

**GOVERNMENT OF INDIA
MINISTRY OF HUMAN RESOURCE DEVELOPMENT
DEPARTMENT OF HIGHER EDUCATION**

**LOK SABHA
UNSTARRED QUESTION No. 1275
TO BE ANSWERED ON 11th FEBRUARY, 2019**

Educational Loans

1275. SHRI N.K. PREMACHANDRAN:

Will the Minister of HUMAN RESOURCE DEVELOPMENT be pleased to state:

- (a) the details of the criteria fixed by the Government for educational loans;
- (b) the details of interest fixed by the Government for education loans;
- (c) whether the banks are liable to follow the guidelines and interest rate fixed for educational loans as agreed with the Government;
- (d) if so, the details thereof;
- (e) whether it has come to the notice of the Government that the banks are demanding for security and surety for educational loans;
- (f) if so, the details thereof;
- (g) whether it has come to the notice of the Government that the banks are levying high rate of interest for the educational loans as same as to commercial loans; and
- (h) if so, the action taken by the Government to reduce the rate of interest of educational loans?

ANSWER

**MINISTER OF STATE IN THE MINISTRY OF HUMAN RESOURCE DEVELOPMENT
(Dr. Satya Pal Singh)**

(a) to (h) All banks follow Indian Banks' Association (IBA) Model Education Loan Scheme and grant education loan as per instructions issued by the Government/Reserve Bank of India/ Indian Banks' Association. The objective of the scheme is to provide financial support from the banking system to the meritorious students for pursuing higher studies in India and abroad. Model Education Loan Scheme provides for:

- (i) Maximum education loan up to Rs 10 lakh for studies in India and Rs 20 lakh for studies abroad.
- (ii) All banks are mandated not to accept collateral security or margin, for educational loans upto Rs 4 lakh and for loan above Rs 4 lakh and upto Rs 7.5 lakh, if the loan is covered under Credit Guarantee Fund for Education Loan Scheme.
- (iii) For loan above Rs 4 lakh, 5% margin is required for studies in India and 15% margin for studies abroad.
- (iv) Repayment period of 15 years besides repayment holiday/ moratorium period (course period plus one year).
- (v) Banks may also provide additional moratorium period up to six months at a time, taking into account, spells of unemployment/ under-employment, during the tenure of the loan.
- (vi) Moratorium is provided for the incubation period if the student wants to take up a start-up venture after graduation.

For a student to be eligible for education loan, he/she should be an Indian National and should have secured admission to a higher education course in recognized institutions in India or Abroad through Entrance Test/ Merit Based Selection process after completion of HSC (10 plus 2 or equivalent). Banks may also approve other job oriented courses leading to technical/ professional degrees, post graduate degrees/diplomas offered by recognized institutions under this scheme. Courses other than the above offered by reputed institutions can also be considered on the basis of employability.

As per the 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 (now marginal Cost of Lending Rates-MCLR) approved by their respective Boards. Banks are not permitted to resort to any lending below the Base Rates/ MCLR. Accordingly, interest rates on education loans are decided by the bank concerned as per their approved policy. Further, the Model Educational Loan Scheme of IBA provides for certain concessions on educational loans which inter-alia includes, (i) simple interest rate during the study period and up to the commencement of the repayment, (ii) 1% interest concession if interest is serviced during the study period and subsequent moratorium period prior to the commencement of the repayment, (iii) 0.5% concession in the interest rate to the girl students, (iv) rebate in Income tax to the extent of interest paid on education loan.

Further, the Government also provides interest subsidy on education loans for higher education to the students from the economically weaker sections of the society, under the following schemes:

(i) Central Sector Interest Subsidy Scheme (CSIS): Under the Scheme, full interest subsidy is provided during the moratorium period (course period plus one year), on the educational loan up to Rs. 7.5 lakh, taken by the students having annual parental income up to Rs.4.5 lakh. In the last three years, Rs. 4,742.84 crores have been disbursed towards interest subsidy in 33.84 lakh accounts. In the current financial year Rs. 2,150 crore has been allocated for the scheme.

(ii) Dr. Ambedkar Scheme of Interest Subsidy on Educational Loans for Overseas Studies:

Interest subsidy is provided to the meritorious Other Backward Classes (OBC) and Economically Backward Classes (EBC) students, so as to provide them opportunities to pursue higher education abroad in the field of Arts, Engineering, Medical and Agriculture. The income ceiling is Rs. 8 lakh per annum for OBCs and Rs. 2.5 lakh per annum for EBCs. 50% of the outlay is earmarked for girl students. In the last two years, Rs. 22.77 crores have been disbursed towards interest subsidy benefitting 2820 students.

(iii) Padho Pardesh Scheme: Under the scheme Interest Subsidy is provided on educational loan on overseas studies for the meritorious and economically weaker students belonging to Minority Communities. The income ceiling is Rs. 6.00 Lac per annum. In the last three years, Rs. 43.22 crores have been disbursed towards interest subsidy benefitting 4596 students.

Complaints regarding education loans, as and when received by the Government, are taken up with the concerned banks for corrective action.
