

MSME CHAMPIONS

A New Approach for Competitiveness

Background

Micro, Small and Medium enterprises have played a crucial role in the economic development of many countries. In Indian economy too, they are playing an extremely important role. This is visible in their contribution to GDP, export potential and creation of employment opportunities. However, their contribution can still be substantially enhanced. With the enhancement of the ceiling of investment for classification of MSMEs, it is only through the MSMEs that India can become a Global Manufacturing Hub or a leading global exporter.

Among other measures, this can be achieved by infusing technological finesse, reducing operational costs and bringing competitive edge among Indian MSMEs. This is necessary to enable our MSMEs to become globally competitive and spring as National and International Champions. Ministry of MSME has been attempting these achievable milestones through various means. However, it is felt that we need a more targeted, focused and unified approach. We need to enable a good number of MSMEs to aspire and achieve a qualitative change in their operations.

To enable the MSMEs break their paradigm, certain initiatives have already been started recently. This includes innovative financial instruments and fintech tools. Ministry is also running a number of enterprise, individual and cluster-based schemes to help the MSMEs and the entrepreneurs.

‘MSME Champions’ is a Holistic Approach to unify, synergize and converge various schemes and Interventions with a single purpose. The end objective is to pick up clusters and enterprises and modernize their processes, reduce wastages, sharpen business competitiveness and facilitate their National and Global reach and excellence. For this purpose, a number of schemes, having similar purpose are hereby being bundled together.

1.0 Existing Scenario

1.1 The Technological Up-gradation Scheme (TUS) of this Ministry has six components. These are 1. Zero Effect Zero Defect 2. Lean Manufacturing Competitiveness Scheme 3. Support for Entrepreneurial and Managerial Development of MSMEs through Incubators 4. Building Awareness on Intellectual Property Rights (IPR) 5. Design Expertise to Manufacturing MSME sector 6. Digital MSME Scheme.

1.2 Each of these sub-schemes have design parameters and funding that support the MSMEs in training, capacity building, certifications and handholding, towards making them globally competitive in processes, technologies and products.

1.3 However, these six sub-schemes, though technically sound, are not converged to make specific clusters or enterprises competitive. Therefore, these schemes are in dire need of a thoughtful overhaul to have sharper and unified focus, greater outreach and smarter implementation. There is also a requirement to bring current and future technologies and practices into play.

2.0 The New Scheme

2.1 The new formulation works with 4 guiding principles to break the paradigm. **(1) Openness:** promoting innovation and lateral thought, leveraging technology and bringing in transparency **(2) Smart Implementation:** bringing in procedural simplification, flexibility, digitization, efficient flows, active participation and increased data mining benefiting both the beneficiary and the executing agency. Further, a common Policy level structure and a common Programme Implementation Unit are envisaged. **(3) Unified and Coordinated approach:** to bring in greater synergies with other schemes of M/oMSME and other Ministries and departments and **(4) Outreach:** intense promotion, lead generation, greater partnership with States and UTs, continuous campaigns on electronic, digital and print media.

2.2 The new scheme shall be called 'MSME CHAMPIONS'. It shall have two phases. While the first phase will be rolled out immediately, the second phase will require getting approvals through an EFC. It shall have integrated verticals, with congruent interlinking and purposeful harmony. Scheme implementation will compliment functional constructiveness by creating points of inflexion amongst verticals so as to attain maximum leverage from one single programme.

3.0 Optimization of Guidelines:

The erstwhile three major segment of schemes (ZED, LEAN & others like Incubation Scheme, IPR Scheme and Design schemes will be bundled together and will be operated in synergy but will be identified with following Names:

- MSME-Sustainable
- MSME-Competitive
- MSME-Innovative

The three approaches are basically to make champion MSMEs and will re-inforce each other.

3.1 MSME-Sustainable

Through ZED Certification (*Snapshot in Annexure 1*):

ZED	BEFORE	AFTER
Name	Zero Defect Zero Effect (ZED)	MSME-Sustainable(ZED)
Sector	For manufacturing MSMEs	Manufacturing (in Phase-1) & Service MSMEs (in phase-2)
Procedure	Maturity Assessment Model	Conformity Assessment Model
Levels	5	3 + X (Export)
Parameters	50	Around 20 (to be decided in TC meeting)
Incentives	Limited	Graded incentives in terms of fiscal and credit concessions, benefits from schemes within and outside the ministry. All existing incentives offered by State Governemnts.
Duration	24 months	6 months
Onsite Assessment	For all levels	Only for Gold
Registration	Only through QCI portal	Interoperability through MSME-SUSTAINABLE portal, UDYAM registration portal, Champion portal
Payment of Beneficiary Contribution	Full Amount in Advance	Amount after adjustment of coupon
Monitoring	Manual Reporting	Dashboard on portal

ANNEXURE 1: Snapshot of Revised ZED Schemes

MSME Champions ZED Certification

- i. **Implementing Agencies:** The MSME-SUSTAINABLE scheme is now open to participation from all DIs, State agencies, independent organisations as compared with just QCI in the older version
- ii. **Inclusion of Service Sector:** The revised MSME-SUSTAINABLE certification programme will be cover service sector MSMEs in the second phase of the implementation along with the manufacturing sector.
- iii. **Participation:** In the earlier ZED scheme, the participation was open only to Udyog Aadhar Memorandum (UAM) registered enterprises but the new MSME-SUSTAINABLE scheme is open to all Udyam registered enterprises. In phase 2, State registered MSME units will be allowed access.
- iv. **Digital Platforms:** The monitoring of the MSME-SUSTAINABLE scheme would be only through dashboards and the MSME-SUSTAINABLE portal, which was operated primarily by the implementing agency, is now interoperable with a robust MIS.
- v. **Rationalization of Certifications:** The MSME-SUSTAINABLE programme will have simplified but robust mechanisms for ratings and will now have a three tier rating viz. Bronze, Silver and Gold, against the earlier strung out five tier rating system. Bronze being obtained on a self assessment mode based on verification of certificates uploaded, the silver certification on remote assessment by and gold through on site assessments, while the previous version entailed on site assessment in all levels. The number of parameters for assessment has also gone down from 50 to 20 and the speed of assessment from 24 months to 6 months. A new ZED certification be incorporated in phase 2 for export orientation. The present certification will be aligned with internationally accepted norms.
- vi. **Subsidies on cost of certifications:** The certification costs for the MSMEs would be subsidized @ 80% for Micro, 60% for Small and 50% for Medium enterprises
- vii. **Coupons:** In the new version the beneficiary contributions are adjusted through the coupon systems wherein a limited-purpose digital Coupon of Rs. 10,000/- may be issued to each MSME once they take the MSME-SUSTAINABLE Pledge, which needs to be utilized within a defined time period to be adjusted against the cost of certifications.
- viii. **Handholding & technological support:** The MSME-SUSTAINABLE also provides for handholding assistance and support for technology up-gradation/addition to the MSMEs for which the scheme would provide subsidies in the similar pattern as that for certifications
- ix. **Training & Awareness programmes:** The MSME-SUSTAINABLE scheme would also fund training and awareness programmes to be

conducted by the Implementing Agencies and the new design empowers the PMAC to detail the costs and funding to be provided. Further the emphasis is on virtual modes of training in the new MSME-SUSTAINABLE scheme.

- x. **Publicity & Promotion:** While the earlier MSME-SUSTAINABLE program depended solely on QCI for publicity, it will now be open to multiple agencies such as State Governments, DAVP, PIB and the private sector. There will also be webinars, films, newspaper advertisements etc. through the year to promote MSME-SUSTAINABLE scheme.
- xi. **Incentives:** In order to increase the acceptability and outreach of the scheme, the new MSME-SUSTAINABLE scheme has several incentives built in to include special provisions in schemes of other Ministries and State governments, other schemes of M/oMSME as well as special rebates by small finance banks, preferential weightages for credit ratings etc. Ministry is also in discussion with Google small business programme for onboarding of the MSME-SUSTAINABLE certified MSMEs