

CREDIT CONTROL AND OTHER MEASURES JUNE 1998

Selected circulars issued by the Reserve Bank of India during June 1998 are reproduced below.

Ref.No.MPD.BC.177/07.01.279/97-98 dated June 11, 1998

All Scheduled Commercial Banks

With a view to providing export credit at internationally competitive rates to exporters, the following measures are being announced:

a) Interest Rate on Export Credit

In order to provide further support to exporters, as a special case, it has been decided that with effect from June 12, 1998, interest rate charged by scheduled commercial banks to exporters on rupee export credit granted in respect of "incremental exports" over and above the base-year level of exports in 1997-98 will be '6.5 per cent per annum' for pre-shipment credit for a period upto six months and for post-shipment credit for a total period upto 90 days (comprising usance period of export bills, transit period as specified by FEDAI and grace period, wherever applicable). This concessional interest rate will be applicable for a maximum period upto nine months. The above facility will be available up to December 31, 1999.

b) Export Credit Refinance

Scheduled commercial banks will be provided refinance by the Reserve Bank of

India at '4.0 per cent per annum' for the rupee export credit extended by them under the new scheme. Banks will continue to be provided export credit refinance to the extent of 100 per cent of the increase in outstanding export credit eligible for refinance over the level of such credit as on February 16, 1996. Such refinance will henceforth be provided at differential rates of interest. Accordingly, while the portion of refinance equivalent to the outstanding export credit extended by them at '6.5 per cent per annum' will be at an interest rate of '4.0 per cent per annum', the remainder will be at the Bank Rate (i.e., 9.0 per cent per annum at present). The draws under the above export credit scheme upto December 31, 1999 would be allowed to be continued till the due dates and the corresponding refinance would be available to banks on such outstanding credit.

Ref.UBD.No.DS.PCB.Cir.63/13.04.00/97-98 dated June 11, 1998

All Primary Co-operative Banks

Interest Rates on Export Credit

As an additional measure of support to step up the rate of growth of exports, it has been decided to extend to exporters, credit under a special facility. This facility is temporary and would be available upto December 31, 1999. It would not be renewed beyond this period. Under the facility, banks should provide exporters rupee credit at 6.5

per cent per annum effective June 12, 1998 for their exports *over and above the level achieved during the financial year April 1997-March 1998*. The interest rate at 6.5 per cent per annum would be available for pre-shipment rupee credit upto a period of 180 days and post-shipment rupee credit upto a period of 90 days. A copy of our directive UBD.DS.DIR. 17/13.04.00/97-98 dated June 11, 1998 issued in this regard is enclosed. The interest rates applicable in respect of other export credit would continue to be as indicated in our Circular No. UBD.DS.PCB.Cir.54/13.04.00/97-98 dated April 29, 1998.

2. Financing banks are advised to obtain satisfactory documentary evidence, and keep it on their records, regarding the level of exports achieved by the exporter during the period April 1997-March 1998 and to ensure that only the 'incremental' export is financed under the special facility.

3. Exporters and their representative bodies have been frequently representing to the Reserve Bank that exporters do not get credit limits/enhancement in credit limits sanctioned in time. They have also been representing to the Reserve Bank that collateral security is being insisted upon by banks before considering requests for enhancements in credit limits. Reserve Bank is keen to ensure that all its measures according primacy and importance to export credit, with a view to achieving export growth are fully supported at the level of banks through suitable guidelines ensuring adequate delegation of powers and sanction of need-based and timely credit. Banks are, therefore, advised to review all aspects of their internal guidelines/procedures immediately to achieve the above objective.

Ref.UBD.No.DS.DIR.17/13.04.00/97-98 dated June 11, 1998

Interest Rates on Advances

In exercise of the powers conferred by Sections 21 and 35A read with Section 56 of the Banking Regulation Act, 1949, the Reserve Bank of India, being satisfied that it is necessary and expedient in the public interest so to do, hereby directs that with effect from June 12, 1998, item III (4) as indicated in the enclosure to this Directive be added to the Annexure to its Directive UBD.DS.DIR.16/13.04.00/97-98 dated April 29, 1998 and item III (4) therein be renumbered as item III (5).

(Enclosure to Directive UBD.DS.Dir.17/13.04.00/97-98 dated June 11, 1998)

	Rate of interest (per cent per annum)
III EXPORT CREDIT	
(4) The rate applicable to	
Export Credit for exports over and above the level achieved during the period April 1997-March 1998	
(a) Pre-shipment credit upto a period of 180 days	6.5
(b) Post-shipment credit	
(i) Demand bills for transit period (as specified by FEDAI)	6.5
(ii) Usance Bills (For total period comprising usance period of export bills, transit period as specified by FEDAI, and grace period whichever applicable) Upto 90 days	6.5