



# Rural banking strategy

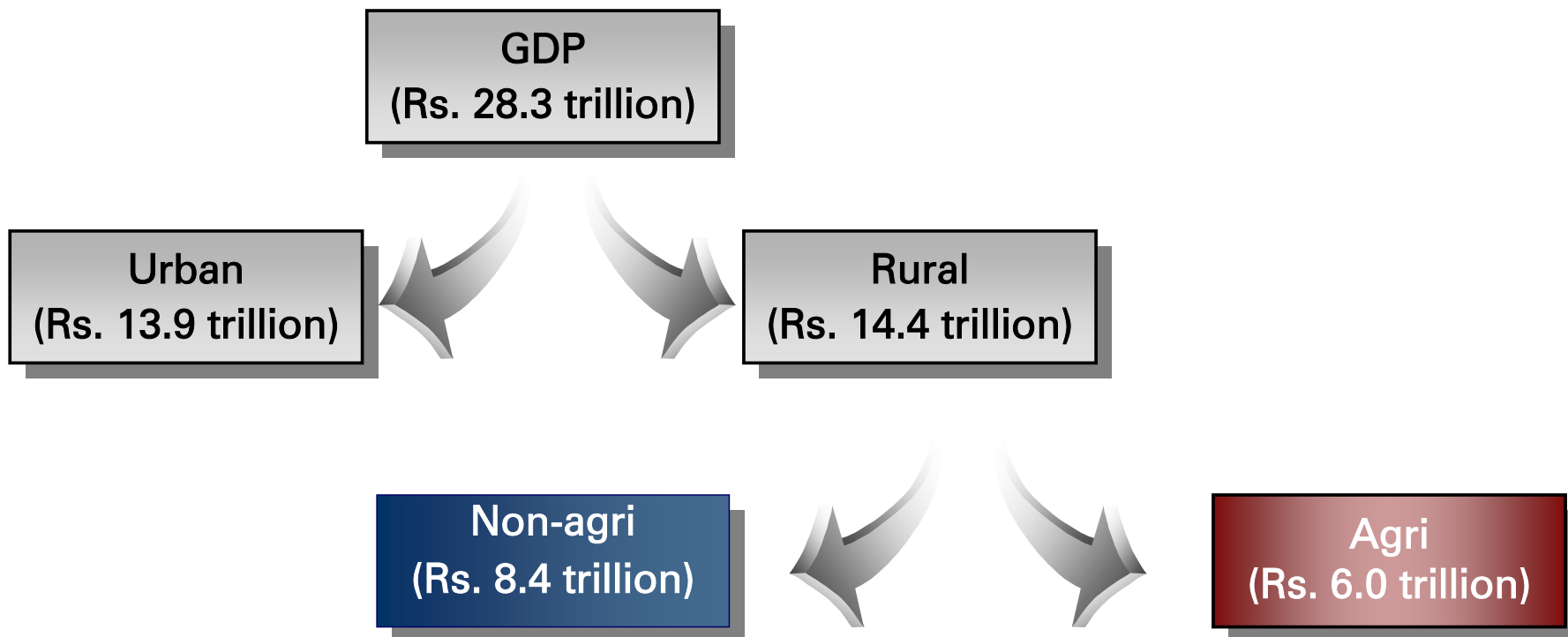
June 2006

A solid olive-green 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%
<b>TOTAL</b>	<b>6,226.63</b>	<b>8,319.40</b>	<b>100%</b>

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
<b>TOTAL</b>	<b>10,240.00</b>	<b>15,194.00</b>

\* Construction, electricity, gas & water supply

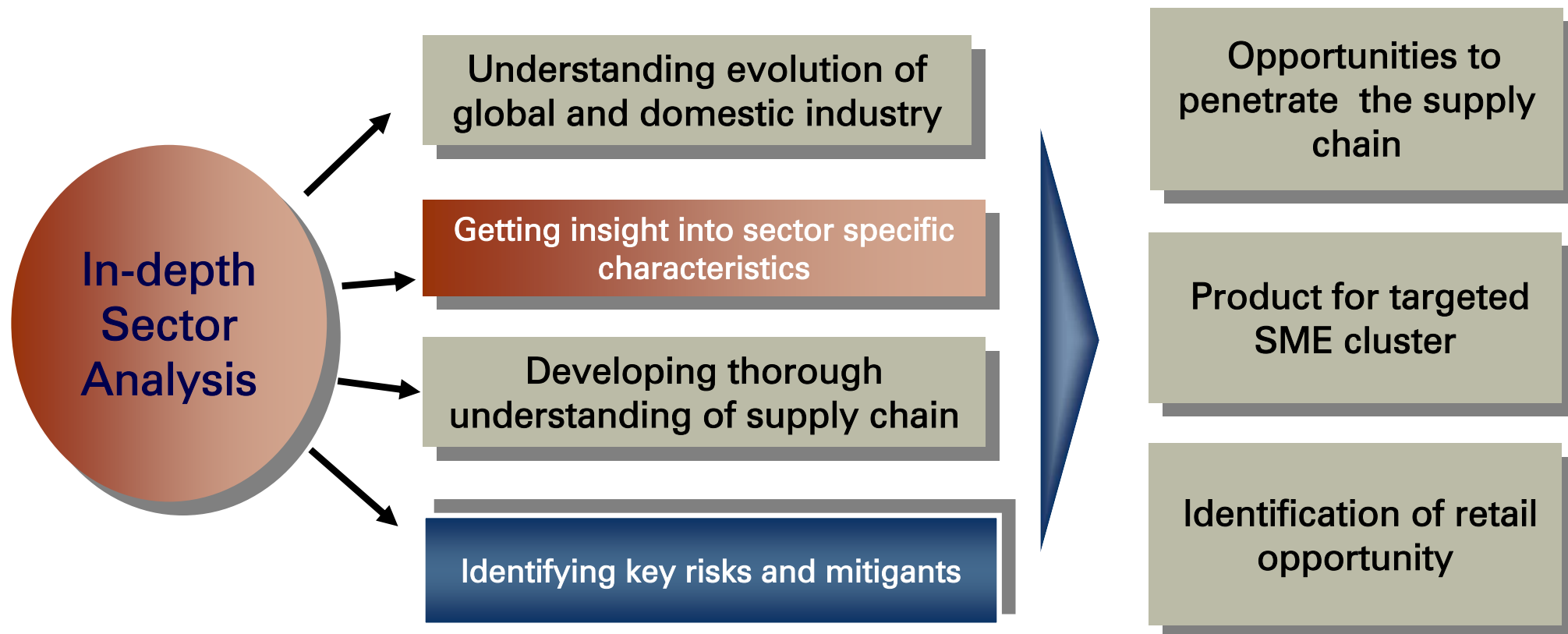
\*\* Community services & personal services

\*\*\* 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



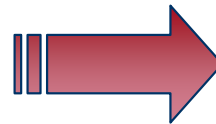
# Channel strategy



# Need for Hybrid Channel Strategy

## Conventional Rural Banking

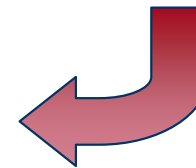
- Branch based, expensive infrastructure
- Manpower intensive
- Product driven
- Single product focus



## 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	<ul style="list-style-type: none"><li>● Agricultural mandi location</li></ul>
Example	<ul style="list-style-type: none"><li>● Vashi Mandi</li></ul>
Objective	<ul style="list-style-type: none"><li>● Focus on servicing agri traders</li><li>● Forward and backward linkages</li></ul>
Key Customer Segment	<ul style="list-style-type: none"><li>● Agri traders</li></ul>
Business Opportunities	<ul style="list-style-type: none"><li>● Banking – Current A/C, Investments</li><li>● Money transfer</li><li>● Trade services – LC, BG, F/X etc.</li><li>● Commodity trading, Insurance</li></ul>



# 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

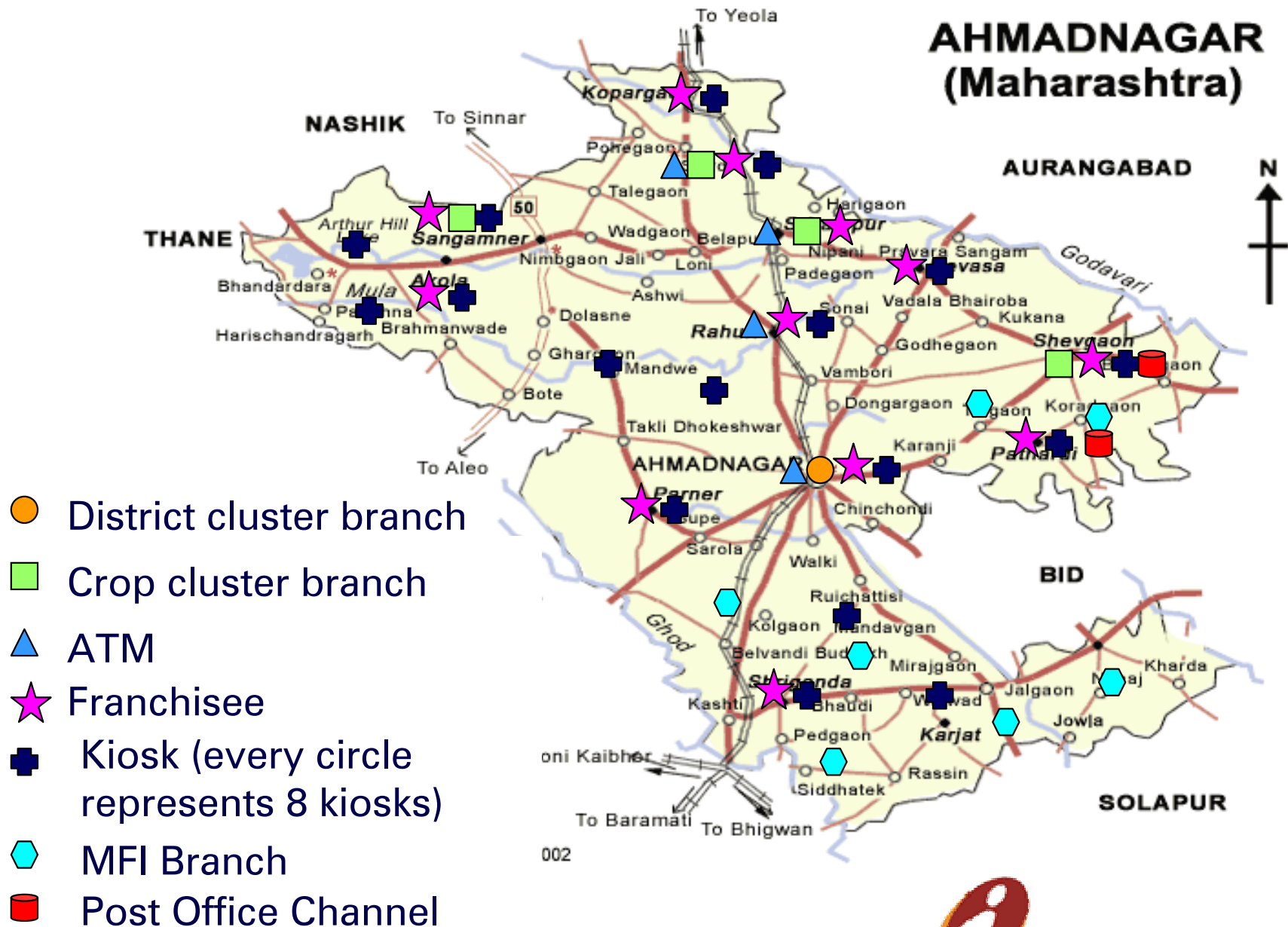


# The NWS Strategy – Holistic Rural Banking

- 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

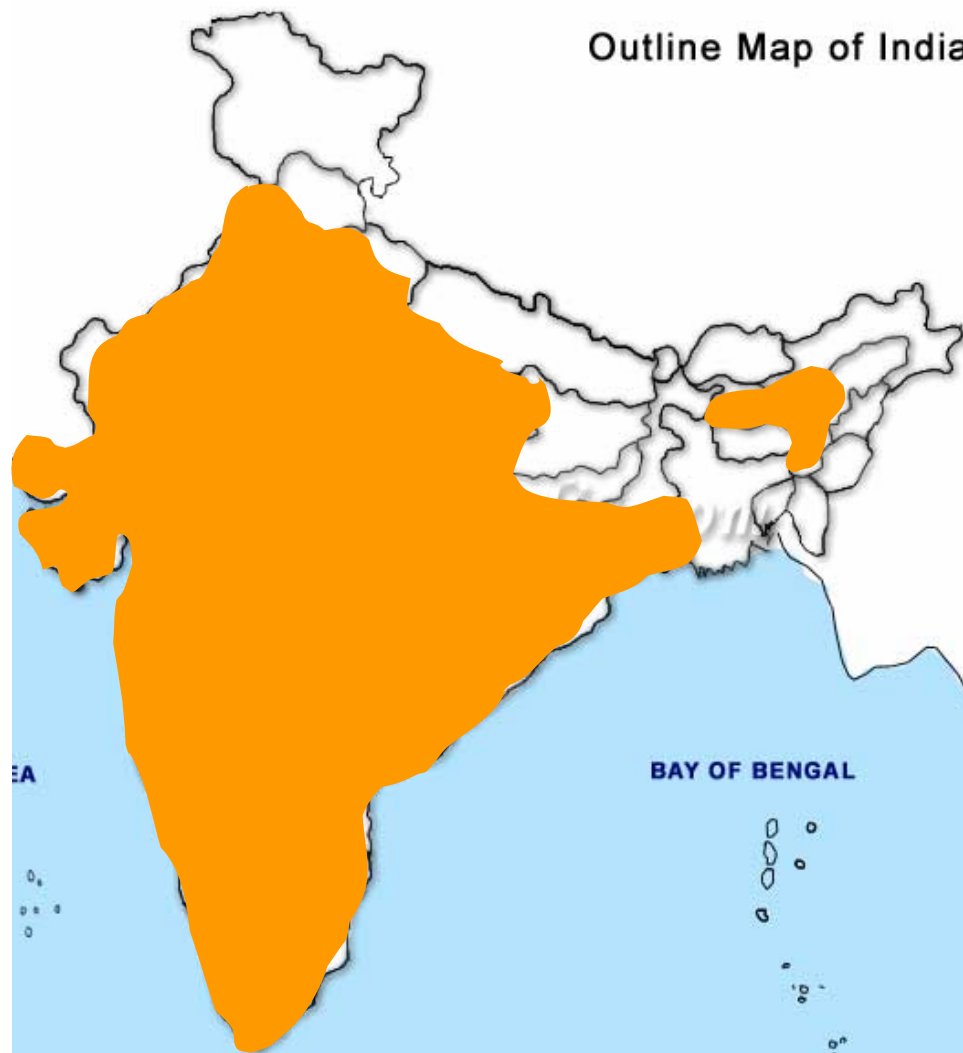
Category*	No. of districts
A+ (100% completion)	-
A (>50% completion)	10
B (25-50% completion)	12
C (<25% completion)	38
Total	60

\* 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

