

Credit Linked Capital Subsidy Scheme (CLCSS)

The Credit Linked Capital Subsidy Scheme (CLCSS) is a flagship program from the Ministry of Micro, Small & Medium Enterprises (MSME), Government of India, designed to help Micro and Small Enterprises (MSEs) upgrade their technology. Initially launched in 2000, the scheme was revised in 2005 to provide more substantial support for modernization.

Important Note on Scheme Status:

As of 2024, the general CLCSS scheme is **under revision** by the Ministry of MSME. While applications were accepted until March 2020 under extensions, the scheme is currently not active for new general applications. It is expected to be relaunched after necessary approvals.

However, the **Special Credit Linked Capital Subsidy Scheme (SCLCSS)** for entrepreneurs belonging to Scheduled Castes (SC) and Scheduled Tribes (ST) is **currently operational**.

Core Objectives

The primary goals of the CLCSS are to:

- Provide financial assistance to MSEs for technology upgradation.
- Encourage the adoption of well-established and improved technologies.
 - Facilitate the modernization of plant and machinery to enhance competitiveness.
- Help reduce production costs and improve product quality.
 - Strengthen the competitiveness of MSEs in domestic and international markets.
- Promote the adoption of sustainable and environment-friendly technologies.

Key Features

- **Subsidy Rate:** Provides an upfront capital subsidy of **15%** on eligible investment in plant and machinery.
- **Maximum Loan Ceiling:** The subsidy is calculated on a maximum loan amount of **₹1 crore**.
- **Maximum Subsidy:** The total subsidy is capped at **₹15 lakh** per unit.
- **Sectors Covered:** Applicable to 51 specified sub-sectors, including manufacturing, service,

khadi, village, and coir industries.

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- **Nature of Assistance:** The subsidy is provided upfront through Primary Lending Institutions (PLIs).

Benefits of the Scheme

For MSMEs (under the general scheme)

- **Financial Relief:** A 15% upfront capital subsidy significantly reduces the financial burden of technology upgrades.
- **Improved Competitiveness:** Modern technology leads to better processes, higher quality products, and lower costs.
- **Enhanced Productivity:** Upgraded machinery improves efficiency, output, and reduces waste.
- **Better Product Quality:** Facilitates standardization and adherence to international quality norms, opening up export markets.
- **Reduced Operational Costs:** Energy-efficient and modern technologies help lower operational expenses and increase profit margins.

For Special Categories (under SCLCSS and other provisions)

- **SC/ST Entrepreneurs (SCLCSS):**
 - **Enhanced Subsidy:** Receive a higher subsidy of **25%** on eligible investment.
 - **Higher Ceiling:** The maximum subsidy is capped at **₹25 lakh**.
 - Potentially faster processing of applications.
- **Women Entrepreneurs & Units in NER/Hill States:** The scheme framework includes provisions for enhanced assistance and relaxed eligibility norms for these categories.

Economic Impact

- **Job Creation:** Business expansion resulting from technology upgrades leads to new employment opportunities.
- **Industrial Growth:** Drives overall industrial development and modernization.
- **Export Promotion:** Helps MSMEs become export-ready by improving quality standards.

- **Innovation:** Encourages a culture of adopting new and innovative technologies.

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Eligibility Criteria

Beneficiary Eligibility

- **Eligible Entities:** Sole Proprietorships, Partnership Firms, LLPs, Co-operative Societies, Private, and Public Limited Companies registered as MSMEs.
- **Enterprise Categories:**
 - **Existing MSEs:** Units upgrading their existing plant and machinery.
 - **New MSEs:** Units setting up new facilities with pre-approved, eligible technology.
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Sector & Technology Eligibility

- **Approved Sectors:** The enterprise must operate in one of the 51 approved sub-sectors/products.
- **Technology Requirements:** The technology being adopted must be a demonstrable upgrade from the existing technology and must lead to improved productivity, quality, or reduced costs.

Exclusions

- **Ineligible Activities:** Purchase of second-hand or refurbished machinery, replacement of existing equipment with the same technology, and expenditure on land, buildings, or working capital.
- **Ineligible Entities:**
 - Units that have already received a technology upgrade subsidy from another government scheme.
 - Enterprises operating outside the 51 approved sub-sectors.
 - Units that do not qualify as MSEs under the MSMED Act.
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Application Process

Step 1: Pre-Application Preparation

Confirm that your business falls under one of the 51 approved sub-sectors and obtain a valid Udyam Registration Number. Prepare a detailed technical plan for the upgrade.

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Step 2: Loan Application

Approach a designated Primary Lending Institution (PLI) like a bank or financial institution to apply for a term loan for the technology upgrade. The PLI will conduct a technical and financial appraisal of your project.

Step 3: Subsidy Application

Once the loan is sanctioned, the MSME must apply for the CLCSS subsidy through the PLI. The PLI will upload the application to the Online Application and Tracking System.

Step 4: Processing and Approval

The application is forwarded to the relevant Nodal Agency (e.g., SIDBI, NABARD). After technical evaluation, the Nodal Agency recommends the application to the Office of the DC (MSME) for final approval.

Step 5: Subsidy Disbursement

The approved subsidy is released to the Nodal Agency, which then disburses it to the PLI. The PLI provides the subsidy to the beneficiary account.

Application Process for SCLCSS (for SC/ST Entrepreneurs)

The process is similar, but the claim is uploaded by nodal banks onto a specialized MIS Portal for processing with the enhanced 25% subsidy rate and ₹25 lakh ceiling.

Subsidy Structure and Financial Details

	Standard CLCSS (Under Revision)	Special CLCSS (Active for SC/ST)
Subsidy Rate	15%	25%
Max. Eligible Loan for Subsidy		Lakh
Maximum Subsidy Amount	₹1 Crore	₹1 Crore ₹15 Lakh ₹25

Monitoring and Compliance

- **Lock-in Period:** The subsidized machinery cannot be sold for a period of 3 years from the date of commencement of commercial production.
- **Audit:** Units are subject to inspection and audit by government bodies.

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- **Refund Clause:** If the subsidy is found to be misused or claimed based on false information, it must be refunded with interest.

Performance and Outcomes

- **CLCSS (2016-2022):** Over 47,000 MSMEs benefited from a total subsidy allocation of ₹3,250 crores.
- **SCLCSS (2019-2025):** To date, 2,841 SC/ST entrepreneurs have received subsidies amounting to ₹321.87 crores.

Contact Information

- **Ministry of MSME:**
 - **Website:** www.dcmsme.gov.in
 - **Portal:** my.msme.gov.in
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- **Nodal Agencies:**
 - **SIDBI:** www.sidbi.in
 - **NABARD:** www.nabard.org
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- **Local Support:** MSME Development Institutes in each state can provide guidance.

Disclaimer: This information is based on the latest available guidelines. For the most current status and details of the scheme's relaunch, please refer to the official MSME websites or contact a Nodal Agency.