

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1012
ANSWERED ON:10.07.2009
RATES OF INTEREST ON EDUCATION LOAN
Owaisi Shri Asaduddin

Will the Minister of FINANCE be pleased to state:

- (a) whether the nationalized/public sector banks have increased the rates of interest on education loans;
- (b) if so, the details thereof and the reasons therefor;and
- (c) the steps taken/being taken by the Government to reduce the interest rates on education loan?

Answer

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

(a) and (b): No. Sir. The Public Sector Banks (PSBs) have infact reduced their Benchmark Prime Lending Rates (BPLRs) since October, 2008 and Education Loans are linked to BPLR.

(c): The interest rates have been deregulated by Reserve Bank of India (RBI) and the Government does not issue directions to Banks on interest rates. However, the Government has, from time to time, been emphasizing to Public Sector Banks (PSBs) to provide adequate credit to the needy sectors of the economy at reasonable rates of interest. As per the Model Education Loans Schemes of Indian Banks` Association, the banks are charging simple interest on educational loans up to Rs. 4 lakhs at Benchmark Prime Lending Rate (BPLR) and above Rs. 4 lakhs at BPLR + 1 %. Further, banks are required to provide Education loan upto Rs. 4 lakhs without security. In response to reduction in key policy rates of the RBI and the emerging economic situation, the banks have themselves been reducing the rates of the interest on credit in recent months.