

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1610
ANSWERED ON:10.12.2004
EDUCATION LOAN
Singh Shri Chandrabhan Bhaiya

Will the Minister of FINANCE be pleased to state:

(a) whether the Government is giving large scale publicity to the scheme of granting educational loan -to the students through banks without collateral security;

(b) if so, the details thereof,

(c) whether only the words of the affluent parents are getting the benefit of education loan on the basis of security of their parents' wealth and on the contrary poor students are being deprived of ; this facility as their parents have no shops, offices or any other property as guarantee for the loan and how poor students will go for higher education in the absence of any such guarantee; and

(d) the details of the Government's plan to provide education loan to such poor but meritorious students? -` *

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) to (d): In consonance with the Budget announcement for the year 2004-05, Indian Banks Association

(IBA) has issued a revised circular dated August 31, 2004 to all member banks not to ask for any security on loans up to Rs.4 lakh. For loans above Rs.4 lakh and upto Rs.7.5 lakh collateral in the form of a suitable third party guarantee is taken. For loans above Rs.7.5 lakh collateral security of suitable value or suitable third party guarantee alongwith the assignment of future income of the student for the payment of instalments is taken. The scheme provides broad guidelines to banks for operationalising the educational loan scheme and the implementing bank will have the discretion to make changes for the convenience of the students/parents to make it more customer friendly. Banks have the discretion to sanction higher amounts of education loan for studies in India and abroad based on their commercial judgement and as approved by their respective Boards. The circular also provides \therefore discretion to banks that wish to support highly meritorious/deserving students without security. IBA has also advised the member banks to give adequate publicity for the above scheme.