

Exploring The Post-COVID Reality Of Msmes In Mizoram: A Comparative Study Of UDYAM-Registered Enterprises In Mizoram

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Abstract

India has acknowledged the importance of MSMEs, especially considering the recent impacts from the COVID-19 pandemic. MSMEs in India contributed significantly towards our economy. In the fiscal year 2019-20, MSMEs contributed 30.5% to India's Gross Domestic Product (GDP) through their Gross Value Added (GVA). However, this percentage marginally decreased to 27.2% in the fiscal year 2020-21 mainly due to COVID-19 pandemic. This decline underlines not only the economic vulnerability of MSMEs in times of crisis but also their significant role as drivers of both national and state-level economies. The current research centers on a randomly chosen sample of UDYAM-registered MSMEs in Mizoram. It aims to explore potential significant differences between the data declared during UDYAM registration and the actual circumstances of these businesses in the aftermath of the COVID-19 pandemic.

Keyword: MSME, COVID-19, Mizoram

Introduction

The medium enterprises have been defined for the first time under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, which has come into force from 2nd October, 2006. The MSME Development Act of 2006 introduced a number of new policies, such as a simplified registration process for new MSMEs. This now involves completing a memorandum instead of the earlier, more time-consuming process.

These (MSME) sectors are one of the largest contributors to the economy of Mizoram, leading to the socio-economic development and employment rate in the state (Laha, A. 2014). UDYAM[®] stands for Udam Registration, it is introduced by the government of India in 2020, replaced the erstwhile process of MSME registration and aimed to streamline the classification and recognition of enterprises based on their investment in plant and machinery or equipment, wholesale, retail trade and turnover. (Kakaria, A. R., & Zalkikar, M. 2020).

This initiative not only simplified the registration process but also extended a host of benefits to registered MSMEs, including easier access to credit, subsidies, and various government schemes (Kadaba, D. M. K., Aithal, P. S., & KRS, S. 2023). As a result, Udyam registration holds immense potential to catalyse entrepreneurial activity, enhance competitiveness, and contribute to India's socio-economic development. (Raina, P., & Kumar, R.)

While the Udyam Registration scheme has garnered considerable attention since its inception, there remains a dearth of comprehensive research examining its impact, challenges, and implications for the MSME sector and the broader economy. Therefore, this research endeavours to fill this gap by providing a systematic analysis of the dynamic and authenticity of the information provided with the registration.

Further research is held to understand the situation and seek to contribute to the existing body of knowledge on MSME development and policy by shedding light on the intricacies of Udyam Registration. By providing evidence-based insight, it aims to facilitate informed decision-making and contribution to the creation of an enabling environment for entrepreneurship and inclusive economic growth in Mizoram.

Literature review

To promote innovation, development and improvement of key products, processes or services, Government of India has offered over 100 benefits to start-ups by launching special Startup India initiative. As a result, India is currently third largest ecosystem in the world after USA and China (Kakaria, A. R., & Zalkikar, M. 2020). For growth and development, Government of India has offered a free one-time registration facility to MSMEs through its Udyam portal and various incentives are available to registered entities.

With the occurrence of covid -19 from the end of 2019, the uncertainty surrounding the duration of this crisis and its long-term impacts on businesses and entrepreneurs remains significant. New startups and small to medium sized



enterprises (SMEs) face particularly daunting challenges, with the full extent of the consequences still unclear (Brown and Rocha, 2020).

In the realm of entrepreneurship, there has been a notable surge in studies examining crises over the past decade (Williams and Vorley, 2015; Doern, 2016). Entrepreneurs contend with a myriad of circumstances that constantly jeopardize their survival, often leading to heightened levels of stress and potential psychological ramifications like burnout (De Mol et al., 2016) while various definitions exist, a crisis organizational response (Doern et al., 2019).

All aspects of the pandemic led to the decline, especially the economic aspect. Hidayat, (2020); de Vries, Erumban and van Ark, (2021); Minh, (2022); Triwahyuni, (2022) stated that the impact of the Covid pandemic phenomenon resulted in economic sluggishness in various sectors. The sectors affected include the MSME sector. Many business actors experienced a decrease in buyers which resulted in a decrease in sales turnover. This is due to restrictions imposed by the government on people to stay at home (Kaushik, 2020; Syawfi, 2020).

As the study conducted by Castro, M. P., & Zermeño, M. G. G. (2020) stated, the impact of the COVID-19 pandemic was severely felt across all sectors of the global economy. This effect was all the more significant across the unsecured informal sector, leading to an estimated decline of 60% in earnings for this sector (ILO, 2021). However, amidst the challenges, the pandemic spurred innovation and promoted entrepreneurs to embrace essential structural changes and adaptations.

The Indian Government understood the intensity of the current situation and decided to take appropriate relief measures in May 2020. Government of India announces 20 lakh crore economic packages on 12.05.2020. It is around 10% of country GDP which will help India to become Self Reliant and boost Make in India initiative. It's time to "Be Vocal for the Local". (Prasad, R., & Mondal, A. 2020).

Over the past five years, the MSME sector has constituted approximately 99.7% of the nation's registered businesses, providing livelihoods for around 78.3% of the workforce (PULKA, B. M., &Gawuna, M. S. 2022). According to research, around 30% of the total sales and value added in the manufacturing come from MSMEs as well. (Gunawan, A., &Hudiono, R. K. 2023).

According to the research of (Guha, P., & Adak, K. 2014). In the North East region, a higher proportion of women engage in income-generating activities compare to other parts of the country. Approximately 82.2 percent of weavers in the North East are noted to be full time women weavers. According to NER Basic statistics from 2002, female representation in enterprises and the workforce in the North East region stood at 1.45 percent, with Mizoram contributing 5.1 percent of this figure. In Mizoram itself, female participation in enterprises and the workforce accounted for 3.03 percent of the total population according to the same statistics. Markets like Kaleduh (Bara Bazar) in Shillong and Khairamband market in Imphal are predominantly manage by women (Sinha, 2001). A significant portion of entrepreneurship in Mizoram is led by women, particularly concentrated in Aizawl.

Statistic evidence

According to data gathered from UDYAM registration till March 2023, there are 21047 enterprises registered across various districts of Mizoram(DCMEME 2023). This information is collected through the UDYAM registration portal, where entrepreneurs submit forms. Among these enterprises, there are 93595 employments registered, primarily in the manufacturing and service sectors.

The 73rd National Sample Survey record that there are 34932 enterprises, which mean, up to 38.8% of the enterprises is formalize under UDYAM (Ministry of statistic and programme implementation, NSS 73rd round 2015-2016).It is also noted that, Mizoram leads in Women's participation, with 5875 (43%) enterprises under UDYAM being owned by women.

Table: 1

Mizoram Vs Rest of India				
Sl. no	Particulars	Rank	NE Rank	Ranking Method
1	UDYAM registration	21/36	3/8	Population/UDYAM
2	PMEGP (State)	2/34	1/8	No of projects/Total UDYAM
3	CGTMSE	9/36	4/8	No of claim/Total UDYAM
4	SFURTI	20/30	8/8	No of projects/Total UDYAM
5	Women Participation	1/36	1/8	No of women/Total UDYAM

Data gathered over the past year, following the onset of the covid-19 pandemic suggests a notable shift within various industries. The service sector, in particular, has been significantly affected by restrictions, leading to observable changes in its dynamics.

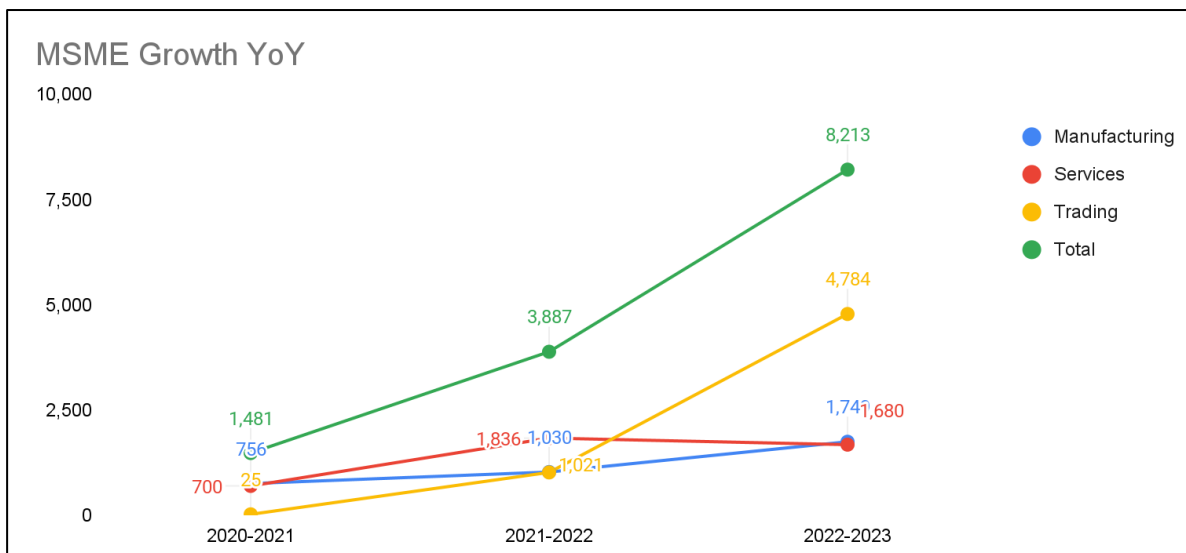


Figure: 1

The graph indicates a steady rise in the trading sector over recent years, with the service sector exhibiting a slight incline compare to the preceding year. Conversely, the manufacturing sector exhibiting a slight incline compared to the preceding year. Conversely, the manufacturing sector appears to have declined in comparison to the previous year, and it is taking longer to rebound from the distribution experienced during the 2019-2020 hiatus caused by the covid-19 pandemic.

Objective of Study

This research seeks to uncover the comprehensive effects resulting from the pause and the introduction of a novel element. The study aims to underscore the multifaceted impact and we can point out some of the main focus of this research.

- 1) To understand assessments of the current conditions across different sectors within the MSME realm.
- 2) To determine the degree of entrepreneurial activity within MSMEs across various district of Mizoram.
- 3) Assessing the government’s role in fostering MSME upliftment amid the covid -19 pandemic.
- 4) To evaluate the accuracy of the UDYAM registration.

Problem statement

Though there are many MSMEs registered at District Industries Centres, many of them ceased to function without filing deregistration. There are also good number of unregistered units which are of home based and very small enterprises. It is not possible to ascertain the actual number of functioning units at this stage. Thus, survey of number of MSMEs (both registered and unregistered) will be necessary to have more adequate information.

A comprehensive survey is carried out by cross-referencing the data obtained from UDYAM registrations and engaging with entrepreneurs directly.

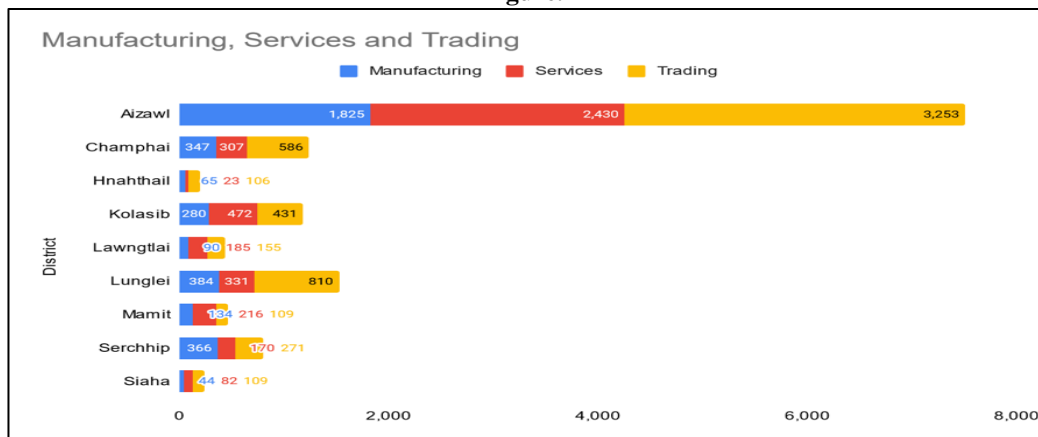
Key findings

The UDYAM database serves as a significant repository for Micro, Small, and Medium Enterprises (MSME) in India, providing a platform for registration and recognition by the government. However, its reliance on self-reporting by businesses raises some concerns about the completeness and accuracy of the data it captures. There are several limitations that can be noted such as.

1. UDYAM Disparity in Mizoram

The high number of enterprises under UDYAM in Aizawl district, at 7649 (55%), is significantly higher compared to other districts. This suggests that in many instances, enterprises in the informal sector or in remote areas of Mizoram, where infrastructure and connectivity are limited, faced challenges in accessing the UDYAM platform(DCMSME 2023). As a result, there is disparity of UDYAM registered MSMEs across Mizoram.

Figure.2



2. According to the survey findings, approximately 99% of registered enterprises belong to the micro sector.

3. Lack of awareness of MSMEs Schemes

The Micro, Small, and Medium Enterprises (MSMEs) sector holds significant importance in driving economic development, particularly in regions like Mizoram. Despite the availability of numerous schemes such as the ZED scheme and Lean and Innovative scheme, along with government benefits provided by both central and state authorities to support MSME development, only a small portion of MSMEs in Mizoram take advantage of these opportunities (Gupta, P. K. (2023)). This is primarily due to a lack of awareness among MSMEs about the range of schemes and benefits accessible to them. Many MSMEs are not adequately informed about the support mechanisms offered by the government.

4. Incomplete information and data quality:

The quality of the data in the UDYAM database may vary widely. Self-reporting relies on business owners accurately providing information about their enterprises. However, some may omit details or provide inaccurate information, leading to incomplete or misleading data. Errors, inconsistencies, and outdated information can undermine its reliability for policy makers, researchers, and other stakeholders relying on MSME data for decision making.

Research Methodology

Data has been gathered from both government sources and the Udyam registration portal. A comprehensive survey has been carried out with registered entrepreneurs, involving reaching out to them and verifying the information provided during registration.

The data gathered post-survey highlight discrepancies in the number of active and inactive enterprises, as well as the employment figures. Additionally, there is a significant disparity in the investment utility rate compare to the provided data. The study clearly highlights the gap between recorded data and survey findings. By comparing the government database with survey data, a substantial variance becomes apparent, greatly influencing the overall outcome.

Table. 2

No. of Employees under UDYAM		No. of Employees from Surveyed	
Mean	6.5	Mean	4.1
Standard error	0.7	Standard error	0.5
Median	4.0	Median	2.5
Mode	2.0	Mode	0.0
Standard deviation	8.2	Standard deviation	5.8
Sample variance	67.8	Sample variance	33.6
Kurtosis	16.4	Kurtosis	12.4
Skewness	3.6	Skewness	3.0

Range	57.0	Range	40.0
Minimum	1.0	Minimum	0.0
Maximum	58.0	Maximum	40.0
Sum	900.0	Sum	565.0
count	138.0	count	138.0

Table: 3

t-test: paired two samples for means		
	No of employees	
	Database	Survey
Mean	3.72	7.56
variance	3,989.03	94.11
observations	374.00	374.00
Person corelation	0.64	
Hypothesize mean difference	-	
df	373.00	
t stat	8.20	
P (T<=t) one-tail	0.00	
t critical one tail	1.65	
P (T<=t) two-tail	0.00	
t critical two tail	1.97	

Figure.3 The outcome of the t-test conducted on the collected data appears inconclusive, likely attribute to inconsistencies within the dataset.

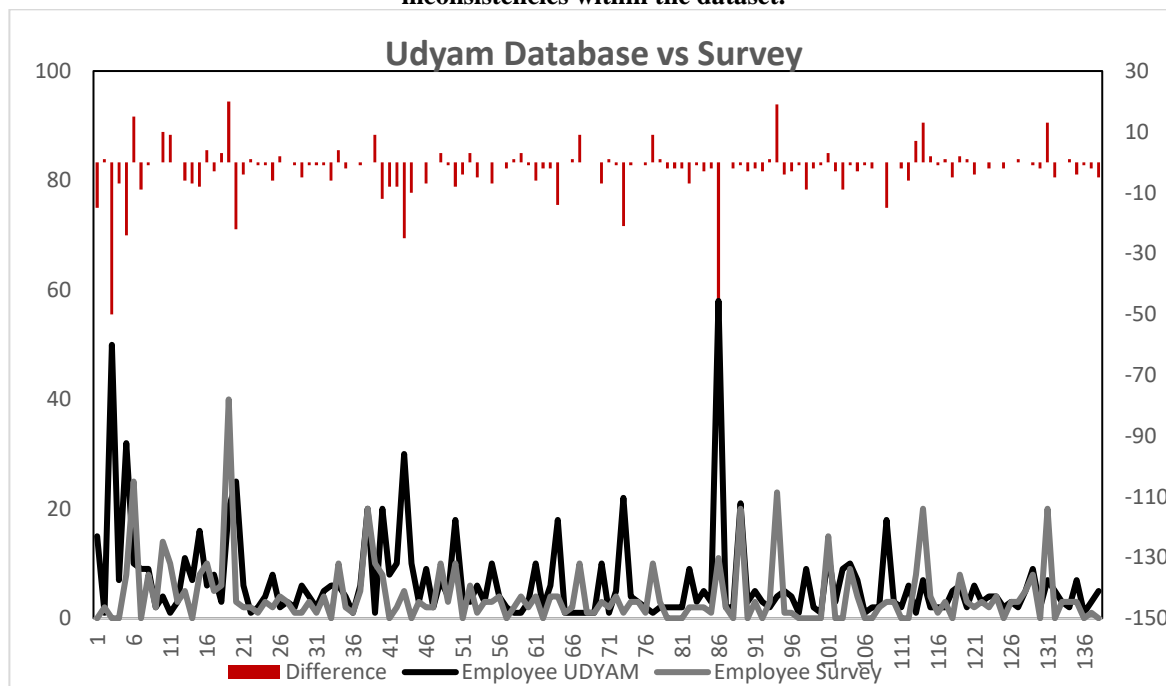




Table: 4

t-test: paired two samples for means	Investment	
	Database	Survey
Mean	89,61,568.33	20,61,766.70
variance	8,25,72,99,25,63,38,010.00	33,00,44,25,74,33,345.00
observations	374.00	374.00
Person corelation	1.00	
Hypothesize mean difference	-	
df	373.00	
t stat	1.85	
P (T<=t) one-tail	0.03	
t critical one tail	1.65	
P (T<=t) two-tail	0.06	
t critical two tail	1.97	

Conclusion on findings

1. Combining the two t-tests, we can infer that there are differences in the way people report their UDYAM registration details. When the survey is conducted, it becomes apparent that the reported data does not align with the actual information.
2. Due to the inconsistency of UDYAM data and finding of the survey, it can be concluded that the data collected through UDYAM registration is not accurate enough to reflect the actual state of MSMEs in Mizoram
To improve the accuracy and reliability of MSME data in the region, it may be necessary to implement measures to address barriers to registration, enhance awareness and outreach effort, improve digital infrastructure, and establish robust validation mechanisms. Additionally, complimentary methods such as field surveys and stakeholder consultations could be utilized to supplement and validate the UDYAM data

Scope for further studies

1. Study of cognitive biases that may affect self-reporting. Measure such as clear guideline, ensuring confidentiality, and conducting validation checks can help improve the accuracy and reliability of the registration data. Additionally, training and awareness programs for both business owners and registration officials can help minimize the influence of biases on the reporting process
2. Examining how the design of surveys and self-reporting platforms may influence the accuracy of data provided by MSME owners. With the introduction of clear and simple, with a validation and verification mechanism
Establishing a feedback loop where MSME owners can provide input on the survey or platform design can help improve iterations and enhance the accuracy of data collection over time. This will demonstrate a commitment to continuous improvement and responsiveness to the needs of the target audience.
3. Understand the economic incentives or disincentives created by policies, and how they may lead to discrepancies in reported data. Policy maker need to consider these factors when designing and implementing policies to ensure the accuracy and integrity of reported data under UDYAM registration. Additionally effective monitoring mechanisms are essential to detect and deter fraudulent practices that may lead to discrepancies.

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3. https://docs.google.com/spreadsheets/d/16U_u2wTIB5UDRqYcN0NgNy6GsiAy2pxM/edit#gid=1913013847
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