ALL INDIA BANK EMPLOYEES' ASSOCIATION

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TO ALL OFFICE BEARERS, STATE FEDERATIONS AND
ALL INDIA BANKWISE ORGANISATIONS:

Dear Comrades,

- **Oppose proposed privatisation of IDBI Bank**

Units are aware of the repeated attempts on the part of the Government in the recent period to privatize IDBI Bank. All India IDBI Employees Association observed strike on 27th November, 2015 and AIBEA extended its full support to them in opposing this privatisation move. Subsequently, the Government and the management were making statements that there is no such proposal to privatize the IDBI Bank. But in the Budget speech, Finance Minister has made it clear that the Government would consider the option of reducing its capital in IDBI Bank to less than 50 %.

IDBI/IDBI Bank is meant to cater to the needs of development finance. But, right from the beginning it is used as a milking cow to loot in the name of corporate loans. A decade ago, when the bad loans in IDBI were on the rise, the Government allowed shifting these bad loans amounting to more than Rs. 9000 crores to Stressed Assets Stabilisation Fund in a cleansing operation. But again the bad loans have risen to more than Rs. 18,000 crores now.

Instead of taking stringent measures to recover these bad loans, it is regretful that the Government is trying to privatize IDBI Bank and sell the Bank to private hands when private corporate borrowers are the main culprits of defaulters.

Hence from AIBEA we have addressed a letter to Finance Minister and advise all our units to address similar letter to Finance Minister with copy to us.

With greetings,

Yours Comradely,

C.H. VENKATACHALAM
GENERAL SECRETARY

ALL INDIA BANK EMPLOYEES' ASSOCIATION

AIBEA/GS/2016/22 1st March, 2016

Shri Arun Jaitley
Hon'ble Minister for Finance,
Government of India
New Delhi

Respected Sir,

Proposed privatisation of IDBI Bank

We note with extreme resentment, concern and indignation from the Budget proposals presented to the Parliament yesterday that the Government of India, inter-alia, would carry forward the process of **'transformation of IDBI Bank'** and **'consider the option of reducing its stake to below 50%.'**

You are well aware, Sir, that the IDBI (Transfer of Undertaking & Repeal), 2002 was subject matter of intense debate in Lok Sabha during three successive sessions between December 2002 and December 2003 and taking into consideration the view points and sentiments expressed by the Hon'ble Members of Parliament and the recommendations of the Parliamentary Standing on Finance which scrutinised the Bill in depth, the then Hon'ble Finance Minister, Jaswant Singh, who was also from the NDA/BJP Government had consciously and categorically assured the Hon'ble Members of Parliament that post conversion, **Government of India shall, at all times, maintain not less than 51 % of the issued capital of the company.**

It is on record that the supra assurance was taken on records of the Committee on Government Assurances and compliance of the same was confirmed by incorporating specific provision in Clause 4 of the Articles of Association of the Bank to the effect that the "Central Government being a share holder of the Company, shall at all times maintain not less than fifty one percent of the issued capital of the Company".

It is pertinent to point out that placing reliance on the supra assurance, Reserve Bank of India categorised IDBI Bank (formerly IDBI Ltd) under a **new Sub Group: Other – Public Sector Banks**

Further, the Government of India, in response to the specific question raised by the Hon'ble Members of Parliament seeking clarification as regard to Government of India diluting its equity in IDBI Bank below 51%, informed both the Houses of Parliament as late as December 2015 that all Public Sector Banks including IDBI Bank have been allowed to raise capital from public market by diluting Government of India holding up to 52% in a phased manner.

In the context of the foregoing facts, the present intent of the Government of India to " consider the option of reducing its stake below 50%" made known in its Budget proposal as part of the transformation process of IDBI bank effectually leading to its privatisation, you will appreciate, Sir, is patently a breach of assurance and an affront on the sanctity of the assurance made on the floor of the Parliament- the highest polity of Parliamentary democracy.

This apart, this disconcerting news has also created justifiable anxiety and concern among the staff members of the Bank as also the customers of the bank impacting on their confidence in the bank.

Further, the Government of India in its "Mid-Year Economic Analysis 2015-16" Report has attributed at para 3.47 that the increase in the increase in Non-

Performing Assets in Scheduled Commercial Banks **"is due to less than adequate pick up in domestic growth , slowdown in the global economy and negative spillovers from global financial markets**". It is conceded by the Government itself beyond doubt that the issue of "ownership" is totally extraneous to the above adduced reasons for the increased NPAs in the Scheduled Commercial banks including IDBI Bank.

As the malady of burgeoning Non Performing Assets is not exclusive to IDBI Bank, the Government's proposal to consider reducing its stake below 50% in IDBI Bank in isolation, in our considered opinion, is not only superfluous but also tantamount to targeting and isolating IDBI Bank.

It would be pertinent to indicate that in the year 2004, Rs. 9000 Crores of NPAs euphemistically called Stressed Assets were transferred to Stress Assets Stabilization Fund (SASF) and was touted by the then authorities that IDBI as Bank would begin with a clean slate.

Exactly, after a decade, very same issue of NPAs in double the proportion i.e. more than Rs. 18,000 crores is haunting the Bank. The Comptroller and Auditor General Report on SASF is total in vindication of the apprehension expressed by our Association at that point itself.

It would not be out of place to mention that unlike in the other Banks, the entire NPA/Bad loans/Stressed Loans in IDBI Bank are loans due from the corporate houses and big business as no priority sector loan, etc. are involved in this Bank. It would be a sad precedence that by reducing the Government's stake in IDBI Bank to less than 50% would mean and imply selling the equity to private hands that may include the very same defaulters who have not repaid the loans to the Bank.

We are afraid that the present remedy sought to be administered is much worse than the disease itself. The present unenviable financial position in which IDBI Bank is placed today, in our opinion, is not systemic failure but systematic failure of the successive Managements to put in place stringent measures to contain and recover NPAs.

Dismantling of IDBI which has completed 50 years of its glorious and purposeful existence as Development Finance Institution for more than four decades is unfair and unwarranted and it is against the objectives for which IDBI Bank was founded.

Sizeable quantum of NPAs in IDBI is a sequel to its discharging the mandated DFI role. In fact, the Parliamentary Standing Committee of Finance in its report has recommended revival of DFI. Since IDBI Bank is best suited to discharge the DFI role for the industrial development of the Country, it should be retained in Public Sector, nurtured and facilitated with required capital requirements.

In the light of our foregoing submissions, we address this letter to you, Sir, to reconsider the issue dispassionately, and review the decision, rescind the proposal and retain IDBI Bank as a Public Sector Bank.

Thanking you,

Yours faithfully,
Sd..
C.H.VENKATACHALAM
GENERAL SECRETARY

Email id of Finance Minister: **fm@finance.nic.in**