

News monitored for: ISB



Loan hope for vocational pupils

Hemal Chhapla | TNN

Mumbai: Over the years, education loans have become the lifeline for bright students with ambitious plans but without adequate financial support. But they are slowly becoming inaccessible for the needy.

A management faculty has recognized this flaw and developed a financial product that will address the problem. To begin with, it will help vocational education aspirants get credit to pursue their dreams. His model, interestingly, makes good business sense for banks, too, and they are now more than willing to grant loans to such students across India.

Nimish Mehta, a researcher at Dr Reddy's Cell for Employability and Skill Development at the Indian School of Business, says the Prime Minister's wish to develop a skilled workforce was launched with a lot of fanfare but didn't its feasibility was not considered, especially in terms of financing the students.

Mehta says the answer is a credit guar-

antee fund and micro loans through public sector banks. It will be akin to an educational loan that is collateral free and will be tied to the future earning potential of the candidates, and not their present financial condition.

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The National Skill Development Corporation (NSDC) and the ISB joined hands to convince banks to extend credit to such students. The NSDC provides a first loss default guarantee to banks offering loans to vocational students, said Dilip Chenoy, CEO of NSDC.

India is looking at being home to 150 million trained people by 2022. The skill

development gap, a decade later, is projected to be 500 million.

Although the tuition for a vocational course isn't much—a three-month programme, for example, costs anywhere between Rs 8,000 and Rs 30,000—Mehta believes that if the quality of training improves, it will push up the cost of education and fees at ITIs will also rise. "As students will be required to pay more, access to loans will become crucial. In fact, allowing trainers to charge the market rate will also pull big trainers to start skill development schools," Mehta told TOI.

This, in turn, will push the sector into a higher orbit in terms of the quality of training. "A loan product as this is essential, or the entire mission will collapse," Mehta adds. So far, 100 students have taken loans for their education. Currently, the Central Bank of India is backing the scheme and the NSDC has offered it Rs 10 crore as the first loss default guarantee; more banks are waiting to see how the experiment rolls out before they can jump in.