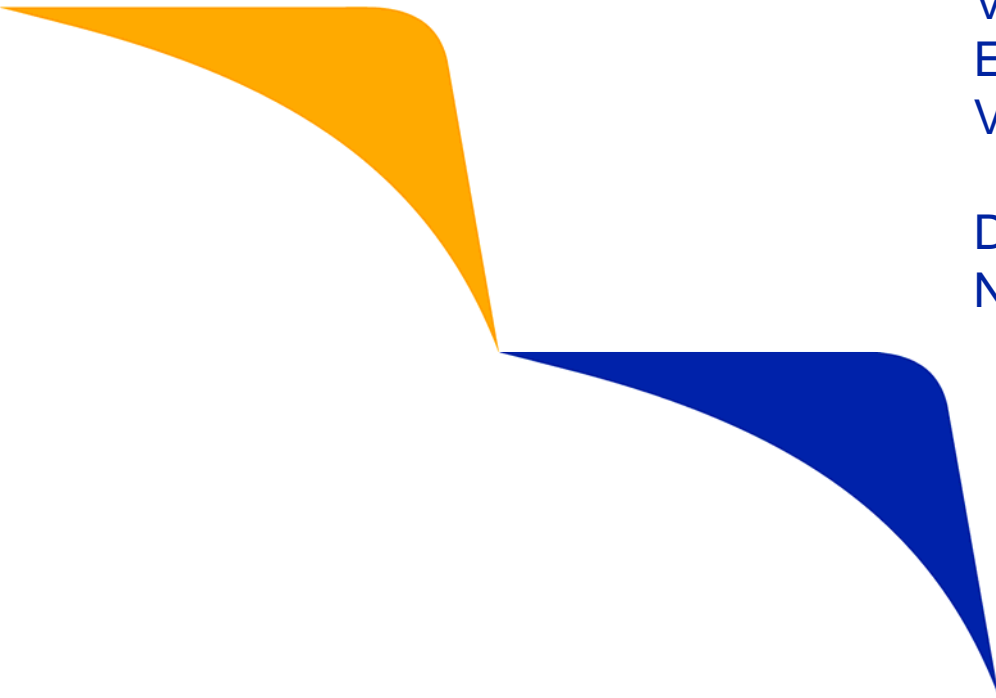




Visa and Microfinance

Debbie Arnold
Vice President
Emerging Markets
Visa International

Dubai
November 2006



Visa – A Global View



Visa is a currently a privately held for profit corporation owned by 21,000 member financial institutions from around the world

- World's largest processor of financial transactions and leading payment brand
- 1.3 billion Visa cards in circulation
- 24+ million merchant locations in more than 160 countries accept Visa
- 1 million ATMs for cash access
- \$4 trillion in global card sales volume (12 months ending September 2005)
- Over the holidays processed more than 6,300 transactions a second
- 6,000 employees worldwide in more than 40 offices

Visa's Role



Increase Members' efficiency and profitability in payment services by:

- Managing a worldwide network to process financial transactions between banks
- Guaranteeing payment
- Enabling universal acceptance
- Developing products and operating regulations
- Defining new payment technologies
- Enabling a complementary global brand



Visa value proposition for Microfinance



Facilitate funds disbursement and collection via ATMs and POS

Lower transaction costs while providing revenue opportunity

Provide microfinance clients more secure access

Reduce the possibility of cash theft

Expand the variety of financial service products available to MFI and bank clients

Introduce a new market segment to participating commercial banks



Visa's primary strategy is to encourage Member partnerships with MFIs



Member banks have the electronic payments **infrastructure** but lack the appetite and ability to manage **risk** and **train** the target market



MFIs have the 1-1 **consumer relationships** but no access to **electronic payment infrastructure**

... but bank-direct and MFI transformation models may also use Visa products

Potential Visa Product Solutions



Co-branded prepaid or debit card for loan or remittance distribution

- Direct model for participating Members
- Payroll model for Member support of MFIs

Co-branded card to store and access savings

Co-branded secured card for upper end of client base

Remittance product for client recipients

Actively pursuing leapfrog technology (chip, mobile acceptance, etc.) to reach rural areas

A Case Study: Visa and FINCA Guatemala



USAID grant to determine if electronic payments could:

- Streamline MFI operations
- Improve customer service
- Benefit clients
 - Reduced theft
 - Access to cash as needed
 - Purchase of goods and services
 - Encourage savings



Clients were selected to test a new program:

- Opened individual savings account in the bank
- Loans automatically deposited into savings accounts
- Received Visa debit card and PIN to access funds

Pilot started April 2006 with a major local bank

Background

Benefits to Stakeholders



FINCA

Lower costs in loan funding and account management

Greater efficiencies in the administration of operations for funding loans and realizing payments to loans

Program offers FINCA a competitive advantage in-market due to clients' perception of FINCA as a superior MFI option

Bank

Access to a new customer segment:

- Cross-selling of non-competitive products, new deposits, new income stream from Visa debit POS usage

Promoting use of Visa debit card for POS purchases, cash withdrawals and loan payments alleviates bank branch congestion.

Background

Benefits to Stakeholders



Visa

Access to new customer segment for Visa debit POS usage and potentially other Visa products in the future

Important social program providing support to Visa's CSR program

Clients

Electronic funding of loans

Access to banking system - ability to open savings account

Possibility to save money, earn interest

Access to Visa - electronic payment vehicle

Greater convenience and security related to financial matters

Early Results Positive



Emotions upon being offered the new program:

- Fear of not being able to use the card
- Happiness in having a card
- Sense of growth and personal achievement
- Sense of peace knowing money would be safe



When I pay with my card people are surprised and tell me. “Wow, Nieves, and that card?” It makes me feel important.

Findings

Clients Perceived Benefits of New Service



Savings Account

Access to an account is a very motivating benefit

High barriers to have an account independently

Obligated to save in a secure place that is out of sight and mind

Can get ahead - improve life and business

Automatic Loan Funding

No longer have to manage a loan check and run the risk of loss or theft

Can invest part of the funds and save part

Safer from family, thieves, self at home

Earns interest

Visa Debit Card

Access to money

- When bank is closed
- To avoid waiting in line
- In case of an emergency
- In case of a whim

Security - don't have to carry cash

Prestigious to have a Visa card

“If you have money at home or in your purse, you will spend it very quickly on things you really do not need.”

“I realized that people like me could have the card, not just people with money.”

“With my card and my savings book it is easier for FINCA to keep track of my loan and for me it is much safer and more practical.”

Challenges to be Met



Training, training, training

- Client, MFI staff, bank staff

Rural infrastructure constraints

Bank paperwork required

Illiteracy and fear of new things



Complementary Visa Activities



- Visa is committed to developing products and services for underserved markets
- Visa works with member banks to address market risks such as:
 - Uncooperative regulatory environment
 - Lack of financial literacy
 - Limited trust between customers and banks
- Visa's partnership with International Finance Corporation is helping to support the development of credit bureaus in developing countries
- A new program will take existing financial literacy materials "downstream" for the unbanked
- Visa is committed to developing secure payment products using wireless and offline technologies





Visa

The Way the World Pays