

# ALL INDIA BANK OFFICERS' CONFEDERATION

(Registered under the Trade Unions Act 1926, Registration No.:3427/Delhi)

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To All Affiliates/State Units/Members

Dear Comrades,

## **AIBOC OPPOSES PRIVATISATION OF IDBI BANK** **DEMANDS CONVERTING IDBI INTO A DEVELOPMENT FINANCIAL INSTITUTION**

Closely on the heels of declaring its intention to set up Banks Board Bureau and Bank Investment Company as recommended by the P J Nayak Committee, the Government has made its intention clear to move further towards privatization of public sector banks. Hon'ble Finance Minister, Sri Arun Jaitley addressing the 68<sup>th</sup> Annual General Meeting of Indian Banks' Association had declared Government's intention to dilute Government stake in state-run banks to 52%. He had also stated in a TV interview that the Government would give more autonomy to IDBI Bank and consider providing it an Axis Bank-like structure. It may be recalled that when Axis Bank was formed, it was owned by UTI and a number of public sector insurance companies. Today Axis Bank is a private sector bank. It is clear that the Government is moving towards its goal of privatisation of Public Sector Banks on the alibi of autonomy.

Comrades, PSBs have played a major role in economic development of the nation by reaching out to every nook and corner of the country mobilizing savings of the masses and using it for productive purposes. PSBs have implemented all the programmes and policies of the Government; be it priority sector advances or financial inclusion drive. The Hon'ble Prime Minister in his recent address at the United Nations has remarked about the Government's efforts towards financial inclusion by reaching out to the unbanked millions in the country by opening 180 million bank accounts in a record time through Prime Minister's Jan Dhan Yojana (PMJDY). When the so-called new generation banks and private sector banks were lukewarm in their response to the Government's call, it is to the credit of PSBs who had mobilized 180 million accounts in a record time. The officers of PSBs at all levels went on a mission mode forgetting their holidays and Sundays; conducted camps and completed the onerous task which initially looked impossible. Today common man can access to the benefit of Government schemes through their accounts opened under PMJDY and get the benefit of subsidy directly credited to their accounts; avoiding pilferages in subsidy and saving the public exchequer from the losses. In spite of this, it is astonishing that the Government is going ahead to reduce its stake which we perceive as implementation of its agenda of privatization. We cannot be silent spectators of privatization of public wealth. AIBOC has been in the forefront against the fight against the policies of liberalization and privatization of the Government in the past and we shall continue to fight against such ill-conceived policies in future too including the ill intentions of the Government to privatise IDBI Bank.

Industrial Development Bank of India was constituted under IDBI Act, 1964 as a Development Financial Institution (DFI) and came into being on 1<sup>st</sup> July 1964 in order to take care of the long term financial needs of the economy. Over the years it developed expertise in financing infrastructural projects with long gestation period like power, roads, telecom, steel, ports etc. and helped the industrialisation efforts of the Government as a part of Five Year Plans. In the beginning of 21<sup>st</sup> century, as the Government in power, embracing the policies of western economies, pursued the agenda of universal banking, IDBI Bank became the first casualty. The Government repealed the IDBI Act and created Industrial Development Bank of India Ltd. as a Govt. company under the Companies Act. All the Banks started financing long term projects in which they had little expertise and today the results are visible in the form of lakhs of crore of NPAs staring at PSBs. The unscrupulous corporates took advantage by inflating project costs and diverting the funds as the PSBs did not have the required expertise in project financing and most of them followed the assessment of consortium lender. Today the entire economy is bearing the brunt of NPAs. AIBOC is of the firm view that what is required at the present juncture is bringing back the DFIs which will cater to the long term finance needs of the economy while PSBs will look after short term and working capital finance. In the recently concluded Executive Committee meeting, while deliberating on the problem of NPAs in the industry, the EC was unanimous in its view that the PSBs have paid a heavy price for doing universal banking and there is a need to relook at the policy of the Government. Hence, AIBOC demands that instead of diluting the stake in IDBI, the Government should increase its stake and restore it to its original avatar which will serve the country in the long term.

If the Government is serious about giving autonomy to PSBs, it should empower Bank's Board by professionalizing the Board and stop interference from the political masters and bureaucracy. Seeing the fate of the Autonomy Package for PSBs, announced by the Government in February 2005, with a lot of fanfare and burying it in due course through interference, the bankers are skeptical about the Government's intent about autonomy.

AIBOC is determined to pursue its goals by launching campaigns to educate the public and also will resort to agitation, if the need arises. Comrades, it is our sacred duty to protect the interest of the common masses by preserving the public sector banking. Any effort to privatize shall be opposed by all in the national interest. Let us continue our fight to preserve the public sector banking in the country.

With revolutionary greetings,

Yours sincerely,



(HARVINDER SINGH)  
GENERAL SECRETARY