

Impact of Customer Intelligence Systems on Integration of the Unbanked: Overture and Agenda for Field Research

*Djamchid ASSADI, Marketing Department / CEREN (Centre de Recherche sur les Entreprises),
djamchid.assadi@escdijon.eu*

*Krishna NYAPATI, Chairman, Technology Informatics Design Endeavour,
nvk2005@yahoo.co.in*

Abstract

The conventional banks are reluctant to engage in providing financial services to the poor because of the cost of loan management and the risk associated with the loan. This research project explores how information technologies and customer databases can reduce the costs of transaction with a large part of the bottom of the social pyramid and bring them into a profitable and sustainable market.

This technological potential offers a significant opportunity for providing banking services to 2.5 billion people worldwide who are financially excluded.

Résumé

Les banques classiques hésitent à s'engager à fournir des services financiers aux pauvres en raison du coût de la gestion des prêts et du risque associé à l'emprunt. Ce projet de recherche explore comment les technologies de l'information et des bases de données clients peuvent réduire les coûts de transaction d'une grande partie de la base de la pyramide sociale et les amener dans un marché rentable et durable.

Ce potentiel technologique offre une occasion importante pour fournir des services bancaires à 2,5 milliards de personnes à travers le monde qui sont financièrement exclus.

About 2.5 billion people worldwide lack access to banking services. While they mainly live in Africa, the Middle East, Latin America, Asia, and Eastern Europe, 8% of adults in advanced countries are also unbanked (Chaia et al, 2009).

Many unbanked individuals in the developed countries are the economically active poor.

The conventional banks are reluctant to engage in providing financial services to the poor because of the cost of loan management and the risk associated with the loan (Akula, 2010). Information asymmetry is an intrinsic characteristic of the funds markets because lenders cannot assess with certainty the risk associated with borrowers. That is why the unbanked poor have to move towards moneylenders who provide loans at rates well above those offered by the commercial banks. For many, prohibitive cost of providing microloans in distant rural areas is an important impediment to economic development.

The Grameen Bank suggested a solution to the question of risk by substituting the asset-based collateral with the social collateral (group-based lending). Indonesia's Bank Rakyat and Bolivia's Banco-Sol and many more followed the way. While social collateral is a worthwhile solution to the risk, it does not solve the problem of high costs of banking operations for the poor due to complex bureaucratic procedures.

In this paper, we argue that the customer intelligence databases not only lessen information asymmetry by tracking customers and monitoring transactions, but also lower the transaction cost of financial intermediation, and corollary accelerate the social integration of the poor. With regards to this argument, we first define and explore the evolution of the information technologies and systems and their impacts on competitive advantage and transaction costs. Secondly, we try to appraise the weight of the transaction costs through the research method of case analysis in India. We finally suggest an agenda for further research.