

Recommendations of the Working Group to Review Export Credit

The Working Group to Review Export Credit has recommended several measures to improve customer service. The recommendations which have been accepted and communicated to the banks are given below:

(a) The Review of the existing procedure for export credit

- (i) There is a need for attitudinal change in the approach of banks' officials in dealing with small and medium exporters. Banks may take suitable steps in this regard.
- (ii) Banks should put in place a control and reporting mechanism to ensure that the applications for export credit especially from Small and Medium Exporters are disposed of within the prescribed time frame.
- (iii) While processing applications for Export Credit, banks should raise all queries in one shot in order to avoid delays in sanctioning credit.
- (iv) Small and Medium Exporters especially in the upcountry centers should be properly trained by SSI / export organizations with technical assistance from banks regarding correct filling up of forms.
- (v) Collateral security should not be insisted upon as far as possible.
- (vi) State Level Export Promotion Committees (SLEPCs) which have been reconstituted as sub-committees of the SLBCs should play a greater role in promoting coordination between banks and exporters.

(b) Review of the Gold Card Scheme

- (i) Since the number of Gold Cards issued by banks was low, banks were advised to speed up the process of issue of the cards to all the eligible exporters especially the SME exporters and ensure that the process is completed within a period of three months.
- (ii) Simplified procedure for issue of Gold Cards as envisaged under the scheme should be implemented by all banks.
- (iii) Banks may consider exempting all deserving Gold Card holder exporters from the Packing Credit Guarantee Sectoral Schemes of ECGC on the basis of their track record.

(c) Review of export credit for non-star exporters

Banks should post nodal officers at Regional / Zonal Offices major branches for attending to credit related problems of SME exporters.

(d) Review of other issues

- i) The interest rates prescribed by RBI upto June 30, 2010 are ceiling rates. Since the banks are at liberty to charge lesser rates of interest, banks may consider extending export credit at rates lesser than the ceiling rates prescribed by RBI.
- ii) Banks should give priority for the foreign currency export credit requirements of exporters over foreign currency loans to non-exporter borrowers.

(e) Interest on Export Credit in Foreign Currency

As recommended by the Working Group, the ceiling rate of interest on export credit in foreign currency by banks was revised to LIBOR plus 100 basis points w.e.f. April 18, 2006 from the existing ceiling rate of LIBOR plus 75 basis points. The revision in the interest would be applicable not only to fresh advances but also to the existing advances for the remaining period. This rise is subject to the condition that banks will not levy any other charges in any manner under any name viz. service charge, management charge etc. except for recovery towards out of pocket expenses incurred by banks. Subsequently, the ceiling rate of interest on export credit in foreign currency by banks was revised to LIBOR plus 350 basis points w.e.f. February 5, 2009. However with the gradual easing of the conditions in the overseas market, the ceiling rate of interest on export credit in foreign currency by banks was revised to LIBOR plus 200 basis points w.e.f. February 19, 2010. Keeping in view the tight liquidity conditions and the widening of credit spreads due to developments in the international financial markets, the ceiling rate of interest on export credit in foreign currency by banks was increased to LIBOR plus 350 basis points from November 15, 2011 to May 4, 2012. With a view to increasing the availability of funds to exporters, banks are free to determine the interest rates on export credit in foreign currency with effect from May 5, 2012.