

To boost profitability, SBI creates new group to focus on credit-light sectors

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The move is aimed at increasing the PSB's non-interest income

State Bank of India (SBI) has formed a separate group within its Corporate Accounts Group (CAG) to cater to the non-fund-based requirements of clients in credit-light sectors such as pharmaceuticals, fast moving consumer goods (FMCG) and information technology (IT). This is aimed at boosting its non-interest income.

Focus areas

The credit-light group (CLG) will focus on generating non-interest income comprising letter of credit/bank guarantee commission, cash management charges, exchange income from forex activities, cross-selling commission, remittances, and collections, among others. It is also responsible for garnering low-cost deposits.

The focus on non-interest income is with a view to improve the profitability of India's largest bank without having to allocate capital.

In line with the changing banking landscape, SBI has remodelled its corporate banking structure and credit dispensation process, according to the bank's latest annual report.

Consequently, the CAG now handles top-rated business groups, while other corporate accounts are handled by the commercial clients' group (CCG) vertical.

In addition to credit relationships, the bank, according to the report, is focussing on credit-light sectors.

Further, a specialised group, Financial and Institutional Group (FIG), to address credit and transactional banking needs of insurance companies, broking firms, banks (private and foreign), and mutual funds has also been created within the CAG.

“Both the newly created groups – CLG and FIG – have taken off, and have started contributing to the bank's business growth,” the bank said.

The report underscored that the core objectives of the revamp of the corporate banking structure and credit dispensation process were to strengthen credit risk management function, leverage analytics, make a paradigm shift of focus in business from ‘fund to fee’ and ‘originate to distribute’ to improve the bank's overall wallet share in the corporate banking business.

Furthermore, the CAG aims to leverage its corporate relationships to improve the value of relationships by increasing the penetration of fund-based, non-fund-based, and fee-based non-credit products.

As of March-end 2019, total outstanding loans to clients in CAG stood at ₹4,06,645 crore and ₹1,75,185 crore with respect to non-fund based products.

Domestic advances in CCG at the end of FY2019 was at ₹4,00,766 crore.

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