

AS INTRODUCED IN THE RAJYA SABHA
ON THE 5TH AUGUST, 2016

Bill No. XXXII of 2016

THE EDUCATION LOAN BILL, 2016

A

BILL

to provide for education loan to students and for matters connected therewith or incidental thereto.

BE it enacted by Parliament in the Sixty-seventh Year of the Republic of India as follows:—

1. (1) This Act may be called the Education Loan Act, 2016.

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;

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

(c) "student" means a person who is pursuing any recognised course of study, including any professional or vocational course in any college or institution or university.

Scheme for education loan to students.

3. (1) 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 students for following purposes, namely:— 5

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

(b) pursuing research in any recognized research institute or university. 10

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.

(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. 15

Bank not to deny educational loan.

6. No bank shall,—

(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; 20

(iii) charge interest more than the rate prescribed;

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

(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 chairman and 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 shall be punished with imprisonment for a term which may extend upto six months or a fine up to rupees two lakh, or both. 25

Waiving off loan.

8. (1) The Central Government shall formulate a scheme for waiving off such loan, if a student, even after five years of completing his course, fails to secure any employment. 30

(2) Subject to such rules as may be made, the waiving off of 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 this Act. 35

(2) Every rule made under this Act 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 done under that rule. 40

STATEMENT OF OBJECTS AND REASONS

It is indeed a welcome step that educational loans are being given to students for pursuing higher education. Economically poor students, 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 deficient on many counts. 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. Students are harassed and have to run from pillar to post to get the loan disbursed. Students pursuing studies in private institutions and seeking admission in 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. 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 of loans has been envisaged in the proposed Bill.

Hence this Bill.

DR. T. SUBBARAMIREDDY

FINANCIAL MEMORANDUM

Clause 3 of the Bill provides for the framing of a scheme for providing educational loans to students. 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 his 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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(Dr. T. Subbarami Reddy, M.P.)