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NSDC eyes bank tieups to end funding woes for vocational training

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THE funding woes for those taking up vocational training are likely to end, at least partially.

National Skill Development Corporation, the public private partnership initiative with a mandate to train to youth on employable skills, is inching closer to have formal arrangements with a few banks where the latter will provide loans for vocational training modules.

“We are in talks with public sector and private banks. It might take a fortnight or so for the arrangements to be in place,” told NSDC chief executive officer and managing director Dileep Chenoy to Financial Chronicle.

Under the arrangement, the banks will lend up to 90 per cent of the fee charged by the training institutions without any collateral. The loan will be based on the future earning potential of the candidates and not their present financial condition. **NSDC will indemnify some of the loans given by the banks to the candidates. There will also be a moratorium for three months after the training making it six months in all before the repayment starts.**

Though NSDC supported institutions are seeing a good enrolment for the training modules, many students were backing out due to financial reasons. Loans from the banks were not forthcoming as they feared defaults. A pilot project involving Central Bank of India giving loans for vocational training is on for the past three months in Hyderabad.

About 90 students have availed loans.

“The first batch of students who have taken loans are being trained now and hopefully will find placement after that. Repayment should not be a problem to them,” said Santanu Paul, chief executive officer and managing director of Talent Sprint, training graduates in engineering, banking and other sectors.

Here, the Bank gave Rs 45,000 (90 per cent) loan at 11.5 per cent interest without collateral and the students brought in the remaining Rs 5,000 (10 per cent) for the three months training programme. The students can choose to repay the loan in 12, 24 and 36 months once the moratorium is over.

According to Paul, many banks did not see vocational training as bankable. They extended loans only to AICTE approved courses. Even in this case, the banks were witnessing defaults higher than expected as some students `vanished' while pursuing the course or after it. Talent Sprint, which has training centers in Hyderabad, Chennai and Anantapur, has tied up with about 50 companies for placement for the trained candidates. A similar experiment with banks is also on in Bangalore with another training institute.

“The time has come to view skilling as an imperative because it holds a promise of narrowing down the divide between the two Indias,” said S Ramadorai, advisor to Prime Minister for the National Skill Development Council and TCS vicechairman, recently when he was in Hyderabad.

Skills are immensely bankable. The Indian IT industry is a standing example, he said adding that time has come to pay for skills. “This is something that the industry should face, demand good training and be willing to pay for it, that's only fair.”

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