

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

UNSTARRED QUESTION NO. 3874

ANSWERED ON MONDAY, 16th MARCH, 2026/ 25 PHALGUNA, 1947 (SAKA)

Guidelines for Education Loans

3874. SHRI C N ANNADURAI

SHRI SELVAM G:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has undertaken a State-specific review of the adoption and onground implementation of the Model Education Loan Scheme (MELS), 2022 by Scheduled Commercial Banks in Tamil Nadu, if so, the details thereof;
- (b) whether uniform guidelines are being enforced across bank branches, if so, the details thereof;
- (c) whether a large number of eligible Scheduled Caste and Scheduled Tribe students in the State continue to face loan denials, delays and informal collateral or guarantor demands, leading to deferment or discontinuation of higher education and if so, the corrective steps taken thereon;
- (d) the number of SC beneficiaries assisted through education loans by the National Scheduled Castes Finance and Development Corporation in Tamil Nadu and the funds released and utilised during the last three years; and
- (e) whether Government proposes mandatory monitoring, grievance-redressal mechanisms and targeted awareness drives to address regional disparities and ensure equitable access to education finance for SC/ST students in Tamil Nadu, if so, the details thereof?

ANSWER

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

(a) to (c) No such state-specific review has been conducted. However, overall performance of Public Sector Banks (PSBs) with respect to education loans is being reviewed periodically by this Department. Further, all Scheduled Commercial Banks (SCBs) have been advised by Reserve Bank of India (RBI) *vide* circular RPCD.PLNFS.BC.NO.83/06.12.05/2000-01 dated April 28, 2001 to adopt Model Education Loan Scheme (MELS), formulated by Indian Banks' Association (IBA), 2022 (last amended on 23.6.2025). This scheme is available for all sections of the society including SC/ST students. 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 ₹ 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 ₹ 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.

Further, RBI *vide* circular RPCD.SME&NFS.BC.No. 69/06.12.05 /2009-10 dated April 12, 2010, on Collateral Free Loans - Educational Loan Scheme, has advised that banks must not, mandatorily, obtain collateral security in the case of educational loans upto ₹ 4 lakh.

Moreover, RBI *vide* the Master Directions FIDD.CO.PSD.BC.13/04.09.001/2024-25 dated March 24,2025 has prescribed Priority Sector Lending for all Commercial Banks including Regional Rural Banks (RRBs), Small Finance Banks, Local Area Banks and Primary (Urban) Co-operative Banks (UCBs) other than Salary Earners' Banks. Within the overall target for priority sector lending, a sub-target of 12 % (15% for RRBs) has been fixed for weaker sections, which includes Scheduled Tribes (STs).

In addition to the above, banks have established internal monitoring systems and grievance redressal mechanisms to address issues related to processing of loan applications in order to ensure timely decision on loan applications.

(d) As informed by National Scheduled Castes Finance and Development Corporation (NSFDC), education loans amounting to ₹ 6.36 crores have been disbursed to 284 SC beneficiaries by NSFDC in Tamil Nadu during the last three years.

(e) RBI's Master Circular on Credit facilities to the SCs/STs dated April 01, 2025, inter alia, includes the following provisions:

- i. Banks must assist SC/ ST borrowers with applications and conduct regular awareness campaigns on schemes to improve credit access and financial inclusion.
- ii. Rejection of SC/ STs' loan applications under government programmes should be done at the next higher level instead of at the branch level and reasons of rejection should be clearly indicated to ensure transparency and accountability.
- iii. Banks must establish a dedicated monitoring cell at the head office to oversee SC/ ST lending, conduct quarterly reviews, and report major variation, if any to the Board.

Further, as informed by State Level Bankers' Committee (SLBC), Tamil Nadu, education loan related issues, including sanctions are periodically reviewed in SLBC meetings. Moreover, Lead District Managers organize multiple educational loan campaigns in the respective district at various colleges or at a designated venue to create greater awareness among students.
