

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:746
ANSWERED ON:25.07.2003
FOREIGN CURRENCY LOAN TO SSI
CHARAN DAS MAHANT

Will the Minister of FINANCE be pleased to state:

- (a) whether nationalized banks are denying foreign currency loans for export to small scale units and only give rupee loans at higher rate of interest;
- (b) whether there is a minimum ceiling in value terms for providing SSI Sector imposed by banks for issue of these loans;
- (c) if so, the details thereof; and
- (d) the steps taken by the Government to provide sufficient foreign currency loans for export to SSI units?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO V. ADSUL)

(a) Reserve Bank of India (RBI) have reported that the data relating to export credit in foreign currency to SSI Sector is not being compiled separately. However, information available with RBI indicates that in absolute terms, export credit to SSI Sector increased by Rs.996 crores from Rs.3210 crores in 2000 to Rs.4206 crores in 2002. As a percentage of total credit to SSI sector, export credit increased from 13.2% to 17.9% between the same period. Under extant instructions, Banks and Borrowers are free to negotiate the nature of credit/rate of interest whether in terms of foreign currency of rupee credit depending upon the specific requirements of the proposal and nature of funding required.

(b) No, Sir.

(c) Does not arise.

(d):

- Banks have been advised by RBI to extend timely and adequate credit in foreign currency to SSI Sector.

- Banks have been permitted to avail of lines of credit from overseas for the specific purpose of granting bill discounting facility etc. in foreign currency.

-Banks have been advised that no worthwhile export credit proposal should suffer for want of bank finance.

-Interest rate of export credit in foreign currency is specified at London Inter Bank Ordinary Rate (LIBOR) plus 75 basis points and in the case of export credit in rupees at a concessional rate `Not exceeding PLR minus 2.5% for 180 days for pre-shipment credit and 90 days for post-shipment credit. For periods beyond this, interest rates have been deregulated.