

SKILL LOAN SCHEME

(updated as on 30.08.2024)

(The scheme provides broad guidelines to the banks for operationalizing the Skill Loan scheme and the implementing bank will have the discretion to make changes as deemed fit.)

1. INTRODUCTION

Launched by the Government of India (2015) in collaboration with various banks, the skill loan scheme seeks to promote skill-based education by offering affordable loans to students pursuing courses aligned with the National Skill Qualification Framework (NSQF) and/ or the Non-NSQF aligned courses in skill development provided by the training entities onboarded on the MSDE's Skill India Digital Hub (SIDH) platform.

The Skill Loan Scheme aims at providing financial assistance to individuals seeking to acquire vocational training or skill development courses. The scheme covers a wide range of programs, including technical and non-technical courses, with the objective of empowering the youth with the necessary skills to improve their employability and contribute to economic growth.

2. OBJECTIVE

The objective of the Skill Loan Scheme is to facilitate easy and affordable access to financial assistance for individuals seeking to enhance their skills through vocational training and skill development courses.

3. APPLICABILITY OF THE SCHEME

The scheme is applicable to the Scheduled Banks (Public Sector Banks, Private Sector Banks, Foreign Banks and Small Finance Banks) and the Non-Banking Finance Company (NBFC)/ Non-Banking Financial Company-Micro Finance Institutions (NBFC-MFIs) who are registered with National Credit Guarantee Trustee Company (NCGTC) under the Scheme.

4. ELIGIBILITY CRITERIA

4.1 Nationality: The student should be an Indian National.

4.2 Borrower: Any individual who has secured admission / who meets the eligibility criteria with minimum qualifications to undergo skill training for the National Skill Qualification Framework (NSQF) aligned courses and/ or the Non-NSQF aligned courses by the training entities onboarded on the MSDE's Skill India Digital Hub (SIDH) platform, is eligible for a Skilling Loan and who has executed the loan documents with the lending institutions to avail the loan.

4.3 Creditworthiness: Normally, the student borrower may not have a credit history and as such he is assumed to be creditworthy. However, in case of an adverse credit history of student, banks at their discretion may frame suitable criteria based on their risk appetite.

4.4 Training Institutes: Industrial Training Institutes (ITIs), Polytechnics or school recognized by Central or State education Boards or 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) and/ or the Non-NSQF aligned courses in skill development provided by the training entities onboarded on the MSDE's Skill India Digital Hub (SIDH) platform..

Note: The Government of India / State Governments may, from time to time, notify institutes/ organizations for the purpose.

4.5 Training Courses: Courses run by above mentioned Training Institutes (in 4.4) aligned to National Skill Qualification Framework (NSQF) and/ or the Non-NSQF aligned courses in skill development provided by the training entities onboarded on the MSDE's Skill India Digital Hub (SIDH) platform shall be covered by the Skill Loan. There is no minimum course duration.

Reference (indicative):

- <https://www.skillindiadigital.gov.in/>
- https://www.ncgta.in//content/products/0/20240722/List_of_Courses_on_SIDH_Non_NSQF_6ab1e76038.pdf

4.6 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(s) would execute documents, the lender will obtain a letter of acceptance/ratification from the student upon attaining majority. Parents /guardians will be the co-borrowers.

4.7 Minimum Qualification: As required by the enrolling institutions/ organizations as per NSQF and/ or the Non-NSQF aligned courses in skill development provided by the training entities onboarded on the MSDE's Skill India Digital Hub (SIDH) platform.

4.8 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. 7,50,000/- without any collateral security and/or third-party guarantee. 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, etc. may be covered.
- 6.3.** As such courses are localized, the boarding, lodging may not be necessary. However, wherever it has been found necessary, the same could be considered on merit, based on the cost of living in the particular area).

7. MARGIN

The lending institutions may 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 (para 11) together should not exceed 10% of the total course amount.

8. RATE OF INTEREST

Interest rate to be charged by the lending institution should not be more than 1.5% p.a. over the lending rate linked to the External Benchmark Lending Rate (EBLR) for scheduled Banks i.e. PSBs, Private Sector, Foreign Banks & Small Finance Banks. In case of Non-Banking Financial Company (NBFC)/ Non-Banking Financial Company-Micro Finance Institutions (NBFC-MFI), the interest rate charged should not be more than 21% p.a.

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 the lending institutions.

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.
- The guarantee cover shall be as under*:

| Loan Amount (Rs. in lakhs) | Guarantee Coverage on amount in default |
|----------------------------|---|
| 0.05 – 4.00 | 75% |
| 4.00 – 7.50 | 70% |

* The NCGTC Fund reserves the right to modify the same. The guarantee cover will commence from the date of payment of guarantee fee and shall run through the agreed tenure of the skill loans.

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.
- It is advised that the banks consider moratorium for specific courses or certain sections of the students. Upon completion of the course, repayment to 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 lenders 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 lender can seek a pro-rata reimbursement of the unfinished portion of the course amount from the training institute.

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.
