UNITED FORUM OF IDBI OFFICERS & EMPLOYEES

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Press Release

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To Reporter/Editor

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Concerns Over Privatization of IDBI Bank Amid Approval to Foreign Entity for Subsidiary in India.

On May 19, 2025, the Reserve Bank of India (RBI) issued a press release confirming that it has granted in-principle approval to the National Bank of Dubai PJSC (Public Joint Stock Company), based in the United Arab Emirates, to establish a wholly owned subsidiary in India. The bank currently operates through three branches located in Chennai, Gurugram, and Mumbai.

This development gains added significance as the National Bank of Dubai PJSC is reportedly the same entity that expressed interest in the strategic sale of IDBI Bank — a process initiated by the Department of Investment and Public Asset Management (DIPAM), under the Ministry of Finance. This expression of interest was reported by Moneycontrol as early as January 25, 2024. The move mirrors the path taken by DBS Singapore in its acquisition of Lakshmi Vilas Bank, a precedent in private sector banking transactions.

However, what distinguishes the IDBI Bank case is its status as the first public sector bank in India's history being prepared for privatization. Although the Reserve Bank of India classified IDBI Bank as a private sector bank for regulatory purposes on January 21, 2019, the Government of India still regards IDBI Bank as a public sector institution. Accordingly, DIPAM was tasked with overseeing its disinvestment.

In a Cabinet meeting held on May 5, 2021, the Government of India decided to divest its 30.48% stake, along with LIC's 30.24% holding, totaling 60.72%. The decision includes transferring both management and control to the acquiring entity holding a majority stake. DIPAM has since been leading this disinvestment process.

IDBI Bank has witnessed a robust financial turnaround. For the fifth consecutive year, the bank has posted significant profits, Rs.7,516 crores in the most recent fiscal year. The bank's gross Non-Performing Assets (NPAs) have been drastically reduced from Rs.55,588 crores (27.95% of total advances) to Rs.6,695 crores (2.98%). Its Provision Coverage Ratio (PCR) stands at an impressive 99.48%, among the highest in the Indian banking industry. Despite this remarkable recovery, the bank is now poised for privatization, raising serious concerns.

The decision to sell a profit-making, stabilized public sector bank, especially to a foreign entity, raises critical questions about the consistency of the Government of India's economic and banking policies. In contrast, the government had earlier taken significant steps to support struggling private institutions, such as Yes Bank, by directing public sector giant SBI to infuse capital. Similarly, it converted the debt of the financially distressed Vodafone Idea into equity. These instances reflect a policy trend of bailing out the private sector using public resources, while profitable public institutions like IDBI Bank are being sold off.

Between 2013 and 2019-20, the Government of India infused Rs.23,227 crores into IDBI Bank. LIC, a public sector financial behemoth and a proxy arm of the government, injected an additional Rs.21,624 crores. These investments, totaling Rs.44,851 crores, were made using taxpayer funds, aimed at reviving the bank. Selling such a revitalized national asset to a foreign entity, especially after years of public investment, is deeply troubling.

This situation reflects what many term as the privatization of profits and nationalization of losses. It raises legitimate concerns about fiscal justice, economic sovereignty, and policy coherence under the broader vision of Atmanirbhar Bharat (Self-Reliant India).

In light of these developments, we urge the Government of India to revisit its decision to sell IDBI Bank and explore alternative models that retain national ownership, protect public interest, and align with the principles of self-reliance and long-term economic stability.

With warm regards,

Yours Sincerely,

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