

Interest Equalisation Scheme on Pre & Post Shipment Rupee Export Credit with effect from 1st April, 2015 for five years

The Cabinet Committee on Economic Affairs, chaired by the Prime Minister Shri Narendra Modi, has given its approval for Interest Equalisation Scheme (earlier called Interest Subvention Scheme) on Pre & Post Shipment Rupee Export Credit with effect from 1st April, 2015 for five years. The scheme will be evaluated after three years.

The following are the features of the Interest Equalisation Scheme:

- (i) The rate of interest equalisation would be 3 percent. The scheme would be available to all exports of MSME and 416 tariff lines. Scheme would not be available to merchant exporters.
- (ii) The duration of the scheme would be five years with effect from 1.4.2015.
- (iii) The scheme would be funded from the funds available with Department of Commerce under non-plan during 2015-16 and the restructured scheme would be funded from plan side from 2016-17 onwards,
- (iv) Ministry of Commerce & Industry may place funds in advance with RBI for requirement of one month and reimbursement can be made on a monthly basis through a revolving fund system,
- (v) On completion of three years of operation of the scheme, Department of Commerce may initiate a study on impact of the scheme on export promotion and its further continuation. The study may be done through one of the IIMs.

The operational instructions of the scheme would be issued by RBI.

Financial implication of the proposed scheme is estimated to be in the range of Rs. 2500 crore to Rs. 2700 crore per year. However, the actual financial implication would depend on the level of exports and the claims filed by the exporters with the banks. Funds to the tune of Rs. 1625 crore under Non-plan Head of account are available under Demand of Grants for 2015-2016, which would be made available to RBI during 2015-16.

The scheme will help the identified export sectors to be internationally competitive and achieve higher level of export performance.

The scheme covers mostly labour intensive and employment generating sectors like processed agriculture/food items, handicrafts, handmade carpet (including silk), handloom products, coir and coir manufactures, jute raw and yarn and other jute manufactures, readymade garments and made ups covered under Chapter 61-63, fabrics of all types, toys, sports goods, paper and stationery, Cosmetics and Toiletries, Leather Goods and footwear, Ceramics and Allied Products, Glass and Glassware, Medical and Scientific Instruments, Optical Frames, Lenses, Sunglasses Etc., Auto Components/Parts, Bicycle & Parts, Articles of Iron or Steel (Notified lines), Misc. Articles of base metals (Notified lines), Industrial Machinery, Electrical and Engineering items, 1C Engine, Machine tools, Parts (Notified lines), Electrical Machinery and Equipment (Notified lines), Telecom Instruments (Notified lines) and all items manufactured by SMEs other than those covered above.

The list of 416 tariff lines is given below:

| S.No. | Sector | Coverage | No of HS4 lines |
|-------|--------------------------------|-----------|-----------------|
| 1 | Process agriculture/Food items | All lines | 22 |
| 2 | | | |

NOT FOR LEGAL USE

Handicraft

NOT FOR LEGAL USE

All lines

NOT FOR LEGAL USE

NOT FOR LEGAL USE

| | | | |
|----|---|-----------|----|
| 3 | Carpet (Excl. Silk) Handmade | All lines | 5 |
| 4 | Handloom Products | All lines | 2 |
| 5 | Coir & Coir Manufactures | All lines | 5 |
| 6 | Jute Raw, Yarn | All lines | 2 |
| 7 | Other Jute Manufactures | All lines | 1 |
| 8 | Readymade Garments and Made ups (Ch 61-63) | All lines | 42 |
| 9 | Fabric of all types | All lines | 33 |
| 10 | Toys | All lines | 1 |
| 11 | Sports Goods | All lines | 8 |
| 12 | Paper, Stationary | All lines | 8 |
| 13 | Cosmetics and Toiletries | All lines | 8 |
| 14 | Leather Goods and footwear | All lines | 7 |
| 15 | Ceramics and Allied Products | All lines | 12 |
| 16 | Glass and Glassware | All lines | 17 |
| 17 | | | |

NOT FOR LEGAL USE

Medical and Scientific Instruments ,

NOT FOR LEGAL USE

All lines

NOT FOR LEGAL USE

NOT FOR LEGAL USE

| | | | |
|-------------|---|----------------|-----|
| 18 | Optical Frames, Lenses, Sunglasses Etc | All lines | 4 |
| 19 | Auto Components/Parts | All lines | 6 |
| 20 | Bicycle & Parts | All lines | 3 |
| 21 | Articles of Iron or Steel | Notified lines | 20 |
| 22 | Misc. Articles of base metals | Notified lines | 10 |
| 23 | Industrial Machinery, Electrical and Engineering items, 1C Engine, Machine tools, Parts | Notified lines | 141 |
| 24 | Electrical Machinery and Equipment | Notified lines | 1 |
| 25 | Telecom Instruments | Notified lines | 6 |
| 26 | All items manufactured by SMEs other than those covered above | All lines | |
| Grand Total | | | 416 |