Commerce Ministry through ECGC raises Insurance cover for Banks up to 90% for Working Capital Loans

{Enhanced cover to ensure Forex and Rupee Export Credit; Stimulus package to enhance volume of Export Credit Lending}

The Hon'ble Union Minister of Commerce & Industry and Railways, Shri Piyush Goyal has informed about the details of the Export Credit Insurance Scheme (ECIS) in New Delhi along with the Hon'ble Minister of State of Commerce and Industry, Shri Hardeep Singh Puri. The scheme was announced by the Hon'ble Finance Minister, Smt Nirmala Sitharaman, as a part of the measures to boost exports, on 14th September 2019 in New Delhi.

Due to the global slowdown and rising Non-performing assets (NPAs), banks are in stress and therefore require additional support. The Finance Ministry has taken steps towards merger of Banks and has infused additional capital to the banks. **In order to facilitate banks further, the Ministry of Commerce & Industry has enhanced Insurance cover for Banks up to 90% for the working capital loans and moderation in premium incidence for the MSME sector**.

Enhanced cover will ensure that Foreign and Rupee export credit interest rates will be below 4% and 8% respectively for exporters. The stimulus package will catalyze Banks to enhance volume of export credit lending particularly to the MSME Sector with optimal pricing due to capital and risk optimization.

The existing covers issued by Export Credit Guarantee Corporation of India (ECGC) will continue for the existing customer banks and similar covers will also be made available to all other banks. All standard accounts covered under ECGC as on the date of transition, shall be eligible for cover under the ECIS.

The scope of cover has been enlarged to cover not only the principal outstanding but also for the unpaid Interest (for a maximum of two quarters or the NPA date, whichever is earlier).The cover percentage has been enhanced to 90% from the present average of 60% for both Principal and Interest.

A single cover document for ECIS shall be issued covering both the Pre-shipment and Post-shipment advances unlike the present two different documents being issued by ECGC. The scheme envisages simplified procedure for settlement of claim and also for provisional payment up to 50% within 30 days on production of proof of end-use of the advances in default by the Insured Bank.

The ECIS support shall be in force for a period of 5-years and on conclusion, the standard ECGC covers will be available for Banks with its regular features. For accounts with limits below Rs. 80 crore the premium rates will be moderated to 0.60 per annum and for those exceeding Rs. 80 crore, it will be 0.72 per annum for the same enhanced cover.

Banks shall pay premium to ECGC on monthly basis on the Principal and Interest as the cover is offered for both outstandings. Under the scheme, inspection of bank documents and records by ECGC officials shall be mandatory for losses exceeding Rs.10 crore as against the present Rs.1crore.

Other procedural aspects such as reporting or seeking approval of limits, monthly declarations with premium, extension in due date under Pre-Shipment/Post-Shipment, Report of Default, Lodgment of Claim, placing of borrower in Specific Approval List (SAL), Sharing of recovery, Checking of Buyers Specific Approval List (BSAL) and Checking of Restricted Cover Category (RCC) Country shall continue as per the existing terms and conditions of cover of ECGC.

Banks shall continue to adhere to the RBI and their internal guidelines relating to export finance backed by enhanced due diligence on the borrower.

The proposed cover will bring down the cost of credit due to capital relief, less provision requirement and liquidity due to quick settlement of claims and will ensure timely and adequate working capital to the export sector.

ECGC is a fully Government of India owned company established in the year 1957 to promote exports by providing credit insurance services. ECGC provides Export Credit Insurance to Banks (ECIB) to protect the Banks from losses on account of export credit at the Pre and Post-Shipment stage given to exporters due to the risks of insolvency and/or protracted default of the exporter borrower.

Please contact for any query related to this mail to Ms Bhawna Kakkar, Research Associate at bhawna.kakkar@phdcci.in with a cc to Dr S P Sharma, Chief Economist at spsharma@phdcci.in and Ms Surbhi Sharma, Associate Economist at surbh@phdcci.in, PHD Chamber of Commerce & Industry.

Warm Regards,

Dr S P Sharma

Chief Economist
PHD Chamber of Commerce and Industry
PHD House, 4/2 Siri Institutional Area
August Kranti Marg, New Delhi-110016, India
Tel: +91 49545454
Fax: +91 11 26855450
Email: spsharma@phdcci.in
Website: www.phdcci.in
Follow us on

NATIONAL APEX CHAMBER

ISO 9001:2015

"Towards an Inclusive & Prosperous India"

NABET

PHD CHAMBER OF COMMERCE AND INDUSTRY

PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi - 110 016 (India) • Tel. : +91-11-2686 3801-04, 49545454, 49545400
Fax : +91-11-2685 5450 • E-mail : phdcci@phdcci.in • Website : www.phdcci.in, CIN: U74899DL1951GAP001947

Connect with us: @phdchamber @phdcci1905 @phdcci