



सत्यमेव जयते

**GOVERNMENT OF INDIA**

**MSME**

**Micro, Small & Medium Enterprises**

**सूक्ष्म, लघु एवं मध्यम उद्यम**

## **Guidelines**

**For the Implementation of Up-Scaled**

**“Financial Support to MSMEs in ZED Certification Scheme”**

**Development Commissioner  
(Micro Small and Medium Enterprises)  
Ministry of Micro, Small and Medium Enterprises,  
Government of India**

## ABBREVIATIONS

BEE	-	Bureau of Energy Efficiency
DBT	-	Direct Benefit Transfer
DC (MSME)	-	Development Commissioner (MSME)
DFMEA	-	Design Failure Mode and Effect Analysis
DOE	-	Design of Experiments
DWM	-	Daily Work Management
FIFO	-	First – In, First – Out
GOI	-	Government of India
IA	-	Implementing Agency
IFW	-	Integrated Finance Wing
IOP	-	Indian Offset Partners
LMS	-	Learning Management System
MSME	-	Micro, Small & Medium Enterprises
MSME – DI	-	MSME-Development Institute
NMCC	-	National Manufacturing Competitiveness Council
NMCP	-	National Manufacturing Competitiveness Programme
NMIU	-	National Monitoring and Implementing Unit
NPC	-	National Productivity Council
NSIC	-	National Small Industries Corporation
PDCA	-	Plan-Do-Check-Act
QCI	-	Quality Council of India
QMS/QTT	-	Quality Management Standards and Quality Technology Tools
RPD	-	Robust Parameter Design
SSC	-	Screening and Steering Committee
UAM	-	Udyog Aadhar Memorandum
WIP	-	Work in Progress

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## **Financial support to MSMEs in ZED certification (ZED)**

### **1.0 INTRODUCTION:**

Government of India has envisioned Make in India and Zero Defect & Zero Effect Manufacturing for which there is need of a policy which will create an ecosystem for competitive, quality and clean manufacturing, promote development of world class products, expand markets for MSMEs etc.

**1.1 Need for Zero Defect and Zero Effect Manufacturing:** There are certifications on Systematic Functioning (ISO), Quality Manufacturing (BIS) and Energy Efficiency (CEE/ Star Ratings) etc. but there is no holistic evaluation and certification system to assess MSMEs on Quality, Productivity, Energy Efficiency, Pollution mitigation, Financial Status, Human resource, Design, IPR both in Product and Process etc. in the country. There is an urgent need of a reliable assessment and certification system with sufficient Pull factor for MSMEs to be part of it. In view of these factors, O/o DC (MSME) has with active support of Quality Council of India (QCI), Credit Rating Agencies and industries evolved the ZED Maturity Assessment Model which consists of 50 parameters of assessment of MSMEs. For certification of Defence MSMEs, an additional Defence Assessment Model has been evolved which consists of 25 parameters.

**1.2** The scheme is meant to launch an extensive drive to create proper awareness in MSMEs about ZED manufacturing. After ZED assessment, MSMEs with adoption of proper tools, can reduce wastages and improve efficiency substantially.

**1.3** The Development Commissioner (MSME), Ministry of Micro, Small & Medium Enterprises, Govt. of India, will implement up-scaled 'Financial Support to MSMEs in ZED Certification Scheme' for the benefit of manufacturing Micro, Small & Medium Enterprises (MSMEs) for a period ending 2019-20 at an estimated financial outlay of **Rs. 116.94 Cr. with GoI Contribution: Rs. 100.00 Cr. and Pvt. Contribution Rs. 16.94 Cr.**

**1.4** Initially the scheme 'Financial Support to MSMEs in ZED Certification Scheme', was launched by the Hon'ble Prime Minister on 18.10.2016 for 22,222 MSMEs during 12<sup>th</sup> Five Year Plan with the total Project Cost of Rs. 491.00 crore (Govt. of India Contribution amounting to Rs. 365.00 crore and beneficiaries' contribution of Rs 126.00 crore). The Scheme is Up-scaled to enhance the registration by provisioning handholding support to MSME even after the Desktop Assessment to enhance their manufacturing competitiveness and to adopt the pilot project/technologies available or developed by Central/State Government bodies like CSIR, BARC, DRDO, etc. to move on the ZED journey.

### **2.0 OBJECTIVES OF THE SCHEME:**

The scheme envisages promotion of Zero Defect and Zero Effect (ZED) manufacturing amongst MSMEs and ZED Assessment for their certification with the following objectives:

- To promote adaptation of Quality tools/systems and Energy Efficient manufacturing.
- To encourage MSMEs to constantly upgrade their quality standards in products and processes.

- To drive manufacturing with adoption of Zero Defect production processes and without impacting the environment.

Under the scheme 28,570 MSMEs are targeted to be rated for Desktop Assessment. 429 MSMEs will be assisted for moving towards Zero Effect Solutions and Gap Analysis, Handholding, Consultancy for improving their rating, etc., 708 MSMEs will be assessed/ rated & certified, 100 MSMEs will be assessed & certified for Defence sector, additionally 100 MSMEs will be supported for Re-assessment/ Re-rating for improving their rating.

### **3.1 ABOUT ZED MATURITY ASSESSMENT MODEL:**

The ZED Maturity Assessment Model has been conceived and structured to offer graded benchmark levels of a MSME's performance through a set of standard enablers and outcomes focused on quality and environmental performances.

ZED certification of MSMEs to undertake quality intervention through ZED Maturity Assessment Model implementation to enhance their productivity and competitiveness by improving quality and reduction in wastage and pollution. It also has a lot of social benefits in terms of training of labour, creation of knowledge, increased labour productivity, lower input and introduction of new production equipment/methods in manufacturing and development of quality conscious work culture in society.

There are various parameters on which the MSME will be assessed and certified. The composition of parameters may change as per sector of operation of the applicant MSME. In addition to 50 assessment parameters there would be additional 25 parameters for obtaining ZED-Defence Certification. Complete details of all ZED parameters will be made available on [www.dcmsme.gov.in](http://www.dcmsme.gov.in) / [www.zed.org.in](http://www.zed.org.in).

- The MSME applicant is required to be assessed on identified 20 mandatory parameters and at least 10 other parameters (as per the MSME's NIC Code, i.e. sector of operation and type of industry). Hence, the MSME will be rated on a minimum of 30 parameters.
- MSMEs may seek ZED rating on more than 30 parameters as per the processes and systems available at the MSME.

### **3.2 SCHEME PROCESS FLOW:**

- a) Online ZED Registration
- b) Online Self-Assessment
- c) Desktop Assessment & Analysis:
- d) Site-Assessment and Rating/Certification OR  
Gap Analysis, Handholding & assistance in moving towards Zero Effect manufacturing
- e) Re-Assessment

*Note: After Desktop Analysis, the MSME will have an option for either Site-assessment/Rating or for Consultancy (gap analysis and handholding). The MSME will also be provided financial support for adopting Zero Effect technologies.*

#### **4. Scheme Component**

**4.1 Awareness & Training:** Following activities have been planned as briefed below:

a) **Industry Awareness Programmes/One-day Industry Awareness Programmes** will be conducted for industry clusters/ MSMEs. These programmes will be organized by QCI/ NPC/ Chambers/ MSME-Development Institutes/ implementing agencies (IAs). These programmes will motivate MSMEs to adopt ZED. Amount upto Rs.70,000 / per programme of one day duration is admissible.

b) **Workshops:**

2 days Regional/ State/ National Workshops will be conducted for all stakeholders including the State Industry Department & MSMEs. These workshops will be organized by QCI/ NPC/Chambers/MSME-Development Institutes/ Implementing Agencies (IAs). Amount upto Rs.5.00 lakhs / per day / per programme of two days duration is admissible. Charges on pro rata basis depending on number of days is allowed.

c) **Onsite Training for Enterprise Capacity Building for NER, J&K, Industrially backward and remote areas etc.:**

Onsite trainings of 5-days duration will be conducted to thoroughly train MSMEs of NER and J&K, industrially backward and remote areas etc., for capacity building. Onsite Training will be conducted by QCI/ NPC/ Chambers/ MSME-Development Institutes/ Implementing Agencies (IAs). Depending on the need of the MSMEs of the area, 5-days training may be conducted as 2 trainings of 2/3 days duration each at different locations. These two training (2/3 days) will be considered as one training only. Amount upto Rs.5.00 lakhs / per programme of five days duration is admissible. Charges on pro rata basis depending on number of days is allowed.

d) **Training of officials of implementing agencies**

The theoretical as well as practical holistic residential training programme of 5 days duration will be organised to thoroughly train officials. The training programme will be conducted by QCI & NPC/ Chambers/ MSME-Development Institutes/ Implementing Agencies (IAs)/NMIU. The capacity is to be around 15 officials per training programme. Amount upto Rs.5.00 lakhs / per programme of five days duration is admissible.

e), f) & g) **Consultants/Assessors/Master Trainers' Training:**

The theoretical as well as participative/practical holistic training programme of 5-days duration will be organized to thoroughly train Consultants, Assessors and Master Trainers with the examination, which is essential to pass. The training programme will be organized by QCI / NPC/ Chambers/ MSME-Development Institutes/ Implementing Agencies (IAs)/NMIU. Amount upto Rs.5.00 lakhs / per programme of five days duration is admissible. Charges on pro rata basis depending on number of days is allowed.

**h) International Benchmarking, Learning Best Practices, International Trainings relating to ZED including QMS/QTT, productivity, travels related to IAF/PAC foreign visits by delegations etc.:**

The proposal relating to the activity will be prepared by NMIU in consultation with relevant stakeholders, which will be considered on case to case basis on merit by the O/o DC (MSME). The delegation will comprise officials of office of DC (MSME)/ IAs/NMIU.

#### **4.2 MIS**

The scheme will be e-enabled and all applications of MSMEs will be received and processed online which will be managed/developed under the overall supervision of office of AS&DC (MSME). There will also be e-learning modules for MSMEs and IAs.

#### **4.3 Assessment & Rating/Re-rating:**

The following assessment activities have been planned as briefed below:

**a) Desktop Assessment & analysis**

This is a core activity under the scheme. 28,570 MSMEs will be given financial assistance for opting desktop assessment which will enable them for consultancy and handholding support etc., for obtaining ZED certification or moving towards ZED journey.

After free on-line Self- assessment by MSMEs for their enterprise on e-platform., Desktop Assessment will be conducted. The total cost of Desktop Assessment (DA) is Rs. 10,000/- per MSME. This will be done through assessor(s) by NMIU/empanelled Rating Agencies / Implementing Agencies who will then suggest the MSME on possible interventions required.

**Payment of beneficiary contribution:** MSMEs opting for desktop analysis have to pay only their contribution i.e., Rs. 2,000/- for Micro, Rs. 4,000/- for Small & Rs. 5,000/- for Medium Enterprises.

**b) Assistance to MSME sector for Consultancy, Gap Analysis, Handholding & to move towards Zero Effect solutions by Consultants through NMIU/IAs.**

After rating, interested MSMEs will be given financial support for Gap Analysis, Handholding and Consultancy for improving their rating and assistance on adopting measures for moving towards zero effect. MSME may opt for handholding after Desk Top assessment

or after site assessment. Expenditure on this activity will be limited to Rs. 5.00 lakh per MSME subject to actual expenditure.

Quality Council of India (QCI) will be continued as implementing agency and more implementing agencies may be roped on need basis. NMIU at the office of DC MSME shall prepare detailed operational guidelines for this.

**c) Assistance to MSME sector for pilot-project implementation with available/developed technologies by Central/State Government bodies to move towards zero effect manufacturing and for acquisition of cleaner/efficient technologies to support MSMEs.**

A provision is made for assistance to MSME sector for pilot-project implementation with available / developed technologies by Central/ State Government bodies like CSIR, BARC, DRDO etc., to move towards zero effect manufacturing & for acquisition of cleaner/ efficient technologies to support MSMEs.

A mechanism shall be developed by NMIU for evaluation of the proposal with technical & financial aspects for usefulness to the MSME received from the Central/State Government bodies in consultation with concerned consulting organization.

**d) Site Assessment and Rating by QCI accredited and empanelled Rating Agencies, Certification Bodies etc.**

This activity under the scheme may be opted after the Desktop Analysis or Handholding. The detailed site-assessment will provide the applicant MSME with a holistic and integrated ZED Score (of its system and processes) and Rating (if applicable). It will also attempt to provide information useful for identifying and improving on the weak links in the unit's manufacturing processes and suggesting improvements. Site-Assessment will be carried out by the empanelled Rating Agencies, Certification Bodies/ IAs as approved by DC office.

**Site-Assessment cost:** The total site-assessment cost of Rs 80,000/- will be fixed irrespective of category of enterprise as assessment parameters are same for Micro or Small or Medium enterprises. This includes Rs. 10,000/- for Rating/Certification cost.

Subsidy for Micro, Small & Medium Enterprises will be 80%, 60% and 50% respectively. Preference will be given to small enterprises to enable them to grow. The number of micro enterprises shall not be more than 50%. There will be special emphasis on SC/ST & woman entrepreneurs.

**e) Additional rating for Defence i.e. Assessment by empanelled Rating Agencies, Certifications Bodies etc for ZED-Defence.**



In addition to 50 assessment parameters there would be additional 25 parameters for obtaining ZED-Defence Certification. An MSME will only be eligible to apply for assessment on ZED-Defence if they are successful in obtaining at least Bronze Rating on the assessment done on 50 parameters.

Additional rating for Defence angle i.e. Defence ZED by empanelled Rating Agencies/other Implementing Agencies as approved by DC Office.

**f) Re-Assessment/Re-Rating by QCI accredited empanelled Rating Agencies, Certification Bodies etc.**

After Gap Analysis, Handholding, Consultancy for improving rating of MSMEs by Consultants, MSMEs can go for re-assessment of their ZED rating. MSMEs can also go for re-assessment of their ZED rating without opting for activity Gap Analysis, Handholding and Consultancy for improving rating of MSMEs. MSMEs will be given financial assistance. However, in case of no improvement in Rating (say if MSME was having no rating and goes for re-assessment and does not graduate to Bronze Rating or above then it will be treated as no improvement) no financial assistance will be given to the MSME and cost of re-assessment i.e., Rs 40,000/- will be fully borne by the MSME. NMIU may develop a detailed mechanism for compliance.

**g) Surveillance Assessment**

A surveillance assessment will be carried out by NMIU/IAs through empanelled Rating Agencies, Certification Bodies etc. Surveillance Assessment will only be applicable to MSMEs which have obtained at least Bronze rating. MSME have to pay full cost (Rs. 40,000/-) in advance to NMIU. There will be no subsidy on this component.

The result in reduced rejection and higher revenues for MSMEs will be measured during the process of re-assessment/surveillance phase or after consultancy/handholding activities.

**h) Reporting of periodic effect on the environment of the MSME after implementation of ZED Scheme**

NMIU will submit a Report on the periodic effect on the environment of MSME after implementation of ZED scheme on yearly basis at the end of every financial year. NMIU may put in place a suitable mechanism for monitoring the periodic effect on environment of the MSME.

**i) Market Research and Analysis and validation of reasonable sample of total certification with reports for each half year on trends and other important findings by NMIU**

The above work will be executed by NMIU. The finding will provide useful inputs for continuance of the scheme in future. Market Research and Study shall be limited to Rs. 50.00 Lakh subject to actual expenditure and shall be done with the approval of committee.

## **j) Promotion and Branding**

### **i. Print of Newsletters (Quarterly) and Review Report (Yearly)**

### **ii. Advertisement and Brand Promotion**

The wide publicity through Advertisements and Media Campaigns etc. is required for brand promotion. This work will be done by O/o DC (MSME), Field formation of O/o DC (MSME) and IAs.

## **k) Misc. Expenses and contingencies**

Activities like Independent verification of results, documentation, Administrative expenses, printing of guidelines, purchase of office automation equipment, assistance to field formation of O/o DC (MSME) for their role in implementing the scheme, etc.

## **5. NMIU**

A National Monitoring and Implementing Unit (NMIU) shall be setup in the O/o DC (MSME) to take care of facilitation, implementation and monitoring of the scheme, involving implementing agencies in accordance with established procedure.

## **6. Implementing Agencies**

Quality Council of India (QCI) will be continued as implementing agencies and more implementing agencies may be roped on need basis i.e. MSME DIs/TCs/Central Government/ State government and its institutions. The detailing shall be done by the NMIU.

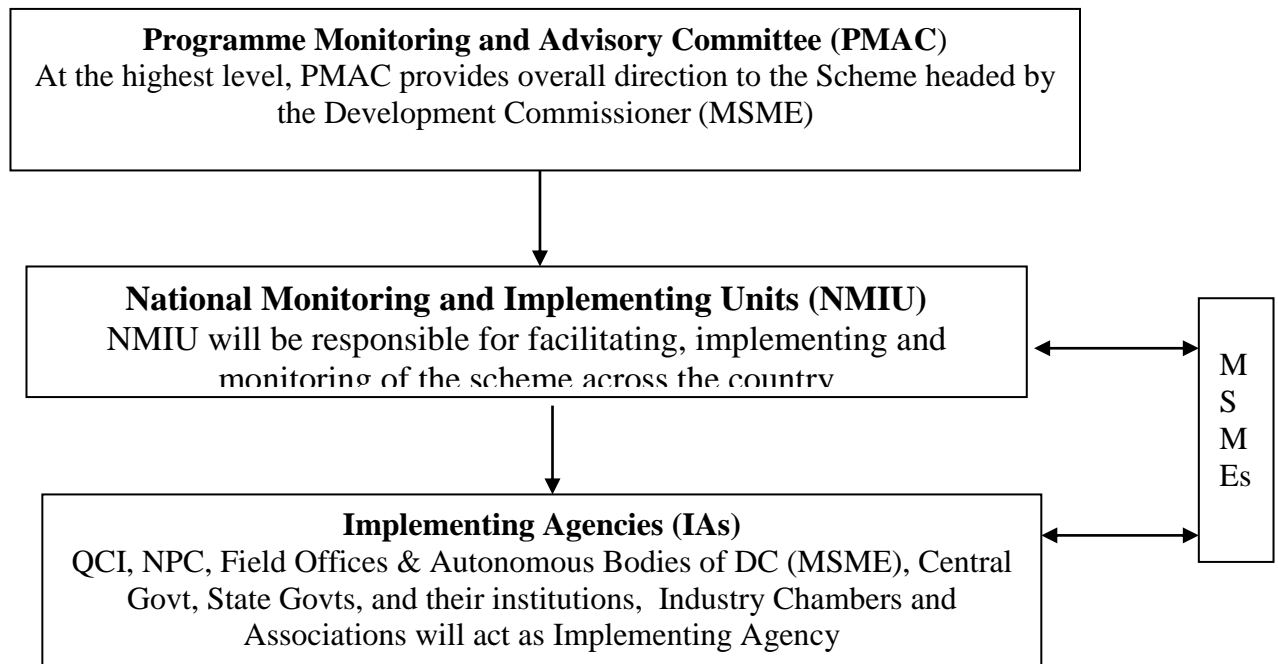
## **7. Eligibility Criteria**

All MSMEs registered under MSMED Act, 2006 as amended from time to time and also to MSMEs which are included as per executive orders issued by AS&DC(MSME) consistent with MSMED Act from time to time.

## **8. Implementation Arrangements**

The scheme will be implemented on MSMEs spread all over the country for all manufacturing sectors. The Scheme will be implemented by National Monitoring and Implementing Unit(s) (NMIU), under the overall directions of DC (MSME) and PMAC. NMIU will be responsible for facilitating, implementing, coordinating and monitoring of the scheme.

**A three tier structure is being implemented in the Scheme**



**9. Approval Process**

All activities under the scheme shall be put up by NMIU to PMAC for approval.

**10. Project Monitoring and Advisory Committee (PMAC)** - At the highest level, PMAC will guide, review, monitor and provide overall direction for implementation of the scheme and will be headed by the Development Commissioner (MSME). PMAC will have overall responsibility for policy formulation, scheme implementation and monitoring. It will be empowered to take all key decisions related to the scheme and to approve modifications/procedural changes in the guidelines for operational expediency. PMAC would deliberate on the issues put up by NMIU/IAs. It would lay down the detailed implementation strategy for the NMIU. It would also consider the recommendations of NMIU/IAs on each application. The constitution of the PMAC will be:

1.	AS & DC, MSME	Chairman
2.	Joint Secretary, O/o DC(MSME)	Vice Chairman
3.	EA /Rep. of IFW	Member
4.	Rep. of MoEFCC	Member
5.	JS/Rep. of DIPP	Member
6.	In-Charge, NMIU	Member
7.	Rep. of expert Agencies like QCI, CSIR, NPC, etc., and rating agency	Member
8.	Rep. of concerned Industry Associations/chambers	Member
9.	ADC/JDC (MSME-DIs) at O/o DC(MSME)/Director of MSME-DI concern/Invitee	Member
10.	JDC/Director/Nodal officer handling the scheme in O/o DC, MSME	Member-Secretary
11.	Special invitees / experts/ consultants	Member

PMAC will hold its meeting as and when required.