

INCUBATION: The primary objective of the scheme is to promote and support untapped creativity and to promote adoption of latest technologies in MSMEs that seek the validation of their ideas at the proof-of-concept level. The scheme also supports engagement with enablers who will advise such MSMEs in expanding the business by supporting them in design, strategy and execution.

DESIGN: The objective of this component is to bring Indian manufacturing sector and Design expertise/ Design fraternity on to a common platform. It aims to provide expert advice and cost-effective solution on real time design problems for new product development, its continuous improvement and value addition in existing/new products.

The Design scheme will help MSMEs to avail advice on all aspects of design. It helps MSMEs realize and achieve their design-related objectives. This specialist advice will be provided by experienced designers for new product development as well as enhancing existing product portfolio.

IPR: The objective of the scheme is to improve the IP culture in India with the following interventions:

- To enhance the awareness of Intellectual Property Rights (IPRs) amongst the MSMEs and to encourage creative intellectual endeavour in Indian economy;
- To take suitable measures for the protection of ideas, technological innovation and knowledge-driven business strategies developed by the MSMEs for their commercialization and effective utilization of IPR tools.

4. ACTIVITIES

MSME Innovative Scheme will be the combination of Incubation, Design and IPR Schemes of the Ministry of MSME. These three schemes will operate as separate verticals and the scheme-wise activities which will be a part of the Innovative Scheme is as enumerated below:

4.1. INCUBATION COMPONENT

- Recognition of eligible institutions as Host Institute (HI) to act as Business Incubator (BI)
- Approval of Ideas of Incubatees submitted through Host Institute (HI)
- Assistance for nurturing of Ideas to HI
- Assistance towards Capital Support to HI for Plant and Machinery

A. Eligibility Criteria: Registration as Host Institute (HI)

Institutions such as Technical Colleges, Universities, other Professional Colleges/Institutes, R&D Institutes, NGOs involved in incubation activities, MSME-DIs/ Technology Centres or any Institute/Organization of Central/State Government may apply for registration as an HI and act as a Business Incubator (BI) for nurturing of ideas from the initial stage of conceptualization to the commercialization stage through HIs/ BIs. The institutions may apply for registration as HI through the MIS portal of the DC MSME website (<https://innovative.msme.gov.in>). All earlier approved Host Institutes (HIs) will be continued as HI for scheme implementation.

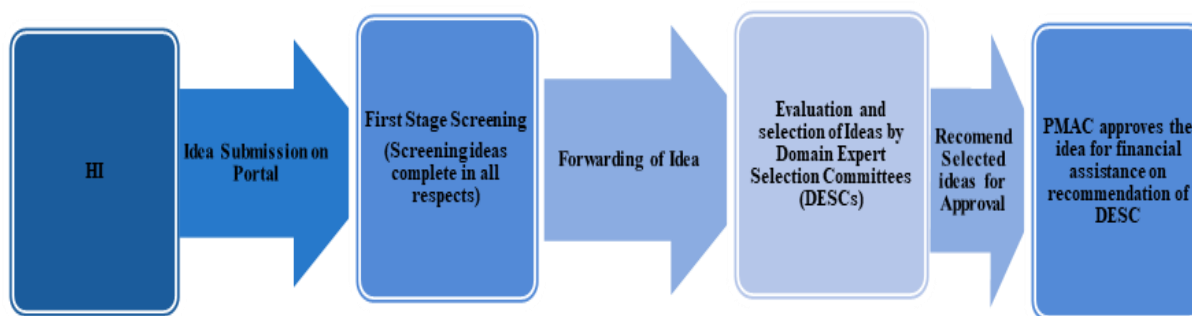
B. Approval of Ideas of Incubatees submitted through Host Institute (HI)

After getting approved as HI for the Incubation Scheme, the HI may invite ideas from MSME/others and after due diligence may submit the selected ideas through the MIS portal of the DC MSME website (<https://innovative.msme.gov.in>).

These ideas will be evaluated/approved by a committee in the Ministry of MSME per the following procedure:

Process Flow

The ideas submitted by the applicants will undergo following stages:



Stage 1- At HI Level

- On receipt of ideas from different incubatees, the HI shall first get them evaluated from experts of different institutions/industries at their end. Only the shortlisted ideas may be uploaded on the incubation portal (<https://innovative.msme.gov.in>).

Stage 2 - First Stage Screening

- After receiving shortlisted ideas from HI, the PMU will carry out the first stage screening. Only those ideas will be processed which have been received with relevant and appropriate information, fulfilling all the obligatory conditions as per the scheme guidelines. If the idea uploaded is incomplete/or with incoherent information, the idea will be liable for rejection.
- This will then be counter-checked by the programme division to ensure no eligible idea has been left out. Thereafter the screened ideas will be forwarded to the **Domain Expert Selection Committees (DESCs)**

Stage 3 - Selection of Ideas by Domain Expert Selection Committee (DESC)

- The ideas received would be segregated into the following five verticals, which will be evaluated by five **DESCs**.
- These five **Domain Expert Selection Committees (DESCs)** will comprise experts from the Industry/Academia/Government in these five verticals. There will be a provision for honorarium as per GFR for the experts. One expert from MSME DI and one member from the programme division for coordination will also constitute the DESC. DESCs will select the ideas from the ideas forwarded to them subsequent to the first stage screening.

S. No.	Sector	Composition of DESC
1	Agriculture, Rivers & Ocean Produce based industries, fertilizers, Agricultural Implements & Agro processing and any related sub-sector	1. Domain Experts from the industry/academia/government. 2. One Expert from MSME DI 3. One Member from Programme Division
2.	Healthcare & Life sciences, Medical Devices, Pharmaceuticals, Biotech, AYUSH and any related sub-sector	Same as above

3.	Power, Renewables, Electricals, Power Electronics, Energy Efficiency and any related sub-sector	Same as above
4.	Services, Education, Hospitality, Media, Publishing, Entertainment, Design, Wellness, Logistics, Sports and any related sub-sector	Same as above
5.	Miscellaneous Sector (Environment, Forests, Water & Sanitation; Foods, Beverages, FMCG, Consumer Goods; Infrastructure, Construction, Housing; IT, ITES, Electronics, White Goods, Telecommunication; Metals, Engineering, Machinery, Automation and Transportation, Automotive, E Vehicles, Railways, Aviation, UAV and any other sub-sector)	Same as above

- The DESC will evaluate the ideas as per the criteria above and would select ideas for recommending to PMAC for final approval. To ensure all the sectors and verticals get adequately represented, the number of ideas recommended must be in the ratio of them being received. The cut off ratio will be indicated by the officer from the programme division.

Stage 4 - PMAC

- After detailed evaluation by the DESCs, the recommended ideas would be forwarded to the PMAC for final approval.
- The approved ideas will be granted financial assistance as per scheme guidelines for further development.

C. Financial Assistance to HI for developing and nurturing the ideas

Financial Assistance up to maximum of Rs. 15 lakh per idea shall be provided to HI. Funds will be released after the approval of the idea by PMAC. For the ideas approved of any MSME/others, 15% of the total approved cost will be borne by them and deposited to the HIs. The remaining 85% will be contributed by MoMSME up to a maximum of Rs. 15 lakh per idea. However, students will not be required to pay any amount and the entire cost of idea will be borne by Ministry of MSME up to a maximum of Rs. 15 lakhs per idea.

It should be followed up by providing a Utilisation Certificate (UC) duly approved by the HI in-charge, failing which the HI will face penalties as decided by Project Monitoring and Advisory Committee (PMAC) of MoMSME. Further, the HI will be subjected to random checks and inspection by Ministry officials including MSME-DI (IA). In case, an Incubatee leaves the idea / project unfinished, then the work / development done by the Incubatee can be progressed by HI by engaging other deserving Incubatee(s) to further completing the idea / project. The unspent amount will be refunded to the Ministry.

Funds will be released in following two instalments:

- (i) 70% of the approved project cost as per below mentioned table, after approval of the idea by PMAC and signing of agreement between Host Institute and Incubatee.
- (ii) 30% of the approved project cost after utilization of 60% of 1st instalment utilized and submission of physical verification report by concerned Implementing Agency (IA).

Table: Indicative list of activities and likely expenditure for the idea/ project are as below (GoI assistance will be spent on pro-rata basis in the ratio of expenditure mentioned in the table below, if the assistance is less than Rs. 15 lakh): -

S. No.	Items	Likely Expenditure (Rs in lakh)
1.	Technology related expenditure like machine usage charges, electricity charges, procurement of raw materials, testing/calibration charges and any other technology related expenditure essential for development of idea.	10.00
2.	Charges for mentors/handholding supporting team.	3.00
3.	Travelling Expenses or any other overhead/administrative expenditure not covered above may be allowed as per need for development of the idea.	2.00
Total		15.00

Note: - After approval of idea/ project, variation up to 25 % of expenditure under various subheads is permitted within the total budget of maximum up to Rs. 15.00 lakh per idea.

D. Financial assistance for Plant and Machinery to HI up to Rs. 1.00 cr. (max)

Financial Assistance for Plant and Machinery to HI up to Rs. 1.00 cr. (max) shall be provided for procurement and installation of relevant plant and machines including hardware and software etc. in BI for R&D activities and common facilities for incubatees of BI. This assistance will be applicable to HIs who's minimum two or more than two ideas have been approved under the Incubation Scheme. The financial assistance will be applicable for procurement of Plant and Machinery for development of those specific approved ideas. The proposal may be uploaded by the HIs through the MIS portal of the DC MSME website (<https://innovative.msme.gov.in>). The approval of proposal for plant and machinery will be done by PMAC on recommendation of a **Domain Expert Selection Committee (DESC)**, specifically set up for the purpose.

Mechanism of Selection, Disbursement and Management of Plant and Machinery Support Selection:

For selection of beneficiaries for the Plant and Support fund, a Domain Expert Selection Committee (DESC) comprising of various Government officials, Experts and the Industry will be formed.

The proposed composition is as follows:

1. Joint Secretary, AFI, MoMSME, Chairman
2. Economic Adviser, MoMSME
3. Representative of Ministry of Heavy Industries
4. Representative of Niti Aayog dealing with AIC Programme
5. Representative of Ministry of Railways dealing with Plant and Machinery
6. Representative of IAs of MSME Innovative Scheme
7. Representative from MSME Associations (on rotation basis)
8. Any other member as decided by the Chairman, DESC
9. Director(T&P), MoMSME as Member Secretary of the Committee

Disbursement:

- This financial assistance will be provided upfront and the Utilisation Certificate for 50% of the grant be provided within 9 months of the release of the money.

- The complete UC for machinery and plant procurement and commissioning must be submitted within 18 months, failing which, the HI will face penalties as decided by PMAC.
- The financial support would cover the capital as well as maintenance expenditure for the plant and machinery for maximum five years or till the validity of the scheme or whichever is earlier.
- Expenditure, over and above of Rs. 1.00 cr., if any, would be met by HI on its own. Other cost like expenditure towards land, building, human resources etc. is not covered under this assistance.
- Any plant & machinery/infrastructure which was already present before receiving the financial assistance would not be considered. Accordingly, a list of existing equipment's/plants/machinery is required to be submitted by the HI along with the proposal.

Key aspects of funding to HI:

- HIs would be provided financial assistance for plant & machinery up-to Rs. 1 crore to cover the capital and maintenance expenditures. The exact amount of the assistance shall be decided by PMAC. Further, PMAC reserves the right to modify/terminate the support at any stage, if it is convinced that the financial assistance/grant is not being utilized properly.
- The plant & machinery procurement should be done within a maximum period of six months from the date of receipt of the financial assistance. The procurement should be done from open market at the option/choice of entrepreneurs with valid receipts/invoice with GST number through open, competitive bidding process.
- Machinery can also be imported for which the beneficiary unit shall substantiate the reason for import of machinery. In the case of imported machinery, the units shall produce the invoice, shipping bill etc. certified by Customs Authorities/DGFT/Banks with performance certificate from the supplier.
- The financial assistance under this component will be available to HIs who have not availed any Central/State Government subsidy for the same purpose, for which periodic confirmations from line ministries will be taken. An undertaking on notary stamp paper to the effect that the applicant has neither applied for nor availed of assistance under any programmes/components for the purpose of procurement of that plant and machinery, will have to be furnished while applying for assistance. The proposed procurement will be subjected to random checks and inspection by Ministry officials including MSME DI (IA).
- HIs would be required to submit a Detailed Project Report (DPR) as a justification for the requirement of appropriate plant and machinery for completing the project at the time of application on the portal. Cost of any fee paid to any external agency/individual(s) for the preparation of the DPR would not be borne by the O/o DC-MSME.
- The application, with all relevant documents and Detailed Project Report (DPR), shall be filed online. The Officer of the field office of O/o DC-MSME will conduct on-the-spot inspection of the unit, will verify all the documents, assess the quantum of financial assistance required and recommend those cases, complete in all respects, to O/o DC-MSME for obtaining sanction from the Competent Authority. Applications for financial assistance will be duly examined by the above-mentioned officers to ascertain whether the requirements have been duly complied with, and the acceptance/rejection of the application will be communicated to the applicant within 30 days from the date of receipt of the application. In case of rejection, detailed reason (s) thereof shall be communicated to the applicant.

- Host Institute shall have an account on PFMS Portal and PAN details with the same name. In the case of mismatch, allocation of funds to the HI shall not be allowed. The Host Institution shall maintain a separate account of the funds received and expenditure incurred on various activities.
- Further, the Host Institute would submit Annual Accounts, Audited expenditure Statement and Utilization Certificate to the Government as per procedure.
- The assets created through the scheme shall not be transferred/ disposed of without prior permission of the Ministry of MSME, Government of India.
- The assistance received from the O/o DC-MSME under this component shall be recoverable through legal means on the following grounds:
 - Where the assistance under the scheme has been obtained by misrepresentation of facts or by furnishing of false information; or where the machinery and premises of the unit are used for purposes other than for which the assistance was availed.
 - In case of any disputes with regard to grant of financial assistance under the scheme, the decision of the PMAC shall be final.

E. Implementation Mechanism:

All MSME-DI/TCs will act as implementing agency (IAs). However, the MSME DIs will not be eligible for Grant in Aid as per GFR. Any financial assistance to MSME DIs would be through budgetary support through suitable budget head.

Role of Implementing Agency (IA):

- a) The online proposals for registration as HIs will be forwarded to the IAs under whose jurisdiction area the proposed HI will fall. In case the proposal is incomplete then IA will revert to HI and get it completed from HI as per requirement of scheme. IAs will, after physical verification of all the parameters filled in the application for registration by HIs, forward its recommendation to the PMAC. IA needs to forward its recommendation to PMAC within 15 days of receipt of proposal, complete in all respects.
- b) IA before forwarding the proposal to DC Office may be sent to get for due diligence/recognitions/ affiliations/complaints/ grievances/ present status/clearance from AICTE /UGC and then the proposal should be forwarded with their proper recommendation on MIS portal.
- c) IA will function under the overall directions of PMAC and carry out all activities as directed by PMAC.
- d) After approval of financial assistance to any project of an HI, IA will ensure that the project is completed within the time frame of the scheme guidelines. Upon completion of the project, IA will submit a completion report and will submit the closure report to the DC Office.
- e) IA should ensure that HI not divert any part of the grant to any activity other than for which it has been sanctioned.
- f) All ideas should contain, inter-alia, following basic types of Innovation Processes:
 - Marketing & Branding: Innovation related to the customer experience.
 - Ideation: Innovation related to the product idea & concept.
 - Technology: Innovation related to the product functionality.
 - Co-creation: Innovation related to the customer involvement.
 - Social Innovation: Innovation related to the corporate culture.
 - Entrepreneurship: Innovation related to through entrepreneurial thinking.
 - Open Innovation: Innovation related to with stakeholders.
 - Business Model Innovation: Innovation related to the purpose and strategy.