



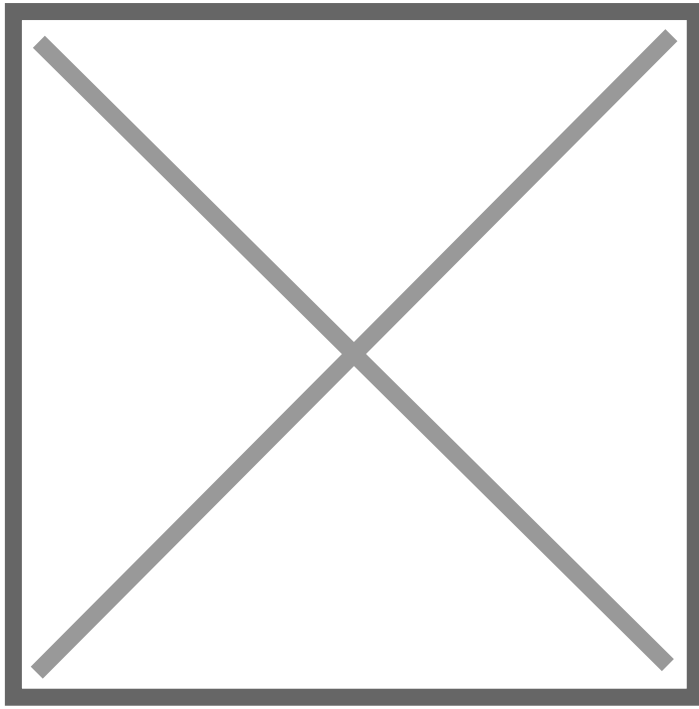
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Educational loans a boon for students

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The changing education scenario is pushing students to invest heavily on education, which their parents cannot afford. Taking educational loans is the lone solution for them to realize their dreams.

Prior to independence, the growth of institutions of higher education in India was very slow and diversification in areas of studies was very limited. After independence, the number of institutions increased significantly. There are 214 universities and equivalent institutions including 116 general universities, 12 science and technology universities, 7 open universities, 33 agricultural universities, 5 women's universities, 11 language universities, and 11 medical universities. Besides, there are universities focusing on journalism, law, fine arts, social work, planning and architecture and other specialized studies. In addition, there are 9703 colleges where 80 percent of undergraduate and 50 percent of postgraduate education is imparted (as of October 1998).

In spite of vast efforts over the last 50 years, it is only now that the country is slowly emerging out of the fetters of old ideas and rigid structures built during the colonial rule. There is at present a demand for radical changes, which have the potential to actualize a national system of education that was visualized during the freedom struggle.

Banks offering loans

- Allahabad Bank
- Andhra Bank
- Bank of Baroda -BOB Scholar,
- Bank of India - Vidya Vardhini
- Bank of Maharashtra
- Canara Bank -Vidyasagar Loan
- Central Bank of India - Centvidhyarath
- Corporation Bank
- Dena Bank - Dena Vidya Laxmi
- Indian Bank
- Indian Overseas Bank - Vidya Jothi
- Oriental bank of Commerce
- Panjab and Sindh Bank
- Panjab National Bank - Vidyalakshyapurti
- State Bank of India
- State Bank of Bikaner and Jaipur
- State Bank of Hyderabad
- State Bank of Indore
- State Bank of Mysore
- State Bank of Saurashtra
- State Bank of Travancore - Gyan Jyothi

Hence national and state level policies are framed to ensure that this basic need of the population is met through appropriate public and private sector initiatives. While government endeavor is on providing primary education to all on a universal basis, higher education is progressively moving into the domain of private sector. With a gradual reduction in government subsidies, higher education is getting more and more costly and hence the need for institutional funding in this area.

In the recent years the scope of education has also widened both in India and abroad covering new courses in diversified areas like biotechnology, information technology and molecular biology. And development of human capital is a national priority and it should be the endeavor of all that no deserving student is denied opportunity to pursue higher education for want of financial support.

Hence the Government of India in consultation with Reserve Bank of India (RBI) and Indian Banker's Association (IBA) has framed a Comprehensive Educational Loan Scheme to ensure that no deserving student in the country is deprived of higher education for want of finances.

The RBI has issued guidelines in this regard to all commercial banks in the country.

A large number of banks including private banks (ICICI, HDFC, HSBC) have already launched educational loan schemes. All the scheduled banks like Allahabad Bank, Andhra Bank, Bank of Maharashtra, Corporation Bank, Indian Bank, Oriental bank of Commerce, Punjab and Sindh Bank, State Bank of India, State Bank of Bikaner and Jaipur, State Bank of Hyderabad, UCO Bank, United Bank of India, Vijaya Bank, State Bank of Indore, Union Bank of India, State Bank of Mysore, State Bank of Saurashtra are offering educational loans to students under the Educational Loan Scheme, while some banks have coined different names for the same. To know more about the scheme visit: <http://www.education.nic.in/htmlweb/circulars/eduloan.htm#banks>. The new scheme covers all type of courses including professional courses in schools and colleges in India and abroad.

The salient features of the scheme include:

- The scheme envisages loans up to Rs.7.5 lakh for studies in India and up to Rs 15 lakh for studies abroad.
- For loans up to Rs 4 lakh, no collateral or margin is required and the interest rate is not to exceed the Prime Lending Rates (PLR).
- For loans above Rs 4 lakh, the interest rate will not exceed PLR plus 1 percent.
- The loans are to be repaid over a period of 5 to 7 years with provision of grace period of one year after completion of studies

To encourage parents to take up education loans for their wards, the government has been offering some benefits under Income Tax Act. Repayment of an education loan is deductible under Section 80E of the Income Tax Act. The yearly limit for deduction is Rs 40,000 (for both the principal and the interest). It will be applicable only for loans taken for higher education - fulltime studies in any graduate or post-graduate, professional, and pure and applied science courses. The deduction will be available for a maximum of eight years starting from the day one starts repaying.

In the changing scenario, students have to invest on education in terms of purchase of books/equipments/instruments /uniforms, purchase of computers & essential for completion of the course, travel expenses/passage money for studies abroad, industrial visits, study tours, project work, thesis to get the best feel of the industry and also to compete successfully in the knowledge-based economy of the 21st century. Otherwise they will be left behind in the race of competition. And those who can afford to invest will overtake them.

The educational loan schemes of various nationalized banks are humble contributions in boosting the confidence of the parents and also students to take up professional courses. By offering educational loans, banks are supporting the younger generation to build a self-reliant country, where the educated youth will be its most valuable asset.

Briefly about educational loans

Purpose:

For payment of fees to school / college and for purchase of books, hostel fees, examination fees, etc.

Eligibility Conditions:

- Need-based finance is permitted with a maximum of Rs 7.50 lakh for inland study and Rs 15 lakh for study abroad.
- Institutions offering courses should have approval of Central Government and State Government / University affiliation / AICTE / DOEACC, autonomous Institutions like IIT, IIM, etc. Job oriented courses are preferred.

Margin:

- Upto Rs 4 lakh - Nil for both inland and foreign studies
- Above Rs 4 lakh - 5 percent for inland studies, 15 percent for studies abroad

Security:

- Upto Rs 4 lakh -Joint documentation with parents/guardian.
- Above Rs 4 lakh and upto Rs 7.50 lakh, for meritorious students in respect of higher education/ Professional courses - Joint documentation with parents/guardian and/or satisfactory guarantee. Assignment of future income of the student
- For above Rs 4 lakh other than (ii) above - Joint documentation with parent/guardian, Collateral security of suitable value and/or co-obligation of third party having required network with assignment of future income of the student.

Disbursement

- Directly to University/College/Hostel/book supplier/ etc.

Credit Delivery

- The loan can be availed from the branch nearest to the place of permanent domicile.

Rate of Interest:

(Subject to changes as advised by Bank / RBI from time to time)

- Upto Rs.4 lakh - 10.75%
- Above Rs.4 lakh - 11.75%

Repayment Conditions

- Loans are repayable in 5 to 7 years. Repayment of both principal and interest will start after one year after completion of the course or six months after getting employment, whichever is earlier. Interest will be charged on simple basis during the period of study / moratorium period. At the commencement of repayment, the accrued interest is added to the principal amount and Equated Monthly Installments (EMIs) fixed on total outstanding amount. After commencement of repayment, the benefit of simple interest would be discontinued.

