



## **Indian Banks' Association**

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### **IBA MODEL LOAN SCHEME FOR VOCATIONAL EDUCATION AND TRAINING**

#### **1. INTRODUCTION**

The IBA Model Educational Loan Scheme for pursuing higher studies in India & Abroad was formulated initially in the year 2001 and modified subsequently from time to time with the objective of facilitating pursuit of higher studies by meritorious students. The focus was mainly on technical and professional courses in recognised Colleges and Universities. The vocational courses offered by ITIs, ITCs, Polytechnics and other technical institutions / bodies were not covered in the Model Educational Loan Scheme (some banks do provide loans for pursuing 3 year diploma courses offered by Polytechnic Institutes). However, in view of the initiatives being taken by the Govt. of India in skill development in recent years, a need was felt for providing institutional funding for the students undergoing specialized skill development programs in recognized institutions. The Govt. has estimated that the country would require 10 to 15 million skilled workers every year to support the development process. The initiatives being taken by the Govt. are for setting up new training facilities, modernization of existing centres and intensive faculty development. The “Model Educational Loan Scheme for Vocational Courses” has been developed as an extension of the existing Model Educational Loan Scheme for pursuing higher education in India & Abroad, to support the national initiatives for skill development.

#### **2. OBJECTIVE**

The Model Educational Loan Scheme for Vocational Courses aims at providing financial support from the banking system to those who, have the minimum educational qualification, as required by the institution / organization running the course eligible under the scheme .

### **3. APPLICABILITY OF THE SCHEME**

The scheme could be adopted by all member banks of the Association or other banks and financial institutions as may be advised by the RBI. The scheme provides broad guidelines to the banks for operationalising the educational loan scheme and the implementing bank will have the discretion to make changes as deemed fit.

### **4. ELIGIBILITY CRITERIA**

#### **4.1 Student Eligibility**

- The student should be an Indian National
- Have secured admission in a course run or supported by a Ministry / Dept./ Organisation of the Govt. or a company / society / organization supported by National Skill Development Corporation or State Skill Missions / State Skill Corporations, preferably leading to a certificate / diploma / degree, etc. issued by a Govt. organization or an organization recognized / authorized by the Govt. to do so.

#### **4.2 Courses Eligible**

Vocational / Skill development courses of duration from 2 months to 3 years run or supported by a Ministry / Dept. / Organisation of the Govt. or a company / society / organization supported by National Skill Development Corporation or State Skill Missions / State Skill Corporations, preferably leading to a certificate / diploma / degree, etc. issued by a Govt. organization or an organization recognized / authorized by the Govt. to do so. . State Level Bankers Committee (SLBC) / State Level Coordination Committee (SLCC) may add other skill development courses / programmes, having good employability.

#### **4.3 Minimum Age**

There is no specific restriction with regard to the age of the student to be eligible for education loan. However, if the student was a minor, while the parent executes documents for the loan, the bank will obtain a letter of ratification from him / her upon attaining majority.

## **5. QUANTUM OF FINANCE**

Need based finance to meet expenses as worked out under para 6 below will be considered subject to the following ceilings :

- For courses of duration upto 3 months ₹ 10,000/-
- For courses of duration from 3 to 6 months ₹ 25,000/-
  
- for courses of duration upto 1 year - ₹ 50,000/-
- for courses of duration above 1 year - ₹ 1,50,000/-

Banks may, at their discretion, consider limits upto ₹ 75,000/- for courses with duration upto 1 year and limits upto ₹ 2 lakhs courses with duration above one year for specific courses offered by reputed institutions having regard to the nature of such courses and employability (ability to repay out of job earnings).

## **6. EXPENSES CONSIDERED FOR LOAN**

1. Tuition / course fee .
2. Examination / Library / Laboratory fee
3. Caution deposit
4. Purchase of books, equipments and instruments
5. Any other reasonable expenditure found necessary for completion of the course. (As such courses are localized boarding, lodging may not be necessary. However, wherever it has been found necessary, the same could be considered on merits)

## **7. MARGIN**

Nil

## **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**

Nil

**10. SECURITY**

No collateral or third party guarantee will be taken. However, the parent will execute loan document alongwith the student borrower as joint borrower.

**11. MORATORIUM PERIOD**

Upon completion of the course, repayment will start after a moratorium period as indicated below :

- for courses of duration upto 1 year - 6 months from the completion of the course.
- for courses of duration above 1 year- 12 months from the completion of the course.

**12. REPAYMENT**

The loan will be repaid after the moratorium period as indicated in para 11 in Equated Monthly Instalments (EMIs) as follows :

- Loans upto ₹ 50,000 - Upto 2 years
- Loans between ₹ 50,000 to ₹ 1 lakh - 2 to 5 years
- Loans above ₹ 1 lakh - 3 to 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.

#### **15. OTHER TERMS & CONDITIONS**

Other terms and conditions as applicable to the “IBA Model Educational Loan Scheme for pursuing higher education in India & Abroad” will be applicable to this scheme also.

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