

# Funding Your Professional Education

Sunil Karve gives a complete picture on Educational Loans

**Problem:** *After securing a distinction in the qualifying entrance exam for MBA, Anand Kumar met a dead-end when it came to funding his education. His father, a humble employee in a middle-sized firm lost sleep over his child's future. "I have always managed within my meagre savings and therefore, I am skeptical about opting for an Educational Loan. Besides, how do I repay the loan?" lamented his father, Mr. Kumar.*

Does Mr. Kumar know that the friendly Education Loan Scheme of the Indian Government ensures that the student is given a repayment holiday of Course period + 1 year or 6 months after getting a job, whichever is earlier

*Take another scenario....*

**Problem:** *Shyamla, hails from town X and has secured admission in an autonomous professional course in PQR institute. Shyamla's banker refuses to disburse the loan because the banker has not heard of PQR institute.*

Does Shyamla know that Banks have the discretion to gauge the repute of the institute and accordingly make a decision of whether they want to disburse the loan to the student? As a solution to her problems, Shyamla needs to thoroughly research lenders that would recognise her institute and course.

**Problem:** *Prof. K is the Principal of ABC College, he is constantly faced with parents who approach him requesting him to grant more time to arrange for funds and/or supporting documents. Prof. K just cannot fathom as to WHY parents donot envisage the cost of education and accordingly make necessary arrangements in advance.*

Information about Educational Loans/Scholarships and Freeship schemes is available with banks and on the internet. To avoid anguish, parents/ students must take extra efforts to research lenders and compare loans. Accordingly, parents must keep the relevant documents ready.

Today's knowledge century has rendered the professional qualification as a must-have. Good quality professional education is not cheap, thus putting tremendous strain on the ordinary middle-class parents' pocket. There are various funding avenues available to a student viz. Educational Loans from national/ co-operative/ a few private banks, scholarships from various trusts and scholarship/freeship schemes from the institute where the student is applying.

### **Why Educational Loans?**

- No deprivation of opportunity to study due to lack of funds
- Education loan schemes offer repayment holiday of Course period + 1 year or 6 months after getting a job, whichever is earlier
- Tax benefit to the parents under section 80E of the Income Tax Act
- Lower interest rates (subject to changes as advised by RBI/Bank)
- Wide spectrum of courses covered

### **Who provides education loans?**

Most scheduled nationalised and co-operative banks offer educational loans to students under the Educational Loan Scheme. Few private banks like, HSBC have also launched educational loan schemes in the recent past.

### **How to obtain an Educational Loan?**

1. Shortlist the courses you want to pursue based on a Career Assessment by a professional Career Advisor
2. Research the courses and institutes so as to obtain a rough estimate of costs involved
3. Check with the institute about educational loan tie-ups and scholarship/freeship schemes
4. Research and shortlist lenders well before results are announced. Check if your course/institute is recognised by the bank. You may use lender search,

EMI calculators and loan comparators available with websites like [www.myiris.com](http://www.myiris.com).




5. Keep all the documents ready so that delays are avoided.
6. Get a life insurance policy in your name. Many banks ask for atleast an amount equivalent to the loan amount as a security.
7. Opt for a loan only for the amount needed so that your repayment burden is reduced.
8. Once you obtain admission, procure a proof of admission along with a detail fee structure and payment schedule from your institute
9. Before submitting the documents to the bank, photocopy all the forms and show them to the concerned bank officer. This will minimise any errors that may delay the disbursal process.
10. The loan disbursement process takes about a week and since the loan amount will be disbursed directly to the institute, it may be a good idea to check whether the disbursement is taking place on time.

#### **Checklist of documents\***

- Proof of Admission
- Loan agreement (with parents)
- Residence Proof
- Age Proof
- Proof of parents' income (salary statements, IT returns etc.)
- Student's resume showing past academic records

\* Indicative list.

#### **You are eligible if you:**

-  Are an Indian National
-  Have secured admission to professional/technical courses through Entrance test/Selection process
-  Have secured admission to foreign university/institutions

## **Which courses will be funded by the Educational Loan Schemes?**

### **A) Studies in India:**

- i) School education including +2 stage
- ii) Graduation/Post Graduation
- iii) Professional courses by recognised/ reputed institutes
- iv) Evening courses of approved institutes

### **B) Studies Abroad:**

- i) Graduation: job oriented Professional / technical courses offered by reputed universities
- ii) Post Graduation: MCA, MBA, MS etc.
- iii) Courses conducted by CIMA, London, CPA, USA etc

Usually, the courses financed should be for durations of more than a year i.e. 12 months. The courses must be recognised by the University Grants Commission (UGC) or the All India Council for Technical Education (AICTE) or else the courses should be from institutes recognised as 'reputed' by the bank. A detailed list of courses is available in the RBI circular dated May 4, 2001 - URL <http://www.education.nic.in/htmlweb/circulars/eduload.htm#banks>.

Many reputed institutes make loan facility and information easily accessible and available through Loan helpdesks set up on the campus itself. Institutes are also striving to maintain a high academic standard so that they enter the bank's 'reputed institutes' list.

## **What costs are covered under the Educational Loan Scheme?**

- Fee payable to college/school/hostel
- Examination/Library/Laboratory fee
- Purchase of books/equipments/instruments/uniforms
- Caution deposit/building fund/refundable deposit
- Travel expenses/passage money for studies abroad
- Purchase of computers

- Other expenses required to complete the course e.g. study tours, projects, thesis etc.

### Did you know that?

- In the 2004-05 budget, banks have agreed to waive the need for collateral for loans upto 7.5 lakhs if a satisfactory guarantee is provided on behalf of the student
- Fees for all the years are directly disbursed to the college/institute
- No processing/upfront charges may be collected on educational loans
- Maximum loan - studies in India = 7.5 lakhs and for studies abroad = 15 lakhs
- Good academic record is a requirement, not compulsion. A lot depends on one's relations with the bank, and the bank has a sole discretion over the disbursement of the loan.

To conclude, in his Budget Speech (2004-2005), Mr. P. Chidambaram, Minister of Finance said, "".....no student admitted to any professional course ....will be deprived of the opportunity to study because of lack of funds." As a result, educational loans were given liberally to students. Thus, as against 1,08,000 loans amounting to Rs.1,983 crore given in 2003-04, 1,40,000 loans amounting to Rs.2,249 crore have been given up to December 31, 2004.

The choice to opt for the Educational Loan is still yours.

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Prominent educationist, [Sunil Karve](#), Founder Trustee and Vice Chairman - MET League of Colleges has authored this article.