

BRANCH BANKING

Educational Loan Scheme

The Reserve Bank of India has evolved an educational loan scheme for students in private professional colleges to facilitate financial assistance to students seeking admission to these colleges under free/merit and payment categories. The scheme will be effective from August 1, 1999. All public sector banks (excluding Regional Rural Banks) have been directed to provide educational loans to students who fulfil certain eligibility criteria. The details of the scheme are:

Objective: To provide financial assistance by way of loans to the meritorious and indigent students in order to encourage them to pursue the full time graduate/post- graduate professional courses in private professional colleges for developing the technical skills in the following disciplines:

- (i) medical and dental (all branches such as allopathy, ayurvedic, homoeopathy, unani)
- (ii) engineering
- (iii) chemical technology
- (iv) management
- (v) architecture including interior decoration
- (vi) law
- (vii) computer science and applications

The scheme will be expanded to cover other professional courses if, any, if required.

Area of coverage: The scheme will be implemented by all public sector banks throughout the country.

Eligibility criteria: (i) Student should have secured admission in private professional college against either free/merit or payment seat. Student will have to submit a certificate to this effect from the principal / competent authority of the college concerned. The college should be affiliated to a university in the country and the course should be recognised by the concerned governing body, such as, Indian Medical Council, etc.

(ii) Student's annual family income (or that of his father or guardian) should not exceed Rs.1 lakh from all sources. An affidavit to this effect will have to be furnished by the student and his father and in the absence of the father, by mother or other near relative.

(iii) Students who have secured admission against quota of seats meant for NRI/foreign students will not be eligible for assistance under the scheme.

Loan amount: Rs. 15,000 for free/merit seat student and Rs.50,000/- for payment seat students, or the fees payable by the student, whichever is less. Student will have to submit a certificate every year from the college authorities regarding fees payable by him. Loan amount will be remitted by the lending bank to the college concerned. Loan granted in each academic year may be treated as a separate loan account for determining rate of interest,

security, etc. The assistance from the bank should be available to the student for the entire duration of the course subject to the student continuing to fulfil the eligibility criteria and he being allowed to keep the terms according to the rules of the university concerned. The student will not be required to submit a fresh application for loan every year but will only submit to the bank proof of his continuing to fulfil the eligibility criteria.

Interest: The rate of interest charged under the scheme will in no event exceed 12 per cent per annum.

Security : The advances in this case will be on clean basis.

Repayment: Repayment of the loan will commence immediately after two years of completion of the course the student is studying in or six months after the student borrower has secured employment and starts earning, whichever is earlier. The total period for repayment including the above period of two years or six months, as the case may be, should not exceed five years from the date of completion of the course by the student. A bond undertaking to repay the loan amount in the stipulated manner will have to be executed by the student and in case the student is minor, by his father/mother or the guardian.

Review and Revision: The above scheme may be reviewed and revised from time to time by the Reserve Bank of India so that the scheme meets the objective of access to credit at reasonable interest rates but consistent with overall interest rate policies of the country from time to time.

Interest Rate Amendments

Export Credit in Forex

The rates of interest on the Pre-shipment credit in Foreign Currency Scheme and Rediscounting of Export Bills Abroad have now also been permitted to be fixed with reference to eurolibor/euribor, wherever applicable. This will be in addition to fixing the interest rates on these foreign currency export credits with reference to ruling libor.

Schedule of Interest Rates on Export Credit in Forex

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	Interest rates (per cent per annum)
1. Pre-shipment Credit	
(a) Upto 180 days	Not exceeding Libor/Euro Libor/Euribor 1.5
(b) Beyond 180 days and upto 360 days	Rate for initial period of 180 days prevailing at the time of extension 2.0
2. Post-shipment Credit	
(a) On demand bills for transit period (as specified by FEDAI)	Not exceeding Libor/Euro Libor/Euribor 1.5
(b) Usance bills (for total period comprising usance period of export bills, transit period as specified by FEDAI and grace period wherever applicable)	

Upto 6 months from the date of shipment	Not exceeding Libor/Euro Libor/Euribor 1.5
(c) Export bills (demand or usance) realised after due date but upto date of crystallisation	- do - 2.0

3. Export Credit Not Otherwise Specified (ECNOS)

(a) Pre-shipment credit	Free
(b) Post-shipment credit	20* (Minimum)

@ Banks are free to decide the rate of interest being rupee credit rate

* Rupee credit rate

Other Changes

The Reserve Bank of India has, in a circular issued in May, 1999, clarified that:

- (i) Banks are prohibited from opening savings deposit account in the name of government departments/bodies depending upon budgetary allocations for performance of their functions/municipal corporations or municipal committees/panchayat samitis/state housing boards/water and sewerage/drainage boards/state text book publishing corporations/societies/metropolitan development authority/state/district level housing cooperative societies, any political party or any trading/business or professional concern, whether such concern is a proprietary or a partnership firm or a company or an association;
- (ii) The discretion to allow additional interest of quarter per cent per annum on savings deposits earlier given to scheduled commercial banks having aggregate demand and time liabilities of less than Rs. 25 crore has been withdrawn;
- (iii) Banks can permit premature closure of a term deposit, a deposit in the form of daily deposit or a recurring deposit for reinvestment in another term deposit with the same bank on payment of interest without levy of penalty. As the banks have now been given freedom to determine their own penal interest rates for premature withdrawal of domestic/non-resident external (NRE) term deposits, the banks should pay interest without reducing the interest by way of penalty provided the deposit remains with the bank after reinvestment for a period longer than the remaining period of the original contract. Interest in such a manner could be paid in cases where the deposit stands in the name/s of a deceased individual depositor or two or more joint depositors, where one of the depositors has died.

In these cases, interest should be paid :

- (a) at the contracted rate on maturity of the deposit;
- (b) in the event of the heir/s, legal representative/s or nominee/s claiming the payment of deposit before maturity date, the bank may, at its discretion, pay interest at an applicable rate prevailing on the date of placement of the deposit, without charging the penalty;
- (c) if the amount of the deposit is claimed by the heir/s, legal representative/s or nominee/s after the date of maturity, the bank shall pay interest at the contracted rate till the date of maturity. After the date of maturity to the date of the payment to the heir/s, legal representative/s or nominee/s the bank shall pay interest as permissible under the directive on interest rates on deposits operative on the date of maturity;

- (d) if on request from the heir/s, legal representative/s or nominees, bank agrees to split the amount of term deposit and issues two or more receipts individually in the name of the heir/s, legal representative/s or nominee/s, it shall not be construed as premature withdrawal of the term deposit for the purpose of levy of penalty provided the period and aggregate amount of the deposit do not undergo any change.
- (iv) In the case of Foreign Currency Non-Resident (FCNR) deposits, the banks are allowed to fix their own interest rates on overdue deposits where the overdue period exceeds 14 days and on the amount placed as a fresh deposit. It has been decided that banks are free to recover the interest so paid for the overdue period if the deposit is withdrawn before completion of minimum period prescribed under the scheme, after renewal.
- (v) In order to have uniformity, the provisions in regard to interest payable on deceased depositors' FCNR and NRE deposits have been amended to accommodate joint deposits, as also, to allow the payment of interest till the date of payment instead of till the date of claim by the legal heirs. And if the legal heirs are residents, the maturity proceeds may be converted into Indian rupees on the date of maturity and interest for the subsequent period may be paid at a rate applicable to the deposit of similar maturity under domestic deposit scheme.

Registration of SSI Units

The Office of the Development Commissioner, Small Scale Industries has conveyed that the prescription of a time period for applying for small scale industry (SSI) registration is no longer relevant or applicable. As such, any unit in the small scale, in possession of a COB licence or formerly registered with the Directorate General of Technical Development (DGTD) can, at any time, apply for registration as a small scale industrial undertaking. Such units should be registered provided they satisfy the definition criteria, irrespective of the fact that they may have applied after the period of six months from the date of the notification.

It may be recalled that apropos the enhancement in the limit in SSI/ ancillary units to Rs. 3 crore from earlier Rs. 60/75 lakh, several units came within the fold of small scale sector. They, however, could not avail the SSI registration within the stipulated 180 days.

Exchange Control

Release of Exchange to Students

The Reserve Bank of India has further liberalised the regulations governing release of exchange for studies abroad. The details of the regulations are indicated below:

Whom to approach

The Reserve Bank of India has delegated the authority to banks authorised to deal in foreign exchange in India. Students are, therefore, advised to approach any of the authorised dealers.

Eligibility criteria

The following categories of students are eligible for release of exchange for studies abroad provided they have secured admission to an overseas university/college/educational institution or an articleship from a firm of Chartered Accountants in U.K:

- (i) Students holding Indian passports;
- (ii) Students holding foreign passports and dependant on their parents resident in India;
- (iii) Students who had gone abroad without availing exchange facilities from India (for the remaining duration of the course) or for taking up new course of studies;

- (iv) Students for continuing a course at the same or any other educational institution, for which they had availed of exchange earlier or for taking up any other course of studies.

Duration

The duration for which exchange facilities are admissible will be the actual duration of the course.

Permissible amount

- (a) U.S.\$ 30,000 per annum towards tuition fees, maintenance expenses, books, etc. Exchange in excess of U.S.\$ 30,000 (at actuals) may be released by authorised dealers to the extent of the requirement of exchange indicated in the letter from the overseas institution. If the student is in receipt of scholarship, the amount may be adjusted against the amount of exchange admissible to him, only to the extent desired by the applicant.
- (b) In cases where the student is in receipt of full sponsorship from a close relative, he will be eligible for full exchange, if he desires not to avail of the relative's hospitality.
- (c) In case letter of admission from overseas university does not indicate the estimate of exchange requirements, exchange up to U.S.\$ 15,000 may be released by authorised dealer subject to adjustment while releasing further exchange.
- (d) Exchange will be released for a period not exceeding one year at a time.
- (e) Exchange will be released in the form of currency notes not exceeding U.S.\$ 500, and travellers' cheques not exceeding U.S.\$ 1,500. The balance amount will be released in the form of the draft in favour of the student/the educational institution as desired by the applicant. Students going to Russia or other Republics of CIS countries will be released entire exchange in the form of currency notes for a period up to one year.

Documents to be submitted :

- Application in Form TRS;
- Duly filled in Form A2 (available with authorised dealers);
- Passport for verification and return;
- Letter of admission from the overseas university/college/institution with a copy;
- Documentary evidence indicating the requirement of exchange by the student;
- If value of exchange being purchased is equivalent to Rs. 20,2000 or more, banker's cheque/ pay order/demand draft or crossed cheque for payment of purchase of exchange.

Entitlements

The student will be entitled for the following things:

- U.S.\$ 30,000 per annum towards tuition fees, maintenance expenses, books etc.
- Exchange in excess of U.S.\$ 30,000 per annum would be available at actuals to the extent of the requirement of exchange indicated by overseas educational institution.
- The amount of scholarship, if any received by student will be adjusted against the exchange admissible to the student only to the extent desired by the applicant.
- Student who is in receipt of full sponsorship from a close relative will be eligible for full exchange if he desires not to avail of the relative's hospitality.
- In case letter of admission does not indicate exchange requirement, exchange may be released by authorised dealers up to U.S.\$ 15,000 subject to adjustment while releasing further exchange.

- Exchange will be released for a period of one year at a time. Further exchange will be available on production of documentary evidence to show that student is continuing studies abroad for the same course or any other at the same or any other educational institution.
- Exchange will be available in the form of :

Currency notes	-	U.S.\$ 500*
Travellers' cheques	-	U.S.\$ 1,500
Bank draft/TT in favour of the student	-	For balance amount
- * In the case of students proceeding to Russia and other Republics of Commonwealth of Independent States (CIS) countries entire exchange admissible can be availed of in the form of currency notes.

On examining the references received, the office of the development Commissioner, SSI, noted that the provision of applying for registration was not relevant in the context of liberalised industrial policy under which licensing provision have been substantially changed.

The Reserve Bank of India has conveyed the communication of the Office of the Development Commissioner, SSI to all primary urban cooperative banks.

Exchange Control

Russian Exports

More goods allowed

Export of pharmaceuticals, garments (woven knitted cotton, man-made fibres and woollens) leather and leather products is also now permitted on consignment basis to the Russian Federation against repayment of State Credits. The procedure for availing of this facility for these items would be same as that prescribed for export of goods to the Russian Federation on consignment basis.

Deferred payments protocol

Authorised dealers are advised that a further change has taken place on August 2, 1999 in the Deferred Payments Protocols dated April 30, 1981 and December 23, 1985 between the Governments of India and erstwhile USSR. Accordingly, the rupee value of the special currency basket effective from August 5, 1999 has been fixed at Rs. 51.8555.

Imports through Courier

It has been decided that for imports through courier for value up to Rs. one lakh, authorised dealers of the importer may accept a copy of bill of entry in Form II issued by customs in the name of the courier company duly certified by customs.

Advance Remittance for Imports

Authorised dealers have now been permitted to allow extension of time for import of goods not exceeding one month (three months in the case of capital imports) provided, the reasons for seeking extension of time are convincing. In cases where the advance remittance has been made against a bank guarantee, the guarantee should be suitably amended, if need be, to cover the extended period for import of goods into India.

As per the earlier regulations, cases where advance remittance had been made against import of goods, physical import of goods into India were required to be made within three months (twelve months in the case of capital goods) from the date remittance.

EEFC Accounts

It has been decided to permit authorised dealers to remit royalty on reproduction of copyright music recorded by overseas companies, even if the rate of royalty exceeds 20 per cent provided the payment is made from the applicant's Exchange Earner's Foreign Currency (EEFC) account. If, however, the rate of royalty payable exceeds 20 per cent and the payment is not being made out of funds held in the EEFC account, the applicant should obtain specific approval from the Department of Electronics, Government of India, New Delhi.

Export Declaration Forms

It has been decided that at the time of handling export documents for negotiation/collection, authorised dealers may not insist upon submission of the original sale contract or any other alternate documents along with duplicate copies of GR/PP/SDF Forms unless it is a requirement under the terms of the letters of credit. It was inadvertently reported in the Credit Information Review (June 1999) that GR/PP/SDF forms are also not required to be submitted.

DOSSIER

Non-Resident (Special) Rupee (NRSR) Account Scheme

The Reserve Bank of India has introduced Non-Resident (Special) Rupee (NRSR) Account with effect from April 15, 1999. The new account is meant for non-residents of Indian nationality/persons of Indian origin. They are not allowed to seek repatriation of funds held in such accounts and/or income/interest accrued thereon.

Investment in Shares/Securities and immovable property in India will however be governed by the existing exchange control regulations applicable on such investments.

How to open the account?

For opening a NRSR account, the applicant should apply in form NRSR, together with the undertaking contained therein duly signed to an authorised dealer. After completing these formalities, the account holder/s has to ensure that all operations in the account including investments/ disinvestments are covered either by the general or special permission of the Reserve Bank. Once this undertaking has been obtained, authorised dealers need not verify the source of credits and purposes of debits or the particulars of approvals for investments/disinvestments while permitting individual credits/debits to the account. This facility will however, not be available to overseas corporate bodies. Opening of and operations on the accounts of individuals of Pakistani/Bangladeshi/Sri Lankan nationality however, require the approval of Reserve bank.

Resident to Non-Resident

The non-resident individuals of Indian nationality/persons of Indian origin maintaining Non-Resident (Ordinary) account will have the option of converting these accounts into NRSR accounts. Similarly, a resident, who becomes a non-resident by virtue of going abroad on emigration/employment etc., can designate his account as Non-Resident Ordinary Account or NRSR Account.

Similarity/Dissimilarity with domestic resident accounts

NRSR accounts may be maintained in the nature of current, savings and recurring or, fixed deposit accounts.

These NRSR accounts will have the same facilities, like same operations, interest rates and nomination facility as are applicable to domestic resident accounts of individuals in respect of

repatriation of funds held in these accounts. But the investment of funds held in these accounts in shares /securities and immovable property will be governed by the current exchange control regulations. Besides the account holders are permitted to freely transfer funds from NRO/ NRE/ FCNR accounts to NRSR accounts but not vice versa. Non-residents may hold accounts jointly with residents.

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