ALL INDIA BANK EMPLOYEES' ASSOCIATION

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To
Dr. Soumya Kanti Ghosh,
Part time Member
Prime Ministers Economic Advisory Council
&
Group Chief Economic Advisor,
State Bank of India
Corporate Centre
Mumbai

Dear Dr. Ghosh,

Few days ago, we came across an interview given by you to India Today television channel during which you had stated as under:

> **First misnomer is that IDBI Bank is being privatised. Actually, it is incorrect, because IDBI Bank is already a private Bank in FY2019 as per RBI document.**

We are also aware that on 14-1-2019 Reserve Bank of India issued a press Release as under:

> **" IDBI Bank Limited has been categorized as a 'Private Sector Bank' for regulatory purposes by Reserve Bank of India with effect from January 21, 2019 consequent upon Life Insurance Corporation of India acquiring 51% of the total paid-up equity share capital of the bank."**

Anyone can easily understand that the above recategorization is only for regulatory proposes as stated in the Press Release. Anyone can also understand that it means and implies that for all other purposes, it will be public sector Bank.

In this regard we wish to draw your kind attention to the following factual information which would reveal that actually IDBI Bank is very much a public sector bank for all intents and purposes :

1. **IDBI Ltd., was a creation of the Statute – IDBI (Transfer of Undertaking and Repeal Act, 2003).**
2. **Relying on the assurance given on the floor of Lok Sabha on 8-12-2003 and in Rajya Sabha on 15-12-2003 by the then Minister of Finance Shri Jaswant Singh of Vajpayee Government, that Government shall at all times, maintain shareholding not below 51%, which was also taken on records of the Committee on Government Assurances, Reserve Bank of India vide their communication dated categorized IDBI Ltd under a new sub Group "Other – Public Sector Bank".**
3. **License to IDBI Ltd as a Deemed Banking company was given by Central Government and not by Reserve Bank of India as contemplated under Banking Regulation Act, 1949. That is why it was classified as "Other Public Sector".**
4. **Consequent upon Life Insurance Corporation of India (LIC) acquiring 51% of the shareholding in IDBI Bank Ltd, Reserve Bank of India vide its communication dated 14.3.2019 re-categorized IDBI Bank Ltd as a "Private Bank Sector" for "regulatory purpose" with effect from 21.1.2019.**
5. **Presently, LIC is the Promoter of IDBI bank with Management Control and Government of India is the Co-Promoter.**
6. **As on date, Life Insurance Corporation of India – Promoter (49.24%) and Government of India – Co- Promoter (45.48%) together jointly hold 94.72% of the shareholding in IDBI Bank Ltd.**
7. **In terms provisions contained in Clause 116 of the of the Articles of Association, IDBI Bank Board, inter alia, comprises of 2 Nominee Directors of the Government of India.**
8. **Even after categorization of IDBI Bank into a Private Sector Bank by RBI effective from 21.1.2019, the Union Cabinet at its meeting held 3.9.2019 chaired by Prime Minister approved capital infusion of Rs. 4,557 Crores. If it is not a public sector bank, and if it is just a Private Bank, why and how Prime Minister will approve and Government will infuse such huge amount in the Bank?**

Notwithstanding, categorization of IDBI Bank into a "Private Sector bank" for Regulatory purpose by Reserve Bank of India, IDBI Bank retains its Public Sector Bank characteristics for the following incontrovertible reasons:

i) **Department of Financial Services (DFS), Government of India, vide its communication F.No. 8/2/2019-BO-II dated December 17, 2019, had directed all Central/State Governments/Departments/Agencies/Institutions to continue to consider IDBI Bank for allocation of Government Business keeping in view that the direct and indirect shareholding of Government of**

India in IDBI Bank is over 97% . If the Bank was purely a private Bank, why Government would issue this instruction?

ii) **In the communication issued by the Government of India, Ministry of Finance, Department of Financial Services, Vigilance Section vide their communication Ref. F. No.15/5/92-Vig. Vol. II/AA dated 31.5.2019 addressed to the IDBI Bank, the view of the Central Vigilance Commission is that classification of IDBI bank as a 'Private Bank' by Reserve Bank of India is of no relevance to the Commission and for Vigilance administration in IDBI bank. The Central Vigilance Commissioner has also stated that LIC is a body within the jurisdiction of the Central Vigilance Commission and since LIC holds 51% of share of IDBI Bank Ltd., vigilance administration of IDBI Bank automatically falls within the jurisdiction of the Commission. That is why a CVO is appointed by the DFS, Govt. of India in IDBI Bank. If it is private bank already, why Government has appointed a CVO in this Bank?**

iii) **As on date, IDBI Bank continues to adhere to Central Vigilance Commission (CVC) guidelines for vigilance, anti-corruption measures, and internal investigations, which typically apply to public sector undertakings (PSUs) and government entities. No other Private bank is mandated to follow CVC protocols, suggesting IDBI Bank retaining governmental oversight and control, akin to PSBs. If IDBI Bank is already a private Bank, why the Bank is still under the jurisdiction and guidelines of CVC.**

iv) **For the purpose of filling up the post of Chief Vigilance Officer in IDBI Bank, Department of Financial Services reckons IDBI Bank as Public Sector Bank. As on date, IDBI Bank continues to be under the jurisdiction of the Central Vigilance Commission.**

v) **As on date, IDBI Bank is adhering to instructions issued by the Department of Official Language, Ministry of Home Affairs, in the matter of implementation of Official Language policy. As late as April 2025, IDBI Bank issued Advertisement No. 01/2025-26 for recruitment of Deputy General Manager (Rajbhasha). If the Bank is already a private Bank, why the adherence to the Government's policy?**

vi) **IDBI Bank is covered by RTI. Even today, IDBI Bank is reckoned as a 'Public Authority" within the definition of Section 2(h) of the Right to Information Act, 2005, requiring compliance with transparency obligations which is not imposed on private entities. IDBI maintains dedicated RTI officers and publishes proactive disclosures under Section 4(1), indicating it operates under state-like accountability mechanisms. IDBI Bank has filed periodical Quarterly Returns with the Central Information Commission, New Delhi. If it is already a private Bank, why the Bank is covered under RTI Act?**

vii) Reservation Policy: IDBI Bank is adhering to the statutory provisions in the matter of providing reservations in recruitment for Scheduled Caste, Scheduled Tribes, Most Backward Class, Other Backward Class, Economically Weaker Sections, Persons with Benchmark Disabilities Act, 2016, Ex-servicemen etc., Implementation of the Government guidelines in recruitment aligns with constitutional mandates under Articles 15(4) and 16(4), which are enforceable primarily against the State. Private sector entities are not bound by such reservations. Hence, IDBI's continued adherence to reservations post-reclassification implies that it retains "State" character due to combined state linked ownership of IDBI Bank. Still you feel that IDBI Bank is already a private Bank?

viii) Since IDBI Bank is continued to be treated as one of the Public Sector Banks for all statutory purposes, representatives of IDBI Bank participated in the meeting convened by the Public Accounts Committee, Lok Sabha and tendered oral evidence on the subject "Reforms in Banking Sector" along with the officials of the Department of Financial Services and representatives from State Bank of India, Canara Bank, Indian Bank, Punjab National Bank, etc.

ix) In Ajay Hasis & ors versus Khalid Mujib Sehravadi & Ors (1981) 1 Supreme court cases 722, Supreme Court held as follows:

"if agencies and instrumentalities of government were not held to be "other authorities" under Article 12 , then it would be the easiest thing for the Government to assign to a plurality of corporations almost every State business such as Post and Telegraph, TV and Radio, Rail, Road and Telephones – in short every economic activity and thereby cheat the people of India out of the fundamental rights guaranteed to them. That would be a mockery of the Constitution and nothing short of treachery and breach of faith with the people of India, because, though apparently the Corporation will be carrying out these functions, it is in truth and reality by the Government which will be controlling the Corporation and carrying out these functions through the instrumentality or agency of the Corporation. We cannot by a process of judicial construction allow the Fundamental Rights to be rendered futile and meaningless and thereby wipe out Chapter III from the Constitution. That would be contrary to the constitutional faith of the post Maneka Gandhi era.

x) It is submitted that, as on date, LIC and Government of India together hold 94.72% of the shareholding in IDBI Bank. LIC itself is considered a State under Articles 12 of the Constitution, an instrumentality of State under Article 12 (Sukhdev Singh v. Bhagatram, (1975) 1 SCC 421). With LIC and GOI with combined shared holding of 94.72%, IDBI Bank is an entity with State-linked ownership fully satisfying the criteria to be called a State under Article 12.

xi) Further, in terms of Article 116 of the Articles of Association, Board of Directors of IDBI Bank is comprised of:

- **i. Chairman of LIC who is ex-officio Non Executive Non Whole Time Chairman;**
- **ii. One Whole time Managing Director and CEO nominated by LIC;**
- **iii. Two Whole time Dy. Managing Directors nominated by LIC;**
- **iv. One official Nominee Director of LIC;**
- **v. Two Nominee Directors of Government of India; and**
- **vi. Eight Non rotational Independent Directors appointed by shareholders in General Meeting.**

Thus out of 15 members of the Board, 5 members including Chairman, one Whole-time MD and CEO, two Whole Time Dy. Managing Directors and one nominee Director are to be nominated by LIC. The Government of India is empowered to appoint two nominees. Thus 7 directors are nominated by LIC and Government of India.

Further, as Government of India and LIC together hold 94.72% of the shareholding, the remaining 8 Directors to be elected by shareholders will also be, in effect, nominees of Government of India and LIC.

The above factual position will establish that Government of India and LIC, Instrumentality of the State, are having deep and pervasive administrative and functional control over IDBI Bank. Still, should we consider the Bank as a private Bank?

xii) IDBI handles government banking transactions, including treasury operations and agency functions for schemes like Pradhan Mantri Jan Dhan Yojana or pension disbursements, which are quintessential public duties typically performed by State instrumentalities. As a primary dealer in government securities and participant in public debt management, IDBI supports fiscal policies, further aligning with public importance criteria.

xiii) These elements collectively demonstrate "deep and pervasive control," as the bank's operations are not fully autonomous but shaped by government-linked norms.

xiv) Department of Investment and Public Asset Management (DIPAM) functioning under the Ministry of Finance is the nodal agency responsible for managing and coordinating the disinvestment of shares held by the Government of India (GoI). DIPAM has no jurisdiction over sale of any private asset, company or Bank. Since IDBI Bank is in public sector, DIPAM has come in the picture.

To sum up, we would like to emphasise the following facts:

a) **RBI's categorisation of IDBI Bank as a private Bank for regulatory purposes is purely technical and qualificatory and not absolute to be at par with other private Banks.**

b) **IDBI Bank is still covered under RTI Act.**

c) **IDBI Bank is still under the jurisdiction of Chief Vigilance Commission.**

d) **IDBI Bank received huge infusion of capital from the Government even after RBI classification.**

e) **Reservation Policy in recruitment and promotions for SC/ST/OBC, etc are still being adhered to by IDBI Bank.**

In the light of the foregoing, it is emphatically clear that Government of India continues to have pervasive control over IDBI Bank and therefore, IDBI Bank is clearly and unequivocally covered by the expression "Other Authority" in Article 12 of the Constitution and is, therefore, a Public Sector Bank for all other purposes other than RBI's regulatory purposes.

Since you are holding a very high position of information, influence and opinion making, we are sure that our above input will be helpful in carrying forward the same at the appropriate levels.

Thanking you,

Yours sincerely,



C.H.VENKATACHALAM
GENERAL SECRETARY