

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

STARRED QUESTION NO. *57

TO BE ANSWERED ON THE 20TH JULY 2018/ ASHADHA 29, 1940 (SAKA)

Takeover of IDBI Bank

***57. SHRI GAURAV GOGOI:
SHRI DUSHYANT CHAUTALA:**

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has recently decided to make the Life Insurance Corporation of India (LIC) as the major shareholder of the Industrial Development Bank of India (IDBI) and if so, details thereof and the reasons and justification therefor;
- (b) whether LIC had sought the Government's/IRDAI approval to buy a controlling stake in IDBI bank under some pressure and if so, the details thereof;
- (c) whether IDBI bank is the worst performing Public Sector Bank whose bad loans are in several crore and if so, the details thereof;
- (d) whether the hard earned money of the LIC policyholders are likely to sink in loss making IDBI bank and LIC is facing stiff resistance/opposition from various unions/associations/federations and policy holders and if so, the details thereof along with the corrective steps proposed to be taken by the Government to protect the LIC from entering into any contract with IDBI bank and to safeguard the interest of policyholders; and
- (e) whether other formalities like naming the bank and its operation, staff matters have been completed and if so, the time by which LIC is likely to take over the operations of the IDBI?

ANSWER
THE FINANCE MINISTER
(SHRI PIYUSH GOYAL)

(a) to (e): A Statement is laid on the Table of the House.

STATEMENT FOR LOK SABHA STARRED QUESTION NO. *57 FOR 20TH JULY 2018 REGARDING "TAKEOVER OF IDBI BANK" BY SHRI GAURAV GOGOI AND SHRI DUSHYANT CHAUTALA, MEMBERS OF PARLIAMENT.

(a) to (e): 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 has written to IDBI Bank Limited expressing interest in acquiring 51% 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 has sought Government's decision in the context of Government's stake coming down below 51% as a result of the proposed acquisition. The matter is under Government's consideration.

A bank's performance is measured on various parameters. Key parameters include, *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 March 2018, among public sector banks, IDBI Bank Limited is above average in terms of most key parameters, *viz.*, operating profit ratio, cost-to-income ratio, provision coverage ratio and CASA ratio, and is below average in terms of net NPAs, details in respect of which are at Annex.

Since the matter is under consideration, part (e) of the question does not arise at this point of time.

Lok Sabha Starred Question No. *57, for 20.7.2018

Key Parameters relating to IDBI Bank Limited

As on 31.3.2018

S. No.	Parameter	IDBI Bank Limited	Public Sector Banks
1	Operating profit to total assets ratio	2.26%	1.43%
2	Cost-to-income ratio	37.5%	53.92%
3	Provision coverage ratio	63.4%	61.1%
4	CASA ratio	37.15%	36.33%
5	Net NPA amount	Rs. 28,665 crore	Rs. 4,54,473 crore

Source: Banks
