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Banking Sector set for Transformation: Rajan

India's banking sector is set to transformative changes in the coming future accompanied by a pulsating derivatives market and IT-induced banking, said Reserve Bank of India (RBI) Governor Raghuram Rajan on Friday.

Speaking at the 11th convocation of the National Institute of Bank Management (NIBM) in Pune, the RBI Governor also spelled out the changes in the offing for the public sector banks.

Mr. Rajan suggested that in the next two years, the RBI might issue licences for setting up of payment banks, small finance banks and perhaps, a postal bank as well.

The apex bank, on February 4, had released the names of applicants for small finance banks and payments banks. It had received a total of 72 applications for the former and 41 for the latter. Observing that the country's banking sector was laden with opportunities, he said it was important that banks had begun operating in the social sector.

Stating that India is a 'bright spot' in the world economy, Chief Economic Advisor (CEA) Arvind Subramanian said that the Indian growth rate currently exceeded that of China's.

"Skilled man power is not easily available in the country, yet our country is attempting to grow on it," he said. The economic prosperity was helping to bridge social verticals in India at a pace far more rapid than in Europe, he added. Mr. Subramanian said that the country's democratic set-up was a crucial decider in the rate of growth, and pointed out how in recent electoral cycles bad governance had been penalised in the polls which, he felt, was 'a very good sign.'

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