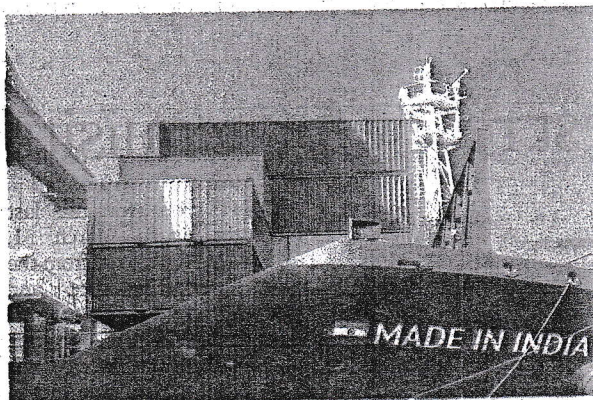


RBI may consider exporters' demand for a sub-target within priority sector lending cap

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The RBI may consider exporters' demand for a sub-target for export credit within the existing 40 per cent earmarked for priority sector lending (PSL) to ensure improved credit flow to the sector facing a cash crunch due to disruptions caused by the Red Sea crisis.

The Federation of Indian Export Organisations (FIEO) has proposed to the Commerce Department that 5-6 per cent of the banks' priority sector lending norm should be earmarked for the export sector to help exporters meet the increased need for credit because of longer shipping times and payment delays. This could be in line with the 7.5 per cent sub-target set for MSMEs, under the 40 per cent PSL, pointed out Ashwani Kumar, President, FIEO, in a media interaction on Thursday.



CREDIT STRAIN. Extended voyages due to Red Sea crisis and a slow off-take prompt delayed payments, demanding higher credit flow at competitive rates

CREDIT CRUNCH

"With longer voyage time on account of diversion via the Cape of Good Hope (because of Houthi attacks on ships sailing the Red Sea triggered by the Israel-Palestine war) coupled with slow offtake, buyers are delaying payment, necessitating higher credit for a longer period. This requires more funds flow at

competitive rates," he said.

Exports are already included in the PSL list, but that does not guarantee more credit flow, an industry source said.

"Under the PSL, 40 per cent of bank credit has to go to certain specified sectors. So, assuming that by allocating higher resources to education, a bank is meeting its

target, it is not inclined to lend to exporters. That is why we want 5-6 per cent earmarked for the export sector," the source said.

RATE SUBVENTION

Exporters also made a case for an increase in the rate of interest subvention, or subsidy, under the interest equalisation scheme as bank rates had increased. "To provide competitive interest rates, the interest subvention may be restored to 3 per cent for 410 tariff lines (from 2 per cent) and 5 per cent for MSME manufacturers (from 3 per cent)," FIEO's Kumar said.

The Commerce Department appreciates the predicament of the exporters with a 30/45-day increase in voyage time to Europe and delayed payments drying up coffers, but the final decision on the matter has to come from the Finance Ministry and the RBI, the source added.