

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

STARRED QUESTION NO:599

ANSWERED ON:27.04.2001

EXPORT CREDIT

A. VENKATESH NAIK;RAMSHETH THAKUR

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Government propose to reduce the interest rate on export credit;
- (b) if so, the details thereof;
- (c) whether the Government have studied the interest rate on export credit of other developed/developing countries; and
- (d) if so, the facts thereof?

**Answer**

Minister of Finance (Shri Yashwant Sinha)

(a), (b) and (c): A statement is laid on the Table of the House.

STATEMENT LAID ON THE TABLE OF THE LOK SABHA IN REPLY TO PARTS (a) TO (d) OF THE LOK SABHA STARRED QUESTION NO. 599 FOR ANSWER ON 27 APRIL, 2001 RAISED BY SHRI A. VENKATESH NAIK AND SHRI RAMSHETH THAKUR REGARDING EXPORT CREDIT.

(a) & (b) : Changes in interest rates on export credit fall within the purview of the Reserve Bank of India (RBI) In its Monetary and Credit Policy for 2001-02, announced on April 19, 2001, RBI has changed the rupee export credit interest rate structure by prescribing ceiling rates . The details are shown below.

Current and Revised Interest Rates on Export Credit

Category Current Revised (with effect from May 5, 2001)

Pre-shipment Credit

(a) Upto 180 days 10.0 percent Not exceeding Prime Lending  
Rate (PLR) minus 1.5 percentage  
points

(b) Beyond 180 days 13.0 percent Not exceeding PLR plus  
and upto 270 days 1.5 percentage points

Post-shipment Credit

a) On demand bills for Not exceeding Not exceeding PLR minus  
transit period (as 10.0 percent 1.5 percentage points  
specified by Foreign

b) Usance Bills

(i) Upto 90 days                      Not exceeding Not exceeding PLR minus  
10.0 percent    1.5 percentage points

(ii) beyond 90 days and                      Not exceeding PLR plus  
upto 6 months from 12.0 percent    1.5 percentage points  
date of shipment

(c & d) In deciding interest rate on export credit, RBI takes into account the competitiveness of domestic interest rates vis-a-vis international interest rates. At present, the forward premium for US dollar in the Indian market is around 4.5 percent for six months. An exporter can thus avail of rupee export credit at 8.5-9.0 percent interest rate and sell the expected export earnings in the forward market, thereby effectively reducing the interest cost to around 4.0-4.5 percent, which is internationally highly competitive.