

New export scheme pegs interest subsidy at 3%

FE BUREAU
New Delhi, November 26

AT A GLANCE

The Interest Equalisation Scheme (IES) for exporters which is expected to make a comeback next week will provide 2.5% to 3% interest subsidy on pre and post shipment credit, an official said. The annual benefit will be capped at ₹50 lakh per exporter.

The IES which was announced as part of the Export Promotion Mission (EPM) approved by Cabinet on November 12, will be limited to select sectors which are facing the maximum pressure of 50% additional duties in the US market.

The IES which was functional earlier provided a 3% subsidy to micro, small and medium enterprises on pre-shipment and post-shipment export credit. This was available to those exporters who were also manufacturers. The scheme ended on December 31, 2024.

While the extent of benefit may remain unchanged, the exporters want limits of per exporter benefit to be set

■ Annual benefit capped at
₹50 lakh

■ Exporters push for reinstating
₹10 crore limit

■ Scheme will target sectors hit by 50% additional US tariffs

■ Exporters cite high credit costs as competitiveness drag



higher than ₹50 lakh. They want the limit to be set at Rs 10 crore as it existed earlier.

Since the scheme ended, the exporters have been seeking its revival as they maintain that high credit costs in India as compared to other countries hurts their competitiveness. Exporters say that export credit in countries they are competing with is priced at 2-3% while in India it ranges from 8-12%.

The scheme costs the government around ₹3,200 crore a year. In 2023-24 ₹3,700

crore were spent on the scheme. The budget of ₹1700 crore for FY 2024-2025 was provided but the spending was ₹2,482 crore. This sum was lower than previous year as the scheme ran only for none months.

Prior to June 30, 2024 the scheme also covered merchant exporters who source goods for exports from other manufacturers but their benefit was capped at 2% of 410 identified items. The rebate given by banks on working capital loans are reimbursed by government.