

# Credit Schemes

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**Credit Guarantee scheme and Credit Linked Capital Subsidy scheme for MSMEs**

**Source:** *PIB and Indiafindings.com*

## **Credit Guarantee Scheme**

The scheme facilitates credit to the MSE units by covering collateral free credit facility (term loan and /or working capital) extended by eligible lending institutions to new and existing micro and small enterprises

### **Key highlights**

- The scheme provides benefit to a Startup that is recognised by the Department for Promotion of Industry and Internal Trade (previously called DIPP) according to the Gazette Notifications that is issued from time to time.
- For all resident Directors/ partners, the Aadhaar card would be made mandatory, and for all non-resident directors/ partners, the passport number would be made as a necessary part as per the KYC norms.
- **The Member Lending Institutions (MLIs) under the scheme** can be SEBI registered AIFs; RBI registered Non-Banking Financial Companies (NBFCs), Scheduled Commercial banks and Financial Institutions, etc.
- **The scheme functions under the trusteeship management of the National Credit Guarantee Trustee Company (NCGTC).**
- The instruments for assistance can be in the form of

venture debt, working capital, debentures, optionally convertible debt, etc.

- MLIs offers loans up to any amount as required by an eligible borrower. Therefore, through this scheme, the exposure to avail credit guarantee would be limited to Rs. 500 lakh per eligible borrower. These loans would be extended by MLIs without any security and third party guarantee.
- **The Management Committee (MS)** would be made responsible for the overall supervision and monitoring of the Credit Guarantee Scheme for startups.
- **A Risk Evaluation Committee (REC)** would also be formed to address the conflict of interest.
- Credit Guarantee Scheme for Startups is provided to cover up to 75% of the credit facility up to Rs. 150 lakh.
- The scheme also covers upto 85% of credit facility for loans less than Rs. 5 lakh and offered to micro-enterprises.
- Further, the scheme covers upto 80% of credit facility for MSMEs that are operated/ owned by women and all loans to NER with the inclusion of Sikkim. For MSME retail trade, the guarantee cover offered is 50% of the amount – to a maximum of Rs. 50 lakh

## **Credit Linked Capital Subsidy Scheme**

### **Objectives**

- To facilitate technology up-gradation in MSEs by providing an upfront capital subsidy of 15 per cent (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.
- 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

### **Nature of assistance**

The revised scheme aims at facilitating technology up-gradation by providing 15% up front 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 the specified sub-sectors/products approved under the scheme

### **Current status of the scheme**

The Indian Government has commended the three-year extension of the CLCS scheme for MSEs with the general expenditure of Rs. 2,900 crores. The scheme has been authorised for continuation from 2017-2018 to 2019-2020

### **Eligibility criteria for financial assistance**

The incubation support will be provided by the following host Institutions they are;

- Indian Institutes of Technology (IITs)
- National Institutes of Technology ( NITs)
- Engineering Colleges
- Technology Development Centres, Tool Rooms, etc
- Other recognised R&D&/or Technical Institutes/Centres, Development Institutes of DIP&P in the field of Paper, Rubber, Machine Tools, etc