

GUIDELINES
FOR
Implementation of NMCP Component
on
“Enabling Manufacturing Sector be
Competitive through Quality
Management Standards and Quality
Technology Tools”
[QMS/QTT]

GOVERNMENT OF INDIA

MINISTRY OF MICRO, SMALL & MEDIUM ENTERPRISES

OFFICE OF THE DEVELOPMENT COMMISSIONER (MSME)

NIRMAN BHAVAN,

NEW DELHI-110108

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SCHEME

For

“Enabling Manufacturing Sector be Competitive through Quality Management Standards and Quality Technology Tools”

1. BACKGROUND

World over, micro and small enterprises (MSEs) are recognized as an important constituent of the national economies, contributing significantly to employment expansion and poverty alleviation. Recognizing the importance of micro and small enterprises, which forms an important segment of the Indian economy, for its contribution to country's industrial production, exports, employment and creation of entrepreneurial base, the Central and State Governments have been implementing several schemes and programmes for their promotion and development. Among the six basic principles of governance underlying the National Common Minimum Programme (NCMP) of the Government, "Sustained economic growth in a manner that generates employment" has a pride of place. The NCMP also describes the small-scale industries sector as "the most employment-intensive segment."

1.2 It has been ascertained that by implementing Quality Technology Tools (QTT), like 6-Sigma, TQM, TPM (Details at Annex-1) in certain sectors or group of industries in the micro and small sector, the performance of the industries have improved substantially in terms of productivity (Confederation of Indian Industries, Quality Council of India, etc have reported improvement by 50 to 100 percent in one year), improvement in quality (up to Parts Per Million level), and reduction of rejections and customers complaints (by 50% in one and half years' duration). Similarly, adoption of Quality Management Systems (QMS) like ISO-9000/18000/22000, etc, by MSMEs have also shown improved performance. It is

therefore essential for the MSMEs to adopt the best manufacturing practices to enable them to be competitive in the current scenario of global competition.

1.3 Finance Minister's Budget speech of 2005-06 specially mentions, "Worldwide, it is manufacturing that has driven growth. In order to revive the manufacturing sector, particularly small and medium enterprises and to enable them to adjust to the competitive pressure caused by liberalization and moderation of tariff rates, new scheme is proposed to be launched that will help them strengthen their operations and sharpen their competitiveness. The design of the scheme has been worked out by the National Manufacturing Competitiveness Council (NMCC) in consultation with the Industry." The Finance Minister's speech of 2006-07 states "NMCC along with relevant stake-holders like the Ministry of MSME has conceptualized and finalized the components of the programme incorporating suitable inputs from the stakeholders." Accordingly, the draft EFC note was circulated to various ministries/organisations and the same was approved in the EFC meeting held on 15-10-2007 under the chairmanship of Secretary (MSME)

1.4 This component of the scheme of National Manufacturing Competitiveness Council (NMCC) envisages Micro & Small Enterprises to understand and adopt the latest Quality Management Standards (QMS) and Quality Technology Tools (QTTs) so as to become more competitive and produce better quality products, at competitive prices. The adoption of these tools will enable MSEs to achieve:

- i) Efficient use of resources
- ii) Improvement in product quality

- iii) Reduction in rejection and re-work in the course of manufacturing
- iv) Reduction in building up inventory at the various stages in the form of raw materials, work-in-progress, finished components, finished products etc.

This will also enable the MSEs to enter into or strengthen their position in the export market.

1.5 The Competition Watch sub-component of this scheme will enable Indian MSE, to understand the latest foreign products based on emerging technologies that are penetrating in the Indian market. [\[Top\]](#)

2. OBJECTIVE

2.1 The main objective of the scheme is to sensitize and encourage MSEs to adopt latest QMS and QTT and to keep a watch on sectoral developments by undertaking the stated activities.

3. MAJOR ACTIVITIES: -

3.1 INTRODUCTION OF APPROPRIATE COURSE MODULES FOR TECHNICAL INSTITUTIONS

3.1.1 This activity entails the development and introduction of training course modules in technologies like 6 Sigma tools, 5s, Kaizen tools, etc, at ITI and Diploma- level courses. Currently these courses are not available in these institutions and as a result industries have to spend lot of time and effort to retrain the students passing out from these institutions. By implementing this activity, it is expected that trained

manpower will be made available to micro and small enterprises in the field of QMS/QTT. It is proposed to cover about 1800 ITIs and Polytechnics in four years of the XI plan. The selection of the technical institutes will be done in consultation with DGET and other stakeholders.

3.1.2 The following sub-activities are proposed under the scheme:

- Study the gap analysis
- Develop Training Materials Kit
- Train 80 Master Trainers
- Identify ITIs/Polytechnics
- Organise 5-days' Training in selected ITIs/Polytechnics
- Engage Consultants/Experts (through the Quality Council of India & other expert organisation as per annex-c)
- Introduce International Training/Best Practices Studies
- Conduct Workshop at Metros
- Organise National Workshop in Delhi
- Take up Any other relevant activity as decided by the Monitoring & Advisory Committee.

3.1.3 This activity may be outsourced to the Quality Council of India (an autonomous body under DIPP), which is an apex national body on quality-related issues, or to other competent organisations having expertise in QMS/QTT. QCI has been assigned the task of monitoring and administering the National Quality Campaign and to oversee effective

functioning of the National Information and Enquiry Services and Indian Institute of Quality Management.

- 3.1.4 **Mode of Operation:** By engaging National/International consultants through experts organisations like Quality Council of India & Indian Institutes of Quality Management, etc, as given herein after.

3.1.5 FINANCING PATTERN:

a) Activities wise break-up of Expenditure:

SL.No.	Activity	Expenditure/yr in Lakh
1.	Conducting of 4 Workshops of 2 days duration at Metros	Rs. 16
2.	Identify list of 80 trainers who will undergo the "Train-the-Trainer" course	Rs.2.0
3.	Developing master course material training kit for training of the trainers by hiring of Consultants/ International experts, fee of QCI (15%) & contingency charges (5%) etc.	Rs. 85
4.	Days Training Courses for ITIs /Polytechnics at 1800 Institutions	Rs.216
5.	Tracking and sourcing the best practices from the World class training institutes in the field of QMS/QTT by sending delegations consisting of faculty members from ITIs, other technical institutions and industry associations active in this field, etc. (It includes International travels, stay expenses and faculty expenses (which will be incurred towards holding interactive meetings with experts of the country visited)	Rs. 100
6.	National level workshop at Delhi (It includes Rs. 5.0 lakh for the workshop and Rs. 1.0 lakh on documentation)	Rs. 6.00
	Total	Rs= 425 Lakh/yr

b) **Budget outlay (Rs.in Lakh/per year):**

	GoI	P
2007-08	: 10	*
2008-09 and 2011-12	: 425	*

(GOI-Government of India Contribution, P—Private Contribution)

*This is a developmental activity focused at capacity building of Technical Institutions like ITIs and polytechnics, etc.

Remarks: In the year 2007-08, only part of the activity for developing few master course material kit for training of trainers will be undertaken at the cost of Rs. 10 lakh only subject to approval of the scheme. Full scale activity will be undertaken from 2008-09 & onwards as per details given above.

3.2 ORGANIZING AWARENESS CAMPAIGNS FOR MICRO AND SMALL ENTERPRISES :

3.2.1 Awareness Campaigns to sensitize Micro and Small Enterprises on Quality Management Standards/Quality Technology Tools will be undertaken all over the country in order to enable the technical and managerial officials of the micro and small industries and students from ITIs etc. to have a better understanding of the subject. Shop-floor wise campaigns are being planned in target industries all over the country.

3.2.2 The Sub-activities to be undertaken are:-

- a) Organising Countrywide Quality Orientation Campaigns for shop floor workers of micro and small enterprises and

- b) Session with Experts to explain Quality Technology Tools and different Quality Management Standards to micro and small enterprises.

3.2.3 Mode of Operation: This activity will be carried out through expert organisation (As per details in annexure-C) and Industry associations having sufficient expertise and who are active in this field, etc @ Rs. 1.25 lakh per programme, 100 programmes per year will be conducted.

3.2.4 FINANCING PATTERN:

a) **Budget Outlay (Rs in Lakh/per year)**

		GoI	P
2007-08	:	NIL	NIL
2008-09 and 2011-12	:	79	46

Remarks:

25% & 50% of the cost will be collected from participating Micro & SMEs respectively.

3.3 ORGANISING COMPETITION –WATCH(C-WATCH)

3.3.1

- a) The MSME sector has been receiving severe threats from mass-produced or better-quality foreign goods and part of the sector has managed to survive by catering to an ever-expanding domestic market, The sector has been partially successful in fending off some of the foreign MSE products by improving own competitiveness and quality. After liberalization and the removal of the earlier protectionist regime, Indian industry has been exposed to severe challenges of competitiveness, but nowhere it is more pronounced than the MSE sector. Large and medium Indian companies have learnt to live with liberalization and often

- outsource much of their production, components and sub-assemblies from other countries – on the principle that in economics it is survival and bottomlines that matter, not any misplaced 'localism'.
- b) On the other hand, Indian micro and small enterprises, most of which are rather insular in their approach and marketing, realize the severity of foreign competition only when they are wiped off or put to really severe strain to survive. It is at this juncture that they expect their government to help them stand up to competition—which is often not quite fair.
 - c) When foreign goods started flooding the market and Indian MSEs were being adversely affected or being liquidated, the Office of the Development Commissioner (MSME) tried to respond with several innovative schemes and Programmes and other focused schemes on Technology Upgradation Support, Quality Control and Cluster Development.
 - d) While certain foreign companies carry out well-planned and very precise sectoral “market penetration” strategies, the response of Indian MSMEs still continues to be ad hoc—with little signs of any coordinated approach. Under this scheme, it is intended to go in for a well-planned sectoral mapping, so as to develop specific “sectoral strategies”.
 - e) The C-Watch scheme is to facilitate upgradation of our manufacturing process through systematic information on product development, production technology, market trends and quality conformity essential for sustained competitiveness, against import threats.

3.3.2 It is proposed to develop a database on at least two products (per year) as well as to acquire samples and literature for

keeping track of emerging technologies and to disseminate information to the Micro and Small Enterprises.

The sub-activities are:

- Systematic/Organized study on Specific Products of other competing Economies by monitoring their production centers, markets and exhibitions etc.
- Analyze Products/Designs of Competitors, procured while undertaking Technical Exposure visits, on cost sharing basis.
- Detailed Design Analysis/ Engineering
- Product Development in 2 Sectors per year based on emerging technologies.

It is proposed to implement the last, component in collaboration with institutions like IITs/NITs/CEERI/TERI/IREDA/ETDC etc. The sectors and venue of the technical exposure visits will be decided by the Monitoring and Advisory Committee.

3.3.3. Mode of Operation:

Activity 1: Conduct a 'Professional Study' on the specifics of the 'threatened product', which is to be done through a competent agency that may even make a reconnaissance, if required.

GoI Contribution: Rs. 2.5 lakh

Private Contribution: Rs. 2.5 lakh

Activity 2: Technical exposure visit by representatives of the 'threatened product', along with technical persons (not less than 10 members from different places and institutions) on cost-sharing basis with 75:25 Government/Private contributions (numbers, duration, travel costs, hotel stay and other details are all part of the package).

GoI Contribution: Rs. 7.5 lakh

Private Contribution: Rs. 2.5 lakh

Activity 3: Procurement of samples and technical details

GoI Contribution Rs. 2.5 Lakh

Private Contribution: Rs. 2.5 lakh

Activity 4: Product development by technical bodies.

GoI Contribution: Rs. 5 lakh

Private Contribution: Rs. 3 lakh

Activity 5: Popularization of improved product.

GoI Contribution: Rs.1.5 lakh

Private Contribution: Rs. 0.5 lakh.

3.3.4 FINANCING PATTERN:

a) **Budget Outlay (Rs./Lakh/per year):**

		GoI	P
2007-08	:	NIL	NIL
2008-09 and 2011-12	:	38	22

(To cover 2 sectors per year. Transfer of funds from one activity to another may be permitted)

3.4 IMPLEMENTATION OF QUALITY MANAGEMENT STANDARDS AND QUALITY TECHNOLOGY TOOLS IN SELECTED MICRO AND SMALL ENTERPRISES

3.4.1 As a part of Competition Watch(C-Watch) strategy as described in the previous pages, it is proposed to strengthen MSEs by building competitiveness through groups of selected MSEs. 100 MSEs per year will be selected in the threatened" products and assisted in implementing appropriate QMS/QTT. The selection process would be through open invitation and short-listing at or after the Awareness Programmes.

3.4.2 The following sub-activities are proposed:

- Groups are to be formed from “threatened product groups which are being flooded by imports, such as Electrical/Electronics Goods, Decorative/Gift items, Festival Items, Ceramic Tiles, Articles of Iron and Steel, Paper and Articles, etc.
- Diagnostic Studies are to be conducted on MSEs clusters to ascertain the appropriate QTT/QMS to be implemented.
- Introduce Quality Management Systems/Quality Technology Tools in 100 selected Micro and Small Enterprises per year for demonstration purposes through expert organisations (as per details given in annexure-C).

3.4.3 Mode of Operation: 100 MSMEs would be assisted @ Rs. 2.5 lakh/ unit for covering costs of Diagnostic Study and for implementation of Quality Technology Tools/Quality Management Systems in selected groups of MSMEs through expert organisation/industry associations having expertise and interest.

Remarks:

25% & 50% of the cost will be collected from participating Micro & SMEs respectively.

FINANCING PATTERN:

a) Budget Outlay (Rs.in Lakh/per year)

		GoI	P
2007-08	:	NIL	NIL
2008-09 and 2011-12	:	156	94

3.5 MONITORING INTERNATIONAL STUDY MISSIONS

3.5.1 To appreciate in details the Quality Management Standards and Quality Technology Tools that have been adopted by specific developed countries in specific products and enterprises, visits to quality award winning enterprises and events abroad will be undertaken by selected Indian MSEs. This will motivate the micro and small enterprises to adopt QMS/QTT. The international studies and exposure tours will be offered to eligible micro and small enterprises on cost-sharing basis and establishing of a sub committee to constantly monitor QMS/QTT of different advance/importing countries. This will be achieved by undertaking following activities: -

3.5.2

- Depute One Micro and Small Enterprises Mission per year abroad for Interactive Training and Site Visits to Targeted Award Wining Organizations.
- Depute One Micro and Small Enterprises team per year to International events for first-hand study of Advanced Quality Mgt. Systems & Tools.
- It is proposed to implement this activity in association with expert organisations, like Indian Institute of Quality Management (IIQM), QCI, NPC, etc.
- The exhibitions and organisations to be visited will be decided by the Monitoring & Advisory Committee.

3.5.3 Mode of Operation: Two delegation consisting of 20 members from MSMEs will be taken every year to National International Award winning Organization/ and International Events through expert organisations @ 2.5 lakh per MSME (As per details given in annexure-C).

3.5.4 FINANCING PATTERN:

a) Budget Outlay (Rs.in Lakh/per year)

		GoI	P
2007-08	:	NIL	NIL
2008-09 and 2011-12	:	62.5	37.5

Remarks:

1. 25% & 50% of the cost will be collected from participating Micro & SMEs respectively.
2. 50% participation from Micro & 50% from Small Enterprises.

3.6 IMPACT STUDY OF THE INITIATIVES

3.6.1 It is an accepted practice that Plan, Do, Check & Act –Cycle be adopted to achieve best results. In all the schemes there will be a provision to check the performance by mid term appraisal, to review and correct the activities. In order to assess the impact of the various initiatives started under the scheme it will be necessary to conduct research studies / impact studies on the performance of the Micro and Small Enterprises.

3.6.2 Mode of Operation: Research studies for continuous monitoring & evaluation of the scheme, impact studies for taking corrective steps for effectiveness of the scheme, administrative cost inclusive of cost of hiring Data Entry operators & outsourcing etc.

3.6.3 Financing pattern:

Budget Outlay (Rs.in Lakh/per year)

		GoI	P
2007-08	:	NIL	NIL
2008-09 and 2011-12	:	40	*

* This component is meant for impact studies of the scheme in order to take corrective steps for effectiveness of the scheme, miscellaneous expenses like outsourcing, hiring of data entry operators, etc. [\[Top\]](#)

4. TARGET GROUP

4.1 The Cluster-based approach will be adopted for economy of scale, better dissemination of QMS/QTT and best results. However, individual units (preferably from specific products, in groups) may also be considered under the Scheme. Micro and small enterprises will be selected from the clusters under study or intervention by this Ministry and clusters identified by other Organizations and Ministries also. Publicity of the Scheme will be done through internet, e-mails, cluster SPVs, industry associations and where affordable by advertisements in leading newspapers. Applications thus invited will be short listed and the final selection of the units will be done by the Monitoring & Advisory (MA) Committee.

5. QUALIFICATIONS REQUIRED FOR APPLYING/ELIGIBILITY

- a) Where individual units are to be the beneficiaries, Micro and small enterprises having Entrepreneurs Memorandum (E.M. No.) and considered eligible to take benefit under the Scheme or specific activities would be considered as in Activity No....3.2, 3.4 and 3.5.
- b) Wherever organizations are to be the beneficiaries they would be eligible if they are engaged in current activities for at least last 2 years and have a good track record. However, relaxation in this respect may be considered by the M.A Committee in exceptional cases, as in Activity No... 3.2, 3.3., 3.4 and 3.5.
- c) The applicant organisation should have regular audited accounts for the past 2 years.

- d) All attempts will be taken to ensure that 50% of the enterprises are selected from micro sector and 50% from small sector. However, spillover from one sector to another may be considered, if sufficient numbers of enterprises are not available in a particular sector and funds permit. [\[Top\]](#)

Other Conditions:

- e) Financial assistance to any one organisation or association would normally be restricted to two events in a financial year, unless it has active state or regional chapters or hubs. The Committee may, however, recommend relaxation of this condition for reasons to be recorded.
- f) For the same event, not more than one organisation shall normally be sponsored unless it has active state or regional chapters or hubs.
- g) All publicity material, banners and reports relating to the event should indicate the support of the Ministry.
- h) The Ministry may be represented in the delegation if it has an appropriate technical and active relation with the product/ sector and it helps “anchoring” of the information/ knowledge.
- i) Any such other qualification that specific activity may require.

6. SELECTION PROCEDURE:

- a. All Micro and Small Enterprises meeting the criteria laid down (As described under Point No.5) will be eligible to take benefit under the scheme.
- b. The final selection of the clusters /Micro and Small Enterprises will be done by the evaluation and monitoring committee. [\[Top\]](#)

7. IMPLEMENTING AGENCIES

The Scheme will be implemented by office of Development Commissioner (MSME) by involving expert Organisations or by using in-house expertise wherever available. The Expert Institutions/Organizations (As per details given in annexure-C) may be engaged for the implementation of the Scheme.

8. DOCUMENTS THAT HAVE TO BE ENCLOSED WITH APPLICATION.

All eligible micro and small enterprises should submit their Application in the prescribed Performa (Annexure-B) along with following documents:-

- a) An undertaking to contribute 25% or 50% of the total cost as applicable to the unit, wherever applicable. In case of any indirect investment is required, the beneficiary units would take care of it.
- b) An undertaking / Affidavit that similar benefits have not been obtained from any other Government sponsored schemes.

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9. PROCEDURE FOR RELEASE OF FUNDS

- (i) The funds will be released to the expert organisations activity wise (As per details in annexure-C) in the phased manner for the specific activity.
- (ii) Contribution of 25% from Micro units and 50% from Small units will be collected by Office of DC(MSME) / or the implementing agencies where ever applicable.
- (iii) The implementing agency will submit the fund utilization certificate along with the detail report about the component.

10. MONITORING AND ADVISORY COMMITTEE:

It is also proposed that a Monitoring and Advisory Committee will be formed with members drawn from the following organisations for monitoring the progress of the scheme under the Chairmanship of DC (MSME) or an Additional DC/Joint Secretary ; ranking official.

1. Representative of NMCC.
2. An expert from Quality Council of India
3. An expert from National Productivity Council.
4. Representatives of appropriate Industry Associations
5. Representative of Director General of Employment & Training (DGET)
6. Representation from STQC (a society under Ministry of Information Technology)
7. Representative of IFW.
8. Industrial Adviser, Additional IA or Senior Director O/o DC (MSME).

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