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**GOVERNMENT OF KERALA**  
Industries(B)Department

No.316/B3/19/ID

Thiruvananthapuram, Dated : 02/11/2019.

**C I R C U L A R**

Sub: Industries Department – Awareness about the Credit Linked Capital Subsidy, Credit Guarantee Fund Scheme and Interest Subvention Scheme – Instructions – Issued.

Ref: D.O.No.1(12)/CLSS/Misc/2019-20 dated 21/08/2019 from the Ministry of MSME, Government of India.

Availability of credit through formal and institutional channels for MSMEs plays an important role in sustainable growth of this sector. Considering the critical role played by the MSMEs in promoting inclusive growth & employment generation, it is essential to facilitate their access to timely and reasonably priced financial services. In this regard, the Ministry of MSME, Government of India is implementing three schemes viz Credit Linked Capital Subsidy (CLCS), Credit Guarantee Fund Scheme and Interest Subvention Scheme.

Hence all concerned are directed to take necessary measures for creating awareness of the above said schemes. A brief write up on three schemes is enclosed as Annexure.

**K.RADHAKRISHNAN,**

Additional Secretary.

To

The Director of Industries & Commerce

All General Managers, District Industries Centres (Through DIC)

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Section Officer

## **Annexure**

**Name of the Scheme : Credit Linked Capital subsidy component under CLS-TUS.**

**Nature of Assistance :** Financial assistance for upgrading technology by availing institutional finance.

### **Highlights of the Scheme:-**

1. The objective of CLCS component of CLC-TUS is to facilitate technology to MSMEs through institutional finance for induction well established and proven technologies in the specific sub-sector/products approved under the scheme.
  - a) Upfront subsidy of 15% on institutional credit upto Rs.1.0 crore (i.e a subsidy cap of Rs.15.00 Lakh) for identified sectors / subsectors / technologies.
  - b) Flexibility for review of the identified technologies / subsector also exists.
  - c) Online Application and Tracking System already in place & amended in accordance to the revised provisions.
  - d) Presently scheme is being implemented through 11 nodal banks/agencies, however, almost all Commercial Banks, Private Banks & RRBs are acting as PLI through these 11 nodal banks/agencies (SIDBI, NABARD, SBI(SBI & SBBJ), PNB, BoB, Canara Bank, Corporation Bank, Indian Bank, Bank of India&TIICL).
  - e) In order to ensure fair inclusion of SC/ST category, women entrepreneurs and entrepreneurs from NER, Hill States (Jammu & Kashmir, Himachal Pradesh & Uttarakhand) Island Territories (Andaman & Nicobar and Lakshadweep) and the identifies Aspirational Districts/LWE Districts, the subsidy has also been proposed to be admissible also for investment in acquisition/replacement of plant & machinery/equipment & technology up-gradation of any kind.

2. The list of approved sectors/sub-sectors/technologies and details of machineries stipulated in previous guidelines (appendix-1, supplement 1-6) will remain unchanged. However, on addition/deletion of sector/sub-sectors/technologies and details of machineries, the supplement(s) will be issued after approval of the committee of experts as per scheme guidelines. The detailed operational guidelines are available on the official website of Ministry ie [www.dcmsme.gov.in](http://www.dcmsme.gov.in) under icon TECH-UP.

### **Credit Guarantee Fund Scheme for Micro and Small Enterprises**

**Goal:-** To provides collateral free loans to the Micro and Small Enterprises (SMEs)

First generation entrepreneurs in the Micro and Small Enterprises (MSE) sector find it difficult to access credit from the organized banking sector. The banks on their part are concerned about the likely defaults in small loans and hence try to collateralize their exposure to the small borrowers. Keeping this in mind, it was thought fit to create the instrument of Credit Guarantee to enhance the comfort level of the banks for financial loans, as well as a new gateway for MSE entrepreneurs to get funding without collateral security and or third party guarantee.

**Problems:-** Non availability of collateral security with MSE entrepreneurs which could be provided as security to Banks & financial institutions.

**Strategy:-**

➤ The Ministry of Micro, Small and Medium Enterprises, Government of India and Small Industries Development Bank of India (SIDBI), established a Trust named Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) in July, 2000 for implementing the Credit Guarantee Fund Scheme for MSEs with a corpus of Rs. 2500 crore to be contributed in the ratio 4:1 by GoI and SIDBI respectively. The Government has also approved augmentation of the corpus of the Trust from the present level of Rs. 2500 crore to Rs.7500 crore. The increase in the corpus by Rs.5000 crore would be entirely contributed by Government of India. The Government has also approved increase in the coverage of the Credit Guarantee Scheme for loans being extended to Micro and Small Enterprises by NBFCs.

- The credit facilities which are eligible to be covered under the scheme are both term loans and working capital facility up to Rs.200 lakh per borrowing unit, extended without any collateral security or third party guarantee, to a new or existing unit in the MSE sector, including units in manufacturing and service sectors.
  
- The Trust (CGTMSE) implements the scheme through Member Lending institutions (MLIs). The institutions, which are eligible under the scheme, are scheduled commercial banks, including Public Sector Banks, Private Sector Banks, Foreign Banks and select Regional Rural Banks (which have been classified under 'Sustainable Viable' category by NABARD). Besides all India financial institutions like Small Industries Development Bank of India (SIDBI), select Regional / State level financial institutions have also been made eligible institutions. There are 101 Member Lending Institutions (MLIs) of the Trust, comprising 97 banks and 4 NBFCs.
  
- During FY 2018-19, 4,35,520 no. of proposals have been approved with guarantee coverage of Rs.30168.57 cr.

#### **Interest Subvention Scheme for Incremental credit to MSMEs 2018**

Interest Subvention Scheme for Incremental credit to MSMEs 2018 offers 2% interest subvention on fresh or incremental loans maximum up to Rs.1 crore to MSMEs, who have valid GSTN Number and Udyog Aadhar Number. SIDBI is the Nodal Agency for implementation of the Scheme. The Scheme aims at encouraging both manufacturing and service enterprises to increase their productivity. Incremental or fresh term loan or incremental or fresh working capital extended from 2<sup>nd</sup> November 2018 by any Scheduled Commercial Banks and NBFCs would be covered under the scheme. MSMEs already availing interest subvention under any of the Schemes of the State / Central Govt will not be eligible under the proposed Scheme.