



Rural banking strategy

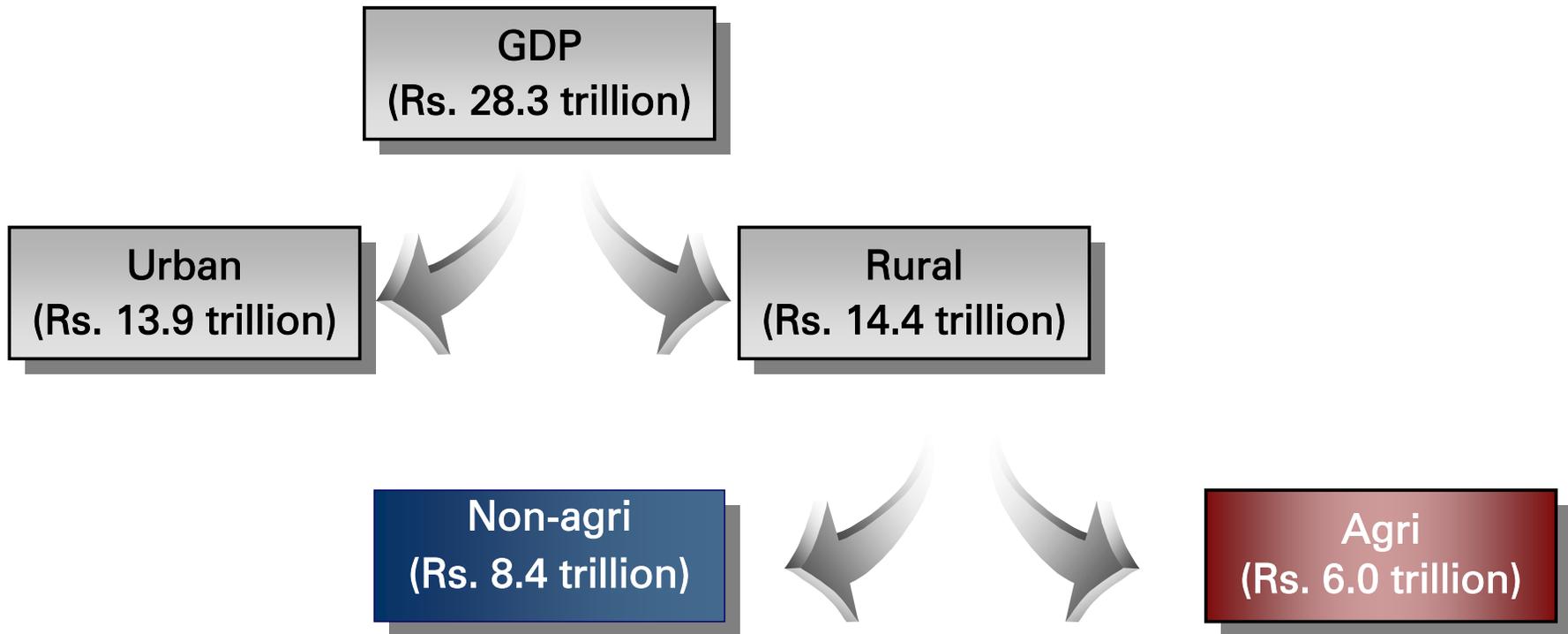
June 2006

A solid grey horizontal bar is located at the bottom of the slide.

Background



The rural economy



Share of non-agricultural output has exceeded agricultural output in the rural economy

Source: CERG (Consumer & Economic Research Group – Based on research by Omkar Goswami & Rama Bijapurkar)



Sectoral approach



ICICI Bank: tapping agri sectors...

	Contribution to agri GDP (Rs. bn) 2004	Contribution to agri GDP (Rs. bn) 2010	Contribution to agri GDP (%) 2010
Grains	1,621.68	1,804.68	22%
Horticulture	1,328.85	2,140.12	26%
Dairy	1,100.70	1,486.22	18%
Plantations	598.80	645.07	8%
Oilseeds	501.63	737.05	9%
Fisheries	342.36	503.03	6%
Poultry	318.19	458.55	5%
Sugar	235.20	326.65	4%
Others	179.21	218.03	3%
TOTAL	6,226.63	8,319.40	100%

Source: CMIE (Centre for Monitoring Indian Economy)



Focus on select non-agri sectors...

	Contribution to GDP (Rs. bn) 2004	Contribution to GDP (Rs. bn) 2010
Infrastructure*	2,099.00	2,734.00
Rural Health**	3,596.00	5,865.00
Education	1,192.00	1,423.00
Tourism	1,337.00	1,790.00
Logistics***	2,016.00	3,382.00
TOTAL	10,240.00	15,194.00

* Construction, electricity, gas & water supply

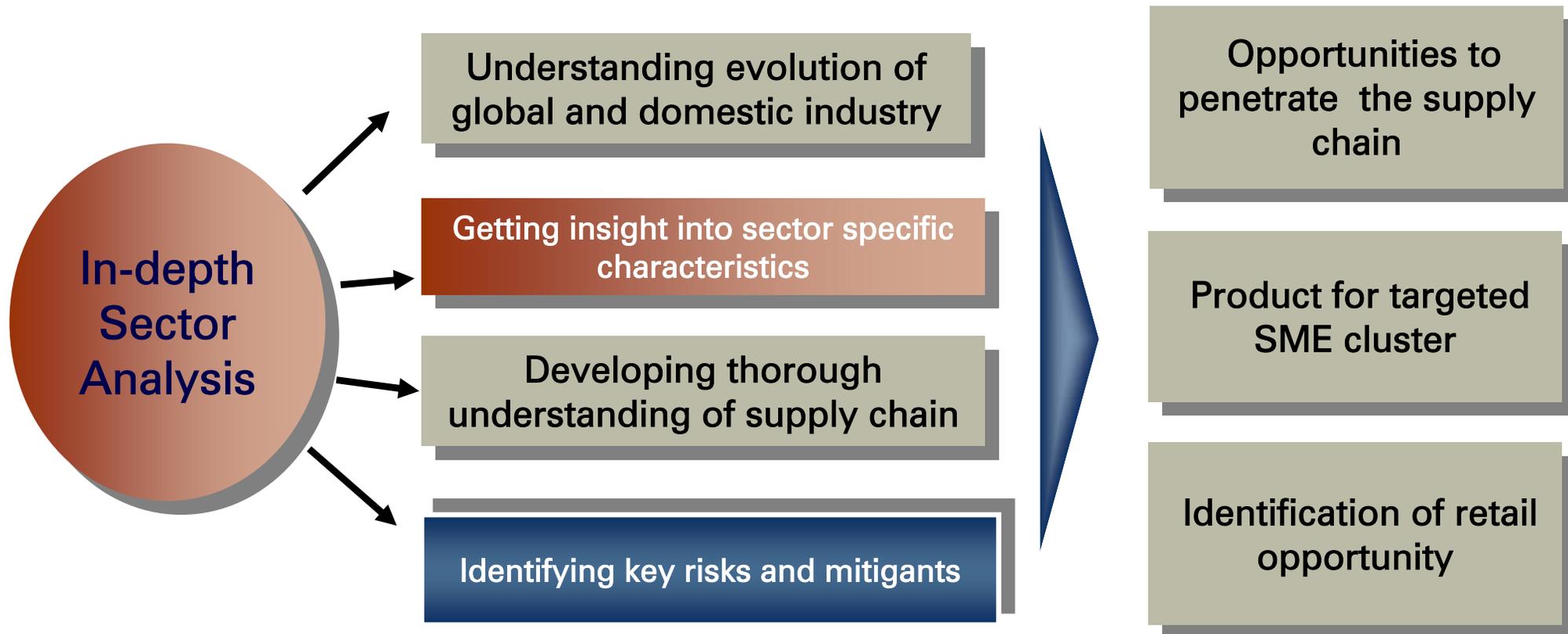
** Community services & personal services

*** Transport, storage & communication

Source: CMIE (Centre for Monitoring Indian Economy)



Building sectoral expertise...



...and designing sector-specific programs

Poultry

- Parameterised lending to small & mid corporates
- Infrastructure funding for contract farmers

Seeds

- Organiser financing for production of hybrids
- Program for seed processing segment

Horticulture

- Trader linked farmer finance (onion, banana, mango)
- Leveraging state subsidy to finance farmers

Rural infrastructure

- Tapping retail opportunities through small projects



Product suite



Corporate agri-business

Key Corporate Relationships

- Direct lending to large corporates (Fund & Non-fund based)
 - Term loans for project expansion and infrastructure
 - Working capital loans

Corporate Linked Retail and SME Model

- Dealer / vendor financing
- Corporate linked warehouse receipt financing
- Corporate linked farmer financing

Agri Small Enterprises

- Program based direct lending by understanding sectoral nuances
 - Initial focus mainly on key sectors contributing to agri GDP



Retail credit products



Retail liability products...

- Agri Express Funds (Current account for agri traders), Term deposits
- Farmer Savings Account, Rural Savings Account
- Investment products



Insurance & investments

General Insurance

- Personal Accident & Health Insurance
- Tractor insurance
- Motor & Fire Insurance
- Weather Insurance

Life Insurance

- Microfinance customers
- High value policies for rural HNIs

Investments

- Gold coins
- Mutual funds



Trade and transaction banking

Products

- Trade Services
- Branch banking services
- Third party products

Customers

- Agri Traders
- Agri Input Dealers
- Agri Corporates
- Agri SMEs
- Rich Farmers



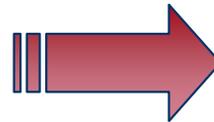
Channel strategy



Need for Hybrid Channel Strategy

Conventional Rural Banking

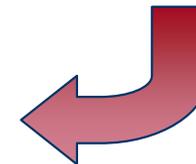
- Branch based, expensive infrastructure
- Manpower intensive
- Product driven
- Single product focus



Holistic Rural Banking

- Branch and non-branch
- Tech based
- Cost effective & scalable
- Local & customer knowledge
- Multiple product, cross Sell driven

Hybrid channels



Branches

Non- branch channels



Hybrid Channels

- Branches
 - District cluster processing branch (DCPB)
 - Mandi branch
 - Crop cluster branch
- Non-branch channels
 - Franchisee
 - Credit franchisee
 - Originator franchisee
 - Product specific–RMA, M&C, FE dealers
 - Kiosks
 - MFI branches
 - Business correspondent
 - Banking correspondent - Coop soc, NBFCs, Section 25 companies
 - To emerge as an important channel to offer liabilities



District Cluster Processing Branches

Decentralised processing hub for quick and efficient customer servicing

Location

- Clusters with high agri-rural potential

Example

- Guntur for 'Krishna-Godavari-Guntur'

Objective

- Processing hub for all channels & all business, tap all rural-agri opportunities

Key Customer Segment

- All agri and rural customers

Business Opportunities

- Branch banking for HNW farmers, traders
- Processing hub for business generated from all other channels



Mandi Branches

Key information access point on the agri trader highway

Location

- Agricultural mandi location

Example

- Vashi Mandi

Objective

- Focus on servicing agri traders
- Forward and backward linkages

Key Customer Segment

- Agri traders

Business Opportunities

- Banking – Current A/C, Investments
- Money transfer
- Trade services – LC, BG, F/X etc.
- Commodity trading, Insurance



Crop Cluster Branches

Leverages local and crop-specific business intelligence

Location

- Belts of growers & processors of specific crops

Example

- Hardoi Branch – sugar belt

Objective

- Build extensive local knowledge on specific crops

Key Customer Segment

- Farmers and processors

Business Opportunities

- Farmer finance for specific crops
- Local knowledge and relationships
- Crop-specific trading and futures



Franchisee

- Credit Franchisee
 - Risk sharing
- Originator Franchisee
 - Product specific channel
 - Rural marketing associate (RMA)
 - Farm equipment dealer (FE dealer)
 - Kiosk



Credit Franchisee – Risk Sharing Partner

Repository of local, customer knowledge; shares risk

Location

- Taluk / Block HQ

Objective

- Business relation on risk sharing basis

Key Customer Segment

- Rural Customers (Farmers, Small trader)

Business Opportunities

- Agri & Non Agri loans
- Rural Housing Loans
- Insurance, equity, mutual funds, commodity trading



Originator Franchisee

Repository of local, specific customer segment knowledge

Location

- District HQ / taluk / village

Example

- Farm equipment dealer, trader

Objective

- Sourcing business on commission basis

Key Customer Segment

- Farmers, agri traders

Business Opportunities

- Crop loans
- Insurance, investments
- Trader working capital finance
- Farm equipment



Kiosk

Last mile link to the customers in smaller villages

Location

- Village

Objective

- Work as spokes for sourcing business from villages

Key Customer Segment

- Farmers

Business Opportunities

- Agri & Non Agri loans
- Insurance, investments



Micro Finance Institutions (MFI) – Branches

Platform to reach out to the rural poor

Location

- District / Taluks / Village

Objective

- Facilitator for Bank's micro loans, savings and insurance

Key Customer Segment

- Poor

Business Opportunities

- Agri & Non Agri loans
- Insurance, micro savings, investments



Business Correspondents

Access point for a wide range of financial services, including liabilities

Location

- District /Taluk / Villages

Objective

- Providing banking access to unbanked / under banked areas

Key Customer Segment

- Farmers, Rural non-farmers

Business Opportunities

- Savings / Deposits
- Remittances
- Loan Disbursements / Collections
- Sale of Third party products
- Collection of statutory payments

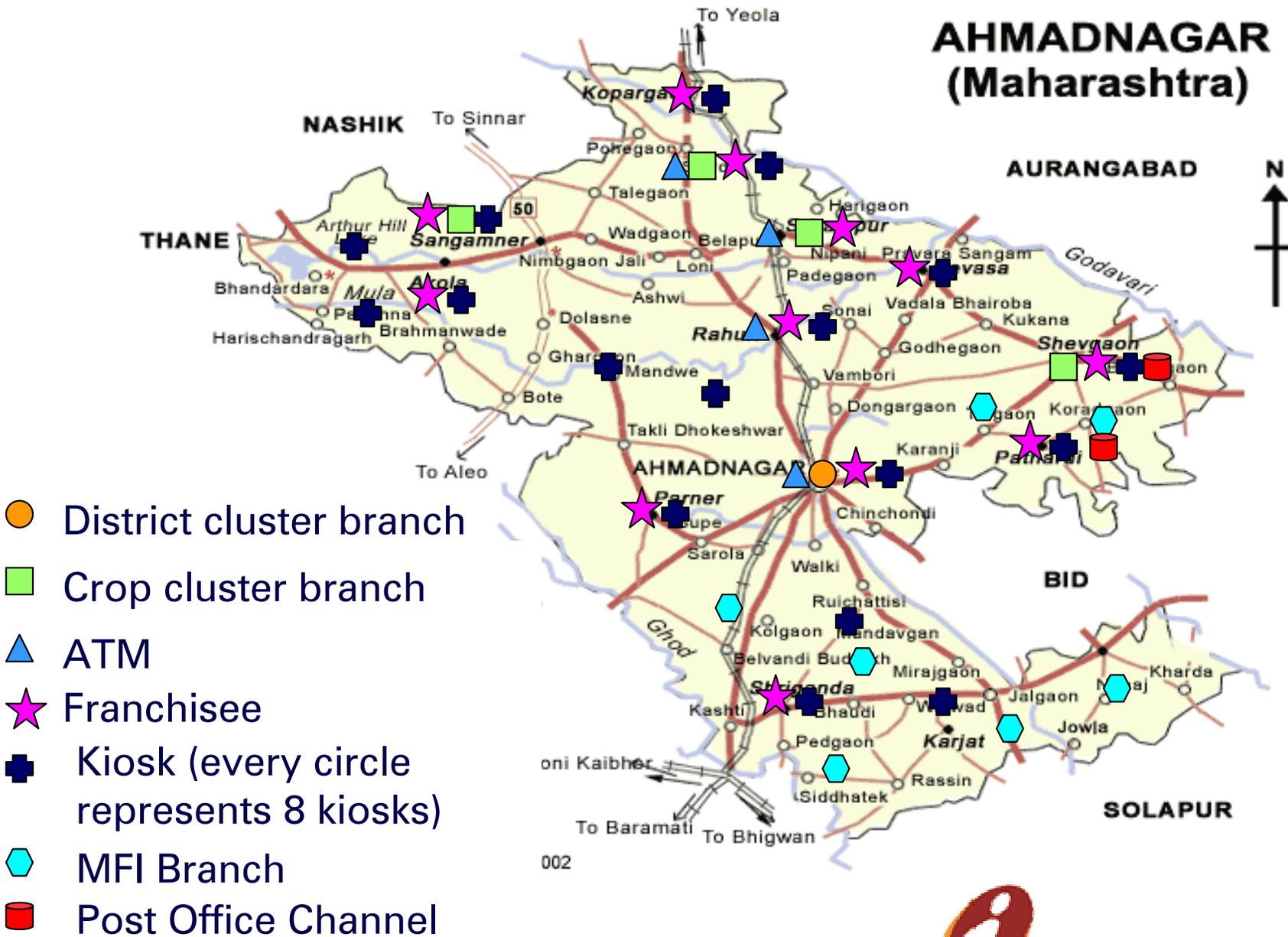


The NWS Strategy – Holistic Rural Banking

- Leave no business opportunity in a cluster untapped
 - Agri and non-agri opportunity
 - Customer segments
 - Farmers, agri traders, processors and non-agri customers
- An ICICI Bank touch point at 10 km from any customer
 - A combination of branch and non-branch channels customised to various segments



Channel Plan



National NWS Status – March 2006

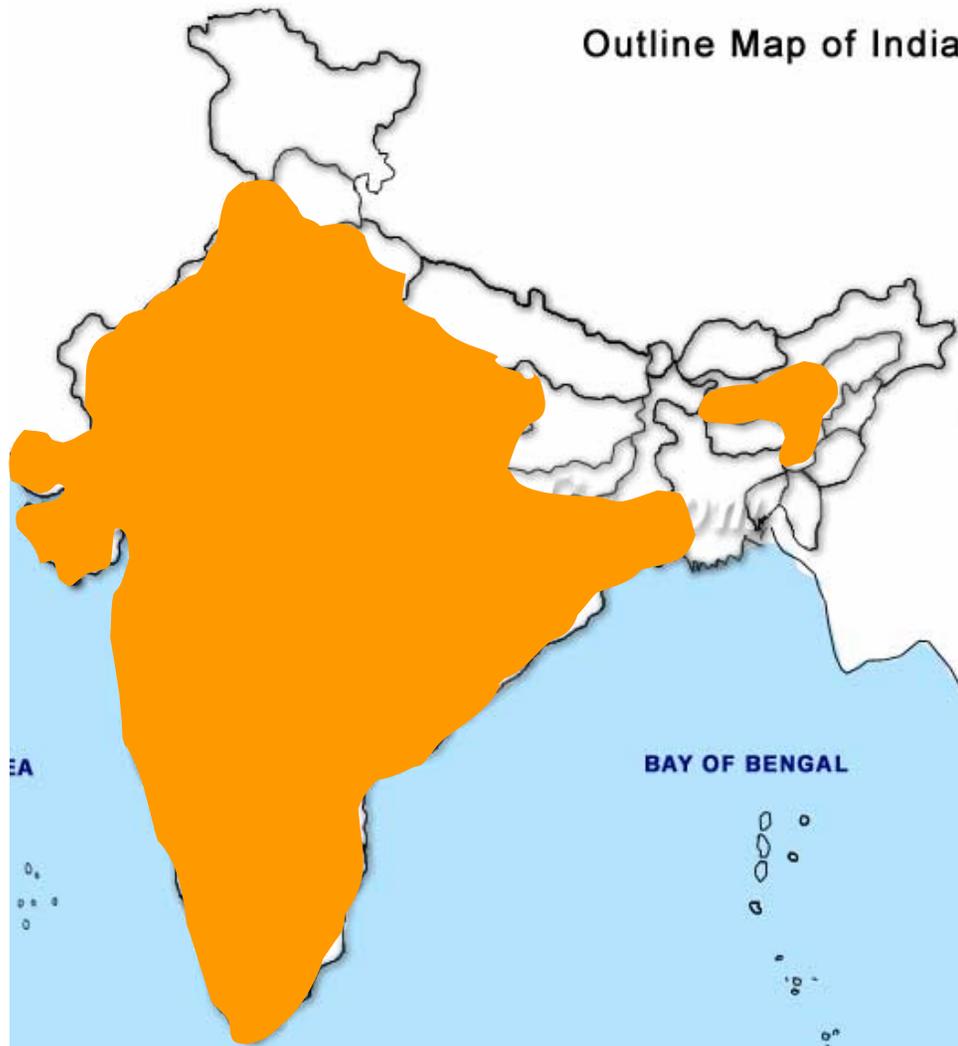
Category*	No. of districts
A+ (100% completion)	-
A (>50% completion)	10
B (25-50% completion)	12
C (<25% completion)	38
Total	60

* based on implementation stage

- **Top NWS Districts**
 - Category A: Ahmednagar, Guntur, Pune, Satara, Sangli, Kolhapur, Nashik, Mahesana, Patan, West Godavari



NWS Rollout Plan: the next two years



Category	No. of districts
A+ (100% completion)	300
A (>50% completion)	150
B (25-50% completion)	-
C (<25% completion)	-
Total	450



Technology

- Customer end
 - KYC cards for unique identification of customers across product relationships
 - Biometric cards for transactions, currently being used for farmers under sugar financing
 - Mobile PoS to capture information at remote locations
- Channel end
 - Front end software to enable shorter turn around time
- Bank end
 - Core banking platform
 - Will help us reach out to customers of our partners and rural financial institutions
 - Single window monitoring of customer relationships



Thank you

