

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2140

ANSWERED ON:05.12.2014

EDUCATION LOAN

Joshi Shri Pralhad Venkatesh;Singh Shri Dushyant

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has introduced a scheme of interest free educational loans from public sector banks for higher education purposes;
- (b) if so, the details thereof along with the total subsidy burden on interest of such educational loans incurred by Government during the last three years, bank-wise;
- (c) whether any subsidies are given to students from economically weaker sections of society for student loans and if so the details thereof;
- (d) whether high interest rates have caused a slowdown in the growth of education loans and if so, the details thereof; and
- (e) the remedial steps taken/being taken by the Government in this regard?

Answer

To be answered by FINANCE MINISTER (SHRI ARUN JAITLEY)

(a)to (c) Government does not issue any directions to provide interest free educational loans. 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.

However, 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;

Rebate in Income tax is provided to the extent of interest paid on education loan.

In addition to the above, Interest subsidy scheme on Education Loan is administered by the Ministry of HRD. Under the scheme full interest subsidy is available for educational loans disbursed on or after 1st April, 2009, during the period of moratorium for the students belonging to economically weaker sections i.e. whose parental income from all sources does not exceed Rs 4.50 Lakh per annum. The moratorium period is course period plus one year or six months after getting job, whichever is earlier. Details of students benefitted under CSIS are as under:

Year	No. of A/cs	Amount
(Rs in crore)		
2009-10	644299	296.88
2010-11	898320	735.49
2011-12	983586	1198.88
2012-13	1077505	1681.86
2013-14	911792	1540.72
Total	4515502	5453.83

Bank-wise/Year-wise details is given at Annexure-I

Further, 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 bear the

liability for outstanding interest as on 31.12.2013, but the borrower to pay interest for the period after 1.1.2014. A provision of Rs 2600 crore under the scheme has been provided. So far banks have claimed Rs 1738.25 crore in respect of 3,44,519 students. Bank-wise/Year-wise details is given at Annexure-II

Another scheme namely 'PadhoVidesh' has been launched by the Ministry of Minority Affairs with the objective to award interest subsidy to meritorious students belonging to economically weaker sections of notified minority communities for higher education abroad. The details of students benefitted under the scheme are as under:

Year	No. of A/cs	Amount (Rs in crore)
2013-14	372	1.62
2014-15	201	0.65
Total	573	2.27

Bank-wise/Year-wise details is given at Annexure-III.

(d) No, slowdown in the growth of education loan is not due to high rate of interest being charged by lending institutions.

(e) Does not arise.