

CREDIT LINKED CAPITAL SUBSIDY SCHEME (CLCSS)

WHAT IS CREDIT LINKED CAPITAL SUBSIDY SCHEME (CLCSS) FOR TECHNOLOGY UPGRADATION?

Technology is an essential component of every successful business. Until and unless manufacturing is aided by technology, the product does not meet the standards of modern day customers and this negatively impacts the revenue of businesses. In case of MSMEs, if the business is not able to generate sufficient revenues, it would not be able to grow. Thus, in today's technology driven world where there are cutting-edge and developed products to suit customer preferences, a MSME business should be technologically driven if it were to survive in the cut-throat competition. Moreover, having technically advanced production system will make it more efficient and ensure cost associated is minimized.

The credit linked capital subsidy scheme aims at facilitating Technology Upgradation of Micro and Small Enterprises by providing capital subsidy on institutional finance availed for induction of well-established and improved technology in approved sub sectors/products.

Definition of Technology Upgradation:

Technology upgradation would ordinarily mean induction of state-of-the-art or near state-of-the-art technology. In the varying mosaic of technology obtaining in more than 7500 products in the Indian small scale sector.

Technology upgradation would mean a significant step up from the present technology level to a substantially higher one involving improved productivity, and/or improvement in the quality of products and/or improved environmental conditions including work environment for the unit. It would also include installation of improved packaging techniques as well as anti-pollution measures and energy conservation machinery.

Further, the units in need of introducing facilities for in-house testing and on-line quality control would qualify for assistance, as the same is a case of technology upgradation. Replacement of existing equipment/technology with the same equipment/technology will not qualify for subsidy under this scheme, nor would the scheme be applicable to units upgrading with second hand machinery.

WHAT THE SCHEME OFFERS?

The Credit Linked Capital Subsidy Scheme (CLCSS) was first initiated on 1st October 2000 to boost the competitiveness of MSMEs. The scheme is continued w.e.f.01.04.2017 vide **Office Memorandum dated 13.12.2019** and implemented as per pre-revised guidelines, the revised guidelines will be effective from 13.08.2019 and its amendments from time to time, the present validity of the CLCS Component of CLCSU scheme is extended up to 31.03.2020.

The Scheme currently offers a 15% capital subsidy to small scale industries. When MSMEs avail loans for technology upgradation, they can enjoy a subsidy on such loans. The Credit Linked Capital Subsidy also covers MSEs of Khadi & Village industries and Coir sectors.

Further in September 2019, Nitin Gadkari, the Union MSME minister announced certain changes to the existing CLCSS scheme. As per the revised scheme, an additional 10% subsidy is offered to entrepreneurs belonging to SC/ST categories, Women entrepreneurs and hailing from the “117” aspiration districts that belong to North-eastern states and other hilly terrains in the country. In case of Special Credit Linked Capital Subsidy Scheme (SCLCSS), the effective date of implementation will be the date of notification of SCLCS Scheme guidelines i.e. 17.05.2017.

The revised scheme will play a crucial role in increasing the contribution of MSMEs to the GDP from the current 29% to 50% in the next few years. Additionally, it will also help in boosting exports from the MSME sector from the current 40% to 50%.

QUANTUM OF BENEFIT:

General Category

- 15% of Term Loan (only plant & machinery component)
- Max Cap - 15 Lakhs

SC / ST Category

- Additional 10% under SCLCSS scheme

EFFECTIVE DATE/ DURATION OF THE CLCSS SCHEME:

The CLCS component of CLCS-TU Scheme will be operational/valid with effect from 01.04.2017, till 31.03 2020 or till the time, the aggregate capital subsidy disbursed as per the sanction accorded reaches Rs.2360 Cr.

The subsidy is applicable only in cases where the loans have been sanctioned / approved having reference date on or after 01.04.2017. The quantum of subsidy would be based on the actual disbursement made at the time of submission of claims for subsidy. The CLC subsidy cases, where the reference date is prior to 01.04.2017, shall not be entertained in any case.

PURPOSE:

- To facilitate technology up-gradation in MSEs by providing an **upfront capital subsidy of 15 %** (on institutional finance of upto Rs 1 crore availed by them) for induction of well-established and improved technology in the specified 51 sub-sectors/products approved.
- In other words, the major purpose is to upgrade their plant & machinery with state-of-the-art technology, with or without expansion and also for new MSEs which have set up their facilities with appropriate eligible and proven technology duly approved under scheme guidelines.
- **The Scheme is a demand driven one without any upper limit on overall annual spending on the subsidy disbursal.**

THE SILENT FEATURES OF THE SCHEME ARE AS FOLLOWS:

- The subsidy is available on loans of up to Rs. 1 crore availed for modernizing plant and machinery.
- The amount of capital subsidy is calculated on the cost of plant and machinery acquired by the business.
- MSEs availing subsidy under this scheme shall be eligible for all other types of subsidy except any other Central Government subsidy for technology up-gradation.

WHO RUNS THE SCHEME:

The Development Commissioner of the Ministry of MSME runs the scheme and the nodal agencies help in implementing the scheme.

ELIGIBLE BORROWERS:

- Sole proprietorship, Partnerships, Cooperative Societies, Private and Public Limited companies in MSE Sector. Priority shall be given to women entrepreneurs.
- Existing MSE units registered with State Directorate of Industries, which propose to upgrade their existing plant and Machineries with the state of art technology, with or without expansion.
- New MSE units which are registered with State Directorate of Industries, which set up their facilities only with the appropriate eligible and proven technology duly approved by Governing and Technology Advisory Board(GTAB).
- A valid UdyogAadhar Memorandum (UAM) and entry of the MSE into the MSME Data Bank is mandatory for availing the subsidy under CLCS component. The businesses availing this scheme should upgrade their new or existing plant and machinery to the latest sate if the heart equipment.

TYPES OF UNITS TO BE COVERED UNDER THE SCHEME:

- i) Existing SSI units registered with the State Directorate of Industries, which upgrade their existing plant and machinery with the state-of-the-art technology, with or without expansion.
- ii) New SSI units which are registered with the State Directorate of Industries and which have set up their facilities only with the appropriate eligible and proven technology duly approved by the GTAB/TSC

VALIDITY CRITERIA:

Units which have already availed subsidy under the earlier CLCSS up to the limit of Rs. 15.00 lakh cannot claim additional subsidy. However, the units which have availed the subsidy less than the limit of Rs. 15.00 lakh will be eligible to claim the balance subsidy up to the limit of Rs. 15.00 lakh, provided their reference date is on 01.04.2017 or after. In order to limiting disbursement of subsidy within the prescribed ceiling limit of Rs. 15.00 lakh, the PU/Nodal Bank will certify the subsidy amount availed earlier by the unit itself.

ELIGIBILITY CONDITIONS UNDER CLCSS:

The present 51 Sub-sectors or Products covered under the up-gradation scheme as per Guidelines passed on 13th August 2019 are as follows:

- Biotech Engineering
- Effluent Treatment Plants
- Crenelated Boxes
- Drugs and Pharmaceuticals
- Dyes
- Medicinal and Aromatic plants- based industries
- Plastic cast/ Extruded Products.
- Rubber Processing enterprises
- Food Processing
- Poultry & Cattle Feed Industry

- Stone Industries (excluding Quarrying and Mining), Glass and Ceramic Items including Tiles
- Leather and Leather Products
- Electronic equipment viz examination, measuring and assembly, Industrial process control; Analytical, Medical, Electronic Customer & Communication equipment, etc.
- Fans & Motors Industry
- Hardware Information Technology
- Mineral enclosed Heating Elements
- Transformer/ Electrical Stampings/ Laminations /Coils/Chokes
- Wires & Cable Industry

COMBUSTION DEVICES/ APPLIANCES:

- Forging & Hand Tools
- Foundries-Steel and Cast Iron
- General Engineering Works
- Gold Plating and Jewellery, Locks, Toys
- Non-Ferrous Foundry, Steel Furniture, Steel Re-rolling and Iron Pencil Ingot making Industries, Welding Electrodes
- Sport Goods
- Cosmetics
- Ready-made Garments
- Wooden Furniture
- Paints, Varnishes, Alkyds, and Alkyd products
- Agricultural Apparatuses and Post- Harvest Equipment
- Khadi and Village Industries, Sewing Machine Industry
- Coir and Coir Products
- Zinc Sulphate, Beneficiation of Graphite and Phosphate, Industrial Gases
- Printing Industry
- Copper Strip Industry, Ferric, and Non-Ferric Alum
- Pesticides Preparation

THE CURRENT 11 NODAL AGENCIES UNDER CLCSS:

1. SIDBI (Small Industries Development Bank of India)
2. NABARD (National Bank for Agriculture and Rural Development)
3. SBI (State Bank of India)
4. BoB (Bank of Baroda)
5. PNB (Punjab National Bank)
6. BOI (Bank of India)
7. TIIC (Tamil Nadu Industrial Investment Corporation Limited)
8. Andhra Bank
9. Corporation Bank
10. Canara Bank
11. Indian bank

Please note: As per *Office Memorandum dated 10-06-2020*, it was clarified that the status of various banks (Oriental Bank of Commerce, United Bank of India, Punjab National Bank, Andhra Bank, Corporation Bank, Union Bank of India, Syndicate Bank, Canara Bank, Allahabad Bank, Indian Bank) involve in implementation of Credit Linked Capital Subsidy (CLCS) component under CLCS-TU Schemes (CLCS-TUS) has been changed due to Amalgamation of Public Sector Banks *vide Ministry of Finance (Department of Financial Services) Gazette notifications G.S.R.153(E), G.S.R.154(E), G.S.R.155(E) and G.S.R.156(E) dated 04.03.2020*, however the online application process for submitting the online subsidy claims having reference date upto 31-03-2020 will remain in practice in accordance to prevailing arrangements.

All Nodal Banks/Agency including Small Industries Development Bank of India (SIDBI) shall have to process all online subsidy application as per prevailing arrangements. The application of all banks those are the Pus with SIDBI/ NABARD as on 31-03-2020 will route through SIDBI / NABARD till further order.

Eligible Primary Lending Institutions (PLI):

1. All Scheduled Commercial Banks,
2. Scheduled Cooperative Banks,
3. Regional Rural Banks (RRBs),
4. State Financial Corporations (SFCs)
5. North Eastern Development Financial Institution (NEDFI)

HOW TO APPLY FOR THE CLCSS:

- Online application and tracking has been introduced from 2013 for the CLCSS. Eligible beneficiaries are required to apply for the CLCSS subsidy from Primary Lending Institutions (PLI) where they have availed term loans.
- The beneficiary will be required to fill out an application form that is available with the PLI. The completed application is uploaded to the online portal by the PLI. The uploaded application is sent to the attached nodal agency, which recommends the application to the Office of DC (MSME).
- On verification, the office of DC (MSME) sanctions the release of the subsidy. Once all the required verifications are done, the Internal Finance Wing releases the funds to the Nodal Agencies, from where it is passed on the PLI of the beneficiary.
- *However, note that the scheme at present is under revisal by the Ministry of MSME which will release official details soon.

DOCUMENTS REQUIRED FOR CLCSS:

Eligible micro and small industries have to submit the following documents for availing the CLCSS subsidy.

1. PAN card of the individual and the business
2. Aadhaar Card/Voter ID (for identity proof)
3. Personal address proof
4. Business address proof
5. Recent passport size photographs
6. Proof of business like partnership deed, company registration, etc

Apart from these documents, the scheme beneficiary may have to provide other KYC documents as required.

CONCLUSION:

- This scheme aims at **improving the competitiveness of MSMEs** by integrating various ongoing schematic interventions aimed at up-grading technology through the Credit Linked Capital Subsidy (CLCS),
- Special provisions have been made in this scheme to promote entrepreneurship for SC/STs, women, North Eastern Region, Hill States, Island Territories (Andaman & Nicobar and Lakshadweep) and the Aspirational Districts/ Left Wing Extremism (LWE) Districts.
- **The subsidy will be given for investment in acquisition/replacement of plant & machinery/equipment & technology up-gradation of any kind.**
- In addition, the scheme through Zero Defect & Zero Effect, component will promote the reduction in emission level of greenhouse gases and improve the competitiveness through the reduction in defect/wastage during the manufacturing process of the products.
- **It will also promote the innovation, digital empowerment of MSMEs, design interventions and support the protection of intellectual property of MSMEs.**