

Singapore Lender DBS Moves to Establish India Unit

DBS Group Holdings Ltd. said Tuesday that it has applied to set up a wholly-owned subsidiary in India, a move that will allow the Singapore lender to expand its network of branches and better reach its target audience of small and medium enterprises, Chief Executive Piyush Gupta said.

DBS's move underscores international lenders' interest in increasing their presence in India, one of the world's fastest-growing major economies. It is



the first major international bank to announce plans to set up a wholly-owned subsidiary in India.

In 2013, India's central bank issued guidelines for foreign banks to open subsidiaries in the country, in a bid to get greater regulatory oversight of how they do business. In return for agreeing to abide by Indian rules, Reserve Bank of India Governor Raghuram Rajan offered the banks what he called "near national treatment," including the ability to open more branches than allowed now.

But foreign banks weren't eager to take the deal, partly because of the costs of meeting certain regulatory requirements, particularly for so-called priority sector lending. The RBI requires that a sizeable chunk of credit by banks in India be given to farmers, small-scale businesses and other low-income groups. Foreign banks say this target audience is difficult and costly to reach.

Mr. Gupta said Tuesday that in recent months the RBI has issued some new guidelines to tweak the priority sector lending requirements, which make it easier for banks like his to operate in India. "They've created a lot more flexibility which recognizes the limitations that banks like us might have," he said. For instance, the new proposed norms reduce the percentage of total direct lending to farmers, and allow banks to lend indirectly to them.

Standard Chartered PLC, one of the largest international banks in India, is considering the possibility of applying for a license as a subsidiary, according to a person familiar with the matter. Spokesmen for Citigroup Inc. and HSBC PLC, among the other major foreign banks in India, declined to comment Tuesday.

Mr. Gupta said DBS Bank had applied for the license a couple of weeks ago, and he hoped that all clearances will come through in the next few months and that DBS will be able to operate as a subsidiary by early next year.

"Our ambitions for India are to scale up from being a large corporate bank to being a more universal kind of bank," he said.

Mr. Gupta said one major area of focus for DBS is to cater to small and medium-sized enterprises. To do that, it estimates it will need to have 50 to 75 branches in India, whereas now it has only 12 branches in India. DBS is also keen on building its consumer business in India, particularly through digital banking, he said.

Mr. Gupta said India contributes 4% to 5% of DBS's business, but he expects this contribution to be higher in coming years. "Structurally, we are big believers in the India story," he said.

-Gabriele Parussini contributed to this article.