

NEW DELHI: The government is set to strengthen [Exim Bank of India](#) and [Export Credit Guarantee Corporation](#)

(ECGC) as part of an exercise to make dollar-credit available to Indian exporters to help reduce cost of funds and provide a natural hedge for overseas earnings.

The plan to strengthen the two entities came as the government realised that it was important to push exports through other means and identified inadequate credit flow to exporters as one of the key areas that needed to be tackled. A strategy was prepared following a meeting between commerce and industry minister [Suresh Prabhu](#) and officiating finance minister [Piyush Goyal](#)

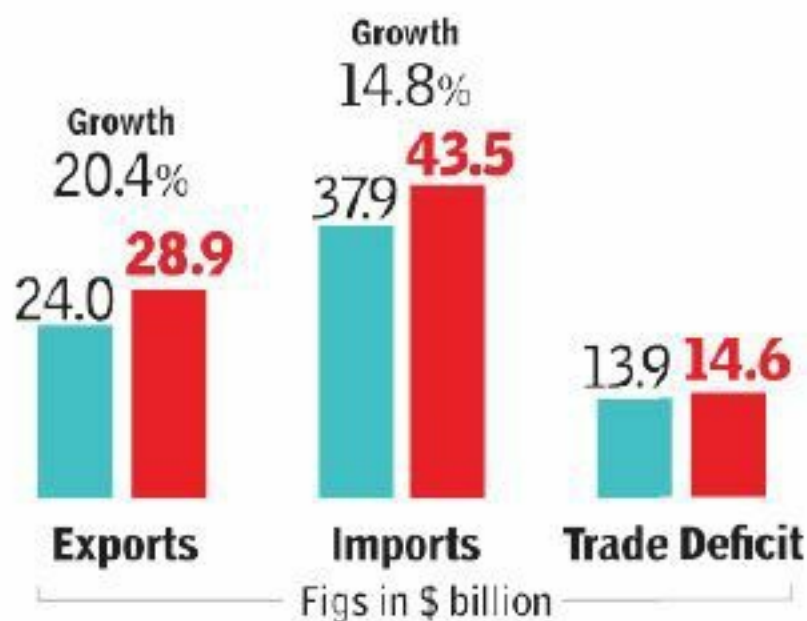
a few days ago.

The government is looking at several other steps to bolster India's exports, which are showing signs of a pickup in recent months.

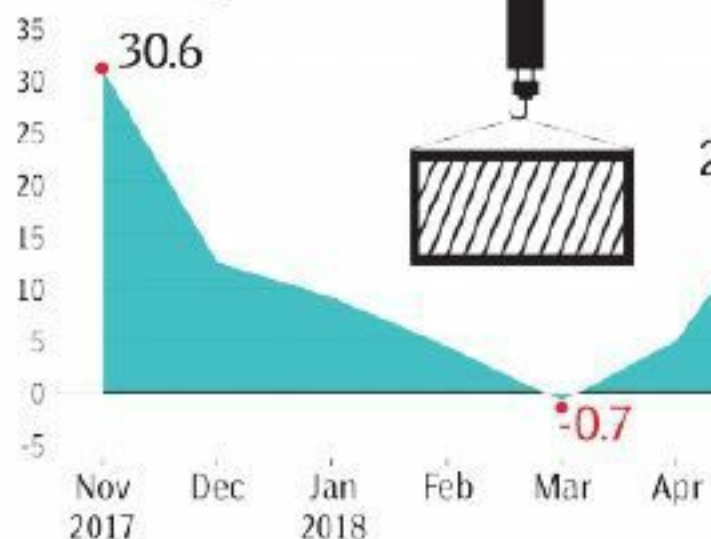
Data accessed by TOI showed that foreign currency export credit has been in the Rs 2,300-2,400 crore range since 2013-14. As a percentage of exports, export credit has hovered around 12.5% mark for the last five years. For long, exporters have complained about the lack of adequate funding, especially at reasonable costs and the government is now trying to address the concern.

OIL IMPACT ON INDIAN TRADE

● 2017 (May) ● 2018 (May)



Export growth at 6-month high (in %)



Why did exports surge in May?

The value of petrol & diesel shipments more than doubled to \$5.2 billion as prices rose globally

Chemicals, pharma & cotton yarn, fabric and handloom saw over 25% rise

Among major product categories, readymade garments (-17%) and gems & jewellery (6.5%) declined

Trade deficit hit a four-month high as higher crude prices, weaker rupee pushed up the oil import bill

Petroleum imports surged nearly 50% to \$11.5 billion in May

It more than offset decline in gold and precious and semi-precious stone (-25%) imports



Flow of foreign currency export credit could help exporters access funds at around 6 per cent, compared to double-digit rates that they often pay to Indian banks, which lack capacity and expertise, sources told TOI.

As a result, the plan is to provide Rs 1,000 crore equity support to Exim Bank through a budgetary support, which could come as early as in the monsoon session of Parliament expected to commence next month. Equity infusion is also planned for ECGC although the details are yet to be finalised, sources said.

Based on the higher equity base, Exim Bank will not only be able to address RBI's concerns over a higher-than-prescribed leverage ratio but also use its balance sheet to borrow short-term overseas for lending to exporters. Estimates suggested that a Rs 1,000 crore increase in equity base will help the state-owned player borrow around Rs 10,000 crore. And, with a 90-day credit cycle, it can support exports of around Rs 50,000 crore (over \$7 billion).

The move to speed up refund of held-up GST claims also flowed from the meeting of the two ministers. Latest data showed that refunds of around Rs 7,500 crore had been cleared till Tuesday, which was more than half the dues estimated by the tax department.