
Research Study on the Credit Linked Capital Subsidy Scheme

Abstract Credit Linked Capital Subsidy Scheme facilitates the technological up gradation of MSE's by providing capital subsidy of 15 percent (on institutional finance of up to Rs 1 crore availed by them) for introducing sophisticated technology in the approved 51 subsectors/ products. Its main intention is to upgrade the plant and machinery with latest technology of existing units and also for newly set up MSEs. The scheme is based on demand without any upper limit on overall annual spending on the subsidy disbursal.

Introduction

Micro, Small and Medium Enterprises (MSME) sectors are the primary chains of economic growth and development of the Indian economy. It is a vibrant sector which carries on the proud legacy of India's freedom movement. It provides immense employment opportunities at a lesser cost than large industries. It plays a significant role in strengthening rural and backward areas. It helps in reducing concentration of economic power and wealth. This sector contributes to the socio-economic development of the country. It caters to the need of the small entrepreneurs with low capital and thus helps in the overall empowerment of the people. Due to insufficient capital and widespread unawareness micro and small enterprises were carrying out operations with outdated technology. It was indeed difficult for these enterprises to keep up with global standards and face competition. Thus their survival mainly depended on modernisation and technological up gradation. In the light of these events, credit-linked capital subsidy scheme was introduced. In the 2018 Central Government budget, special focus was laid on reviving and strengthening the credit-linked capital subsidy scheme.

Objectives Of Study

- To list out the objectives of CLCSS scheme.
- To elaborate the procedure for availing loans under this scheme
- To graphically represent the flow of this scheme
- To state the performance of this scheme

Methodology

Secondary data pertaining to the research article has been obtained from online websites and

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journals.

Credit Linked Capital Subsidy Scheme

This scheme was introduced in launched in October-2000 and revised from 29.9.2005. Maximum limit of eligible loan for calculation of subsidy under the scheme is Rs.100 lakhs. Presently, more than 1500 well established/improved technologies under 51 sub-sectors have been approved under the Scheme.

Objective Of The Scheme

The objective of this scheme is to facilitate the technological up gradation of MSE's by providing a capital subsidy of 15 percent (on institutional finance of up to Rs 1 crore availed by them) for introducing sophisticated technology in the approved 51 subsectors/ products. Its main intention is to upgrade the plant and machinery with the latest technology of existing units and also for newly set up MSEs. The scheme is based on demand without any upper limit on overall annual spending on the subsidy disbursal. The revised scheme provides 15% upfront capital subsidy to MSEs, including tiny, khadi, village and coir industrial units, on institutional finance availed by them for induction of well established and improved technologies in specified sub-sectors/products approved under the scheme.

Beneficiaries Of This Scheme

Only micro and small enterprises with a Udyog Aadhaar Memorandum (UAM) number can benefit from this scheme.

Duration Of The Scheme

The scheme is currently scheduled to be in operation up to March 31, 2007 or till the time sanctions of aggregate capital subsidy disbursed by the Nodal Agencies reaches Rs.600 crore, whichever is earlier. **SALIENT FEATURES** The Credit Linked Capital Subsidy Scheme (CLCSS) was launched on 1st October, 2000. The Cabinet Committee on Economic Affairs (CCEA) has approved the changes in ceiling of credit from 40.00 lakhs to 1.00 crore with the rate of subsidy enhanced from 12% to 15% with effect from 29th September, 2005. **SCOPE** Currently, the scheme provides subsidy to only 51 sub-sectors/products including Khadi and Village Industries. But as the scheme expanded, a new list of products/sub-sectors has been included by installing new technologies/products/sub-sectors with the approval of the Technical Sub-Committee (TSC) and Governing and Technology Approval Board (GTAB) of the CLCSS.

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The scheme would cover the following technology needs / products/ sub sectors:

1. Biotech Industry
2. Common Effluent Treatment Plant
3. Corrugated Boxes
4. Drugs and Pharmaceuticals
5. Dyes and Intermediates
6. 6. Industry based on Medicinal and Aromatic plants
7. Plastic Moulded/ Extruded Products and Parts/ Components
8. Rubber Processing including Cycle/ Rickshaw Tyres
9. Food Processing (including Ice Cream manufacturing)
10. Poultry Hatchery & Cattle Feed Industry
11. Dimensional Stone Industry (excluding Quarrying and Mining)
12. Glass and Ceramic Items including Tiles
13. Leather and Leather Products including Footwear and Garments
14. Electronic equipment viz test, measuring and assembly/ manufacturing, Industrial process control?Analytical, Medical, Electronic Consumer & Communication equipment etc.
15. Fans & Motors Industry
16. General Light Service(GLS) lamps
17. Information Technology (Hardware)
18. Mineral Filled Sheathed Heating Elements
19. Transformer/ Electrical Stampings/ Laminations /Coils/Chokes including Solenoid coils
20. Wires & Cable Industry
21. Auto Parts and Components
22. Bicycle Parts
23. Combustion Devices/ Appliances
24. Forging & Hand Tools
25. Foundries – Steel and Cast Iron
26. General Engineering Works
27. Gold Plating and Jewellery
28. Locks
29. Steel Furniture
30. Toys
31. NonFerrous Foundry
32. Sport Goods
33. Cosmetics
34. Readymade Garments
35. Wooden Furniture
36. Mineral Water Bottle

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37. Paints, Varnishes, Alkyds and Alkyd products
 38. Agricultural Implements and Post Harvest Equipment
 39. Beneficiation of Graphite and Phosphate
 40. Khadi and Village Industries
 41. Coir and Coir Products
 42. Steel Re-rolling and /or Pencil Ingot making Industries
 43. Zinc Sulphate
 44. Welding Electrodes
 45. Sewing Machine Industry

Procedure For Availing Loans Under This Scheme

This Scheme is linked with term loans availed by the MSEs from Banks or Financial Institutions.

1. To claim subsidy under CLCSS, eligible MSEs are required to apply online through Primary Lending Institutions (PLIs), from where the MSEs availed term loan for up-gradation of technology.
2. The completed application is then uploaded by PLI through Online Application and Tracking System to the attached Nodal Agency, which, in turn, recommends the application online to Office of DC (MSME) for release of subsidy.
3. After processing of application and subject to availability of funds, due approval is accorded from competent authority and concurrence of Internal Finance Wing, after which funds are released to Nodal Agencies.
4. Funds are then transferred by the Nodal Agencies to the PLIs where the account of the MSE is operated.

Implementation

Presenting, 12 nodal banks/agencies including SIDBI and NABARD are implementing this scheme. All the other nodal banks/agencies will only accept proposals in respect of credit approved by their respective branches. SIDBI and NABARD are responsible for the release of subsidy. SME units can claim subsidy through online application and tracking system which has been introduced from 01.10.2013. Subsidy claim application must be uploaded through Primary Lending Institutions (PLI). PERFORMANCE Performance of Credit Linked Capital Subsidy Scheme (CLCSS) from the inception (2001-02) upto 2016-17 is given below: Year No. of MSE Beneficiaries Total Amount of subsidy released (Rs. Crore) 2001-02 to 2011-12 16295 854.05 2012-13 5713 343.79 2013-14 6279 421.48 2014-15 7246 448.85 2015-16 5047 322.44 2016-17 4011 256.53 2017-18 (Upto 30.09.2017) 4027 257.39 Source: A diagrammatic representation of the flow of the scheme is given below:- Fig: Secondary Data.

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Conclusion

The credit-linked capital subsidy scheme (CLCSS) has helped in the technological up gradation of Micro and Small Enterprises (MSEs) and also in installing state of the art technology in such units. Efforts are being made to reintroduce this scheme with much vigor to uplift the micro and small enterprises as they form the backbone of the economy. This scheme helped the MSEs to stand at par with global standards and sophisticated technology. This helps them to face competition and keep up with global standards. Thus this scheme will prove to be a major breakthrough in upgrading the technology of the micro and small enterprises.

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