

Bihar ranks third in MSME registration under Udyog Aadhaar

Data on MSME registration shows that small enterprises, especially from industrially less advanced states, are willing to come under the formal economy if the registration process is simple and cost-effective. Bihar ranks third among 37 states and union territories in terms of the number of MSMEs registered under the simplified 'Udyog Aadhaar Memorandum' which was introduced on 18th September 2015. Between October 2015 and December 2019, 8.3 million MSMEs across India registered under this process, of which the largest number of registration came from Maharashtra (1.5 million), followed by Tamil Nadu (0.9 million) and Bihar (0.68 million). Other states that witnessed high number of registration are Madhya Pradesh, Uttar Pradesh and Rajasthan, besides industrially advanced states such as Gujarat.

Government of India introduced Udyog Aadhaar Memorandum to enable MSMEs register themselves through self-certification without any documentation by filling a single page online registration form which is mobile friendly. There is also no fee for registration under this system. This has resulted in substantial reduction in transaction cost involved in registration of the MSMEs, Government of India said in its quarterly publication on Registration of MSMEs in India, which was released in December 2019.

It may be noted that this data does not include MSMEs that have registered before October 2015 under the erst-while Entrepreneurs Memorandum (EM Part-I & II) process. Udyog Aadhaar Memorandum is a far simplified process because under the earlier mechanism, an enterprise had to file Entrepreneurs Memorandum (EM Part-I & II) at the District Industries Centre (DIC). The registration process of DICs used to be different from state to state. It was alleged that many MSMEs faced delay in receiving acknowledgment for EM II because of differing rules and procedures from state to state. Although the central government took initiative to make the filing of Entrepreneurs Memorandum online in 2014, not all states adopted this online mechanism for registration.

Therefore, the central government introduced the simplified registration mechanism - 'Udyog Aadhaar Memorandum', which is common across all states, in September 2015. The new registration mechanism received sound response from MSMEs, especially from states such as Bihar, Madhya Pradesh and Rajasthan which shows that many enterprises want to register themselves and become part of the formal economy. However, cumbersome registration process discourage them from becoming a part of the formal economy.



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