



FINANCIAL INCLUSION

Visa debit opens doors to India's unbanked

More than 58 million Visa debit cards have been issued to Indian consumers, delivering convenience, security and control to many who are entering the formal banking system for the first time.

India, with the world's second-most populous nation and one of its fastest-growing economies, is also one of the most under-banked. With a working population of 600 million but a banked population of only 200 million, the challenge for India's financial service providers is to keep pace with the ever-increasing number of Indians moving into the financial mainstream.

Scenario

Some 91 percent of the US\$703 billion spent by Indians annually is in the form of cash, a massive and inherently inefficient approach for a nation with a middle class estimated at 300 million citizens. Whether on the streets of Mumbai, Bangalore or Delhi, or in the nation's huge rural areas, it is not uncommon to see people using handfuls of rupees to buy everyday items and pay their bills.

Kunal Chheda, a Mumbai resident, says that a cash-centered life was a huge inconvenience, one in which he "needed to carry 2,000 rupees in my wallet ... I had to fill my wallet every two weeks or so and hope that it would last me till the next time I visited the bank to withdraw money. So it really made it difficult for me to make any transactions without planning well in advance."

A cash-dominated economy also meant that people like Chheda would spend time searching for goods and services on the Internet - a favorite pastime - but not actually take the next step and buy. "If I wanted to purchase anything from the Internet, I was not able to do that because I could not use cash," he says.



Mumbai, India

With more than 34 million new bank accounts being opened every year, including a large number of Indians entering the modern banking system for the first time, the strains on the economy from such heavy cash dependency was reaching a critical point.

Solution

To help manage the diverse needs of Indian consumers looking to access modern banking and payment services, Visa launched its first Visa debit product in India in 1999. In the 10 years since the first Visa debit card was put in the hands of Indian consumers, 35 local and international Indian banks have launched their own Visa debit card programs in India.

"There's a huge population in India, both in the remote communities and in the urban centers," says Sachin Khandelwal, senior general manager of ICICI Bank, India's second-largest bank by asset size. "Many of workers are paid in cash. Banks are migrating and expanding their branches and opening up electronic payments to smaller towns."

The cards can serve as a passport to a world of opportunities. For example, Indians who want to buy a cell phone need to provide proof of residence and work; there is no national identity card in India today. The Visa debit card provides that proof of identity and thereby helps Indians obtain that mobile phone or apply for a loan.

Chheda is one of the Visa debit cardholders who has benefited from the convenient and secure access to funds on deposit in his bank account. In addition, he is more confident using an electronic payment card, and he feels safer than having to carry large sums of cash in his pocket. "If I have any doubt about a single purchase, I simply call up my bank to sort it. At the end of the month, I have record of everything I have bought, and it helps me budget for the next month. Visa debit gives me control."

And it also gives Chheda and other Indians control over what is very much a way of life in India: rail travel. Buying tickets with cash can take more than an hour, while having a card means he can "book and pay online within a couple of minutes so that saves time and the bother that I have encountered."

Visa debit cardholders have also been turning to the Visa Bill Pay site to settle some of their most common monthly expenses, such as mobile phone and utility bills. Whereas previously they would have queued up to pay with cash at the biller's outlet or write a check and then drop it in the nearest collection box, with Visa Bill Pay, debit cardholders are now managing their finances and bills from the comfort of their homes.

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About Financial Inclusion

Visa works with government agencies around the world to move from paper-based distribution of electronic benefits to electronic means – such as prepaid cards – for everything from child support to unemployment to emergency assistance to disaster relief. In 2009 in the U.S. alone, Visa had more than 65 disbursement programs operating in 38 states, providing consumers – even those without traditional banking relationships – with a secure, cost-effective and convenient alternative to cash and checks to make everyday purchase, pay bills and even receive deposits to their Visa prepaid card.