

# New support schemes for small exporters on cards

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The government is designing new support schemes, especially for small exporters to help them avail collateral-free loans and partially fund the compliance needs for non-tariff measures being implemented by developed nations. These would also help promote alternative financing instruments via cross-border factoring support, and provide assistance for risky markets.

An inter-ministerial panel, also comprising officials from the ministries of commerce, finance and micro, small and medium enterprises (MSMEs), is working on these schemes under the ₹2,250 crore Export Promotion Mission announced in the Budget.

Since the finance ministry did not approve the continuation of a key export-boosting scheme — interest equalisation scheme (IES) — beyond December 31, fresh funds have been allocated under the Mission to take a relook at the export credit scenario and offer support to MSME exporters.

The larger idea is to change the format of the assistance to the exporters and not necessarily through an interest subvention like IES.

“The way IES was operated, it wasn’t clear if it was addressing the concerns of a large number of MSMEs. That’s why the focus is on export credit,...



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## LENDING A HELPING HAND

■ Scheme in works to help MSMEs access credit without collateral; aims to support 100,000 exporters

■ Exim Bank’s existing TAP scheme to be expanded with central support; a risk-sharing fund will be established to cover more exporters

■ Reimbursement of

additional costs incurred by exporters due to compliance with trade-restrictive non-tariff measures

■ Push for wider adoption of export factoring to reduce reliance on banks, targeting 3% of merchandise exports

■ ₹200 crore earmarked under the Mission to improve market access for exporters

### ₹2,250 crore

Export Promotion Mission to ease financing, tackle non-tariff hurdles, and boost trade in risky markets

support, which are required for MSMEs to address non-tariff measures such as European Union’s carbon border tax and deforestation regulations or US’s turtle exclusion device,” Director General of Foreign Trade (DGFT) Santosh Kumar Sarangi told reporters on Tuesday.

Some of these schemes, if approved, will be implemented in about four months. The Mission will also include ₹200 crore for market access initiative (MAI) scheme.

According to Sarangi, export credit for MSMEs has been a major challenge. After repeated surveys, it has been

observed that four out of five MSMEs face collateral-related issues. As a result, the government is trying to design a scheme by which credit is fully or partially collateral-free for MSME exporters.

“We are thinking of a cap on individual exporters so that a large number of MSMEs can be impacted. The target will be to support one lakh exporters,” he said.

The government is also working on a trade assistance programme (TAP) for “risky markets”. Owing to limited knowledge and information on risk assessment, banks often hesitate to engage in trade finance transactions involving overseas banks.

While EXIM Bank is already operating a TAP in a limited way, the idea is to scale it up with the support of the Centre to cover a higher number of exporters. This will be done through the establishment of a risk-sharing fund with the government.

Sarangi further said that promoting factoring services would help reduce the dependence of exporters on banks. Export factoring services, a widely used financing instrument globally, have low adoption in India due to high factoring costs involving higher rates of interest, higher risk premiums, and lack of parity with subvention schemes.

The cross-border factoring should attain a certain scale to reach about 3 per cent of merchandise exports (in line with the global average), he said.