

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA

UNSTARRED QUESTION NO. 2880

TO BE ANSWERED ON THE 28TH DECEMBER 2018/ PAUSHA 7, 1940 (SAKA)

LIC Investment in Debt-ridden IDBI

2880. SHRI RAHUL SHEWALE:

SHRI DINESH TRIVEDI:

SHRI BHARTRUHARI MAHTAB:

SHRI SANJAY DHOTRE:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has conducted any risk analysis study before ordering Life Insurance Corporation of India (LIC) to invest in debt ridden Industrial Development Bank of India (IDBI) bank, if so, the details thereof and if not, the reasons therefor;
- (b) the details of solvency ratio of LIC since 2014, year-wise;
- (c) whether the Non-Performing Assets (NPAs) of LIC are on the rise during each of the last three years and the current year, if so, the details thereof and the reasons therefor, sector/company-wise
- (d) whether the LIC is bailing out IDBI Bank having highest Gross NPA Ratio in the entire banking sector despite the fact that its own NPAs are on the rise, if so, the details thereof and the reasons therefor; and
- (e) the steps taken/being taken by the Government to ensure that LIC must clear its own NPAs before bailing out IDBI and other financial institutions in the country?

ANSWER

**Minister of State in the Ministry of Finance
(SHRI SHIV PRATAP SHUKLA)**

(a) to (e): With regard to details and reasons relating to Government decision in respect of LIC's proposed investment in IDBI Bank Limited, it may be noted that Union Finance Minister, in his Budget speech (2016), had announced: "The process of transformation of IDBI Bank has already started."

Government will take it forward and also consider the option of reducing its stake below 50%.” Against this background, after approval of LIC’s Board, LIC submitted a proposal informing, *inter alia*, of various measures for safeguarding the policyholders fund, to the Insurance Regulatory and Development Authority of India (IRDAI) for acquiring controlling stake in IDBI Bank Limited. After consideration of LIC’s submissions by IRDAI and receipt of IRDAI’s permission, LIC wrote to IDBI Bank Limited expressing interest in acquiring controlling stake in the bank. In this regard, it may be noted that both LIC and IDBI Bank Limited are Board-driven entities, and take their decisions as per extant policy and regulatory framework. After consideration of LIC’s offer by the Board of IDBI Bank Limited, the bank sought Government’s decision in this regard and after considering the matter Government conveyed its no objection to reduction of its shareholding in IDBI Bank Limited to below 50% by dilution, subject to requisite regulatory approvals and compliance with law. IDBI Bank Limited has subsequently apprised that various necessary approvals, including of Reserve Bank of India, IRDAI, Competition Commission of India and Securities and Exchange Board of India, required to take the deal forward have since been obtained by both LIC and IDBI Bank Limited.

With regard to the details of solvency ratio of LIC, it may be noted that year-wise solvency ratios of LIC’s total business, for the financial years 2013-14 to 2017-18 are 1.55, 1.55, 1.55, 1.59 and 1.59 respectively.

With regard to whether there is risk in LIC’s NPAs and clearing of the NPA, it may be noted that as per LIC’s inputs, the rising trend in LIC’s gross NPAs over the last three financial years has been reversed in the current financial year, with gross NPA in the current financial year declining by Rs. 1,144.63 crore till 31.10.2018 and further, the net NPA of LIC is reducing sharply from Rs. 7,040.88 crore as on 31.3.2018 to Rs. 1,580.88 crore as on 31.10.2018.

Further, it may be noted in respect of IDBI Bank Limited that a bank’s performance is measured on various parameters, key among which are, *inter alia*, operating profit to total assets ratio, non-performing asset (NPA) ratio, provision coverage ratio, cost-to-income ratio and low-cost deposits (current accounts and savings accounts, *i.e.*, CASA) as a percentage of total deposits. Of these, as of September 2018, among public sector banks, IDBI Bank Limited is above average in terms of most key parameters, *viz.*, cost-to-income ratio, provision coverage ratio and CASA ratio, while it is below average in terms of profitability and Net NPAs.

Sample Only