Microfinance is the provision of financial services to poor people. It started with Microcredit, the provision of small loans to poor people. It then embraced other financial services such as microsavings, microinsurance and microremittances. More recently, it is associating Microfinance with other sectors such as education, health, hygiene in what is being termed “Microfinance Plus”. In all these cases, the small transaction size leads to high average transaction costs. It is hoped that technology may be a solution, especially technologies associated with electronic commerce, notably MIS, mobile banking and online lending.

This special issue initiated by IGI-Global is to draw the attention of the electronic commerce community to help in this task. It is a part of a global project of a book (Ashta, in press) and two special issues of this Journal dedicated to these issues, of which this issue is the second. The preface to the first special issue provided a brief introduction to the microfinance and technologies before presenting the papers in that issue. The preface to this second special issue first presents the papers in this issue and then outlines some broad areas for future research.

The first paper in this issue is by Prateek Shrivastava and is titled “Build it – Will They Come? A Study of the Adoption of Mobile Financial Services by Low Income Clients in South Africa”. The paper studies the use of mobile telephony in providing financial services. The development and successful deployment of financial services via mobile phones has shown willingness from financial service providers to develop and provide such products. However, there seem to be major perceived / real obstacles in the willingness of the consumer to adopt these products. Therefore, the need to understand customer’s reasons behind adopting these services becomes obvious. The author proposes a model that provides a framework to empirically test the attitudes of customers (current and potential) towards mobile financial services.

In the second paper, Djamchid Assadi and Meredith Hudson look at the “Marketing-Mix of Online Social Lending Websites”. Online lending sites have been mushrooming ever since Kiva and Zopa started the first ones in 2005. The marketing trends of the emerging sector of peer-to-peer microlending websites have been left largely unexplored during its rise to recognition. Based on a sample of popular social lending sites, this exploratory paper uses method of observation based on cases to analyze the marketing elements of online social lending websites in order to better understand its functioning, and predict the future it holds.

In the third paper, Susan Johnson, Arvind Ashta & Djamchid Assadi go further to under-
stand the impact of online lending in a paper titled “Online or Offline?: The Rise of Peer To Peer Lending in Microfinance”. The paper uses the analytical lens of asymmetric information and the transactions costs to explain the characteristics of the different models in operation. It finds that the reduction of transaction costs in “peer-to-peer” lending is more of an aspiration than a reality. Although the web 2.0 technologies have offered new means of mobilizing funds, the borrowing mechanisms at work follow mainstream conventional approaches to the management of lending for reasons that the asymmetric information lens clearly explains.

In the fourth paper, Fredj Jawadi, Nabila Jawadi and Virginie Dechamps look at a developed country context in “European Microfinance Institutions and Information and Communication Technologies: An Empirical Qualitative Investigation in the French Context”. They find that technological factors consisting of advances in information and communication technologies have contributed to the expansion of microfinance institution (MFI) activities not required among European citizens. They have facilitated the access to MFI products on the one hand, and enhanced performance through cost reduction and better services to clients. They explore how ICT (Information and Communication Technologies) may contribute to this evolution and help European MFI to the commercialization of their products and to the development of their activities, using French examples through interviews conducted with MFI professionals and clients in France.

In the final paper titled “Technology to Toilets: Can Microfinance and IT Help Solve the World’s Sanitation Crisis?” Karl Dayson and Jack Sim delve into Microfinance Plus, in what one reviewer termed an “eye-opener”. 2.5 billion people do not have access to a toilet; instead they have no choice but to practice open defecation, having a potentially detrimental effect on their health. The paper asks whether microfinance and IT can play a role in tackling the problem. Drawing on the experience of Grameen Telephone it is argued that this is analogous with attempts to promote the purchase of toilets, in particular the technological leap where expensive infrastructure is bypassed. They use three case studies to show that such a process is underway and while there are a limited number of microfinance institutions (MFIs) engaged in this market it is insufficient to address the myriad of both organizational and cultural problems. However, the use of a prospective web portal may help create the environment for a viable market to emerge.

A lot has been happening since the research used for this combined project of IGI global was initiated. The incredible growth in research on microfinance, 100% has become a meaningless figure because the base is so small, has focused global attention into this area. As venture funds start phoning me for insights, research as well as development agencies keep asking for ideas for academic and professional research as well as development areas. It is sufficient to observe recent developments to get ideas for research.

New online lending operators have emerged since we did the research for this project. These include Rang De and DhanaX in India, Wokai in USA-China, United Prosperity in USA-India. An innovative Danish operator, MyC4, has upscaled to SME financing in Africa, hoping to make everybody a shareholder in microfinance. Each model has something new. Either it is confined to a protected market or it changes the variables of the preceding model in some way. Thus, Wokai is using grants and tax-deduction for fund raising. United Prosperity is looking at guarantees provided in rich countries to increase the multiplicator effect of the number and size of loans provided to poor borrowers. International foreign exchange considerations, international regulations and judiciary methods, all need to be looked at to ease the flow of capital from the North to the South. The latest innovation diffusion methods need to be researched and implemented in this competitive landscape where service and recognition may have overtaken the profit motive.

The mobile banking field has spread from Kenya, the Philippines and South Africa to
many other countries, notably India. A number of operators have entered the Kenyan market place. New regulations are currently being reviewed to protect consumers. Two major models are merging: bank led models and mobile operator led model. The competition between these models is the competition to own the last mile, i.e., the customers and the mailing lists: the real intangibles that add value. Partnerships, mergers and acquisitions between banks and mobile operators are being discussed. Lobbying for laws to protect the banking industry through consumer protection of the small saver has reached the level of a draft by the Basle Committee on Microfinance. Therefore research analysts from areas as diverse as strategy, operational upscaling, regulations and technology will all have abundant material to research, write and publish.

Within the MIS area, so many debates have been opened. It is felt that for brick and mortar MFIs to upscale from 100 to 100,000 customers, the single most important variable is MIS. Can a small MFI afford an expensive MIS? Should it buy or make? Which off the shelf solution is appropriate for which MFI? Should development use internal salaried employees or outside consultants? Is Open source really cheaper? What about Software as a Service? The debates are many. How can these solutions work in both an offline and online environment in countries where villages may not have electricity?

The research areas mentioned above are just a rapid look into mainstream areas of technology and microfinance. We have not talked about biometrics and their role in questioning the need for literacy in an image concentric world of the 4 billion poor people. Nor have we looked at ethical questions on who power laws favor, such as whether a poor person who joins a mobile network gains more or is exploited more by early adopters of networks. Such broader questions will help define the brave new world of tomorrow, by providing alternative perspectives to the future.

More specific areas of research are provided in the “future research direction” section of each of the eighteen chapters of the book in this IGI Global project (Ashta, in press).

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