

1-month interest subsidy relief for exporters

FE BUREAU
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THE GOVERNMENT HAS extended the interest equalisation scheme (IES) for pre- and post-shipment export credit for a month pending final decision on whether the scheme should stay for a much longer period.

This is the second extension of the scheme after it ended on June 30. In July, it was extended for two months till the end of August but only for micro, small and medium enterprises that export their own manufactured products and ₹750 crore were allocated for it.

The latest extension for September is also limited to MSME manufacturing exporters, according to a trade notice by the Directorate Gen-

eral of Foreign Trade.

Till June, the interest equalisation scheme provided upfront reduction in interest rates on pre-shipment and post shipment export credit by banks.

The exporters from micro, small and medium enterprises exporters got a rebate of 3% on loans under the scheme.

The merchant exporters, who source goods for exports from other manufacturers, get 2% benefit for exports of 410 identified products. The discount given by banks is reimbursed by the government.

The commerce ministry is seeking a five-year extension of the scheme on the same terms which existed before June 30. Exporters are asking for the subsidy amount to be raised to 5% for MSMEs and

3% for merchant exporters as interest rates have gone up since the rates were set.

An official had recently said that a decision on the extension of the scheme will take time as it is yet to be examined by the Expenditure Finance Committee.

The EFC is an appraisal body in the ministry of finance that considers proposals. The EFC is one of several appraisal bodies that recommend proposals to the Cabinet or Cabinet Committees.

The scheme was initially launched on April 1, 2015 for a five-year period till March 2020. Due to COVID, it got a one-year extension in 2020.

Later, more extensions were accorded and the latest one is to end on June 30.