

Annexure – 10.57

Minutes of the Meeting of the Sub Committee of SLBC on Education Loan Issues held on 20.01.2011 at Board Room, Canara Bank, Circle Office, Trivandrum.

The meeting commenced at 11 a.m. with **Sri. Tom Jose IAS**, Principal Secretary, Higher Education, Government of Kerala on the chair. List of participants is annexed.

Sri. T. Sreekanthan, General Manager, Canara Bank & Convenor, SLBC welcomed the participants to the meeting and explained the background of the constitution of the Sub-Committee of SLBC on Education Loan Issues. He then read out the issues that came up during the SLBC meetings and requested the members to deliberate on the following issues.

(i) Area norms under Education Loan

Sri. Jayanandan A, Senior Manager, Union Bank of India said that banks should adhere to the existing proximity concept under Education Loans. As per IBA norms, nearest bank branch or the branch wherein the party is having operative account is the base criteria to sanction Education Loan.

Sri. Anil Kumar P, Assistant General Manager, Canara Bank further clarified that as per IBA guidelines, proximity means the nearest bank branch to the place of residence of the parents and the next option is branch where the parent of the applicant has Operative account. He added that in case of disputes regarding Education Loans the same shall be referred to the LDM or sorted out at the District Level Monitoring Committee, where District Collector is the Chairman and LDM is the Convenor.

Smt. M. K. Vilasini, Chief Manager, State Bank of India informed that SBI had received instruction/circular from Ministry of Finance stating that there was no service area concept under Education Loans. She added that as per IBA guideline and SLBC decision, SBI is insisting on nearest bank branch concept to sanction Education Loans.

Sri. G. J. Raju, Deputy General Manager, Reserve Bank of India requested SBI to provide a copy of the circular received from Ministry of Finance so as to place before the Sub-Committee.

Sri. Tom Jose IAS, Principal Secretary, Higher Education, Government of Kerala asked whether there is any option/choice for the applicants to select their Bank or selection of nearest bank branch of their residence is mandatory.

Clarifying the matter, **Sri. T. Sreekanthan**, General Manager, Canara Bank & Convenor, SLBC said that when dispute arises regarding more branches in one place where distance would be almost same, in case of dispute, the decision of the LDMs of the respective districts would prevail.

Sri. G. J. Raju, Deputy General Manager, Reserve Bank of India pointed out that as regards to eligibility of student for Education Loan merely getting admission to eligible courses should be the criteria for defining meritorious status without any stipulation on merit based selection or percentage of marks as envisaged in the model IBA guidelines.

(ii) Quantum of Education Loan

Sri. Anil Kumar P, Assistant General Manager, Canara Bank informed that as per the suggestion of SLRM, SLBC had taken up with neighbouring States for getting Government approved fee structure applicable for various courses and had received the fee structure of various courses eligible for Education Loan from Kerala, Karnataka and Andhra Pradesh. He added that in Tamil Nadu there was no State Government approved fee structure and that the SLBC of Tamilnadu had given proposal to Government to declare uniform fee structure for various courses in the State.

Sri. M. Raghavan, Chief Manager, Syndicate Bank opined that Government stipulation of fee structure under Education Loan had to be accepted. He added that majority of the problems are related to higher fee structure given by colleges in Karnataka State.

Added to this, **Sri. Nandakumar V**, Assistant General Manager, Federal Bank informed that major problems are reported in the case of Nursing and GNM courses.

Sri. K. R. Arun Kumar, Senior Manager, Canara Bank informed that in Tamil Nadu, individual banks were following their own guidelines and there was no uniformity in fee structure. He then explained the fee structure applicable for BSc Nursing course in Government Colleges and Self Financing Colleges in detailed pertaining to Kerala State and informed that the major issue raised by MPs and MLAs were on reducing the Management Quota fee from Rs. 78,000/- as prescribed by Government to the level of Rs. 40,000/- as per IBA guidelines (IBA guidelines stipulate that for students who have secured admission under management quota, the fee structure as approved by the State Government or a Government approved regulatory body for merit based seats in Government Colleges/private self financing colleges would be applicable). He said that the arguments made by parents and students who secured admission in Management Quota may be reasonable as State Government had prescribed them a fee structure of Rs.78000/- . He further added that some banks have their own career loan schemes for students who secured admission under management quota where the guidelines differ totally from the IBA model education loan scheme.

Sri. G. J. Raju, Deputy General Manager, Reserve Bank of India enquired whether bankers are having the discretion and flexibility in terms Education Loans.

Responding to that, **Sri. K. R. Arun Kumar**, Senior Manager, Canara Bank clarified that as per IBA Model Education Loan Scheme says that “in order to bring flexibility in terms like eligibility, margin, security norms, banks may consider relaxation in the norms on a case-to-case basis delegating the powers to a fairly higher level authority”.

Sri. K. R. Arun Kumar, Senior Manager, Canara Bank further informed that in Idukki and Wayanad districts, several agents of Nursing Colleges from neighbouring States are misguiding the students/parents and canvassing them to join for nursing courses. He also added that fee structure for nursing courses in most of the colleges in the neighbouring States were ranging from Rs. 3.90 lakhs to Rs. 4 lakhs in the same lines of IBA guidelines stating that upto Rs. 4 lakhs no security is required for Education Loans. He too suggested that SLBC may come out with uniform fee structure for courses in other States.

Sri. K. R. Arun Kumar, Senior Manager, Canara Bank informed that interest subsidy scheme announced by Government of India is applicable only for Education Loans sanctioned as per the IBA norms. Hence, interest subsidy under the scheme would not be available to the students, who have secured admission in Management seats without any selection process and financed by individual banks as per their own educational loan scheme.

Sri. Anil Kumar P, Assistant General Manager, Canara Bank asked whether the IBA scheme and management scheme should be differentiated.

Sri. Tom Jose IAS, Principal Secretary, Higher Education, Government of Kerala opined that students who have secured admission through management quota seat may be prepared to pay higher fee. He suggested that banks should give publicity that they would not sanction the loans to the students who secured admission through agents.

Responding to that, **Sri. Anil Kumar P**, Assistant General Manager, Canara Bank informed that after analyzing the complaints received from the Office of Chief Minister, it was observed that the public are well aware of the scheme details, but are misguided by agents also. The basic impression and psychology of the people are that - Education Loan upto Rs. 4 lakhs is free. He added that the recent incidents in Kozhikkode and Idukki districts, where branch managers were suspended immediately after the incidents gave public a feeling that incidents have occurred due to the fault of Branch Managers.

Sri. Tom Jose IAS, Principal Secretary, Higher Education, Government of Kerala suggested that banks have to counter the situation and tackle the issue in various ways. Seek the assistance from District Collectors as well as other officials of respective districts so as to take necessary measures to sort out the issue. Banks can display guidelines of Education Loans in the branch premises in bold letters, saying that these are the IBA guidelines so as to create adequate awareness among public.

Sri. Anil Kumar P, Assistant General Manager, Canara Bank made a suggestion that Government and SLBC can think of a joint publicity on Education Loan.

Sri. L. M. Ganesan, Assistant General Manager, Reserve Bank of India suggested that problems have to be addressed through joint press release and publicity both by Government and SLBC.

Regarding the threatening attempt by agents on the branch Managers, **Sri. G. J. Raju**, Deputy General Manager, Reserve Bank of India suggested that physical security of the branch Manager has to be ensured so as to increase their confidence level.

Sri. K. R. Arun Kumar, Senior Manager, Canara Bank suggested distinguishing with the IBA scheme with management scheme.

Sri. Tom Jose IAS, Principal Secretary, Higher Education, Government of Kerala suggested Banks to publicize the scheme details in their offices and inform public that these are the guidelines issued by IBA and student are eligible for the loan as per these guidelines only. He added that banks are having the discretionary powers to reject the loan applications which do not conform to the guidelines.

Sri. M. Raghavan, Chief Manager, Syndicate Bank said that aggrieved students and parents were not accepting this and that banks do not receive any support.

Sri. K. R. Arun Kumar, Senior Manager, Canara Bank suggested that publicity could be given in regional dailies jointly by Government & SLBC.

Sri. T. Sreekanthan, General Manager, Canara Bank & Convenor, SLBC suggested segregating the guidelines followed by banks under IBA guidelines and that under the Management quota. He reiterated that IBA in its model scheme had made provision for making flexibility to suit the typical situation. Now the question comes regarding demands and matter of right. For this he suggested that

- (i) Banks to follow IBA guidelines for sanctioning Education Loan
- (ii) Individual Banks are having discretion to sanction Education Loan based on the flexibility provided in the IBA guidelines
- (iii) IBA guidelines to be displayed prominently in bold letters in the branch premises as desired by Principal Secretary (Higher Education).

Sri. Tom Jose IAS, Principal Secretary, Higher Education, Government of Kerala said that banks were in trouble in many cases because of not providing actual guidelines as well as the conditions. Half of the problems would be sorted out through publicity on the scheme. IBA/Government guidelines on Education Loan would be displayed in bold letters in sign board at the premises of bank branch and sufficient copies of guidelines should be made available at branches of banks. These posters can be made in uniform, with same size and colour so that everybody understands that the guidelines are common across Banks as per stipulation of Government/ IBA.

Sri. L. M. Ganesan, Assistant General Manager, Reserve Bank of India suggested that publicity should be given in news paper also.

Sri. Anil Kumar P, Assistant General Manager, Canara Bank suggested that publicity on Education Loan would be done on cost sharing basis according to the number of branches of each bank in the State. After drafting the material, that would be circulated to all banks for getting concurrence. The decision of the Sub-committee may be placed in the next SLBC.

Sri. T. Sreekanthan, General Manager, Canara Bank & Convenor, SLBC made a request to issue the circular soon through post/E-mail. Regarding frequent modification on the IBA guidelines, it was suggested that a note also to be given in the poster saying that “subject to change from time to time”.

(iii) Procedures for Education Loan

Sri. Anil Kumar P, Assistant General Manager, Canara Bank informed that different banks are following different procedures for documentation. So a checklist may be provided by SLBC for circulation among banks.

Added to this, **Sri. L. M. Ganesan**, Assistant General Manager, Reserve Bank of India suggested that check list is to be provided both to banks as well as students along with application form.

The sub-committee agreed to this suggestion.

(iv) **Uniform Rate of Interest**

Sri. Jayanandan A, Senior Manager, Union Bank of India informed that rate of interest of education loan may vary because individual banks are having different base rates.

Sri. G. J. Raju, Deputy General Manager, Reserve Bank of India said that interest rates which have been de-regulated by RBI cannot be regulated. He also said that everybody's liability structure is different.

Sri. Anil Kumar P, Assistant General Manager, Canara Bank informed that one of the major issue in Education Loan is that rather than approaching nearest bank branch, most of the borrowers were approaching the bank branch charging lower interest rate.

Responding to that, **Sri. Tom Jose IAS**, Principal Secretary, Higher Education, Government of Kerala opined that this was the most important issue that should be addressed immediately because the second bank branch has the option to refuse the Education Loan on the ground that they were not the nearest bank branch to the applicant.

Sri. T. Sreekanthan, General Manager, Canara Bank & Convenor, SLBC said that regarding more bank branches in one place, then there is an option for the students to approach one of the bank branches.

Sri. K. R. Arun Kumar, Senior Manager, Canara Bank informed that Banks charging higher rate of interest is in advantageous position as the benefit of Interest subsidy scheme would be more to such banks, which were charging higher interest rate.

Sri. L. M. Ganesan, Assistant General Manager, Reserve Bank of India informed that Government of India had come up with interest subvention in other cases like crop production loans, export credit etc and have put a cap on interest rate that can be charged. Hence the matter has to be taken up with Government of India.

Sri. K. R. Arun Kumar, Senior Manager, Canara Bank suggested that this recommendation can be taken up with Government of India through Government of Kerala.

Sri. G. J. Raju, Deputy General Manager, Reserve Bank of India informed that IBA model scheme on Education Loan is having flexibility in terms. Banks have to give adequate publicity.

Sri. K. R. Arun Kumar, Senior Manager, Canara Bank pointed out that the list of eligible courses prescribed by IBA which were eligible for interest subsidy was only an indicative list and lot of clarifications were required.

Sri. Anil Kumar P, Assistant General Manager, Canara Bank pointed out that the scheme covers technical & professional courses for studies in India & the matter may be taken up with IBA for detailed guidelines.

Sri. K. R. Arun Kumar, Senior Manager, Canara Bank reviewed the performance of Banks in the State under Education Loan portfolio as at September 2010 and pointed out that NPA stood at 3.42% as at Sept 2010.

Smt. M. K. Vilasini, Chief Manager, State Bank of India informed that SBI had sanctioned loans upto Rs. 4 lakhs to the courses in the State of Karnataka. She observed that after completion of the courses, the repayment is becoming a problem as the students may not get employment or the repayment capacity of the student who secured jobs are not in the expected levels.

Sri. Anil Kumar P, Assistant General Manager, Canara Bank informed that after the announcement of the interest subsidy scheme by Government of India, more students have started availing Education Loans. Loans sanctioned during 2004 are getting matured for repayment from 2010 onwards and if repayments are not forthcoming in those loans they would also become NPA. Further banks are finding it difficult to locate the beneficiary also. He said that it is gathered from discrete sources that the average wages of nurses and GNM holders ranges from Rs. 4000- Rs. 5000 and Rs. 2500 to Rs. 3500 respectively. Some of the borrowers demands interest subsidy though not eligible and expects a loan write off.

Sri. L. M. Ganesan, Assistant General Manager, Reserve Bank of India pointed out that during the Finance Minister's meeting held at Hyderabad, along with other details of educational loans, RBI had sought details on NPA also which SLBC could not furnish as the data in those lines were not compiled.

Responding to that, **Sri. K. R. Arun Kumar**, Senior Manager, Canara Bank informed that from June 2010 quarter onwards SLBC had revised the format for data collection, and the same would take some more time to stabilise.

Responding to the suggestions on creating a guarantee cover for education loans, **Sri. Anil Kumar P**, Assistant General Manager, Canara Bank informed that IBA is examining the same and may come up with suitable guidelines shortly. He added that Government of Kerala had already covered the NPA loans under Revenue recovery.

Sri. T. Sreekanthan, General Manager, Canara Bank & Convenor, SLBC informed that SLBC Cell would collect fee structure from other States and circulate the same to all banks.

Sri. K. R. Arun Kumar, Senior Manager, Canara Bank requested member banks to forward the available fee structure of other states available with them to SLBC at an early date.

Pursuant to the discussions, the Sub-Committee decided the following.

- (i) Circulate the fee structure applicable for various courses eligible for Education Loans received from Kerala, Tamil Nadu, Karnataka and Andhra Pradesh States to all banks by SLBC. (**Action: SLBC**)
- (ii) Sufficient copies of guidelines on Education Loan to be made available with the bank branches. (**Action: Respective banks**)
- (iii) IBA/Government Guidelines on Education Loans should be displayed in bold letters in sign board/posters/banner in the premises of all bank branches. These posters to be made in uniform size and colour so as to create proper awareness among public. A note also to be incorporated in the poster saying that these are IBA guidelines and are subject to change from time to time. (**Action: SLBC**)
- (iv) In the guidelines given it is to be stressed that for students who have secured admission under management quota without undergoing any selection/test process, Educational

- Loans would be considered based on the scheme guidelines of individual Banks and not as per IBA guidelines. (**Action: SLBC / Banks**)
- (v) Joint publicity to be given by both Government of Kerala and SLBC in news papers/media in English/Local Language. (**Action: GoK / SLBC**)
 - (vi) Publicity would be done on cost sharing basis according to the number of bank branches of each bank. (**Action: SLBC**)
 - (vii) Draft material would be circulated soon to all banks through post/e-mail for getting concurrence. (**Action: SLBC**)
 - (viii) Wherever loans are granted under IBA model education loan scheme, Banks to strictly adhere to the IBA guidelines.
 - (ix) Check list to be provided to both bank branches as well as students along with application form for uniform procedures under Education Loan
 - (x) Regarding uniform Interest Rate –RBI, Regional Office to take up the matter with their Central Office for necessary action.
 - (xi) The decision of the Sub-committee would be placed in the next SLBC.

The members of subcommittee to specifically note that the above decisions of subcommittee are only its recommendations which can be adopted for implementation only after placing it in the next SLBC meeting followed by approval of the forum. However to avoid the time lag SLBC cell would be proceeding with printing of posters on scheme guidelines after obtaining concurrence of subcommittee members.

The meeting concluded with **Sri. Anil Kumar P**, Assistant General Manager, Canara Bank, proposing the vote of thanks.

LIST OF PARTICIPANTS

1. Sri. Tom Jose, IAS, Principal Secretary, Higher Education, Govt. of Kerala
2. Sri. T. Sreekanthan, General Manager, Canara Bank & Convenor, SLBC
3. Sri. R. Krishna Kumar, Additional Secretary, Planning & Economic Affairs Dept.
4. Sri. G. J. Raju, Deputy General Manager, Reserve Bank of India
5. Sri. Gurunath Joshi, Deputy General Manager, Canara Bank
6. Sri. L. M. Ganesan, Assistant General Manager, Reserve Bank of India
7. Sri. Jose Mohan C. J, Deputy General Manager, South Indian Bank
8. Sri. Anil Kumar P, Assistant General Manager, Canara Bank
9. Sri. Nandakumar V, Assistant General Manager, Federal Bank
10. Smt. M. K. Vilasini, Chief Manager, State Bank of India
11. Sri. G. Mani, Divisional Manager, State Bank of Travancore
12. Sri. M. Raghavan, Chief Manager, Syndicate Bank
13. Sri. M. Surendran Pillai, Chief Manager, Indian Bank
14. Sri. Jayanandan A, Senior Manager, Union Bank of India
15. Sri. K. Joykutty, Senior Manager, Punjab National Bank
16. Sri. S. Mohan Kumar, Senior Manager, Indian Overseas Bank
17. Sri. P. Aravindan, Senior Manager, SMGB
18. Sri. K. R. Arun Kumar, Senior Manager, Canara Bank
19. Sri. R. Padmanabhan, Manager, Canara Bank ‘
20. Smt. Juliet S, Officer, Canara Bank