

Govt mulls hiking interest subsidy rates for exporters

CHEAPER CREDIT. Additional allocation details being worked out

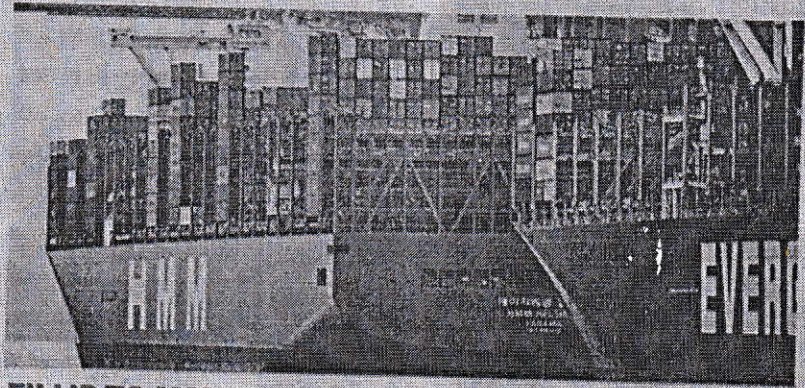
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To help exporters retain competitiveness amid growing global uncertainties and rising costs, the Centre is considering raising the interest rates of the equalisation scheme so that credit is available at a cheaper rate to MSME exporters and other select sectors.

"The Commerce and Industry Ministry is considering increasing interest equalisation rates from existing 3 per cent for MSME manufacturers exporting any product and 2 per cent for others exporting 410 identified products to 5 per cent and 3 per cent, respectively. The additional expenditure will need to be calculated before seeking the nod of the Expenditure Finance Committee and a team is working on it," an official tracking the matter told *businessline*.

LOWER RATE

Under the interest equalisation scheme, banks provide credit at a lower interest rate to exporters (the interest subsidy is equivalent to the equalisation rates determ-



FILLIP TO MSMEs. Under the interest equalisation scheme, banks provide credit at a lower interest rate to exporters AP

ined by the government), which is later reimbursed by the government.

SCHEME EXTENDED

In March this year, the RBI brought out a notification stating that the government had approved the extension of interest equalisation scheme for pre- and post-shipment rupee export credit, taking effect from October 1, 2021 up to March 31, 2024.

The rates under the interest equalisation scheme were, however, revised downwards to 3 per cent for MSMEs from 5 per cent offered under the earlier edition of the scheme that had lapsed.

For non-MSME exporters,

the list of labour-intensive items covered under the scheme was pruned to 410 items from 416 items and the rate was brought down to 2 per cent from the earlier 3 per cent. The excluded items were all telecom-related products.

"There has been a strong demand from exporters for restoration of the interest equalisation rates to the levels that were offered prior to when the government decided to pare the rates.

"They have been arguing that not only has the global demand position worsened leading to increased competition, but the higher cost of borrowing was also making the situation grimmer," the source said.