

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4359
ANSWERED ON:08.08.2014
INTEREST ON EDUCATION 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 Government has any proposal/scheme for waiving off or provide interest subsidy on education loans to the poor students;
- (c) if so, the details thereof along with the criteria fixed and number of students benefitted during the last three years and the current year; 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 (SMT. NIRMALA SITHARAMAN)

(a)to (d): Reserve Bank of India (RBI) has deregulated the interest rates charged by Banks, linking up with their base rates. The interest rate on education loan accordingly varies (ranging from 10.20% to 14.25%) depending upon the base rate and the quantum of loan.

Under the Central Scheme to provide Interest Subsidy (CSIS), full interest subsidy is provided during the period of moratorium (Course period plus one year or six months after getting the job, whichever is earlier) on education loans taken by students belonging to economically weaker sections from scheduled banks under the education loan scheme of Indian Banks Association for pursuing approved courses of studies in technical and professional streams from recognized institutions in India. The loan should be disbursed after 1st April, 2009 and the annual gross parental/ family income upper limit should be Rs. 4.5 lakh from all sources.

Canara Bank, the Nodal Bank for implementing the scheme has informed that interest subsidy of Rs. 3913.09 crore has been provided to 36.03 lakh students under the scheme. Year wise details are as below:

Year	Accounts	Amount (in crore)
2009-10	644299	296.87
2010-11	898320	735.49
2011-12	983586	1198.87
2012-13	1077505	1681.86
Total	3603710	3913.09

Further, in compliance of the interim budget 2014-15 announcement, Government has announced an Interest waiver scheme that aims to provide benefit to those students who have taken education loan up to 31.3.2009 which is outstanding as on 31.12.2013 to the extent of interest component. Government will take over the liability for outstanding interest as on 31.12.2013, but the borrower would have to pay interest for the period after 1.1.2014. A budget provision of Rs. 2600 crore under 'non-plan scheme' has been provided. The scheme is being implemented on the same guidelines as are applicable under CSIS with respect to the income, eligibility, courses applicable and other such operational issues. Under this scheme, so far banks have claimed Rs. 1607.00 crore in respect of 3,10,434 students.

Another scheme namely 'Padho Videsh' has been launched by Ministry of Minority Affairs. The objective of the scheme is to award interest subsidy to meritorious students belonging to economically weaker sections of notified minority communities for higher education abroad.