

Merchant exporters to get easier credit under interest equalisation scheme

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Paying heed to the long-standing demand by the trading community, merchant exporters can now avail of pre- and post-shipment credit at lower rates through the Interest Equalisation Scheme (IES).

The proposal will entail benefits of around Rs 600 crore to exporters on interest

equalisation, for the remaining period of the scheme, set to end in April 2020. The IES allows small and medium exporters in labour-intensive sectors to avail of loans from banks at a lower rate of 3 per cent.

Originally announced as a measure to boost exports for five years, the IES on pre- and post-shipment rupee export credit was revived in 2015 at a rate of 3 per cent for 416 specific goods categories (four-digit tariff).

The sectors covered are mostly labour-intensive and include agriculture or food items, auto components, handicraft, electrical engineering items, and telecom equipment. The scheme is, however, not available for merchant exporters. The last Budget had allocated Rs 2,500 crore for the IES.

“The support to merchant exporters is most timely as interest rates are moving northward in the country and the 3 per cent subsidy will reduce their cost of operation significantly. Therefore, the benefit will push

manufacturing in micro, small and medium enterprises (MSMEs), creating job opportunities as well,” said Ganesh Kumar Gupta, president, Federation of Indian Export Organisations.

Merchant exporters account for over 35 per cent of the country’s exports. Operating on low margins of 2-4 per cent, many of them have stopped entering into new contracts after the demonetisation exercise of the government and continue to face crippling liquidity issues, industry insiders said.

Inclusion of these exporters in the scheme is expected to make them more competitive, encouraging them to export more products manufactured by MSMEs, adding to the country’s exports. Additional exports by them will increase production by MSMEs, giving a fillip to employment generation.

Exporters have been persistently demanding inclusion of the merchant exporters in the ongoing scheme. Merchant exporters play an important role in finding overseas markets, getting export orders, communicating to MSME manufacturers the current preferences, trends and demand for products in international export markets.

Merchant exporters also play a pivotal role in exports of MSME manufacturers as they export a significant quantity of products through merchant exporters. The high cost of credit equally impacts their competitiveness as they factor in the high interest costs in their export costing.