Financial Support to MSMEs in ZED Certification Scheme
“Our manufacturing should have **ZERO DEFECT** so that our products should not be rejected in the global market. We must also keep in mind that our manufacturing is done with **ZERO EFFECT** so that it does not have any negative impact on our environment.”

- August 15, 2014
The Scheme is an extensive drive of the Government of India to enhance global competitiveness of MSMEs by providing them financial support in assessment, rating and handholding of its manufacturing processes on Quality and Environment aspects.

“The Government has decided to implement the ZED Certification Scheme for 22,222 MSMEs unit with a total budget of Rs. 491 Crores (including Government of India contribution of Rs. 365 Crores) during the 12th Five Year Plan”
Objectivities and activities under ZED scheme

Objectives

- To create proper awareness in MSMEs about ZED manufacturing and motivate them for assessment of their enterprise for ZED rating
- To drive manufacturing with adoption of Zero Defect production processes without impacting the environment (Zero Effect)
- To encourage MSMEs to constantly upgrade their quality & environmental standards in products and processes
- To support “Make in India” campaign

Activities

- Industry awareness programs, regional/state/national workshops, training of officials of DIs, TCs, DICs
- Accreditation of Assessment & Consulting agencies, Training and certification of Assessors & Consultants
- Online systems including e-platform for assessment and e-content for awareness & training
- Assessment, Rating & Certification of MSMEs
- Gap analysis & Handholding for improving rating of MSMEs
- International Benchmarking
**Scheme governance**

**Routine functionalities**

- SSC chaired by Development Commissioner of MSME to guide, review, monitor and provide overall direction for implementation of the scheme
- Quality Council of India (QCI) to function as the NMIU for the scheme

<table>
<thead>
<tr>
<th>Overall guidance and direction</th>
<th>Screening and Steering Committee (SSC)</th>
<th>Chaired by DC-MSME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facility, Implementation, Coordination and Monitoring</td>
<td>National Monitoring and Implementing Unit (NMIU)</td>
<td>QCI</td>
</tr>
<tr>
<td></td>
<td>Implementing Agencies</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rating &amp; Other Agencies</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Consultants &amp; Consulting Bodies</td>
<td></td>
</tr>
</tbody>
</table>
ZED is a Maturity Assessment Model

- Assessment of a Unit on **minimum 30** out of 50 parameters, including **20 mandatory** parameters
- **Additional 25 parameters** for MSMEs supplying to Defense Sector

<table>
<thead>
<tr>
<th>Level</th>
<th>Maturity Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1</td>
<td>Struggler 0 Marks</td>
</tr>
<tr>
<td>Level 2</td>
<td>Beginner 2 Marks</td>
</tr>
<tr>
<td>Level 3</td>
<td>Organized 3 Marks</td>
</tr>
<tr>
<td>Level 4</td>
<td>Achiever 4 Marks</td>
</tr>
<tr>
<td>Level 5</td>
<td>World Class 5 Marks</td>
</tr>
</tbody>
</table>
How does ZED rating system work?

5 levels of ZED rating system

- **Bronze**: >2.2 & upto 2.5
- **Silver**: >2.5 & upto 3.0
- **Gold**: >3.0 & upto 3.5
- **Diamond**: >3.5 upto 4.0
- **Platinum**: >4.0 upto 5.0

An example

Company X is being rated on 30 parameters

<table>
<thead>
<tr>
<th>Parameters</th>
<th>Level</th>
<th>Marks</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td>8</td>
<td>4</td>
<td>32</td>
</tr>
<tr>
<td>18</td>
<td>3</td>
<td>54</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>106</strong></td>
</tr>
</tbody>
</table>

(Total points/applicable parameters): 106 / 30 = 3.53

COMPANY X is rated as: **ZED DIAMOND**

Of these 30 parameters
- On 4 parameters the MSME is at Level 5
- On another 8 parameters it is at Level 4
- On remaining 18 parameters it is at Level 3

Hence, the scores will be calculated as

- **Parameters**: 4
- **Level**: 5
- **Marks**: 20
- **Parameters**: 8
- **Level**: 4
- **Marks**: 32
- **Parameters**: 18
- **Level**: 3
- **Marks**: 54

Total: 106

<2.2 No rating
Major Interventions covered in ZED Parameters

- ISO 9001 (QMS)
- ISO 14001 (EMS)
- Lean Manufacturing
- 5S, Kaizen
- Clean Development
- Supply Chain Management
- Energy Conservation
- IPR
Benefits of ZED Scheme for MSMEs

- Credible recognition for international investors seeking investment in India
- Part of supply chain of national & international OEMs
- Streamlined operations and lower costs
- Superior quality, reduced rejection and higher revenues
- Increased environmental consciousness and social benefits
- “ZED Mark” to enable an MSME to be seen as a company with a difference

Other benefits expected to be announced by the Government in the near future
At the operational level, apart from other manufacturing disciplines, the ZED Maturity Assessment Model has enabler & outcome maturity parameters related to:

- Quality/Environment/Safety assurance systems
- People development and engagement systems
- Standardization and measurement systems for quality and environment
- Learning and improvement systems

**EXAMPLE**

<table>
<thead>
<tr>
<th>ENABLERS FOR EMISSION, EFFLUENT &amp; WASTE DISPOSAL ACTIVITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process Design for Environment Management</td>
</tr>
<tr>
<td>Pre-production (startup activities) for Environment Management</td>
</tr>
<tr>
<td>Production and Maintenance activities</td>
</tr>
<tr>
<td>Product Design for Environment</td>
</tr>
<tr>
<td>Post Production activities</td>
</tr>
</tbody>
</table>
Market for sustainable products created by voluntary standard systems; Growth of such a system:
Since the Government has adopted the ZED Model and has a vision for it to be recognized internationally, efforts are being made to ensure maximum outreach to Indian manufacturers. The cost of this outreach is being borne by the Government in the ZED Certification Scheme. Once a base has been established, the ZED ecosystem will ensure its steady growth.

Creating a balance between demand and supply. Preventing leakages:
Leakage reduces any margins or benefits from securing customers as a result of certification and can reduce the incentive of producers, factories, or other operations to seek to demonstrate compliance with a standard. The ecosystem of ZED envisages creating a suitable value proposition for all stakeholders and providing necessary incentives, both internal & external, to ensure a balance between demand & supply. One such example: The Government is contemplating provision of preference to ZED rated companies in public procurement.
Applicability of PSS in local operating contexts:
The ZED Model has been created by experts from Industry as well as Industry Associations and has been internationally benchmarked at relevant levels. ZED can provide harmony between Indian MSMEs and International OEMs as the maturity levels recognizes the MSME’s competence from a basic level to world class standards on both quality & environmental disciplines.

Costs of implementation of these standards:
Currently the implementation of the ZED Model is supported by the Government (Ministry of MSME) in the form of a subsidy on ZED assessment, rating & handholding. ZED aspires to evolve as a platform for Financial Institutions to measure a manufacturing unit’s capability to absorb funds. World Bank has shown keen interest in understanding the ZED Model and how its outcome can be leveraged by Indian Financial Institutions.

Interoperability of standards:
As explained in previous slides, ZED is a holistic Model and uses internationally recognized standards, tools & interventions to measure a manufacturing unit’s capability, thereby giving it credence at international fora.
Credibility, legitimacy, and accountability of PSS:
QCI, as the NMIU of the ZED Certification Scheme, is in the process of creating a robust mechanism to ensure integrity in systems & processes of the Rating & Handholding components by ensuring 3rd party accreditation and comprehensive training of stakeholders involved. A surveillance assessment is also proposed in the scheme. The learnings from the Pilot Project have been suitably incorporated in this MoMSME scheme.
QCI is in discussion with the World Bank for an arrangement where technical assistance is provided for the ZED Model. The basic intent of this proposed arrangement is to enhance the versatility and credibility of the ZED model to become a global benchmark for manufacturing excellence with quality and environment in focus.

Ability to generate transformational impacts:
The handholding component of the scheme is expected to provide the manufacturer a roadmap to global competitiveness. The re-assessment component (after handholding) will measure how (and if) the manufacturing unit has improved its systems and processes and provide a way forward to meet world class sustainable standards. The impact will be measured and reported systematically to further evolve the ZED Model.