

**GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:2679
ANSWERED ON:07.03.2003
LOAN THROUGH EXIM BANK
VILAS BABURAO MUTTEMWAR

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

- (a) whether Export and Import Bank of India (EXIM) has decided to provide soft loans at the rates comparable to the London Interbank to help the public sector companies to secure the projects abroad;
- (b) if so, the details of the terms and conditions for granting such loans; and
- (c) to what extent the providing of soft loans at lower rate of interest will help the companies to secure the projects for implementation abroad?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL):

- (a) Normally, the EXIM Bank offers foreign currency loans linked to LIBOR to Indian exporters both in public sector and private sector, for securing projects abroad. The interest rate on such loans will be a spread over LIBOR and the spread will be above the cost of funds to EXIM Bank.
- (b) In case of soft loans at reduced rates comparable to LIBOR, an interest equalization support equal to the difference between the interest rate on soft terms and that normally offered by EXIM Bank is required. In respect of a Line of Credit extended by Exim Bank to Iran recently and EXIM Bank's Lines of Credit to Latin American Countries under its LA Focus Programme, interest equalization support has been provided by Government of India.
- (c) Soft loans at lower interest rate may help Indian companies compete in the international market with competitors.