CHAPTER IV

HRM POLICIES AND PRACTICES IN ICICI BANK
- AN APPRAISAL
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The foregoing chapter concluded that commercial banks, now-a-days, are no more a mere lending and depositing institutions, they have become more than a financial intermediary. Now-a-days, they undertake every activity of the varied customers in order to show the usefulness of the banks in every walk of life. The present chapter has been split up into two parts. The first part attempts to focus on the development of ICICI bank in India. In the second part selective HRM practices and policies of ICICI bank have been thoroughly studied. In the following pages an attempt has been made to highlight the development of ICICI bank in India:

Introduction

ICICI Bank is India's second-largest bank with total assets of Rs. 3,744.10 billion (US$ 77 billion) at December 31, 2008 and a profit after tax of Rs. 30.14 billion for the nine months ended December 31, 2008. The Bank has a network of 1,416 branches and about 4,644 ATMs in India and its presence in 18 countries. ICICI Bank offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its specialized subsidiaries and affiliates in the areas of investment banking, life and non-life insurance, venture capital and asset management.

The Bank currently has subsidiaries in the United Kingdom, Russia and Canada, branches in United States, Singapore, Bahrain, Hong Kong, Sri Lanka, Qatar
and Dubai International Finance Centre and representative offices in United Arab Emirates, China, South Africa, Bangladesh, Thailand, Malaysia and Indonesia. UK subsidiary has established branches in Belgium and Germany. ICICI Bank's equity shares are listed in India on Bombay Stock Exchange and the National Stock Exchange of India Limited and its American Depositary Receipts (ADRs) are listed on the New York Stock Exchange (NYSE).

ICICI Bank was originally promoted in 1994 by ICICI Limited, an Indian financial institution, and was its wholly-owned subsidiary. ICICI's shareholding in ICICI Bank was reduced to 46 per cent through a public offering of shares in India in fiscal 1998, an equity offering in the form of ADRs listed on the NYSE in fiscal 2000, ICICI Bank's acquisition of Bank of Madura Limited in an all-stock amalgamation in fiscal 2001, and secondary market sales by ICICI to institutional investors in fiscal 2001 and fiscal 2002. ICICI was formed in 1955 at the initiative of the World Bank, the Government of India and representatives of Indian industry. The principal objective was to create a development financial institution for providing medium-term and long-term project financing to Indian businesses. In the 1990s, ICICI transformed its business from a development financial institution offering only project finance to a diversified financial services group offering a wide variety of products and services, both directly and through a number of subsidiaries and affiliates like ICICI Bank. In 1999, ICICI become the first Indian company and the first bank or financial institution from non-Japan Asia to be listed on the NYSE.

After consideration of various corporate structuring alternatives in the context of the emerging competitive scenario in the Indian banking industry, and the move towards universal banking, the managements of ICICI and ICICI Bank formed the
view that the merger of ICICI with ICICI Bank would be the optimal strategic alternative for both entities, and would create the optimal legal structure for the ICICI group's universal banking strategy. The merger would enhance value for ICICI shareholders through the merged entity's access to low-cost deposits, greater opportunities for earning fee-based income and the ability to participate in the payments system and provide transaction-banking services. The merger would enhance value for ICICI Bank shareholders through a large capital base and scale of operations, seamless access to ICICI's strong corporate relationships built up over five decades, entry into new business segments, higher market share in various business segments, particularly fee-based services, and access to the vast talent pool of ICICI and its subsidiaries. In October 2001, the Boards of Directors of ICICI and ICICI Bank approved the merger of ICICI and two of its wholly-owned retail finance subsidiaries, ICICI Personal Financial Services Limited and ICICI Capital Services Limited, with ICICI Bank. The merger was approved by shareholders of ICICI and ICICI Bank in January 2002, by the High Court of Gujarat at Ahmadabad in March 2002, and by the High Court of Judicature at Mumbai and the Reserve Bank of India in April 2002. Consequent to the merger, the ICICI group's financing and banking operations, both wholesale and retail, have been integrated in a single entity.

ICICI Banks also has the largest market value of all banks in India, and is widely seen as a sophisticated bank able to take on many global banks in the Indian Market. The Bank is expanding in overseas markets and has the largest international balance sheet among Indian banks. The international banking business was set up in 2002 to implement a focused strategy for the overseas market. The Bank now has wholly-owned subsidiaries, branches and representative offices in 18 countries,
including an offshore unit in Mumbai. This includes wholly owned subsidiaries in
UK, Canada and Russia; offshore banking units in Singapore and Bahrain; advisory
branch in the US, China, United Arab Emirates, Bangladesh, South Africa, Indonesia,
Thailand and Malaysia. The bank is targeting the NRI (Non Resident Indian)
Population for expanding its business. ICICI Bank has been endorsed by Amitabh
Bachchan and Sharukh Khan. The Cheques presented to winners in the first 2 versions
of the famous game show - Kaun Banega Crorepati were ICICI Bank cheques. ICICI
bank reported marked-to-market loss of $264 million as of January 31, 2008
following USA subprime mortgage crisis.

Business Review of ICICI Bank

During fiscal 2008, ICICI Bank continued to grow and diversify its asset base
and revenue streams by leveraging the growth platforms created over the past few
years. It maintained its leadership position in retail credit, achieved robust growth in
fee income from both corporate and retail businesses, strengthened its deposit
franchise and significantly scaled up corporate and international banking operations.

Retail Banking

ICICI Bank was among the first banks to identify the growth potential of retail
credit in India. Between 2003 and 2006 the banking system as a whole saw significant
expansion of retail credit, with retail loans accounting for a major part of overall
systemic credit growth. However, due to the increase in interest rates following
inflationary pressures, retail credit growth in the banking system has moderated from
about 30 per cent over the last few years to about 10–15 per cent currently. The bank
continues to believe that retail credit has robust long-term growth potential, driven by
sound fundamentals, namely, rising income levels and favourable demographic profile. At the same time, the retail credit business requires a high level of credit and analytical skills and strong operations processes backed by technology. The retail strategy of the bank is centered on a wide distribution network, comprising its branches and offices, direct marketing agents and dealer and real estate developer relationships; a comprehensive and competitive product suite; technology-enabled back-office processes; and a robust credit and analytical framework.

The ICICI Bank is the largest provider of retail credit in India. Total retail portfolio was Rs. 1,316.63 billion at March 31, 2008, constituting 58 per cent of its total loans at that date. During fiscal 2008, ICICI continued its focus on strengthening its retail deposit franchise to create a stable funding base. Its current and savings account (CASA) deposits as a percentage of total deposits increased from 22 per cent as at March 31, 2007 to 26 per cent as at March 31, 2008, with savings account deposits increasing by 36 per cent during fiscal 2008. During the year, ICICI have expanded its branch network substantially. As at March 31, 2008, ICICI had 1,262 branches and extension counters compared to 755 branches and extension counters as at March 31, 2007, including the addition of about 200 branches through the merger of Sangli Bank. Its branch network has further increased to 1,367 as of May 31, 2008. ICICI continued to expand its electronic channels, namely internet banking, mobile banking, call centers, point of sale terminals and ATMs, and migrate customer transaction volumes to these channels. ICICI increased its ATM network to 3,881 ATMs as at March 31, 2008 from 3,271 ATMs as at March 31, 2007. Its call centers have a total seating capacity of approximately 6,375 sales and service workstations. Transaction volumes on internet and mobile banking have grown significantly.
constituting an increasing percentage of total customer transactions. During the year, ICICI launched a mobile banking service enabling a wide range of banking transactions using the mobile phone.

Cross-selling new products and also the products of its life and general insurance subsidiaries to its existing customers is a key focus area for the Bank. Cross-sell allows the bank to deepen its relationship with its existing customers and helps reduce origination costs as well as earn fee income. Its branches and other channels are increasingly becoming important points of sale for its insurance subsidiaries. In fiscal 2008, about 19 per cent of ICICI Prudential Life Insurance Company’s new business was generated through ICICI Bank. ICICI bank will continue to focus on cross-sell as a means to improve profitability and offer a complete suite of products to its customers. The bank continues to leverage its multi-channel network for distribution of other third party products like mutual funds, Government of India relief bonds and initial public offerings of equity.

Customer service is a key focus area for the ICICI Bank. It has adopted a multi-pronged approach to continuously monitor and enhance customer service levels. The Customer Service Council comprising whole time directors and senior management meets regularly to review customer service initiatives of the bank. ICICI bank has implemented a structured customer feedback process where feedback is received from customers through e-mail, mobile messaging and telephone. The bank conducts regular training programmes for employees to improve customer handling and interaction and have incorporated customer service metrics in performance evaluation. Its service quality team is also responsible for tracking resolution and turn-around times for service requests, identifying root causes to be addressed through
process improvements, rewarding achievements in customer service and institutionalizing learning from customer feedback. The Customer Service Committee of the Board of Directors periodically reviews the initiatives taken by the Bank in this area.

Small Enterprises

During fiscal 2008, small enterprises customer base of the bank increased by 26 per cent to about 1.1 million accounts. The bank has introduced its service offerings in over 400 new branches, increasing its coverage to over 1,000 branches. During the year, the bank has focused on product specialization including investment banking for SMEs. It has continued to focus on shaping the small and medium enterprises sphere in India through initiatives such as the “Emerging India Awards”, the SME CEO Knowledge Series - a platform to mentor and assist SME entrepreneurs, and the “SME Dialogue” - a weekly feature in a leading financial newspaper sharing SME best practices and success stories. During the year, the bank has launched several new products and services like the SME toolkit - an online business and advisory resource for SMEs.

Corporate Banking

Corporate banking strategy of ICICI bank is based on providing comprehensive and customized financial solutions to its corporate customers. It offers a complete range of corporate banking products including rupee and foreign currency debt, working capital credit, structured financing, syndication and transaction banking products and services.

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Corporate and investment banking franchise is built around a core relationship team that has strong relationships with almost all of the country's corporate houses. The relationship team is product agnostic and is responsible for managing banking relationships with clients. It has also put in place product specific teams with a view to focus on specific areas of expertise in designing financial solutions for clients. Through its relationship teams working in tandem with product solution teams, the bank has deepened its client relationships across its product portfolio resulting in significant growth in income and wallet share among all its top corporate clients, as compared to the previous year.

The ICICI Bank has created an integrated Global Investment Banking Group, which is responsible for working with the relationship team in India and its international subsidiaries and branches, for origination, structuring and execution of investment banking mandates on a global basis. ICICI have also restructured its delivery team for transaction banking products by creating dedicated sales teams for trade services and transaction banking products. This has been done with the intent to increase its market share from transaction banking products, which will translate into recurring fee income for the Bank. The ICICI Bank has also focused on increasing market share in trade finance by leveraging and further strengthening correspondent banking relationships.

Fiscal 2008 saw continued demand for credit from the corporate sector, with growth and additional investment demand across all sectors. The Bank was able to leverage its international presence and deep corporate relationships to work on overseas acquisitions made by Indian companies and infrastructure projects in India. During fiscal 2008, the bank was involved in 75 per cent of outbound merger and
acquisition deals from India. The ICICI Bank is now a preferred partner for Indian companies for syndication of external commercial borrowings and other fund raising in international markets and has been ranked number one in offshore loan syndications of Indian corporate during calendar year 2007.

The resurgence of the Indian economy, the need for infrastructure development and the international expansion of Indian companies provide exciting opportunities for its corporate banking business. The ICICI Bank believes to capitalize on these opportunities by combining its domestic and international balance sheets, and its credit and structured financing expertise.

Project Finance

The Indian economy is witnessing significant investments with the investment pipeline projected at US$ 700.0 billion over the next few years. Its project finance proposition is based on its constant efforts to contribute to the project framework and enhance the bankability of projects through its innovative structuring skills, sectoral knowledge and robust due diligence techniques. In fiscal 2008, ICICI consolidated its lead arranger position across a variety of signature project finance transactions in diverse sectors and also forayed into select international project finance transactions.

The ICICI Bank believes that there is significant potential in the infrastructure and manufacturing sectors. The power sector is expected to witness large investments involving significant capacity additions of more than 70 giga watts over the next five years predominantly driven by increased private sector participation. The ultra mega power projects, increasing interest in hydroelectric generation, and offering of
transmission projects through competitive bidding are expected to provide attractive funding opportunities.

In the transportation sector, road development is being undertaken across both the national highways (through the National Highway Development Programme) and the state highways. The port sector has been witnessing traffic growth of over 14 per cent per annum for the last few years with increased participation of the private sector and international players. There is an increased focus on the railways sector with investments expected in modernization of railway stations, logistic parks and dedicated freight corridors.

The modernization and expansion of metro and non-metro airports are underway and are expected to provide significant business opportunities in the future. In addition to the Delhi and Mumbai airports, which have already been transferred to private developers, the airports at Kolkata and Chennai are also proposed to be modernized through a suitable model. Greenfield airports are also proposed to be set up at key business and tourist destinations, such as Bangalore and Hyderabad, which have already seen project completion under private management.

The oil and gas sector is witnessing activity across the entire value chain, from exploration and production through increased private sector participation under the New Exploration Licensing Policy, to setting up of large-scale refineries by both public and private sector players.

The manufacturing sector has seen significant capacity additions being undertaken and planned including Greenfield projects in steel, aluminum and cement. Strong growth in infrastructure, real estate and demand for consumer goods and
automobiles is expected to increase the demand for steel, aluminum and cement. India’s advantage in terms of low cost of manufacturing and availability of talent has led to several foreign majors setting up large capacities in auto, auto ancillaries and engineering industries to meet the growing domestic demand and also as a manufacturing hub to serve global markets.

**International Banking**

In 2001, ICICI bank identified international banking as a key opportunity, aiming to cater to the cross-border needs of clients and leveraging domestic banking strengths to offer products internationally. The bank has made significant progress in the international business since it set up first overseas branch in Singapore in 2003. ICICI Bank currently has subsidiaries in the United Kingdom, Russia and Canada, branches in Singapore, Bahrain, Hong Kong, Sri Lanka, Dubai International Finance Centre, Qatar Financial Centre and the United States and representative offices in the United Arab Emirates, China, South Africa, Bangladesh, Thailand, Malaysia and Indonesia. The Bank’s wholly owned subsidiary ICICI Bank UK PLC has nine branches in the United Kingdom and a branch each in Belgium and Germany. ICICI Bank Canada has eight branches including three in Toronto. ICICI Bank Eurasia LLC has six branches including three branches in Moscow and one in St. Petersburg.

International strategy of ICICI Bank is focused on building a retail deposit franchise, diverse wholesale funding sources and strong syndication capabilities to support corporate and investment banking business; achieving the status of a non-resident Indian (NRI) community bank in key markets; and expanding private banking operations for India-centric asset classes. During fiscal 2008, ICICI bank
focused on deepening presence in existing overseas locations and expanding operations in key markets. In line with strategy to establish a presence in large markets with significant savings pools, the bank entered into Germany through a branch established by ICICI Bank UK PLC. The ICICI bank has been able to successfully leverage technology advantage to create a growing international deposit base. Total deposits of ICICI Bank UK PLC and ICICI Bank Canada increased by 76 per cent from Rs. 191.28 billion at March 31, 2007 to Rs. 335.86 billion at March 31, 2008. ICICI bank also received approval for and commenced branch operations in the United States.

ICICI bank has established a strong franchise among NRIs by offering a comprehensive product suite, technology-enabled access, and a wide distribution network in India and alliances with local banks in various markets. Currently, the bank has over 500,000 NRI customers. The bank has undertaken significant brand-building initiatives in international markets and has emerged as a well-recognized financial services brand for NRIs. ICICI bank continued to maintain a market share of 25% in inward remittances to India. During fiscal 2008, the bank launched innovative products like instant money transfer and enhanced focus on customer relationship management and process automation. Additionally, ICICI bank also undertook the development of low cost remittance products in non-India geographies with correspondent tie-ups for disbursements in over 100 such geographies.

Through international private banking services, ICICI bank offers various products to mass affluent and high net worth clients based on their financial needs and risk appetite. The offerings range from simple deposits and loans to more
sophisticated structured products, private equity and products giving exposure to the real estate sector in India.

**Rural Banking and Agri-Business**

The ICICI Bank believes that the rural economy has high growth potential and offers large credit growth opportunities. Towards this end, bank’s suite of products and services is targeted to address the needs of both the farm and non-farm sectors. Its retail product suite encompasses loans for crop production, purchase of farm equipment; commodity based finance as well as various savings, investment and insurance products. The bank also offers micro-finance and jewel loans. It has also focused on enhancing credit to farmers by leveraging on corporate partnerships. For example, it has partnered with various dairies to provide financing to farmers for purchase of milch cattle.

The bank also provides credit and banking services to SMEs active in the agricultural value chain. To enhance its service quality and product delivery capabilities it has developed a large network of rural branches which is further augmented by non-branch channels. Rural banking in India is still at a nascent stage and the deployment of technology channels and modern banking methods for rural lending continues to be an evolving process. In line with their learning’s from their rural banking operations, they undertook a comprehensive review of and realigned their channel architecture, credit underwriting processes and account management systems. The bank has put in place a robust risk management structure to mitigate and manage credit, operational and fraud risks. Through this, it aims to create a strong foundation for scaling up of their rural business.
Risk Management in ICICI Bank

Risk is an integral part of the banking business and ICICI Bank aims at delivering superior shareholder value by achieving an appropriate trade-off between risk and returns. The key risks are credit risk, market risk and operational risk. The risk management strategy of the bank is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. The policies and procedures established for this purpose are continuously benchmarked with best international practices. It has four dedicated groups, the Global Risk Management Group (GRMG), the Compliance Group, Internal Audit Group and the Financial Crime Prevention and Reputation Risk Management Group (FCPRRMG) which are responsible for assessment, management and mitigation of risk in ICICI Bank.

During fiscal 2008, ICICI bank formed the FCPRRMG to design and implement appropriate internal controls in respect of anti-money laundering, fraud prevention and reputation risk management. In addition, the Credit and Treasury Middle Office Groups and the Global Operations Group monitor operational adherence to regulations, policies and internal approvals. These groups are completely independent of all business operations. GRMG is further organised into the Global Credit Risk Management Group, the Global Market Risk Management Group and the Operational Risk Management Group. The internal audit and compliance function are responsible to the Audit Committee of the Board.
Credit Risk

Credit risk is the risk that a borrower is unable to meet its financial obligations to the lender. ICICI Bank measures, monitors and manages credit risk for each borrower and also at the portfolio level. It has standardized credit approval processes, which include a well-established procedure of comprehensive credit appraisal and rating. It has developed internal credit rating methodologies for rating obligors. The rating serves as a key input in the approval as well as post-approval credit processes. Credit rating, as a concept, has been well internalized within the Bank. The rating for every borrower is reviewed at least annually. Industry knowledge is constantly updated through field visits and interactions with clients, regulatory bodies and industry experts.

In retail credit operations of the bank, all products, policies and authorizations are approved by the Board or a Board Committee or pursuant to authority delegated by the Board. Credit approval authority lies only with credit officers who are distinct from the sales teams. Their credit officers evaluate credit proposals on the basis of the approved product policy and risk assessment criteria. Credit scoring models are used in the case of certain products like credit cards.

External agencies such as field investigation agencies are used to facilitate a comprehensive due diligence process. Before disbursements are made, the credit officer conducts a centralized check on the delinquencies database and review of the borrower's profile. The bank continuously refines its retail credit parameters based on portfolio analytics. It also draws upon reports from the Credit Information Bureau (India) Limited (CIBIL).
Market Risk

Market risk is the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices. ICICI Bank’s exposure to market risk is a function of its trading and asset-liability management activities and role as a financial intermediary in customer-related transactions. The objective of market risk management is to minimize the impact of losses on earnings and equity capital due to market risk.

Market risk policies include the Investment Policy and the Asset-Liability Management (ALM) Policy. The policies are approved by the Board of Directors. The Asset-Liability Management Committee (ALCO) stipulates liquidity and interest rate risk limits, monitors adherence to limits, articulates the organization’s interest rate view and determines the strategy in the light of current and expected environment. These policies and processes are articulated in the ALM Policy. The Investment Policy addresses issues related to investments in various trading products. The Global Market Risk Management Group exercises independent control over the process of market risk management and recommends changes in processes and methodologies for measuring market risk.

Interest rate risk is measured through the use of re-pricing gap analysis and duration analysis. Liquidity risk is measured through gap analysis. ICICI bank ensures adequate liquidity at all times through systematic funds planning and maintenance of liquid investments as well as by focusing on more stable funding sources such as retail deposits. It limits exposure to exchange rate risk by stipulating position limits.
The Treasury Middle Office Group monitors the asset-liability position under the supervision of the ALCO. It also monitors the treasury activities and adherence to regulatory / internal policy guidelines. The Treasury Middle Office Group is also responsible for processing treasury transactions, tracking the daily funds position and complying with all treasury-related management and regulatory reporting requirements.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risks in the Bank are managed through a comprehensive internal control framework. The control framework is designed based on categorization of all functions into front-office, comprising business groups; mid-office, comprising credit and treasury mid-offices; back-office, comprising operations; and corporate and support functions.

RBI has mandated all banks to develop an operational risk management framework. In accordance with these guidelines, board of directors has approved an Operational Risk Management Policy. The policy is applicable across the Bank including overseas offices and aims to ensure clear accountability, responsibility and mitigation of operational risk. ICICI bank has constituted an Operational Risk Management Committee (ORMC) to oversee the implementation of the Operational Risk Management framework. The framework comprises identification of risks, assessment of controls to mitigate these risks, risk measurement, risk monitoring and mitigation. The bank has formed an independent Operational Risk Management Group to facilitate its implementation.
The Opportunity

Almost all segments of the finance business under penetrated in India. The scarcity of capital and low growth of the economy for decades had precluded any meaningful development of channels of credit to the vast majority of the teeming millions. With the globalization of the economy and consequent high growth rates seen and expected, provision of finance to the newly empowered consumer is turning out to be a big business. Credit cards, mortgages, vehicles finance and other types of loans to consumers are picking up pace.

On the supply side, India’s credit ratings and perceived investment have raised manifold. This has meant easier access to international capital and funding. Low interest rates over almost last ten years have ensured a benign business environment for credit peddlers. This is not all, revival of capital markets, opening up of the insurance sector and housing becoming more affordable due to increase in prosperity has meant greater demand for financial products and services. ICICI bank straddles the entire spectrum of financial products and services. It has leveraged technology excellently to deliver these products and services efficiently with urban cities becoming less deprived of financial services the bank is actively prospecting rural India for continued growth.

Asset Quality of ICICI Bank

At December 31, 2007, the bank's non-performing assets constituted 1.47 per cent of net customer assets. International funding plan at December 31, 2007, ICICI Bank consolidated balance sheet was US$ 115 billion from January to December 2007, ICICI bank raised US$ 6.7 billion in the international bond markets in dollar,
euro and sterling currencies. This is used primarily from financing the expansion of Indian businesses, including their organic and inorganic growth internationally and their large investments plans in India. Going forward, the banks seek to continue to capitalize on these growth opportunities. Based upon evaluation of funding opportunities and returns thereof, the bank currently expects approximately the same amount through bond issuance during calendar year 2008 subject to market conditions. The bank currently expects to continue to diversify and evaluate alternative market to complement its dollar, euro and sterling bond issuances. The international funding is likely to come from retail and corporate deposits, bank loan markets, multilateral sources and trade financing.

Corporate Governance

ICICI Bank has established a tradition of best practices in corporate governance. The corporate governance framework in the ICICI Bank is based on an effective independent Board, the separation of the Boards supervisory role from the executive management and the constitution of Board Committees, with majority of the members generally being independent Directors and chaired by Independent Director, to oversee critical areas. The Bank's Corporate governance philosophy encompasses not only regulatory and legal requirements, such as listing agreements with stock exchanges, but also several voluntary practices aimed at a high level of business ethics, effective supervision and enhancement of value for all shareholders.

Organization Structure of ICICI Bank

Organization structure of ICICI bank is designed to be flexible and customer focused, while seeking to ensure effective control and supervision and consistency in
standards across the organization and align all areas of operations to overall organizational objectives. The organisation structure is divided into the following principal groups:

The Corporate Center comprises the internal control environment functions (including operations, risk management, compliance, audit legal); finance (including financial reporting, planning and strategy, asset liability management, investor relation and corporate communications); human resource management; and facilities management and administration.

The Retail Banking Group (RBG) is responsible for products and services for retail customers and small and medium enterprises including various credit products, and liability products and anti transaction banking services.

The Wholesale Banking Group (WBG) is responsible for products and services for corporate clients, including credit and treasury products, project finance, structured finance and transaction banking services. This group is also responsible for securitization activities. The Rural, Micro-banking and Agri-business Group (RMAG) forms part of WBG.

The Rural, Micro Banking and agri-business group is responsible for implementing the rural banking strategy, including agricultural banking and micro-finance. The government Banking Group is responsible for government banking initiatives.

The International Business Group (IBG) is responsible for international operations, including operations in various overseas market, as well as products and
services for Non Resident Indians (NRIs) and International Trade Finance and Correspondent Banking relationship.

The Human Resources Management Group is responsible for the Bank’s recruitment, training, leadership development and other personnel management functions and initiatives.

The Technology Management Group (TMG) is responsible for enterprise-wide technology initiatives, with dedicated technology teams serving individual business groups and managing information security and shared infrastructure.

The Facilities Management and Administration Group is responsible for management of corporate facilities and administrative support functions.

The Organizational Excellence Group is responsible for enterprise-wide quality and process improvement initiatives.

In addition to the above, the Global Principal investment and trading group is responsible for taking proprietary positions in the responsible for the global client-centric treasury operations. The Structural Rate Risk Management Group is responsible for rating interest rate views and determining interest rate risk positions for the Bank as a whole, with oversight over banking subsidiaries as applicable.

Organizational Excellence

The Organizational Excellence Group (OEG) was set up in 2002 with the mandate to build and institutionalize quality across the ICICI Group. OEG has over the years worked towards integrating the local efforts of business units on common
platform and building a quality strategy and roadmap to meet the growing needs of the Group. The following have been the major focus areas of OEG:

➤ Institutionalize quality across the ICICI Group;
➤ Work with business units to catalyze improvements;
➤ Create a culture of quality and continual improvement;
➤ Build knowledge capability in the domain of quality in business groups;
➤ Develop and implement quality practices for the Bank;
➤ Cross-pollinate best practices among group companies; and
➤ Remain at the cutting edge in global search for quality practices.

The ICICI Bank was among the first services sector organisation to undertake enterprise-wide deployment of Five S, an industrial quality methodology in a service organisation. Today ICICI Bank has more than 1,300 locations which regularly practice Five S. This simple, yet extremely powerful technique has helped in building workplace efficiency and engages teams in local level improvements.

The ICICI Bank has developed its own Process Management Framework (PMF) which is built around the foundations of leadership, process thinking, training, continual improvement and results. The processes of the Bank have well-defined metrics and performance is tracked through dashboards on an ongoing basis. The leadership of each business unit continuously reviews existing processes, drives improvements and works towards instilling process thinking among employees.
The organisation believes that Five S and process management would form the basis of the larger excellence journey of the Bank and significant efforts continue in instilling and sustaining the practices of Five S and PMF.

The Bank has an improvement engine branded War on Waste under which quality techniques such as Lean and Six Sigma are used for business improvement. These projects are targeted towards resolving chronic business difficulties and helping to meet the strategic objectives of the business units. In Fiscal Year 2008, 60 War on Waste projects were taken up which delivered significant financial benefits.

ICICI Bank is the first financial services company in the Indian sub-continent to have leveraged “Lean” for operational excellence. It began the developmental work of applying Toyota principles to a service context as early as in 2003 when it was still at its infancy globally. Today ICICI bank has attained expertise in applying lean principles for operational excellence. These are accomplished through value stream mapping which identifies inefficiencies in processes and is followed by project execution vehicles called “Lean Breakthroughs” which focus on delivering improvements within a period of a week. So far more than 150 lean breakthroughs have been executed in the Bank and ICICI bank believe that this will be one of the major improvement vehicles going forward for the ICICI Group.

Over the years, OEG has evaluated and drawn upon quality techniques practiced by world class companies in the automobiles, hospitality, financial services, aviation and heavy engineering sectors. The focus has been to adapt these practices at the ICICI Group.
The Bank recently won the award for the best six sigma projects at the improvement colloquium organised by the Indian Statistical Institute. The Bank also won two awards at the Five S Excellence competition organised by the Confederation of Indian Industry.

Going forward, OEG will focus on "Lean Breakthroughs", which are focused time bound improvements in areas such as, reduction in turnaround time, productivity improvement, removing wastes from the process and rationalizing manpower.

The Organizational Excellence Group, headed by a Senior General Manager who reports to the Managing Director and CEO, is engaged in institutionalizing quality access the Bank by banking skills and capabilities in various quality frame work. The group has evolved a holistic place- transformation model by integrating various quality methodologies such as “five S and Six Sigma.” The group has been instrumental in facilitating enterprise-wide deployment of Five S and is currently catalyzing the deployment of quality process across the Bank. The group works with business units to leverage quality for business improvements. The group also supports other ICICI group companies in their quality initiatives.

Information Technology in ICICI Bank

ICICI Bank is a pioneer in adopting and implementing the latest technology in banking sector. It has deployed state-of-the-art technology across various channels to provide convenient access to services to their customers. Bank has integrated processes from customers touch point to back office operations in a seamless manner with the aid of technology. Innovative approaches have helped shape end-to-end solutions that provide customers with secure -chain. The Bank has developed the
concept of technology-led delivery. By introducing low-cost customer touch points in unbanked areas, the bank has initiated the process of financial inclusion through appropriate use of technology.

The Bank has strengthened its channel mix by leveraging technology for branch, internet, mobile, ATM, point of sale, interactive voice response, call centre, and assisted banking. At year-end fiscal 2007, it had over 3250 ATMs which support transactions of customers along with transactions on the National Financial Switch (NFS), Master Card International and Visa International.

During fiscal year 2007, Financial Innovation and Network Operations, an entity sponsored by us, introduced an end-to-end technology solution in rural geographies. This provided customers with biometric enabled smart cards that allow banking transactions to be conducted on the field. The low-cost solution is an effective delivery option for micro-finance institution (MFI) partners. The Bank believes that the benefits of investing in the creation of a low-cost technology backbone will accrue as the rural banking strategy progressively rolled out.

The Bank has strengthened the security of its internet banking site by implementing two-factor authentication for online transaction. To counter online frauds and to keep in line with international best practices, customers are required to provide a second factor for authentication before a transaction request is processed. The debit card supply-chain has become more responsive with the inception of a new debit card management system. Besides, the bank has fully equipped its 24 x 7 global treasury with a state-of-the-art derivations trading system. The new system allows
trading in instruments such as foreign exchange options, interest rate derivatives and credit derivatives, thereby supporting the Bank's participation in global markets.

Data centre infrastructure of the ICICI Bank has been further optimized by employing server consolidation, virtualization and centralized storage -area network to enhance the end-user experience, the Wide Area Network (WAN) bandwidth has been significantly increased to allow for faster downloads. The bank is among the first players to implement newer data telecommunication and migrate from traditional lease line and dial up connections to fully redundant Multi-Protocol Label Switching (MPLS) backbone. It has implemented solution and software tools on all personnel computers to provide data encryption. It continues to focus on security of customer data.

The bank continues to experiment with a number of emerging technologies and is working closely with technology partners to provide innovative solutions to its customers. It believes that their commitment to technology will help them to maintain their innovative, edge. Going forward, it is excited about using technology to realize the full potential of rural India.

Estimation of Capital

Internally, the bank has carried out the exercises of estimation of capital change based on Standardized approach for credit and Market Risk and Basic Indicator Approach for operational Risk. Banks Management Information Systems are being upgraded to enable smooth transition to Basel II as envisaged by Reserve Bank of India. The bank is also preparing for migrating, to move sophisticated approaches.
The Bank's capital adequacy at December 31, 2007 was 15.8 per cent (including Tier I Capital adequacy of 12.1 per cent) well above RBI's requirement of total capital adequacy of 9.0 per cent. The Bank's unaudited capital adequacy estimated based on RBI's draft guidelines issued in February 2005 on implementation of the revised capital adequacy framework (Basel II), would be about 12.8 per cent (including Tier I capital adequacy of about 9.6 per cent) at June 30, 2006.

Operating Results of ICICI Bank

ICICI Bank's Profit before provisions and tax increased by 35.5 per cent to Rs. 79.61 billion in fiscal 2008 from Rs. 58.74 billion in fiscal 2007 primarily due to an increase in net interest income by 29.6 per cent to Rs. 73.04 billion in fiscal 2008 from Rs. 56.37 billion in fiscal 2007 and an increase in non-interest income by 27.2 per cent to Rs. 88.11 billion in fiscal 2008 from Rs. 69.28 billion in fiscal 2007, offset, in part, by an increase in non-interest expenses by 21.9 per cent to Rs. 81.54 billion in fiscal 2008 from Rs. 66.91 billion in fiscal 2007. Provisions and contingencies (excluding provision for tax) of the bank increased by 30.5 per cent during fiscal 2008 primarily due to a higher level of specific provisioning on non-performing loans, offset, in part, by a reduction in general provision on loans. Bank’s Profit before tax increased by 38.6 per cent to Rs. 50.56 billion in fiscal 2008 from Rs. 36.48 billion in fiscal 2007. Profit after tax increased by 33.7 per cent to Rs. 41.58 billion in fiscal 2008 from Rs. 31.10 billion in fiscal 2007.

Net interest income of ICICI Bank increased by 29.6 per cent to Rs. 73.04 billion in fiscal 2008 from Rs. 56.37 billion in fiscal 2007, reflecting an increase of 27.6 per cent or Rs. 711.07 billion in the average volume of interest-earning assets.
and an increase in net interest margin to 2.22 per cent in fiscal 2008 compared to 2.19 per cent in fiscal 2007.

The non-interest income of ICICI bank increased by 27.2 per cent to Rs. 88.11 billion in fiscal 2008 from Rs. 69.28 billion in fiscal 2007 primarily due to a 32.2 per cent increase in fee income and a 14.0 per cent increase in treasury and other non-interest income. Non-interest expenses of bank increased from Rs. 81.54 billion in fiscal 2008 from Rs. 66.91 billion in fiscal 2007 – a rise of 21.9 per cent primarily due to a 28.6 per cent increase in employee expenses and a 31.6 per cent increase in other administrative expenses.

ICICI Bank’s provisions and contingencies (excluding provision for tax) increased to Rs. 29.05 billion in fiscal 2008 from Rs. 22.26 billion in fiscal 2007 primarily due to higher level of specific provisioning on retail loans due to change in the portfolio mix towards non-collateralized loans and seasoning of the loan portfolio, offset in part by a reduction in general provision on loans due to lower growth in the loan portfolio relative to fiscal 2007.

Total assets of the Bank increased by 16.0 per cent i.e. rose from Rs. 3,446.58 billion at year-end fiscal 2007 to Rs. 3,997.95 billion at year-end fiscal 2008. It primarily increased due to an increase in advances by 15.2 per cent and an increase in investments by 22.1 per cent. During the year, ICICI bank made a follow-on public offering of equity shares in India and an issuance of American Depository Shares (ADSs) aggregating to Rs. 199.67 billion.

The Sangli Bank Limited (Sangli Bank) was amalgamated with ICICI Bank with effect from April 19, 2007 in terms of the scheme of amalgamation approved by
Reserve Bank of India (RBI). Sangli Bank was a banking company incorporated under the Companies Act, 1956 and licensed by RBI under the Banking Regulation Act, 1949. The consideration for the amalgamation was 100 equity shares of ICICI Bank of face value Rs. 10 each fully paid-up for every 925 equity shares of face value of Rs. 10 each of Sangli Bank. Accordingly, on May 28, 2007, ICICI Bank allotted 3,455,008 equity shares of Rs. 10 each, credited as fully paid up, to the shareholders of Sangli Bank. The excess of the paid-up value of the shares issued over the fair value of the net assets acquired (including reserves) of Rs. 3.26 billion and amalgamation expenses of Rs. 0.22 billion have been deducted from the securities premium account.
Table (4.1)

Financial Highlights of ICICI Bank during 2001-2007

(Rs. in crores)

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</thead>
<tbody>
<tr>
<td>Net Interest Income and other income (excluding extra ordinary items) (1)</td>
<td>6.25</td>
<td>11.67</td>
<td>33.91</td>
<td>49.44</td>
<td>62.55</td>
<td>88.90</td>
<td>125.64</td>
<td>41.3</td>
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<tr>
<td>Operating Profit (1)</td>
<td>2.90</td>
<td>5.45</td>
<td>13.80</td>
<td>23.73</td>
<td>29.56</td>
<td>38.88</td>
<td>58.74</td>
<td>51.1</td>
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<tr>
<td>Provisions Contingencies (2)</td>
<td>1.29</td>
<td>2.87</td>
<td>17.91</td>
<td>4.70</td>
<td>4.29</td>
<td>7.92</td>
<td>22.26</td>
<td>181.1</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>25.27</td>
<td>30.97</td>
<td>36.48</td>
<td>17.8</td>
</tr>
<tr>
<td>Consolidated Profit tax</td>
<td>1.61</td>
<td>2.58</td>
<td>12.06</td>
<td>16.37</td>
<td>20.05</td>
<td>25.40</td>
<td>31.10</td>
<td>22.4</td>
</tr>
<tr>
<td>Consolidated Profit Tax</td>
<td>1.61</td>
<td>2.58</td>
<td>11.52</td>
<td>15.80</td>
<td>18.52</td>
<td>24.20</td>
<td>27.61</td>
<td>14.1</td>
</tr>
<tr>
<td>Profit on sale of ICICI Bank Share</td>
<td>-</td>
<td>-</td>
<td>11.91</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

Source: Annual Reports, ICICI Bank for different years

(1) Amortization of premium on government securities has been excluded from “Provision and contingencies” and deducted from ‘Other Income’ as per Reserve Bank of India (RBI) guidelines in this regard. Previous year figures have been reclassified accordingly.

(2) Excludes provision for taxes
Table (4.2)


(Rs. in crores)

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</thead>
<tbody>
<tr>
<td>Cash, Balance with banks &amp; government securities (SLR) (1)</td>
<td>77.06</td>
<td>355.80</td>
<td>320.72</td>
<td>383.89</td>
<td>474.12</td>
<td>681.14</td>
<td>1,044.89</td>
<td>53.4</td>
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<td>Cash &amp; balance with RBI's</td>
<td>35.94</td>
<td>127.87</td>
<td>64.89</td>
<td>84.71</td>
<td>129.30</td>
<td>170.40</td>
<td>371.21</td>
<td>117.8</td>
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<td>Government Securities / SLR Investment</td>
<td>41.12</td>
<td>227.93</td>
<td>255.83</td>
<td>299.18</td>
<td>344.82</td>
<td>510.74</td>
<td>673.68</td>
<td>31.9</td>
</tr>
<tr>
<td>Advances (Net)</td>
<td>70.32</td>
<td>470.35</td>
<td>532.79</td>
<td>626.48</td>
<td>914.05</td>
<td>1461.63</td>
<td>1958.66</td>
<td>34.0</td>
</tr>
<tr>
<td>Debentures &amp; bonds</td>
<td>30.70</td>
<td>64.36</td>
<td>56.90</td>
<td>55.49</td>
<td>28.54</td>
<td>18.04</td>
<td>24.63</td>
<td>36.5</td>
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<td>Other Investments</td>
<td>10.5</td>
<td>66.62</td>
<td>41.89</td>
<td>79.69</td>
<td>131.52</td>
<td>186.69</td>
<td>214.27</td>
<td>14.8</td>
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<td>Fixed Assets (including leased assets)</td>
<td>3.84</td>
<td>42.39</td>
<td>40.61</td>
<td>40.56</td>
<td>40.38</td>
<td>39.81</td>
<td>39.23</td>
<td>1.5</td>
</tr>
<tr>
<td>Other Assets</td>
<td>5.40</td>
<td>41.58</td>
<td>75.21</td>
<td>66.19</td>
<td>87.99</td>
<td>126.58</td>
<td>164.90</td>
<td>30.3</td>
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<tr>
<td>Total Assets</td>
<td>197.37</td>
<td>1041.10</td>
<td>1068.12</td>
<td>1252.29</td>
<td>1676.59</td>
<td>2513.89</td>
<td>3446.58</td>
<td>37.1</td>
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<tr>
<td>Liabilities</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>9.5</td>
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<tr>
<td>Equity Capital &amp; Reserves</td>
<td>13.13</td>
<td>62.49</td>
<td>69.33</td>
<td>80.10</td>
<td>125.50</td>
<td>222.06</td>
<td>243.13</td>
<td>1.0</td>
</tr>
<tr>
<td>Equity Capital</td>
<td>2.20</td>
<td>6.13</td>
<td>6.13</td>
<td>6.16</td>
<td>7.37</td>
<td>8.90</td>
<td>8.99</td>
<td>9.8</td>
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<tr>
<td></td>
<td>10.93</td>
<td>56.36</td>
<td>63.20</td>
<td>73.94</td>
<td>118.13</td>
<td>213.16</td>
<td>234.14</td>
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<td>Reserves</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preference Capital</td>
<td>-</td>
<td>3.50</td>
<td>3.50</td>
<td>3.50</td>
<td>3.50</td>
<td>3.50</td>
<td>3.50</td>
<td>39.6</td>
</tr>
<tr>
<td>Deposits</td>
<td>163.78</td>
<td>320.85</td>
<td>481.69</td>
<td>681.09</td>
<td>998.19</td>
<td>1650.83</td>
<td>2305.10</td>
<td>37.7</td>
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<tr>
<td>Savings Deposits</td>
<td>18.81</td>
<td>24.97</td>
<td>37.93</td>
<td>83.72</td>
<td>113.92</td>
<td>209.37</td>
<td>288.38</td>
<td>29.0</td>
</tr>
<tr>
<td>Current deposits</td>
<td>26.22</td>
<td>27.36</td>
<td>36.89</td>
<td>72.59</td>
<td>128.37</td>
<td>165.73</td>
<td>213.76</td>
<td>41.3</td>
</tr>
<tr>
<td>Term deposits</td>
<td>118.75</td>
<td>568.52</td>
<td>406.87</td>
<td>524.78</td>
<td>755.90</td>
<td>1275.73</td>
<td>802.96</td>
<td>45.2</td>
</tr>
<tr>
<td>Borrowings</td>
<td>12.01</td>
<td>589.70</td>
<td>440.52</td>
<td>398.46</td>
<td>417.53</td>
<td>486.66</td>
<td>706.61</td>
<td>91.3</td>
</tr>
<tr>
<td>Of which : subordinate debt</td>
<td>1.68</td>
<td>97.51</td>
<td>97.50</td>
<td>91.06</td>
<td>82.09</td>
<td>101.44</td>
<td>194.05</td>
<td>17.8</td>
</tr>
<tr>
<td>Erstwhile ICICI borrowing</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>283.52</td>
<td>193.48</td>
<td>132.41</td>
<td>108.37</td>
<td>24.8</td>
</tr>
<tr>
<td>Other Borrowings</td>
<td>8.45</td>
<td>64.56</td>
<td>73.08</td>
<td>114.94</td>
<td>224.05</td>
<td>354.41</td>
<td>598.37</td>
<td>24.8</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>89.15</td>
<td>131.87</td>
<td>150.84</td>
<td>188.24</td>
<td>37.1</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>197.37</td>
<td>1041.10</td>
<td>1068.12</td>
<td>1252.29</td>
<td>1676.59</td>
<td>2513.89</td>
<td>3446.58</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Annual Reports, ICICI Bank for different years

* All amount have been rounded off to the nearest Rs. 10.0 million

(1) Represents government securities issued by Indian government and considered towards the requirement of statutory liquidity ratio (SLR)
(2) Included in "Other Liabilities" in schedule 5 of the balance sheet.
Data set out in above table reveals that total assets of ICICI bank have increased by 37.1 per cent to Rs. 3,446.58 billion at year-end fiscal 2007 from Rs. 2,513.89 billion at year-end fiscal 2006 primarily due to increase in advances and investments. Net advances of the bank increased by 34.0 per cent to Rs. 1,958.66 billion at year-end fiscal 2007 from Rs. 1,461.63 billion at year-end fiscal 2006 primarily due to increase in retail advances in accordance with strategy of growth in retail portfolio, offset, in part, by reduction in advances due to repayments and securitization. Retail advances of the bank increased 38.5 per cent to Rs. 1,277.03 billion at year-end fiscal 2007 from Rs. 921.98 billion at year-end fiscal 2006.

Total investments of ICICI bank at year-end fiscal 2007 increased by 27.5 per cent to Rs. 912.58 billion compared to Rs. 715.47 billion at year-end fiscal 2006 primarily due to 31.9 per cent increase in investment in Government and other approved securities in India to Rs. 673.68 billion at year-end fiscal 2007 from 510.74 billion at year-end fiscal 2006 in line with the increase in net demand and time liabilities. Banks in India are required to maintain a specified percentage, currently 25.0 per cent of their net demand and time liabilities by way of liquid assets like cash, gold or approved unencumbered securities.

Other investments (including debentures and bonds) of ICICI bank increased by 16.7 per cent to Rs. 238.90 billion at year-end fiscal 2007 compared to Rs. 204.73 billion at year-end fiscal 2006, reflecting an increase in investments in insurance and international subsidiaries, pass through certificates and credit linked notes. Total assets (gross) of overseas branches (including overseas banking unit in Mumbai) of
ICICI bank increased to Rs. 524.71 billion at year-end fiscal 2007 from Rs. 275.86 billion at year-end fiscal 2006- a rise of 90.2 per cent.

Bank’s equity share capital and reserves at year-end fiscal 2007 increased to Rs. 243.13 billion as compared to Rs. 222.06 billion at year-end fiscal 2006 primarily due to retained earnings for the year and exercise of employee stock options. As per the transition provision of Accounting Standard 15 (Revised) on "Accounting for retirement benefits in financial statements of employer”, the difference in the liability on account of retirement benefits created by the Bank at March 31, 2006 due to the revised standard have been adjusted in “Reserves and Surplus”. Bank’s total deposits increased 39.6 per cent to Rs. 2,305.10 billion at year end fiscal 2007 from Rs. 1,650.83 billion at year-end fiscal 2006. This is commensurate with focus of increased funding through deposits. Savings account deposits of the bank increased to Rs. 288.38 billion at year-end fiscal 2007 from Rs. 209.37 billion at year-end fiscal 2006, while current liabilities increased to Rs. 213.76 billion at year-end fiscal 2007 from Rs. 165.73 billion at year-end fiscal 2006. Term deposits of ICICI bank registering a sharp rise of 41.3 per cent went up from Rs. 1,802.96 billion at year-end 2007 from Rs. 1,275.73 billion at year end 2006.

Total deposits at year-end fiscal 2007 constituted 76.5 per cent of funding (i.e., deposit borrowings and subordinated debts). Borrowings (including subordinated debt) increased to Rs. 706.61 billion at year-end fiscal 2007 from Rs. 486.66 billion at year-end fiscal 2006 primarily due to increase in borrowings of foreign branches. The foregoing table sets forth, for the period indicated the summarized balance sheet of ICICI Bank for Rs. (in Billion).
The analysis of performance of ICICI bank has brought into light the leading role of the bank in the development of Indian economy as one of the largest banks. The second part of this chapter will now focus on the selected HRM policies and practices of ICICI bank.

**HRM Policies and Practices in ICICI Bank**

The ICICI bank is committed to become the Bank of choice by providing superior Proactive, innovative, state of the art banking services with an attitude of care and concern for the customers as Patrons. Similarly, the employees are treated in an exceptional style. ICICI Bank believes that its 33,321 employees are the greatest driver of its growth and development. During fiscal 2007, ICICI began a unique initiative of industry academia partnership. They have collaborated with NIIT to set up the Institute of Finance, banking & Insurance to provide skilled resources to the financial services industry at the entry level. They have worked with leading management institutes in the country on curriculum design, training of faculty and design of case studies and provided teaching aids. These initiatives are aimed at complementing the existing course structure and providing a deeper insight into contemporary issues of the fast developing financial services sector. Through this, they strive to build awareness and inculcate an appreciation of the work requirement in the financial services industry. They believe that this will go a long way in creating a readily available pool trained resources for the financial services sector.

ICICI Bank's performance and aspiration are underpinned by a strong organizational culture of dynamism, meritocracy, excellence in execution and high standards of professional integrity, which have helped it, become an industry leader.
The annual employee survey conducted this year facilitated employee engagement by giving employees a channel to share their views and opinions on various aspects of the organization culture. It also gave them insight into their alignment drives of task support and employee development. The inputs from this study and feedbacks received through other mediums of employee engagement have been a key contributor in bringing about an alignment of culture with changing trends.

This leadership development program builds talent within the organization. The program attempts to help into the potential of employees and develop them into global leaders. The leadership development program has been developed in house with inputs from various experts. The Bank plans to use this program to develop thought leaders throughout the organization to participate in policy making, employee communications and perspective building.

Management Quality

The Management team is headed by the very visible and very influential KV Kamath. He has transformed ICICI from a corporate lending elephant to the fleet footed retail behemoth of today. He has a keen understanding of how to leverage technology to deliver his products and services efficiently. He has extremely long-standing team with him, most of which has been in the organization for very long periods.

The management has made disruptive changes in the market place on many occasions. They revolutionized ATM delivery by proliferating almost whole of landscape of India. ICICI Direct, the unique 3 in 1 account for stock trading is still one of the best integrated stock holding and trading platforms. They were the first to
retail pure gold under their brand name. ICICI bank credit cards were among the just to offer cash back and lifetime free facilities. The only negative that stands against the management's record is their frequent trips to the capital markets to raise cash. This will continue to be a concern with this bank. On the flip side, the opportunity is so huge that rapid expansion is may be a necessity for future growth.

The management has also worked on their international foray by opening branches in several foreign countries. Bank is extremely optimistic of these branches eventually making a lot of money for the company because the back end of the bank and the technology rollout has been rooted in low cost India and the fees and commissions accrued will be that from the developed world. It is expected that eventually, ICICI Bank will succeed in carving a niche for itself in the developed world for offering similar banking services but at lower cost than international banks. This will take time but is likely to be an interesting spin-off of India's IT and ITES broom.

Through focused advertising, ICICI bank has positioned itself as a preferred provider of retail loans, preferred venture capitalist, and arranger of external commercial borrowing for the Indian companies raising money abroad and preferred vehicle for funds transfer to India by ex-pats. The recent IPO scans did not have ICICI Bank mentioned at all. The bank's communication is crisp and clear and management vision and focus is very from the various communications and fittings. This is needed a top class management.

ICICI Bank views its human capital as a key source of competitive advantage. Consequently the development and management of human capital is an essential
element of strategy and a key management activity. Human resources management in fiscal 2002 focused on smooth integration of the employees and human resource management systems in the context of the merger, as well as on continuous improvement of recruitment, training and performance management processes. The process of integration involved defining the organizational structure of the merged entity, people placement in various positions across the business and corporate groups, an integration of the grade and remuneration structure for the employees of the four entities. The organizational structure was announced in February 2002 and became effective on May 3, 2002. The people placement process was based on appropriate competency profiling tools and matching employee profiles to job specifications. The grade integration process has also been successfully completed, using job evaluation techniques.

**Selection Procedure**

In their continuous endeavor to improve the selection process for requirement at all levels in ICICI Banks. They have carried out an in-depth study of the competencies required to succeed in ICICI Bank. As per their research, the competencies which indicated success at the entry level in ICICI Bank are:

1. Drive for results;
2. Process Orientation;
3. Interpersonal effectiveness;
4. Analytical Thinking;
5. Innovation; and
6. Team Effectiveness.
In order to assess the same, ICICI bank uses a set of 3 tools: namely, Mental Ability Tests (For candidates with 0-2 years of work experience), Personality Profiling System; and the Mental ability test you them a fair and objective assessment of candidate's skills in the areas of verbal reasoning, numerical reasoning and, diagrammatic reasoning. There are important skins for the role of an entry level manager and people who do well in these tests tend to do well in their jobs at ICICI Bank. The total time taken in this exercise is 2 hours with each of the three sections lasting 40 minutes. Candidates (at all levels regardless of the number of years of work experience) are also required to complete the Occupational Personality Questionnaire (OPQ) before they appear for the interview, the results of which are integrated into their interview process.

Recruitment Procedure

The recruitment process has been streamlined and a uniform recruitment policy and process implemented across the merged organization. Robust ability-testing and competency-profiling tools are being used to strengthen the campus recruitment process and match the profiles of employees to the needs of the organization. ICICI Bank continues to be a preferred employer at leading business schools and higher education institutions across the country, offering a wide range of career opportunities across the entire spectrum of financial services. In addition to campus recruitment, ICICI Bank also undertakes late recruitment to bring new skills, competencies and experience into the organization and meet the requirements of rapidly growing businesses. A Six Sigma initiative has been undertaken for the lateral recruitment process to improve capabilities in this area.
Appointment of Nominee Directors

On the Board of Assisted Companies: Erstwhile ICICI limited (ICICI) had a policy of appointing nominees directors on the boards of certain borrower companies based on loan covenants with a view to enable monitoring of the operations of those companies. Subsequent to the merger, ICICI Bank continues to nominate directors on the board of assisted companies. Apart from the Bank's employees, experienced professionals from the banking government and other sectors are appointed as nominee directors.

At March 31, 2006, ICICI Bank had 82 nominee directors of whom 53 are employees of the Bank, on the boards of 132 companies. The Bank had a nominee Director cell for maintaining records of nominee directorships. At March 31, 2008, ICICI Bank had 60 nominee Directors, of whom 39 were employees of the Bank, on the boards of 84 assisted companies. The Bank has a Nominee Director Cell for maintaining records of nominee directorships.

Work Culture at ICICI Bank

It is a tech-savvy, non-hierarchical work environment where early responsibility and independent decision-making enable each employee to reach him/her potential. Coupled with this is a strong performance management system that has built a meritocracy where high performing, high potential individuals are duly rewarded.

Training and Development

The ICICI Bank encourages cross-functional movement, enriching employees' knowledge and experience and giving them a holistic view of the
organization while ensuring that the bank leverages its human capital optimally. The rapidly changing business environment and the constant challenges it poses to organizations and businesses make it imperative to continuously enhance knowledge and skill sets across the organization.

ICICI Bank also draws from the best available training programmes and faculty, both international and domestic, to meet its training and development needs and build globally bench marked skills and capabilities. ICICI Bank seeks to build in all its employees a total commitment towards exceptional standards of performance and productivity, adaptability to changing organizational needs and the demands of the business environment and a willingness to learn and acquire new capabilities. The Bank believes that it is imperative for industry in general and the financial services industry in particular, to invest in preparing industry-ready human talent to sustain its growth trajectory. During fiscal 2008, ICICI Bank launched the “Probationary Officer Programme.” It was a first of its kind, nationwide initiative to provide a career opportunity to aspiring and bright graduates who would have otherwise been excluded from participating in the nation’s growth.

The ICICI Group collaborated with Manipal Universal Learning to create the ICICI Manipal Academy for Banking and Insurance to generate inclusive employment opportunities for capable, young graduates. It offers a fully paid one-year residential training programme to more than 800 graduates who have been selected from across India through a rigorous process. This one-year programme strives to increase efficiency and improve customer experience by enabling first day employee productivity through knowledge, skills and grooming inputs. It aims at integrating students into the ICICI Group ethos and work ethics. Attempting to bridge the skills
gap that exists in India and especially in the banking industry, the Bank launched the Branch Banking Academy, Wealth Management Academy and Sales Academy in fiscal 2008. These academies have been launched with the premise that banking skills can be created and extended to those who have the basic aptitude to learn. These job-linked, skill-enhancement academies are aimed at increasing the speed to job.

ICICI Bank has effectively deployed certified branch managers and branch operations managers for all new branches within six months through the Branch Leadership Programme. ICICI bank training initiatives attempt to build relevant and standardized knowledge and skills that can be replicated and made accessible to distributed employee network easily.

In fiscal year 2008, ICICI Bank pioneered game-based learning and simulation in banking. A branch banking simulator and several game-based modules were created to provide virtual environments for skills practice and enhance the quality of service delivery. In fiscal 2008, the Bank also explored mobile learning as a channel to provide performance support through instant learning. This channel, which is easily available to entire front line sales team, strives towards resolving all customer queries and facilitates flawless sales closure.

The ICICI Bank was recognized in the global list of Top Companies for Leaders in 2007, according to a survey conducted by Hewitt Associates in partnership with the RBL group and Fortune magazine. In-house leadership development programme continues to build leadership talent within the organisation.

Bank has continued to lay great emphasis on human resource, to make its employees attain high standards inefficiency and productivity. A number of initiatives
have been undertaken by the bank for changing the mindset of the employees, constantly upgrading their knowledge to ensure significant improvements in their performance, and to motivate / recognize /reward them suitably. In that direction the focus of HR Policy of the Bank has been to facilitate knowledge management, skill enhancement motivational strategies and cultural change to equip staff members for the ever changing competitive environment.

Accordingly, the training system and infrastructure has been revamped and dovetailed with the business plan, branch expansion, and technology plan and business environment. During the year, various in-house training programmes aimed at upgrading knowledge and skill levels of employees were conducted at banks training colleges. A number of short duration capsule workshops are introduced, on vocational basis towards achieving this objective. The Bank has continued to lay great emphasis on human resource development, to make its employees attain global standards in productivity, thereby maximising value creation for its stakeholders.

Accordingly, the staff of the Bank, numbering 1,344 as on March 31, 2000, has undergone significant training in a variety of training programmes at regular intervals during the year. As many as 878 employees attended training programmes during the year, both domestic and overseas, and the average training per person was 37 hours, which compares favourably with international benchmarks. The employees form the backbone in all the initiatives undertaken by the Bank, which remains committed to constantly upgrading their skills through training to ensure constant improvements in performance. A performance bonus scheme provides wide ranging incentives to employees.
Bank has also initiated necessary steps to make all the employees computer literate by nominating them to various computer training programmes for the smooth migration of their branches to Core Banking Solution (CBS), numerous programmes for Roll-over Training and End User's Training were conducted for the staff members. Total number of staff members trained for CBS was 2068.

Besides, a few specially designed in company training programmes were arranged at the outside institutions of repute like IIM Bangalore and Bankers Training College, Mumbai. In all, 24376 employees were imparted training at the bank's training colleges, colleges 10668 were recipients of vocational learning in Capsule workshops and another 432 has the benefit of attending the programmes conducted by outside institutions. Besides, 6 officers were deputed abroad for seminars and workshops. Bank has expanded Rs. 465.35 lakh towards training activities during the year.

Recognizing motivational as an integral part of human resource development, bank celebrated its foundation day by suitably awarding a number of staff member's for upstanding programmes. Bank has also put in place an incentive scheme to recognize significant individual and team-efforts in achieving the bank's business goals. This initiative is expected to have beneficial demonstrative effect on others in enhancing their competencies.

To encourage staff members to enrich their knowledge base, the Bank has introduced incentives to encourage participation in management courses computer courses, various diploma examinations conducted by the Indian institute of Banking and Finance, programmes for learning foreign language, National Certification in
Financial Market (NCFM) examination, Diploma in Training And Development and Certified Information Systems Auditor-Examination (USA).

Banks house journal Taarangan received an award amongst bilingual house journal publications, by the Association of Business communicators of India, Mumbai. It also received the Best readability Award from Mayaram Suryan Foundation, Raipur, and Chhattisgarh. With the advent of technology, organizations all over the world are undergoing a startling transformation in all important aspects of functioning. A major initiative taken by the bank during the year is to mark the entire HR tech-savvy and technology driven.

Employee Stock Option Scheme (ESOS)

The Employees Stock Option Scheme provides for grant of equity shares of the Bank to whole time directors and employees of the Bank and its subsidiaries. The Scheme provides that employees are granted an option to acquire equity shares of the Bank that vests in a graded manner. The options may be exercised within a specified period. The Bank follows the intrinsic value method to account for its stock-based employee's compensation plans. Compensation cost is measured as the excess, if any, of the fair market price of the underlying stock over the exercise price on the grant date. The fair market price is the latest closing price, immediately prior to the date of the Board of Directors meeting in which the options are granted, on the stock exchange on which the shares of the Bank are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date is considered. Since the exercise price of the Bank's stock options are equal to fair market price on the grant date, there is no compensation cost
under the intrinsic value method.

The Finance Act, 2007 introduced Fringe Benefit Tax (FBT) on employee stock options. The FBT liability crystallises on the date of exercise of stock options by employees and is computed based on the difference between fair market value on date of vesting and the exercise price. FBT is recovered from employees as per the Scheme.

In terms of the ESOS, as amended, the maximum number of options granted to any eligible employee in a financial year shall not exceed 0.05 per cent of the issued equity shares of the Bank at the time of grant of the options and aggregate of all such options granted to the eligible employees shall not exceed 5 per cent of the aggregate number of the issued equity shares of the Bank on the date(s) of the grant of options. Under the stock option scheme, options vest in a graded manner over a four-year period, with 20 per cent, 20 per cent, 30 per cent and 30 per cent of grants vesting each year, commencing from the end of 12 months from the date of grant. The options can be exercised within 10 years from the date of grant or five years from the date of vesting, whichever is later. In terms of the Scheme, 15,638,152 options (March 31, 2007: 13,187,783 options) granted to eligible employees were outstanding at March 31, 2008. As per the scheme, the exercise price of ICICI Bank’s options is the last closing price on the stock exchange, which recorded highest trading volume preceding the date of grant of options. Hence, there is no compensation cost in the year ended March 31, 2008 based on intrinsic value of options.

Early Retirement Option (ERO)

The bank has implemented an Early Retirement Option Scheme 2003 for its
employees in July 2003. All employees who had completed 40 years of age and seven years of service with the bank (including period of service with entities amalgamated with the bank) were eligible for the ERO. The ex-gratia payments under ERO, termination benefits and leave encashment in excess of the provision made (net of tax benefits), aggregating to Rs. 1910.0 million was amortized over a period of five years commencing August 1, 2003 (the date retirement of employees exercising the option being July 31, 2003). On account of the ERO Scheme, an amount of Rs. 384 million has been charged at the end of 31st March, 2006.

**Leave Encashment**

The Bank provides for leave encashment benefit, which is a defined benefit scheme, based on actuarial valuation as at the balance sheet date conducted by an independent actuary. In respect of retirement benefits in the form of provident fund and other defined contribution schemes of other entities within the group, the contribution payable by the entity for the year is charged to the profit and loss account for that year. In respect of gratuity benefit and other benefit schemes, where the entity makes payments for retirement benefits out of its own funds, provisions are made in the profit and loss account based on actuarial valuation.

**Gratuity**

ICICI Bank pays gratuity to employees who retire or resign after a minimum period of five years of continuous service and in case of employees at overseas locations as per rules in force in the respective countries. ICICI Bank makes contributions to four separate gratuity funds, for employees inducted from erstwhile ICICI Limited (erstwhile ICICI), employees inducted from erstwhile Bank of Madura,
employees inducted from erstwhile The Sangli Bank Limited (erstwhile Sangli Bank) and employees of ICICI Bank other than employees inducted from erstwhile ICICI, erstwhile Bank of Madura and erstwhile Sangli Bank. Separate gratuity funds for employees inducted from erstwhile ICICI, erstwhile Bank of Madura and erstwhile Sangli Bank are managed by ICICI Prudential Life Insurance Company Limited. The gratuity fund for employees of ICICI Bank, other than employees inducted from erstwhile ICICI, erstwhile Bank of Madura and erstwhile Sangli Bank is administered by Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Limited. Actuarial valuation of the gratuity liability for all the above funds is determined by an actuary appointed by the Bank. In accordance with the gratuity funds’ rules, actuarial valuation of gratuity liability is calculated based on certain assumptions regarding rate of interest, salary growth, mortality and staff attrition as per the projected unit credit method.

Provident Fund

The ICICI Bank is statutorily required to maintain a provident fund as a part of retirement benefits to its employees. There are separate provident funds for employees inducted from erstwhile Bank of Madura and erstwhile Sangli Bank (other than those employees who have opted for pension), and for other employees of ICICI Bank. In-house trustees manage these funds. Each employee contributes 12.0 per cent of his or her basic salary (10.0 per cent for certain staff of erstwhile Bank of Madura and erstwhile Sangli Bank) and ICICI Bank contributes an equal amount to the funds. The funds are invested according to rules prescribed by the Government of India.

Superannuation Fund
The ICICI Bank contributes 15.0 per cent of the total annual basic salary of each employee to a superannuation fund for ICICI Bank employees. The employee gets an option on retirement or resignation to commute one-third of the total credit balance in his/her account and receive a monthly pension based on the remaining balance. In the event of death of an employee, his or her beneficiary receives the remaining accumulated balance. The Bank also gives cash option to its employees, allowing them to receive the amount contributed by the Bank in their monthly salary during their employment.

Up to March 31, 2005, the superannuation fund was administered solely by Life Insurance Corporation of India. Subsequent to March 31, 2005, the fund is being administered by both Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Limited. Employees had the option to retain the existing balance with Life Insurance Corporation of India or seek a transfer to ICICI Prudential Life Insurance Company Limited.

Pension

The ICICI Bank provides for pension, a deferred retirement plan covering certain employees of erstwhile Bank of Madura and certain employees of erstwhile Sangli Bank Limited. The plan provides for a pension payment on a monthly basis to these employees on their retirement based on the respective employee's salary and years of employment with the Bank. For erstwhile Bank of Madura and erstwhile Sangli Bank employees in service, separate pension funds are managed in-house and the liability is totally funded as per the valuation arrived by the actuary. The pension payments to retired employees of erstwhile Bank of Madura and erstwhile Sangli
Bank are being administered by ICICI Prudential Life Insurance Company Limited, for whom the Bank has purchased master annuity policies. Employees covered by the pension plan are not eligible for benefits under the provident fund plan, a defined contribution plan. Reconciliation of opening and closing balance of the present value of the defined benefit obligation for pension benefits is given below:

**Table 4.3: Pension Benefits to Employees in ICICI Bank during 2007-08**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>(Rupees in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 31, 2008</td>
</tr>
<tr>
<td>Opening obligations</td>
<td>1,029.4</td>
</tr>
<tr>
<td>Add: Addition due to amalgamation</td>
<td>1,807.4</td>
</tr>
<tr>
<td>Service cost</td>
<td>54.0</td>
</tr>
<tr>
<td>Interest cost</td>
<td>230.7</td>
</tr>
<tr>
<td>Actuarial (gain)/loss</td>
<td>(172.3)</td>
</tr>
<tr>
<td>Liabilities extinguished on settlement</td>
<td>(1,071.0)</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(200.1)</td>
</tr>
<tr>
<td>Obligations at end of year</td>
<td>1,678.1</td>
</tr>
</tbody>
</table>

Source: Annual Reports, ICICI Bank
Table 4.4: Expenditure of ICICI Bank on Employees during 2000-07

(Rupees in millions)

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31.03.00</th>
<th>Year ended 31.03.01</th>
<th>Year ended 31.03.02</th>
<th>Year ended 31.03.03</th>
<th>Year ended 31.03.04</th>
<th>Year ended 31.03.05</th>
<th>Year ended 31.03.06</th>
<th>Year ended 31.03.07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment to and provision for employees</td>
<td>147,17,74</td>
<td>51,71,02</td>
<td>1,471,774</td>
<td>4,030,246</td>
<td>7,106,649</td>
<td>10,907,630</td>
<td>10,822,935</td>
<td>16,167,490</td>
</tr>
<tr>
<td>Directors’ fees, allowance and expenses</td>
<td>1569</td>
<td>1792</td>
<td>1569</td>
<td>1317</td>
<td>30,673</td>
<td>36,285</td>
<td>3237</td>
<td>3849</td>
</tr>
</tbody>
</table>

Source: Annual Reports, ICICI Bank
CONCLUSION

In fine, it may be safely deducted that ICICI Bank is India's largest private sector bank and second largest overall. The Bank offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its specialized subsidiaries and affiliates in the area of investment banking, life and non life insurance, venture capital and asset management. The Bank's equity shares are listed on Indian and New York Stock Exchanges. The bank is expanding its overseas markets and has the largest international balance sheet among Indian banks. The international banking was set up in 2002 to implement a focused strategy for the overseas market. The bank now has wholly owned subsidiaries, branches and representative offices in 18 countries including an offshore unit in Mumbai. The list of its achievement and expansion is infinite. Moreover, the HRM policies and practices of ICICI bank are also quite appreciable. The study of HRM policies and practices of ICICI bank will remain incomplete until the perception of different categories of employees towards the effectiveness of the HRM policies and practices in the Bank is not studied. The next chapter thus makes the study more interesting and meaningful with the help of an attitude survey of managerial and non-managerial employees of ICICI bank towards the HRM policies and practices in the bank.

References

Annual Reports, ICICI Bank, 1999 to 2008.

Published and unpublished data collected from different branches of ICICI bank.

www.icicibank.com