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>

Introduction

The number of people living on less than \$1 dollar per day in India is significantly greater than the entire population of the United States. From a social perspective, this is a humanitarian pandemic. From an economic perspective, these people represent the Bottom of the Pyramid. From a commercial perspective, these individuals are not considered as a viable market given their miniscule purchasing power. Do the poor of India represent an opportunity for a large, organized financial services company?

THE INNOVATION. . .

Can lending to the very poor be financially viable for banks? Should leadership training precede access to saving and credit offered by the organized financial sector? Are there alternate models of credit evaluation, contract enforcement and building trust in large institutions among the poor consumers? The ICICI experience provides insights on how formal banking can convert the poor into customers, at the same time empowering the poor.

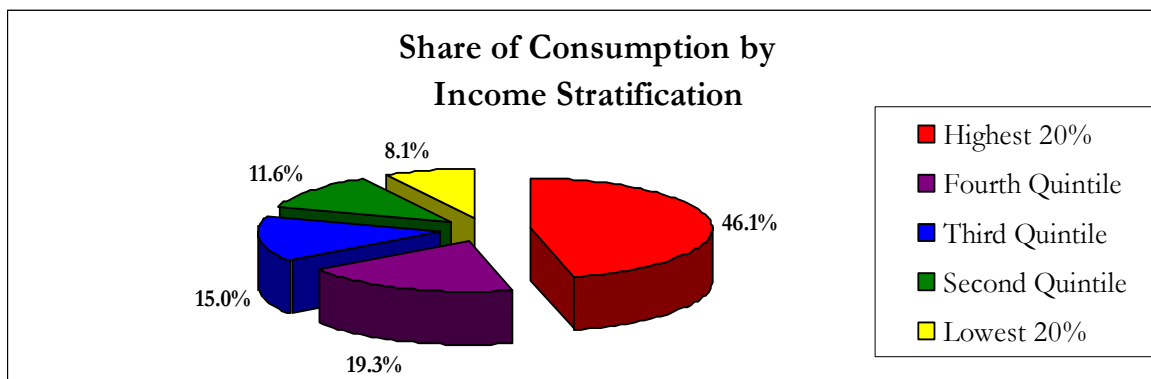
ICICI Bank, the second-largest banking institution in India, sees the poor as a lucrative customer class critical to the future of the company. "I think we have to recognize a whole lot of potential is going to come out of the Bottom of the Pyramid,"¹ stated Chanda Kochhar, the Executive Director of Retail Banking for ICICI Bank. ICICI deems the nearly 400 million impoverished people of India as a huge market with real economic potential and commercial viability. In fact, the mission statement of the Social Initiatives Group within ICICI Bank is "to identify and support initiatives designed to improve the capacities of the poorest of the poor to participate in the larger economy."² Also, there is a widespread belief within ICICI "...that the poor do pay for the services rendered to them and they ought to be viewed as consumers rather than passive beneficiaries."³ With this idea ingrained as a core belief, ICICI Bank has focused their resources and creative thinking toward innovatively serving the Bottom of the Economic Pyramid.

This report was written by Todd J. Markson and Michael Hokenson under the supervision of Professor C.K.Prahalad. The reports are intended to be catalysts for discussion and are not intended to illustrate effective or ineffective strategies.

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The Nature of the Market in India

Banking in India is very focused on the upper income groups. The breakdown of banking access by income category is shown below.



The Government of India (GOI) has been extremely sensitive to this asymmetric access to banking. “Of the 428 million deposit bank accounts in the country, 30% are in the rural areas. With a rural population of 741.6 million, the rural penetration of banks...is as low as 18%.”⁴ India has instituted policies to address the rural poor due to the traditionally ineffective banking penetration.

The Reserve Bank of India (RBI), which is the Central Bank and the regulatory arm, has been deeply concerned about access to banking among the rural poor. RBI has a Rural Planning and Credit Department (RPCD) that is directly responsible for encouraging flow of credit to rural, agricultural and small scale industries' sectors, drafting policies on lending to priority sectors and tracking implementation of poverty alleviation schemes.⁵ The RBI also has a fully owned subsidiary named the National Bank for Agriculture and Rural Development (NABARD) which works to provide credit to farmers, encourage the proliferation of rural banking and coordinate the financing of rural development projects.

The RBI, through the RPCD and NABARD, has instituted several policies to encourage rural banking and the extension of credit to the rural hinterlands. The first was an initiative that required banks to open one rural branch for every three urban branches opened. As stipulated in Section 22 of the Banking Regulations act of 1949, “Private sector banks ...are required to open a minimum of 25% of their total branches in Rural/Semi Urban areas as a condition of the license issued to them...”⁶ Another initiative required that 40% of the net bank credit that commercial banks provide must be allocated to priority sectors (housing, agriculture, rural development, etc.). Eighteen percent of the net bank credit must be allocated toward agriculture-related areas—13.5% of which must be direct to farmers while the remaining 4.5% can go to agriculture related areas (tractor companies, seed banks, pesticide factories, etc.).

The RBI, also through NABARD, started a pilot project in 1991 for purveying micro credit to the rural poor by linking Self-Help Groups (SHGs) with banks. “A healthy microfinance sector leads to a healthy finance sector in general. This mutual link has to be established by the microfinance institutions/NGOs and realized by the policymakers.”⁷ This pilot project was initiated because, despite

having 150,000 rural banking outlets, a 1981 RBI survey found that 36% of the rural poor still utilized informal sources of credit. The project, the *SHG-Bank Linkage Programme*, encouraged state banks with rural branches to give loans directly to SHGs as opposed to leaving the onus of BOP credit to MFIs. As of March 31, 2002, "...the number of SHGs linked to banks aggregated 461,478. This translates into an estimated 7.87 million very poor families brought within the fold of formal banking services."⁸ The fact that RBI and NABARD are "...devoting significant time, energy and financial resources on microfinance is an indication of the reckoning of the sector."⁹

**SHG-Bank Linkage Programme
Cumulative Progress (1992 to 2002)**

Upto end March	No. of SHGs financed by banks	Bank Loans (Rs. million)	Refinance from NABARD (Rs. million)
1999	32,995	571	521
2000	114,775	1,930	1,501
2001	263,825	4,809	4,007
2002	461,478	10,263	7,965

These initiatives, though great for the development of the Indian countryside, were viewed by most banks as 'developmental' and, thus, 'non-profitable'. Providing credit to poor farmers and opening costly rural branches was seen as a loss making or a break-even proposition at best. ICICI, however, viewed these reforms as an opportunity. K.V. Kamath, CEO and Managing Director of ICICI Bank, stressed that ICICI "...wants to lend in a *sustainable* way to rural India."¹¹ ICICI took a proactive approach when entering the retail banking sector not only to satisfy the RBI regulations but also to go above and beyond. "In the true ICICI style, we said if we have now acquired this initiative, let us see in what way we can actually make this initiative truly scalable."¹² With the entrenched corporate philosophy that the rural market is to become the engine for future growth, ICICI began looking at how rural banking could be done profitably.

History of Microfinance

Microfinance, even in the formal sector, has a long history. However, it usually has been characterized by its *non-sustainable donor-led model*. The primary focus of MFIs has been access to credit, a very capital-intensive process. The other plank of banking, namely savings, has been primarily ignored by MFIs. Also, the majority of its lending occurs to segments who do not qualify for the Bottom of the Economic Pyramid or poorest of the poor.

Despite these hindrances to sustainability, MFIs remain vitally important as a financial gateway to the poor. Access to credit and participation in trustworthy financial institutions is one of the first and most important steps in securing basic services of everyday life. The poor need these services to save small amounts in a secure manner, to invest in their business or home, to cover large expenditures and to ensure against risk.

Poor households around the world have demonstrated their ability to use and pay for financial services through longstanding informal agreements such as savings clubs, rotating savings and credit associations, and mutual insurance societies. In India, there are numerous ways in which the poor can

access credit through informal and semi-formal institutions. The poor, in the absence of formal institutions, often must resort to the informal sector, which is characterized by monopolistic practices and exorbitant interest rates—at times even in the form of human capital. In a paper published by the ICICI Social Initiative Group, Bikram Duggal and Anit Singhal wrote, “Informal systems may be inefficient and even exploitive due to their monopoly power. Interest rates in the informal market vary from 3-10% a month. Vegetable vendors are known to borrow at even 10% *a day* to finance their daily working capital needs.”¹³

In trying to estimate the degree of dependency the poor in India have on the informal sector data from the All India Debt and Investment Survey of 1992, “...the share of the non-institutional agencies (informal sector) in the outstanding cash dues of the rural households is as high as 36%. The data further reveal the credit dependence on the informal sources was higher in the case of lower asset groups. The dependence on the informal sector was as high as 58% for households with assets lower than Rs. 5,000.”¹⁴ In other words, a majority of the extremely poor are reliant on extortionist money lenders for living capital.

Yet formal financial intermediaries, such as commercial banks, typically do not serve poor households. The reasons include the high cost of small transactions, the lack of traditional collateral, geographic isolation and simple social prejudice. “According to Mahajan¹⁵, the transaction costs of savings in formal institutions were as high as 10% for the rural poor. This was because of the small average size of transactions and distance of the branches from the villages.” Even those institutions that provide financial services to the poor are limited in scale. With more than 400 million poor people and participation rates in formal institutions around 30%, demand far outstrips supply.

Early efforts to provide financial services to the poor tied those services to specific economic activities that were perceived as more financially sound. For example, between the 1950s and 1970s governments and donors focused on providing subsidized agricultural credit to small and marginal farmers in hopes of raising productivity and incomes. During the 1980s micro-enterprise credit expanded by providing loans to poor women to invest in tiny businesses, enabling them to generate and accumulate assets and raise household income and welfare. The proof that women are more able partners for MFIs is well documented and rests on a few simple principles. Since women are in charge of the household, the benefits of the money lent are more likely to filter into the family. Therefore, by lending to one woman the bank is helping the lives of at least four or five people. Also, women are more likely to respond to the pressure of the social collateral, which many of the MFIs depend upon for repayment.

The world of MFIs is diverse—they exist in various legal forms, including non-governmental organizations (NGOs), credit unions, non-bank financial intermediaries and commercial banks. In the most recent meeting of the Micro-Credit Summit in November 2002, there were more than 2,100 MFI entities in various forms that provided information on loans to more than 54 million clients. Their success has shown that poor people can be valuable clients of specially designed financial services.

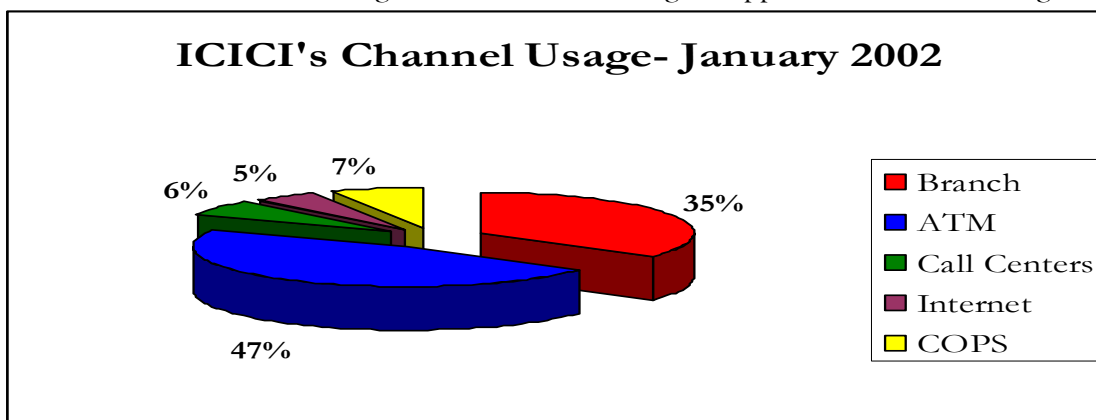
In 1997, the Micro-Credit Summit was formed to exchange ideas and start a global campaign dedicated to reaching 100 million of the world’s poorest families by 2005. Estimated worldwide, there are more than 7,000 MFIs. Of these, fewer than 100 claim financial self-sufficiency. Each type of MFI faces unique constraints that prohibit their financial sustainability. In the NGO model, they typically lack the resources to build permanent support structures of micro-lending, such as access to savings institutions. In addition, they face constraints of the scalability of their operation, and thus individual transactions become too costly.

Most of the problems with MFIs are due to the fact their primary focus has been on ‘access to credit.’ With such small loans (and thus meager interest payments) the key to sustainability becomes scale. If an MFI could achieve a large volume of loans, then the aggregate interest payments would suffice to cover operating costs. Achieving such scale is very labor intensive and takes many years. But the experience with Self-Help Groups (SHGs) in India has shown that lending can be profitable without massive scale and without donor dependency as long as it is coupled with saving requirements. The experience with SHGs has shown that savings must precede credit.

ICICI Bank and the Bottom of the Pyramid

Though most banks struggled to appease the minimum standards of the government regulations, ICICI Bank, the recently developed commercial/ retail subsidiary of ICICI Limited, saw this as an opportunity to expand and grow. As a commercial entity with shareholders to satisfy, ICICI Bank could not enter this market aggressively unless they were convinced it could be done profitably. “At the ICICI Bank we were very clear we would not restrict this initiative to be a mere marginal experiment. We decided we wanted to actually develop a model that not only is scalable, but is low cost and commercially viable.”¹⁶ Thus, the management of ICICI entered this market fully convinced it could be a profit-making venture. With this market in mind, ICICI outlined three strategic goals: to increase banking penetration in rural areas through innovative ways of defining distribution points, to prepare rather than react to the increasingly important rural market and to support the downtrodden as a good corporate citizen.¹⁷ All these goals were aimed toward enabling the poorest of the poor to “...become active and informed participants in socioeconomic processes as opposed to passive observers.”¹⁸

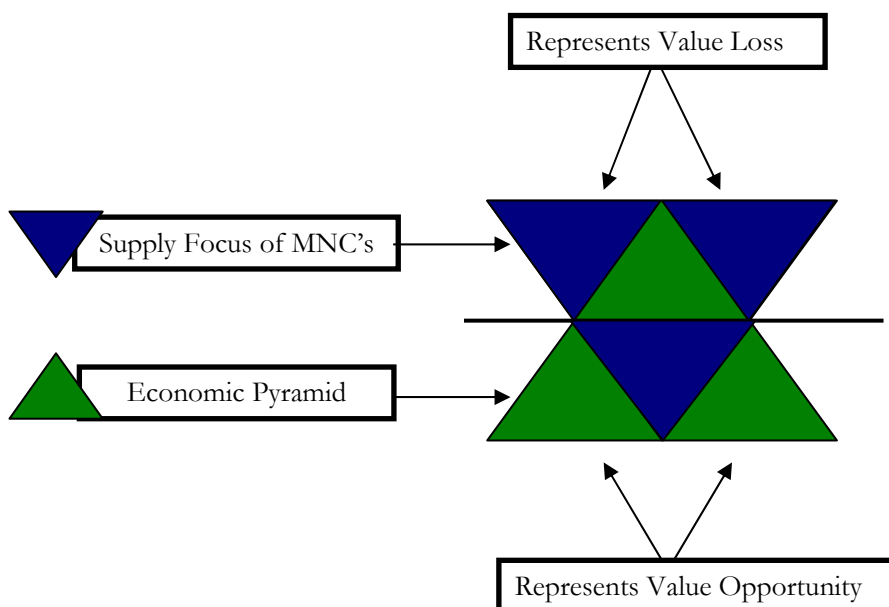
ICICI was well situated to take the lead in rural banking. ICICI was a universal bank providing a wide range of banking services and was technologically driven. For example, ICICI was the first bank in India to launch a Web site (1996), the first bank to launch Internet banking (1997), the first bank to launch online bill payment (1999) and the only bank in India with more than one million online customers. ICICI’s channel usage reflects this technological approach toward banking.



	Branch	ATM	Call Centers	Net	COPS
Cash Transactions					
January 2002	18%	82%	0%	0%	0%
April 2001	19%	81%	0%	0%	0%
Non-Cash Transactions					
January 2002	41%	33%	9%	7%	10%
April 2001	50%	39%	6%	5%	0%

"If you are going to gain sustainable competitive edge, you have to leverage technology in a big way. Our aim was to move from physical branch banking to virtual banking. Block by block we slowly built up a clicks-and-mortar strategy."¹⁹ This progressive and imaginative use of technology was a vital key to ICICI's ability to serve the BOP profitably.

ICICI also was a new entrant to retail banking. ICICI started retail banking under a new and changing regulatory regime that was decidedly more market-based than before. As a new player in this environment, ICICI was not burdened with legacy thinking and could attack the issue with fresh ideas. Additionally, ICICI was not hampered with a large physical branch network, and thus was well positioned to introduce low-cost banking channels. For comparison, the State Bank of India, one of the oldest and largest banks in the country, had to financially support a network of more than 13,000 ranches.²⁰



As ICICI oriented the banking operations toward the Bottom of the Economic Pyramid (see figure above), they began looking at entering the microfinance field since there certainly was and still is a vast unmet demand for credit in rural areas. "In rural areas, only one million households have received access to microcredit from MFIs."²¹ Yet the competitive situation was relatively crowded. "India currently boasts more than 500 microfinance institutions."²² However, the incumbents in this space were all struggling to turn profits since they were used to working as donor funded and supported

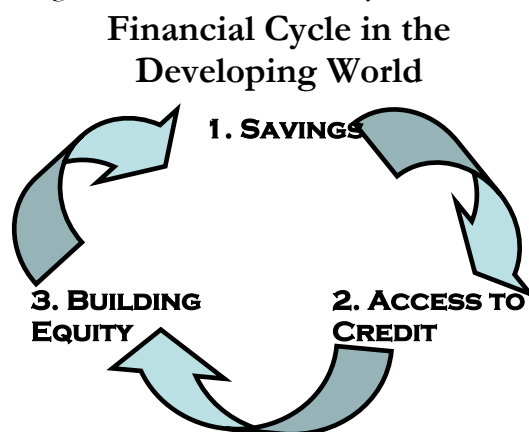
institutions. This dependence often affects scalability and sustainability. Additionally, these MFIs were experiencing low savings to credit ratios, liquidity problems, high ‘capacity building’ costs and general inefficiencies. ICICI saw a real opportunity in this area since many of the problems/risks with microfinance could be alleviated by the capital, expertise, scale and reach of a major bank. By entering the microfinance field, ICICI has taken on the role of social mobilization as well as financial intermediation.

In addition to looking at microfinance, ICICI also wanted to increase their banking presence in rural areas. To do this, the bank needed to rapidly proliferate their points-of-presence or distribution points. However, the traditional brick-and-mortar approach to expansion is prohibitively expensive given the vast and varied landscape of India. Additionally, it is very difficult to staff rural branches with competent bankers either because educated urbanites did not want to live in these areas or there is a paucity of qualified locals. In order to minimize the costs associated with expanding rapidly and to gain qualified rural staff, ICICI decided to partner with NGOs and MFIs currently in the field. By ‘piggybacking’ on the established network of these rural-oriented players, ICICI can gain knowledge about the market they intend to serve and eventually increase their banking presence. ICICI has combined the social mobilization strength of NGOs and MFIs with the financial strength of the bank.

ICICI has thus identified two innovative models toward serving the Bottom of the Economic Pyramid.

1. The *Direct Access-Bank-Led Model*, which was catalyzed by the merger with the rural banking institution Bank of Madura, utilizes the power of ICICI to promote and grow Self-Help Groups (SHGs) and to dramatically increase the scope and scale of rural savings and lending.
2. The *Indirect Channels-Partnership Model* leverages the relationships, knowledge and rural network of organizations in the field to avoid the costly brick-and-mortar expansion process and thus helps efficiently cultivate ICICI’s banking presence.

These models are aimed at “...facilitating the participation of the poor in the larger economy...” which can “...lead to the creation of a virtuous demand-led growth cycle.”²³ ICICI is implementing these models in order to serve the BOP throughout their financial life cycle.



The Indian banking system has three distinct tiers. The first tier, where ICICI competes, consists of commercial banks, of which there are approximately 80. In the next tier are regional rural banks, which operate in approximately 200 rural command areas. The last tier consists of cooperative and special-purpose rural banks. There are more than 350 central cooperative banks, 20 land development banks and a number of primary agricultural credit societies.²⁴ India certainly has an extensive and wide-reaching banking system. Yet "...despite fairly broad banking coverage nationwide, the financial system remains inaccessible to the poorest people in India."²⁵

ICICI is now the second-largest bank in India with total assets of about 1 trillion rupees (approximately US\$22 billion). With heavy competition among both domestic (State Bank of India, HDFC, Canara Bank) and international banks (HSBC, Standard Chartered, Citibank) for the assets of the urban Indian elite, ICICI executives see the rural hinterlands as the true engine of growth in India and are positioning the bank, through increased distribution points, to be the preeminent banking presence in those areas.

Direct Access - Bank Led Model

The direct access- bank led model is one of the approaches ICICI is taking toward serving the BOP. This model is aimed at proliferating the 'points of presence' of ICICI through the creation of savings programs for and provision of direct micro-loans to Self-Help Groups. The purchase of the Bank of Madura truly catalyzed this model. Yet, ICICI has added a number of innovative layers to what the Bank of Madura had already implemented.

History of the Bank of Madura: The Rural Development Initiative

The Bank of Madura, established in 1943, was one of the premier private sector banks. However, the least profitable area for the bank was their presence in the rural sector, mostly in the southern Indian state of Tamil Nadu. Presence in the rural sector was important to the Reserve Bank of India, and various stipulations were enforced to ensure banks followed this directive. The government required a certain number of employees, guards and support personnel to operate in addition to scheduled audits to monitor activity and performance. The overhead and the administrative costs were too high given the low level of banking activity per branch.

Under the leadership of Dr. K.M. Thiagarajan, who assumed the position of Chairman in 1993, the Bank of Madura reoriented its focus toward increasing deposits and consolidating unprofitable branches. The Bank of Madura escaped many of the waves of reform and liberalization due to its small size, which allowed the bank much more flexibility to act without costly bureaucratic impediments. Of their 270 brick-and-mortar branches, approximately one-third were located in rural areas (a branch was considered 'rural' when it was located within a village surrounded by a cluster of hamlets with a population of 1,000 to 3,000 people). To reduce the unprofitable operations, 103 rural branches were reduced to 77. Also, the Bank of Madura became the most automated old private sector bank in the country by implementing a number of technological improvements, which allowed the bank to eliminate overhead and increase the customer base. With the branch rationalization and technological changes, Bank of Madura deposits had increased to 37 million rupees (US\$740,000); the bank was showing profits just prior to the merger with ICICI Bank in 2001. (See Appendix 2 for the financials of the Bank of Madura.???) *I do not see the appendices attached to the paper- if they are going to be included-*

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Rural branches tended to be neglected. It was difficult to attract talented, educated and motivated personnel. Managers were incredibly reluctant to move to these rural areas because of the poor lifestyle. Originally, tenure of about two years in a rural branch became part of the career track for a manager eligible for promotion. Even with the incentive of eventual promotion, Bank of Madura found it difficult to attract managers.

The Bank of Madura's executive team began to realize there were many more issues than just the low level of economic activity in these rural areas that prevented the branches from reaching profitability and extending its presence in the communities. The low level of economic activity was in fact misleading. The informal and semi-formal money-lending sector was incredibly active and used by many families in the villages, especially in southern India where people inherently believed in implicit contracts. Although the high interest rates precluded the possibility of true economic development for the recipients, the informal and semi-formal sectors were well established and formidable. In addition, the banks had difficulty in establishing a trusting relationship with the communities and stimulating new economic activity. Dr. Thiagarajan felt the banks, in order to increase profitability in these rural branches, would first have to establish a reputation of trustworthiness and credibility in order to stimulate more economic activity. Integral to this mission was being able to attract personnel who had an interest in working with the economically impoverished, not only in their financial standing but also with issues of education, health, civil and social rights.

Dr. Thiagarajan became familiar with the Grameen Bank Model started in Bangladesh, providing small loans to clients existing below the poverty line. Executives at the Bank of Madura felt the efforts in Bangladesh could be replicated in India. In 1995, they developed and implemented the Rural Development Initiative, focused on economic empowerment of the poor in rural areas. To begin, they had to find the right people. Word spread quickly throughout the organization of the new and prestigious program. Thiagarajan reversed the negative perception of the rural managerial positions by creating a lengthy interview process for what was previously deemed a marginal job. Applicants were turned down if they expressed the slightest hesitation in the demands of the job or the time window the post may require. In addition, existing personnel in the rural branches were reviewed, and those who did not match the profile were weeded out. The applicants had to have the desire to help the poor and become personally involved with their economic development.

The interview process produced a team of 325 individuals and a core executive team of 15. The bank also initiated a new policy that stipulated that any individual working in the rural sector could request a transfer at any time. This was a perk for the rural field agents and added to the allure of the position. Next the team had to learn the intricacies of microfinance and how to make it successful. They began a serious study of microfinance with experts around the country, since many NGOs and academics were already active in this area in India.

After a number of consultations with outside experts, the core team held their own two-day retreat and decided upon the strategic and organizational directions the bank would take next. Some limits the program was placed under were that there were to be no additional expenditures, including new staff. The operational costs were to remain the same. Over the course of the retreat, the team had decided that the clients, bank and program would be better served with their own unique program. Of course, they drew upon many important lessons they had seen in the field from other players; however, with the financial backing of the savings institution they represented, they saw a new opportunity for themselves.

The essential strategic design of their program was *to form, train and initiate small groups of women into formal savings, banking and lending*. The vehicle conceived for this was the Self-Help Group. (For photos of SHGs, refer to Appendix 3.) (once again, the appendix is not attached – this will have to be taken out if the appendix is not correlated with this chapter) okay

The Bank of Madura’s conception of the SHG was:

1. A group of 20 women from the same village whose individual annual incomes placed them below the poverty line. Multiple groups could be formed in the same village.
2. The members did not participate, as of yet, in the formal banking sector.
3. Leaders should be selected from within the group to bear responsibility for collecting the savings, keeping the accounts and running the monthly meetings.
4. Upon formation of the group, the bank will undertake to educate these women with the basic concepts of banking and encourage them to begin a savings program for themselves, thereby creating new customers for the bank.
5. After one year of training and monitoring the regularity of meetings, loans were dispersed to the group in the average size of 10,000 rupees (US\$200) per member. This was a considerable loan, above the amount normally given for consumption purposes, in order to begin a small business or expand an existing operation in agriculture, for instance.
6. The loans would be given based on need, not in ratio to existing savings deposits

The Bank of Madura’s SHG vehicle allowed for many other positive intangible changes in their self-esteem and confidence to decide on and influence events in their own homes and villages. The maturation of an SHG followed this general pattern:



At the time of the merger in 2000, there were 1,200 SHGs formed; a social vehicle had been created with considerable power. Women participating in the SHGs found themselves becoming more articulate, confident and empowered. The focus of the SHG movement was on the maturation of the individual and thus the group as a whole by enforcing a strict meeting schedule and savings regimen. Ultimately, federations were formed, representing large numbers of SHGs that included thousands of members. The rapid spread was due in part to the training structure the Bank of Madura provided.

The greatest difficulties the SHG program would have to face first were intangible. How would a bank raise the confidence and motivation of a group of women without familial relation, without incentive to trust one another, without any formal participation in the financial sector? Further, there

was a stigma attached to formal banking that it was not a trustworthy institution. This mistrust was based on prior experiences some of the women had with bank loan officers, who demanded bribes and wrapped the entire savings and loan process in obscurity to confuse the locals.

The potential candidates for the SHGs, of course, understood their needs very well but had not been actively seeking alternatives. The answer to developing the group dynamic lay in the composition of the groups, so that a feeling of mutual dependence was immediately created, not merely financial but also psychological. Additionally, the framework that created a joint guarantee for the loan of all the members was also vital. This forced a rapid development of interaction between women who formerly would not have had any or very little reason to engage with one another. Eventually, a small number of groups began forming and the members soon felt the benefits initially in the form of increased confidence, the mutual benefit of cooperation and other externalities of a diverse and established support network. Concepts of citizenship were developed where members began to recognize their duty to the communal setting in which they played a role. With the passing of time, established groups and their most proactive members were trained to be able to form new groups, which spread the SHG movement at an accelerating pace.

To date, there have been many instances of total transformation, not only of the individual's self-confidence, but also of village politics, ethics and social norms. The SHG units began to develop a fierce identity both for themselves and within the context of the larger SHG network. Members of the SHGs adopted a certain color and style sari to demonstrate their solidarity. The hustle and bustle at the local bank offices have become a flurry of blue, maroon and yellow robes as the women go about their daily business. Songs and ceremonies have emerged celebrating the SHG unit and are offered at the commencement of each meeting to bring the members together in thought and act.

Merger with Bank of Madura

As they entered the new millennium, ICICI's executive team identified three areas as the next sectors of growth: international, urban retail and rural retail. With the rural sector targeted as an important driver of growth, Executive Director of Retail Banking Chanda Kochhar began looking for a suitable partner to help avoid the time and cost of Greenfield expansion. They identified the Bank of Madura as a profitable, well-capitalized private sector commercial bank in operation for 57 years. The main advantages for ICICI were the addition of 1.2 million customers and the Bank of Madura's rural branch network. The Bank of Madura's most significant presence was in the southern states, with 77 branches in the rural area of Tamil Nadu. The Bank of Madura was especially strong in small and medium-sized corporate banking, which would help ICICI expand their corporate business. An additional strength was the Bank of Madura's microfinance initiative. ICICI made it clear they intended to aggressively grow this initiative. P.H. Ravikumar, Senior Executive Vice President of ICICI Bank, stated that in "...the area of micro-credit lending they also have a strong presence, especially in those areas where the lending is to self-help groups involved with handicrafts, weaving, etc. We will evaluate the micro-credit areas and wherever possible will try to grow them."²⁶ The merger was approved on March 10, 2001, by the Reserve Bank of India. With the merger, ICICI Bank Limited became one of India's largest private sector banks with total deposits of Rs. 13,460 crores. After the merger, ICICI became the most visible bank in the state of Tamil Nadu with activity in 23 of the 28 districts.

Scaling Self-Help Groups

When ICICI inherited the Rural Development Initiative from the Bank of Madura, the SHG program was still not financially sustainable. To reach profitability, the number of SHGs had to expand exponentially without increasing ICICI's costs of managing these groups. ICICI developed a simple three-tier system. Under this system, the highest level was a *bank employee called a project manager*. They oversaw the activities of *six coordinators*, approved loan applications for the area manager and helped with the development of the SHGs. The coordinator was herself an SHG member who had a contractual relationship with the bank. She was overlooking the actions of *six promoters*. The promoters' primary responsibility was the formation of new groups. Within a year of election to promoter, the woman then becomes a *Social Service Consultant (SSC)* and must form 20 groups within 12 months. If the groups are formed, she is financially compensated by the bank and becomes part of the pyramid structure of creating and monitoring the SHGs.

Under the ICICI model, Self-Help Groups form and expand in a pyramid structure. In early 2001, at the time of the merger, there were 1,200 SHGs that had been formed under the Bank of Madura structure. By March 2003, more than 8,000 SHGs had been formed. The acceleration and success of the program depended upon training and empowerment of the women participating in the existing SHGs. At a certain degree of maturity, existing members who have demonstrated leadership ability are trained by the bank to become Social Service Consultants. The SSC's primary responsibility is to form new SHGs in neighboring villages and thus expand the SHG network. ICICI provides a small financial incentive of 100 rupees for each new group formed, and the SSCs must fulfill certain quotas to retain their status. The SSC must travel to villages within a 15-kilometer radius and form five new groups within two months and 20 groups within 12 months. ICICI has set strict guidelines for the member formation: All members are from the same village; they are all married to ensure there is a family that receives the benefits as well; members are between the ages of 20 and 50; SHGs must focus on the illiterate and those existing below the poverty line.

The National Bank for Agriculture and Rural Development (NABARD) created a list of questions that determine the poverty level of a certain family and tries to assess their eligibility for SHG participation:

- *Is there only one source of income for the family?*
- *Are there any permanently ill members of the family?*
- *Do you regularly borrow from moneylenders?*
- *How far is your drinking water source?*
- *Do you belong to a scheduled caste or scheduled tribe?*²⁷

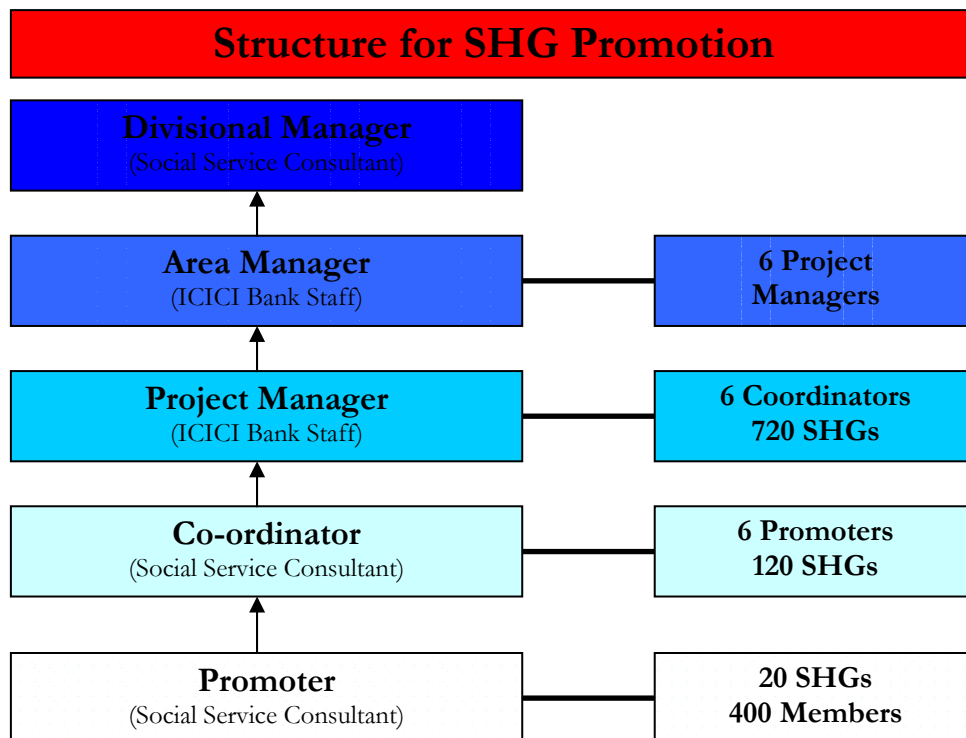
If they answer yes to three or four of the questions, they are considered good candidates for the SHG. After a series of visits with multiple families, plans for the group formation begin. The most successful groups have members who share some sort of similarity, whether they are from the same caste or have had a similar experience of poverty. Before the first SHG meeting, the SSC meets again with the village elders and gets their permission to work on a more significant level with the village to aid its development.

NABARD estimates that the process of group formation can take five to six months. In the first few meetings, it is not unusual for members to leave and new members to arrive. Once a core set of

members has been established, a leader must be selected along with two animators. These three women are agreed upon by all members and will share in the duties of running the group and keeping the accounts. The animators keep the minutes book, which details the proceedings of the meetings, the savings and loan register, the weekly register and the members' passbooks. Proper documentation of the activities, especially of the internal lending, will help the approval process from the bank. The preliminary meetings also include Basic Awareness Training (BAT) given by a Social Service Consultant, Coordinator or Project Manager. The SHG also must agree upon the meeting times, penalties for missed meetings and repayment habits.

The motto of the SHG becomes "Savings First – Credit Later." They are taught that the savings habit is crucial to their rise out of poverty by reducing their vulnerability to consumption and medical emergencies. Once the group has gone through training and begins to gather its own momentum, the SSC will leave to go form new groups, yet will still be responsible for a certain degree of monitoring and assistance in training. After the Social Service Consultant has formed 20 groups, she will have earned 2,000 rupees (US\$40) from ICICI Bank and will then become a Promoter. During this process, she will have reported her activities to the Coordinator who is responsible for multiple SSCs.

In the SHG hierarchy, a Coordinator overlooks the activities of six Social Service Consultant/Promoters who have fulfilled their quota of forming 20 groups within one year. Similar to the SSCs, the Promoters are selected on the basis of talent and skill. With each Promoter in charge of 20 groups, the coordinators are overlooking the activities of 120 groups. ICICI provides them with an annual salary of 2,400 rupees (US\$48) for the 120 groups or some proportional piece thereof depending on how many are formed. The Coordinators and the Promoters work closely with the bank personnel that support their efforts. They are not considered official employees of the bank but rather like contracted agents that perform a very particular function. These women have passed through various levels of election and are considered to be the most talented and motivated members. They, of course, began as members within a particular SHG and continue with their duties to that original vehicle. Within the official hierarchy of ICICI, there are managerial positions that support the efforts of the SHGs and their various executives.



Learning to be Financially Smart

The SHG process is oriented towards building new disciplines and capabilities. Collective responsibility and group pressure act as social collateral. Towards this end, the process has three essential steps:

1. Learn to save
2. Learn to lend what you have saved
3. Learn to borrow responsibly

In the first monthly meeting, each member must bring 50 rupees (US\$1) each meeting to contribute *to a joint savings account with the other members*. The leader and representatives are responsible for collecting this money and opening up the savings account for the group. Instructions have been issued by the Reserve Bank of India to all commercial banks to allow *registered and unregistered SHGs to open savings accounts in their group's name*. It is imperative that each woman contributes and participates each month. This begins to build the momentum of savings that ICICI believes is essential for greater economic independence.

After six months, they have amassed 6,000 rupees (US\$120) plus interest. At this point, the idea they are contributing to something which is able to expand beyond their individual means is evident. The savings are converted into a fund. The group can access this fund and use it for emergency lending to an individual within the group. This marks the first step in a transition into formal lending and departure from the dependence on the local money lender. Emergency lending can be defined as immediate payment of a medical emergency, short-term borrowing for consumption purposes or other

health reasons. This emergency loan is very short term, and the women pay an interest rate of 24% per annum to the account. The members knew, even if they had little or no education, that this is desirable compared to dealing with moneylenders. They compare the internal rate of the SHGs with the informal rate, which can be as high as 10% a day.

Often, monthly meetings take on a completely different agenda. Here, the activity revolves around the needs of the village and other concerns of women. In Tamil Nadu, water availability and purification, transportation and electricity were the most highly debated topics. The SHG allows women to stand together as thousands, and they are taken very seriously by local politicians. Chanda Kochhar, the Executive Director of Retail Banking at ICICI, related stories of women that rarely stepped out of their homes before joining the SHG. Through working with their peers, they gained such a degree of confidence and esteem that they were debating with local politicians on such issues as the construction of a dam and the digging of a well. The group also focuses on literacy training.

One year after formation of the SHG, they are ready to submit a loan proposal to the bank manager. The proposal process is relatively paper intense. There are certain key supportive documents in the process that includes loan agreements signed by each member of the SHG, an updated family survey, a *No Due* certificate that guarantees that there are no outstanding loans owed by any member and a *Letter of Sanction* approved by the Area Manager. The size of the total loan to the SHG is 250,000 rupees (US\$5,000) with a distribution of 12,500 rupees (US\$250) to each member. Activities able to be funded with this amount would include purchase of livestock, leasing of land for agricultural purposes, the opening of a small tea shop, candle manufacturing and the purchase of a home. *These loans are non-collateralized. The savings account cannot be held as collateral against the loan because the bank wants to continue encouraging the internal lending process.* However, the *SHG as a whole is responsible for each member's loan*, which builds a strong degree of social collateral. This social collateral has proved able enough to achieve a repayment rate of 99.99%, making the rural sector one of the most credit-worthy in the banking industry. To fulfill the repayment terms, each member must pay 400 rupees (US\$8) to the bank for 43 months, an effective annual interest rate of 18%. Within India this is higher than most home loans, which are in the area of 9%, and other commercial lending at 12%. ICICI charges this rate to cover the training costs and salaries of the Promoters and Coordinators that make this operation sustainable.

In the NABARD journal published for Bank Managers, they describe the steps to successfully dealing with the SHGs from the institution's perspective.²⁸ An assessment by the bank is encouraged. NABARD has assembled several checklists that correlate with high repayment rates and characteristics of the SHGs. These include:

- *Is the group between 15 and 20 members?*
- *Are all members considered very poor?*
- *Was there a fixed amount of savings collected each month?*
- *Is there more than 20% literacy?*
- *Have they used their savings for internal lending purposes?*
- *Have the members kept a high level of attendance?*

If the SHG meets a certain number of these criteria, the loan officer is instructed to grant the loan immediately. If the SHG is lacking in many areas, the loan application is suspended, and they are granted

four to six months to improve their operation. The officer is also encouraged to examine the books of the SHG and determine their accuracy and appropriate depth of content. Though the accounts are relatively small, these small savings of many SHGs grow into valuable large accounts. Cost savings occur because, although the savings account and loan represents 20 people, only the three elected officers interact directly with the bank officers, saving time and labor of the bank. In addition, since there is internal monitoring for repayment, the bank incurs very little cost in appraisal and monitoring of the loan. Further, the bank's reputation increases its social base of recognition within the village and attracts more business within other sectors.

In the continuation of the first monthly meetings, progress on the various business enterprises is reported to the group by the individual members. The members also bring their personal monthly loan payment. These payments are collected by the animators, recorded in each member's passbook and brought to the bank the next business day. If a member misses a payment, a penalty is assessed by the SHG, which is added to the shared savings account. If the first round of lending is successful, the SHGs can approach the bank for a second round with an increased credit line of 15,000 rupees (US\$300) per member.

Far from just creating a financial partnership with the women involved with the SHGs, ICICI Bank also sponsors additional activities and annual events that celebrate the progress of their Direct Access-Bank Led model. A yearly celebration called Women's Day is performed each spring. Here, many SHGs participate in singing and sporting activities, representing their groups with their dedicated saris and original songs. ICICI awards 5,000 rupees (US\$100) to the group with the highest literacy rate. The bank also has partnered with the Aravind Eye Hospital to hold medical eye camps for cataract surgery. The bank pays the traveling expenses of the surgeons and their staff, and Aravind performs the necessary surgeries free of charge for the villagers. To date, ICICI has been involved with 70 eye camps, and Aravind doctors have tested 68,000 villagers and performed 4,000 surgeries. Veterinary camps also have been conducted.

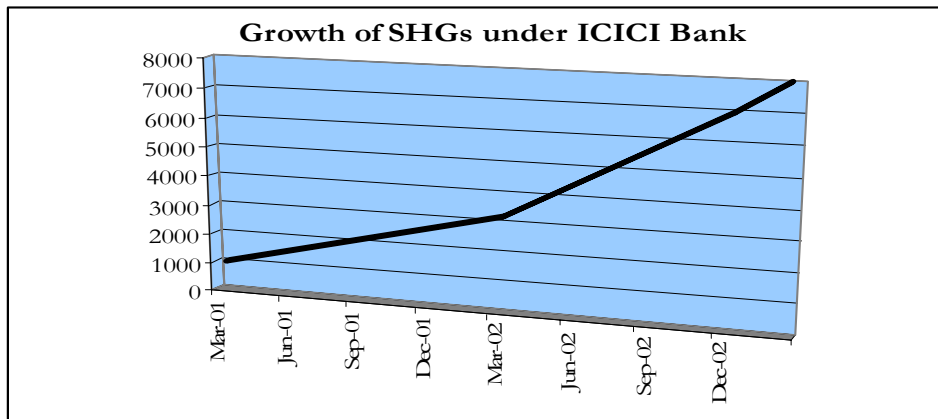
In addition to the hierarchical structure of the Coordinators, Promoters and SHGs, there have been additional affiliations formed to monitor the growing complexity of lending, economic progress and social development. The federation of the Joint Meeting Committees (JMC) represent tens of thousands of women and is chiefly responsible for the handling of the emergency funds. Each single JMC is run by three female officers and is comprised of 20 SHGs over 10 or 20 villages within the same area. These three women meet once every three months to monitor the internal lending activities of the 200 to 400 women. This internal fund is created by each member contributing 10 rupees (US\$.20) and is available as petty cash even when the bank is closed. The loan is typically used for emergency medical purposes. The size of the loan must not exceed 300 rupees (US\$6). Terms of the loan are a monthly interest rate of 2% and a short-term length of about 10 days. If payment is late, there is a one rupee (US\$.02) daily penalty for every 100 rupees (US\$2) borrowed. The JMC also is responsible for the creation of and maintenance of an information booth erected in one of the central villages. The information booth displays events such as births and deaths in the villages and world news. The booth costs 1,000 rupees (US\$20) to create and is also monitored in part by the Promoter and Coordinator assigned to that area. The executive officers also report on the progress and state of the JMC to the Area Coordinator and Project Manager.

Rural India continues to demonstrate a low life expectancy of 63 years by developed nations' standards. In order to combat the uncertainty in this situation and protect the respective members of the

group, SHGs have become sophisticated to the point of developing their own Welfare Fund Scheme (WFS) as a form of life insurance. Its purpose is to cover the remaining principal of an outstanding loan upon the death of a member and to help the family pay for the funeral expenses. The Self-Help Group as a single entity becomes eligible for the WFS after 11 months of formation and must decide to participate as a whole. Each member contributes 310 rupees (US\$6.20) to a common fund held in a fixed deposit account at ICICI. Currently, the aggregate of Welfare Fund Schemes represents 2,873 SHGs with more than 54,000 members and 15.7 million rupees (US\$314,000) in deposits. The interest this account collects is paid to a member's family in case of death to assist with funeral arrangements and other adjustments. The Welfare Fund Scheme is run by seven elected trustees who oversee the application process. As of March 2003, they received 74 applications for disbursement from the WFS and paid out over 510,000 rupees (US\$10,200).

Deposits of the SHGs at the Branches as of 01/01/2003 (thousands of rupees)			
Savings Bank		26750	
Recurring Deposit		7628	
Fixed Deposit		17582	
Deposit in Women Dev. Trust A/C at Achampathu Br. (Welfare Fund)			
Savings Bank		649	
Fixed Deposit		15429	
TOTAL		68038	

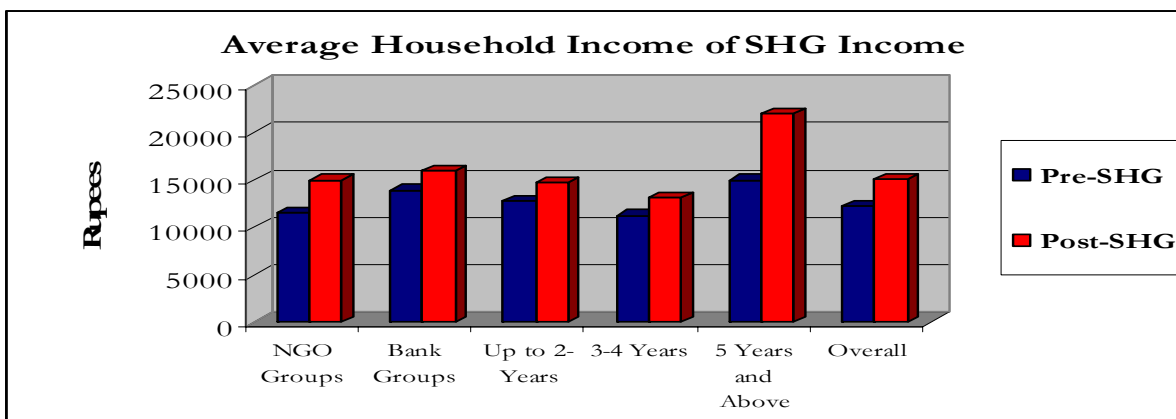
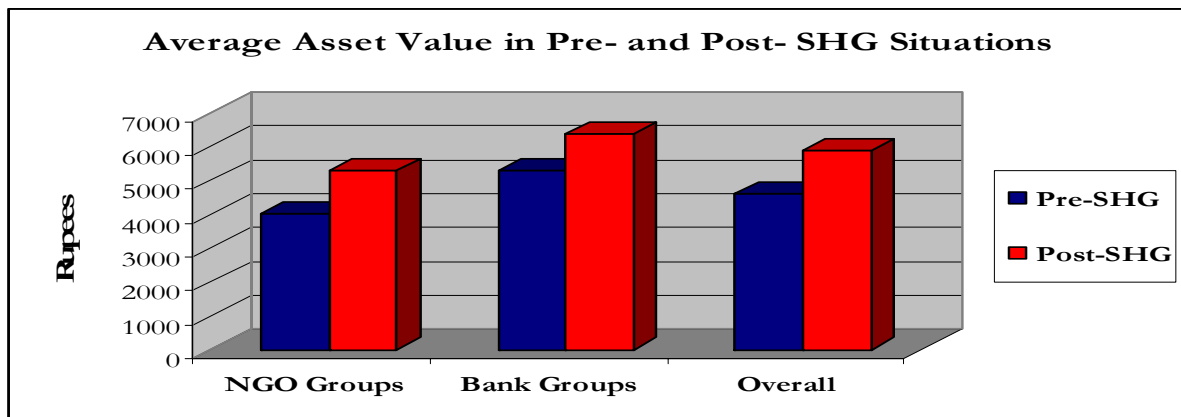
ICICI's unique approach has been successful in accelerating the growth of the SHGs in the Tamil Nadu area as seen in the graph below. ICICI's mission is to extend this program to other needy areas of India and reinterpret microfinance in a wider context to include savings, insurance, banking services and derivatives. "The momentum of the SHG movement in the country really needs to be accelerated in order to bring about lasting changes in the rural economy and the lives of the poor."²⁹

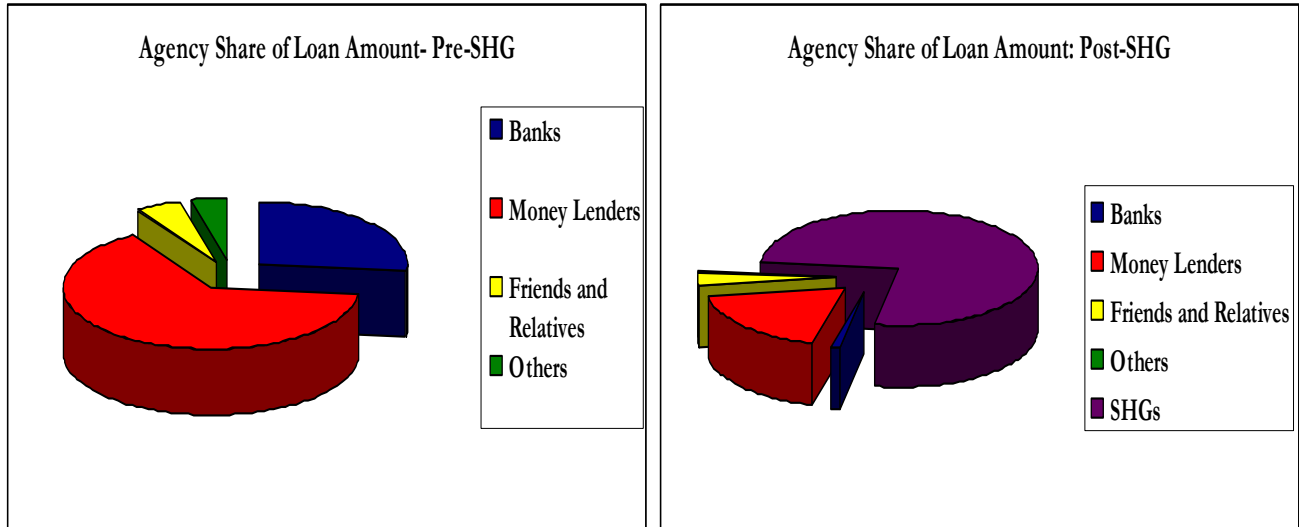


Many bank loans are used for agricultural purposes. In one instance that illustrates the impact of a loan to enable an agricultural practice, Ms. Pundiselvi in the Nahramalaiphur village used the loan to

lease a small parcel of land to raise chilies for cooking and flowers for decorative purposes. The cost of the land was 10,000 rupees (US\$200) for the season, and the seed inputs cost a few thousand rupees. Currently, Ms. Pundiselvi has paid back 7,000 rupees (US\$140) or 70% of the loan due to the produce generated from her land. In the same village, Ms. Saraswathi owned and operated a small grocery shop with a small inventory and limited selection of goods. With the 10,000 rupee (US\$200) loan, she expanded her existing shop and now enjoys a boost in monthly income. Ms. Saraswathi has never missed a monthly payment and has paid back 6,000 rupees (US\$120) or 60% of her loan. One enterprising woman pooled the money from the loan with other family assets and dug a new well for her village. She charges other farmers and villagers 25 rupees (US\$.50) per hour to pump water for irrigation purposes. The irrigation system the pump fed also increased the yield of her own nearby fields.

The tangible impacts upon asset value of the household, income development, working days and the share of the loan amount by a particular agency have been carefully monitored and measured by NABARD, the National Bank for Agricultural and Rural Development. In a comprehensive study released in 2002, NABARD studied the effects of SHGs and bank linkages of more than 560 member households belonging to 220 SHGs across 11 states. The report favors the view that micro-lending has significant positive impact upon income levels and income-generating activities. It also reports that the involvement of the members in SHG activities has contributed to their self-confidence and communication skills. Below are several charts assembled by NABARD that speak to these points:





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ICICI's dedication to the SHG program has a dual inspiration. The first is that ICICI believes the rural sector will be the next area of growth for India and that the SHG movement, if properly scaled and managed, makes good business sense. The bank expands its customer base and receives new deposits while reducing the cost of single transactions with the use of the animators and SHG leaders. The second aspect of the SHG program comes from ICICI's sense of corporate social commitment to the development and enabling of the rural poor. From the NABARD research, it is concluded that SHG participation had significant impact on various aspects of confidence, communication and decision making. One of the most important objectives for the SHG program is to improve the assertiveness of the SHG members, which NABARD measured in a survey published in their series on microfinance.

The study conducted by NABARD questioned 115 members on their experience with certain psychological aspects and social ills associated with poverty such as domestic violence, gambling and drinking. They saw a noteworthy reduction in these social evils, as measured in the chart below. Other positive indicators of change in confidence, freedom of communication and the woman's role in decision making for the household also showed considerable gain. "There have been cases where the ladies were not even stepping out of their houses. But today they have the confidence of not only sitting in groups but actually debating on some of the social and economic issues of the village: whether a dam should be constructed or not, whether water should be allowed, whether electricity should be allowed. That is the movement in the confidence levels we see."³¹ In the chart below, the left-hand column is the indicator of change. The numbered columns show the percentage of SHG members responding affirmatively to the psychological benefit.³²

<i>Indicator of Change</i>	Pre-SHG %	Post-SHG %
Self-Confidence & Self-Worth		
> Respondent exudes confidence	21 %	78 %
> Can confidently meet financial crisis	33 %	85 %
> Respectful Treatment from family members	40 %	89 %
> Comes out to help neighbors/others	51 %	95 %
Decision Making		
> Joint decision making on purchase of household assets	39 %	74 %
> Makes joint decisions on social matters such as education of children and marriage	42 %	69 %
Communication Skills		
> Speaking out freely	23 %	65 %
> Talks only if asked	40 %	9 %
Behavioral Changes		
> Protests drinking/gambling	37 %	81 %
> Protest wife beating by husbands	52 %	78 %
> Domestic violence	67 %	49 %
> Increased Mobility	45 %	75 %

The impact of the ICICI microfinance program has been to fundamentally change the lives of the SHG members with long-lasting economic solutions while achieving breakeven costs in the operation at its present scale. ICICI's plan is to continue the accelerated growth with the proliferation of its viral, pyramid model and its three main constituents: the Area Manager, the Coordinator and the Promoter.

Indirect Channels - Partnership Model

“Our vision is to attain national outreach. To reach out to rural areas where we do not have branches, we have developed the partnership model. Our aim is to combine the social mobilization strength of NGOs and MFIs with the financial strength of the bank. The partnership model helps overcome the constraints faced by NGOs and MFIs in scaling up their activities.”³³

The indirect channel-partnership model is another approach being taken by ICICI Bank in their effort to increase distribution points and to cost effectively serve the Bottom of the Economic Pyramid. The model looks to leverage the current infrastructure and relationships that microfinance institutions and non-governmental organizations have in place to deliver banking services to the rural poor. By ‘piggybacking’ on this network, ICICI does not have to implement a costly brick-and-mortar expansion model. Also, ICICI can learn from these organizations, whose sole focus is to serve this customer class, thus minimizing their learning curve costs.

Micro-Finance Institutions

ICICI originally began the indirect channel-partnership model in a catalytic role. The bank began giving grants and loans to MFIs in order to spur their credit activities to the rural poor. However, the

role as a donor organization and passive lender did not truly fit into ICICI's goal to be a leader in rural banking. Thus, ICICI created a unique lending scheme that attempts to create a more sustainable economic situation for these MFIs and encourages a more commercial approach. "The partnership model essentially is looking at microfinance as a viable business activity, but with the financial institution playing the catalytic role of providing cash flow funding for the initial three years to the service provider."³⁴ ICICI now provides these MFIs with a line of credit to meet their cash flow deficit in three years. In the fourth year, the MFI will then begin to repay the loan within two to three years. Additionally, ICICI wanted to go further by actively developing rural programs with their partners in the field, making equity investments in these partners, creating technologies that would help penetrate the rural areas and by utilizing their corporate network to funnel resources toward the rural effort.

The first steps in this indirect channel-partnership model were taken with the DHAN Foundation (Development of Humane Action) in Karnataka, PRADAN (Professional Assistance for Development Action) in Jharkhand and CASHPOR (Credit and Savings for the Hardcore Poor) in Uttar Pradesh. ICICI worked with the DHAN Foundation, a regional non-governmental organization that assists the poor in micro-credit, in researching the idea of kiosks and in looking at "...rural information and communication technology (ICT) projects that seek to bring emerging technologies like low-cost computing and Internet access to rural households."³⁵ ICICI also partnered with PRADAN to take advantage of their deep knowledge of Self-Help Groups. ICICI provided loans to PRADAN so they could expand their SHG lending and, in the process, learned about setting up women's savings and credit groups. CASHPOR is an association of Grameen Bank Replications in Asia, with SHARE being the CASHPOR representative in India. ICICI partnered with CASHPOR and SHARE, in the form of an equity investment, to catalyze the MFI movement in India and to learn from the innovative Grameen model. Each partnership is designed to build on the unique strengths of each organization and upon the context in which they are working.

Rural Kiosks

ICICI has now set up additional partnerships with EID Parry, n-Logue, ITC e-Choupal and BASIX to take advantage of the rural kiosk network they each have established. Each partnership is designed to build on the unique strengths of each organization and to truly leverage their experience and relationships. These partner organizations receive in return the backing of the second-largest bank in India to help expand their kiosk network. ICICI envisions setting up many more partnerships with MFIs and NGOs that have the expertise and passion for serving the rural poor.

Future Initiatives

Though ICICI has already made a significant impact in providing credit to the Bottom of the Economic Pyramid, their effort is still in its nascent stages. ICICI is constantly striving to cost-efficiently serve this customer class by developing innovative technologies and novel distribution models. With new initiatives such as rain insurance, venture capital, mobile ATMs and derivatives, ICICI is always testing, rolling out and then scaling up innovative ways to profitably serve the BOP.

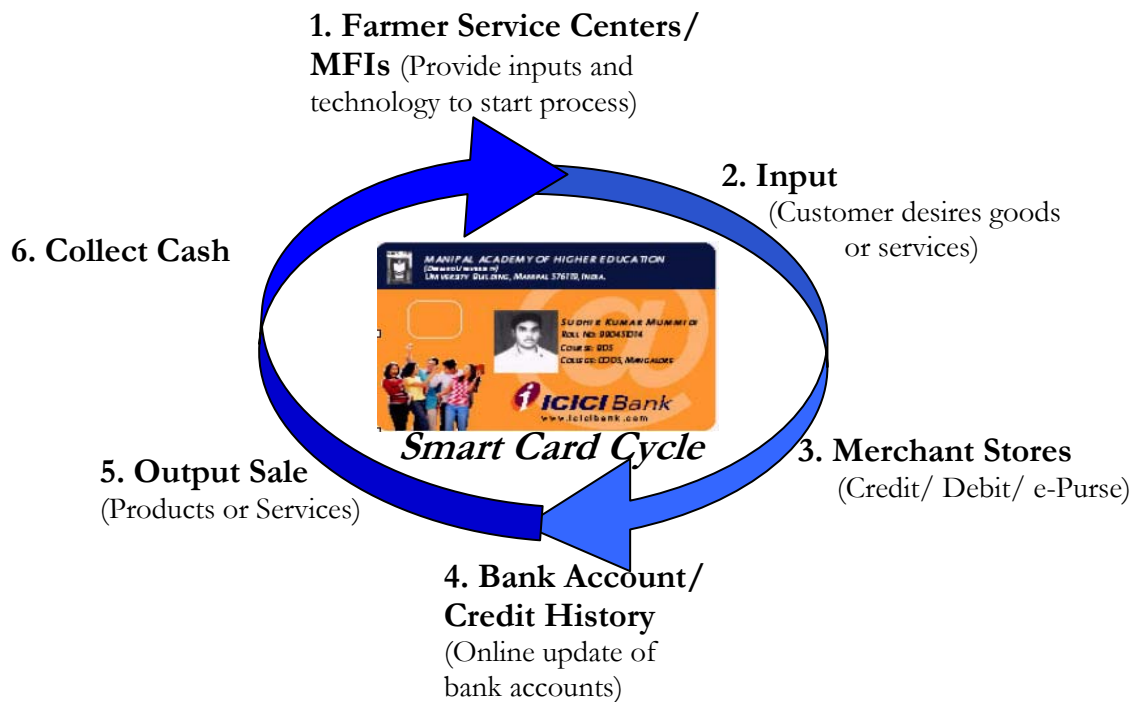
The rural ATM machine, to be placed in the kiosks, is a simplified version of a regular ATM. With a simple interface and multiple languages, the rural ATM will be accessible by all and will be the conduit through which ICICI delivers banking services to the remote Indian countryside. It is currently

in development in the lab of Dr. Ashok Jhunjhunwala and is expected to cost a mere 3,000 rupees or US\$600 versus the 80,000 rupees or US\$16,000 that it costs for a normal ATM machine. As stated above, ICICI envisions placing this rural ATM in the kiosks their partners have already implemented.

ICICI also is investigating the possibility of building a mobile ATM. The ATM machine would be installed in an ICICI-branded truck that would circulate through a number of villages on a specified, pre-determined route. Rural villagers would know when the ATM was coming to their village and would be able to take care of their banking needs on that day. With the mobile ATM, ICICI could serve a number of villages with limited capital outlay.

ICICI is constantly investigating other ways to proliferate their banking presence. In fact, one of the key challenges for the future is how to create more convenient and low-cost access points for rural customers. Some ideas include partnering with the Indian postal service to place ATMs within their extensive infrastructure and integrating ATMs with vending machines.

ICICI is also researching the possibility of implementing a smart card-based payment system in order to eliminate the costs associated with cash handling. "The two key challenges that must be overcome to extend banking to the rural and poor population are elimination/ reduction of cash handling and innovation of low-cost delivery channels."³⁶ Smart cards effectively harness the technology advances of the new economy and apply it to the old economy. "By combining the features of a handy credit/debit card with the advantages of...storage capacity...the smart card provides secure identification, a store of value and an ability to function off line while maintaining an audit trail of all the transactions."³⁷ Smart cards were launched in October 2000 by ICICI at the Infosys Campus in Bangalore and at Manipal Academy of Higher Education (MAHE) to create a cashless economy. A picture of the smart cards in circulation is below. However, many problems exist with smart cards, such as high cost and lack of the technological infrastructure for widespread adoption. The high cost is especially amplified at the rural level. However, ICICI is watching closely what BASIX is doing currently with smart card technology to see if it is cost effective and viable. Below is a diagram of how the smart card system would work with Farmer Service Centers or MFI's.



Insurance is another product ICICI Bank is investigating for the poor. The high probability of being exposed to risk and thus the vulnerability of the poor leads ICICI to believe that insurance is a crucial product that the BOP will pay for. "Vulnerability is predominantly economic."³⁸ By utilizing insurance to manage risk and "...counter structural, market and life-cycle related risks..."³⁹ ICICI can help to create more of a stable life for the poor. Therefore, ICICI Bank is looking at creating an insurance product that would pool, price and trade the risks of the poor. One unique product in this class is rain insurance, which would allow farmers to collect money during droughts and protect them from fluctuations in the weather.

ICICI Bank is also looking at venture capital to share in the risk with the enterprising poor in ventures with the possibility of high return. To break the poor out of the cycle of credit, ICICI envisions implementing a venture capital model that would invest in promising businesses and would hopefully bring "...investors' interest – and with it the promise of professional management – to the management of the enterprise."⁴⁰ Venture capital would "...enable the poor to invest in long-term assets."⁴¹ This model would spur economic activity and tap into the creative minds of the BOP.

Derivatives are another instrument that ICICI is looking at for the poor. Agricultural crops are a perfect underlying asset upon which a derivative could be structured. "The principles of a derivative contract appear to have relevance in the context of commodity markets and indices based on weather and other variables that have a bearing on the livelihoods of the poor."⁴² In fact, many rural villagers already engage in informal derivative deals by buying and selling crop futures. ICICI is looking at formalizing and institutionalizing this process.

Conclusion

ICICI has made profitable inroads into serving the Bottom of the Economic Pyramid. “Banking with the poor has undergone a paradigm shift. It is no longer viewed as a mere social obligation. It is financially viable as well.”⁴³ ICICI’s efforts at virally growing the microfinance model and of partnering with MFIs and NGOs in the field have been successful. As part of the bank-led model, ICICI has grown the number of SHGs from around 1,500 to more than 8,000 within the two years since their purchase of the Bank of Madura. Through this model, ICICI has utilized their creative thinking to create a viral growth model and utilized their financial expertise to fashion a model that is economically viable. Additionally, ICICI has created an innovative method of mobilizing rural savings that also acts as a great risk-mitigating factor when eventually providing credit. ICICI’s partnership model has led to fruitful partnerships with more than ten major NGOs and MFIs who all have strong physical presence within the rural areas. This model is poised to take off as the kiosks proliferate. With that being said, there is much work to be done. ICICI, however, has positioned itself as a pioneer and leader in looking at creative approaches to serving the Bottom of the Economic Pyramid.

The innovation that ICICI is exhibiting toward the Bottom of the Economic pyramid has a number of ancillary benefits. By focusing on serving the BOP profitably, ICICI developed radical technologies and created whole new strategies.

Additionally, by serving the BOP, ICICI has positioned itself as a socially conscious corporate citizen. This is looked highly upon by customers and by investors in the stock market. Such a position also helps ICICI’s bargaining power with the RBI and other government institutions.

Endnotes

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- ³⁹ *Social Initiatives Group*, ICICI Bank, 13.
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- ⁴¹ Ibid., 25.
- ⁴² Ibid., 25.
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