New Report: Banks Increasingly Embrace Data to Reach Underserved Customers

Forward-thinking financial institutions are utilizing new data types and tools in creative ways to better serve new customers in emerging markets.

Washington, DC – June 25, 2018 – The Center for Financial Inclusion at Accion (CFI) and the Institute of International Finance (IIF), with the support of MetLife Foundation, released a report that examines how new types of data and new data tools present an unprecedented opportunity for financial service providers to understand and serve clients—particularly credit-seeking, “thin-file” clients who are otherwise excluded from the formal financial sector.

The report, “Accelerating Financial Inclusion with New Data,” is based on extensive interviews with banks, fintechs, and other actors that are embracing the opportunities and confronting the challenges associated with these new data types and tools. Whereas traditionally, financial service providers would not have served many of the mass market customers in emerging markets for lack of any reliable information on their creditworthiness, new data sources such as mobile phones, email, social media, e-commerce activity, and psychometric analysis have opened up exciting possibilities for credit underwriting, customer acquisition, identity verification, fraud detection, and product development. The report analyses the pros and cons of each data type/tool and expands upon their applications for financial inclusion.

“Utilizing data can help banks reach underserved markets more quickly and efficiently, and in doing so, support financial inclusion, poverty alleviation, and economic growth,” said Elisabeth Rhyne, Managing Director at the Center for Financial Inclusion at Accion. “A greater sense of urgency is needed from industry, however, to embrace data-driven innovation to unlock underserved markets in a commercially viable way.”

While financial service providers recognize the need to use data to reach the underserved, many internal and external challenges must be addressed for the promise of new data to be fully realized. By adopting data-focused tactics—such as developing a culture of innovation, attracting technical talent, modernizing IT systems, collaborating with fintechs, and engaging with regulators—providers can start to future-proof their operations, even while they improve existing financial services for those at the base of the pyramid.

“The digital revolution is bringing vast numbers of new customers online, and those players that get digital right will be rewarded,” said Conan French, Senior Advisor for Innovations at the Institute of International Finance. “Banks that lead in data-driven innovations will be in a much better position to overtake the competition and increase market share while simultaneously cutting operational costs.”

This report is part of a two-year initiative from CFI and the IIF, with support from MetLife Foundation, to help advance the financial services industry’s ability to reach unserved and underserved populations. The project, titled “Mainstreaming Financial Inclusion: Best Practices,” facilitates learning and action on how financial institutions can respond to the specific challenges of reaching lower income market segments.

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About the Center for Financial Inclusion at Accion

The Center for Financial Inclusion at Accion (CFI) is an action-oriented think tank that engages and challenges the industry to better serve, protect and empower clients. We develop insights, advocate on behalf of clients and collaborate with stakeholders to achieve a comprehensive vision for financial inclusion. We are dedicated to enabling 3 billion people who are left out of – or poorly served by – the financial sector to improve their lives.

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About the Institute of International Finance

The Institute of International Finance is the global association of the financial industry, with close to 500 members from 70 countries. Its mission is to support the financial industry in the prudent management of risks; to develop sound industry practices; and to advocate for regulatory, financial and economic policies that are in the broad interests of its members and foster global financial stability and sustainable economic growth. IIF members include commercial and investment banks, asset managers, insurance companies, sovereign wealth funds, hedge funds, central banks and development banks. For more information visit www.iif.com.