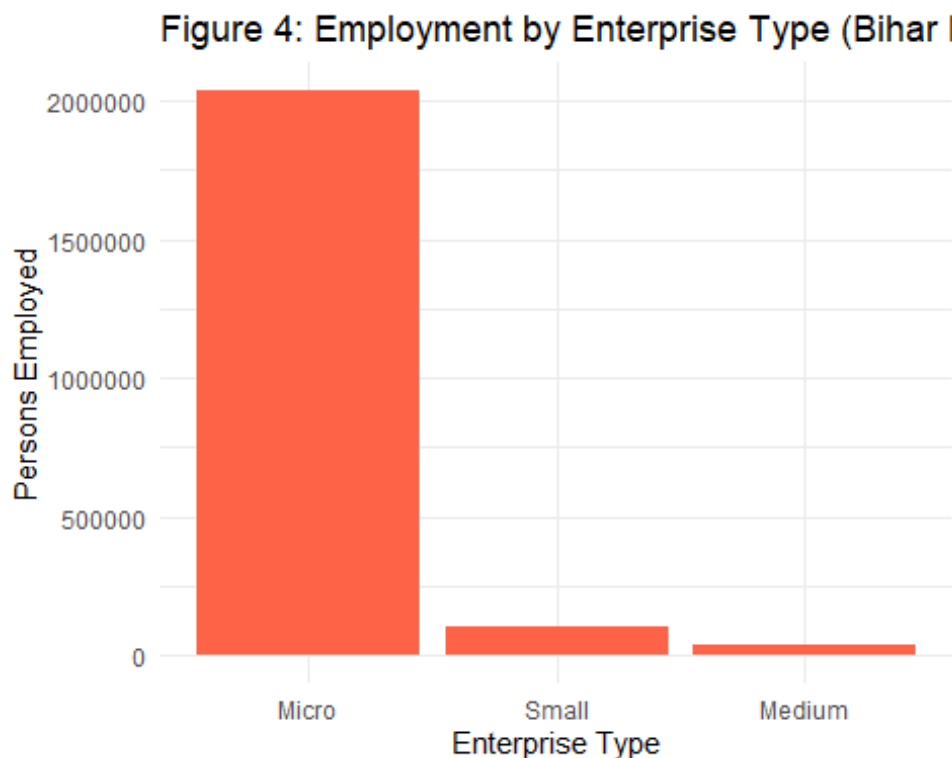


Figure 4: Employment by Enterprise Type (Bihar MSMEs)
(Bar Chart showing employment figures by enterprise size)

Interpretation of Table 4 and Figure 4:

Table 4 shows that Micro enterprises give jobs to more than 20 lakh people in Bihar. That is 93.5% of all MSME employment. This means most jobs come from very small units. Figure 4 shows the same thing. The bars for Micro units are much taller. That makes their role very clear. Small and Medium categories have very short bars. This supports Hypothesis H3. That hypothesis says Bihar depends more on small, labour-heavy units for jobs. These are not high-output or large-scale industries.

Summary of Hypotheses Supported from Tables and Figures

- H1 is supported by Table 1. It is also supported by Figure 1. That data shows Micro enterprises are the largest in number. This confirms Micro-level dominance in Bihar's MSME sector.
- H2 is supported by Table 2 and Table 3. It is also backed by Figure 2 and Figure 3. That information shows most enterprises have low investment. These also show that turnover is mostly under ₹1 crore. This confirms weak financial strength.
- H3 is supported by Table 4 and Figure 4. That data shows that most employment is given by Micro units. This confirms that Bihar depends more on small, labour-based enterprises.

Interpretation Summary of Hypotheses

The analysis is based on the tables and figures given above. That analysis gives strong support to all three hypotheses of the study. Hypothesis H1 is supported by the data. That data shows that 97.8% of Udyam-registered enterprises in Bihar are Micro units. This points to a structure where very small-scale businesses dominate. Hypothesis H2 is also confirmed. That is because more than 99.2% of the units have investment of ₹50 lakh or less. Also, 93.8% have turnover below ₹1 crore. These numbers show limited financial strength and low growth capacity. Hypothesis H3 is supported by the employment figures. That data says 93.5% of MSME jobs in Bihar are provided by Micro enterprises. This shows their strong role in giving work. But it also shows that jobs from larger or more productive units are missing. All of this shows one main pattern. Bihar's MSME sector is growing in count. That makes it more visible. But it still faces deep problems. These include small size, low capital, and weak formal employment.

9. Findings

The analysis looks at MSMEs in Bihar. That is based on Udyam registration data from July 2020 to March 2022. The sector is large in numbers. But it has clear structural limits. The data shows that 97.8% of the enterprises are in the Micro category. That confirms Hypothesis H1. This also means that very few units have grown into small or medium scale. Hypothesis H2 is supported as well. More than 99% of the units have investment below ₹50 lakh. Also, 93.8% show turnover under ₹1 crore. That shows small financial size and narrow market reach. Hypothesis H3 is also supported. Micro enterprises are giving 93.5% of all MSME jobs in Bihar. This proves their strong role in creating livelihoods. But it also shows that they are not adding much to formal or high-efficiency industrial employment. These findings show a sector that is growing in count but still small in size, funding, and impact.

10. Discussion / Policy Implications

The findings show that Udyam Registration has helped in making MSMEs more visible in Bihar. That means more units are now officially registered. But most of these are still Micro enterprises. These have low levels of investment. Their turnover is also small. Job creation is modest. This shows one thing clearly. Just registering a business is not enough. That step alone has not brought industrial growth or large-scale economic change. To solve this, policy needs to do more. That includes steps taken after registration. These can be giving easier credit, building local business clusters, and training business owners with better skills. Market linkages also need to be improved. There should be special focus on Micro enterprises. That support should help them grow into small or medium size. For this, proper finance, strong infrastructure, and the use of technology are needed. Strengthening these areas is important. That will help MSMEs in Bihar grow from basic survival mode to strong and long-term engines of industrial growth.

11. Limitations of the Study

This study uses only secondary data. That data comes from the Udyam Registration Publication (2020–22). It does not include MSMEs that are not registered. That means informal units working outside the digital system are not covered. The dataset has some gaps.

That includes no information on credit access. It also lacks data on profitability or outcomes after registration. There is no detailed breakup by gender. Social category data is also missing. This makes it hard to study inclusion. The study is limited to Bihar. That means the findings do not apply to other states. The time covered is just two years. That is the period right after Udyam started. These years may only show short-term trends. These trends could be shaped by special policy steps during the COVID-19 recovery time.

12. Conclusion

This study looks at the MSME sector in Bihar. That focus is during the early years of Udyam Registration. The findings show that Micro enterprises make up most of the sector. These units have low investment. Their turnover is also small. Employment contribution is modest. The digital registration system has improved visibility. That means more enterprises are now seen in formal records. But the data shows one important thing. Most units are still small in size. They are not linked well to formal finance or industry systems. This confirms that registration is helpful. But it is not enough for full structural change. To help Bihar's MSMEs grow, new steps are needed. That includes making it easier to scale up. Financial access must improve. Value-chain support is also important. These actions will help MSMEs move beyond survival. That is how they can play a strong role in Bihar's industrial progress.

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