

# ICICI to focus on business banking

## Pressure on spreads makes retail lending less attractive

**Priya Nair**

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After focusing on retail business segment as the mainstay for its growth, ICICI Bank now seems to have changed tacks. With the banking industry facing pressure on spreads, ICICI Bank will orient itself towards fee-based income this fiscal, said Mr Vijay Chandok, Senior General Manager, Head SME Business, ICICI Bank.

The bank is looking to increase its share of current accounts and add to its fee income by improving the business banking services. The SME sector contributes 13-14 per cent to the bank's total fee

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"This year, our orientation is towards improving the visibility and servicing of current account business in our branches," Mr Chandok said. There will be visible changes in the bank's branches and the staff, too, will be encouraged to promote business banking products. Even staff incentives would be linked to business banking services and products

and not merely retail, Mr Chandok said.

The bank's share of low-cost CASA (current account savings account) to total deposits was 26 per cent, as on March 31, 2008.

### **SME SECTOR**

Speaking to *Business Line*, Mr Chandok said that the SME sector could see a moderation this fiscal, compared with last year, but it would be restricted

to industries that are highly export-oriented.

There has been some muting of growth in export-oriented industries such as apparels and IT, even though the dollar has seen a rebound, he said. However, the investment scenario continues to be robust as companies are looking to acquire relatively low-priced assets overseas. This will provide them access to overseas markets, while they can provide low-cost manufacturing domestically, he said.

Though demand for credit is strong and liquidity is not a problem, interest rates seem to have an upwards bias, due to inflation, Mr Chandok said.

"The question being asked by companies is that of cost," he said. About the emergence of new clusters within the SME structure, Mr Chandok said, "Infrastructure in SME space is basically small contractors who work with large companies. That is a strong growth area for us. In the next few years there will also be significant investment in social infrastructure, such as educational institutions and wellness centres."

ICICI Bank's SME segment has seen a growth of over 50 per cent for the last five years and is expected to maintain the same this year as well, Mr Chandok said.