

GOVERNMENT OF INDIA  
MINISTRY OF SKILL DEVELOPMENT AND ENTREPRENEURSHIP  
**RAJYA SABHA**  
**UNSTARRED QUESTION NO. 281**  
ANSWERED ON 27.11.2024

**MODEL SKILL LOAN SCHEME**

281. SHRI TIRUCHI SIVA:

Will the Minister of SKILL DEVELOPMENT AND ENTREPRENEURSHIP be pleased to state:

- (a) the measures being taken under Model Skill Loan Scheme to address loan repayment challenges among trainees who may face delayed employment or low starting salaries, especially in unorganized sectors;
- (b) whether the Ministry will consider restructuring the repayment terms /introducing targeted interest subsidies to ensure that trainees are not financially burdened post- training; and
- (c) whether the Ministry has considered linking loan disbursement to performance metrics of candidate or job placement rates of the training institutes to safeguard both trainees and lending institutions, if not, the reasons therefor?

**ANSWER**

THE MINISTER OF STATE (INDEPENDENT CHARGE) IN THE MINISTRY OF SKILL DEVELOPMENT AND ENTREPRENEURSHIP

(SHRI JAYANT CHAUDHARY)

(a) & (b) The Credit Guarantee Fund Scheme for Skill Development, known as Model Skill Loan Scheme, has been revised in July 2024 to enhance the coverage of the scheme and to provide access to skill trainees/candidates to wide range of high-end courses without any financial constraints. The major changes in Model Skill Loan Scheme inter-alia includes the increase in maximum loan limit to Rs. 7.5 lakh, inclusion of non-NSQF aligned courses delivered through Skill India Digital Hub (SIDH), and inclusion of NBFCs/ NBFC-MFIs and Small Finance Banks as the member lending institutions.

To address loan repayment challenges among trainees who may face delayed employment or low starting salaries, the scheme stipulates that the total amount paid by candidate as down-payment towards Course Fee and Equated Monthly Instalment (EMI) during the course together should not exceed 10% of the total fees of the course. The repayment terms have been framed to facilitate more loan disbursement and not to burden the trainees immediately post training as per the following structure:

Loan Amount (in Rupees)	Repayment Tenure
Up to Rs 50,000	up to 3 years
Between Rs 50,000 to Rs 1.0 lakh	up to 5 years
Above ₹ 1.0 lakh	up to 7 years

Also, the lenders are advised to consider moratorium period for specific courses or certain sections of the students e.g., the candidates who faced delayed employment or low starting salary. Upon completion of the course, the repayment may start after the moratorium period as indicated below:

Courses of duration up to 1 year	Moratorium up to 6 months
Course of duration above 1 year	Moratorium up to 12 months

Further, the restructuring of repayment terms is permitted under the Scheme, subject to compliance with other terms of the Scheme and the RBI guidelines in the matter. Presently, the interest subsidy is not part of the scheme.

(c) While extending the skill loans, the member lending institutions should examine the factors like the placement rate of the training institute, the value and employment potential of the course, the need and demand of the skill/job role, and the repayment potential. Although the scheme provides the guarantee cover in the range of 70% to 75% (depending on the loan ticket size) of the loan amount in default, the member lending institutions are expected to practice proper due diligence before extending the loans to borrowers/trainees.

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