

Export credit plunges 47% in July even as priority sector lending up 7.5%

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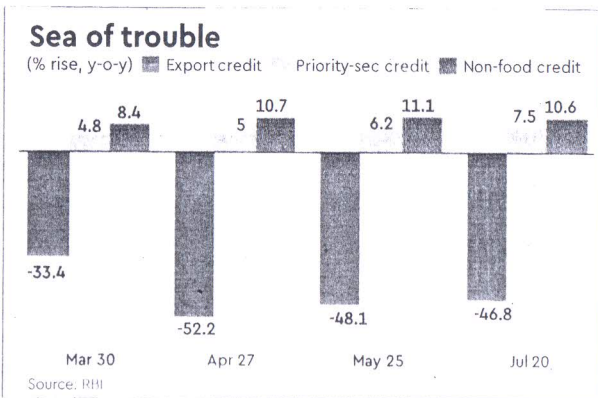
EXPORT CREDIT PROVIDED

by banks fell sharply by about 47% to ₹21,900 crore as of July 20 from a year earlier. This is despite the fact that total lending to the priority sector rose 7.5%, latest data from the Reserve Bank of India showed. The persistent decline in export credit, especially to small players in the current year so far has raised fresh concerns about ade-

quate financial support to exporters. The growth in exports has slowed for a third straight month through July.

Exports in 2017-18 came in at \$303.5 billion, an increase of 10% over the previous year. Between April and July, exports have totalled \$108.2 billion, up 14.2% from a year before.

The growth in non-food credit — or loans to companies and individuals — touched 10.6% as of July 20, thanks partly to an impressive



23% jump in loans to the services sector. Export credit, however, was down 33.4% as of March 30 from a year before and the performance in this segment has worsened despite a steady rise in priority sector lending growth.

The ministry of commerce could soon flag the lower disbursements for exports to the finance ministry, a senior official said. "The collapse in export credit is a cause for concern and would hurt export prospects unless recti-

fied," the official explained.

Banks, saddled with massive stressed assets, have cut down on exposure to risky players in sectors such as iron and steel and jute textiles. Even lending to the gems and jewellery sector saw a meagre 0.1% rise as of July 20 from a year earlier, as banks have turned cautious after the \$2.2-billion fraud at Punjab National Bank involving jewellers Nirav Modi and Mehul Choksi.

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FOR ITS part, the finance ministry has already asked state-run banks to improve the flow of credit to the MSME sector and make it easier for small companies to avail of loans.

Ganesh Kumar Gupta, pres-

ident of the Federation of Indian Export Organisations, said banks are asking for as much as 90-100% collateral against loans to MSME exporters. "Even after this, many MSME exporters are not getting credit, as banks have squeezed lending," he said.

Merchandise exports growth slowed from 20.2% in May to 14.3% in July, as a rise in oil prices helped boost outbound shipment value. Still, the rise in exports failed to keep pace with that in imports, which touched a 14-month high of 28.8% in July to \$43.79 billion and drove up trade deficit to a 62-month high.

As such, exports from employment-sensitive sectors – such as textiles & garments, gems & jewellery, leather, stone, cement, ceramic, farm, plantation, marine and other allied segments – where MSMEs play a major role, witnessed a 1.6% drop in the first quarter of this fiscal, against a 14.5% jump in overall merchandise exports.