

## Cabinet approves continuation of the Credit Guarantee Fund for Education Loans Scheme and continuation and modification of Central Sector Interest Subsidy Scheme

Cabinet Committee on Economic Affairs (CCEA)

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The Cabinet Committee on Economic Affairs under the Chairmanship of Prime Minister Shri Narendra Modi, has given its approval for continuation of Credit Guarantee Fund for Education Loans Scheme and continuation and modification of Central Sector Interest Subsidy Scheme with a financial outlay of Rs. 6,600 crore for period from 2017-18 to 2019-20. This will provide education loans to 10 lakh students during this period.

### Modifications in the present proposal:

- i. In order to allow more students to access the benefit, (and also considering that the average loan size has been only Rs. 4 lakhs), the ceiling on the loan amount has been refixed at Rs. 7.5 lakhs.
- ii. The moratorium period would be course period + 1 year.
- iii. To promote quality education, the scheme would cover loans for pursuing professional/technical courses from NAAC/NBA accredited Institutions/programmes or Institutions of National Importance or Central Funded Technical Institutions (CFTIs). This condition would however, be applicable with prospective effect, and would not apply to the current loans.
- iv. A dashboard would be put in place for better monitoring of the scheme.

### Coverage:

As against the scheme which ran since 2009, in which average educational loans per year were only 2.78 lakhs, under the revised scheme, the number of loans per year are expected to be at least 3.3 lakhs, showing a 20% increase over the previous scheme.

The above restructuring of the scheme is in accordance with the policy of the Government to make good quality education affordable to all.

## Background:

**Central Sector Interest Subsidy (CSIS) Scheme** was launched on 1<sup>st</sup> April, 2009. Under the Scheme, full interest subsidy is provided for the education loan taken from Scheduled Banks under the Model Education Loan Scheme of Indian Banks' Association, covering a period of course duration + 1 year. This is made available for all the professional/technical courses in India and students with annual gross parental income up to Rs. 4.5 lakhs were eligible. The loans are disbursed without any collateral security and third-party guarantee. An amount of Rs. 9,408.52 crore has been disbursed towards interest subsidy and 25.10 lakh students have benefitted till date.

**Credit Guarantee Fund for Education Loans (CGFEL) Scheme** provides guarantee for the education loan under the Model Education Loan Scheme of Indian Banks' Association, disbursed by the banks without seeking any collateral security and third-party guarantee, for a maximum loan amount of Rs. 7.5 Lakhs.

A third party evaluation of the scheme has been made by IIM Bangalore, which suggested that the scheme should be rationalised to serve more students from economically weaker sections.

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