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Role of ICICI bank in economic development of India

Dr. Shivani Sarthika

Abstract
ICICI Bank is a second largest and leading bank of private sector in India. It does head India. ICICI Bank was established by the Industrial Credit and Investment Corporation of India (ICICI), AN Indian financial institution, as a wholly owned subsidiary in 1994. The present company was formed in 1955 as the joint-venture of World Bank. The bank was initially known as Industrial Credit and Investment Corporation of India before it changed its name to the abbreviated ICICI Bank. ICICI bank became the first Indian bank to list on the New York Stock Exchange and his network cover with 19 countries including India. 84096 total numbers of employees, 4,850 branches and 14,404 in ICICI Bank. Similarly, ICICI Bank started to investigate ways of reaching poorer rural clients with micro loans early in the new century. A number of factors worked together to convince ICICI Bank, India's second largest commercial bank, to enter the microfinance market in 2002. Motivated by priority sector targets, as well as the internal drive to "be a leader in every field of banking", and the belief that some of the new micro finance clients will eventually graduate into mainstream banking (Harper, forthcoming), ICICI Bank also purchased, in 2001, the privately owned Bank of Madura, in Southern India.

Keywords: ICICI bank, commercial bank, private sector, credit and investment

Introduction

Bank is a financial institution that performs several functions like accepting deposits, lending loans thus helps in agriculture and rural development etc. Bank plays an important role in the economic development of the country. Without a sound and effective banking system, no country can have a healthy economy. It is necessary to encourage people to deposit their surplus funds with the banks. These funds are used -for providing loans to the industries thereby making productive investments. The most important role of a bank is to connect those who have capital with those who need capital. India is not only the world's largest independent democracy, but also an emerging economic giant. For the past three decades, India's banking system has several outstanding achievements. This is one of the reasons of India's growth process. According to joint report prepared by KPMG-Confederation of Indian Industry (CII), Indian banking sector is poised to become fifth largest by 2020. The report also states that bank credit is expected to grow at a compound annual growth rate of 17 per cent in coming years. After post economic liberalization and globalization, there has been a significant impact on the banking industry. The Indian banking system consists of 26 public sector banks, 25 private sector banks, 43 foreign banks, 56 regional rural banks, 1,589 urban cooperative banks and 93,550 rural cooperative banks, in addition to cooperative credit institutions.

An efficient banking system is recognized as the prime requirement for the overall progress of any nation. Bank is a most important institution of any Nation; banks give him more financial and non-financial support for our necessity. Without bank or finance we cannot suffer in our life, every step of our life we wants finance but money is not useful or important for every condition. Finance and services both are our necessity, so without systematically process cannot suffer in our life or our society, so banking sector is most important for our systematically life. Banks are those sector he give him financial or non-financial support. In this time life move very fast and this modern life all wants more to before and after conditions of banks are very changed. The banks (Government with Private) give him various facilities and government or private banks always tried to give him better for our society. In this time both type of banks in all areas, so every type of bank wants well working, facilities, process, complete satisfaction, customer's choice etc.

ICICI bank profile

ICICI Bank is a second largest and leading bank of private sector in India. It does head India. ICICI Bank was established by the Industrial Credit and Investment Corporation of India (ICICI), An Indian financial institution, as a wholly owned subsidiary in 1994. The present company was formed in 1955 as the joint-venture of World Bank. The bank was initially known as Industrial Credit and Investment Corporation of India before it changed its name to the abbreviated ICICI Bank. ICICI bank became the first Indian bank to list on the New York Stock Exchange and his network cover with 19 countries including India. 84096 total numbers of employees, 4,850 branches and 14,404 in ICICI Bank.

Objective of the study

- To analysis the Role of ICICI bank in Economic development in India.
- To analysis the financial performance of ICICI bank.

Table 1

Year	ICICI	
	No. of Branches	Additional made
2008-09	1419	------
209-10	1707	288
2010-11	2529	822
2011-12	2750	221
12-13	3100	350
13-14	3753	653
14-15	4070	317

Source: compiled from annual report of ICICI

By observing table no.1 showing that the ICICI bank has more number of branches. It is a private bank but Year by year growth of branches of continues grow till the date. ICICI growth of ATMs has been continuing in banks. Highly growth of branches in year 2011-12 and lowest growth is in year 2013-14 in ICICI Bank.

Services Offered by ICICI Bank

- Management Accounts
- Funds Transfer
- Card less Cash Withdrawal
- Recharge Prepaid Mobile/DTH Connection
- Pay Utility Bills
- Credit Card Payments
- ICICI Bank Fixed Deposits/Recurring Deposits
- Fixed Deposits
- ICICI Bank Recurring Deposits
- Internet Banking
- Mobile Banking
- Pockets by ICICI Bank
- Find ATM / Branch etc.

Motivation for the linkage

Similarly, ICICI Bank started to investigate ways of reaching poorer rural clients with micro loans early in the new century. A number of factors worked together to convince ICICI Bank, India's second largest commercial bank, to enter the microfinance market in 2002. Motivated by priority sector targets, as well as the internal drive to "be a leader in every field of banking", and the belief that some of the new micro finance clients will eventually graduate into mainstream banking (Harper, forthcoming), ICICI Bank also purchased, in 2001, the privately owned Bank of Madura, in Southern India. The Bank had a substantial portfolio of loans to 600 SHGs, and ICICI Bank had to integrate these accounts into its business model. The Bank of Madura staff had received model of lending direct to SHGs. without any form of financial or management intermediation (Nair, *et al.*, 2005) [4]. However, the Bank of Madura approach was later abandoned in favour of a variant of the unique ICICI facilitation linkage.

Review of literature

The final and specific reason for reviewing related literature is to know the recommendations of the previous researchers for further research which they have listed in their studies.

Bhattacharjee (2011) [1] Discussed that due to adoption of privatization and globalization policies, the nationalized commercial banks of India come under pressure in their business. One of the reasons is the presence of private-banking companies in this endeavor. Maintaining a good relationship with the customers is the primary functions of the banking business and to increase the profitability of the banking unit, it is necessary to lay emphasis on the business, which is located in rural, and semi urban areas, in particular. So, the banking units have to satisfy the customer of semi urban areas along with the customers of urban and metropolitan cities. Keeping in mind the above fact, the present study has been undertaken to examine whether the customers of semi urban areas are satisfied with the banking services especially in the modern era.

Uppal (2010) [2] studied the extent of mobile-banking in Indian banking industry during 2000-2007. The study concludes that among all e-channels, ATM is the most effective while mobile-banking does not hold a strong position in public and old private sector but in new private sector banks and foreign banks m banking is good enough with nearly 50 percentage branches providing m-banking services. M-banking customers are also the highest in e-banks, which have positive impact on net profits and business per employee of these banks. Among all, foreign banks are on the top position followed by new private sector banks in providing m-banking services and their efficiency is much higher as compared to other groups. The study also suggests some strategies to improve m-banking services.

Ramalingam (2009) [5] studied the usage pattern of credit card holders of SBI, ICICI and ABN banks of Kanchipuram town in Tamil Nadu. The study concludes that higher income group and married persons utilize the cards to the maximum mainly for impulse purchases and Citibank cards are more popular because of dominance in advertising. The study also reveals that Master and Visa cards are the leading card brands in India and suggests that the banks should improve overall functioning to provide satisfied credit card services.

Methodology

The present study is based on the secondary data. The required data and literature for the study purpose were collected from the number of reference books, Journals and Internet.

Result and discussion

Today, banks have diversified their activities and are getting into new schemes and services that include opportunities in credit cards, consumer finance, life and general insurance, investment banking, mutual funds, pension fund regulation services, etc. Today, the banking sector is one of the biggest service sectors in India. The focus of banks has shifted from customer acquisition to customer retention by providing various products like internet banking, ATM services, telebanking and electronic payment etc. The facility of internet banking enables a consumer to access and operate his bank account without actually visiting the bank premises. The facility of ATMs and extensive training (from NABARD) on the promotion of SHGs, and ICICI initially followed their credit/debit cards has also helps a lot. Banks can contribute to a country's economic development in the following ways:

Removing the deficiency of capital formation: In any economy, economic development is not possible unless there is an adequate amount of capital formation. The serious capital deficiency in developing Countries is removed by banks.A

sound banking system mobilizes small savings of the community and makes them available for investment in productive enterprises. Banks mobilise deposits by offering attractive rates of interest and thus convert savings into active capital. Otherwise that amount would have remained idle. Banks distribute these savings through loans among productive enterprises which are helpful in nation building. It facilitates the optimum utilization of the financial resources of the community**.**

Helps in generating employment opportunity: Banks helps in providing financial resources to industries and that helps in automatically generate employment opportunity. Especially employment generated by banking sector every year runs in millions. Equally revenue generation through tax and dividend collection by the government invested every year. While revenue and employment generation are two very important contributions, successfully maintaining healthy credit line to industrial sector as well as to overall economy is another important contribution of financial sector.

Financial assistance to Industries: The commercial banks finance the industrial sector in a number of ways. They provide short-term, medium-term and long-term loans to industry. The Industrial Development Bank of India is the main institution in India providing financial assistance to the industrial sector. It provides direct financial assistance to the industrial enterprises in the form of granting loans and advances, and purchasing or underwriting the issues of stocks, bonds or debentures. The creation of the Development Assistance Fund is the special of the IDBI. The Fund is used to provide assistance to those industries which are not able to obtain funds mainly because of heavy investment involved or low expected rate of returns. IDBI gives guidance to start a business. To facilitate an easy access to finance by Micro and Small Enterprises, the Government/RBI has launched Credit Guarantee Fund Scheme to provide guarantee cover for collateral free credit facilities extended to MSEs upto Rs 1 Crore. Moreover, Micro Units Development & Refinance Agency (MUDRA) Ltd. was also established to refinance all Micro-finance Institutions (MFIs), which are in the business of lending to micro / small business entities engaged in manufacturing, trading and services activities up to Rs 10 lakh.

Promote saving Habits of the people: Bank attracts depositors by introducing attractive deposit schemes and providing higher rates of interest. Banks providing different kinds of deposit schemes to its customers. It enables to create saving habits among people. Bank open different accounts to attract customer. These accounts are opened as per the requirements of customers such as current account, fixed deposit account, saving account and recurring account etc.

Financial assistance to Consumer Activities: People in underdeveloped countries being poor and having low incomes do not have sufficient financial resources to buy durable consumer goods. The commercial banks advance loans to consumers for the purchase of such items as houses, furniture, refrigerators, etc. In this way, they also help in raising the standard of living of the people in developing countries by providing loans for consumption activities.

Helps in implementing Monetary Policy: The commercial banks help the economic development of a country by implementing the monetary policy of the RBI. RBI depends upon the commercial banks for the success of its policy of monetary management in keeping with requirements of a developing economy. Thus the commercial banks contribute much to the growth of a developing economy by granting loans to agriculture, trade and industry, by helping in capital formation and by following the monetary policy of the country.

Financial facilities for Trade: The commercial banks help in financing both internal and external trade. The banks provide loans to retailers and wholesalers to purchase goods in which they deal. They also help in the movement of goods from one place to another. Banks provide all types of facilities such as discounting and accepting bills of exchange, providing overdraft facilities, issuing drafts, etc. for promoting the trade. Moreover, they finance both exports and imports of developing countries by providing foreign exchange facilities to importers and exporters of goods. Exim Bank of India and the Government of Andhra Pradesh has signed a Memorandum of Understanding (MoU) to promote exports in the state.

Foreign Currency Loans: Foreign currency loans are meant for setting up of new industrial projects. Banks also helps in providing loans for expansion, diversification, modernization or renovation of existing units. Banks also helps in financing import of equipment from abroad and/or technical knowhow.

Promotion of New Entrepreneurs: Development banks in India have also achieved a success in creating a new class of entrepreneurs and spreading the industrial culture. Special capital and seed Capital schemes have been introduced to provide equity type of assistance to new and technically skilled entrepreneurs who lack financial resources of their own. Development banks have been actively involved in the entrepreneurship development programmes. Innovations are an essential prerequisite for economic development. These innovations are mostly financed by bank credit in the developed countries. But in underdeveloped countries, entrepreneurs hesitate to invest in new ventures and undertake innovations largely due to lack of funds and high chances of risk. Facilities of bank loans enable the entrepreneurs to step up their investment on innovational activities, adopt new methods of production and increase productive capacity of the economy.

Design of the linkage

ICICI could meet the priority sector targets in two ways: by lending directly to the "weaker sections"; or by lending equivalent amounts to public sector institutions such as NABARD or SIDBI, at 6 percent or less, which these institutions then use for priority sector purposes. There are however very strong incentives, especially for private banks such as ICICI, to do a substantial amount of *direct* priority sector business and not to buy themselves out of their obligations with indirect investments. These pressures played an important role in ICICI's decision to lend directly to self-help groups and individuals; they also see microfinance as a form of customer development.

ICICI Bank carefully selects partner MFIs with substantial outreach and high quality microfinance portfolios. CARE CASHE, a British based aid funded microfinance promotion programme developing the capacity of MFIs in three Indian states, has in some cases assisted ICICI with this process. They build the capacity of MFIs and then recommend potential partner MFIs to ICICI. MFIs "graduating" from CASHE are recommended to ICICI, who then send a member of the ICICI micro-finance team to do a simple and rapid appraisal of the MFI's systems. After a brief inspection of the MFI's loan accounting and monitoring systems, they visit a random sample of customers, to check the validity of the head office records and the quality of the groups' own records.

The Bank is quite clear that their intention is not to rate the strength of the MFI's own balance sheet, but its capacity to facilitate the relationships between the Bank and SHGs or other actual borrowers to whom the Bank will lend. They rate the MFI's management capacity, the quality of its MIS and data reporting systems, the competence of its field staff and the quality of the training it provides to its SHGs and its own staff. Once a MFI is successfully "screened" by ICICI, the partner MFI can start distributing loans to SHGs or individuals (refer to the BISWA case below). The staff of the MFI acts as agents of ICICI Bank and are remunerated for originating and maintaining the accounts, and for recovering the loans. They are either paid a flat fee per SHG or they receive a percentage of the loan interest.

After the loans have been disbursed by the selected MFI staff (who draw the necessary funds from the nearest ICICI Bank branch), the accounts are monitored for the Bank by their own locally recruited contract staff and auditors. They follow a preset procedure to verify the monthly returns submitted by the MFIs. One full-time monitor is appointed for every partner whose portfolio exceeds one million dollars. These monitors are paid only about $100 a month, but reliable and reasonably well educated people can be hired in India for this amount. They are rigorously trained to follow the required procedures and to observe obvious danger signals.

The client, in addition to ICICI Bank's interest charges, pays the fee that the MFI receive for every SHG. This means that the SHG or individual actually pay, in total, similar rates to those they would pay if they were borrowing from the MFI (refer to the BISWA example below). Their loan agreements state ICICI Bank's interest rates, not the total including the fees. Three officers of each SHG and every individual borrower from a Grameen replicator sign loan agreements with ICICI Bank, not with the MFI. The agreements have to be accompanied by photographs of the signatories, and proof of residence, such as a voter's or a ration card, although this individual identification may in special cases be waived and replaced by group attestation from the local village leader. This process ensures that the borrowers understand that they are customers of the Bank, and not of the MFI. The MFI continues to perform the role of social intermediary, while the financial intermediation and most of the credit risk remains with the Bank.

Conclusion

ICICI is the second largest private sector of bank, is far better than others because is flying continuously towards the sky is many of the observations and provides various services for his customers. Per branch performance of ICICI is better than in majority of the cases which reflects the efficiency and managerial skills of the bank, and if the situation will remain same ICICI may take a lead in Indian banking industry in terms of profitability in near future. Banks activities implementation and services are most important for any nation society. ICICI Bank has designed and implemented a very innovative and apparently effective strategy for engaging in the growing micro-finance market, despite the fact that the Bank has only 88 branches outside the major cities. ICICI has also mobilized a number of specialist institutions with long experience of social and financial intermediation. Many of these institutions are financially weak, poorly capitalized, and dependent on grant funds for their survival. Thus, the banks have come to play a useful role in promoting economic development by-mobilising the financial resources of the community and by making them flow into the productive channels. The Indian banks are now playing a very active role in fostering economic development of the country. The above study reveals that how commercial banks are helpful in development of country. If we make the comparison between rural area and urban area then it is clear that urban areas are more developed. This is because of low credit flow and less contribution of agriculture sector in GDP of India.

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