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**Subject :** Suggestion and views on Draft Guidelines on “Promotion of Information and Communication Technology (ICT) in MSME Sector” (Digital MSME) : reg....

Please find here with a draft guideline prepared by this office on “Promotion of Information and Communication Technology (ICT) in MSME Sector” (Digital MSME). A Component of National Manufacturing Competitiveness Programme

Valuable Suggestions and views are requested from all sections of industrial associations, Govts , stake holders for finalizing the guidelines. Suggestions and views may please be e-mailed to [vadlakha@dcmsme.gov.in](mailto:vadlakha@dcmsme.gov.in) of Sh. Vinay Adlakha, Dy. Director, O/O DC(MSME), Nirman Bhawan, N Delhi on or before 30.04.2017.

Your participation is highly solicited.

(S.M. Jamkhandi)

Director

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सत्यमेव जयते

**GOVERNMENT OF INDIA**

**Draft  
GUIDELINES**

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

**A Component of  
National Manufacturing Competitiveness Programme**

**MSME**

**Micro, Small & Medium Enterprises**

सूक्ष्म, लघु एवं मध्यम उद्यम

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## List of Abbreviations

CAPEX	Capital Expenditure
CCSPs	Cloud Computing Service Provider
DC (MSME)	Development Commissioner (Micro, Small and Medium Enterprise)
UAM	Udyog Aadhar Memorandum
EOI	Expression of Interest
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	Specialised Institution
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 11<sup>th</sup> five year plan, but it has been modified in view of emergence of the Cloud Computing Concept. The present modified scheme is having budget of Rs. 82.33 crores including Govt. Of India contribution of Rs. 54.73 crores.

## **2.0 SCHEME CONCEPT AND OBJECTIVES:**

### **2.01 Concept :**

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.

### **2.02 Objective :**

The main objective of 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 and international market. The likely 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.

**2.03** 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 to motivate them to go for Cloud based ICT implementation, awareness programmes and wide publicity through Print ,Electronic and Radio have been incorporated in the scheme.

**2.04** In the present-day world, relevance of “ICT for Smart” for all industry is a key means to enhanced productivity. Seamless flows of data and information could generate more economic value than the global goods trade, bridging technology gaps by prioritizing and incentivising adoption of Internet of Things (Industry 4.0) and need a mission to enable industry to adopt the Industry 4.0 technology for improving productivity may be considered. With this background,NPC has proposed to establish Centre of Excellence on IT for Industry 4.0 and Lean Manufacturing (COE-ITfor I4.0 & LM). The Digital MSME initiative shall develop suitable linkages with COE-IT.

**2.05** Under this scheme, large number of 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.

### **3.0 THE COMPONENTS OF SCHEME:**

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

#### **3.1 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 one day state level programmes will be organised by field institutes of O/o DC-MSME mainly MSME-DIs organised in association with a National/State level or prominent Industry association.
2. In the awareness Programme Specialized Institutions (SIs) as a Key Technical Experts along with Cloud computing service providers should be essentially involved.
3. Apart from technical deliberations, there should be live demonstration of ICT through Cloud Computing services.
4. Funds will be provided @Rs.70,000 per programme. Participation of minimum 30 MSEs should be ensured per programme.

### **3.2 Cloud Computing:**

1. To encourage MSMEs to use Cloud Computing for ICT applications, it is proposed to provide subsidy for user charges for a period of 2 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.

Cloud Computing services will be provided in two categories:

- i. **With Subsidy** – Max. subsidy of Rs. 1 lakh per unit will be disbursed over a period of 2 years to Micro and Small Enterprises.
  - ii. **Without Subsidy** - Services through Cloud at ultra low cost will be offered to the desirous Micro, Small and Medium Enterprises.
2. Subsidy will be on cost of usage services which will be shared by the GoI and MSE. 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 41.40 crore for a period of 2 years.

The rate of subsidy will be as follow:

	Rate of Subsidy			Amount of subsidy per MSE (Rs. In Lakhs)
	Eligibility	1 <sup>st</sup> year	2 <sup>nd</sup> year	
1	All Micro & Small Enterprises in the category of OTNER	60%	60%	1.00
2	All MSEs in the category of NER, SC/STY, Women, Divyang	60% +additional 10 % of rate of OTNER category	60% +additional 10 % of rate of OTNER category	1.00

Subsidy for 3<sup>rd</sup> year may be considered at later stage

4. The MSMEs will apply to the Service Provider/ SI and lodge their request on official website/ National Portal for availing the benefit of subsidy.
5. Subsidy disbursed will be through DBT route. MSMEs initially will make full payment to service provider. O/o DC (MSME) will disburse funds to TCIL who in turn will transfer it in the account of MSMEs.
6. 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 by SI for selecting an MSME, if required. SI will keep informed PMAC in this regard.
7. SI 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.
8. Initially, following four applications will be made available to MSMEs through various service providers:
  - (i) Mini ERP
  - (ii) Accounting
  - (iii) Manufacturing/ Design
  - (iv) Compliances

More applications may be added need based in due course of time.



### **3.3 Publicity and Mobilization:**

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) 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.
- e) 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 SI or other expert government or private agency.

### **4.0 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 Specialised 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.

SI 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).

#### **4.1 Project Monitoring and Advisory Committee (PMAC):**

At the highest level, PMAC will guide, review, monitor and provide overall direction for implementation of the scheme and will be headed by the Development Commissioner (MSME). PMAC will have overall responsibility for policy formulation, Scheme implementation and monitoring. It will be empowered to take all key decisions related to the Scheme and to approve minor modifications/ procedural changes in the guidelines for operational expediency.

PMAC would deliberate on the issues put up by Implementing Agency. It would lay down the detailed implementation strategy for the Implementing Agency. It would also consider the recommendations of Implementing Agency on each application. The constitution of the PMAC will be:

	<b>Designation</b>	<b>Ministry/Department</b>	<b>Status</b>
1.	AS&DC (MSME)	Ministry of MSME	Chairman
2.	JS or his representative	Meity	Member
3.	JS or his representative	Ministry of Science & Technology	Member
4.	EA / Director	IF wing of Ministry	Member
5.	DG or representative not below the level of Director	NIC	Member
6	Academicians related with ICT	IITs/ NITs/ Academic/ Research Institutions	Member
7	Rep. of SI	TCIL or other SI	Member
8.	ADC/ JDC/Director	O/o DC (MSME)	Member Secy.

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

#### **4.2 Implementing Agency for Cloud Computing:**

The Cloud Computing component of the Scheme will be implemented by selected SI [like TCIL, ECIL (Electronics Corporation of India Ltd. Deptt. of Atomic Energy, Govt. of India), STPI (Software Technology Parks of India, Ministry of C&IT), etc]. Initially Telecommunications Consultants India Ltd. (TCIL) will work as SI. Additional SIs may be incorporated need based.

**Selection Methodology:** These SI 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, Monitoring Mechanism and charges thereof:**

1. A Portal will be developed by TCIL, which shall be used by the MSMEs for registration to avail the benefits under the scheme. The portal shall display the list of Cloud Computing Service Providers (CCSP) along with their list of the cloud services, charges, comparative cost of similar applications, features/ specifications of the services, service levels, workflow to avail the services, etc. Portal will be suitably hyperlinked with the portals of CCSPs. The Portal will also display details of services of each vendor. Portal shall be linked to payment gateways and dashboard with number of enterprises in each service vertical availing the service and notification for version improvement.
2. Services being offered by CCSPs will be evaluated by a Technical Committee(TC) as under:
  - i. ADC,O/o DC(MSME) – Chairman
  - ii. Rep. from NIC
  - iii. Rep. from IF Wing
  - iv. Rep. from TCIL/IA
  - v. Domain expert/Industry rep. as deemed fit by TC
  - vi. Director(NMCP) – Member Secretary

Committee will recommend to PMAC for approval of only those services which will be beneficial for MSMEs and also recommend for inclusion of the services under the category of subsidy/ without subsidy. Service provider can offer single service or bundle of services alongwith other specifications and rates etc.

3. Service and Monitoring Charges upto @ 7% of the Project Cost(eligible subscription amount) handled by respective SI will be paid to them. O/o DC(MSME) will bear costs incurred by TCIL towards one time capital expenditure for development of Portal, hardware, software and related components out of funds provision under OAE head. Costs towards operating expenditure including maintenance and operation of system including dedicated bandwidth for 2 years will be borne by TCIL and covered in 7% service and monitoring charges payable to TCIL. Accordingly, a provision of Rs. 4.83 crores has been made in the scheme for handling budget outlay of Rs. 69 crore for cloud computing. The SI will send periodic reports to the Office of DC, MSME.

### **Role & Responsibilities:**

1. SI will collate the requirements of MSMEs by interacting with them and also through official website/ National Portal.
2. The SI will empanel various Cloud Providers, by executing SLA with them who will provide cloud services to the MSMEs.
3. 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, location of mirror of data, availability hours of Cloud services in a year, maximum permissible down time of cloud services, vendor locking terms and conditions etc.

4. TCIL will register the vendors Cloud Computing Service Provider(CCSP) and will charge Rs.1 lakh for registration of each vendor for two year which will be non-refundable.
5. The Office of DC-MSME will release funds for the requirement for specific time period to the SI. The SI will release the subsidy amount to the MSME on periodic basis after the beneficiaries have paid their contribution to the Service provider. A separate and dedicated account for this purpose will be maintained by the SI.
6. The SI will actively associate with MSME-DIs in organising Awareness Programme as the Key technical expert and also associate cloud providers in these programmes.
7. 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 of allocations under Publicity and Mobilisation expenses.
8. 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.

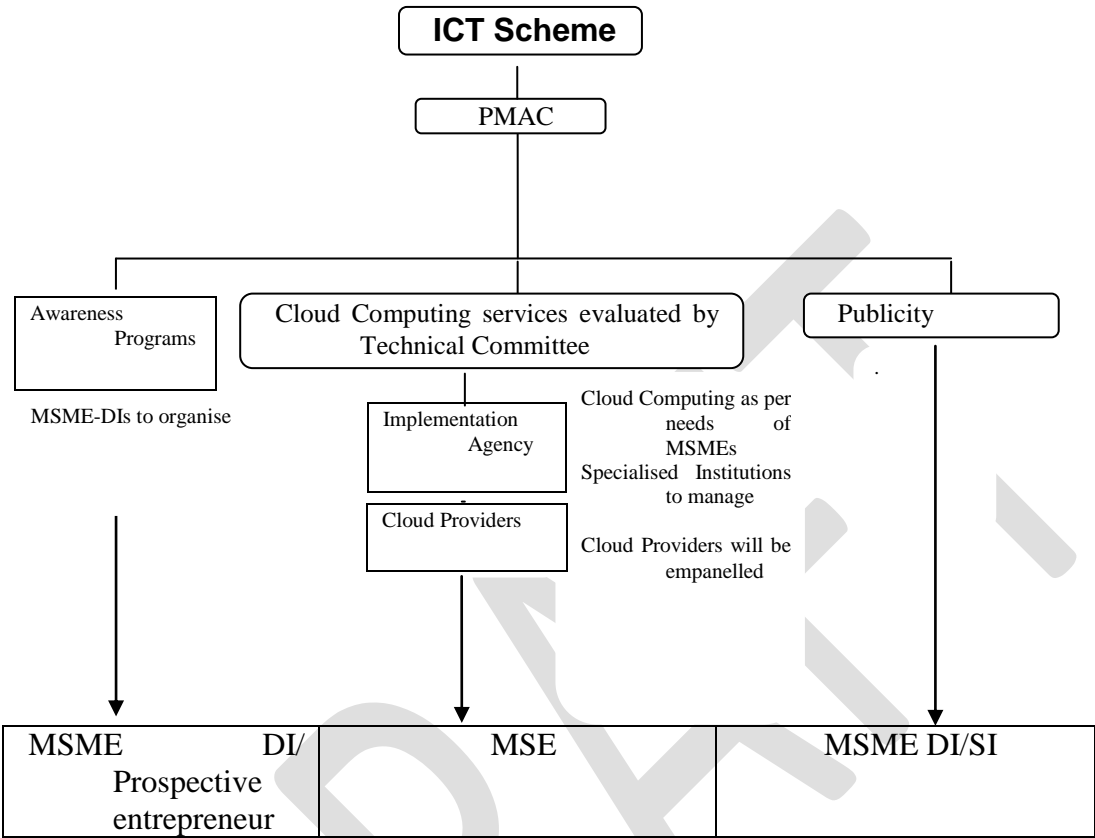
#### **4.3 Cloud Computing Service Providers(CCSPs):**

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 SI with the approval of PMAC.

#### **5.0 IMPLEMENTATION:**

**Implementation Period** : Initially the scheme will be implemented for period of 2 years which may be extended ,if required, with the approval of Competent Authority(PMAC).

**FLOW CHART FOR THE IMPLEMENTATION OF ICT SCHEME**



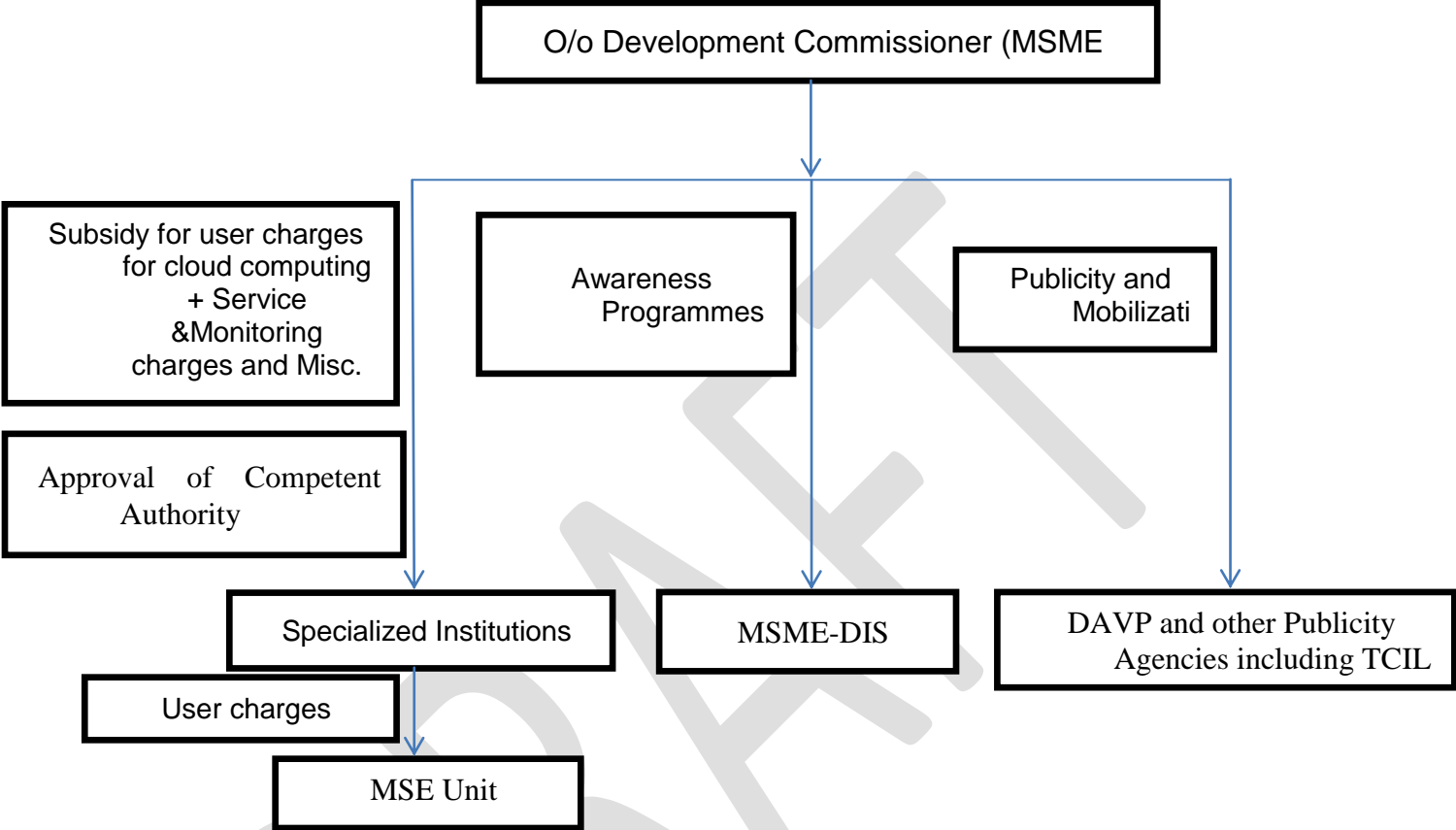
**6.0 COVERAGE AND ELIGIBILITY:**

The Scheme is open to only Micro and Small Enterprises for subsidy category and for all Micro, Small and Medium Enterprises for non-subsidy category throughout the country. The units should have valid UAM.

**7.0 MODALITIES OF FUND TRANSFER:**

Fund Transfer to SI: 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 SI who will keep it in a separate account to be opened by SI. SI would periodically report on the fund status to PMAC.

**FUND FLOW CHART**



## 8.0 BUDGET DETAILS FOR THE SCHEME:

The summary of budget is given in Table 1 below:

Table : 1

(Rs in lakh)

	Activity	Rat	Done by	GOI contr.	Beneficiary	Total
1.	Awareness Programme- nos. 100	0.7	MSME-DI , Service Provider, with SIs, SPs and local partners, etc.	70	0	70
2.	Subsidy to MSEs for Cloud computing	1.0	Specialized Institutions on service usage model	4140	2760	6900
3.	Service and Monitoring Charges	@	Payable to Specialized Institutions for Cloud computing	483	0	483
4.	Development of Portal, Hardware, Software, Developmental charges, Publicity, Mobilization, project related travel, other administrative charges etc.	780 (LS)	SI/O/o DC(MSME)	780	0	780
	TOTAL			5473	2760	8233