

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:792  
ANSWERED ON:12.11.2010  
INTEREST ON EDUCATIONAL LOANS  
Mishra Shri Mahabal

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the public sector banks have increased the rate of interest on educational loans in the recent past;
- (b) if so, the details thereof and the reasons therefor; and
- (c) the steps taken/being taken by the Government in this regard?

**Answer**

(MINISTER OF STATE IN THE MINISTRY OF FINANCE) (SHRI NAMO NARAIN MEENA )

(a), (b) & (c) : The interest rates on advances, including education loans, have been deregulated by Reserve Bank of India (RBI) and banks are free to decide lending rates with the approval of their Boards. Banks were required to fix Benchmark Prime Lending Rate (BPLR) prior to 1st July, 2010. With effect from 1st July, 2010, the BPLR has been replaced with the Base Rate.

The interest rates on education loans are linked to BPLR/Base Rate. As per Model Education Loan Scheme, the interest rate on loans upto Rs. 4 lakhs is BPLR/Base Rate and above Rs. 4 lakh, it is the BPLR/Base Rate + 1 percent. Revision in BPLR/Base Rate by the Banks, upward or downward, affects the interest rate of education loan accordingly.