

**Bill No. 66 of 2019**

THE EDUCATION LOAN TO STUDENTS BELONGING TO ECONOMICALLY  
WEAKER SECTION BILL, 2019

By

SHRI SUDHAKAR TUKARAM SHRANGARE, M.P.

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BILL

*to provide for education loan to students belonging to economically weaker section and  
for matters connected therewith or incidental thereto.*

BE it enacted by Parliament in the Seventieth Year of the Republic of India as follows:—

**1.** (1) This Act may be called the Education Loan to Students Belonging to Economically Weaker Section Act, 2019.

Short title,  
extent and  
commencement.

(2) It extends to the whole of India, except the State of Jammu and Kashmir.

5 (3) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

**2.** In this Act, unless the context otherwise requires,—

Definitions.

(a) "bank" means any nationalized or commercial bank and includes a private, co-operative or foreign bank;

(b) "prescribed" means prescribed by rules made under the Act; and

(c) "student" means a person who belongs to economically weaker section and is pursuing any recognized course of study, including any professional or vocational course in any college or institution or university and whose parents' annual income is not more than three lakh and fifty thousand rupees. 5

Scheme for education loan to students.

**3. The Central Government shall, within six months of the commencement of this Act, formulate a scheme for providing education loan at such rate of interest, as may be prescribed, to the students for the following purposes, namely:—** 10

(a) pursuing professional courses such as medical, engineering or vocational course in any discipline in any recognized college or institution or university; and

(b) pursuing research in any recognized research institute or university.

Application for loan.

**4. (1)** An application for education loan shall be made by a student to any branch of a bank in such manner as may be prescribed. 15

(2) An application made under sub-section (1) shall be disposed of within a period of one month from the date of its receipt.

Bank to pay directly to the institution.

**5.** The bank shall make payment directly to the head of the college or institution or university where the student is studying or seeking admission.

Bank not to deny educational loan to students.

**6.** No bank shall,— 20

(i) refuse ordinarily an education loan to a student on any ground;

(ii) insist on any sort of guarantee, mortgage or surety for the purpose of disbursement of loan;

(iii) charge interest more than the rate prescribed;

(iv) keep or withhold degree, diploma certificates, mark sheets in original; and 25

(v) initiate recovery process of the loan before the completion of one year of securing a job by a student who has taken an education loan.

Punishment.

**7.** If any Bank violates the provisions of section 6, the chairperson or managing director or other officer of the bank responsible for the violation, unless he proves that such violation took place without his knowledge or that he exercised all due diligence to prevent, shall be deemed to be guilty of such violation and punished with imprisonment for a term which may extend upto six months or a fine upto rupees two lakh, or both. 30

Waiving off loan.

**8. (1)** The Central Government shall formulate a scheme for waiving off education loan, if a student, even after five years of completing his course, fails to secure any employment. 35

(2) Subject to such rules as may be made, the waiving off of education loans shall be applicable only to such *bona fide* students who do not get employment after completing their education.

Power to make rules.

**9. (1)** The Central Government may, by notification in the Official Gazette, make rules for carrying out the purposes of the Act. 40

(2) Every rule made under this Act by the Central Government shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the

successive sessions aforesaid, both Houses agree in making any modification in the rule or both the Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously  
5 done under that rule.

## STATEMENT OF OBJECTS AND REASONS

The educational loans are given by banks to students for pursuing higher education. Students belonging to economically weaker section, who could not earlier afford the cost of professional and higher education, are also now in a position to pursue higher education because of education loan. However, the policy of giving education loan is defective on many counts.

Securing an education loan for the students belonging to economically weaker section is a difficult task, with several banks not keen on lending to students owing to a large number of defaults. As a result, the growth rate of education loan has been steadily declining. There is no fall in demand for loans, but the restriction is at the supply points.

At present it has no statutory backing or proper guidelines. Each bank has its own guidelines and fixes its own criteria for disbursing loan. Many banks often refuse the same on some frivolous and technical grounds. Guarantee and surety are always insisted upon before granting the loan. The rate of interest on such loan also varies from bank to bank. The students belonging to economically weaker section pursuing studies in private institutions or seeking admission under management quota are not given loan.

Therefore, it is sought to ensure through the Bill that education loan should not be denied to any student belonging to economically weaker sections of the society. Any person who violates the guidelines framed for education loan shall be punished so that no bank dares to refuse loan to students. Further, many students after completion of their course do not get jobs. Thus, they are not in a position to repay the loan taken. In such cases, a policy or scheme for waiving off of loans has been envisaged in the proposed Bill.

Hence this Bill.

NEW DELHI;

SUDHAKAR TUKARAM SHRANGARE

*June 6, 2019.*

#### FINANCIAL MEMORANDUM

Clause 3 of the Bill provides for the framing of a scheme for providing educational loans to students belonging to economically weaker section. Clause 8 provides for framing of a scheme for waiving off educational loan if, a student fails to secure any employment, five years after completion of the course. The Bill, therefore, if enacted, will involve expenditure from the Consolidated Fund of India. It is estimated that a sum of rupees two hundred crore will be involved as a recurring expenditure per annum from the Consolidated Fund of India.

A non-recurring expenditure to the tune of rupees one hundred crore is also likely to be involved.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 9 of the Bill empowers the Central Government to make rules for carrying out the purposes of this Bill. As the rules will relate to matters of detail only, the delegation of legislative power is of a normal character.

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