

## OCTOBER 2000

**Selected circulars issued by the Reserve Bank of India during October 2000 are reproduced below.**

Ref. No. IECD. 5 / 08.12.01 / 2000-01

dated October 16, 2000

### **The Chairmen / Chief Executives of All Commercial Banks**

#### **Flow of Credit to SSI Sector-**

#### **Decision of the Group of Ministers**

As you are aware, the Group of Ministers on Small-Scale Industries under the Chairmanship of Hon'ble Home Minister, in its meeting held on August 16, 2000, deliberated on the issues regarding flow of credit to the SSI Sector. In this context, the Group has recommended the mechanism of sub-allocation of limits, within the overall working capital limits sanctioned to their corporate borrowers, for meeting their payment obligations to SSI units.

2. In the light of the decision taken by the Group of Ministers, banks are advised to take the following measures with immediate effect :

(i) Banks may, while sanctioning/ renewing credit limits to their large corporate borrowers (*i.e.*, borrowers enjoying working capital limits of Rs. 10 crore and above from the banking system), fix separate sub-limits, within the overall limits, specifically for meeting payment obligations in respect of purchases from SSIs either on cash basis or on bill basis.

(ii) The size of such sub-limits may be decided taking into account the projected purchases by corporate borrowers from the SSIs during a year in relation to their total purchases and other relevant factors.

(iii) Further, with a view to ensuring availability of adequate balance in the account for meeting the payment obligations to SSI units, banks may ensure that sale proceeds/other receipts of the borrower are credited to this account on a *pro rata* basis.

3. The above arrangements is expected to ensure availability of adequate funds for making timely payment by the corporate borrowers to banks to their SSI creditors. However, banks should closely monitor the operations in the sub-limits, particularly with reference to their corporate borrowers' dues to SSI units. For the purpose, banks may ascertain periodically from their corporate borrowers, the extent of their dues to SSI suppliers and ensure that the corporates pay off such dues before the appointed day / agreed date as defined / indicated in Section 2(b) and 3 of the Interest on Delayed Payments to Small Scale and Ancillary Undertakings Act, 1993 (32 of 1993) by using the balance available in the sub-limit so created. If, at any time, the sub-limit is exhausted, there is no bar on such payments being made from the other segment of the working capital limit. Similarly, if no payments are due to SSI suppliers, and the sub-limit remains unutilised/partly utilised, banks may allow their corporate borrowers to operate this limit for meeting other working capital expenses.

Ref. No. IECD. 6/08.14.01/2000-01 dated

October 16, 2000

### **The Chairmen and Managing Directors/Chief Executives of All Commercial Banks**

#### **Interest Rate Surcharge on Import Finance**

Please refer to our circular IECD No. 16/08.14.01/99-2000 dated May 25,2000, regarding the levy of interest rate surcharge on import finance. In terms of the instructions contained therein, the following categories of bank credit for imports are exempted from the levy of interest rate surcharge :

- (a) Export Packing Credit provided at concessive rate of interest to meet the cost of imported inputs.
- (b) Import of capital goods by *bonafide* borrower-importers under valid Licences issued under the Export Promotion Capital Goods Scheme (EPCG Scheme).
- (c) All *bonafide* imports including import of capital goods by Export-Oriented Units (EOUs) and units in the Export Processing Zones (EPZs).
- (d) All *bonafide* imports under Advance Licences granted for import of “Inputs” such as raw materials, intermediates, components, etc., by either the original holder or a transferee (if transferred under an endorsement of the Directorate General of Foreign Trade enabling such transfer).
- (e) All *bonafide* imports against the credit under the Duty Entitlement Pass Book (DEPB) Scheme contained in the EXIM Policy 1997-2002.
- (f) Bulk Imports in respect of crude oil, petroleum products, fertilisers, edible oils and other essential commodities imported through Government Agencies, and
- (g) Import of crude oil by private and joint sector refineries for actual use in their own refineries.

2. It has now been decided that, apart from the above mentioned categories of bank credit for import, bank finance for the following categories of export related imports covered under EXIM Policy 1997-2002 (amended as on March 31,2000) will also be exempt from the levy of Interest Rate Surcharge with immediate effect.

I) All *bonafide* imports under Duty Free Replenishment Certificate (DFRC) Scheme, Gem Replenishment Licence and Diamond Imprest Licence.

II) All *bonafide* imports including import of capital goods by units under Electronic Hardware Technology Park (EHTP), Software Technology Park (STP) and Special Economic Zone (SEZ) Schemes.

3. In view of the above, items i) and (ii) mentioned under paragraph 2 above may be added to paragraph 13.B. 1.7 of the Manual of Instructions issued by DBOD, DBS and IECD.