

THIRTY - FIRST REPORT
COMMITTEE ON PETITIONS
(SIXTEENTH LOK SABHA)

MINISTRY OF FINANCE
(DEPARTMENT OF FINANCIAL SERVICES)

(Presented to Lok Sabha on 16 March, 2017)



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**COMPOSITION OF THE COMMITTEE ON PETITIONS
(2016-2017)**

Shri Bhagat Singh Koshyari -*Chairperson*

MEMBERS

2. Shri Suresh C. Angadi
3. Shri Om Birla
4. Shri Jitendra Chaudhury
5. Shri Ram Tahal Choudhary
6. Shri Chandra Prakash Joshi
7. Dr. K. Gopal
8. Shri Kodikunnil Suresh
9. Shri Chhedi Paswan
10. Shri Kamlesh Paswan
11. Shri Arjun Charan Sethi
12. Shri Dinesh Trivedi
13. Shri Rajan Vichare
14. Shri Dharmendra Yadav
15. Vacant

SECRETARIAT

- | | | |
|----------------------------|---|---------------------|
| 1. Shri Shiv Kumar | - | Joint Secretary |
| 2. Shri Raju Srivastava | - | Additional Director |
| 3. Shri Anand Kumar Hansda | - | Executive Assistant |

(iii)

THIRTY - FIRST REPORT OF THE COMMITTEE ON PETITIONS

(SIXTEENTH LOK SABHA)

INTRODUCTION

I, the Chairperson, Committee on Petitions, having been authorised by the Committee to present the Report on their behalf, present this Thirty First Report (Sixteenth Lok Sabha) of the Committee to the House on the representation received from S/Shri Arvind Sawant and Rajan Vichare, M.Ps., Lok Sabha regarding transformation/privatization of IDBI Bank Limited and protection of reservation rights of SC/ST/OBC employees and related issues.

2. The Committee considered and adopted the draft Thirty First Report at their sitting held on 14 March, 2017.
3. The observations/recommendations of the Committee on the above matters have been included in the Report.

NEW DELHI;

14 March, 2017

23 Phalguna, 1938 (Saka)

BHAGAT SINGH KOSHYARI
Chairperson,
Committee on Petitions

(v)

REPORT

REPRESENTATION RECEIVED FROM S/SHRI ARVIND SAWANT AND RAJAN VICAHRE, MEMBERS OF PARLIAMENT, LOK SABHA REGARDING TRANSFORMATION/PRIVATIZATION OF IDBI BANK LTD., AND PROTECTION OF RESERVATION RIGHTS OF SC/ST/OBC EMPLOYEES AND RELATED ISSUES.

S/Shri Arvind Sawant and Rajan Vichare, Members of Parliament, Lok Sabha submitted before the Committee on Petitions a Representation regarding transformation/ privatization of IDBI Bank Ltd., and protection of reservation rights of SC/ST/OBC employees (Annexure-I).

2. The representationists, in their Representation, *inter alia* stated that the transformation/privatization of IDBI Bank Ltd., will have a serious implications for the employees of IDBI Bank Ltd., particularly, who belong to the weaker sections of the society such as Scheduled Castes, Scheduled Tribes, Other Backward Class, Physically Handicapped, and Ex-Servicemen etc.

3. In this connection, the representationists drew the reference to the Finance Minister's announcement during his Budget Speech of 2016-17 as regards the transformation of IDBI Bank Ltd., and Government's resolve to reduce its stake to below 50 percent therein. Further elaborating the implications, the representationists *inter alia* submitted before the Committee as under:-

- (i) As per the policy statement of the Government relating for salvaging of Public Sector Banks as reflected in the Budget Speech of 2016-17, there seems to be a genuine apprehension among the employees of IDBI Bank with regard to the differential treatment to IDBI Bank *vis-a-vis* other Public Sector Banks.
- (ii) Government's policy of reservation in jobs for Scheduled Castes, Scheduled Tribes, Other Backward Class, Physically Handicapped, and Ex-Servicemen would not be applicable, in case IDBI Bank is privatized and hence they would be the worst sufferers.

- (iii) Neither the IDBI Act, 1964 nor the Industrial Development Bank (Transfer of Undertaking and Repeal) Act, 2003 on the basis of which the Bank had been formed, mentions regarding privatization of the IDBI Bank in future. Therefore, the process of transformation/privatization of IDBI Bank will be against the objectives of the Acts *ibid* and thus *ultra virus*.

4. The representationists also stated that the IDBI Bank has been earning profit and paying dividend to the Government. Further, considering the Bank's asset size, profitability during the FY 2015 and the scope for its becoming a Next Generation Bank in the Government sector (*within a short period of 10 years*), the representationists requested the Committee to advise the Ministry of Finance not to divest Government's shares below 51% in the IDBI Bank and retain its status as "Government Bank" with all the existing privileges/rights of reservation for various categories. Besides, the representationists also requested the Committee to advise the Government with regard to transformation of the IDBI Bank on the following pattern:-

- (i) By retaining the status of Public Sector Bank, with changes, if necessary, as may be designed for other Public Sector Banks.
- (ii) Transforming the IDBI Bank as a high scale Industrial Development Bank with a special mandate as one of the premium Banks of the Country.

5. The Committee on Petitions took up the Representation for examination under Direction 95 of the Directions by the Speaker, Lok Sabha. Accordingly, the Representation was forwarded to the Ministry of Finance (Department of Financial Services) for furnishing their comments on the issues raised in the representation.

6. In response thereto, the Ministry of Finance (Department of Financial Services), *vide* their communication dated 27.7.2016, furnished the following comments:-

"All banks including IDBI Bank have been allowed to raise capital from Public markets through Follow-on Public Offer (FPO) or Qualified Institutional Placement (QIP) by diluting Government of India holding up to 52%, in phased manner, based on their capital requirements, their stock performance, liquidity, market conditions, etc.

The Budget announcement for the current year refers to the process of transformation of IDBI Bank which is to be taken forward with the Government considering the option of reducing its stake to below 50%. As of now, IDBI has been allowed to raise capital from markets through FPO or QIP by diluting Government of India holding up to 52% in a phased manner based on the Bank's capital requirement, stock performance, liquidity, market conditions, etc.

As of now, IDBI Bank is a Public Sector bank and there is no adverse implication on IDBI employees."

7. Over the years, the IDBI Bank has taken steps to facilitate and extend the cause of national transformation by aligning its strategies to address the evolving aspirations of a wide cross-section of customers. It has contributed immensely to the mandate of financial inclusion by ensuring access to financial products and services to the unbanked and disadvantaged sections of society. The Bank has played a pioneering role in the Indian banking sector in the area of environmental banking by taking initiatives for funding of green projects based on clean technologies. It was the first public sector commercial bank to raise US\$ 350 million through Green Bonds in November 2015 for financing green projects, which include wind energy, solar energy, biomass, water recycling systems, among others. The Bank is driving its overarching mandate for transformation through business expansion, nurturing a talent pool, strengthening corporate governance and risk management, and adopting an advanced technology ecosystem.

Management, Controls and Systems

8. The Human Resource (HR) strategy in the IDBI Bank has been framed to effectively align the business requirements with various HR policies pertaining to recruitment, deployment, training, talent retention and motivational strategies so as to seamlessly support achievement of your Bank's vision and mission. In this direction, the Bank has been making constant efforts to encourage its employees to deliver excellent standards of performance by incentivizing performance and also taking various employee welfare measures to provide a better work-life.

Manpower

9. As on 30 June, 2016, the IDBI Bank had total staff strength of 17425. The category-wise break up of employees is reproduced below:-

Cadre	Sanctioned Strength	Existing Strength	SC	ST	OBC	General	PH	EX-SM
Officer	16865	15535	2149	820	3581	8985	294	16
Clerical	998	998	111	35	84	768	7	5
Subordinate	892	892	201	74	169	448	20	11

10. Recruitment and Staffing of IDBI Bank's annual manpower assessment takes into consideration the number of superannuating/voluntarily retiring officers, the number of resignations, expansion of Branch and business growth. Accordingly, during the year 2015-16, the Bank appointed 1,584 Officers, 444 Executives and 2 clerks (appointed on compassionate grounds). Out of these, 335 belonged to Scheduled Castes (SCs), 294 belong to Scheduled Tribes (STs) and 762 belong to Other Backward Classes (OBCs). Furthermore, 44 individuals are Persons with Disabilities.

11. The IDBI Bank recruits officers in Grade 'A' through common recruitment process for all Public Sector Banks (PSBs) conducted by the Institute of Banking Personnel Selection (IBPS) and Executives through a separate recruitment process through IBPS route on standalone basis. Further, the Bank has also recruited, through a separate recruitment process, four dedicated and professionally qualified Officers in grade 'B' as Security Officers for taking care of security related matters. In May 2015, the Bank has extended the Memorandum of Understanding (MoU) with Manipal Global Education Services Pvt. Ltd., Bengaluru, under which students are enrolled for one year Post Graduate Diploma in Banking and Finance (PGDBF) which works on the model of 'Train, Recruit and Induct'. During the year 2015-16, the Bank had recruited 415 candidates as Assistant Managers on successful completion of the course. Currently, more than 400 candidates are onboard pursuing PGDBF in two batches and they would be inducted in the Bank in due course.

Reservation Policy

12. The IDBI Bank is fully compliant with the extant reservation policy of the Government of India. The Bank has appointed Chief Liaison Officers (CLOs) and Zonal Liaison Officers (ZLOs), in the rank of General Managers and Deputy General Managers, for SC/ ST/ PWD and OBC, who ensure compliance of various Guidelines pertaining to reserved category employees and for effective redressal of their grievances. The Bank maintains separate rosters for PWDs, as per the Government of India Guidelines.

Training and Development

13. The IDBI Bank has put utmost importance on the development of its employees. The Bank has conducted 830 in-house programmes for 17,181 participants. The Bank has also nominated 379 officers for external domestic training programmes and 32 officers for external foreign training programmes. The Bank also continues to impart 180 days induction training program for officers in Grade A, which includes classroom training as well as on-the-job training. Similarly, the Bank continues to impart 17 days of classroom training to the Executives posted to its retail banking vertical. The Bank has conducted focussed programme on women empowerment, viz., 'Unnati', to enable women employees to develop necessary attributes for taking up leadership position in the organisation, while ensuring work life balance. Under this programme, 844 women employees were trained during the year. In line with regulatory directives, the Bank has conducted trainings and workshops on customer service in order to develop further a customer centric approach and provide effective and efficient customer service. Workshops were also held on KYC/AML to update the officers on the latest rules and regulations in this area. Besides, the Bank continues to nominate senior officers for programmes on General Management and Strategic Leadership conducted by the Indian Institute of Managements (IIMs) at various locations while middle management level officers are nominated for other Management Development Programmes. the Bank continues to give thrust on e-learning.

14. In this direction, the Bank has also launched a Learning Management System, viz., OJAS, to facilitate e-learning and provide online certifications, which will include self-

nomination, mandatory module completion along with the entire gamut of operational aspects of training.

Succession Planning

15. As a strategy towards succession planning for critical/ key positions in the IDBI Bank, critical positions in Senior Management level have been identified to maintain organisational performance and achieve long-term business goals. In this direction officers in Junior and Middle Management level have been identified as potential successors. Through Assessment Development Centres exercise, the fitments of these officers into the succession matrix and development initiatives, viz., workshops, on-the-job projects, etc., to sharpen critical competencies are in progress.

Performance Highlights

16. Various initiatives undertaken by the IDBI Bank for strategic business development and strengthening its financial position during the year 2015-16 has helped in maintaining its operational performance. The Bank's operating profit stood at Rs. 5,370 crore. During the period, the focus of the Bank remained on rebalancing of portfolios, both on asset as well as liabilities side, to make improvement in quality and mix of business, rather than aggression in business. The total business increased to Rs. 4.82 lakh crore, marking a growth of 2.86% over previous year. Deposits and Advances increased by 2.26% and 3.61%, respectively, to Rs. 2.66 lakh crore and Rs. 2.16 lakh crore.

17. In alignment with its strategy of augmenting the share of the low-cost deposits, the IDBI Bank mobilized low-cost CASA deposits to the tune of Rs. 0.69 lakh crore as on 31 March, 2016, thereby allowing it to drive down its cost of funds. The Bank also posted a growth of 7.23% in its PSL portfolio which stood at Rs. 0.90 lakh crore as on 31 March, 2016. Despite improvement in its operational performance, the Bank incurred a net loss of Rs. 3,665 crore. This has happened predominantly because of prudential provisioning for NPA and/or stressed assets following the Reserve Bank of India's Asset Quality Review (AQR) which required the Banks to proactively provide for certain accounts. The losses or fall in profits on account of provisioning has also been witnessed in case of other Banks.

18. Furthermore, the IDBI Bank consciously spread over the provisioning for stressed accounts identified under AQR over the third and the fourth quarter of FY 2015-16 and therefore, the performance over these two quarters have witnessed a deterioration in terms of profitability as compared to the first and the second quarter.

Major initiatives undertaken by the IDBI Bank in 2015-16

19. The year 2015-16 was important for the IDBI Bank on numerous fronts and saw various initiatives being undertaken in the banking platform. Some of the important initiatives launched/started by the Bank during the year were -

- *A special scheme, viz., Skill Loan Scheme under education loan, in alignment with the Central Government's Skill India campaign.*
- *Became member to the 'Vidya Laxmi Portal' which is one-stop portal for the students who are seeking education loan.*
- *General Refinance Agreement (GRA) signed with Micro Units Development and Refinance Agency (MUDRA) Ltd., under which credit facilities up to Rs. 10 lakh were offered to Micro Enterprises at a competitive interest rate under PMMY.*
- *Two major priority sector products, viz. IDBI MUDRA Loan and IDBI Bunkar MUDRA Yojana (IBMY) under Pradhan Mantri Mudra Yojana (PMMY).*
- *Flagged off 101 e-Rickshaws and 501 cycle rickshaws funded by the Bank as micro enterprise loan in Varanasi on 18 September, 2015 at an event graced by Hon'ble Prime Minister Shri Narendra Modi.*
- *Two more variants of credit cards, viz., Euphoria and Imperium, added to its portfolio.*
- *Stand Up India Scheme was launched on a pan-India basis on the occasion of the 125th birth anniversary of Dr. Babasaheb Ambedkar on 14 April, 2016.*
- *Multi-purpose self-service ATM (Mini-Branch) – first of its kind – which provides regular ATM services and facilitates issuance of personalised cheques and*

demand drafts on 24x7 basis. PayApt wallet - a mobile wallet application - which is a one-step, one-stop payment solution for meeting payment needs on the go. JusTab - a tab banking solution - to offer the convenience of opening of accounts at customers' door step using a tablet. Abhay App – first of its kind and path-breaking app which allows the customers to control the ATM and POS limit of their debit cards on a real-time basis in order to minimise the chance of misuse of the card.

- *Celebrated Farmers' Day on 23 December, 2015 by organising 'Kisan Sangosthis' across India. G-Sec Investment Facility through ATM for retail investors which is an extension of its Samridhi G-Sec portal. eCallMoney - a module under e-Treasury – as an online platform wherein branches can book Call/ Notice/ Term money on behalf of their clients,i.e., Co-operative Banks. An online system for booking of FX rates for retail/small value transactions for non-trade Telegraphic Transfer (TT) remittances (inward and outward) under the e-Treasury Platform.*
- *Became the first Public Sector Bank to open its IFSC Banking Unit (IBU) at India's first and only International Financial Services Centre (IFSC) at Gujarat International Finance Tec-City (GIFT) on 6 May, 2016. Became the first public sector commercial Bank in India to have successfully raised funds to the tune of US\$ 350 million by way of Green Bonds from international market during November 2015.*

20. On the issue, the Committee also undertook a Study Visit to Ooty from 22 to 24 August, 2016 to have a realistic assessment on the aspects of transformation/privatization of IDBI Bank Ltd., and protection of reservation rights of SC/ST/OBC employees and other related issues thereof.

21. Giving a brief background on the transformation of Industrial Development Bank of India (IDBI) into a Bank and other important aspects related thereto, the Ministry of Finance (Department of Financial Services) submitted before the Committee:-

I. Transformation of Industrial Development Bank of India into a Bank.

Industrial Development Bank of India (IDBI) was constituted under Industrial Development Bank of India Act, 1964 as a Development Financial Institution and came into being as on July 01, 1964 *vide* Government of India notification dated June 22, 1964. It was regarded as a Public Financial Institution in terms of the provisions of Section 4A of the Companies Act, 1956. It continued to serve as a DFI for 40 years till the year 2004 when it was transformed into a Bank. In response to the felt need and on commercial prudence, it was decided to transform IDBI into a Bank. For the purpose, Industrial Development Bank (Transfer of Undertaking and Repeal) Act, 2003 [Repeal Act] was passed repealing the Industrial Development Bank of India Act, 1964. In terms of the provisions of the Repeal Act, a new company under the name of Industrial Development Bank of India Limited (IDBI Ltd.) was incorporated as a Govt. Company under the Companies Act, 1956 on September 27, 2004. Thereafter, the undertaking of IDBI was transferred to and vested in IDBI Ltd. with effect from the effective date of October 01, 2004. In terms of the provisions of the Repeal Act, IDBI Ltd. has been functioning as a Bank in addition to its earlier role of a Financial Institution.

II. Merger of United Western Bank with IDBI Ltd.

The United Western Bank Ltd. (UWB), a Satara based Private Sector Bank was placed under moratorium by RBI. Upon IDBI Ltd. showing interest to take over the said Bank towards its further inorganic growth, RBI and Govt. of India amalgamated UWB with IDBI Ltd. in terms of the provisions of Section 45 of the Banking Regulation Act, 1949. The merger came into effect on October 03, 2006.

III. Change of name of IDBI Ltd., to IDBI Bank Ltd.

In order that the name of the Bank truly reflects the functions it is carrying on, the name of the Bank was changed to IDBI Bank Limited and the new name became effective from May 07, 2008 upon issue of the Fresh Certificate of Incorporation by Registrar of Companies, Maharashtra. The Bank has been accordingly functioning in its present name of IDBI Bank Limited with effect from the aforesaid date.

IV. Merger of IDBI Home Finance Ltd., and IDBI Gilts with IDBI Bank Ltd.

Two wholly owned subsidiaries of IDBI Bank Ltd. viz. IDBI Home Finance Ltd. and IDBI Gilts Ltd. were amalgamated with IDBI Bank Ltd. under Section 391-394 of the Companies Act, 1956 vide Government of India, Ministry of Corporate Affairs order dated April 08, 2011. The appointed day under the scheme of amalgamation was approved as January 01, 2011. In terms of Section 394(3) of the Companies Act 1956, the Government of India's above Order has been filed with the Registrar of Companies on April 26, 2011.

22. Thereupon, the Committee, in particular, desired to know the Government's share in the IDBI Bank Ltd., the Ministry of Finance (Department of Financial Services), in this regard, submitted that as on August 11, 2016, Government of India's shareholding in the IDBI Bank Ltd., was 73.98%.

23. The Committee, thereafter, categorically about the details of 'Profit & Loss Account' of IDBI Bank Ltd., for the fiscal year(s) ending March 2016, March 2015, March 2014, March 2013 and March 2012, the Ministry of Finance (Department of Financial Services) submitted:-

(Rs. in crore)

Particulars	Mar-16	Mar-15	Mar-14	Mar-13	Mar-12
Total Income	31,453	32,161	29,576	28,283	25,488
Total Expenditure	35,118	31,288	28,454	26,401	23,457
Profit & Loss for the year	-3664	873	1,121	1,882	2,031
Preference Dividend	0	0	0	0	0
Equity Dividend (%)	0	13.77	14.30	24.78	19.13
Earnings Per Share (EPS) – Annualized (Rs.)	-21.77	5.45	8.00	14.70	20.58

24. On being again specifically enquired by the Committee as to whether a policy decision has been taken by the Government to allow IDBI Bank Ltd., to raise capital from the Public Market through Follow-on Public Offer (FPO) or Qualified Institutional Placement (QIP) by diluting the Government of India holding up to 52%, in a phased manner based on their capital requirement, their stock performance, liquidity and market conditions, the Ministry of Finance (Department of Financial Services) submitted:-

"Government of India vide their letter dated December 30, 2015 allowed IDBI Bank to raise capital to the tune of Rs.3,771 crore through QIP route subject to the condition that Government of India holding does not fall below 52%. The Bank is exploring various options to raise the capital from the market based on its stock performance, liquidity and market conditions."

25. On being further enquired by the Committee about the major factors responsible for the decision of the Government on diluting its stake in the IDBI Bank Ltd., the Ministry of Finance (Department of Financial Services) submitted:-

"The decision for diluting equity was indicated by the Finance Minister Shri Arun Jaitley in his Budget speech wherein it was mentioned "the process of transformation of IDBI Bank has already started. Government will take it forward and also consider the option of reducing its stake to below 50%". The Government of India has not yet advised the Bank any of its plans for diluting the majority stake in IDBI Bank"

26. The Committee, thereupon, specifically enquired as to whether a continuous increase in Non-Performing Assets (NPAs) in the IDBI Bank Ltd., is one of the major factors for divesting the stake of Government of India. the Ministry of Finance (Department of Financial Services), in a written note, submitted:-

"Increase in Non-Performing Assets (NPAs) results in additional provisioning and requirement of additional capital. Therefore, Government has directed Banks to raise additional capital from the market in order to meet the regulatory minimum capital requirements."

27. On being asked by the Committee that in case the relevant parameters with regard to increase in NPA and divestment of Government of India's stake in the Bank, are not favorable, then, what will be the status of IDBI Bank Ltd., especially, during the interregnum period, the Ministry of Finance (Department of Financial Services), in a written reply, submitted:-

"Bank is taking rigorous steps to contain NPAs as well as to improve recovery from NPA accounts. Special Mention Accounts (SMA) are being monitored by the Bank closely to keep a check on further slippages. Various stringent recovery measures are taken by the Bank to increase the recovery from NPAs. Bank is putting its all efforts to upgrade NPAs and getting progressive results. Bank is exploring the options to sell the Non-Performing Assets to reduce its GNPA. Hence, it is expected that the Bank's performance would improve. At present, Government of India has given its approval to reduce its stake up to 52% only. Therefore, the above situation may not arise."

28. The Committee further desired to know about the mechanism *in vogue* for providing reservation to Scheduled Castes, Scheduled Tribes, Other Backward Classes, etc., in the IDBI Bank Ltd, the Ministry of Finance (Department of Financial Services), in a written reply, submitted:-

"The Bank has been following the Government of India policy on reservation in Services as applicable to Public Sector Banks (PSBs). The reservations are made available in direct recruitment and inter cadre promotions as per details mentioned below:-

I. Recruitment.

The Bank conducts recruitment mainly at entry level for the posts of Executives and Assistant Managers Grade "A". The vacancies for the officers are notified on all India basis in leading national dailies including Employment News. The candidates are selected through written test (WT) and interview process. The WT and interview process is being conducted by Institute of Banking Personnel Selection (IBPS) on behalf of IDBI Bank. The final selection of the candidate is subject to him/her being found medically fit and fulfilling the stipulated eligibility criteria. Reservation of 15% for SC, 7.5% for ST, 27% for OBC along with 3% horizontal reservation for Persons with Disabilities is made in recruitment. Concession is also extended by applicable age relaxation (5 years for SC/ST and 3 years for OBC), 5% relaxation in the minimum qualifying marks and 5% relaxation in interview marks for SC and ST Category candidates.

II. Promotions

As per the Government of India Guidelines, reservation is provided to SC and ST employees in promotions from Class IV to Class III and Class III to officer cadre. But there is no reservation for SC and ST in promotion within the officer's cadre, whenever the promotion is by "Selection Method". Promotions in Officers Cadre, in IDBI Bank, are effected through selection process. In line with the Government of India Guidelines, the process for providing concession for SC/ST officers through the 'Zone of Consideration' (ZoC) has been introduced. Accordingly for promotions to Manager Grade 'B' and Assistant General Manager Grade 'C', SC/ST officers, who are senior enough in the ZoC for promotion, so as to be within the 'select list', are to be promoted, provided they are not considered 'unfit for promotion' by the Promotion/Selection Committee.

In order to monitor the reservation, Bank is maintaining Reservation Register in terms of the comprehensive & updated Brochure on Reservation for SCs, STs & OBCs issued by the Department of Personnel & Training vide Office Memorandum No. 36011/1/2011-Esttt. (Res.) dated 17 November, 2011."

In this context, the Ministry of Finance (Department of Financial Services) further submitted:-

"Category wise bifurcation of sanctioned cadre is not done as the employees of merged entities are included in total strength where no reservation existed. Hence the representation of SCs, STs, OBCs and PWDs employees on merger had become less. The reserved category representation has improved gradually after conduct of Special Recruitment Drive in 2010 and continuous recruitment of carry forward vacancies. As on date, the shortfall in officer cadre is SC-67, ST-94 and OBC-161. Bank has not been recruiting clerical and subordinate staff since 2006."

29. The Committee, then, specifically enquired as to whether the reservation policy will also be annulled, after divestment of Government's stake below 51% in the IDBI Bank Ltd. On this aspect, the representatives of the Ministry of Finance (Department of Financial Services) submitted as under:-

" IDBI Bank, being a Public Sector Bank with majority share holding of Government of India, is bound to comply with the Reservation Policy.

Though, the Government of India will retain the majority stake even after it is divested below 51%, the Board of the Bank will be the competent authority for deciding on the policies including reservation policy for SC/ST/OBC within the regulatory framework."

OBSERVATIONS/RECOMMENDATIONS

Transformational Plan of IDBI Bank Ltd.

30. The Committee note that the Industrial Development Bank of India (IDBI) was constituted under the Industrial Development Bank of India Act, 1964 as a Development Financial Institution (DFI) and it came into being as 1 July, 1964 *vide* Government of India notification dated 22 June, 1964. In terms of the provisions of Section 4-A of the Companies Act, 1956, the IDBI was regarded as a Public Financial Institution and it continued to serve as a DFI for 40 years till the year 2004 when it was transformed into a Bank.

31. The Committee also note that the Industrial Development Bank (*Transfer of Undertaking and Repeal*) Act, 2003 was enacted *inter alia* for repealing the Industrial Development Bank of India Act, 1964. In terms of the provisions of the said Repealing Act, a new Company under the name of Industrial Development Bank of India Limited (IDBI Ltd.) was incorporated as a Government Company under the Companies Act, 1956 on September 27, 2004. Thereafter, the undertaking of IDBI was transferred to and vested in IDBI Ltd., with effect from 1 October, 2004. As the matter stands now, in terms of the provisions of the Repeal Act, IDBI Ltd., has been functioning as a Bank in addition to its earlier role of a Financial Institution. Since the name of the Financial Institution ought to reflect the functions being carried out by them, the name of IDBI Ltd., was changed to IDBI Bank Limited with effect from 7 May, 2008.

32. Though the IDBI Bank Ltd., has a long cherished history as one of the pioneering Institutions in the financial sector of the country, yet the Committee are pained to notice that during the fiscal year 2015-16, the IDBI Bank Ltd., registered a

loss of Rs. 3664 crore as against a net profit of 873 crore in 2014-15. The overall financial health of the Bank has also witnessed decline in terms of profit, on a sequential basis, which was Rs. 2031 crore in 2011-12 to Rs. 1882 crore and Rs. 1121 crore during the financial year(s) 2012-13 and 2013-14 respectively. The primary reasons for successive decline in the profit of IDBI Bank Ltd., could be attributed to the increase in the Gross Non-Performing Assets, loan write-offs and poor financial results. Considering this, the Committee are of the firm opinion that the IDBI Bank Ltd., requires a Transformational Plan to be urgently put in place with the underlying objectives of doubling of Bank's business volume, reducing the Gross NPA level below three percent, issue of Basel-III compliant Tier-II bonds on private placement basis, etc., to strengthen its capital adequacy, regulation, supervision and risk management. The Committee, therefore, recommend that the Ministry of Finance (Department of Financial Services) should effectively liaise with the IDBI Bank Ltd., for formulating a Transformational Plan with a target of putting the stressed projects back on track, bringing down the Gross NPA to 3 percent and Net NPA to '0' percent by the fiscal year 2018-19, selling of non-core assets to fund the growth of IDBI Bank Ltd., etc. The Committee also urge the Government to work out their priorities for timely revival of their Financial Institutions, like IDBI Ltd., etc., in such a manner that it do not surpass the '*point of recoverability*'. The Committee would like to be apprised of the action taken by the Government in the matter within three months of the presentation of this Report to the House.

Government's shareholding in the IDBI Bank Ltd.

33. The Committee note that as on August, 2016, the Government of India's shareholding in the IDBI Bank Ltd., was 73.98%. The Committee also note that the

decision for diluting equity of the Government was indicated by the Finance Minister in his budget speech, wherein, it was mentioned that *"the process of transformation of IDBI Bank has already started. The Government will take it forward and also consider the option of reducing its stake below 50 percent"*. However, at the same point, the Committee also note that the Government *vide* their letter dated 30 December, 2015 had allowed the IDBI Bank to raise capital to the tune of Rs. 3771 crore through QIP route subject to the condition that the Government of India holding does not fall below 52 percent.

34. While drawing a parallel of divesting the shareholding of the Government in the IDBI Bank with the mounting loss of Rs. 3664 during the fiscal year 2015-16 as well as the burgeoning problem of Non-Performing Assets (NPAs), the Committee note that IDBI Bank is taking the following steps to contain NPAs as well as to improve recovery from NPA accounts which are providing to be inadequate:-

- *Monitoring of Special Mention Accounts (SMAs) to keep a check on further slippages.*
- *Initiating stringent recovery measures to increase the recovery from NPAs.*
- *To upgrade the NPAs.*
- *Exploring of options to sell the NPAs to reduce its GNPAAs.*

35. Since the IDBI Bank Ltd., is one of the pioneering financial institutions in the country, there is no dearth of resources, manpower, expertise and other infrastructural support to it. Despite these essential pre-requisites for a successful and profit-oriented business venture, the efforts so far made by IDBI Bank to contain NPAs and strengthen their capital adequacy mechanism betrays the confidence of

the Government and, thus, speaks volumes about apathy of the Bank towards the serious concerns which it needs to address immediately. In this context, the Committee would like to caution the IDBI Bank Ltd., that in the changed economic environment of the country and the renewed approach of the Government to give foremost importance to the principle of self-sustainability and reducing the perennial dependency of infusion of funds and scarce resources, any further twirl in the balance sheet of IDBI Bank in the form of further losses or unproductive expenditure could result in divesting of the shareholding of the Government. The Committee, therefore, strongly recommend that the Ministry of Finance (Department of Financial Services) should work out a renewed strategy with the Management of the IDBI Bank Ltd., to put in place the Revamp Plan of doubling the bank's business volume and reducing its gross NPA level. The Committee also recommend that with a view to improving and strengthening regulation, supervision and risk management in the IDBI Bank, the procedure of raising money through Tier-II Bonds should now be complied with Basel-III norms. Besides, the IDBI Bank should also make full use of Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and Debt Recovery Tribunals for recovering its NPAs. The Committee would like to be apprised of the action taken by the Government in this regard.

Provision of reservation to SCs/STs and OBCs

36. The Committee note that IDBI Bank Ltd., has been following Government of India's policy on reservation in services as applicable to the Public Sector Banks (PSBs). The reservation is made available in the direct recruitment as well as in the *inter-cadre* promotions. The Committee also note that reservation of 15% for the Scheduled Castes, 7.5% for the Scheduled Tribes, and 27% for the Other Backward

Classes along with 3% horizontal reservation for 'Persons with Disabilities' is made while filling up of various posts. The Committee further note that relaxations in the age limit (5 years for SCs/STs and 3 years for OBCs), 5% in the minimum qualifying marks and 5% in the marks obtained in the interview for SC and ST candidates are also being extended in the IDBI Bank Ltd.

37. The Committee have also been informed by the Ministry that in terms of the comprehensive and updated Brochure on Reservation for SCs, STs & OBCs issued by the Department of Personnel & Training *vide* Office Memorandum No. 36011/1/2011-Estt. (Res.) dated 17 November, 2011 and with a view to monitoring the implementation of reservation to the aforesaid categories, the IDBI Bank is maintaining the Reservation Register.

38. The system of reservation in the Government jobs, enrolment in higher educational Institutions, etc., is an affirmative action undertaken by way of reserving access to seats for Castes and Tribes recognized in the list of Scheduled Castes and Scheduled Tribes. Over the years, the categories of affirmative action has been expanded beyond the lists of Scheduled Castes and Scheduled Tribes to include the Other Backward Castes (OBCs). The Committee, therefore, recommend the Ministry of Finance (Department of Financial Services) to ensure that all the Public Sector Banks, including the IDBI Bank Ltd., should maintain and update the Reservation Register in a transparent manner. The entries made in the Reservation Register should also be uploaded in the website of the respective Banks so that the employees concerned need not resort to giving representations, etc., for knowing the extent of its compliance in regard thereto. The Committee would like to be apprised

of the action taken in this regard within three months of presentation of this Report to the House.

Cadre-wise sanctioned and existing strength of SCs, STs, OBCs

39. The Committee note that in the Clerical and Subordinate Cadres in the IDBI Bank Ltd., there is no shortfall in the sanctioned and existing strength of personnel belonging to Scheduled Castes, Scheduled Tribes and Other Backward Classes. The Committee, however, note that in the case of Officer cadre, in the IDBI Bank Ltd., there is shortfall of 322 reserved category of personnel vis-a-vis the sanctioned strength (SCs - 67, STs - 94 and OBCs - 161), inspite of the fact that a Special Recruitment Drive was conducted in the year, 2010 to fill up the backlog vacancies.

40. Keeping in view the large number of reserved category of posts lying vacant, the Committee are not convinced with the averments made by the IDBI Bank Ltd., to the effect that they are fully compliant with the extant reservation policy of the Government. The Committee, therefore, recommend that adequate provisions be made with respect to the proper implementation of reservation policy for SCs, STs, OBCs in all the Public Sector Banks, including the IDBI Bank Ltd. The Committee also recommend that Chief Liaison Officers and Zonal Liaison Officers should not only be appointed in all the Zones but also these posts should not be kept unfilled, even for a shorter duration so that flawless compliance of various Guidelines pertaining to reserved category of employees along with effective redressal of their grievances are ensured on a permanent basis. The Committee would like to be apprised of the action taken by the Ministry in this regard.
