

PR SENSE

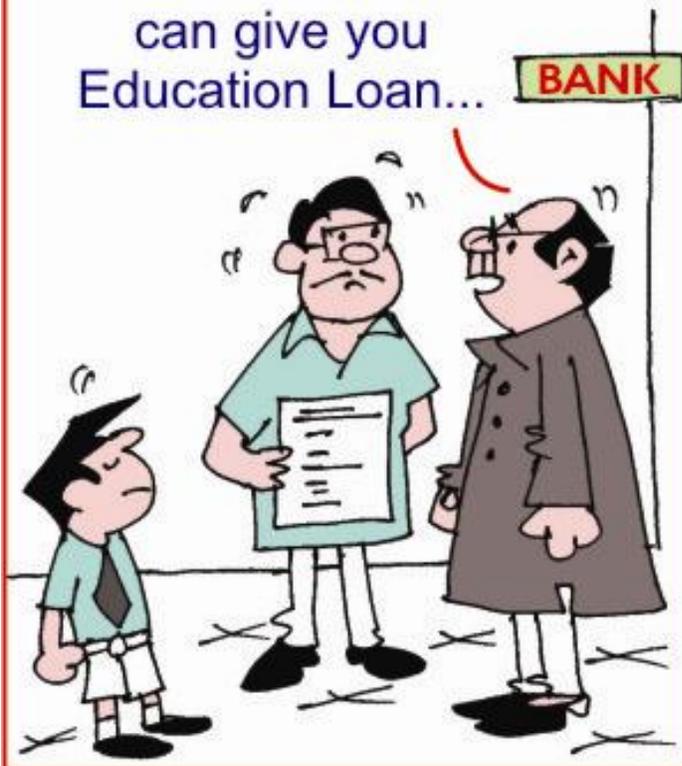
Communicate the communication

India's First Corporate ezine

Issue No 47 – Jan 2010

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If u have Collateral Security of a property and a third party guarantee from a Government Officer.. then we can give you Education Loan...



Theme of this Issue
Education Loan

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PR-e-FACE: From the desk of Editor-in-Chief Bankers at field level defeat the purpose of the Scheme



India Vision online Group and our ezine PR-e-Sense have been taking up periodically issues of common concern affecting the General Public and trying to approach positively for the best possible solutions. Time and again, we have been getting feedback from various Partner organizations of Action 2020 Team (part of India Vision online group) about the lack of human approach by various Banks towards the poor and deserving students who want to pursue higher education.

We decided to devote this issue to create awareness about education loan schemes in India among the students and bankers themselves.

Though there is seriousness at higher level, about the importance of assisting poor and deserving students for higher education, in the interest of the nation building, there is a marked reluctance on

the part of field level functionaries in supporting this cause. Though we have come across many such instances, we are bringing out two instances of in-human approach by the field bankers.

The lack of awareness among the students and parents about the Education loan scheme, leads to exploitation by the field level bankers. India Vision Group jointly with this ezine has set up a Taskforce to approach this issue.

Editorial Team is confident that this issue will be a useful guide to understand the duties and responsibilities of the students and bankers. We are also releasing the 'Model guidelines by IBA' as Annexure and the link. Readers may freely circulate this ezine along with model guidelines, to all the students to get the maximum advantage of the Scheme introduced by the Government of India.

K. Srinivasan



Our Grateful Acknowledgements

- Mr T K Rangarajan, Member of Parliament
- Dr K C Chakrabarty, Deputy Governor, Reserve Bank of India and other Senior Officials of RBI
- Mr M V Nair, Chairman, Indian Banks' Association and other Senior officials of IBA





No deserving student should be deprived of higher education for want of finance



In a freewheeling telephone interview, Dr K C Chakrabarty, Deputy Governor of Reserve Bank of India vehemently declares, "No deserving student should be deprived of higher education for want of funds". Here's an edited excerpt:

The 21st century is widely acclaimed as the knowledge century. What role will knowledge and education play in the development of India 2020?

India has transformed from an agrarian to an industrial economy. From here it has moved to service and now it's moving towards becoming a knowledge economy, where education is key. 55% of our population is below 25 years of age and 33% is less than 15 years old. As such, in 2020, the average age of our population will be 29, compared to 37 in China, 45 in Western Europe and 48 in Japan. If this population is trained and educated as per international standards, they will be equipped with skills that meet global requirements and this will present a great opportunity for the country.

Statistics from the RBI website suggest that only 0.6% of the loan amount allocated to education is being utilised in practise. Why is this?

Only 10% of the population in India has access to bank credit. However, this amount is going up in leaps and bounds. It has grown from 6,800 crores in 2005 to 28,000 crores last year – nearly four

times in the last four years. The number of education loan accounts is growing at the rate of three lakh per annum. As and when our penetration improves and education gets more professional, awareness will increase and more students will come forward to avail this opportunity. Once students pay back loans, they will become customers and such schemes will be encouraged.

It has been generally observed that bank managers are reluctant to encourage education loans and many poor but deserving students, especially from rural areas, don't find adequate support from the banking system in securing such loans. What steps are being taken to address this problem?

I agree that there may be reluctance on the part of bank managers in allotting education loans. Perhaps they're not convinced of the viability and antecedents of such loans due to past experiences of people who may not have paid. Bank managers need to be conservative in giving loans. Therefore, in order to popularise education loans, banks need to perceive this product as a business. We need to create the necessary confidence in bank managers. The government can implement an insurance scheme for students who are not able to meet loan requirements. This will help to create confidence. Any deserving student, who has been unable to secure an education loan, needs to bring this to our notice. They can also write to the chief executive of banks, to nodal officers appointed at the RBI and even to me.



Can you think of any aggressive campaign by the chairmen and CEOs of various banks for helping deserving students?

Instead of the chairman, local branch managers should be involved for effective education loan campaigns.

There have been complaints of banks charging a high rate of interest on education loans and demanding third party guarantee even for small loans of up to four lakh rupees. What is your opinion on such grievances?

The rate of interest differs from bank to bank. Public sector banks have already been advised to provide loans at reasonable rates. In my view, reasonable rates should be no more than 12% as of today and most public sector banks are lending around this rate. It is important to understand that banks need to get money at this rate to recover the cost to the organisation.

We have created various institutions like IDBI, NABARD and National Housing bank to assist sectors like industry, agriculture and housing. In a similar vein, with the growing priority of education, is it possible to think of an institution like Vidya Development Bank of India to focus on this sector?

We develop specialised institutions like IDBI for certain sectors because banks are not able to evaluate and formulate projects in these sectors. However, in education, no project needs to be prepared. Educational institutions make the projects and provide education and banks are only required to provide the finance – a normal business of the bank. Besides, the government already has institutions like the University Grants Commission and similar bodies that work towards developing education infrastructure and spreading education. As such, there is no need for a separate institution in this domain.

Any words for students who are considering taking a bank loan?

The 21st century can be India's century and students have a tremendous opportunity if education develops their skills; they acquire knowledge of a world standard and work hard. We at RBI have tried to ensure that no deserving student is deprived of higher education because of a lack of funding. Once students avail their loans, they should ensure their success and pay back the loan amount. This will motivate bank managers to extend loans to hundreds of other students. All the best!

To listen to the full interview and get more details, see Page 5 for links.

Whom to approach when deserving student does not get justice from Banks?

If you have complaints against any bank relating to Education Loan Scheme, you may send the complaint with full details to

Mr. B P Vijayendra, Chief General Manager, RPCD, Reserve Bank of India, Central Office Building, 10th Floor, Shahid Bhagat Singh Marg, Mumbai 400001 Phone Number : 022 22610261.

Email id bpvijayendra@rbi.org.in



Education Loan should be at Zero percent interest

In an exclusive podcast interview over mobile, Mr TK Rangarajan, Member of Parliament, shared his views on the Education Loan.



Excerpts:

What is your suggestion to encourage education loans?

Higher education has become very important with advancing science and technology. Many youngsters today want to pursue higher education; some are very hard working and need to be supported. The insurance scheme suggested by Deputy Governor Chakrabarty is a very wise thing. Insuring the loan and having an insurance company take the repaying responsibility, is one way of solving the problem.

While emphasizing on higher education, one must also take into account primary and secondary education that develop children for a future higher education. This should be considered in totality. Also, education loans should have a zero per cent interest rate. After all, when a student takes a loan to pursue higher education and becomes a scientist or technocrat, the money is an investment not a liability.

How about having a separate Institution for Education Loan?

I haven't thought about having a separate institution to focus on education and am not sure whether it is feasible. However, every Bank should have an exclusive Department or Branch to focus on Education Loan. However, a student's problem is a national problem and I will personally take up this issue in Parliament to improve the system.



Exclusive Podcast interviews on Education Loan

**Dr K C Chakrabarty, Deputy Governor, Reserve Bank of
India**

<http://su.pr/9LKBY4 I>

Mr T K Rangarajan, Member of Parliament

<http://su.pr/41wxW6>



How Banks behave with Education Loan seekers

In early Jan 2010, our Editorial Team conducted an online survey to understand the various types of problems the education loan seekers face from the Banks. This is the general observations made by us, covering all the public sector Banks. There is a lack of awareness about the Education Loans among the students, parents and even NGOs. Bankers take advantage of this lack of awareness.

- Bankers do not give application forms to the students in the first stage. Loan seekers are made to visit the Banks many times;
- Quota over, not in our area, we do not give education loan, come next year, degree course is not eligible, etc. are the common reasons given by the Bank Managers to the loan seekers. Due to lack of awareness, they also believe this and go away.
- Even if somebody takes up with Higher Authorities, the Bank Managers seek protection saying that 'no such application received'. (When we took up the Case Study II given in Page 10 with the concerned Zonal Office of the Bank, immediate reaction was 'No such application pending'.)
- Though RBI and IBA have given strict guidelines, almost all the Branches insist on collateral security, third party guarantee, margin money from the applicants, even if the loan is less than 4 lakhs. Even the Zonal Offices seem to be defending such violation. (When we contacted the Zonal Office in the case of Divya mentioned below, they were defending the stand even with us).

Students! Be a Trust worthy credible borrower

Be a responsible Citizen by promptly repaying the Education loan availed from the Bank. When you shift your location, job, etc. keep updated with your financing banker. If you have any genuine problem, discuss with Bank Manager, who can guide you. Give them the confidence that you are a trust worthy borrower.

Banks are great reservoir of finance. A trust worthy borrower can avail lot of support from the Banks in future.





Indian Banks' Association

Model Guidelines for Education Loan

Eligibility : All Indian Nationals who have secured admission through entrance Test / Merit based selection process for studies in India and abroad.

Courses : All UG, PG, Professional courses, including evening courses

Loan considered for : College fees, examination fees, cost of books, etc.

Quantum of Loan : Rs.10 lakh (Studies in India); Rs.20 lakh (studies abroad)

Margin : Upto 4 lakhs Nil; Above 4 lakhs – 5% for studies in India and 15% for studies abroad

Security : Upto 4 lakhs – No Security; Co-obligation of parents/guardians only. For above 4 lakhs, see the full scheme in the given link below.

Rate of Interest : Upto 4 lakhs – BPLR (presently around 12% in Public Sector Banks – Refer IBA site for current BPLR) For above 4 lakhs BPLR + 1%

Repayment : Repayment starts after course period + 1 year or six months after getting the job, whichever is earlier. Repayable in 5 to 7 years after commencement of the repayment. – It includes accrued interest; Borrower need not pay interest till the repayment starts.

Eligibility of Age: There is no Age restriction

Processing fee : No processing fee/upfront charges for studies in India

Loan applications should be disposed of within a period of 15 days to 1 month.

For more details, please visit the following link

http://www.iba.org.in/educational_loan.asp

Download the latest Model Scheme by IBA in pdf format as Annexure to this ezine: <http://www.prpoint.com/ezine/eduload-IBA.pdf>



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Subsidiaries



Overseas Joint Ventures



Domestic Joint Ventures



Recognitions



Case study - I

Do poor people have space to live in this world? Scant respect by Banks for Guidelines



Nagarajan
Karthick from
Bodinayakanur
in Theni
District of
Tamilnadu
secured
436/500

(87.2%) in CBSE 10th Standard and 1050/1200 (87.5%) in 12th Standard. His parents earn their livelihood by making Vada and Samosa in a push cart at the Bus stand. They are living at that place for a long time in a rented house. In spite of their poverty, the parents aim to see their son as an Engineer. Despite having had to undergo some major surgery while studying in 12th standard, his enthusiasm and zeal made him to secure high marks in the school. In addition to his studies, Karthick used to carry Vada and Samosa in his shoulders for selling in the bus stand.

Because of his good marks, Karthick could get admission in B.E (Automobile) at Anna University, Tiruchy. The parents wanted Rs.1,20,000/- for the four year course. Parents approached one of the leading public sector banks at Bodinayakanur for educational loan. Though the parents visited the Bank five times and explained about the situation, the Bank insisted on a Collateral Security of a property and a third party guarantee from a Government Officer. (Though as per RBI guidelines, no collateral security and guarantee to be demanded upto 4 lakhs).

Since the family did not have any property and since they did not know any Government officer to sign as guarantor, the Bank refused to help them. The Bank did not give application form to them and the parents started looking at other avenues, including from money lenders at a higher rate of interest.

Fortunately, the School Principal and the teachers introduced Karthick to Team Everest (one of the partner groups of Action 2020 team), a group of young software professionals. They visited him and verified the credentials locally and immediately agreed to support him with Rs.1,20,000/-. Team Everest collected the money from their members and is now supporting Karthick.

Karthick is now in 6th Semester at Anna University and he has so far scored 82% average in all the semesters. Whenever he visits his place during vacation, he also helps his parents, by selling vada and samosa in the Bus stand, notwithstanding he would be one of the top ranking engineers in a few months.

When we spoke to him over mobile, Karthick said that he would secure more than 85% in the final semester. Though, Team Everest is helping him without expecting any return, Karthick said that after his getting employment, he would also help four such poor people to pursue higher education.



Case study - II

Do poor people have space to live in this world? Scant respect by Banks for Guidelines



Divya, a girl hailing from a village Thirukkazhu kundram, secured 1061/1100 (96.5%) in 10th Standard and 1042/1200 (95.2%) in 12th Standard. She lost her father and

mother at her young age of 6. Now she is taken care of by her aged grand father, who receives pension of around Rs.2000/- (photo). She lost her grand mother also few years back. In spite of all family challenges, she could study with courage and enthusiasm and secure even District level rank in her 10th standard and stood first in the School in her 12th standard.

After securing admission in B.E. (Automobile) on merit, through Counselling at Anna University, she approached a leading public sector Bank in her village. The Bank officials told her that they would consider granting finance only from the second year. They asked her to remit the first year fees herself and

approach the bank with the receipt for getting application form. They also did not give her any application form and register her request.

As per RBI guidelines, upto 4 lakhs, there is no requirement of margin money, collateral security and third party guarantee. Being a poor girl, she did not know what to do when the Bank wanted her to remit the first year fees. Fortunately, the School Principal introduced her to Team Everest, one of the partner groups of Action 2020. Their volunteers after verification of facts, collected money from their members and remitted Rs.44.000/- to the College, to pursue her education.

On behalf of Editorial Team, we spoke to the senior officials at their Zonal Office. They also defended their procedure for asking the students to remit the first year fees to the college and then to approach the bank. We found that the Bank was consciously violating the RBI guidelines of no margin upto 4 lakhs. Since, we had taken up from the ezine, the Bank spoke to the student Divya and asked her to visit the Bank on the next day.

Rate of Interest on Education loans

As per RBI direction, for Education loans upto 4 lacks, not exceeding BPLR (Benchmark Primary Lending Rate) and for loans above 4 lakhs BPLR +1% is to be charged. Interest will be calculated quarterly / half yearly on simple basis during the Repayment holiday/ Moratorium period. The accrued interest during the repayment holiday period will be added to the principal and repayment in Equated Monthly Instalments (EMI) fixed. Please visit IBA site to verify the BPLR of individual Banks, which is variable. <http://www.iba.org.in/plrmain.asp>



What these two case studies expose?

1. We have suppressed the name of the Banks in the above two case studies. We are separately bringing to the knowledge of the concerned Chairmen of these Banks, under copy to RBI for their information.
2. In both the cases, the lack of awareness on the part of students was exploited by the Banks. Eg: demanding collateral security, third party guarantee, margin money, etc.
3. Banks do not give the applications forms in the first stage, to escape from the enquires, if complaints are made later.
4. There is a lack of human approach while handling such poor and deserving students, both at Branch level and Zonal Office level. They do not realise that even poor people have space to live in this country.
5. What would have happened to Karthick and Divya, if some NGOs did not give them the required money? They would be deprived of further education or they would have resorted to borrowing at higher rate of interest, defeating the purpose of Education Loan Scheme and Government of India.

*Bankers being more loyal to the Kingdom than
the King himself!*

Reserve Bank of India and India Banks Association have stipulated conditions that for Education Loans upto 4 lakhs, collateral security, third party guarantee and margin money should not be obtained. Even the rate of interest is limited to BPLR rate, presently, around 12 percent. In spite of the immunity given, almost many Bank Managers insist on collateral security, guarantee, margin and charge higher rate of interest.

The Government of India and RBI have studied the risk involved for waiver of securities, while announcing the policy itself. When the Banks insist on security and guarantor, the poor people will go to private financiers and borrow money at higher interest. Also, the guarantors may demand some favours from the borrowers. Such situation will defeat the very purpose of the Government to uplift the poor people.

PR-e-Sense appeals to all Bankers to realise the importance of Guidelines and not to be part of defeating the very purpose of the Schemes. Unconsciously and unintentionally, they should not encourage persons and money lenders, who will be exploiting the poor people.



PRince

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**Before planning for a Baby..
We should enquire about the
Education Loan**





Indian Banks' Association

In an exclusive interview for *PR-e-Sense*, Mr K. Unnikrishnan, Deputy Chief Executive of Indian Banks' Association



(IBA) explained how they were improving the Education Loan Scheme periodically. Excerpts:

We find that many Banks violate the IBA Model Guidelines. What action can IBA take on the erring Banks?

The Indian Banks' Association is a voluntary body and has no regulatory power with it. What we have done is to come out with a model policy document based on which individual bank's board would come out with their own scheme. However, our information is that education loan schemes of all Banks provide for collateral free loan upto Rs. 4 lac. If the operating staff are not following the scheme guidelines, such instances could be referred to the higher authorities of the bank.

Some Banks charge higher rate of interest, even at 15%. What do you say about this?

As regards the statement that the banks charge higher rate of interest upto 15%. IBA can look into the matter if specific details are provided. It may be noted that some private sector banks have their BPLRs at higher level as compared to public sector banks.

Education Loan shows upward trend

What do you think of creating a Credit Guarantee Insurance Scheme for Education Loans?

IBA also feels that there is a case for creation of a fund for operating a credit guarantee scheme for education loans. Recently, Govt. has announced a scheme for 100% interest subsidy during the study/moratorium period. We understand the details are being worked out by the Govt. of India.

Any arrangement for making cheaper refinance available to the banks would be welcome.

What efforts are being taken by IBA to improve the Education Loan Scheme periodically?

IBA has a Working Group of operational heads from banks which meet at regular intervals to discuss implementation issues regarding educational loan scheme and the suggestions from the group are communicated to member banks from time to time.

The complete educational loan scheme is available in IBA website, www.iba.org.in. as well as member bank's website. Number of banks have also facilitated on line submission of applications for the ease of students.

You may observe from the Comparative data of Education Loans provided by Public Sector Banks, (given below) there is an upward trend. We will continue to maintain the upward trend and reach out to more students.



Education loans given by Public Sector Banks

Rs. In crores

	31.03.2005	31.03.2006	31.03.2007	31.03.2008	31.03.2009
No.of Accounts	468207	679945	944397	1246870	1603385
Amount outstanding	6713.16	10012.49	14282.56	19816.54	27645.58

Source : Indian Banks' Association

Education Loan Task Force by India Vision Group

India Vision online Group and this Ezine PR-e-Sense have set up jointly a **Task Force** to create awareness about the Education Loan Schemes amongst the students and Bankers. For the time being, volunteers from all the 35 partner organizations of Action 2020 Team (part of India Vision group) will be sensitized on this important scheme. The Volunteers are working professionals and students dedicated to serve the Nation with an aim of making India as a developed Nation by 2020. The Task Force will:

- help the students to understand the schemes properly;
- ensure that the Banks do not violate RBI / IBA norms arbitrarily, exploiting the ignorance of the borrowing student;
- take up with RBI and other appropriate authorities any violation;
- mentor the borrowing students during their studies and help them to score more marks and to focus on studies;
- motivate the students to be good citizens and good borrowers by prompt repayment, to gain the confidence of banking system for any future support.

Initially, Taskforce will focus only on the poor and deserving students covered by Action 2020 Team, so that they are not exploited. Many eminent people, including former Senior officials of Banks and RBI have volunteered to part of this Task Force. Taskforce may be contacted at taskforce@corpezine.com

To join India Vision Group click www.indiavision2020.org



Education Loan Scheme Important Links

Model Scheme by IBA http://www.iba.org.in/educational_loan.asp

Punjab National Bank http://pnbindia.in/english_web/c_vidya.htm

State Bank of India <http://www.statebankofindia.com/user.htm>

Canara Bank http://www.educationobserver.com/Loans/Canara_Bank.htm
This information is from some other website. Canara Bank website only had Education Load Application Forms.

Indian Overseas Bank http://www.iob.in/Vidya_Jyothi.aspx

Indian Bank <http://www.indianbank.in/loans.php?by=12&ty=1>

Syndicate Bank <http://syndicatebank.in/scripts/SyndVidya.aspx>

Bank of India <http://www.bankofindia.com/eduloans1.aspx>

Central Bank of India
https://www.centralbankofindia.co.in/site/MainSite.aspx?status=2&menu_id=120

Andhra Bank <http://andhrabank.in/scripts/ABDrPattabhiVidyaJyothi.aspx>

Corporation Bank
<http://www.corpbank.com/asp/0100text.asp?presentID=110&headID=19>

Union Bank of India
http://www.unionbankofindia.co.in/In_Union_Education.aspx

Vijaya Bank <http://su.pr/50qxmi>

Bank of Baroda <http://www.bankofbaroda.com/pfs/eduloans.asp>

UCO Bank <http://www.ucobank.com/loan.htm#EDUCATIONALLOAN>

Some of the Banks provide for online submission of application forms also.

- Compiled by Shvetha Sridhar, USA (Editorial Team)



PRetty Loaning Education

The growing affluence of the Indian middle class and the high priority it places on education is a well-known fact. For most parents, giving their ward a 'decent' education is their basic means of securing his/ her future. After all, as the logo of a popular school in Delhi goes, "Knowledge is the nectar of life."

But the parents' sincere quest for affording their children a good life is being exploited by unscrupulous private education institutions. A basic degree does not seem enough in today's competitive times. As such, parents are willing to spend huge amounts of money on the fancy, 'professional' degrees offered by many of these institutions. Often, this implies seeking large education loans, for which they often mortgage their personal belongings and I have known people who have put everything at stake to get their child, what they think is a 'good qualification'. As such, it is quite horrifying to imagine what some of these parents would have gone through, when the Supreme Court recently 'derecognised' 44 deemed universities nationwide. A check on the fee structures at some of these institutions reveals the whopping amounts of money they were charging students as fees and other peripheral expenses – many parents would have

invested their life savings in affording these.

It's a lot worse when parents loan still larger amounts of money to send their children to third tier overseas institutions. In the rat race to secure that 'foreign educated' tag for their ward, they get

lured by dodgy institutions that promise the moon, but don't even reach the earth! This leaves them in a worse mess – while the currency conversion quite often siphons off more money than anticipated, many parents are also unaware of the guidelines abroad and don't have any means of recourse. Quite often, they don't want to spend on the airfare and choose to gulp down the poison. If their wards do graduate, it's with an extremely low return on investment. Besides, with the economic downturn overseas, many job

markets offer slim opportunities for foreign students with third-rate degrees.

To reach a broad conclusion, education loans are an asset for students wanting to generate sufficient funds for a good education. But before securing a loan and taking on the resulting liability, they MUST get full information on the institution they seek admission to. Otherwise instead of seeking education loans, they will end up loaning their education!



- Megha Gupta, Delhi (Editorial Team)

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