

# SKILL LOAN SCHEME

## 1. INTRODUCTION

Given a huge thrust on skill development in recent years, a need is felt to provide institutional credit to individuals for taking skill development courses aligned to National Occupations Standards and Qualification Packs and leading to a certificate/diploma/degree by the Training Institutes as per National Skill Qualification Framework (NSQF). Thus, "Skill Loan Scheme" has been developed to support the national initiatives for skill development.

## 2. OBJECTIVE

Skill Loan Scheme (herein after called 'Skilling Loan') aims at providing a loan facility to individuals who intend to take up skill development courses as per the Skilling Loan Eligibility Criteria.

## 3. APPLICABILITY OF THE SCHEME

This scheme is applicable to all member banks of IBA and any other banks and financial institutions as may be advised by the RBI. The scheme provides broad guidelines to the banks for operationalizing the skilling loan scheme and the implementing bank will have the discretion to make changes as deemed fit. The scheme may also be applicable to Microfinance Institutions (MFIs) and other financial institutions regulated by RBI.

## 4. ELIGIBILITY CRITERIA

**4.1 Training Institutes:** Any individual who has secured admission in a course run by Industrial Training Institutes (ITIs), Polytechnics or in a school recognized by central or State education Boards or in a college affiliated to recognized university, training partners affiliated to National Skill Development Corporation (NSDC)/Sector Skill Councils, State Skill Mission, State Skill Corporation, preferably leading to a certificate / diploma / degree issued by such organization as per National Skill Qualification Framework (NSQF) is eligible for a Skilling Loan. The Government of India / State Governments may, from time to time, notify institutes/organizations for the purpose.

**4.2 Training Courses:** Courses run by above mentioned Training Institutes (in 4.1) aligned to National Skill Qualification Framework (NSQF) shall be covered by the Skill Loan. There is no minimum course duration.

- 4.3 **Nationality** : The applicant should be an Indian National
- 4.4 **Minimum Age** : There is no specific restriction with regard to the age of the student to be eligible for skilling loan. However, if the student is a minor, while the parent executes documents for the loan, the bank will obtain a letter of acceptance/ratification from him / her upon attaining majority.
- 4.5 **Minimum Qualification:** As required by the enrolling institutions/organizations as per NSQF.
- 4.6 **Know your customer (KYC) norms:** Aadhar number will also be considered as a valid proof for KYC norms in addition to other identity and address proof as determined by respective banks/ lending institutes

## 5. QUANTUM OF FINANCE

Loans will be in the range of Rs. 5,000/- to Rs. 150,000/-. The estimated per month fees, based on sector & NSQF level, will be available with the NSDC. Skill loan could be availed by beneficiaries of other grant/reward based Government schemes for skill training to cover the cost of such skill training not covered under such grant/reward.

## 6. EXPENSES CONSIDERED FOR LOAN

- 6.1. Tuition / course fee. Banks shall pay such tuition / course fee directly to the Training Institute
- 6.2. Any other reasonable expenditure found necessary for completion of the course including but not limited to assessment fee, Examination fee, Library charges, Laboratory fee, Caution deposit, Purchase of books, equipment's and instruments (As such courses are localized boarding, lodging may not be necessary based on the cost of living in the particular area. However, wherever it has been found necessary, the same could be considered on merit).

## 7. MARGIN

The banks/MFIs can charge a nominal margin money as down-payment from the student, to keep the student serious about the course. However, the down-payment and the amount paid as Interest during the course (Clause11) together should not exceed 10% of the total course amount.

## **8. RATE OF INTEREST**

Interest rate to be charged linked to the base rate of banks as decided by the individual banks or at reduced rate, if an interest subsidy is provided by the Central / State Govt. to all or a class of beneficiaries proposed to be targeted. Simple Interest will be charged during the study period and upto commencement of repayment.

Note :

- Servicing of interest during study period and the moratorium period till commencement of repayment is optional for students.
- 1% interest concession may be provided by the bank, if interest is serviced during the study period and subsequent moratorium period prior to commencement of repayment.

## **9. PROCESSING CHARGES**

No Processing fee will be charged by Banks/MFIs.

## **10. SECURITY**

No collateral for such skilling loan will be taken. Banks have option to apply to the National Credit Guarantee Trust Company Ltd (NCGTC) for credit guarantee against defaults and NCGTC will provide such guarantee at nominal guarantee fee which shall not exceed 0.5% of the amount outstanding. Such credit guarantee cover will be for a maximum of 75% of the outstanding loan amount (including interest, if any). In special cases such as the North Eastern region (NE) and Left Wing Extremism (LWE) affected areas the percentage may be increased on the discretion of NCGTC. Banks may like a diversion on whether to pass on levy of guarantee fee to the borrower or not.

## **11. MORATORIUM PERIOD**

In order to instill repayment behavior and get some commitments from the students, the bank may have installment during the course period itself. However, the total amount paid by the student as down-payment (Clause 7) and EMI during the course together should not exceed 10% of the total course value.

However, it is advised that the banks consider moratorium for specific courses or certain sections of the students. Upon completion of the course, repayment will start after a moratorium period as indicated below:

Courses of duration upto 1 year	upto 6 months from the completion of the course
Courses of duration above 1 year	12 months from the completion of the course

The banks will have flexibility to choose the structure of repayment - flat Equated Monthly Instalments (EMI), tube payments or moratorium period as deemed fit for various sectors and student categories.

## 12. REPAYMENT

The loan will have a tenure as follows:

- |                                    |   |              |
|------------------------------------|---|--------------|
| Loans upto ₹ 50,000                | - | Upto 3 years |
| Loans between ₹ 50,000 to ₹ 1 lakh | - | Upto 5 years |
| Loans above ₹ 1 lakh               | - | Upto 7 years |

## 13. INSURANCE

Optional at the requirement of the borrower

## 14. PREPAYMENT

The borrower can repay the loan any time after commencement of repayment without having to pay any prepayment charges. In case a student is not able to complete the course because of accident/death/disability the bank can seek a pro-rata reimbursement of the unfinished portion of the course amount from the training institute. This will reduce the loan burden on the student.

## 15. Bank Mitra

Services of Bank Mitra may be used by the Banks/MFIs to popularize the scheme. Such Bank Mitra will work as a bridge between bank, training institute and trainee/ loan aspirants. However, at no point of time can a training institute or an entity with a significant stake in training (students of which will get the loan) be involved as Bank Mitra. Training institutes and lending architecture (entities and people down to the last mile) should be kept at arm's length to avoid any moral hazard or miss-selling of the loan scheme. A bank employee or its bona fide agency representative should necessarily meet the student to explain the loan details.

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