

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA**

UNSTARRED QUESTION NO. †1439

TO BE ANSWERED ON THE 1st JULY, 2019, ASHADHA 10, 1941 (SAKA)

Interest on Education Loans

†1439. SHRI RAMPRIT MANDAL:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government provides education loans through banks to students for their studies, if so, the details thereof;
- (b) whether the interest of loan is calculated from the date on which loan is sanctioned to students, if so, the details thereof;
- (c) whether the interest on loan rises upto the principal amount within four years of completion of study, if so, the details thereof;
- (d) whether the Government has any plan for interest waiver on the said loans; and
- (e) if so, the details thereof and the time by which the said plan is likely to be implemented?

ANSWER

(FINANCE MINISTER)

(SMT. NIRMALA SITHARAMAN)

(a) All Scheduled Commercial Banks provide Education Loan to students. IBA has formulated and circulated to all member banks a 'Model Education Loan Scheme' for providing financial support to meritorious students for pursuing higher education in India and abroad. Salient features of the scheme inter-alia include;

- I. Loan upto Rs 10 lakh for study in India and upto Rs 20 lakh for study abroad.
- II. Collateral free loans upto Rs 7.5 Lakh under the Credit Guarantee Fund Scheme for Education Loans (CGFSEL).
- III. No Margin for loan up to Rs 7.50 Lakh.
- IV. Repayment period of 15 years
- V. One year moratorium for repayment after completion of studies in all cases,
- VI. Moratorium taking into account spells of unemployment/under-employment, say two or three times during the life cycle of the loan
- VII. Moratorium for the incubation period if the student wants to take up a start-up venture after graduation.

(b) : Simple interest for loan is calculated from the date of disbursement of loan upto the end of moratorium period i.e. course period plus one year and therefore the interest is never risen upto principal amount. At the start of repayment period, the interest accrued is clubbed with principal & EMI is calculated accordingly. The servicing of interest during study period and the moratorium period till repayment commences is optional for students.

(c) No such instance has been reported by banks.

(d) & (e): For the students belonging to economically weaker sections, an interest subsidy scheme on educational loans is in place. Under the scheme full interest subsidy is available during the period of moratorium on educational loans upto Rs 7.50 Lakh disbursed on or after 1st April, 2009.

Further, the Model Educational Loan Scheme of IBA provides for certain concessions on educational loans which *inter-alia* includes, (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, (iii) rebate in Income tax to the extent of interest paid on education loan.
