

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2146
ANSWERED ON:12.12.2008
EDUCATION LOAN
Athawale Shri Ramdas

Will the Minister of FINANCE be pleased to state:

- (a) whether the public sector banks have increased the rate of interest on education loans recently;
- (b) if so, the reasons therefor;
- (c) whether the Government proposes to review the mater;
- (d) if so, the details thereof;
- (e) whether banks are discouraging education loan; and
- (f) if so, the action taken in the regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI PAWAN KUMAR BANSAL)

(a) & (b) : The interest rates on advances above Rs.2 lakh have been deregulated by Reserve Bank of India (RBI) since October 1994 and these rates are determined by the banks themselves with the approval of their Boards, subject to their Benchmark Prime Lending Rate (BPLR) and spread guidelines. However, as per extant guidelines on education loan scheme, interest rates on education loan upto Rs.4 lakh should be BPLR of the bank and for loans above Rs.4 lakh it should be BPLR+ 1 per cent.

(c) & (d) : In view of (a) and (b) above, no such proposal is under consideration.

(e) & (f) : Indian Banks` Association (IBA) has circulated broad guidelines with eligibility criteria for education loan to implementing banks. The Banks are required to provide education loan to eligible deserving students and the Public Sector Banks have been advised that the loan application should not be rejected without valid reasons.

Total outstanding education loan of Public Sector Banks has increased from Rs.4550 crore as on 31 st March, 2004 to Rs.24268 crore as on 30th September, 2008.