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# Yes Bank continues to roil other private lenders, IndusInd latest

BY PTI | UPDATED: MAR 19, 2020, 06.19 AM IST

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MUMBAI: The crisis at [Yes Bank](#) has shaken the trust of a few state governments and large depositors who are pulling out large amounts from other private sector banks as well.

The panic comes as the Yes Bank crisis happened within six months of one of the largest cooperative banks, Punjab & Maharashtra Cooperative Bank, going belly up last September after discovery of massive corruption at the bank and around 73 per cent of its assets turning dud with just one customer, HDIL.

The current near run-like situation on private banks comes despite repeated assurance from the government and regulator [Reserve Bank of India](#) to depositors about the safety of their money and also of the system.

Ironically, other banks were caught in a crisis even as Yes Bank made a dramatic turnaround with its resolution and returning to normal operation from Wednesday evening.

The panic among the public and some states like Maharashtra was such that the RBI was forced to write to all chief secretaries last week informing them of the sound health of private banks and asked them to reconsider their decision to shift deposits to public sector banks.

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But, despite all these, there was near run-like situation on other banks like [IndusInd Bank](#), Karur Vasya Bank and [Lakshmi Vilas Bank](#), which had also taken a huge beating in their market value.

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IndusInd counter tanked nearly 50 per cent on Wednesday in intra-day trade and closed with a loss of 24 per cent at Rs 459.85 on the BSE whose benchmark continued to bleed and lost another 5.6 per cent, while RBL closed in the green after a massive rout on Tuesday.

Yes Bank's deposit base eroded by Rs 72,000 crore to Rs 1.37 lakh crore as of March 5, from Rs 2.09 lakh crore as at the end of December 2019, according to data shared by the lender last Friday while announcing the third quarter earnings.

Private sector lenders have been communicating to their customers about their strong capital positions but it has not put depositors at ease.

In a statement late night on Tuesday, IndusInd Bank said its deposits, both retail and corporate segments, are steady.

"However, a couple of state government entities have made withdrawals amounting to less than 2 per cent of our total deposits," it said.

Its smaller peer RBL Bank also said it saw deposit withdrawals by large depositors and a few state government entities.

"While there has been no material impact on our retail deposits, there have been some withdrawals from institutional depositors and a couple of state organisations constituting about 3 per cent of our total deposits in the last one week," RBL Bank said in a statement.

Both the banks said they are actively engaging with these depositors and the respective states to address their concerns.

Earlier, four private sector lenders Kotak Mahindra Bank, Karnataka Bank, RBL Bank and Karur Vasya Bank had assured customers about the safety of their money and their strong fundamentals.

On Monday, RBI Governor [Shaktikanta Das](#) had said there was no instance in the nation's banking history where bank depositors had lost their money.

Speaking on the decision of a few states to shift their deposits from private banks to state-run banks, Das had said, "The health of the banking sector, including private banks, is safe and, therefore, there is no reason for the state authorities to take away deposits from private banks."

In a letter to chief secretaries of all states late last week, the RBI had said the apprehension on safety of deposits in private sector banks is highly misplaced and any action on pulling out of funds from private sector banks may impact the stability of financial system.

"We strongly believe that such a move can have banking and financial stability implications," the RBI said in the letter.

The Indian Banks Association Chief Executive [Sunil Mehta](#) has also said there is no threat to depositors' money in any bank.

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