ALL INDIA BANK OFFICERS' CONFEDERATION

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WE OPPOSE THE SALE OF IDBI STAKES TO LIC

Press Release

All India Bank Officers Confederation, the largest officers' organization having membership of around 3, 25,000 officers and the apex trade union of supervisory cadre employees conveys its strong resentment on the Govt. move to sell IDBI Bank's majority stake to LIC. It is quite astonishing to see that the government is mulling the possible sale of IDBI Bank, which is a bank with gross bad loans of 28 per cent, to LIC.

For the last two years, the government has been trying to sell IDBI Bank, which has the highest bad-loan ratio among all state run lenders in India. Moreover, IDBI Bank is not governed by the Bank Nationalization Act, making it easier for the government to divest control. It is also ironical to note that IDBI was put on prompt corrective action (PCA) by the Reserve Bank of India in May 2017 due to high non-performing assets and negative return on assets. But, RBI's formula of PCA to help banks is possibly causing more harm than good. RBI's style of protecting a bank from sinking with their programme named Prompt Corrective Action has not worked which is why government has decided to sell the stake of IDBI to LIC. Unfortunately, IDBI, it is not alone. Nearly 11 other banks are in the same category and at least 5 more are staring at getting into the emergency ward. That is half of India's listed public sector banks. We recollect that Shri Piyush Goyal who has been given temporary charge of the finance ministry, assured all possible help from the government to strengthen the 11 public sector banks that have been placed under the RBI's 'Prompt Corrective Action' framework to check their deteriorating financial health. Though, the Minister promised to pull these banks out of the problem, but he didn't reveal any concrete plan. Is this yet another case of false promise? It will be difficult for PSU banks to recover from this crisis. In near term, the pain for PSBs is going to continue, given that the RBI had already started issuing directive to banks to stop incremental credit.

Banks which have been placed under restrictions by the Reserve Bank of India to improve their financials are feeling the heat, as their deposit growth have fallen below the industry average, indicating that wary customers are shunning such banks. The Reserve Bank has initiated Prompt Corrective Action (PCA) on 11 government-owned banks, which bars them from expanding their banking business such as opening branches, hiring, or paying higher rates on deposits, etc. PCA is triggered when banks report losses for over two years and their share of bad loans cross 6 per cent. This has worsened the performance of these banks and RBI should be held responsible.

IDBI Bank's deposits fell 9.4 per cent in the quarter ending June 2017 over March 2017 while Dena Bank saw a dip of 6.3 per cent and UCO Bank's deposits fell 3 per cent. The drop in deposits has been largely triggered after the banks have been placed under PCA, which may result in banks collapsing or may shut down, or be merged. By no means does the framework suggest (PCA) that the bank would cease to carry out normal banking operations, including lending, as is being mischievous. Dena Bank has stopped all lending. How it can function. The banks in various discussions with the government and also the Reserve Bank have said that they will be able to recover in the next one or two quarters. If the RBI imposes restrictions under PCA, it will be difficult for them to turn around quickly. Hence, this is not exaggeration of fact to say that invoking of PCA is nothing but an initiative towards the privatization or merger of public sector banks.

Rescuing a dying bank with taxpayers' money is often the only way to prevent a costlier contagion. But nursing a deposit-taking institution by tapping life-insurance premiums of policyholders? That's like allowing a localised infection to spread all over, hoping the natural immunity of an otherwise healthy body will help beat back the germs. The government's plan to sell a majority stake in IDBI Bank Ltd. to Life Insurance Corp. of India is not modern medicine. It's bureaucratic quackery which will ultimately weaken the LIC as well. It's a deliberate attempt on the part of the government to weaken LIC to promote privatization.

Among all public sector banks, IDBI Bank is in the worst situation. It has a bad loans ratio of close to 28%. This basically means that Rs 28 out every Rs 100 the bank has given out as a loan, hasn't been repaid . The government is basically unloading its junkiest bank on the insurance behemoth, and hence, on the people of this country. Dumping IDBI Bank on to LIC, is definitely not an example of clean mind, as the country has been promised. If the government wants to continue to own IDBI Bank, then it should continue to provide capital to the bank and strengthen it. These financial tricks are not going to help anyone. They are just going to postpone a problem and in the process create a bigger one.

We, on behalf of the All India Bank Officers Confederation, strongly demand that the government and the RBI should not move ahead with their plan of selling the stakes of IDBI to LIC and rather the government should infuse capital and strengthen the Bank. Further, we understand that the plan of selling IDBI to LIC is nothing but a plan to weaken LIC to make the road to the privatisation of LIC smoother. We also demand that the government and RBI should also withdraw the imposition of PCA on the other public sector banks since it has been proved that PCA could not help out IDBI to make a turn-around. Thus, we make it clear that if the government moves ahead with this ill-motivated plan to sell off IDBI, we will be forced to resort to organizational steps.

With Greetings,

[D T FRANCO]
GENERAL SECRETARY