

Bringing banking to the unbanked

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The South African banking market is somewhat of a paradox, being vastly ahead in some aspects and lagging in others. From a technology point of view, especially in terms of electronic banking, the local environment is highly sophisticated - a fact acknowledged by many international organisations.



However, one aspect where we fall behind is a tendency to think of the market as 'fixed', concentrating banking products and services on the corporate market and more affluent customers while a large percentage of the population remains unbanked. While many of the major banks have dabbled in this area, few have addressed the real needs of the 'bottom of the pyramid', a market where there are great opportunities for growth.

The result of this belief in a fixed market is that the big banks have all been chasing the same customers. What should result from this is a focus on attracting and retaining customers through improvements in service and operational efficiency, translating into decreased bank charges. In reality though, what has happened in the past is that all of the major banks have been chasing the same customers - in the same way.

This means that in times of economic uncertainty the only option is to attempt to cut costs, whereas a more innovative approach, using technology to reach new markets, would offer a creative solution that would increase the banking market and provide long-term benefits as well. Offering products and services in a different way to suit the needs of the bottom of the pyramid market will expand the marketplace and offer new avenues for growth.

Think out of the box; keep it simple

In the past this bottom of the pyramid, as it is known, has been regarded as a market where there is no money to be made. As a result it has remained largely unbanked and its potential untapped. The reality is that while the individuals in this market do not spend large sums of money often, there are large volumes of people continuously spending small amounts of money. However, addressing this market requires a new way of thinking and a different way of delivering products and services.

From a technology perspective, it is vital for IT managers in the banking sector to be creative about how new technology can be applied to existing infrastructure to deliver the products and services that the lower end of the market needs. The key is to simplify accessibility and client processes and offer the products and services at a price point that is attractive to

this market. Price in itself is not even enough - there has to focus on price-performance. Hybrid solutions need to be innovated, as the problems of this sector cannot be solved with old technologies. Scalable, price-performance-enhancing solutions require a blending of advanced and emerging technologies with existing infrastructure.

For this particular market, branch banking is expensive, and access is limited particularly in the rural areas. In order to tap the potential of this market the formal banking sector needs to think differently and break out of the traditional banking mould.

The technology is there: Use it

Some examples of such innovation in technology include using retail checkouts as cash withdrawal points and operating banking via mobile phones, with EFT services offered on short messaging. These services offer greater convenience that appeals to this market, which is surprisingly accepting of new technology, as can be seen by the high penetration of cell phones and the growing adoption of mobile banking services.

From an internal perspective opening up banking to the largely unbanked market need not cost the banks themselves more money. The IT manager can play a pivotal role in this process, as he or she can get a global view of operations whereas each division may only look at efficiencies within their particular area. By examining current operations from a global perspective and improving efficiency across divisional boundaries without compromising quality of service, as well as by using technology to improve back office processes, IT managers can drive down internal costs and free up the funding to break into this market.

ALL communities should have access to banking services

At the end of the day, South Africa's reality is that a large percentage of the population remains unbanked. Opening up the market not only makes sound business sense to the banks, which stand to profit from a vastly increased customer base, it also stands to benefit the country as a whole by helping it to grow.

If we as a country wish to become more of a global player, we need to give all of our communities access to banking products and services, not just the more affluent sectors of the population. By making banking accessible to these areas, individuals and small entrepreneurs are given the opportunity to grow, which is critical to the growth of the economy. Moreover, these individuals and small businesses will in turn reward the banks by growing into the type of more affluent customer that banks traditionally seek out.

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