Context:

The Ministry of Commerce and Industry through ECGC, has introduced a new Export Credit Insurance Scheme (ECIS) called NIRVIK to enhance loan availability and ease the lending process.

About the Scheme:

- The main aim behind introducing the scheme is to enhance accessibility and affordability of credit for exporters.
- The decision is tipped to make the Indian exports competitive and make ECGC procedures exporter friendly, reduced insurance costs and ease of doing business.
- The insurance cover is expected to bring down the cost of credit due to capital relief, less provision requirement and liquidity due to quick settlements of claims and will ensure timely and adequate working capital to the export sector.
- The Export Credit Guarantee Corporation of India (ECGC) provides credit guarantee of up to 60 percent loss.
- Under the new ‘NIRVIK’ scheme, the insurance cover guaranteed will cover up to 90 percent of the principal and interest. The insurance cover will include both pre and post-shipment credit.

Details of the Scheme

- The Finance Ministry has decided to increase the insurance cover for banks up to 90 percent for working capital loans and moderation in premium incidence for the MSME sector to provide additional support to the banks in the wake of a global slowdown and rising NPAs.
- It will catalyze the banks to enhance the volume of export credit lending, especially to the MSME Sector with optimal pricing due to capital and risk optimization.
- The insurance cover will include not only the principal outstanding but also the unpaid interest for a maximum of two quarters or the NPA date, whichever is earlier. The coverage has been increased to 90 percent from the present average of 60 percent for both principal and interest.
- It will also cover both pre-shipment and post-shipment advances unlike the present system, where two different documents are issued by the ECGC.

ECGC:

The Export Credit Guarantee Corporation of India (ECGC) is a fully government-
owned company that was established in 1957 to promote exports by providing credit insurance services.

The 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 or protracted default of the exporter borrower.