

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5209
ANSWERED ON:26.04.2013
FOREIGN TRADE LOANS
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Will the Minister of FINANCE be pleased to state:

- (a) whether the ratio of the Non-Government foreign trade loans to the Gross Domestic Product (GDP) of the country is on the increase during the last three years;
- (b) if so, the details thereof and the reasons therefor year-wise; and
- (c) the reaction of the Government thereto?

Answer

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

(a) & (b): The non-Government foreign trade loans are generally availed in the form of short term trade credits. The size and pattern of trade credit is largely a function of growth in foreign trade of an economy. Accordingly, over time, trade credit has shown steady growth in tandem with the rise in India's foreign trade.

As per the Balance of Payments (BoP) statistics, the details of net short term trade credits raised by Indian corporates and interest paid thereon during the last three financial years are given below:

Trade Credit raised by India

Financial Year	Trade Credit (US\$ billion)	Trade Credit as percentage of GDP	Trade Credit	Interest Paid on Trade Credit (US\$ billion)
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2009-10	7.6	0.6	0.6	
2010-11	12.0	0.7	0.5	
2011-12	6.7	0.4	0.8	
2012-13 (Apr-Dec)	15.7	1.2	0.9	

Source: RBI

(c): Trade credit policy of RBI has certain in-built mechanisms in the form of price based restrictions and quantity based restrictions to prevent unbridled growth of short term trade credit. The price based controls are applied by setting up all-in-cost ceiling on trade credits. Under the quantity based restrictions, Authorised Dealer banks are given general permission to approve trade credits only up to USD 20 million per import transaction. The proposals above USD 20 million require prior approval of RBI.