

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

UNSTARRED QUESTION NO:6643

ANSWERED ON:10.05.2005

DOLLAR WINDOW

Budholiya Shri Rajnarayan;Chowdhury Shri Adhir Ranjan;Maheshwari Smt. Kiran

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) whether small exporters are not provided with dollar loans for less than one hundred thousand dollars per transaction in the country;
- (b) if so, the details thereof;
- (c) whether the Government has taken steps to reserve percentage of such foreign currency loans and credit limit for such exporters;
- (d) if so, the details thereof;
- (e) whether the Government intend to set up dollar window for export loans; and
- (f) if so, the details thereof along with profit/loss expected from this?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI E.V.K.S. ELANGO VAN)

(a): No, Sir.

(b) to (d): Do not arise.

(e): With a view to making credit available at internationally competitive rates, exporters are already being provided with export credit in foreign currency. The credits are given at pre shipment stage (Packing Credit in Foreign Currency - PCFC) and post shipment stage.

(f) In order to enable banks to grant such advances in foreign currency to exporters, banks are permitted by RBI to borrow from abroad without any limit exclusively for the purpose of financing exporters in foreign currency. As such, institutional arrangements exist for meeting the foreign currency requirements of exporters.

As per the Gold Card Scheme for exporters brought out by the RBI on May 18, 2004 in pursuance of the announcement made by Government of India in the Exim Policy in January 2004, all credit worthy exporters, including those in small and medium sectors with good track record, are eligible for issue of Gold Card as per the criteria laid down by the individual banks. The Scheme requires that the Gold Card holders will be given preference for grant of packing credit in foreign currency.

It may, therefore, be observed that the foreign currency requirements of small and medium exporters have been taken care of. Further, RBI has not received any complaint from any small exporter that in respect of export credit in foreign currency any lower ceiling limit on the volume per transaction is fixed by the banks.

The interest rate of such export credit in foreign currency is not to exceed London Inter Bank Offered Rates (LIBOR) plus 0.75% for period of credit upto 180 days (6 months). For PCFC beyond 180 days and upto 360 days the interest rate charged is capped at LIBOR + 0.75% + 2%.

In view of the lower interest rate for export credit in foreign currency compared to export credit in Rupees, there has been considerable demand for export credit in foreign currency which has registered a ten fold increase since June 2002 (while demand for Rupee export credit has declined).