



GOVERNMENT OF INDIA

MSME

Micro, Small & Medium Enterprises

सूक्ष्म, लघु एवं मध्यम उद्यम

Guidelines

**“Promotion of Information and Communication
Technology (ICT) in MSME Sector”**

Under

National Manufacturing Competitiveness Programme

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

2014



सत्यमेव जयते

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“Promotion of Information and Communication Technology (ICT) in MSME Sector”

**A Component of
National Manufacturing Competitiveness Programme**

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List of Abbreviations

CAPEX	Capital Expenditure
CCSPs	Cloud Computing Service Provider
DC (MSME)	Development Commissioner (Micro, Small and Medium Enterprise)
DIC	District Industries Centre
EM	Entrepreneurship Memorandum
EOI	Expression of Interest
ERP	Enterprise Resource Planning
GFR	General Finance Rule
GOI	Government of India
IAAS	Infrastructure As a Service
ICT	Information and Communication Technology
IT	Information Technology
MIS	Management Information System
MoU	Memorandum of Understanding
MSME	Micro, Small and Medium Enterprises
MSME – DI	Micro, Small and Medium Enterprises – Development Institute
NIC	National Informatics Centre
NMCP	National Manufacturing Competitiveness Programme
OPEX	Operating Expense
OTNER	Other Than North Eastern Region
PAAS	Platform As a Service
PMAC	Project Monitoring and Appraisal Committee
RFP	Request For Proposal
SAAS	Software As a Service
SI	Specialized Institutes
SP	Service Provider

Scheme for Promotion of Information and Communication Technology (ICT) in MSME Sector

1.0 INTRODUCTION

1.1 The MSME sector is the backbone of the Indian Economy and one of the prime drivers of employment. Despite its apparent success in the last couple of years, Indian MSME sector is facing many challenges. Apart from the traditional problems, they are also increasingly exposed to international competition. Therefore, MSMEs in India – as everywhere else - need to improve their competitiveness by taking a variety of measures. The use of Information and Communication Technologies (ICT) is one of the important measures, which can greatly help MSMEs in almost every facet of their business.

1.2 Over the last few decades, ICT has facilitated business activities in many ways. It has become a key enabler for competitiveness, improved product and service delivery, lowered process costs and has supported Management Information systems (MIS). In some cases, ICT has been at the heart of the business model, offering new ways of doing business. In general, ICT applications have become essential for any enterprise that has to sustain or grow in a global environment.

1.3 The Scheme for “Promotion of Information and Communication Technology in MSME Sector” [ICT Scheme for short] is ongoing scheme from 11th five year plan, but it has been modified in view of emergence of the Cloud Computing Concept. The total budget under the scheme in the pilot phase was Rs. 105.00 crore including Government of India (GoI) contribution of Rs. 47.70 crore. However the modified scheme under 12th plan is having the total budget of Rs. 82.33 crore including Government of India (GoI) contribution of Rs. 65.08 crore.

2.0 SCHEME CONCEPT:

2.01 The scheme is revolving around **Cloud Computing which** is emerging as a cost effective and viable alternative in comparison to in-house IT infrastructure installed by MSMEs. In cloud computing, MSMEs use the internet to access common as well as tailor-made IT infrastructure including software for managing their business processes. The common benefits of Cloud Computing approach are:

- i. Cloud computing is free from the burden of investment on hardware/software and infrastructural facilities. Therefore CAPEX converts into OPEX.
- ii. It follows “pay as you use” model and the user does not have to invest upfront.
- iii. The initial cost to use specific services gets reduced substantially.
- iv. The Cloud Computing operations are readily scalable. The user can access various services depending upon the requirements.
- v. The use of Cloud Computing facilitates device and location independent access.
- vi. Maintenance / updation of Software is not the responsibility of the users.

- vii. The usage can be metered to provide itemized billing thus providing enhanced customer satisfaction.

The following three main dimensions that cloud computing has taken would be used in implementing the modified ICT scheme for maximizing the benefit of information and communication technologies:

- Software as a Service (SaaS) – Most relevant model to needs of MSMEs
- Platform as a Service (PaaS) and
- Infrastructure as a Service (IaaS)

An ONLINE survey to know the usage and requirements of ICT applications of MSMEs was conducted by the O/o DC-MSME. It has been observed that Cloud Computing may provide the requisite ICT solutions to MSMEs at affordable cost.

2.02 For CLOUD based ICT applications through utility usage model, only the subscription and usage fee would be applicable. In other words, the rental charges (monthly, quarterly, yearly) may include all cost components viz. hardware, connectivity, software, maintenance, etc.

The modified ICT scheme will sensitize and encourage MSMEs towards this new approach i.e. CLOUD COMPUTING for ICT adoption. The modified scheme has been evolved as an alternative and more effective arrangement for ICT adoption among MSMEs. For sensitizing MSMEs and motivate them to go for Cloud based ICT implementation 100 awareness programmes and wide publicity through Print ,Electronic and Radio have been incorporated in the scheme.

2.03 Under this scheme, approximately 2300 MSMEs would be benefited in terms of standardization of their business processes, improvement in delivery time, reduction in inventory carrying cost, improvement in productivity and quality of production, controlling of cost & time, improved customer satisfaction etc. through cloud computing.

2.04 MSMEs particularly Micro and Small units are not in a position to purchase licensed version of operating or application software because of cost constraints. It is proposed that the Office of DC, MSME will facilitate procurement of Licensed Software through National Portal. O/o DC, MSME will interact with the software majors to provide software to MSMEs at reasonable cost. The MSMEs would be able to raise their requirements for the software on the official website /National Portal of O/o DC, MSME. The registered Software majors will access the requirement of MSMEs and provide required software to the respective MSMEs. This would facilitate the MSMEs in affordable access of software to better gear up for making their presence in domestic and international markets.

3.0 SCHEME OBJECTIVES:

The main objective of the scheme is to motivate MSMEs to adopt ICT tools and applications in their production & business processes with a view to improve their competitiveness in national & International market. The likely development outcomes of the scheme will be:

- i. To promote an echo system of cost effective and all inclusive ICT applications for MSMEs through Cloud Computing
- ii. To establish Inter and Intra Networks amongst Technology Centers and Institutions of Office of DC, MSME
- iii. To enable MSMEs to search for value chain (raw material, experts) online
- iv. Adoption of best practices to improve quality of products and services
- v. Reducing delivery cycle time
- vi. IT as a medium of communication to revamp access to the markets, enhanced access empowers the market to undertake direct, faster and better transactions.
- vii. Evolving internal efficiencies by way of intense ICT intake and automating procedure for cost reduction and capacity enhancement for information access, processing, collaboration and dissemination.

These objectives will be achieved by expediting ICT interventions through Cloud computing among MSMEs, who are largely hesitant due to affordability issue.

4.0 THE COMPONENTS OF SCHEME:

The following activities are proposed to be undertaken under the scheme:

4.1 Awareness Programme:

The objective of these programmes is to create awareness amongst MSMEs about the benefits of implementing ICT in their enterprises, details of the scheme, explain them about how to avail the benefits of scheme, procedural methodology for participating in the scheme. The ICT needs of MSME will also be assessed during the programme and accordingly they will be advised in selecting Cloud Computing services suitable to them. The deliverable, funding and implementation details are given as under:

1. Minimum 100 programmes will be organised during XII five year plan.
2. The programmes will be organised by field institutes of O/o DC-MSME mainly MSME-DIs.
3. The awareness Programme will be of state level and will be organised in association with a National/State level or prominent Industry association.
4. In the awareness Programme Specialized Institutions (SIs) as a Key Technical Experts along with Cloud computing service providers should be essentially involved.

5. The awareness Programme will be of one day duration (minimum session duration: 7hrs. excluding lunch/tea/ other breaks).
6. Apart from technical deliberations, there should be live demonstration of ICT through Cloud Computing services.
7. Funds will be provided @Rs.1.5 lakh per programme maximum with following conditions:
 - a) For participation of more than 100 candidates(existing and prospective entrepreneurs): permitted funds utilization Rs. 1.5 Lakh
 - b) For participation of 75-100 candidates(existing and prospective entrepreneurs): permitted funds utilization Rs. 1.25 Lakh
 - c) For participation of 50-75 candidates(existing and prospective entrepreneurs): permitted funds utilization Rs. 1.0 Lakh
 - d) For participation of less than 50 candidates(existing and prospective entrepreneurs): permitted funds utilization Rs. 0.75 Lakh
 - e) The all expenditures including TA/DA honorarium to SIs/ CCSPs/Guest speakers, Live demonstrations are to be met from the permissible fund utilization.
8. The funds will be directly released to Field Institutions of office of DC-MSME/MSME-DIs and they will be allowed to draw an advance upto 50% of funds allotted for a programme to smoothly organize the programme.

4.2 Cloud Computing:

To encourage MSMEs to use Cloud Computing for ICT applications, it is proposed to provide subsidy for user charges for a period of 3 years. The benefits accrued through implementing ICT for subsidy period in their enterprises will motivate MSMEs to continue to use the ICT application with their own expenses after this period. The deliverable, funding and implementation details are given as under:

1. In the pilot phase, the Cloud Computing facilities will be made available to approximately 2300 MSMEs.
2. The maximum amount eligible for calculation of subsidy for a period of maximum of three years will be Rs. 3.0 lakh (max.) per unit, wherein the cost of usage services will be shared by the GoI and MSME. The infrastructure

(Hardware, Internet etc.) for accessing the cloud computing will be the responsibility of concerned MSME unit.

3. The total budget outlay in scheme for this activity is Rs 69 crore with Government of India contribution of Rs 51.75 crore for a period of 3 years.
4. The subsidy will be provided on tapering model (more subsidy in the first year and subsequently reducing) so that the MSMEs can absorb the expenditure on ICT applications gradually in three years of time. This will lead to sustenance of usage of cloud computing by the MSMEs in the long run. The details are given below:

	Category of Beneficiary		Subsidy		
			1st year	2nd year	3rd year
1	Micro Enterprises	OTNER	85 %	75 %	70 %
2	Small Enterprises	OTNER	75 %	70 %	65 %
3	Medium Enterprises	All states	60 %	55 %	50 %
4	All MSEs	NER	85 %	75 %	70 %
5	Women Enterprises	All states	85 %	75 %	70%

5. The subsidy amount will be calculated based on the eligible subscription / Usage fee paid by the beneficiary. The total subscription amount for calculation of subsidy will be Rs. 3.0 lakh (max.) per MSME unit for a period of 03 years subscription.
6. The MSMEs will apply to the Specialized Institution or MSME-DIs or lodge their request on official website/ National Portal for availing the benefit of subsidy.
7. SIs will prepare the list of applicant MSMEs on the monthly basis. List will be placed before PMAC for selection/approval.
8. Though the First Come First Serve will be important criteria for selection of MSMEs under the scheme but factors like financial soundness, product range, export, scope for expansion, Turn over etc. will also be considered for selecting an MSME.

9. SIs will release subsidy to Cloud Computing Service Providers only after the receipt of the matching share of user charges from MSMEs.
10. SIs will provide the details of user charges/subsidy to be released on monthly basis to O/o DC-MSME, for timely release of subsidy and to ensure subsidy payments are within the available budget allocations.

4.3 Publicity and Mobilization:

ICT applications have immense potential for furthering the business of MSMEs. It has been observed that MSMEs are generally not availing the benefits of ICT application and Cloud Computing for promotion of their business to the optimum extent. Therefore, it is proposed that MSMEs be sensitized regarding the benefits of ICT including Cloud Computing application for business promotion at a cost of Rs.5 crore.

The following activities/tasks will be under taken:

- a) Hoarding/permanent display about the schemes at MSME-DIs premises etc.
- b) Regular media campaign through electronic, print media and radio
- c) Documentary/short films on benefits of adopting ICT technology for MSME sector etc.
- d) Any other activity with the approval of PMAC.

For activity a) funds will be provided to MSME-DIs. For activity b) will be completed through DAVP, Doordarshan and FM radio channels etc. The activity c) will be completed through SIs or other expert government or private agency. In case of private agency, it will be through tenders as per GFR.

4.4 Licenced Software:

MSMEs are using various application software which are propriety items like Tally, MS Office, Adobe Photoshop, Maya, ERP software, CATIA, Pro E, DelCam, AutoCad, Solidworks, etc. on regular basis. Licensed version of these propriety software are costly and many a times beyond the reach of Micro and Small Enterprises. It is proposed to provide a platform for easy and economical procurement of propriety software by MSMEs.

The office of DC, MSME through SIs will interact with the software majors to provide propriety software to MSMEs at economical cost. SIs will take approval PMAC for rate of software. The MSMEs will raise their requirements to Software majors. The registered Software majors will provide required software to respective MSMEs on economical cost to be paid by the MSMEs directly to software provider.

The saving in the procurement of the software by MSMEs through this mechanism may be construed as the indirect contribution to MSMEs by the office of DC-MSME.

This would play a role in disseminating the information about the array of software available for the business applications of MSMEs. This would also help them in exploring various such software available in the market and their usages.

4.5 Misc. Expenses:

Misc. Expenses include seminars, workshops, publications, project related travel, office admn. expenses etc.

The seminars and workshops proposed are different from Awareness programme and these will be organised on topics concerning Global development in ICT, Cloud computing, security standards for data etc. Fund required for these seminars /workshops will be finalized on case to case basis by PMAC. These seminars /workshops may be organised by SIs/ other renowned institutions, including field offices/autonomous bodies of Ministry of MSME and national level association etc.

Under publication activity, preparation and printing of book of knowledge on ICT/ Cloud computing having relevance to MSME sector, study material on cloud computing and success stories of MSME sector implemented ICT etc. would be covered.

Project related travels of officers of Ministry of MSME, O/o DC-MSME and its field institutions, include scheme related travels, visit to MSMEs/industry association spread all over the country, travels relating to participation in national /international seminars, workshops, exhibitions on ICT/cloud computing or related topics including participation fee if any etc.

Office admn. expenses may include expenses not elsewhere covered and are essential office expenses to be incurred for implementation and monitoring of the scheme.

5.0 IMPLEMENTATION ARRANGEMENTS:

The scheme will be implemented for MSMEs spread all over the country. The core component of the Scheme i.e. Cloud Computing will be implemented by Specialized Institutions(SIs), under the overall directions of DC (MSME). It is expected that once MSMEs are introduced to the benefits and savings that accrue from ICT, they would themselves continue to use cloud services at their own expense. 2300 MSMEs approx. will be given subsidy for user charges towards cloud services taken by them for implementing ICT in their enterprise during the 12th Plan period.

A three tier structure has been proposed in the Scheme. The cloud computing service providers would be the lowest tier. The next higher level tier, Specialized Institutions (SIs) will be responsible for facilitating, implementation and monitoring of Cloud

Computing the main component of the scheme. At the highest level, PMAC will provide overall direction to the Scheme and will be headed by the Development Commissioner (MSME).

5.1 Project Monitoring & Advisory Committee (PMAC):

A Project Monitoring & Advisory Committee (PMAC) will be constituted under the Chairmanship of AS & DC (MSME) to supervise and monitor the implementation of the Scheme. The Members of the Committee will be drawn from different institutes of concerned Ministries, NMCC, Industry Associations, IT Agencies, etc.

The general constitution of the PMAC is given below:

	Designation	Ministry/Department	Status
1.	AS&DC (MSME)	Ministry of MSME	Chairman
2.	JS or his representative	Ministry of Communication and IT	Member
3.	JS or his representative	Ministry of Science & Technology	Member
4.	Chief / Dy. Chief	NMCC	Member
5.	EA / Director	IF wing of Ministry	Member
6.	DG or representative not below the level of Director	NIC	Member
7	3 Professors / Academicians related with ICT	IITs/ NITs/ Academic/ Research Institutions	Member
8	ADC/ JDC/Director	O/o DC (MSME)	Member secretary

PMAC may invite State Government Representative/ experts, SI/SP and industry representatives etc. as required for attending the PMAC meetings.

Functions of PMAC:

PMAC will hold its meeting on periodic basis and take necessary decisions as per the Scheme guidelines. PMAC may also take necessary action as deemed fit to achieve the Scheme objectives including reapportionment of funds allocation within the sub-activities. The major role of PMAC will be:-

- To approve various proposals(including selection of MSMEs applying for cloud services) under for implementation of the scheme.
- To recommend change in the total amount of limit of subsidy eligible, but not more than 20 % variation.

- To periodically monitor the progress of ICT intervention and give directions as required.
- To approve minor modifications / procedural changes in the guidelines for operational expediency.

5.2 Specialized Institutions for Cloud Computing:

The Cloud Computing component of the Scheme will be implemented by selected Specialized Institutions [like ECIL (Electronics Corporation of India Ltd. Deptt. of Atomic Energy, Govt. of India), STPI (Software Technology Parks of India, Ministry of C&IT), etc].

Selection Methodology: These Specialized Institutions will be selected on nomination basis. The selection will be done on recommendation of the Consultancy Evaluation Committee(CEC). The CEC will be constituted by DC-MSME. The CEC will be headed by ADC and one JDC, two directors of O/o DC-MSME and one representative from IFW will be members. The CEC would analyse the proposals received from various Govt. institutions (in which stake of Govt. of India/ State Govt. is more than 51%).

However if need arises for selecting SIs other than from government sector, the criteria would be open tender.

Service and Monitoring Charges: Service and Monitoring Charges upto @ 7% of the Project Cost handled by respective SI will be paid to them. Accordingly, a provision of Rs. 4.83 crore has been made in the scheme for budget outlay of Rs. 69 crore for cloud computing. The Specialized Institutions will send periodic reports to the Office of DC, MSME.

Role & Responsibilities:

The Specialized Institution (SI) will collate the requirements of MSMEs by interacting with them and also through MSME-DIs and official website/ National Portal.

The SI will also finalize Service Level Agreement (SLA), roles and responsibilities with Cloud Providers and obtain approval of office of DC (MSME). SLA will incorporate issues like security and privacy of data of MSMEs, location of data storage which should be in India, location of mirror of data, availability hours of Cloud services in a year, maximum permissible down time of cloud services & penalty clause, vendor locking terms and conditions etc.

Most of the software are proprietary items and SI will negotiate the rates of the services and obtain approval of PMAC.

The SI will empanel various Cloud Providers, by executing SLA with them who will provide cloud services to the MSMEs.

The MSMEs will apply to the Specialized Institution or MSME-DIs or lodge their request on official website/ National Portal for availing the benefit of subsidy. The SI will prepare list of such MSME applicants and submit to O/o DC-MSME for approval of PMAC.

The Office of DC-MSME will release funds for the requirement of one year to the SI. The SI will release the subsidy amount to the Cloud Providers on periodic basis after the beneficiaries have paid their contribution to the Specialized Institutions. A separate and dedicated account for this purpose will be maintained by the SI.

The SI will actively associate with Field Institutions/MSME-DIs in organising Awareness Programme as the Key technical expert and also associate cloud providers in these programmes.

The SI will prepare book of knowledge/study material on cloud computing for distribution in Awareness Programme/workshop. The expenditure on designing and printing of such items will be met out through financial allocations under misc. expenses-publication head of the scheme.

The SI will submit fortnightly progress reports to the nodal officer in the Office of DC, MSME as per agreed formats. Raise exception reports, if any, as regards to any non-responsive behaviour or non-satisfactory performance of any of the Cloud service Providers an MSME availing the benefits of scheme.

5.3 Role of Micro, Small and Medium Enterprises – Development Institutes (MSME-DI):

The MSME-DIs, its branches being the field offices of the Development Commissioner, have important role in implementation of the scheme, which include

To organise awareness programme for MSMEs in coordination with SIs, Cloud service Providers and National level/ State level/ prominent Industry Associations.

Apart from organizing awareness programmes, the MSME-DIs will motivate the potential MSMEs to avail the scheme.

Make arrangements for Hoarding/ permanent display about the schemes at MSME-DIs premises.

Forward the applications of MSMEs to SIs received under the scheme.

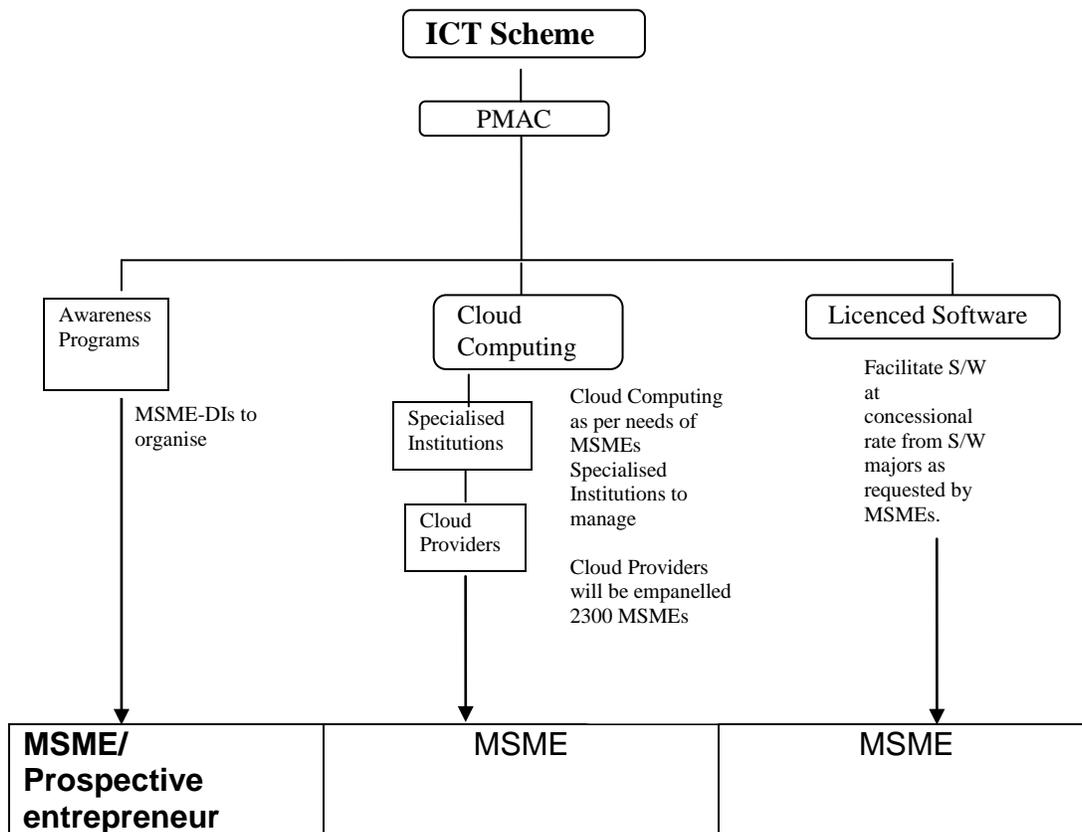
5.4 Cloud Computing Service Providers(CCSPs):

Cloud Computing Service providers would be Govt./ Private organizations capable of providing services as per the SLA approved by PMAC to MSE sector. CCSPs would be empanelled by SIs with the approval of PMAC.

6.0 IMPLEMENTATION:

Implementation Period The implementation period will be maximum 3years for subsidy in users charges for cloud services. However if this period of 3 years extends beyond 12th plan period the payments of subsidies will be subjected to continuance of the scheme in 13th plan.

FLOW CHART FOR THE IMPLEMENTATION OF ICT SCHEME



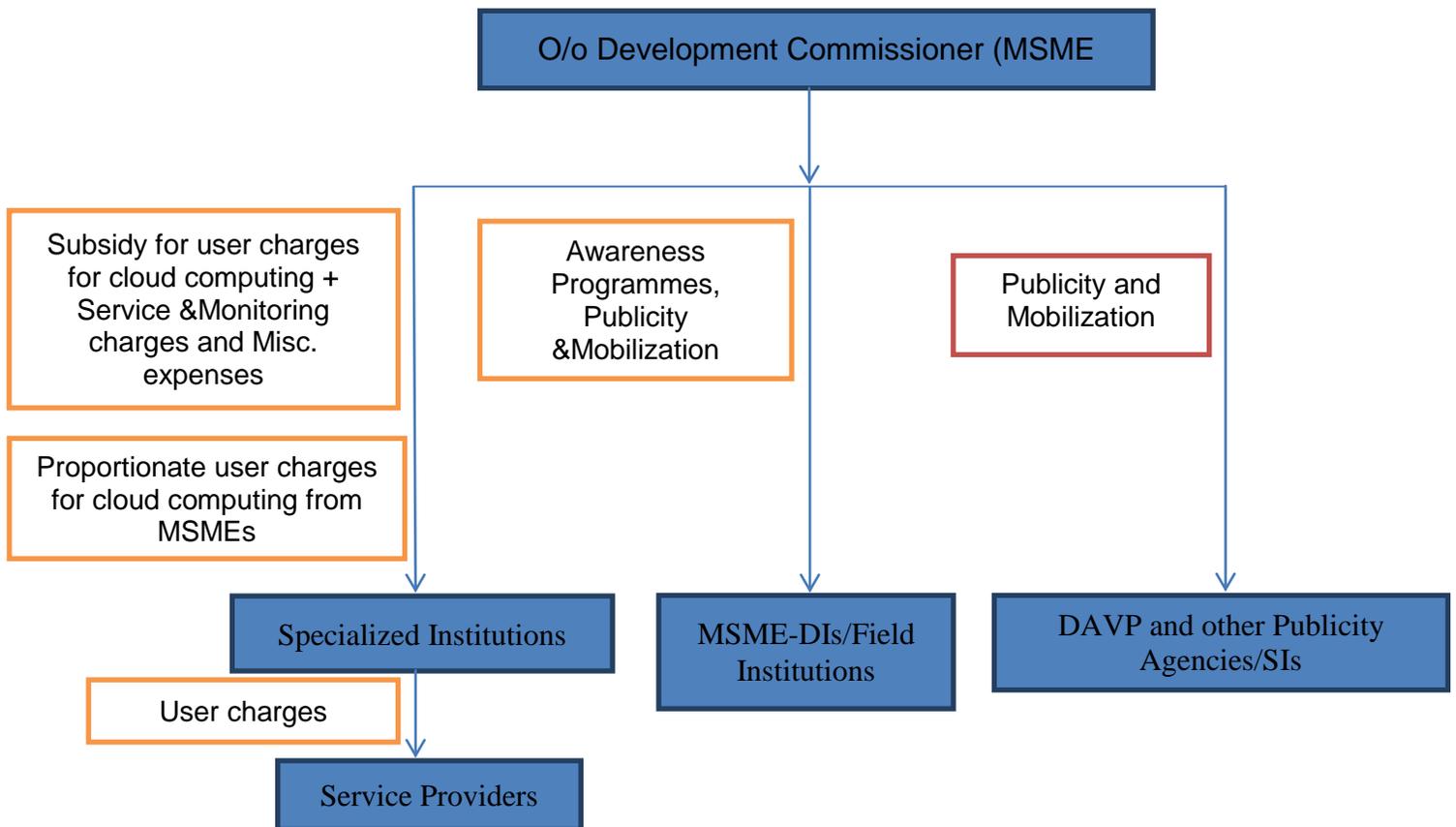
7.0 COVERAGE AND ELIGIBILITY:

The Scheme is open to all Micro, Small and Medium Enterprises throughout the country. The units should be registered with DIC (EM-II) or with any other agency (Professional body, association, Govt. agency, department, etc.).

8.0 MODALITIES OF FUND TRANSFER:

Fund Transfer to SIs: For facilitating the smooth and faster roll out of the Scheme at a National Level, the total amount of subsidy envisaged under the Scheme would be periodically transferred to SIs to be kept in a separate account to be opened by SIs. SIs would periodically report on the fund status to PMAC.

FUND FLOW CHART



9.0 BUDGET DETAILS FOR THE SCHEME:

The summary of budget is given in Table 1 below:

Table : 1 (Rs in lakh)

	Activity	Qty	Rate	Done by	GOI contr.	Benefi ciary	Total
1.	Awareness Programme	100	1.5	MSME-DI Service Provider, with SIs, SPs and local partners, etc.	150	0	150
2.	Cloud computing for MSMEs	2300	3.0	Specialized Institutions on service usage model	5175	1725	6900
3.	Service and Monitoring Charges		@ 7%	Payable to Specialized Institutions for Cloud computing	483	0	483
4.	Publicity and Mobilization	LS	500	As per GFR	500	0	500
5.	Misc Expenses like seminars workshops, publications, project related travel, Office admn. expenses, etc		200		200	0	200
	TOTAL				6508	1725	8233