

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

UNSTARRED QUESTION NO. †798

TO BE ANSWERED ON THE 7th FEBRUARY, 2022, MAGHA 18, 1943 (SAKA)

EDUCATION LOAN

†798. SHRI DHARAMBIR SINGH:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government provides education loan to students for pursuing higher education;
- (b) if so, whether interest on the loan amount is charged right from the date of disbursement of the loan, if so, the details thereof;
- (c) whether this practice has put down extra financial burden on the students, if so, the details thereof;
- (d) whether the Government is going to make provisions in the terms and conditions of education loans to ensure that the interest on educational loan amount shall only be charged from students after their education gets completed and they get employment, if so, the details thereof; and
- (e) whether the Government proposes to waive off the said education loan in case a student meets with an accident and if so, the details thereof?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE (DR. BHAGWAT KARAD)

- (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. Need based finance to cover all the expenses required to complete the course viz; fee payable to college, hostel charges, purchase of books/ equipments/instruments/uniforms, etc.
 - 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) & (c): 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. 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.

(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, (i) 1% interest concession if interest is serviced during the study period and subsequent moratorium period prior to the commencement of the repayment, (ii) 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.

As per provisions of the IBA scheme, Banks may, make it mandatory to arrange for life insurance policy on the students availing Education Loan.
