

**case 1-428-888**  
**January 28, 2010**

## Credit Cards for the Poor: HSBC in Sri Lanka

Dalshan Ismail, Executive Director of HSBC's Sri Lankan credit card business put his hands on his face and exhaled, "How did it all go wrong?" Just two weeks ago Dalshan ordered *wattslapam* (a celebration desert) for his whole team to celebrate a record breaking. HSBC sold roughly 100,000 credit cards before the completion of its inaugural year in 2006. In a little over two years, HSBC managed nearly 300,000 out of the approximately 800,000 credit cards in the country.<sup>1</sup> Sri Lanka as a whole was embracing credit cards, and to the youth of the country there was nothing more *très chic* than to pay with a credit card.

Dalshan's vision for HSBC's credit card venture in Sri Lanka was for all Sri Lankans to have access to credit cards, specifically those in informal subsistence markets. Dalshan was a student in a European Business school where he read work by C.K. Prahalad and Stuart Hart that suggested that the bottom of the pyramid represented an untapped consumer market in which businesses, especially multi-national corporations (MNCs), can alleviate poverty with market solutions. Suggesting MNCs have can provide scalability, have financial fortitude, world-class operations, and advanced technology, they are ideal to provide solutions for billions of poor. Dalshan took his readings to heart and made sure HSBC incorporated the BoP into their credit card business venture extending their credit card venture to the poor of Sri Lanka. Dalshan foci was to live up to the ideals of the BoP: maintaining the goal of connecting the poor with the global system and giving the poor access to products and services previously unattainable.

To reach the Base of the Pyramid, HSBC issued credit cards with limited identification and residency requirements, highly flexible employment verification, and limited proof of monthly income amounting Rs. 10,000 or roughly \$90.00 USD. What Dalshan was most proud of was that HSBC did not achieve their success through contrived government monopolies or unethical business practices. It succeeded by bringing world-class products and services to a market that was neglected. HSBC brought its technological expertise and scalability to a country without either, and offered both to the actual poor of the country.

Dalshan incorporated a market expansion strategy into the BoP. Such a strategy attempts to extend an existing product category by converting non-customers into customers and increasing the usage rate of the product. An example of a market extension strategy is to sell toilet soaps and detergent cakes/powders to the poor through one-use packaging. The term "market expansion" represents a reaching out to new market segments in existing areas. This definition goes beyond the traditional view that market expansion