

Suvidhaa Infoserve Pvt Ltd.

COMPANY BACKGROUND

Suvidhaa Infoserve Pvt Ltd. (Suvidhaa) offers individuals the means to make electronic payments—online and over their mobile phones—for a variety of virtual products and services, making payments more convenient and less costly and expanding consumer choice in the marketplace.

The company was founded in 2007 by Paresh Rajde, an e-commerce entrepreneur. Suvidhaa currently employs over 268 staff with experience in retail payments, e-commerce, and technology. Suvidhaa's shareholders include the company's founder Rajde; angel investor Shapoorji Mistry, chairman of the leading Indian conglomerate Shapoorji Pallonji Group; Northwest

Country: India

Sector: Information and Communication Technologies

IFC's Investment: \$6.5 million in equity

Venture Partners in California; Reliance Venture Asset Management Ltd. of the Reliance ADA Group in India; and the International Finance Corporation. Suvidhaa is headquartered in Mumbai, India.

DRIVERS FOR SUVIDHAA'S INCLUSIVE BUSINESS MODEL

- Business opportunity to facilitate the spread of e-commerce in India
- Market demand for electronic payment solutions to reach consumers that transact in cash
- Demand from employers for electronic payment services for employees to reduce productivity losses
- Rapid mobile phone penetration presents an opportunity to reach consumers in rural areas

E-commerce offers consumers advantages like convenience, greater choice and easier access. In India, however, only 10% of the population uses e-commerce due to limited or no electricity, as well as low PC and Internet penetration (7% and 10% respectively). Only 60% of the population has a bank account and only 28% of the adult population has a credit or debit card. And mobile phone-based "wallets" that enable unbanked consumers to pay electronically are at a nascent stage of development. As a result, India is predominantly a cash economy, with 91% of all transactions conducted in cash. Suvidhaa has found a business opportunity in offering an alternative e-commerce system capable of improving efficiency, reducing cost, and increasing consumer choice and convenience under these difficult circumstances.

At the same time, product or service providers are looking for ways to transact with geographically dispersed consumers that lack access to financial services and modern information and communications technologies (ICTs), and therefore pay in cash. Employers, too, are looking for ways to facilitate electronic payments for their employees. Employers seek to reduce productivity losses incurred when employees must take time off to pay bills, purchase travel tickets, and make other such transactions.

Finally, with over 921 million mobile phone subscribers in India, the mobile phone-based business-to-consumer sales channel holds great promise. Businesses seeking to leverage mobile phones to reach underserved consumers need an intermediary like Suvidhaa to address the complex distribution and electronic payment logistics involved.

SUVIDHAA'S INCLUSIVE BUSINESS MODEL

India is predominantly a cash-based economy. Suvidhaa's innovative business model uses modern ICT to address the needs of consumers who transact in cash, and thus find their purchasing options limited to those available in their immediate vicinities.

By the same token, Suvidhaa serves companies wishing to reach these consumers, who would otherwise have had to travel long distances and forego wages in order to purchase their products. As of mid-2012, Suvidhaa offered online and mobile payments for the products and services of 300 businesses in categories such as utilities, travel, banking and financial services, entertainment, telecommunications, and education. Many of these products and services are "virtual" and don't require physical distribution—including rail, air and bus tickets, life insurance premiums, domestic remittances, mobile phone airtime and more.

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The company reaches consumers through a two-tiered franchised distribution network. Closest to the consumer are Suvidhaa Points, where purchases and payments can be

made. Between the Suvidhaa Points and the company are Suvidhaa distributors, which serve as intermediaries.

Suvidhaa Points are small-scale retailers whose primary business is to sell groceries, travel services, mobile phones, airtime or insurance. They must own or purchase at their own cost a computer, a printer, and broadband Internet service to run Suvidhaa's Point of Sale (POS) software, connect to its proprietary Service Commerce (s-commerce) technology platform, and make transactions. To make online payments on behalf of customers paying in cash, retailers must also deposit INR 5,000–10,000 with Suvidhaa in advance, which is then stored in an electronic money wallet ready to be transferred online at the time of payment. Retailers may conduct transactions up to the amount in this wallet, which they may increase at any time.

Suvidhaa Points are appointed by Suvidhaa distributors. Typically Suvidhaa distributors are independent retailers selling groceries, fast-moving consumer goods or telecommunication products. With an average staff of five and strong finances, each distributor is responsible for



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approximately 200 Suvidhaa Points. Suvidhaa distributors hand-hold retailers by advising them on managing day-to-day operations, cash and credit, and other topics. They can also accept cash and top up retailers' electronic money wallets on their behalf, if retailers are unable to deposit directly into Suvidhaa's account.

In a typical Suvidhaa transaction, an individual consumer purchases a product or service in cash at a Suvidhaa Point. The owner accepts the consumer's cash, and uses the Suvidhaa POS application to submit the payment online out of his or her pre-paid electronic money wallet with Suvidhaa. The Suvidhaa system then manages the flow of electronic money from the Suvidhaa Point to Suvidhaa to the product or service provider, processing payments, settling accounts, and fulfilling transactions via a receipt or e-ticket issued to the consumer by the Suvidhaa Point owner. Each transaction generates a commission, which is shared by Suvidhaa, the Suvidhaa Point owner, and the distributor. Suvidhaa also earns revenues through sign-up and subscription fees charged to Suvidhaa Point owners.

Scale is important for an electronic payments provider like Suvidhaa, and the company is working to build a ubiquitous retail network. It counts over 55,000 small-scale retailers as part of this network. In addition, Suvidhaa is forging partnerships with the government and businesses that have strong delivery channels in place. For example, Suvidhaa has been appointed an official partner in the National e-Government Program of the Indian Government, allowing the company to offer online payments through 68,000 Rural Common Service Centers providing e-government services. Suvidhaa has also partnered with the government-owned telecom company Bharatiya Sanchar Nigam Ltd. to work through 234,000 Public Calling Offices. Also, through a partnership with FINO PayTech Ltd., Suvidhaa offers electronic payments through over 8,600 FINO agents who provide financial services to individuals with low-incomes. Moreover, Suvidhaa is working with leading companies such as Essar Oil, Tata Consultancy Services, and others to offer its e-payment services through kiosks on their premises.

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Suvidhaa is also helping to bridge both the digital and rural-urban divides in India through Suvidhaa Points by offering mobile phone-based payments to consumers in rural areas with limited or no access to electricity, PCs, or the Internet.

RESULTS OF SUVIDHAA'S INCLUSIVE BUSINESS MODEL

- Over 10 million individual Suvidhaa customers as of mid-2012
- 55,000 Suvidhaa Points offer payments in over 2,800 cities and towns spanning 28 states of India
- Over 300 Service Providers across 20 industry categories leverage Suvidhaa to reach customers
- Recognized as a winner of the G20 Challenge on Inclusive Business Innovation

Over 10 million customers make online payments at Suvidhaa's 55,000 franchised Suvidhaa Points in over 2,800 cities and towns in 28 states. Suvidhaa adds over 500,000 customers every month and expects to have over 300,000 Suvidhaa Points including over 68,000 in rural areas by 2015. Within five years of operation, Suvidhaa has enabled electronic payments for over 300 service providers across 20 industry categories.

In 2011 Suvidhaa pioneered the Cash2Bank Domestic Remittance model, partnering with YES Bank and Axis Bank in 2012. Suvidhaa is the market leader in this service, offering it to over 100 million domestic migrants engaged in construction, diamond cutting, textiles, and domestic work.

Suvidhaa has brought benefits to small-scale retailers, consumers, and service providers alike. Retailers with average revenues of \$75 to \$100 per month earn more by offering Suvidhaa services in addition to driving sales of

their core products due to increased footfalls. Consumers benefit from greater choice of services, greater convenience in making payments—in both location and time—and avoiding paying higher, non-standard commissions to middlemen. Service providers have reduced their operating costs using Suvidhaa to reach and engage customers, and gained access to new customers.

Suvidhaa has received various international and national awards including the Red Herring 100 Asia Award for its technology platform and socio-economic business model in 2009, and the SKOCH Awards for Digital & Financial Inclusion for Rural and Urban Poor in 2010. Suvidhaa's founder also received The Institute of Chartered Accountants of India's Business Achiever (SME) Award in 2009–10, and IFC's Inclusive Business Leader Award in 2011. Suvidhaa was also recognized as a winner of the G20 Challenge on Inclusive Business Innovation at the G20 Leaders Summit in 2012.

IFC'S ROLE AND VALUE-ADD

IFC's Investment: \$6.5 million in equity
Investment Year: 2010 to 2012

- Provide much needed long-term investment capital to an early-stage company, helping to fuel growth in the electronic payments industry as a whole
- Contribute global expertise and knowledge from IFC's portfolio of companies in payments processing and e-commerce
- Facilitate access to mobile network operators, financial institutions, and other relevant service providers
- Strengthen Suvidhaa's corporate governance, which is critical for an early-stage company seeking to expand operations and sources of finance

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For more information, visit ifc.org/inclusivebusiness and suvidhaa.com