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Market Watch

SBI admits to making many poor commercial decisions

BY PTI | NOV 21, 2019, 08.50 PM IST

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MUMBAI: Largest lender SBI does not "mind" its lower stock valuation compared to a leaner private sector players due to state ownership and social sector focus, but admitted that it needs to improve on commercial decisions.

Speaking at an event organised by former Sebi chief M Damodaran here on Thursday, Arijit Basu, a managing director at SBI, also conceded that the bank has erred on some business decisions and cannot attribute those to social compulsions.

SBI's market capitalisation on Friday stood at a low Rs 2.95 lakh crore, which is just about 42 percent of private sector HDFC Bank's Rs 7.02 lakh crore, while SBI's loan-book is Rs 22.48 lakh crore, and the same for HDFC Bank is under Rs 9 lakh crore.

"If our market cap is slightly lower...we do not mind that. We are absolutely fine with that," Basu said and partly blamed it on government ownership, which plays an important part in the market's calls on valuations and asserted that the bank is proud of its work on the social uplift front and infrastructure building because of the state ownership.

But he was quick to add that SBI is a "commercial organisation with a difference...we have to start with the premise that certain objectives of the government of the day and for the society at large, cannot be done away with," he said, adding organisations like SBI exist because of the societal challenges.

He, however, conceded that some commercial decisions taken by the bank in the past decade have been wrong and it cannot blame the social sector mandates for such decisions.

"On the commercial part, as a bank we feel that there is scope to improve. While there have been ecosystem problems, we would be foolish to state that in the last 10 years, we have not made mistakes in our business itself as those were taken with no social compulsion at all," he added.

Basu said there are also some benefits of the societal outlook of SBI, saying it helps it access low cost deposits, and that the market rewards the bank when it does good commercially like the recent spike in valuations after a favourable judgement in the Essar Steel case.

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