

# Ministry may seek interest subsidy scheme relaunch

RUN-UP TO THE

## BUDGET

2025-26

FE BUREAU

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THE MINISTRY OF commerce and industry may seek the relaunch of the interest subsidy scheme for exporters in its original form in the upcoming Budget as the exporters face rising uncertainty in view of recent pronouncements of US President-elect Donald Trump.

The Interest Equalisation Scheme (IES), which completed its term on December 31, 2024, provided a 3% subsidy to micro, small and medium enterprises on pre-shipment and post-shipment export credit. Prior to June 30, 2024, the scheme also covered merchant exporters who source goods for exports from other manufacturers but their benefit was capped at 2% for exports of 410 identified products. The discount given by banks used to be reimbursed by the government under the scheme. "The ministry may request for the extension of the scheme," an official said.

The return of the scheme in its original form for another five years has been proposed as traders maintain that high credit costs in India as compared to other countries hurt their competitiveness. Exporters say that export credit in countries they are competing with is priced at 2-3% while in India it touches 10%.

Benefits to individual exporters under the scheme were capped at ₹50 lakh per annum per IEC (import export code) and export organisations have now asked for a higher limit of ₹10 crore.

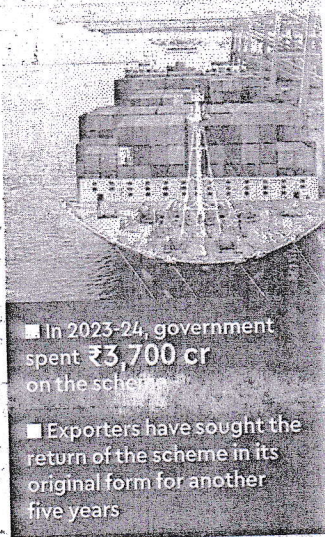
When the scheme was initially launched on April 1, 2015, it was to run for a five-year period till March 2020. Due to the Covid-19 pandemic, the scheme was extended for a year in 2020. Later, further extensions were accorded. It finally ended in December 2024 with no replacement being offered. Exporters and the ministry of commerce and

## EXPORT PUSH

■ Interest Equalisation Scheme, launched in 2015, provided 3% subsidy to MSMEs on pre-shipment and post-shipment export credit

■ Before June 2024, it covered merchant exporters, too

■ The scheme ran till December 2024



industry have now sought its return, the official said.

When the scheme was launched, it offered a rebate of 5% to MSME exporters and 3% to manufacturers and merchant exporters. The rebates were reduced in October 2021. The scheme cost the government around ₹3,200 crore a year. In 2023-24, ₹3,700 crore was spent on the scheme. A budget of ₹1,700 crore for 2024-2025 has been provided for meeting the liability incurred by banks till June 30, 2024, which was the earlier sunset date of the scheme. The scheme was implemented by the RBI through various public and non-public sector banks that provide pre- and post-shipment credit to the exporters. It is jointly monitored by the Directorate General of Foreign Trade (DGFT) and RBI through a consultative mechanism.