

Exporters hail RBI's move to scrap default caution-listing

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Several export promotion councils and trading communities have hailed the RBI's recent move to scrap the system-based automatic caution-listing of exporters, besides welcoming the decision to shift the onus of caution-listing an exporter entirely on the Authorised Dealer (AD) banks.

However, commercial banking experts and international business consultants believe that while the RBI's move could give a big relief to exporters during these difficult times, the permanent removal of fixed time-frame for export realisation and leaving the decision entirely to banks will defeat the purpose of caution-listing and identifying willful defaulters.

Ease of doing business

Terming the removal of automatic caution-listing as a 'good step from ease of doing business angle' Rajesh P, Managing Director of Mumbai-based GrowTrust Ventures Consultancy, said: "Given the practical challenges, few banks might report their customers in the caution list."

A former corporate and investment banker himself, Rajesh said: "Perhaps there could be separate categories like 'exporters with delayed real-



But leaving the decision to bankers can defeat the purpose of identifying willful defaulters, say experts REUTERS

isations' to discourage delays beyond reasonable periods especially for larger amounts." The Federation of Indian Export Organisation (FIEO), in a press statement, said the automatic caution-listing was a 'threat' to exporters, and thanked the RBI for meeting its long-pending demand.

However, international business experts say that shifting the onus of caution-listing exporters entirely on the banks will only create more confusion as each bank may provide a different time-frame realisation.

Rajat Verma, Head-Commercial Banking, HSBC India, said the change in the process of caution-listing does not absolve either the banks or exporters and that the various guidelines with respect to exports, including receipt of funds in a time-bound manner and reporting of the same to regulators.