

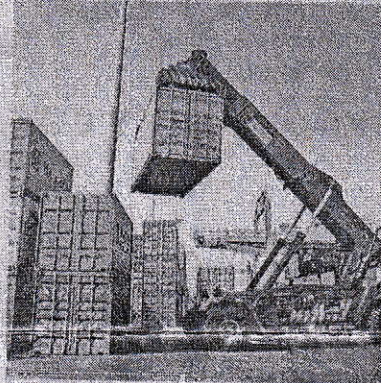
FinMin unlikely to up interest equalisation rate for exporters

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The Finance Ministry is likely to defer action on a key demand of exporters seeking restoration of the higher rates of interest subsidy for identified items under the interest equalisation scheme.

“For the past few months, the Commerce Department has been trying to persuade the Finance Ministry to increase the rates under the interest equalisation scheme and bring them to the earlier levels as exports are in need of additional support given the slowdown in global demand and also to account for rising interest rates. But it seems that funding is an issue. So the rates are unlikely to be revised at least this fiscal,” a person tracking the matter told *businessline*.

Per the provisions of the interest equalisation scheme, exporters are exten-



ded credit by banks at a reduced rate and are later reimbursed by the government for the same.

At present, the interest equalisation rate for MSME exporters is 3 per cent for all products while it is 2 per cent for non-MSME exporters of 410 identified products that are covered under the scheme.

GLOBAL GROWTH

The Expenditure Finance Commission (EFC), however, has not approved the Commerce Department's proposal for an increase in

equalisation rate, the source added. “It can now be surmised that it will be difficult to get the demand for enhanced equalisation rate met this fiscal. Exporters will now have to hope that they get luckier next fiscal,” according to the source.

India's goods exports started slowing down from July 2022 as demand in many developed country markets, including the US and the EU, got hit due to rising inflation and interest rates. In October 2022, exports contracted by 16.6 per cent for the first time in fiscal 2022-23 while last month exports fell 12.2 per cent.

Overall, in the April-December 2022-23 period, India's goods exports registered a 9.1 per cent increase to \$332.76 billion, but exporters will have it difficult in the last quarter with the WTO predicting a slowdown in global trade growth to 1 per cent in 2023 compared to 3.5 per cent in 2022.