

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2457
ANSWERED ON:07.12.2012
INTEREST RATE ON EDUCATIONAL LOANS
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Will the Minister of FINANCE be pleased to state:

- (a) the present rate of interest being charged by various Public Sector Banks (PSBs) on education loan in the country;
- (b) whether the rate of interest being charged by the PSBs in the country is on the higher side;
- (c) if so, the reaction of the Government/RBI thereto; and
- (d) the steps taken/proposed to be taken by the Government to reduce the interest rate on education loans to make it more affordable?

Answer

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

(a) to (c): As per directions of Reserve Bank of India, with effect from 1st July, 2010, banks are required to price their loan products including education loans linked with the base rates approved by their respective Boards. Banks are not permitted to resort to any lending below the Base Rates. Accordingly, interest rates on education loans are decided by the bank concerned as per their approved policy.

(d): In order to provide relief to the students, the Model Educational Loan Scheme of Indian Banks' Association (IBA) provides for certain concessions on educational loans which inter-alia includes:

Simple interest is charged during the study period and up to commencement of repayment;

1% interest concession provided by the banks, if interest is serviced during the study period and subsequent moratorium period prior to commencement of repayment;

0.5% concession in interest rates is provided for the girl students;

Full interest subsidy has been made available for educational loans disbursed on or after 1st April, 2009, during the period of moratorium for the students belonging to economically weaker sections from scheduled banks under 'Interest Subsidy' scheme of Ministry of Human Resource Development.