

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1382
ANSWERED ON:18.07.2014
CREDIT GUARANTEE FUND FOR EDUCATION LOAN
Pal Shri Jagdambika;Sreeramulu Shri B.

Will the Minister of FINANCE be pleased to state:

- (a) the aims and objectives of the Credit Guarantee Fund for education loans including its salient features;
- (b) the number as well as percentage of students who availed loans from the Public Sector Banks (PSBs) under the Credit Guarantee Fund (CGF) for higher education;
- (c) whether the Government has received representations/ complaints regarding irregularities/ corruption and refusal of loans by banks to the students;
- (d) if so, the details thereof State/UT-wise during the last three years along with the action taken against banks/officials; and
- (e) the steps taken/being taken by the Government to simplify the process of raising education loan and to redress the grievances of the students in this regard?

Answer

FINANCE MINISTER IN THE MINISTRY OF FINANCE (SHRI ARUN JAITLEY)

(a): Cabinet has approved setting up of Credit Guarantee Fund for Education Loans through the Ministry of Human Resources & Development (MoHRD) as a settler. The salient features of the scheme are :

Education Loans up to Rs.4 lakh without any collateral security or third party guarantee and Education Loans above Rs.4 lakh upto Rs.7.50 lakh without any collateral security or such other amount(s) as may be specified by the Management Committee of the Fund from time to time.

The guarantee to a maximum extent of 75% of amount in Default or such other percentage as specified by the Management Committee of the Fund from time to time. # Any education loan sanctioned by the lending institution with interest rate more than 2% over the base rate of the lending institution or such other rate as specified by the Management Committee of the Fund from time to time is not qualified for the guarantee cover.

A nominal one time processing fee not exceeding 0.25% of sanctioned loan amount and a guarantee fee not exceeding 1% p.a. of outstanding amount on such reference dates at a rate specified by the Management Committee of the Fund from time to time be paid by the institution availing the guarantee cover.

(b) : The Scheme is yet to start.

(c) & (d) Complaints regarding educational loans, as and when received by the Government, are taken up with banks concerned for corrective action. As informed by Public Sector Banks, details of applications received, disposed and pending during the year 2011-12, 2012-13 and 2013-14 are as under:

Year	Number of applications received	Number of applications sanctioned/ disposed of	Number of applications pending
2011-12	5199	5190	9
2012-13	8355	8264	87
2013-14	5273	5203	70

(e) The Model Education Loan Scheme is modified from time to time by Indian Banks' Association (IBA) keeping in view the needs of the students. The last such revision was made in September, 2012. Indian Banks' Association (IBA) has advised the banks to give wide publicity to their grievance redressal mechanism on education loans and to make effective use of the mechanism. Banks have also been advised that rejection of educational loan applications has to be with the approval of controlling authority of the branch concerned and the reason for rejection should be communicated to the applicants in writing.