

Capping of interest subsidy for exporters to continue in Q1 FY25

GOVT CLARIFIES. Centre not immediately considering exporters' demand for higher rates under the scheme

Amiti Sen
New Delhi

The Centre has notified an interest subsidy cap of ₹2.5 crore for individual export units in the first quarter of the forthcoming fiscal 2024-25 under the popular interest equalisation scheme (IES) for identified sectors and MSMEs. This is in continuation of its capping policy, introduced this fiscal, to ensure that more units can benefit from the scheme, sources said.

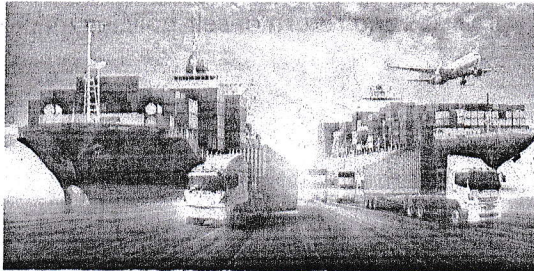
But the government is not yet ready to consider the demand made by exporters to increase the subsidy rates despite several submissions by exporters, an official tracking the matter told *businessline*.

The DGFT issued a notification on Wednesday clarifying that a cap of ₹2.50 crore per IEC is imposed till June 30, 2024, for the quarter starting from April 1, 2024.

"Last May, the government introduced a cap of ₹10 crore per importer exporter code (IEC) on the annual net subvention amount. All disbursements made from April 1, 2023, onwards were counted towards the IEC for the current financial year. The latest notification is to clarify that the cap will continue in the new fiscal as well. As the extension of the scheme is till first quarter of 2024-25, the cap has been calibrated accordingly," the official said.

SUBSIDY CAP

The subsidy cap for individual exporters would ensure that a



EXPORT PUSH. The subsidy cap for individual exporters would ensure that a greater number of eligible exporters can benefit from the scheme GETTY IMAGES/ISTOCKPHOTO

greater number of eligible exporters can benefit from the scheme instead of the amount getting concentrated in the hands of few, per the government.

The IES was first implemented in April 2015. Under the scheme, exporters are ex-

tended credit by banks at a reduced rate (the rate of interest subsidy is determined by the government). The banks are later reimbursed by the government for their lower interest earnings.

In December last year, the Union Cabinet approved an

additional allocation of ₹2,500 crore for continuation of the scheme beyond the current fiscal, till June 30, 2024. The scheme would continue for all the targeted beneficiaries which include merchant exporters of the identified 410 tariff lines and all manufacturer exporters from MSME sectors.

The rates of subsidy were at 3 per cent for MSME sectors and 2 per cent for the rest.

Last month, the Reserve Bank of India officially extended the scheme through a notification. "Although exporters have been making a case for increased rate of subvention, due to low global demand owing to economic slowdown and geopolitical problems, an immediate increase seems unlikely," the official said.