MOST IMMEDIATE
BY SPEED POST / EMAIL

No. 1(22)/2008-NB
Ministry of Micro, Small & Medium Enterprises (MSME)
Office of the Development Commissioner (MSME)
NB & AC Division
***

7th Floor, 'A' Wing
Nirman Bhawan,
New Delhi – 110108
Dated 16th October, 2008

Subject : Agenda for the Sixth Meeting of the National Board for Micro, Small & Medium Enterprises (NBMSME) on 23rd October, 2008 (Thursday), New Delhi at 1000 hrs.

Reference: Sixth Meeting of the National Board for Micro, Small and Medium Enterprises (NBMSME) to be held on 23rd October, 2008 (Thursday), at 1000 hrs.

The agenda (English version) of the aforesaid meeting together with short note is enclosed. Hindi version of the agenda will follow.

2. The meeting will be held in Hall no. 4 (FF), Vigyan Bhawan, New Delhi.

3. Kindly make it convenient to attend the meeting. A line in confirmation will be highly appreciated.

Encl : a/a

(P. K. Padhy)
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To,

1. All the Members, NBMSME
2. Chairman KVIC/ Chairman Coir Board
3. AS&FA / EA / JS(PK) / JS(SKP) / ADC&EA / ADC(Admn.) / Consultant(SMA) / AEA / JDC / AIAs.
4. Shri Shakeel Qalander, Federation of Chamber of Industries Kashmir / Thiru Gandhi Kumar, President, TANSTIA/ Shri Pankaj Gupta, President, Industries Association of Uttrakhand

Copy to : SENET Division, O/o DC(MSME)

Agenda for the Sixth Meeting of the National Board for Micro, Small and Medium Enterprises (NBMSME) on 23 October 2008 at Vigyan Bhawan, New Delhi

AGENDA ITEM NO. 1: Confirmation of the Minutes of the Fifth Meeting of National Board for Micro, Small & Medium Enterprises (NBMSME) held on 27 June 2008.

The minutes of the fifth meeting of NBMSME held on 27 June 2008 were circulated to the members of the Board in English on 29 July 2008 and in Hindi on 05 August 2008 with the request that any discrepancy could be pointed out in fifteen days. A couple of members suggested minor modifications which were carried out and forwarded to all members. The minutes with these modifications may be taken as confirmed.

AGENDA ITEM NO.2: Follow up action / Action Taken Report on the decisions taken and suggestions / recommendations made in the fifth meeting of the National Board for Micro, Small & Medium Enterprises (NBMSME) held on 27.06.2008.

Issues/points raised in the meeting	Action Taken/Comments
1. The need to recognize micro enterprises as a distinct entity in the RBI's circulars and to provide enterprises with investment up to Rs.5 lakh adequate credit **(Para-8).**	RBI has informed that in their Master Circular RPCD.SME&NFS.BC.No.2/06.02.31/2008-09 dated July 1, 2008 on "Lending to Micro, Small and Medium Enterprises Sector", Banks have been advised to ensure that credit is made available to all segments of the micro and small enterprises sector, including micro enterprises. Further, it is observed from quarterly data submitted by public sector banks to RBI that there is a substantial increase in flow of credit flow to micro enterprises with investments up to Rs.5 lakh.
2. Introduction of a new One-Time Settlement (OTS) Scheme by the RBI on the lines introduced earlier **(para no.10)**.	RBI has informed that a Working Group was constituted under the Chairmanship of Dr. K.C. Chakrabarty, CMD, Punjab National Bank to suggest measures for early implementation of Rehabilitation/Nursing of Sick MSMEs. The Group has also given a recommendation regarding OTS which is being examined by RBI.
3. Earmarking of credit to the extent of 20% for the micro enterprises sector **(para no.11)**.	RBI has informed that as per present guidelines, banks have been advised to earmark credit to MSE as follows: (a) 40 per cent of the total advances to micro and small enterprises sector should go to micro (manufacturing) enterprises having investment in plant and machinery up to Rs.5 lakh and micro (service) enterprises having investment in equipment upto Rs.2 lakh. (b) 20 per cent of the total advances to micro and small enterprises sector should go to micro (manufacturing) enterprises with investment in plant and machinery above Rs.5 lakh and up to Rs.25 lakh, and micro (Service) enterprises with investment in equipment above Rs.2 lakh and up to Rs.10 lakh.
4. Separate package for rehabilitation	RBI has informed that a Study Forum to

of sick MSEs in the State of Jammu & Kashmir **(para no.12)**.	Review Credit and other Related issues to Industrial Development in Jammu and Kashmir was set up in 2005 by them, consisting of members from banks, NABARD, SIDBI, entrepreneurs, State Government and Jammu & Kashmir Chambers as special invitees. Based on the findings of the Study Forum, certain concessions for industry have been worked out. In case any further relaxation is required on rehabilitation of sick MSEs, details of the concessions required may be submitted by the Associations to the Empowered Committee for the State of Jammu & Kashmir under the Chairmanship of Regional Director, RBI, Jammu.
5. Need to provide bridge loans in North-Eastern States by banks **(para no.13)**.	RBI has informed that the Committee on Financial Sector Plan for North-East Region headed by Smt. Usha Thorat, Dy. Governor, RBI had inter alia recommended that in the case of industry, banks should be sympathetic and not turn down any viable project for want of immovable property as collateral security. Further, the extant instructions on the subject contained in para 2.4.9 of DBOD Master Circular on Exposure Norms (DBOD.No.Dir.BC.19/ 13.03.00/2008-09 dated July 1, 2008) indicates the circumstances under which bridge loans can be granted, which will hold good for units anywhere in the country.
6. Need to ascertain coverage of additional accounts by the banks as per announcement made in the 'Policy Package for Stepping up Credit to Small and Medium Enterprises' and more focus by private sector banks on MSE sector **(para no.15)**.	**RBI has informed that as part of the SME Policy package, in order to increase the outreach of formal credit to the MSME sector, they have advised to all banks, including Private Sector Banks, to make concerted efforts to provide credit cover on an average to at least 5 new small/medium enterprises at each of their semi-urban/urban branches per year.**
7. Proper monitoring and grievance redressal system in each bank under the Regional Managers/Zonal Managers to have an assessment of client satisfaction, enhancing credit to MSE sector, increasing threshold limit under the SARFAESI Act and statutory	RBI has advised the banks to make customers grievance machinery more transparent and simplify the procedures for handling complaints and monitoring thereof. Regarding the threshold limit under the SARFAESI Act, Minister (MSME) vide his letter dated 11th June, 2008, had taken up

mechanism for rehabilitation of sick MSEs (**para no.18**).	the matter with the Finance Minister, requesting that the small borrowers should be provided an opportunity of OTS rather than taking a stringent recovery action under SARFAESI Act. Further, Secretary (MSME) vide his letter dated 8th October 2008 to Secretary (Financial Services) has again taken up the matter for appropriate action.
8. Mechanism for fixation of targets for lending with banks and targets fixed for 2008-09 in terms of share in NBC and status relating to the settlement approved under OTS Scheme for small & other enterprises (**para no. 21**).	RBI has informed that banks are fixing targets for lending based on their commercial judgement.
9. Flexibility in working capital limit to take care of the rising cost of raw materials (**para no. 24**).	RBI has informed that banks fix their own norms while sanctioning working capital based on their commercial judgement. However, they are generally open to having some flexibility in working capital limits to take care of the rising cost of raw materials in the interest of keeping the account healthy, for borrowers who maintain satisfactory accounts.
10. Relaxation in NPA norms and increasing the period for the account becoming NPA from 90 days to 180 days (**para no. 26**).	RBI has informed that it would not be feasible to grant sector-wise relaxations in respect of NPA norms. Normally, the banks take into account the working capital cycle (based on realistic assessments) to fix the due dates. The status of the account is decided only after 90 days from the due date.
1. More focus by SIDBI on SMEs rather than MSEs, absence of non-official Directors representing the MSEs sector on SIDBI's Board or on the Boards of SFCs and benefit to micro enterprises under the SIDBI's Risk Capital Fund (**para no.8**).	(i) SIDBI has informed that it was set up to act as the principal financial institution for the promotion, financing and development of industry in the small scale sector (presently for the MSME sector) and to co-ordinate the functions of the institutions engaged in similar activities. Support to the micro and small enterprises is given by way of refinance to banks/SFCs, and micro credit. The refinance portfolio to micro and small enterprises as on 31 March 2008 forms 68% of the total outstanding. Nine lakh units have been assisted through SIDBI's Refinance/Direct Finance. (ii) Moreover, the micro finance support is mainly for the micro enterprises. So far,

	around 50 lakh poor clients, mostly women, are estimated to have been benefited unde SIDBI's micro finance programme. (iii) Besides credit, the Bank also provides a number of promotional and developmental support to the MSE sector by way of: - Rural Industries Programme in more than 100 districts in 24 States, leading to setting up of almost 30,000 units providing employment to more than 1,00,000 persons. - Various training programmes including Entrepreneurship Development Programmes (EDPs) – around 4,300 trainings so far to more than 1,00,000 participants. (iv) At present, SIDBI has six non-official Directors, including an MSME entrepreneur, on its Board. (v) Providing assistance to micro enterprises would be under the operations of the Risk Capital Fund. Appropriate risk capital products are being structured for micro enterprises, keeping in view their profile, constitution and other aspects.
2. Poor functioning of JKSFC and its revival by SIDBI **(para no.12)**.	(i) SIDBI has informed that it had been providing financial support and revival initiatives to JKSFC, despite its poor financial health and continued default to SIDBI since 1990-91. (ii) In 1998, SIDBI provided a package of relief and concessions and continued to provide refinance support till 2006. However, JKSFC continued to default on SIDBI loan and in August 2007, SIDBI offered an OTS package envisaging payment of the entire principal outstanding in 3 instalments and waiver of entire interest outstanding including interest accrued. Despite the assurances given by the State Government to support the Corporation to settle the OTS dues of SIDBI, JKSFC could not make the payment of 1st instalment. Consequently, the OTS package was withdrawn on March 11, 2008. (iii) It may thus be noted that SIDBI has already taken the initiatives for revival of JKSFC, through package of relief and concessions/ OTS.
3. More direct financing by SIDBI to	SIDBI has informed that it has taken major

MSEs including in NER and visit of CMD, SIDBI to the regional office set up at Guwahati (para no.13 & 24).	initiatives with regard to providing finance to MSMEs in NER. The initiatives include: - As on March 31, 2008, SIDBI has provided financial support of Rs.302 crore to 14,490 units in NER. - To mitigate the problems faced by MSEs in the NER, SIDBI introduced a Small Loans Scheme for NER covering loan assistance upto Rs.2 lakh. Concessional rate of interest has been offered under this scheme, i.e., 2% below Bank's PLR. No collateral security is insisted upon. This scheme has been implemented in all the States of NER. - MSE Fund with a corpus of Rs.10 crore has been floated for NER where co-financing (with other scheduled commercial banks) for the loan assistance upto Rs.50 lakh is considered. SIDBI has agreed to take 25% share of term loan under this co-financing arrangement. Entire assistance is covered under CGTMSE and no collateral security is insisted upon. - Certain norms of CGTMSE have also been relaxed for NER, such as, higher coverage upto 80% as against 75% in other parts of the country and 50% reduction in one-time guarantee fee with a view to increasing the coverage under the scheme. - External rating requirement for loan assistance upto Rs.50 lakh under Micro Credit Scheme has been done away with to cover larger number of Micro Finance Institutions for increasing the outreach and helping poor of the Region.
4. Refinance to SFCs by SIDBI at lower rate to reach out to micro enterprises (para no.14).	SIDBI has informed that its refinance support to SFCs has always been extended at sub-PLR level. It may be noted that Memorandum of Understanding has been signed with 11 SFCs and all of them were extended refinance at most competitive rate of 7.50% p.a., from April 1, 2004 to March 31, 2007. However, in view of the hardening of interest rate in the market and consequent increase in the cost of borrowing by SIDBI, the refinance rate had to be recently revised upward to 9.50% (4.50% below SIDBI's PLR) for refinance upto 5 years period and 9.75%

	p.a. (4.25% below SIDBI's PLR), for refinance above 5 years.
5. Strengthening of SFCs, particularly, UPFC by SIDBI (para no.18).	(i) SIDBI has informed that in view of its unsatisfactory financial position, UPFC had started defaulting to SIDBI since May 2003. SIDBI offered a revival package in Nov. 2003 which could not be honoured by UPFC in full and another package was offered in July 2006, subject to the Corporation and the Government of U.P. signing an MoU with SIDBI. The tripartite MoU was executed on October 06, 2006. However, UPFC could not honour its commitments under the package/ MoU. (ii) As the financial position of the Corporation further deteriorated, the accumulated losses of UPFC stood at around Rs.848 crore and networth at around (-) Rs.649 crore as at end March 2007. (iii) Nonetheless, SIDBI again initiated fresh revival measure and offered a fresh restructuring package to UPFC during May 2007. The Corporation, however, failed to clear the overdue and as such the package could not be implemented. It was observed that recovery from accounts refinanced by SIDBI was being used by UPFC for servicing SLR/other liabilities which contravenes the covenants of the General Agreement and the provisions of SIDBI Act. (iv) With continued defaults by UPSFC, the account was classified as NPA in May 2007. (v) SIDBI has offered an OTS of UPFC's outstanding dues at the principal outstanding, waiving the entire interest, additional interest and other dues. So far, there is no response from GoUP/ UPFC in this regard. (vi) It may thus be seen that SIDBI has taken a number of initiatives for revival of UPFC. However, the Corporation has not been able to honour the terms of the revival/ OTS package due to lack of adequate support from the State Government.
6. Organizing programmes by SIDBI in close coordination with the State Directorate of Industries **(para no.19)**.	SIDBI has informed that necessary action has been initiated in this regard. SIDBI has written to the Secretary, Industries

	Department of all the States Governments to join hands to encourage schemes like Credit Guarantee Scheme, etc.
7. Need for SIDBI to undertake more direct financing of MSEs, large investment in bonds by SIDBI and amount of funds provided for such investment **(para no.20)**.	(i) SIDBI has informed that it is the principal financial institution for promoting, developing and financing of MSMEs in the country. It was primarily set up to provide adequate credit to MSMEs by ensuring the adequate resource flow to banks, SFCs, and other lenders of finance to MSMEs. Thus SIDBI has been given the primary role of refinancing and other promotional activities for development of MSMEs and not to duplicate the work of financing of MSMEs which can primarily be achieved through bank branches numbering over 65,000 and spread all over the country. SIDBI's efforts are to work with and through the existing banks branch network so that bankable projects emanating from the MSME sector are not denied credit. (ii) In order to ensure this aspect, SIDBI has been extending refinance, Line of Credit, resource support to banks, etc. and ensuring coordination and conducting promotional, awareness and developmental activities. (iii) Direct lending is being undertaken by SIDBI primarily where gaps exist, or in clusters. (iv) SIDBI has informed that out of the total Balance Sheet size of about Rs.24,000 crore as on March 31, 2008, SIDBI's investment in Bonds, including GoI securities, is only about Rs.600 crore, i.e., 2.5% of the total Balance Sheet size. It may be appreciated that such investments are common for any DFI to take care of the inflow and outflow of funds.
8. SIDBI's functioning as a full-fledged bank for the development of MSE sector **(para no.26)**.	The Ministry of Finance, Government of India had appointed a high-powered committee for suggesting measures relating to restructructring/ reorganisation of SIDBI. The committee has submitted its report to Ministry of Finance and the report is under examination. Minister (MSME) had taken up the matter with the Finance Minister for sharing the report with the Members of NBMSME.

9. Large investments in bonds by SIDBI.	SIDBI has informed that out of a total balance sheet of about Rs.24000 crore, as on March 31, 2008, investments in bonds by SIDBI, including Govt. of India Securities, is only about Rs.600 crore i.e., only 2.5% of the total balance sheet size.
10. (i) Benefits under Rajiv Gandhi Udyami Mitra Yojana (RGUMY) not reaching large sections of common people (ii) Meager assistance under the scheme for handholding	The Scheme (RGUMY) was launched in February 2008. Presently, the process of empanelment and training of Udyami Mitras is under way. More than sixty Udyami Mitra have already been empanelled and trained to provide handholding support to prospective entrepreneurs. Efforts are being made to further popularize the scheme. Considering the services to be rendered by Udyami Mitras, handholding charges payable to them are reasonable.
11. Insistence on security of Rs. 2.00 lakh from institutions to establish Entrepreneurship Development Centres (EDCs).	Presently, the Ministry of Micro, Small and Medium Enterprises does not have any Plan scheme relating to establishing Entrepreneurship Development Centres (EDCs). However, in order to bridge the gap in providing entrepreneurship training and organizing the entrepreneurship skill development programmes as also to encourage establishment of a large network of entrepreneurship development centres [EDCs] in Public Private Partnership Mode all over the country, the three national level Entrepreneurship Development Institutions under the Ministry, namely, NIESBUD, Noida; NIMSME, Hyderabad and IIE, Guwahati have launched the schemes for establishment of EDCs through partner institutions (PIs). The scheme of partner institutions provides for a refundable [non-interest bearing] security deposit of Rs.2.00 lakhs for general category institutions and Rs.1.00 lakhs for institutions classified under SC/ST category. As the three national level institutions would be providing the training curriculum, high quality training material including audio-video material, capacity building through training of PIs core faculty / trainers and would also arrange e-classes

	through video conferences and develop the training programmes including campus training, this refundable security deposit of Rs.2.00 lakhs for general category institutions and Rs.1.00 lakhs for SC/ST institutions seems to be just and fair.
Points relating to CGTMSE	
1. Inclusion of Tamil Nadu Industrial Investment Corporation (TIIC) as a member lending institution under the Credit Guarantee Scheme and low average loaning under the Scheme **(para no. 14)**.	(i) CGTMSE has informed that Board of Trustees of CGTMSE at its 30th meeting held on September, 12, 2008 has approved 'in principle' the proposal for inclusion of TIIC as a MLI under CGS. The matter is being referred to the settlers of the Trust for their approval. (ii) The average size of the credit covered under CGS has gone up from Rs.2.78 lakh as on March 31, 2008 to Rs.2.90 lakh as at August 31, 2008. All MLIs have been requested to increase the average size of the coverage.
2. Difficulties faced by women entrepreneurs in accessing adequate credit, discouragement for first generation entrepreneurs and non-coverage of information technology & bio-tech sector and not providing loans to entrepreneurs not having own land/premises under the Scheme **(para no.16)**.	CGTMSE has covered 26,582 proposals amounting to Rs.557 crore as on August 31, 2008 in respect of loans extended to women entrepreneurs. This constitutes 23% and 17% respectively of the overall coverage under CGS. Guarantee cover is being extended to all units engaged in manufacturing as well as service sector excluding retail trade.
3. Banks not getting good response under the Scheme and need to make it more flexible & hassle-free **(para no.19)**.	Operations under the Scheme has been simplified and made user friendly and hassle free.
4. Bank Difficulties faced by banks in realizing the claim from Credit Guarantee Fund Trust due to stringent norms for invocation of the guarantee under the Scheme **(para no.25 & 26)**.	The claim procedure has been streamlined and MLIs are able to realise their claim within 30 days from date of filing application. The claim settlement process is being further simplified and the Board at its meeting held on September 12, 2008 has approved the proposal for reducing the 'lock in period' to 18 months from 24 months. Sensitisation programme for operating level officers of MLIs are being conducted regularly.

AGENDA ITEM NO. 3: Issues of concern for Micro, Small and Medium Enterprises for deliberations by the Board:

3.1: Prime Minister's Employment Generation Programme (PMEGP)

Ministry of Micro, Small and Medium Enterprises (MoMSME) has launched a new credit linked subsidy programme called Prime Minister's Employment Generation Programme (PMEGP) on 61st anniversary of Indian Independence by merging the two schemes that were in operation till 31.03.2008 namely Prime Minister's Rojgar Yojana (PMRY) and Rural Employment Generation Programme (REGP) for generation of employment opportunities through establishment of micro enterprises in rural as well as urban areas. PMEGP will be a central sector scheme to be administered by Ministry of MSME.

The subsidy levels, the cost limit of projects or units that could be established under PMRY which was extended to rural areas as well in 1994-95, were quite low and unattractive compared to those available to the beneficiaries in REGP. While the maximum subsidy admissible was Rs.12500 and the maximum cost of the project that could be established was Rs.5 Lakh under PMRY, the maximum subsidy that was admissible was Rs.4 Lakh and the maximum cost of project that could be established was Rs.25 Lakhs under REGP for a beneficiary belonging to General category. There were more attractive programmes for creation of self employment opportunities being operated by many State Governments. Recovery rates of loans under PMRY were also considerably less than those under REGP. PMEGP improves upon the subsidy levels and cost limits of projects compared to those available so far under PMRY and ensures that the attractiveness of REGP is not diluted in any way while simultaneously strengthening the selection process, implementation and monitoring mechanism.

The subsidy levels under PMEGP are as under :

Categories of beneficiaries under PMEGP	Owner's contribution	Rate of subsidy	
		(of cost of project)	
Area		Urban	Rural
General	10%	15%	25%
Special (including SC/STs/OBCs/Minorities/ Women, Ex-servicemen, Physically Handicapped, NER, Hill and Border areas)	05%	25%	35%

The upper limit of the cost of project that could be set up in the manufacturing sector is Rs.25 Lakhs while that in the business/service sector is Rs.10 Lakh. There are no ceiling limits of annual income in respect of beneficiaries while a minimum educational qualification of VIII standard pass will be required for beneficiaries in respect of projects costing more than Rs.10 Lakhs in manufacturing sector and more than Rs.5 Lakhs in business / service sector. The beneficiaries would be identified, inter alia, with the help of Panchayats, Special Awareness Camps and will be provided with a mandatory Entrepreneurship Development Programme (EDP) training of a duration of two to three weeks. The scheme envisages electronic tracking of applications, 100 percent verification of projects/units that will be established and model project profiles have been updated in association with banks. The scheme will be implemented at the national level through Khadi and Village Industries Commission (KVIC), an organization created under an Act of Parliament reporting to MoMSME. The State-wise targets in respect of KVIC/KVIBs will be made available by KVIC to the State Level Bankers Coordination Committee (SLBCC) where the overall allocation of district-wise targets will be decided. The participating banks will disburse the same to the beneficiaries on receipt of applications and their own contribution 'upfront' in accordance with the guidelines of the scheme.

While KVIC has been given the overall responsibility for implementing PMEGP at the national level, it will directly do so in respect of the targets for rural areas through its State offices and State Khadi and Village Industries Boards (KVIBs). Implementation of PMEGP in urban areas and rural areas will be done through the State Governments {District Industries Centres(DICs)}. The newly introduced Rajiv Gandhi Udyami Mitra Yojana of MoMSME can also be tapped for providing handholding support to the beneficiaries under PMEGP.

Budget Estimates 2008-09 have provided Rs. 823 crore for PMEGP which includes Rs. 83 crore towards Backward and Forward linkages including EDP training, publicity, marketing support, e-tracking of applications, physical verification of projects and so on. An estimated 6.17 lakh additional employment opportunities are targeted to be generated in 2008-09. The estimated total outlay for subsidy under PMEGP is Rs. 4485 crore in addition to Rs. 250 crore earmarked for providing Backward and Forward linkages to the micro enterprises between 2008-09 to 2011-2012 leading to and estimated generation of around 37.38 lakh additional employment opportunities. The scheme will be got independently reviewed after two years of its implementation..

The detailed implementation guidelines of PMEGP have been issued to Chief Secretaries of all State Governments/Union Territories. These guidelines are also available on Ministry of MSME's website www.msme.gov.in

3.2 : National Manufacturing Competitiveness Programme (NMCP)

Enabling Global Competitiveness in the Indian Micro Small and Medium Sector is a major concern of the Government of India. To build the capacity of the Indian Micro, Small and Medium Manufacturing Enterprises (MSMEs) to take on competition in the world market and to face the challenges of the multi-nationals in the domestic markets, the Government of India have announced National Manufacturing Competitiveness Programme during the Budget of 2005-06 .The objective of NMCP is to ensure healthy growth of the MSME sector. The 10 Components of the programme will deal with Firm level Competitiveness against global challenges and it will be implemented in the public – private - partnership mode. The current status of implementation of NMCP Components is given below – the outline of the components are as follows:-

Component	Short Name	Current Status
1. Mini Tool Room	MTR	Guidelines will be on website shortly
2. Enabling Manufacturing Sector to be Competitive through Quality Management Standards and Quality Technology Tools	QMS/QTT	Operational/on the Website*
3. National Programme for Application of Lean Manufacturing	LEAN	Guidelines will be on website shortly
4. Building Awareness on Intellectual Property Rights	IPR	Operational/on the Website*
5. Support for Entrepreneurial and Managerial Development of MSMEs	INCUBATOR	Operational/on the Website*
6. Marketing Support / Assistance to MSMEs	BAR CODE	Operational/on the Website*
7. Energy Efficiency and Quality Certification Support for MSMEs	ENERGY	At the final stage of approval
8. Marketing Assistance for SMEs and Technology Upgradation Activities	MARKETING	At consultation/ DPR stage
9. Promotion of ICT in Indian Manufacturing Sector	ICT	At consultation / DPR stage
10. Design Clinic Scheme to bring Design expertise to the Manufacturing sector	DESIGN	At consultation / DPR stage

* www.dcmsme.gov.in /schemes/nmcp_scm.htm

3.2.1 : Setting Up Of New Mini Tool Rooms Under PPP Mode

Ministry of MSME, Government of India is implementing the scheme "Setting up of New Mini Tool Rooms under PPP Mode", by providing financial assistance to Private Partners/States/State Agencies during XI plan. The Tool Room facilities are the backbone of manufacturing sector as they create dies, tools, moulds, jigs, fixtures, gauges and precision components without which the production units cannot operate at all.

The objective of the scheme is to develop more tool room facilities for technological support to MSMEs, by creating capacities in the private sector for designing and manufacturing quality tools and also to provide training facilities in the related areas.

The best option under the scheme is in PPP mode. It is open to Industry Associations, NGOs, Societies, Firms, Companies and Individuals and would be supported to the extent of 40% of project cost in form of Viability Gap Funding (VGF) limited to Rs. 9 crore maximum. This provides excellent opportunity to MSME Associations to create "Mini Tool Rooms" as per the needs of their member MSMEs.

In the first phase, Infrastructure Leasing & Financial Services Ltd. was engaged as Transaction Adviser to formulate Implementation framework, Guidelines, Legal documents etc. The detailed guidelines for the scheme is placed on the website of DC(MSME) i.e. www.dcmsme.gov.in .

The second phase involves implementation of the scheme. Transaction Adviser (TA) is being appointed to facilitate implementation of the scheme. The TA will assist in sensitisation of stakeholders at pre-identified locations, preparation of customized RFP & MoA, responding to clarifications of bidders, evaluation of bids & submission of recommendations to Project Monitoring Committee, periodical monitoring of the project etc.

As part of implementation of this Component of NMCP, MSME Tool Rooms are identifying potential project locations and developing customised Detailed Project Reports defining the broad contours of the projects.

Associations are also invited to give their suggestions. The Request for Proposals (RFP) would be invited after finalisation of above.

Wherever this PPP model explained above is not possible / workable, the following 2 alternate models could be considered:

2nd best option – Mini Tool Rooms may be promoted and implemented by SPVs set up by State Governments in partnership with Private partners. The Government of India financial assistance under the model would be 90% of the cost of machinery and equipments, restricted to Rs. 9.00 crore.

3rd best option – Mini Tool Rooms may be promoted and implemented by State Governments or State Government Agencies. The Government of India financial assistance under the model would be 90% of the cost of machinery and equipments, restricted to Rs. 9.00 crore.

The Government of India has made a provision of Rs. 135 crore for this project for setting up 15 Mini Tool Rooms during XI Plan. The detailed guidelines for the schemes are placed on the website of DC(MSME) i.e. www.dcmsme.gov.in.

For further details contact Nodal Officer –

Shri R.K.Rai, Dy. Director, Tel.No.23062561, E-mail: rk.rai@nic.in

3.2.2 : Quality Management System / Quality Technology Tools (QMS/QTT)

Quality is a major challenge for the MSME sector. Many Consumers perceive that the products of the Micro and Small Enterprises are poor in quality. At the same time, many are not ready to pay more for better products of MSME sector. Several MSE entrepreneurs also consider quality upgradation measures as additional costs which can be avoided to remain price competitive. As a result, the MSME manufacturers do not appear to go beyond the 'low cost- low quality' cycle. The QMS/QTT component of NMCP focuses on breaking this cycle, by supporting the introduction of Quality Management Systems and Quality Tools in the MSME sector.

This Scheme will support setting up of Quality Systems conforming to international standards like ISO 9000, ISO 14000 by MSMEs. The Establishment of such Quality Systems will assure uniformity in the product quality, i.e., properties, appearances and serviccability of the products which are important to the users/consumers. They also enhance the marketability of the product by increasing consumer confidence. There are also some quality systems or standards like 'C E' without which a product cannot be sold in the developed markets of Europe.

To explain the very need of installing Quality Systems, under QMS/QTT scheme, 100 Awareness Programmes will be conducted all over the country every year. In 2008-09, 50% of these Awareness Programmes will be done by the Quality Council of India and 50% by the organisations under DC(MSME), in collaboration with the National, Regional, Sectoral and Cluster-based Associations of MSMEs. The purpose is to make the Micro, Small and Medium Entrepreneurs aware about the need for installing quality systems in their enterprises, the requirements for installing such systems and the various tools available for enhancing and maintaining the product quality. These programmes are to be conducted in the Clusters/Industrial areas to ensure maximum participation and direct reference. These programmes will be conducted by Certified Quality Consultants, whose cost will be borne by the Government. Associations may take care of the venue and other arrangements. Again, keeping in view the different levels of requirements of the top managements and the shop floor supervisors, separate programmes will be organised. While the programmes for the Owner/CEOs will give a broad outlook about Quality Systems, the Supervisors will be trained in using Quality Tools like 5S, Kaizen, etc., which will immediately help them in enhancing product quality.

Implementation of Quality Systems involves cost. While entrepreneurs are often ready to invest in the equipments, testing facilities etc., they think that the services of a Quality Consultant is not necessary. The result is an incomplete Quality System, which do not help in enhancing quality. To help the MSMEs in implementing a effective Quality System, the Government will support the services of Quality Consultants to cover 100 selected MSME per year, upto Rs.

2.5 lakh per unit, 25% of this cost will be collected from participating Micro Enterprises. In the case of SMEs their contribution has to be 50%. While, ideally, the MSMEs to be supported are to be selected during the Awareness Campaign, individual units are welcome to apply as per the details given in DC(MSME)'s website.

Many products that were earlier reserved for the SSI sector are now open for the large industries and freer import policies also mean that cheaper goods, from abroad, have easier access. To support the MSMEs in reviving the products threatened from imports, a 'Competition Watch' component has been made a part of QMS / QTT. Selected products will be chosen up every year where the Indian MSMEs are under strain and threat in the marketplace. A step by step, process has been devised to first study in detail such products vis-à-vis global competitors; then benchmark the appropriate method of revival and finally try these out the same in the relevant industry clusters. Proposals are being invited from the MSME Associations for selection of "Threatened Products" for revival.

There are other elements in the scheme for training of ITI students in QMS/QTT, development of a training syllabus on quality technology tools., deputation of international study missions and delegations to global quality leaders etc., the details of which are available in the Website of DC (MSME).

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3.2.3 : Lean Manufacturing Programme For MSMEs

The principles of Lean Manufacturing can help reduce manufacturing costs siginificantly by improving labour use, decreasing inventories, reducing manufacturing order to shipment cycle times and increasing capacities without incurring substantial capital expenditure. With the elimination of non-value added activities, it helps firms to produce more with the same resources. Lean

Manufacturing involves applying simple techniques to identify, eliminate and streamline a system. The focus is on making the entire process flow, not improving only a few operations. Worker empowerment is also emphasised throughout this effort.

Under the Lean Manufacturing Programme, MSMEs will be assisted in reducing their manufacturing costs, through proper personnel management, better space utilization, scientific inventory management, improved processed flows, reduced engineering time and so on. The Lean Manufacturing Techniques are thus the highest form of Quality and Cost Management. They have been tried out successfully in global leaders in manufacturing, like Toyota, and has yielded very good results.

The experienced and effective Lean Manufacturing Counsellors or Consultants(LMC) are not easily available and are expensive to engage — hence Government proposes to bear much of this cost, in order to help MSMEs under this prorgamme. Government would also support awareness programmes. This scheme is meant for those micro, small and medium enterprises that have already introduced some measure of quality systems and now feel they are ready to move to the next higher step. The Quality Council of India has identified Consultants/Counsellors who are capable of taking up 'Lean Management' for MSMEs. QCI has also identified organisations that are similarly capable of LM Consultancy.

At the bottom level, we require groups of 10 MSMEs engaged in the manufacture of the same or similar products, located within 'Mini Clusters', i.e., within a compact area, so that the LM Consultant does not have to shuttle around too much. This would facilitate the LM Consultant to organise these MSMEs for group counselling at short notice whenever required. These 10 willing MSMEs have to form a Special Purpose Vehicle (SPV) and apply under this programme to the DC (MSME) through an Industry Association. This Association could be in fact two – one at the Mini Cluster level and the other at the Regional or National level and their understanding of the programme and their inter-se responsibilities must also be clearly worked out. One of these Associations would be termed as 'Implementing Authority' and Government assistance would be channelled to it.

The LM Consultant who is attached to the Mini Cluster of 10 units would be paid up to Rs. 2 lakh per month, based on his capabilities, willingness and knowledge of the Mini Cluster / SPV. As the Government assistance is to last for one year only, the maximum annual fees for the Consultant could be Rs. 24 lakh. Besides, the Industry Association that acts as the 'Implementing Authority' would also be entitled to receive a maximum support of Rs. 8 lakh during the same year, which brings the total maximum cost per Lean Manufacturing Mini Cluster to Rs. 32 lakh. This support to the 'Implementing Authority'is meant for defraying the cost of a Project Management Unit at the Mini Cluster level, which would necessarily mean the engagement of a qualified engineer and at least one person to assist him. This Mini Cluster level Project Management Unit is to ensure that the decisions arrived at by the members of the SPV and the Consultant are adhered to and implemented to the extent possible, through constant monitoring.

Out of the maximum expenditure of Rs. 32 lakh for one year, only per mini cluster the 10 participating units are expected to contribute at least 20%, i.e. Rs. 6.4 lakh. Government is to contribute the remaining 80% — all for one year only, provided the SPV is willing to carry on the programme from its own funds / members' contribution for the next year, if not for the third year. Worldwide, it has been the experience that once Lean Manufacturing is accepted seriously by enterprises/industries, they derive several benefits which lead to the reduction of costs. Thus, they recoup their investment in engaging LM Consultants and get long term gains, which often exceed their investment in Lean Manufacturing by several times over.

The entire LM programme would be monitored by the outsourced / non-government body that would be called the National Monitoring & Implementing Unit (NMIU). This NMIU would establish IT connectivity with all the Mini Clusters and would be monitoring the activities, programmes, success levels, expenditure, output, etc. of each Mini Cluster — so as to report to DC-MSME and the Steering Committee.

We see therefore a 4-level structure of the programme, i.e.:-

1. The 10 MSMEs forming the Mini Cluster / SPV;
2. The Implementing Agency;
3. The Lean Manufacturing Counsellor; and
4. The National Monitoring and Implementing Unit (NMIU).

Based on the feedback and success in first 100 mini-clusters, the programme could be extended to many other clusters during XI plan period.

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3.2.4 : Support For Entrepreneurial And Managerial Development Of MSMEs Through Incubators

The main objective of the scheme is to promote emerging technological and knowledge-based innovative ventures that seek the nurturing of ideas from professionals beyond the traditional activities of Micro, Small & Medium Enterprises (MSMEs). Such entrepreneurial ideas have to be fostered and developed in a supportive environment before they become attractive for venture capital. Hence the need arises for incubation centres: to promote and support untapped creativity of individual innovators and to assist them to become technology based entrepreneurs. It also seeks to promote networking and forging of linkages with other constituents of the innovation chain for commercialisation of their developments. This initiative is now being taken up by the Ministry of MSME – the nodal Ministry for the development of entrepreneurship and creation of self-employment and more employment avenues.

Under this scheme, 100 "Business Incubators" (BIs) are to be set up under Technology (Host) Institutions over the next 4 years [@ say 25 per year] and each BI is expected to help the incubation of about 10 new ideas or units. For this service, which includes the provision of laboratory/workshop facilities and other assistance/guidance to young innovators, each BI will be given between Rs.4 lakh and Rs.8 lakh per idea/unit nurtured by them, limited to a total of Rs.62.5 lakh for the ten. In addition, each BI or each Host Institution may get Rs. 4 lakhs per B I for supporting activities. The details of the Scheme are available in the Website of DC (MSME).

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3.2.5 : Building Awareness On Intellectual Property Rights (IPR)

Under the IPR component MSMEs will be assisted in protecting individual/ locational / Cluster based intellectual properties – unique knowledge in simple terms – by various legal means. Besides providing support for registration of patents for individual innovations/inventions, the most important support from the scheme will come as Intellectual Property Facilitation Centres (IPFC). To be established by the Industry Associations/Engineering Colleges/R&D Establishments etc., the IPFCs will be the single point source for all IPR related information.

To set up these Centres, the Government will provide hardware like computers etc. and also the cost of the required softwares, to enable for world-wide searching of latest development schemes like technology/manufacturing processes. Govt. of India will provide a total financial support upto Rs. 65.00 lakh each for establishing these centres, which will include one time grant of Rs. 45.00 lakh for and Rs. 18.00 lakh as recurring expenses for 3 years. The recurring expenses will be provided in the ratio of 75% , 60% and 30% over a period of 3 years (within an overall ceiling of Rs.18.00 lakh), and the remaining expenses will have to be met by the implementing agency/ users body through 'users charges'. A provision of Rs. 2.00 lakh will be made towards contingencies and other miscellaneous charges.

Support for registration of Geographical Indications is another important component of the scheme. Unique methods of production are used by MSME Clusters, which are neither documented nor safeguarded. The Agarbatti industry of Bangalore, Wet Grinder Industry of Coimbatore, Foundries of Howrah and Agra, in short all important clusters of Indian MSMEs are reservoir of rich intellectual properties. If not properly protected, they can easily travel the boundaries of India and replicated in much larger scale making the Indian clusters uncompetitive and unviable. Under the IPR scheme of NMCP, such Cluster based knowledge will be protected by registration of Geographical Indications(G I). Under G I specialised knowledge of a Cluster/location will be registered for exclusive use by Enterprises located in that location only. For example, the exquisite designs of Kullu shawls can only be produced by the weavers of Kullu as the product is registered as "Kullu Shawl" under G I.

The scheme has also provision for subsidising individual Patent registration, organising of training programmes, Awareness Programmes etc. which can also be popularised by the MSME Associations. The details of the Scheme are available in the Website of DC (MSME).

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3.2.6 Support For Continuation Of Bar Code Registration

As we all know, BAR CODES are alternate white and black strips on a label put on packaged products for their identification. Bar Codes help in computerised stock management, billing, orders processing etc. It has become essential for large retailers for quick flow of goods and orders. Adoption of Bar

Codes will be of immense help for MSMEs for supplying products to large retailers and for export. For availing the facility of Bar Codes, the manufacturers has to registered with GS-1 India, the competent agency. Under a different scheme of this office, the MSMEs are provided subsidy for registration with GS-I. Under the Bar Code component of NMCP, the registered MSMEs will be provided subsidy for renewal of Bar Code Registration, for three years, to the extent of 75% of the annual fee (maximum Rs.3750/-).

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3.2.7 - Energy, Design, ICT & Marketing

Under the above components of NMCP proposed by National Manufacturing competitiveness Commission (NMCC), MSMEs will be provided support for energy conservation, product registration under National & International Quality Standards, Development/Upgradation of Designs, use of Information and Communication Tools for enhancing competitiveness and upscaling of marketing techniques. The components are under various stages of approval and will be put on the Website of DC (MSME) as and when finalised.