Govt rolls out ₹7.3K cr schemes to boost MSME financing

Plan to help small exporters over a period of six years

ILLUSTRATION: BINAY SINHA

SHREYA NANDI
New Delhi, 2 January

The government on Friday launched two measures — on interest subvention and collateral support — with an allocation of ₹7,295 crore for a six-year period (FY26-31) to give small exporters better access to trade finance.

The scheme titled "Interest Subvention for Pre- and Post-Shipment Rupee Export Credit" will enable micro, small, and medium enterprises (MSMEs) to access export credit at competitive rates, below market interest rates.

The tentative budgetary outlay for the scheme is ₹5,181 crore over six years. To begin with, arrears worth ₹830 crore will be cleared.

"A base interest subvention of 2.75 per cent has been provided, with a provision for additional incentive for exports to notified under-represented or emerging markets, subject to operational readiness," the Department of Commerce said in a statement.

The schemes have been launched under the ₹25,060 crore export-promotion mission, approved by the Union Cabinet in November.

Government officials said the subvention scheme was the revamped version of the "Interest Equalisation Scheme" (IES), discontinued after 31 December, 2024. In its current form, the interest-subvention scheme will focus mainly on small exporters, with a cap on the annual benefit. The larger idea, according to the government, is to ease the working-capital constraints of small and first-time exporters — especially at a time when global trade is facing headwinds — and not covering all exporters

There will be additional incentive for MSMEs exporting to new and emerging markets, Additional Secretary Ajay Bhadoo told reporters, adding that the scheme would cover 75 per cent of tariff lines.

Bhadoo said products were selected through a methodology prioritising high labour-intensive and capital-intensive sectors.

According to the department, the subvention rates will be reviewed in March and September, based on domestic and global benchmarks. The annual benefit has been capped at ₹50 lakh per firm.

Turn to Page 6

More access to credit

Interest subvention for pre- and post-shipment export credit

Tentative budgetary outlay:
₹5,181 crore over six years (FY25-FY31)

Implementing agency:
DGFT, RBI

Interest subvention:
- 2.75% to all eligible MSME exporters
- Additional incentive to MSMEs exporting to new markets

Limit
Annual benefit of ₹50 lakh per firm

Collateral support for export credit

Tentative budgetary outlay:
₹2,114 crore over six years (FY25-FY31)

Implementing agency:
DGFT, CGTMSE

Guarantee coverage:
- Micro and small: Up to 85%
- Medium: Up to 65%

Maximum guarantee limit:
Up to ₹10 crore collateral guarantee per firm

FROM PAGE 1

Govt rolls out schemes worth ₹7.3K cr to ease financing for MSMEs

The detailed guidelines of the scheme will be released by the RBI, which is the implementing agency along with the Directorate General of Foreign Trade (DGFT).

The department also launched a ₹2,114 crore "Collateral Support for Export Credit" scheme to provide credit-guarantee support for export-linked working-capital loans to exporters that are MSMEs.

A collateral guarantee up to ₹10 crore per firm will be provided under this support measure. Guarantee coverage up to 85 per cent will be available for micro and small exporters, and up to 65 per cent for medium enterprises. "This intervention is designed to complement existing credit guarantee mechanisms and to increase bank lending to export-oriented MSMEs.

Detailed guidelines will be notified by CGTMSE, followed by a pilot phase and subsequent integration into a comprehensive revision of export promotion frameworks," the department said.

During this financial year, the government expects an outgo of ₹400 crore under both schemes.

For both schemes, restricted items, waste & scrap, products covered under the production-linked incentive, and products excluded under two schemes — Remission of Duties and Taxes on Exported Products and Remission of State and Central Taxes and Levies — have been excluded to avoid overlap with similar schemes and to remove low-value added or sensitive exports. Defence and dual-use products are included.