

It's a deal

The IDBI Bank stake sale should set the stage for more such transactions

FOR A GOVERNMENT that has been rather lethargic on its disinvestment and privatisation agenda for several years, reports that the strategic sale of IDBI Bank is nearing completion are encouraging. Given the quality of the asset, the transaction should not have taken this long. The sale had reportedly stalled in mid-March after the bids from the two contenders — Emirates NBD Bank and Fairfax India — fell short of the reserve price. Since then, however, both are believed to have improved their offers, raising hopes that control of the lender could change hands within a month. If concluded, it would mark the government's biggest privatisation since the Tata Group acquired Air India in January 2022. There were concerns that the bidders were uncomfortable with the government and Life Insurance Corporation retaining stakes of 15% and 19%, respectively, even after the sale. That hurdle, it appears, has now been resolved.

That is hardly surprising given the attractiveness of India's banking sector and its long-term growth prospects. With the government and the Reserve Bank of India (RBI) adopting a more accommodative stance towards foreign investment in what has traditionally been a sensitive sector, overseas capital has been flowing in. To be sure, the RBI has retained the cap of 26% on voting rights irrespective of a promoter's economic stake. Yet that has not deterred foreign institutions from seeking a foothold in the world's fastest-growing major economy. Japanese financial groups have been particularly active, investing more than \$6 billion in India's financial sector in 2025 alone. Sumitomo Mitsui Financial Group has acquired a 24.22% stake in Yes Bank, Mitsubishi UFJ Financial Group has bought a 20% stake in Shriram Finance, while Mizuho Financial Group has taken a controlling 61.6% stake in Avendus Capital. Emirates NBD, meanwhile, now owns 60% of RBL Bank. Both contenders for IDBI Bank already have a meaningful presence in India and are well acquainted with the market.

The government should use the IDBI transaction to revive a broader privatisation programme. The objective should not merely be to offload loss-making enterprises but also to privatise profitable public sector companies that could perform even better under private ownership. In an increasingly competitive global economy, government ownership can sometimes constrain efficiency, speed of decision-making, and capital allocation. Strategic sales also deepen capital markets and help direct scarce public resources towards sectors where the state has an indispensable role. Privatisation not only brings in valuable resources but also enables the monetisation of land and other assets.

There are, encouragingly, signs that the disinvestment pipeline is gathering momentum, with the finance ministry reportedly reviewing progress on a regular basis. That renewed sense of urgency has begun to yield results. Collections from disinvestment touched nearly ₹19,000 crore in the June quarter, exceeding the roughly ₹17,000 crore raised in 2025-26. In 2024-25, proceeds from share sales were a little over ₹10,000 crore, among the lowest in a decade. If the pace of transactions seen in the first quarter is maintained, this year could easily see more than ₹80,000 crore being raised, including the proceeds from the sale of IDBI Bank. Those receipts would provide useful fiscal headroom at a time when tax collections could fall short of expectations. More importantly, they would signal that the government is finally treating privatisation not as an occasional exercise but as a sustained policy of improving economic efficiency and allocating capital more productively.