

Immediate

No. F.11-4/2010-U.5  
Government of India  
Ministry of Human Resource Development  
Department of Higher Education  
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New Delhi, dated the 25<sup>th</sup> May, 2010

To

The Chairman-cum-Managing Directors  
of all scheduled members Banks of IBA  
(through the IBA)

Subject : Central Scheme to provide Interest Subsidy for the period of moratorium on educational loans taken by students from economically weaker sections from schedule banks under the educational loan scheme of the Indian Banks Association – Modalities of implementation thereof – request for adoption and implementation by all scheduled banks of IBA.

Sir/Madam,

I am directed to enclose a copy of the self-explanatory letter dated 21.04.2010 from Sunil Kumar, AS (HE) in this Ministry addressed to the Chief Secretaries of all States, enclosing therewith a copy of the Scheme and the modalities of implementation thereof.

2. You are requested to kindly take necessary action to adopt and implement the Scheme by your banks so that the benefits of the Scheme accrue to the eligible students. The Scheme is effective from the academic year 2009-10.

3. In case of any query/clarification you may kindly contact the undersigned or Shri Rajendra Kaliwani, Under Secretary, Room No.407, C-Wing, Shastri Bhawan, New Delhi – 110 015, Tel. No.23381095. Receipt of this letter may please be acknowledged.

Yours faithfully,

  
( Atul Sirsikar )  
Director (HE)

Encl: as above.

Copy to :

1. Education Secretaries of all State Govts.
2. Finance Secretaries of all State Govts.
3. Web Master (CMIS), MHRD for putting a copy on the website of MHRD.

4. Ms. Sumita Dawra, Director (CP), Deptt. of Financial Services, Ministry of Finance, Jeevan Deep Building, Parliament Street, New Delhi w.r.t. letter No. 1(8)/2007-CP dated 13.04.2010.
5. Shri K. Unnikrishnan, Dy. Chief Executive, IBA, World Trade Centre Complex, Centre 1, 6<sup>th</sup> Floor, Cuffe Parade, Mumbai – 400 005 w.r.t. his letter No.SB/GOVT/10/21/171 dated 15.04.2010. It is requested that this letter may be forwarded by IBA to all its Member Banks for adoption/implementation of the Scheme.

  
( Atul Sirsikar )  
Director (HE)

Copy for information to :

1. PS to HRM
2. PS to MOS
3. Sr. PPS to ES

**SUNIL KUMAR**  
**JOINT SECRETARY**  
**Tel : 23382298**



भारत सरकार  
मानव संसाधन विकास मंत्रालय  
उच्चतर शिक्षा विभाग  
शास्त्री भवन  
नई दिल्ली - 110 115

GOVERNMENT OF INDIA  
MINISTRY OF HUMAN RESOURCE DEVELOPMENT  
DEPARTMENT OF HIGHER EDUCATION

SHASTRI BHAVAN  
21.04.2010  
NEW DELHI-110 115

DO No. 11-4/2010-U.5

Dear Sir,

As you are kindly aware, a new Central Scheme to provide full interest subsidy during the moratorium on educational loans for students belonging to economically weaker sections (with parental family income from all sources of less than 4.5 lakh annually) from scheduled banks under the Educational Loan Scheme of the Indian Banks' Association (IBA) has been approved for pursuing courses of studies in technical education and professional streams from recognized institutions in India. IBA have now finalized the modalities of implementing the Scheme by all its member Banks, a copy of the Scheme along with modalities of implementation, as finalized by the Indian Banks' Association is enclosed for ready reference.

2. You would notice that under the Scheme, proof of income is required to be certified by authorities to be designated by the State Government. The IBA has proposed that in order to ensure uniformity in sanction of interest subsidy on education loans, State Governments may designate an authority or authorities to issue certificates based on income criteria only (that is not the social background). In order to ensure that benefits accrue to eligible students at the earliest, you may like to issue necessary directions notifying the competent authority for income certification, as well as for publicizing the same widely with in the State. Since the State Government must have designated certain authorities for the purposes of certification of income under various Central / State sector schemes, you may like to consider designating the same authorities, wherever feasible, for the purposes of certification of income under the present scheme of interest subsidy on education loans as well.

3. I am desired to request you to kindly intimate the designated authority / authorities (at the District / Sub-District / Block, etc. levels) to the District Level Consultative Committees (DLCC) so that banking authorities at the branch level where students would be approaching for availing the benefit of the Scheme, would be aware of the same. As interest subsidy is admissible in respect of education loans approved for the academic session 2009-2010, the interest amount on such loans would be becoming due at the close of the academic session. Your intervention in notifying the competent authority as well as widely publicizing the same through DLCCs for the information of Branch Managers of Banks would, therefore, be crucial in enabling the Central Government to reimburse banks the amount of interest accruing to eligible beneficiaries.

With regards,

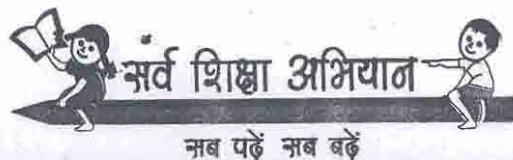
Yours sincerely,

(Sunil Kumar)

**Encl: as above**

To

All Chief Secretaries of States / UTs



INDIAN BANKS' ASSOCIATION  
MUMBAI

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 Educational Loan Scheme of the Indian Banks' Association to pursue Technical/Professional Education studies in India.

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) had formulated a comprehensive model educational 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.

Objective of the Scheme

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 job, whichever is earlier, on loans taken by students belonging to Economically Weaker Sections from scheduled 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 recognised institutions in India. The nomenclature of the Scheme would be " Central Scheme to provide Interest Subsidy (CSIS) for 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".

Applicability of the Scheme

The Scheme could be adopted by all scheduled Banks and would be applicable only for studies in recognised 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 recognised Technical/Professional Courses (after Class XII) in India in Educational Institutions established by Acts of Parliament, other Institutions recognised by the concerned Statutory Bodies, Indian Institutes of Management (IIMs) and other Institutions set up by the Central/State Government.

Interest Rates

The interest rates charged on the educational loan shall be as per the BPLR/Base Rate of the individual banks and as per the provisions for interest rates under the IBA Model Educational Loan Scheme.

### Moratorium Period

Under the Central Scheme, the interest payable by the student belonging to EWS for availing of the Educational Loan for Technical/Professional Courses in India for the period of moratorium i.e., Course Period plus one year or six months after getting job, whichever is earlier, as prescribed under the Educational Loan Scheme for the Indian Banks' Association, shall be borne by the Government 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.

### Income Limit/Proof

The benefits of the Scheme would be applicable to those student belonging to economically weaker sections, with an annual gross parental/family income upper limit of Rs. 4.5 lacs per year (from all sources). Income proof shall be required from the students from such public authorities which are authorised by the State Governments for certification of income status for this Scheme, including Central and State Sector Schemes. The present scheme is intended to cater to the needs of students belonging to economically weaker sections with prescribed upper parental gross income limit of the family from all sources, which is based on economic index and not on social background. The scheme is independent of any other schemes which may cater to EWS.

### Competent Authority

The Ministry of HRD, Government of India shall issue an Advisory to all the State Governments requesting them to designate appropriate authority or authorities who are competent to issue income certificates, based on economic index and not social background, for the purpose of this scheme.

The Banks shall implement the Scheme based on the notification of the certification authority by State Governments communicated through District Level Consultative Committees (DLCCs).

### Eligibility for Interest Subsidy

The interest subsidy under the Scheme shall be available to the eligible students only once, either for the first undergraduate degree course or the post graduate degrees/diplomas in India. Interest Subsidy shall, however, be admissible for integrated courses (graduate + post graduate).

Interest Subsidy under this Scheme shall 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.

### Awards/Certificates

There would be tag/marker on the degree of the student indicating his repayment liabilities. Electronic Tags will enable employers to identify loanees.

( The Ministry of HRD has initiated the proposal to dematerialize the educational awards/certificates, setting up of Depository for maintaining the records in dematerialized form and providing service to the users. Banks can have online access for verification process, which would eliminate fraudulent practices like forging of certificates and marks sheets.)

### Similar Schemes

The National Minorities Development and Finance Corporation (NMDFC) has an Educational Loan Scheme for individual beneficiaries, which is implemented through State Channelizing Agencies (SCAs). The National Safai Karamcharis Finance and Development Corporation (NSKFDC), National Backward Classes Finance and Development Corporation (NBCFDC), National Scheduled Castes Finance and Development Corporation (NSCFDC), and the 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, NBCFDC, NSCFDC and NHFDC are to be paid by Government direct to the respective Corporations.

### Nodal Bank

The Scheme shall be implemented through Canara Bank, which is the Nodal Bank for the Ministry of Human Resource Development. Modalities for implementation and monitoring shall be finalised in consultation with the Canara Bank.

### Applicable Academic Year

The Scheme shall be applicable from the academic year 2009-10 starting 1<sup>st</sup> April, 2009. The loan amount taken starting from the Academic Year 2009-10 (irrespective of the date of sanction) shall only be covered under the scheme of interest subsidy. Interest on any amount disbursed for courses starting before the academic year 2009-10 would not be considered for subsidy.

### List of Technical/Professional courses

A list of Technical/Professional courses for which the Scheme shall be applicable, shall be brought out by the Ministry of Human Resource Development in consultation with the concerned Ministries/Departments and the Indian Banks' Association and publicized from time to time. As regards list of accredited universities/institutions and recognised professional courses, UGC and AICTE would immediately display the names of such institutions and courses in their websites, which may be accessed for verification purposes. In case of doubt, Banks may approach UGC/AICTE and other councils for clarification, for which UGC/AICTE and other councils would be requested to create Cells and identify Nodal officers whom banks can approach for relevant information.

### Monitoring

A monitoring mechanism shall be evolved by the Ministry of HRD to monitor the benefits accruing to different categories of loanees, such as Scheduled Castes, Scheduled Tribes, Minorities, Disabled, etc.

### Disbursement of Interest Subsidy claims

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

### Interest Concession

Under the IBA Scheme, 1% interest concession is provided for the loanees if the interest is serviced during the period when repayment holiday is specified for interest/repayment under the scheme. This 1% interest concession would be extended under the Central Scheme of Interest Subsidy, provided the Government of India disburses interest subsidy claims to the Banks on half-yearly or yearly basis.

### Claims by RRBs

RRBS should submit their claim directly to Canara Bank, the nodal bank and not to route it through the sponsor bank.

### Audit

Statutory Audit of the Accounts coinciding with the Annual Statutory Audit of the Bank should be conducted once a year.

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