

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

RAJYA SABHA
UNSTARRED QUESTION NO. 248
ANSWERED ON TUESDAY, FEBRUARY 4, 2025, MAGHA, 15, 1946 (Saka)

‘GUIDELINES ON EDUCATION LOANS’

248. SHRI. C. VE. SHANMUGAM:

Will the Minister of FINANCE be pleased to state:

- (a) the details of the guidelines for disbursement of education loans;
- (b) whether Government has made it compulsory to produce collateral security for education loans;
- (c) the number of education loans rejected by public sector banks during the last five years; and
- (d) the steps taken by Government to facilitate students get education loans?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SH. PANKAJ CHAUDHARY)

(a) to (b) All Scheduled Commercial Banks (SCBs) have been advised by Reserve Bank of India to adopt Model Education Loan Scheme, formulated by Indian Banks' Association (IBA). The main features of the scheme are as under:

- The scheme provides need-based education loan.
- No collateral security or third-party guarantee is required for loans amount up to Rs. 7.50 lakhs, provided they are eligible for Central Sector Interest Subsidy Scheme (CSIS)/ Credit Guarantee Fund Scheme for Education loan (CGFSEL)
- No Margin for loans up to Rs. 4 lakhs.
- Moratorium period is allowed upto study period plus one year in all cases.
- Repayment period (after moratorium) is available upto 15 years for all loans.

Public Sector Banks (PSBs) also provide collateral free loans beyond Rs.7.50 lakhs, on case to case basis as per their Board approved policies.

(c) As informed by IBA, the data on number of education loans rejected by PSBs is not maintained centrally. However, as per the IBA Model Education Loan Scheme, rejection of loan application, if any, shall be done with the concurrence of the next higher authority and conveyed to the student stating reason for rejection.

Further, as per the information furnished by PSBs, it is observed that in terms of amount disbursed, the Compound Annual Growth Rate over a period of five years i.e. from FY 2019-20 to 2023-24 is 13%.

(d) PM Vidyalaxmi scheme has been launched on 06.11.2024, which will enable loans through banks to meritorious students so that financial constraints do not prevent any youth of India from pursuing quality higher education. The scheme will facilitate and enable education loans to meritorious students who get admission in the top 860 Quality Higher Educational Institutions (QHEIs) in the country and enables meritorious students of these QHEIs to take collateral free, guarantor free education loans through a simple, transparent, student-friendly and entirely digital application process. The loan shall cover full amount of tuition fees and other specified expenses related to the course, for study in India only.

The scheme also provides for 3% interest subvention on loans up to Rs. 10 lakh to a maximum of one lakh needy students in a year, where annual family income is less than Rs. 8 lakhs. This is in addition to the full interest subvention already offered to students with up to Rs. 4.5 lakhs annual family income under CSIS.

Further, loan amounts up to ₹ 7.5 lakhs will also be provided a 75% credit guarantee by the Government of India, through NCGTC.
