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MODEL EDUCATION LOAN SCHEME AND HIGHER EDUCATION IN INDIA

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Abstract

The paper explores the role of Model Education Loan Scheme in promoting higher education in India. Availability of higher educational loan makes sure the supply of skilled manpower and enhance wealth distribution for the nation's economic development. The nation's dependency on student loan is further heightened due to higher education's moves towards privatization and with regards there is poor budgetary support to the aspirant in India. The study discusses the needs and significance of Indian higher Educational Loan. After disclosing the need and importance of model education loan and higher education scheme, paper discloses the detailed procedure of availing Model Education Loan Scheme. The paper's proposals for improving the use of educational loans to increase students' access and employability are provided as its conclusion.

Index Terms - Model Education Loan Scheme, higher education schemes, skilled manpower, nation's economic development

1. Introduction

Education is the leading factor for the development of any country. Indian history witnessed it by emphasizing over British ruler as they were educated so they were ruled over India and to continue the ruling they always try to keep Indians far away from education. Later on, this concept of britishers' was felt by Indians which brings flood in the Indians' mind to learn more and more.

Now Indian populace are able to understand that expenditure on education is not a wastage but the long-term investment. These investments convert the human being into Assets for the nation by filing the knowledge in human being and empowering them with analytical skill. The human resources are considered as backbone of any nation for the development of the economy of the nation. The youth who gradually becomes the expert in the field engineering, medicals, commerce etc. are becomes the part of human capital of the nation who may turns into human assets of the nation based on their efficiency, skill, ability and educational qualification. Actually, a well-educated person is the wealth of the nation who runs almost all of the economy of the nation and frame that economy into desired dream of the nation and proven to be the developer of the nation. This feature adds the value of education especially of higher education among the Indian nationals. Resultant, raising the craze of higher education in the society which leads to increment of cost of education year on year in the education market.

Although the India is a poor country, it is difficult to bear the rising cost of education by the populace who are hardly their survival needs. This situation makes feels to economical support to attain the greatest achievement in the field of educational market. To attain the educational dream of the people, Indian government sponsored the national scholarship scheme in the year 1963 for the student those who wants higher education but fighting with the economic crises. But the journey of national scholarship scheme was not so good due to poor recovery of loan from the borrowers and comes to an end in 1991 when economic reforms take place in the nation.

Again, the government of India launches a new Education Loan Scheme in 2001 with the consultation of Reserve Bank of India and Indian Bank Association to support Indian nationals' higher thinkers which was popularly known as Model Education Loan Scheme.

2. Objectives

- To identify the factors that are responsible to take Educational Loan in India.
- To study the Educational Loan Scheme for Higher Studies in India
- To study the procedure of Model Education Loan Scheme in India

3. Research Methodology

The study is based on descriptive analysis. The researcher uses secondary data resources such as research paper, articles, Indian Bank Association's Report, Ministry of Finance's Report, and several websites to fulfill the objectives of the paper. This research paper focuses on those factors that are influences to take Model Education Loan and also emphasize over different Higher Studies Scheme and Procedure of Education Loan.

4. Need for Education Loan in India

"If education is the mind, higher education is the eyes for a nation".

Education is needed to understand the situation where higher education is essential to observe the particular circumstances. Higher education is emphasizing and enhances the observation skill of the individual and simultaneously enrichment of analytical power. Higher education is complementarily empowering the analytical skill and understanding the power of people, essentially required for the growth and development of a nation in the modern world.

Initially, trade was considered the leading factor for the economic growth and development of our nation and then shifted to the land and then to labour and capital techniques. As time passes the technologies get improved and become sophisticated, and a new source of economic growth has been cropped by Schultz in 1961. According to Schultz human capital is the ultimate source of a nation's economic growth and development. With this view, expenditure on education becomes the priority of the citizen as an investment that conclusively yields a net positive rate of return after a long period. It also emphasizes the learning skill of the individual during the period and works like a modern technology that helps in the enrichment of the productivity of a nation. Accordingly, education is acknowledged as a prominent gadget for endorsing economic growth.

It is true to say that education is the lever for societal, economic, and political transformation. The government of India made education mandatory for all for the age group between 6 to 14 years on a universal basis by enriching the right to education as the fundamental right. On the second face, higher education is perceived to be gradually moving to the province of the private sector due to the insufficiency of funds of the Indian government. Subsequently, the government has gradually reduced the subsidies for higher education. As a result, higher study becomes expensive over time and this raising cost of higher education had visualized as a greater challenge before the policymakers. In tune with this, providing institutional funding in this area is to be fingered.

Apart from the urgent need for emerging human capital and stimulating fairness in a developing country like India, imparting higher education becomes essential. To deliver the requisite assistance and knowledge to compete with the present competitive global environment, higher education works as a key driver. To promote higher education, assisting financial assistance in the form of Education Loan to the needy and deserving students are to be realized as an investment by the banking sector to promote the human capital and economic growth of the nation as a whole. It springs out of the high prioritization of Education Loans in the market.

By realizing the value of education in sponsoring the economic growth of a nation, the study group organized by the Indian Banks Association (IBA) equipped a Model Education Loan Scheme in the year 2001. It signalled an enthusiasm to accept that Education Loan might be capturing the status of a social and economic relevant subject for the Indian banking sector. In tune with this, the function of commercial banks was elaborated and added the advancement of Education Loan to the needy person of the society engaged in learning a variety of courses like under graduation, post-graduation including the technical and professional courses (RAJ, 2017)¹.

Some other factors influence Educational Loan in India

I. Income of family and Number of family members

The nature of the occupation of a student's parents may vary. Occupation type of mother and father may frame a picture of income position of parents like a professor, doctor, engineer, consultant's job gives better financial position while a primary teacher, compounder, watchman, peon's job provides a lower salary. This high- and low-income provider occupation of parents may stress the student to take Education Loans for fulfilling their dream project of pursuing higher education either in India or abroad. The financial condition of the family is the major factor in influencing students to participate in the Education Loan sector and also becomes a part of the decision-making for how much loan amount students should apply for. Generally, low-income group family's students who are more in number (such as 3 or 4) may apply for Education Loan scheme under priority sector i.e., for Rs. 20 lacs from earlier Rs. 10 lacs as per RBI guideline issued on 4 September 2020 and high-income group borrowers may apply under non-priority sector for above Rs. 20 lacs (Vijayakumar, 2020)².

II. Types of Programmes

Expenditure on the different courses is different due to their cost differences in the market like medical, nursing, engineering, MBA, etc. have huge costs for the degree that stresses students to avail student loan to bear course cost.

III. Location of Educational Institutions

High GDP contributor states of India like Maharashtra, Tamil Nadu, Gujrat, Karnataka, Uttar Pradesh, etc. are considered the most expensive place in the nation. Universities/Colleges/Institutions situated in these locations generally required more Education Loan amounts for rental purposes and high charges for daily routine things needed in human being life. Contrary, Andaman & Nicobar Island has the lowest GDP as of the year 2021 followed by Mizoram, Arunachal Pradesh, Nagaland, and Manipur needed lesser amounts to bear rent for the house and daily routine things (T, 2021)³.

IV. Tax Deduction

A tax deduction is a major source that attracted students to avail of Education Loans as the repayment of an Education Loan is deductible under section 80E of the Income Tax Act of 1961 and tax deduction is only applicable to the interest portion of the EMI, not on the principal amount of the loan. Tax benefits are only for those borrowers who are acquiring higher education with the support of an Education Loan facility. This tax relief is available for all fields of study including vocational and academic courses either taken in the home country or from host countries (bankbazaar, 2022)⁴. Yearly the benefits of tax concession are Rs. 40,000 (for both the principal and the interest amount). Only the study loans taken for the higher education sector for full-time studies in graduation or post-graduation, professional, and pure and applied science courses may claim a deduction (University Grants Commission, 2020)⁵. However, the frequency of claiming this benefit is not restricted. To avail of this benefit, there needs to be a certification from your bank that separates the principal amount of the loan and the interest components of EMIs that qualify for the benefit. The deduction will be available for a maximum duration of eight years starting from the day you start repaying.

The model Education Loan scheme of the government of India is for all the aspirants applying for student loans under the scheme either the aspirant belonging to the economically weaker sections or of below the poverty line. Any student having a residential status in India is eligible to take the advantage of this scheme who has secured admission in higher education courses in any recognized Institution in India or abroad through an entrance test or merit-based selection process. By keeping in mind, the changing needs of society and students, this loan scheme has been modified from time to time. Model Educational Loan Scheme was lastly revised on 17th August 2015 and circulated to Banking sectors. (Annual Report, 2018-19)⁶.

The government of India launches Credit Guarantee Fund Scheme (CGFSEL) on 17 September 2015 for the borrower taking an Education Loan of Rs. 7.50 lacs and the Central Scheme to provide Interest Subsidy (CSIS) commenced from 1st April 2009 for EWS and thereafter essential modification regarding changes needed in this scheme was made in the financial year 2018. Both of the schemes are available only for the students availing Education Loan facility under the model educational loan scheme. (Tiwari & Kumar, July 2019)⁷. To widen the range of model educational loan schemes and also to achieve the target of this scheme, the government of India added the facility of CGFSEL and CSIS scheme to assist the financial support to more and more students who feel financial support to achieve their desired dream of attaining higher education.

5. Support of Model Education Loan Scheme in financing Higher Education in India

The Model Education Loan Scheme of the Indian government is an effort to bring out a feasible and sustainable study loan scheme to meet India's ambitions of economic growth and development (becoming a developed nation). The present rate of economic growth of our nation demands, technically and professionally trained employees to a large extent where technically and professionally trained personalities can only be organized or manufactured through higher education in any nation. Against this backdrop, study loans are realized as a powerful investment in a way of economic growth and prosperity of a nation. The government of India offers primary education to all students on a universal basis and with this reality, public finance for higher education is not possible due to huge expenditure on school education. To fill this gap, the government of India launches the model educational loan scheme on 28 April 2001 with the consultation of the Reserve bank of India and Indian banks associations to assist financial support to deserving and meritorious students with no interest rate or a minimal interest rate. (Association, 2005)⁸.

Indian Banking Sector facilitates it with the mandatory arrangement of tax concessions, life insurance policy, credit life insurance policy, and Personal Accident Insurance scheme for students availing of study loans. In case students are unable to complete their courses within the scheduled time, banks may allow for a maximum of two years extension for the completion of courses and acquire some necessary undertaking/declaration from the student for the purpose. If a student is unable to complete the scheduled course for reasons beyond his control, the sanctioning authority may opt for the required extension as per his circumspection as deemed necessary in the situation for the completion of the course. In case, the applicant terminates the scheduled courses in the midway, a suitable repayment chart will be prepared by the bank in consultation with the borrower and co-borrowers. There will be no penalty charges for any prepayment amount of an Educational Loan during the whole repayment schedule (Kanoi, 2021)⁹.

6. Educational Loan Scheme for Higher Studies in India

The Model Education Loan Scheme of the government of India is for all the aspirants applying for a student loan under the scheme either the aspirant belonging to the economically weaker sections or of below the poverty line. Any student having the residential status of India and non-resident Indians are eligible to take the advantage of this scheme who have secured their admission in higher education courses in any recognized Institution of India or abroad through an entrance test or merit-based selection process. By keeping in mind, the changing needs of society and students, the study loan scheme has been modified from time to time. Model Educational Loan Scheme was lastly revised as of 15th January 2021 and circulated to Banking sectors (Ministry of Finance Annul Report, 2020-21)¹⁰.

The government of India launches Credit Guarantee Fund Scheme (CGFSEL) as on 17 September 2015 for the borrower taking an Education Loan of Rs. 7.50 lacks and the Central Scheme to provide Interest Subsidy (CSIS) commenced from 1st April 2009 for EWS and thereafter essentials modification regarding this scheme was made in 2018. Both of the schemes are available only for the students availing of the Education Loan facility under the Model Education Loan Scheme. To widen the range of Model Education Loan Scheme and also to achieve the target of this scheme, the government of India added the facility of CGFSEL and CSIS scheme to assist the financial support to more and more students who feel financial support to achieve their desired dream of attaining higher education.

I. Padho Pardesh Scheme

In June 2006, the Prime Minister unveiled his New 15-Point Programme for the Welfare of Minorities. It stipulates that plans for scholarships for deserving students from minority populations would be developed and put into action. Students from underrepresented groups will benefit from the interest subsidy programme for student loans for international study. This is a Central Sector Program to Provide Interest Subsidy to Students Belonging to the Communities Declared as Minority Communities following Section 2(c) of the National Commission for Minorities Act, 1992, on the Interest Payable for the Period of Moratorium for the Education Loans Under the Program of Interest Subsidy on Educational Loans for Overseas Studies to Pursue Approved Courses of Studies Abroad at the Masters and M. Phil/Ph.D. levels (Government of India, 2021)¹¹. The students should satisfy all the following parameters:

- Achieved admission to graduate programmes (Masters, M. Phil., and Ph.D. levels only) abroad.
- The student comes from a minority community that is considered to be economically weaker, with a gross family income of little more than Rs. 6 lakh per year.
- The student must present an income certificate signed by officers who have been authorized by the relevant State Governments.

- Provided for a course and moratorium period only.
- The subsidy is available for interest charged on the loan amount issued throughout the financial year.
- The programme is available for higher education overseas.
- The students receiving benefits under this scheme shall not be eligible for interest subsidies if they renounce their Indian citizenship while the loan is outstanding.
- Program to lower the interest rate on student loans for international study for students from minority populations (Union Bank of India, 2022)¹².

II. Central Sector Interest Subsidy Scheme on Education Loans (CSIS)

The central scheme to provide interest subsidy (CSIS) had commenced by the Ministry of Human Resource Development and the Government of India on 1st April 2009 for Economical Weaker Sections (EWS) to promote higher education among students belonging to Economical weaker sections of the society. Central Sector Interest Subsidy Scheme (CSIS) only can be benefited those students who may satisfy all these terms and conditions given below: -

- The scheme is only applicable for domestic studies.
- The student who secures admission in any of the professional/technical courses approved by NAAC accredited Institutions or Professional Technical programme accredited by NBA or Institutions of National Importance or Central Funded Technical Institutions (CFTIs) after Class XII.
- The Professional Institutions/programme which does not come under the domain of NAAC or NBA would need the approval of the respective regulatory body namely approval of Medical Council of India for Medical Courses, Nursing Council of India for Nursing Courses, Bar Council of India for Law Courses, etc.
- Under the CSIS scheme, only those Educational Loan are satisfied which are sanctioned without any collateral security or third-party guarantee and subsidy is accessible up to the maximum extent of Rs.7.50 lacs irrespective of the sanctioned amount.
- Annual gross parental or family income from all sources should always be less than Rs.4,50,000.
- Students must be submitting the income certificate as proof from the competent authority appointed by the government of the state.
- The student should provide the income certificate issued by the competent authority selected by the respective State Governments (such as Tehsildar) and submit the same to the home branch from where the loan is availed and also accomplish the documents as required.
- For claiming the subsidy Aadhar number is mandatory.
- The interest subsidy is towards the interest charged in the loan accounts during the study and moratorium period only.
- Scheme applicable for disbursements from the financial year 2009-10 even if the study loan was sanctioned earlier.
- The student will be eligible for interest subsidy only once either for the first undergraduate degree course or the post-graduate degree/diploma course in India.

III. Dr. Ambedkar Central Sector Scheme of Interest Subsidy on Educational Loan for Overseas Studies for Other Backward Classes and Economically Backward Classes (ACSISOBCEBC) Scheme

ACSISOBCEBC stands for Dr. Ambedkar Central Sector Scheme of Interest Subsidy on Educational Loan for Overseas Studies for Other Backward Classes (OBCs) & Economically Backward Classes (EBCs). The scheme has been launched and is applicable from 01 April 2014. The scheme has provided the interest subsidy on education loans taken by the Other Backward Classes (OBCs) & Economically Backward Classes (EBCs) students for abroad studies. To avail of the advantages of this scheme the students should satisfy all the following conditions:

- The student should firstly secure their admission for higher studies overseas for Master's degree, M. Phil, and Ph.D. levels only.
- The student must be belonging to OBCs & EBCs with an annual gross family income of up to Rs.3 Lacs & 1 Lacs respectively.
- The student should necessarily submit their family income certificate either through Form-16 or ITR issued by authorized officers appointed by the respective State Government.
- This scheme is only applicable for education loans that were sanctioned on or after 01.04.2014.
- The scheme is applicable for higher studies abroad and available only for the study course and moratorium period.

- This interest subsidy scheme is only applicable to the interest charged on education loan disbursement, not on the principal amount of the loan during the financial year.
- The government releases funds to the students on a first come first serve basis, subject to the total budget availability every year. There is no fixed budget for expenditure under the scheme.

IV. Credit Guarantee Fund Scheme for Education Loan (CGFSEL)

The government of India (GOI) began Credit Guarantee Fund Scheme (CGFSEL) on 17 September 2015 for the student borrower availing study loan of Rs. 7.50 lacks. New student loans sanctioned on or after the scheme implementation in the banking sector with the condition below will be eligible for taking the advantage of the CGFSEL scheme.

- Without any collateral security and third-party guarantee, there is the maximum limit under this scheme is Rs. 7.50 lacks. However, the Fund reserves the right to revise the loan limit as and when required.
- As per the IBA scheme, the fund shall consider study loans extended by Member Lending Institutions to the eligible applicants on or after entering into an agreement with the National Credit Guarantee Trustee Company (NCGTC) without any collateral security and or third-party guarantee.
- The Interest Rate that the Member Lending Institution charges for education loans that are covered under the CGFSEL scheme should not be more than **2% p.a.** of the **Base Rate** (based on which interest rate applicable for education loans will be determined by the lending institution as per Reserve Bank of India guidelines).
- Without the prior consent of the National Credit Guarantee Trustee Company (NCGTC), there are no over dues with regards to account to the lending institutions nor the education loan has been classified as Non-Performing Asset (NPA) in the books of the lending institution.
- Without the prior consent of NCGTC, the act of the borrower for which the loan facility was granted has not been stopped nor a single bite of loan has been utilized for adjustment of any debts that are deemed to be bad or doubtful for recovery.
- As per its discretion, the Credit Guarantee Fund may frame a list of educational institutes and their courses for which the loan guarantee covers are available or for which loan guarantee covers are not available.
- The Credit Guarantee Fund Scheme are provided a guarantee of up to 75% of the amount in default and the scheme has the right to modify the same from time to time as per the requirement.
- The guarantee cover will begin from the date of payment of the guarantee fee and will run up to the agreed tenure of the student loan.
- The lending institution is evaluating and sanctioning the educational loan amount as per the instruction of the IBA Model Educational Loan Scheme which is for pursuing higher education in India and abroad and conducting the accounts of applicants with normal banking prudence and due diligence.

NOTE: National Credit Guarantee Trustee Company (NCGTC) was introduced on March 28, 2014, by the Government of India (GOI) under the Companies Act, 1956 to act as the Trustee to operate the Credit Guarantee Funds for Educational Loan. (Authority, 2015)¹³.

V. Covers Exchange Programme

The cover exchange programme is one of the schemes of Education Loan facilitated under the Model Education Loan Scheme in India. The scheme covers all those expenses incurred when an Indian education institution migrates its students' borrowers to a partner foreign university duration from six months to a year for higher studies. For aforesaid reason, the cover exchange programme scheme makes it mandatory for students to submit their passport, PAN card, and Aadhaar card wherever applicable, as per the Supreme Court decision, in case of studying abroad along with the documents required to take study loan in India.

However, if the student is not able to submit their PAN details at the time of application, the same can be submitted afterward as per the timeline (minimum of six months from the date of loan disbursed) decided by the respective banks. These details help in tracing and monitoring the abroad student applicants through the embassy/deputation in India if they stop the Education Loan service (Kumar, 2021)¹⁴.

7. Procedure of Education Loan in India

The process of the model education loan scheme and the terms and conditions that borrowers need to fulfill for availing of education loan are discussed in this chapter by gathering information from Indian Banks Association's report, 2021 which are as follows:

Diagram: 1

Parameters		Description
Eligibility criteria	Student Eligibility	<ul style="list-style-type: none"> The student should be an Indian National (including Non-Resident Indian [NRI]) Secured admission to professional/ technical courses in India or Abroad through Entrance Test/Merit Based Selection process. Banks will also consider education loan applications of students born abroad (have overseas citizenship by birth, when parents were on deputation with Foreign Government/ Government agencies or International/ Regional Agencies) and are now studying in India (after the repatriation of their parents) for higher studies in the country. Education loans to the aforementioned category of students will be subject to Foreign Exchange Management (Borrowing and Lending in Rupees) Regulations, as per the Indian Banks' Association's 'Model Educational Loan Scheme for Pursuing Higher Education in India and Abroad (2021)'. The earlier version of the 'Model Educational Loan Scheme for Pursuing Higher Education in India and Abroad (2015)' specifically stated that a student should be an Indian national to be eligible for an education loan.
	Courses Eligibility	<p>Studies in India: (Indicative list)</p> <ul style="list-style-type: none"> Courses as initiated under various Government Subsidy Schemes Approved courses leading to graduate/ post-graduate degree and P G diplomas conducted by recognized colleges/ universities recognized by UGC/ Govt./ AICTE/ AIBMS/ ICMR etc. Courses like ICWA, CA, CFA, etc. Courses conducted by IIMs, IITs, IISc, and XLRI. NIFT, NID, etc. Regular Degree/Diploma courses like Aeronautical, pilot training, shipping, etc., approved by the Director General of Civil Aviation/Shipping, if the course is pursued in India. Approved courses offered in India by reputed foreign universities. <p>Studies abroad:</p> <ul style="list-style-type: none"> Courses as defined under various Government Subsidy Schemes. Graduation: For job-oriented professional/ technical courses offered by reputed universities/institutions. Post-graduation: MCA, MBA, MS, etc. Courses conducted by CIMA- London, CPA in the USA, etc. Degree/diploma courses like aeronautical, pilot training, shipping, etc provided these are recognized by competent regulatory bodies in India/abroad for employment.
Expenses covered under the educational loan scheme		<ul style="list-style-type: none"> The fee is payable to the college/school/ hostel (Reasonable lodging and boarding charges will be considered in case the student chooses to opt for outside accommodation). Examination/ Library/ Laboratory fee Travel expenses/ passage money for studies abroad

	<ul style="list-style-type: none"> • Insurance premium for student borrower, if applicable • Caution deposit, building fund/refundable deposit supported by Institution bills (amount does not exceed 10% of the total tuition fees for the entire course). • Purchase of books/equipment/instruments/uniforms /computer at a reasonable cost, if required for completion of the course/ Any other expense required to complete the course like study tours, project work, thesis, etc. (maximum expenses may be capped at 20% of the total tuition fees payable for completion of the course). • While computing loans required, scholarships, fee waivers, etc., if any available to the student borrower while applying for the loan, may be taken into consideration. • If the scholarship component is included in the loan assessment, it may be ensured that the scholarship amount gets credited to the loan account when received from the Government. <p>Notes:</p> <ul style="list-style-type: none"> ✚ For courses under Management quota seats considered under the scheme, fees, as approved by the State Government/Government, approved regulatory body for payment seats will be taken, subject to viability of repayment. ✚ The banks at their discretion can increase the cap of 10% and 20% mentioned above.
Documents required	<p>Student-applicant and Co-applicant / Guarantor:</p> <ul style="list-style-type: none"> ▪ Proof of Identity and Address as per KYC norms of students and co-applicant. ▪ Passport-size photographs of students and co-applicant (student applicant mandatorily submitted in case of Studies Abroad). ▪ Previous or existing loans, if any, from Banks/Lenders, banks may obtain suitable documentary evidence of students and co-applicant. ▪ Pan Card is a mandatory document for students and co-applicant. However, in case the student or co-applicant is not able to submit Pan details at the time of application, the same may be submitted subsequently as per the timeline decided by the respective Banks (for student, a minimum time of at least six months from the date of disbursement of the loan may be given). ▪ Students need to submit proof of academic records. ▪ Students need to submit proof of admission (offer letter or admission letter from the Institution). ▪ Students need to present a statement of the cost of study or a schedule of expenses. ▪ Aadhaar should be made mandatory to submit for student applicants, wherever applicable as per the Supreme Court decision. ▪ Co-applicant needs to submit Income documents as deemed fit by respective Banks (To avail the benefit of Government Subsidy schemes, Income certificate/proof from the designated officials of the respective states/Competent Authority is mandatory before sanctioning of the loan). ▪ Any other documents are required as specified by the Financing Bank to take the credit decision for both students and co-applicant.
Quantum of finance	<ul style="list-style-type: none"> ▪ Banks should ensure that the government scholarships or scholarships from any source are credited to the loan account if the scholarship amount was not netted off while fixing the quantum of finance.

	<ul style="list-style-type: none"> ▪ Banks may consider capping education loan amounts (streamwise/institution-wise) by taking into account the reputation and placement history of the educational institution concerned. ▪ The threshold limit under various subsidy schemes of the government of India will be as per the respective scheme notifications. As per RBI notification, loans to individuals for Education purposes including vocational courses up to Rs.10 Lakh irrespective of the sanctioned amount are eligible for classification under the priority sector, which is subject to change from time to time.
Minimum Margin	<ul style="list-style-type: none"> ▪ Up to Rs 4 lacs - Nil ▪ Above Rs. 4 lacs - Studies in India 5% Studies Abroad 15% ▪ Above Rs.7.5 lakhs - As per banks discretion ▪ Scholarship/ assistantship to be included in margin. ▪ Margin may be brought-in on a year-to-year basis as and when disbursements are made on a pro-rata basis. ▪ The margin up to Rs 7.5 Lakhs may be kept as Nil if the loan is eligible for the credit guarantee, as under the extant guidelines.
Security	<p>Up to Rs 4 lacs - No security</p> <p>Above Rs.4 lacs and up to Rs7.5 lakh:</p> <ul style="list-style-type: none"> ▪ Parent(s) / guardian(s) to be joint borrower(s). ▪ Parent(s) / guardian(s) to be joint borrower(s) along with suitable third-party guarantee. ▪ The bank may, at its discretion, in exceptional cases, waive third-party guarantee if satisfied with the net-worth / means of parent/s / guardian(s) who would be executing the document as joint borrower(s). ▪ The third-party guarantee will be waived if the loan is eligible for Credit Guarantee coverage and/or Government interest subsidy. <p>Above Rs.7.5 lakhs:</p> <ul style="list-style-type: none"> ▪ Parent(s) / guardian(s) to be joint borrower(s) ▪ Tangible collateral security of suitable value acceptable to the bank. <p>Note:</p> <ul style="list-style-type: none"> ▪ The loan documents should be executed by the student and the parent/ guardian as a joint borrower. However, banks will have the discretion to waive this clause. ▪ The student in all cases will be the primary borrower and parents/guardians will be the co-borrowers. ▪ The future income of the student is to be assigned to the bank for repayment of a loan.
Rate of interest	<ul style="list-style-type: none"> ▪ Interest is to be charged at rates linked to the Base Rate / MCLR as decided by individual banks. ▪ Banks may charge different interest rates for collateralized and non-collateralized loans. ▪ It will also be open to banks to offer differential interest rates based on a rating of courses/institutions or even students. ▪ Simple interest is to be charged during the study period and up to the commencement of repayment. Simple interest may be charged even during any subsequent moratorium considered. ▪ Servicing of interest during the study period and the moratorium period till the commencement of repayment is optional for students. Accrued interest will be added to the principal amount borrowed while fixing EMI for repayment.

Appraisal / sanction/ disbursement	<ul style="list-style-type: none"> ▪ All applications will be mandatorily routed through Vidya Laxmi Portal (VLP) of Govt. of India. ▪ If due to lack of access to the internet facility, any application is received in physical form, the same is also to be uploaded on VLP immediately after sanction. ▪ Normally, sanction/rejection will be communicated within 15 days of receipt of the duly completed application with supporting documents in the Bank. ▪ Rejection of loan application, if any, shall be done with the concurrence of the next higher authority and conveyed to the student stating the reason for rejection. ▪ The sanction, as well as rejection (with reasons), should also be reported by the bank concerned on the VLP portal. ▪ Students may submit their loan applications either at the bank branches near the present / permanent residence of parents/guardians or near the Education institution. Banks are, however, free to adopt different norms to suit their business plans. ▪ The loan is to be disbursed in stages as per the requirement/ demand directly to the Institutions/ Vendors of equipment/instruments to the extent possible. ▪ Banks are to mandatorily report details of all Education loans to Credit Information Companies (CICs) In case of studies abroad, disbursement may be made before issuance of VISA at the Bank's discretion.
Repayment	<ul style="list-style-type: none"> ▪ Repayment Holiday / Moratorium: Course period + 1 year. ▪ Repayment of the loan will be in equated monthly instalments for 15 years for all categories (excluding course and moratorium period). ▪ Banks at their discretion may provide a 1% interest concession if interest is serviced during the study period however, the Subvention provided by Government should not be a cause for providing a 1% concession in the rate of interest. ▪ Banks may also provide for moratorium taking into account spells of under-employment / unemployment, say two or three times (maximum of 6 months at a time) during the life cycle of the loan. Banks may also encourage student borrowers who want to set up start-up units by giving a moratorium on repayment of principal and interest during the incubation period which may be considered up to 2 years. A suitable undertaking/ declaration is to be obtained from applicants in this regard. ▪ No prepayment penalty will be levied for the prepayment of a loan at any time during the repayment period.
Insurance	<p>Now Banks may make it mandatory to arrange for a life insurance policy/credit life insurance policy / Personal Accident Insurance scheme for the students availing of Education Loans. Individual Banks may work out the modalities with insurance companies.</p>
Follow-up/tracking/ Monitoring	<ul style="list-style-type: none"> ▪ Students are to submit a progress report at regular intervals. In the case of studying abroad, students are to submit the Social Security Number (SSN) / Unique Identification Number (UIN) / Identity Card, and banks to note the same in records. The Aadhaar number issued by UIDAI may also be captured in the bank's system as and when available. ▪ Students are to submit the employment details after the completion of the course.
Processing charges	<ul style="list-style-type: none"> ▪ Vidya Laxmi Enrolments charges to be borne by the student (Rs. 100 + GST, subject to change).

	<ul style="list-style-type: none"> ▪ Bank charges up to Rs. 7.5 lacs are Nil and above 7.5 lacs are as per bank discretion. ▪ In case the bank levies processing fees for considering loans up to ₹ 7.5 lakhs, the same should be refunded or adjusted in the loan account on availment of the first disbursement. ▪ the student applicant may be required to pay fees/charges if any levied by third-party service providers.
Capability certificate	<ul style="list-style-type: none"> ▪ Banks can also issue the capability certificate for students going abroad for higher studies. For this purpose, financial and other supporting documents may be obtained from the applicant, if required. ▪ Some of the foreign universities require the students to submit a certificate from their bankers about the sponsor's solvency/ financial capability, to ensure that the sponsors of the students going abroad for higher studies are capable of meeting the expenses till completion of studies.
Other conditions	<ul style="list-style-type: none"> ▪ Sanction of loans to more than one child from the same family: The existence of an earlier education loan to the brother(s) and/or sister(s) will not affect the eligibility of another meritorious student from the same family to obtain an education loan as per this scheme from the bank. ▪ Minimum Age: There is no specific restriction concerning the age of the student to be eligible for an education loan. However, if the student was a minor while the parent executed documents for the loan, the bank will obtain a letter of ratification from him/her upon attaining a majority. ▪ Top-up loans: Banks may consider top-up loans to students pursuing further studies within the overall eligibility limit. ▪ Joint Borrower: The joint borrower should normally be a parent(s)/guardian of the student borrower. In the case of a married person, a joint borrower can be a spouse or the parent(s)/parents-in-law. ▪ No Due Certificate: No due certificate will not be insisted upon as a pre-condition for considering an education loan. However, banks may obtain a declaration/ an affidavit confirming that no loans are availed from other banks.

Source: Compiled information from IBA report 2021, Table prepared by Researcher

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