

**Central Scheme to provide Interest Subsidy for the period of moratorium on Educational Loans taken by students from economically weaker sections from scheduled banks under the Model Education Loan Scheme of IBA.**

Education is a pivot for human resources development and essential for development of society. With a view to maximize assistance to students and to broad base it, we have liberalized our Education Loan Scheme from time to time in view of importance given by Government of India and Reserve Bank of India to education. Under Model Education Loan Scheme of IBA, we are making available financial assistance to needy and deserving students who desire to prosecute higher education without any delay on easy terms and conditions.

Ministry of Human Resource Development, Dept. of Higher Education, Govt. of India have announced a scheme to provide Interest Subsidy for the period of moratorium on Education Loans taken by the students from economically weaker sections from scheduled banks under Educational Loan Scheme. The Scheme is effective from the academic year 2009-10 and that loans disbursed in 2009-10 would be covered under the Scheme. The Scheme is an on-going Scheme. We are pleased to inform you that our Board of Directors in their meeting held on 31.07.2010 have accorded permission to implement the Scheme.

The scheme will be applicable only for studies in recognized Technical/Professional courses in India and to those students belonging to economically weaker sections with an annual gross parental /family income upto Rs.4.50 lacs per year (from all sources). The Educational Loans for recognized Technical/Professional courses sanctioned upto Rs.7.50 lacs only will be eligible under the scheme. The scheme is applicable for the loans disbursed on or after 01.04.2009 and will be limited to studies in recognized Technical/Professional courses in India after class XII in Educational Institutions established by Acts of Parliament, other institutions recognized by the concerned Statutory Bodies, Indian Institute of Management (IIMs) and other Institutions set up by the Central/State Government.

We give here- below the detailed features of the scheme:

### **1. INTRODUCTION:**

One of the major concerns of the Government is to ensure that nobody is denied professional education, because he or she is poor. The Indian Banks' Association (IBA) has formulated a comprehensive Model Education Loan Scheme for adoption by all Banks, aimed at providing financial support from the Banking system to deserving/meritorious students for pursuing higher education in India and abroad.

The Government of India has now approved a scheme to provide full interest subsidy during the period of moratorium i.e. course period plus one year or six months after

getting the job, whichever is earlier, on loans taken by students belonging to economically weaker sections from the Scheduled Commercial Banks under the Educational Loan Scheme of the Indian Banks' Association for pursuing any of the approved courses of studies in technical and professional streams from recognized institutions in India.

## **2. OBJECTIVE OF THE SCHEME:**

The nomenclature of the scheme would be "Central Scheme to provide Interest Subsidy (CSIS) or the period of moratorium on Educational Loans taken by students from Economically

Weaker Sections from Scheduled Banks under the Educational Loan Scheme of the Indian Banks' Association to pursue Technical/Professional Education studies in India".

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

The scheme is adopted by our Bank and would be applicable only for studies in recognized Technical/Professional Courses in India. The interest subsidy shall be linked with the existing educational loan scheme of IBA and restricted to students enrolled in recognized Technical/Professional Courses (after Class XII) in India in Educational Institutions established by Acts of Parliament, other institutions recognized by the concerned Statutory Bodies, Indian Institutes of Management (IIMs) and other institutions set up by the Central /State Government.

## **4. INTEREST RATES:**

The interest rates charged on the educational loan shall be as per the MCLR of the individual Banks and as per the provisions for interest rates under the IBA Model Educational Loan Scheme.

## **5. MORATORIUM PERIOD:**

Under the Central Scheme, the interest payable by the student belonging to EWS for availing of educational loan for Technical/Professional courses in India for the period of moratorium i.e., course period plus one year, as prescribed under Educational Loan Scheme of the IBA, will be borne by the Govt. of India. After the period of moratorium is over, the interest on the outstanding loan amount shall be paid by the student, in accordance with the provisions of the existing educational loan scheme of banks and as may be amended from time to time, whichever is earlier.

## **6. FIXATION OF EMI ON THE LOAN:**

The interest portion of the loan will be reimbursed to the Bank upon periodical submission of claims at half-yearly/ yearly till the end of moratorium period. During

moratorium period, interest debited to the account will be kept separately and reimbursement from GOI under the scheme will be sought. With regard to repayment of principle amount and charges, if any, debited to the loan account besides interest accrued after moratorium period, EMI will be suitably fixed for the period of the loan not exceeding 7 years. Rate of interest will be charged taking into account the applicable interest concession of 1%, provided to loanees who service the interest during moratorium period as detailed under SI.No.16 below.

#### **7. INCOME LIMIT/PROOF:**

The benefits of the scheme would be applicable to those students belonging to economically weaker sections, with an annual gross parental/family income upper limit of Rs.4.50 lacs per year (from all sources). Income proof shall be required from the students from such public authorities which are authorized, by the State Governments, for certification of income status for this scheme, including Central and State Sector Schemes. The scheme is intended to cater to the needs of the students belonging to economically weaker sections with prescribed upper parental gross income limit of the family from all sources, which is based on the economic index and not on social background. The scheme is independent of any other schemes, which cater to EWS.

#### **8. COMPETENT AUTHORITY:**

Ministry of HRD, GOI have already issued instructions to the State Governments to designate the appropriate authority or authorities, who are competent to issue income certificates based on economic index and not on social background, for the purpose of the scheme.

#### **9. ELIGIBILITY:**

The interest subsidy under the scheme is available to the eligible students only once, either for the first undergraduate degree course or the post graduate degrees/diplomas in India. Interest subsidy, however, will be admissible for integrated courses (graduate +post graduate) also. Interest subsidy under the scheme will not be available for those students once they discontinue the course midstream or who are expelled from the institutions on disciplinary or academic grounds. However, the interest subsidy will be available only if the discontinuation was due to medical grounds for which necessary documentation to the satisfaction of the Head of Educational Institution will have to be given.

#### **10. AWARDS/CERTIFICATES:**

There will be tag/marker on the degree of the student indicating his repayment liabilities. The Electronic Tags will enable the employers to identify loanees. Ministry of HRD has initiated a process of setting up of a depository for maintaining the records in

dematerialized form and providing services to the users i.e. banks and employers. This measure is aimed at eliminating the fraudulent practices like forging of certificates and marks sheets.

#### **11. SIMILAR SCHEMES:**

The National Minorities Development and Finance Corporation (NMDFC) have an Educational loan scheme for individual beneficiaries which is implemented through State Channelising Agencies (SCAs). The National Safai Karmacharis Finance and Development Corporation (NSKFDC), The National Backward Classes Finance and Development Corporation (NBCFDC), National Scheduled Caste Finance Development Corporation (NSCFDC) and National Handicapped Finance and Development Corporation (NHFDC), under the Ministry of Social Justice and Empowerment also provide Educational Loan to the students of the target group for higher education. Interest on Education Loan provided under the educational loan schemes of these four corporations, if the loans are for pursuing professional courses after XII class, shall also be subsidized for the period of moratorium as per the terms and conditions of this scheme. The interest charged by NMDFC, NSKFDC, NSCFDC and NHFDC will be paid by the Government directly to the respective corporations.

#### **12. NODAL BANK:**

Canara Bank has been nominated as the Nodal Bank by the Ministry of Human Resource Development, for implementation of the scheme.

#### **13. APPLICABLE ACADEMIC YEAR:**

The scheme shall be applicable from the academic year 2009-10 starting 1st April 2009. The scheme shall be applicable only in respect of disbursements made by the Banks on or after 1st April, 2009 for the academic year 2009-10, irrespective of date of sanctioning. However, the interest on disbursement made from 01.04.2009 is eligible for interest subsidy. For example, in

Case of loans sanctioned prior to 1.4.2009, for the courses beginning prior to academic year 2009-10, the interest subsidy is available to the extent of disbursements made after 1.4.2009.

#### **14. ELIGIBLE TECHNICAL/PROFESSIONAL COURSES:**

Ministry of Human Resource Development in consultation with the concerned Ministries/Departments and Indian Banks' Association will bring out the list of Technical/Professional courses, for which the scheme shall be applicable and publicize from time to time. As regards list of accredited Universities/Institutions and recognized professional courses, UGC and AICTE will display the names of such institutions and courses in their websites. As regards the issue of the list of recognized/approved Courses/Institutions to Banks, it is clarified by Ministry of Human Resource Development (MoHRD), Govt. of India that a fresh list is not necessary since the banks

are already sanctioning Educational Loans through the IBA Educational Loan Scheme. Banks may follow the list maintained by them under the IBA loan scheme and in case of doubt, the Association of Indian Universities or MoHRD be approached.

**15. MONITORING:**

Ministry of HRD will evolve monitoring mechanism to monitor the benefits accruing to different categories of the loanees, such as Scheduled Castes, Scheduled Tribes, Minorities, and Disabled etc.

**16. INTEREST CONCESSION:**

Under our Education Loan Scheme, 1% interest concession is provided for the borrowers, if the interest is serviced during moratorium for the entire loan tenure. This 1% interest concession would be extended under the Central Scheme of Interest Subsidy, provided Government disburses interest subsidy claims to the Banks on half-yearly or yearly basis. Clarification from IBA/Ministry of HRD regarding the procedure to be followed for refund of interest, where the entire interest is paid during moratorium as per the education loan scheme is awaited.

**17. DISBURSEMENT OF INTEREST SUBSIDY CLAIMS:**

The disbursement of interest subsidy claims will be on half-yearly or yearly basis, as decided by the Ministry of HRD, Govt. of India.

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