

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4881
ANSWERED ON:07.08.2009
REPAYMENT OF TERM LOAN AND INTEREST
Sivasami Shri C.

Will the Minister of FINANCE be pleased to state:

- (a) whether the rupee has fluctuated during the last two years;
- (b) if so, the details thereof, and steps taken by the Government therefrom;
- (c) whether the Government would consider to give two years moratorium for repayment of term Loan and Interest;
- (d) if so, the details thereof and if not the reasons therefor;
- (e) whether due to appreciation of Rupee against Dollar the exporters have incurred heavy losses and the Garment Industry needs crucial support from the banks; and
- (f) if so, the reaction of the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) & (b) The annual average exchange rate of Rupee per US Dollar during last two years 2007-08 and 2008-09 and its appreciation / depreciation is indicated below:

Sl. Year	Annual average exchange rate of Rupee per US Dollar	Appreciation (+)/Depreciation (-) over the previous year
----------	---	--

1. 2007-08 40.26 (+) 12.4

2. 2008-09 45.99 (-) 12.5

Note: Average of buying and selling indicative market rates of Foreign Exchange Dealer Association of India (FEDAI). Source: Reserve Bank of India

The exchange rate policy is guided by the broad principles of careful monitoring and management of exchange rates with flexibility, while allowing the underlying demand and supply conditions to determine the exchange rate movements over a period in an orderly manner. Subject to this predominant objective, Reserve Bank of India (RBI) intervention in the foreign exchange market is guided by the objectives of reducing excess volatility, preventing the emergence of destabilizing speculative activities, maintaining adequate level of reserves, and developing an orderly foreign exchange market.

(c) & (d) The Reserve Bank of India has issued necessary guidelines for restructuring loans and offering moratorium to units facing temporary cash flow problems. In view of the continuous problems affecting the textiles and garments sectors, banks are offering one or two years moratorium, on a case to case basis, on the merit of each case, to save such accounts from going bad.

(e) & (f) There has not been a significant change in the value of Rupee vis-a-vis US dollar in recent months, except some volatility. The monthly average exchange rate of Rupee per US dollar during calendar year 2009, month wise, and its appreciation/depreciation is as follows:

Sl. Year/Month	Annual average exchange rate of Rupee per	Appreciation (+)/ Depreciation (-)
----------------	---	------------------------------------

US Dollar

over the previous month

2009

1. January	48.79	-0.3
2. February	49.26	-1.0
3. March	51.23	-3.8
4. April	50.03	+2.4
5. May	48.53	+3.1
6. June	47.77	+1.6
7 July	48.48	-1.5

Note: Average of buying and selling indicative market rates of Foreign Exchange Dealer Association of India (FEDAI). Source: Reserve Bank of India

However, in order to mitigate the adverse impact of global economic slowdown on the export sector (including textile sector), stimulus packages were announced in 2008-09 which include, inter alia, the following:

- i. Interest subvention of 2 per cent from 1.12.2008 to 30.9.2009 to the labour intensive sectors of exports such as textiles (including handloom), handicrafts, carpets, leather, gems and jewellery, marine products and small and medium enterprises.
- ii. Provision of additional funds of Rs. 1,400 crore for textile sector to clear the backlog claims of Technology Upgradation Fund (TUF).
- iii. An additional allocation for export incentive schemes of Rs. 350 crore.
- iv. Inclusion of handicrafts items in Vishesh Krishi and Gram Udyog Yojana (VKGUY);
- v. Provision of additional Rs. 1,100 crore to ensure full refund of claims of Central Sales Tax (CST)/terminal excise duty/duty drawback on deemed exports.
- vi. Restoration of Duty Entitlement Pass Book (DEPB) rates for all items where they were reduced in November 2008 and increase in duty drawback rates on certain items effective from September 1, 2008.
- vii. Excise duty reduced across the board by 4 per cent for all products except petroleum products and those products where current rate was less than 4 per cent.
- viii. The guarantee cover under credit guarantee scheme for micro and small enterprises on loans doubled to Rs. 1 crore with a guarantee cover of 50 per cent.

The guarantee cover extended by credit guarantee fund trust increased to 85 per cent for credit facility up to Rs. 5 lakh. The lock-in period for such collateral free loans was reduced.

In addition, the Union Budget 2009-10 has also announced measures to help the export sector, which include, inter alia, the following:

- i. Interest subvention of 2 per cent to the labour intensive sectors of exports such as textiles (including handloom), handicrafts, carpets, leather, gems and jewellery, marine products and small and medium enterprises extended to 31.3.2010.
- ii. Enhancement of allocation to Market Development Assistance Scheme by 148%.
- iii. Extension of the adjustment assistance scheme to provide enhanced Export Credit Guarantee Corporation (ECGC) cover at 95% to badly hit sectors upto March 2010.

iv. Flow of credit at reasonable rates to Micro, Small and Medium Enterprises (MSMEs).

v. Mega Handloom clusters in West Bengal and Tamil Nadu and Powerloom cluster in Rajasthan and New Mega clusters for carpets in Srinagar and Mirzapur approved;

vi. Section 10A and 10B related to Sunset clauses for STPI and EOUs schemes respectively extended for the financial year 2010-11. Anomaly removed in Section 10AA related to taxation benefit of 'unit vis-À-vis assessee';

vii. Additional items allowed within the existing duty free imports entitlement for the following employment oriented sectors:

a) 5 additional items for sports goods sector;

b) Additional items for leather garments and footwear and textile items.

viii. Measures related to service tax which include, among others, exemption from service tax on following services linked to exports:

a) service related to transport of export goods by road from any CFS or ICD to the port or Airport and on service related to transport of export goods by road directly from their place of removal, to an ICD, a CFS, a port or airport;

b) services provided by Foreign Agent Commission service.