

Interest Subsidy May Return to Help MSMEs Compete in Global Market

EXPORT PROMOTION MISSION More focused credit to boost MSMEs' competitiveness amid tariff uncertainties

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New Delhi: The government is considering a proposal to reintroduce interest subsidy on credit to exporters—especially the micro, small and medium enterprises (MSMEs)—under the proposed Export Promotion Mission to help bolster their competitiveness amid global tariff uncertainties, senior officials said.

In December 2024, the government had stopped an interest equalisation scheme, under which eligible exporters were getting rupee export credit at subsidised rates, prompting MSME exporters to seek cheaper loans amid global headwinds. The latest proposal is aimed at making the interest aid “more targeted and focused”, one of the officials said.

The commerce department has informed its expenditure counterpart that competing at the global level without assistance would be extremely difficult for MSMEs, who get limited credit at much higher rates than their peers in the export market, he said.

The two departments are in talks on the

Policy U-turn? Interest equalisation scheme was introduced in 2015

Scheme's Allocation (in ₹ crore)

FY24: 3,700
FY25: 2,482

85% of
beneficiaries
were MSMEs

Eligible exporters
got interest subsidy
of around 3%

Scheme
discontinued in
December 2024

Export Promotion
Mission announced
in FY26 budget
with outlay of
₹2,250 crore

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issue and a decision will be taken in due course, said the official quoted above.

Despite the recent cuts, the repo rate remains at 6%. Most exporters are getting loans at 8-12% interest, with MSMEs particularly facing high rates. Most of the eligible exporters under the equalisation scheme were getting interest subsidy to the tune of 3%.

The Export Promotion Mission, announced in the FY26 budget with an outlay of ₹2,250 crore, could be an umbrella scheme that will absorb various extant

export initiatives.

The targeted interest support that is being planned will also complement the government's efforts to spur manufacturing under another mission proposed in the latest budget, the officials said.

Export bodies have called for heightened support to beat a demand slowdown in some advanced countries and uncertainties caused by the Trump administration's tariff policies.

They also seek sustained support to take advantage of opportunities that may

come in India's way if New Delhi hammers out a trade deal with the US soon, on top of a recent one with the UK.

Under the erstwhile interest equalisation scheme, introduced in 2015, the government had allocated ₹2,482 crore for FY25, lower than ₹3,700 crore a year earlier, primarily because it was not extended beyond December 2024. About 85% of the beneficiaries of the interest equalisation scheme were MSMEs, the officials said.

India's merchandise exports remained flat at \$437 billion last fiscal, as global demand remained subdued. The World Trade Organisation last month predicted goods trade volume to fall 0.2% this year, down sharply from its October 2024 projection of a 3% expansion, citing the impact of the new US tariff policies.

To be sure, the US and China this week announced a deal to temporarily trim the extra tariffs imposed on each other.