

Rajan sees 'great' changes in banking sector

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Reserve Bank of India (RBI) Governor Raghuram Rajan (*pictured*) on Friday said the banking sector will see major changes in the coming years with the entry of new players, including a postal bank possibly, while public sector lenders will be the biggest "change agents".

"The banking sector is set to undergo great changes in the next few years. We are going to have a whole set of new institutions, payments banks, small finance banks, and we are going to possibly have postal bank. The existing institutions are going to change tremendously. Public sector banks are going to be a tremendous change agent."



Rajan said.

The governor, who was addressing the students of National Institute of Bank Management on its 11th convocation, also said the change will be witnessed mostly in the social banking. "Most

banks will do work with the social sector because that is where new business is to be obtained." Rajan also said that "between these banks there are so many different opportunities that are going to arise, for example the derivatives markets are going to be much more vibrant".

"Information technology used by the banks, by the banking correspondents and the clients is going to be made different from what it was in the past," Rajan said, adding "but there will be many opportunities outside of the derivatives and the IT sector."

Last December, RBI received 40 applications for payments banks and 31 applications for small banks. Recently, India Post also applied for a payments

bank licence.

On April 1 last year, RBI allowed IDFC and micro-lender Bandhan to enter the banking business, and promised on-tap licences going forward.

Chief Economic Advisor Arvind Subramanian said on this occasion that the international environment is relatively benign towards India.

"We are oil-importing country and oil prices are down. It gives us a lot of room. And also in a deeper sense, I think if you look around the world, we are one of the few bright spots," he said.

Noting that India is one of the few countries which export foreign direct investment, he said in 2012 the country exported more FDI as a share of GDP than China.