

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:4085

ANSWERED ON:20.03.2015

PROCESS OF RAISING EDUCATIONAL LOAN

Karunakaran Shri P.;Mohammed Shri Faizal P.P.;Patel Shri Natubhai Gomanbhai;Senguttuvan Shri Balasubramaniam;Simha Shri Prathap;Udasi Shri Shivkumar Chanabasappa;Udhayakumar Shri M.

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

- (a) Whether the Government has proposed to cut subsidy to students whose parents have an annual income below 4.5 lakh to access interest free bank loans for professional and technical education;
- (b) If so, the details thereof along with growth rate of educational loan and the loan provided for professional and technical education during the last three years, State-wise including Karnataka;
- (c) Whether the Government has extended/proposes to extend tax concession against interest paid on educational loan to students especially to those belonging to the weaker sections of the country;
- (d) If so, the details thereof along with the criteria adopted/ interest rate charged and quantum/ percentage of educational loans disbursed to the students belonging to the General, Scheduled Castes (SCs), Scheduled Tribes (STs), Other Backward Castes (OBCs), Below Poverty Line (BPL) and minority communities by the Public Sector Banks (PSBs) during the last three years and the current year, bank and category wise;
- (e) Whether the Government is considering dispensing with the condition/requirement of taking any guarantee/surety for advancing educational loans;
- (f) If so, the details thereof and if not, the reasons thereof;
- (g) Whether the Government proposes to reform the educational loan scheme and if so, the details thereof; and
- (h) The steps taken/being taken by the Government to simplify the process for raising educational loans and redress the grievances of the students in this regard?

**Answer**

(MINISTER OF STATE IN THE MINISTRY OF FINANCE) (SHRI JAYANT SINHA )

(a) & (b): Ministry of Human Resource Development (MoHRD) has informed that an Evaluation team comprising Indian Institute of Management (IIM) Bangalore and National University of Educational Planning and Administration (NUPEA), New Delhi has been constituted to evaluate the Central Scheme to provide Interest Subsidy (CSIS).

The growth rate of education loans may be seen from the data below:

Year (as on 31st March)	Balance Outstanding (Rs in crore)	% growth rate (over previous year)
2012	48220	
2013	52738	9.36
2014	57164	8.39

State-wise data on education loan for the last three years is given at Annexure-I.

(c) Presently, rebate in Income tax is provided to the extent of interest paid on education loan.

(d) All Scheduled Commercial Banks have adopted and implemented the IBA Model Educational Loan Scheme for pursuing higher education in India and abroad. The scheme is applicable uniformly to all students' borrowers including SCs/STs/OBCs/Minority Communities and those below the poverty line.

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.

The bank-wise data on outstanding education loan (within that to SC/ST also) reported and classified as priority sector advances by public sector banks as on last reporting Friday of March 2012 and last day of March 2013 and 2014 are furnished in Annexure-II.

(e) & (f): In order to augment higher credit flow to promote education, the Government of India has decided to start a Credit Guarantee Fund Scheme for Education Loans (CGFSEL) to guarantee collateral free and third party guarantee free loans sanctioned to deserving students for pursuing higher studies with special thrust on un-served and under-served sections of the society.

(g) & (h): Yes, Hon'ble Finance Minister in the budget announcement for 2015-16 has proposed to set up a fully IT based Student Financial Aid Authority to administer and monitor Scholarship as well as Educational Loan Schemes, through the Pradhan Mantri Vidya Lakshmi Karyakram.

The banks have also been advised to keep in view primarily the larger public/societal interest involved while giving education loan. Also, while providing education loans, banks should primarily keep in mind the standing and stature of the institution.

List of all 'A' rated universities, colleges and technical institutions has been forwarded to IBA for onwards circulation to all Banks so that students getting admissions in these institutions could get educational loans with minimal formalities.

Canara Bank shall also be a nodal bank for all grievances pertaining to interest subsidy and shall resolve the issues centrally at one place and if necessary in consultation with branches of the banks directly.