

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

RAJYA SABHA
UNSTARRED QUESTION NO. 887
ANSWERED ON TUESDAY, FEBRUARY 11, 2025, MAGHA, 22, 1946 (Saka)

‘EDUCATIONAL LOANS BY PSBs’

887. SHRI. RAMJI LAL SUMAN:

SHRI JAVED ALI KHAN:

Will the Minister of FINANCE be pleased to state:

- (a) whether Public Sector Banks (PSBs) provide educational loans to students without collateral security;
- (b) if so, the details thereof, PSB-wise;
- (c) whether Government is aware that some PSBs are seeking Cibil scores of parents and asking for collateral security for sanctioning and disbursal of educational loans;
- (d) if so, the details thereof, PSB-wise; and
- (e) the details of action taken against such banks/officials of banks for the same during last three years, PSB-wise?

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.

Further, 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.

(c) to (e) Credit related matters of Reserve Bank of India regulated entities (REs) are largely deregulated and the same are governed by the Board approved loan policies of the REs framed under the ambit of relevant regulatory and statutory requirements and terms and conditions of the loan agreement between the borrower and the RE. RBI has advised the banks to put in place a Board approved loan policy and they shall take credit related decisions as per the said policy, subject to the guiding principles of regulations.

However, Master Direction – Reserve Bank of India (Credit Information Reporting) Directions, 2025 dated January 06, 2025, as a part of best practices, mandates Credit Institutions that first time borrowers' loan applications should not be rejected just because they have no credit history

Further, the IBA Model Educational Loan scheme, which has been advised by RBI to be adopted by all SCBs, stipulates that 'If the Student/Parent/Guardian has no credit history they are assumed to be creditworthy. However, in case of an adverse credit history, banks at their discretion may frame a suitable criterion based on their risk appetite'.
