Student Loans and Suicide

Engineering student Rajani's suicide is a wake-up for India's banking system, and is also a clear signal that we need to urgently address issues of equity in our educational system.

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Two news items appeared in the Delhi edition of the *Hindustan Times* in the last week of July. The reports went unnoticed except for some news channels which covered it briefly. Parliament was 'busy' deciding how to overcome the crisis caused by the BJP's boycott of proceedings on the issue of Shibu Soren's arrest. The prime minister was reviewing the drought and flood situation in the country. Officials in the HRD ministry were probably too much into the process of 'detoxification' of the ministry. And the finance minister was appealing to the chief commissioners of income tax and central excise to mop up more revenue. And where was the bureaucracy responsible for the well-being of the banking system? Their hands were full with salvaging the Global Trust Bank and the associated fiasco. And the news went almost unnoticed.

Of the two news stories, one concerned Rajani, a dalit engineering student in Kerala, who committed suicide as her family could not afford the fees for her education. Rajani's application for a student loan had reportedly been turned down by several banks. The other story was also about the financial troubles dogging Vaishali, a medical student.

For someone like this author, who had the privilege of studying and working in some of the best educational institutions in India, this is a moment of national shame and disgrace. The death of Rajani is a national disaster. It is a calamity for all those who had the benefit of educating themselves at the taxpayers' expense. It is time for introspection for all those professionals in large financial institutions who deal in fancy instruments like 'futures and derivatives'. It is a wake-up call for all those bankers and their organised trade unions who resort to strike at the slightest provocation. It is also a clear signal that we need to do something urgently to address issues of equity in our educational system. Moreover, it is also time to ask critical questions to a large fraternity of bankers and professionals such as whether tragedy could have been avoided had some of them shown a little more flexibility and empathy.

India boasts of a well-entrenched formal banking system, a vast network of public sector commercial banks, supported and complemented by a strong network of 196 regional rural banks, and hundreds of cooperative banks. In addition, in the past 10 years, one has seen the rapid spread of foreign banks in metros and other towns. The Thiruvananthapuram and Nagpur episodes raise questions and challenges that the banking system needs to respond to. Why did the five banks in Kerala not consider Rajani a 'credible' client? Why did they insist on collateral security? Why did they refuse her father Sivanandan's requests? Was it because he was an illiterate dalit? Was Rajani refused a loan because she was a dalit and a woman? What happened to all those much published and hyped 'educational loan' schemes of public sector banks? Wasn't it a sufficient 'credential' for Rajani to have got herself admitted to a computer engineering course? Who played safe in these banks and refused a loan to Rajani?

It appears that we as a nation don't learn from our past experiences. The myth that the 'poor are not bankable' has been destroyed, thanks to a massive decade-long effort by NABARD, banks, micro-finance institutions and the one million-plus self-help groups (SHGs). The SHG success stories from all parts of the country have repeatedly proved that what poor people need is a small sum of Rs 3,000 or Rs 5,000 for education, health and other livelihood activities. The SHGs have demonstrated with conviction that poor men and women make good clients because the poor understand the need to build self-esteem and credibility for themselves. Time and again, bankers have acknowledged in seminars and workshops that their SHG portfolio had an impressive 98 per cent to 99 per cent repayment rate. The same bankers have shared in public and private meetings that those who are rich (and can in fact afford to repay) are the risky clients who often turn into wilful defaulters. Does anyone need further proof, if one has tracked the ICICI and Mardia Chemicals legal battle?

Then, the critical and disturbing question is, why did some bankers in Kerala refuse a loan say of Rs 40,000 to Rs 50,000 to Rajani? What kind of collateral security were they looking for? So far, we had heard of farmers committing suicide. One had read disturbing stories of deaths caused by dowry, educated unemployed men immolating themselves in frustration.

The Kerala incident is a wake-up call for all banking professionals. Let the state-level bankers' committees take up this point as the top agenda item in their meetings. Let trade union leaders and their followers debate this death in their fora. Let all banks publish the details of their educational loan schemes, how many candidates applied for these schemes, who benefited from it and so on. Let the office of the ombudsman for banks appointed by the Reserve Bank of India investigate the reasons for the refusal of a loan to Rajani. We need a debate. We need to shake-up the lethargy that is gripping the banking system. It seems easier to show a good bottom line not by lending but by parking surplus funds in safe government securities or with the head office.

The Kerala episode is a warning signal. There have been many such signals in the past which have largely been ignored. This time, we need to learn. The banking community owes it to all of us, and they owe it to themselves. EPW