

FINANCIAL INCLUSION **insights**

APPLIED RESEARCH FOR  digital financial inclusion

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FII QUICKSIGHTS REPORT POTENTIAL FOR DIGITIZING PAYMENTS AMONG BANGLADESHI GARMENT WORKERS WAVE 1

April 2014

THE FINANCIAL INCLUSION INSIGHTS (FII) PROGRAM

The FII research program responds to the need for timely, demand-side data and practical insights on the use of mobile money and other digital financial services (DFS), and the potential for their expanded use among the poor.

The program covers eight countries in Africa and Asia at different stages of DFS development. Research was launched in fall 2013.

FII is operated by global research group InterMedia and sponsored by the Financial Services for the Poor initiative of the Bill & Melinda Gates Foundation. All FII data and research is publicly available through the FII portal: www.finclusion.org.

QuickSights reports provide initial findings from each FII research project. These reports feed into subsequent Wave Reports which synthesize the results from all projects conducted during a wave of research in a given FII country.

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GARMENT WORKERS AND FINANCIAL INCLUSION

- The garment manufacturing sector in Bangladesh employs more than 4 million factory workers.*
- Currently, workers are paid almost exclusively in cash.
- Eighty-six percent of workers do not have access to formal financial services.**

Bangladesh Bank, the country's central bank, has been exploring various methods to enhance access to formal financial services for workers. In September 2013, it directed commercial banks to open special accounts for garment workers through which they can receive their wages.

* Bangladesh Garment Manufacturers and Exporters Association (BGMEA), 2013, <http://www.bgmea.com.bd/#ad-image-6>

** Study on Deposit Mobilization for Readymade Garments Workers, June 2012, IFC

<http://www.ifc.org/wps/wcm/connect/972783804c084d0eac8ebc79803d5464/Dep+Mob+-Final+Report.pdf?MOD=AJPERES>

STUDY DESIGN

Objectives

Twelve focus group discussions (FGDs) were conducted with garment factory workers in Dhaka and Savar.* Half of the participants were mobile money users and the other half were nonusers. The study was conducted to:

- Understand workers' perspectives on the potential benefits and barriers to digitizing salary payments in this large and nationally significant manufacturing sector.
- Explore mobile money users' current usage behaviors and nonusers' awareness of mobile money, and whether prior usage and familiarity with mobile money impacts their attitudes towards digitizing salary payments.
- Assess workers' current routine financial transactions, pain points relating to current transaction methods, and the future potential for digitization.

Key research questions

- What are the benefits and pain points associated with the current method of salary payment?
- What is the level of digital literacy among garment workers and how does it impact the use of mobile money services?
- What routine financial transactions do they conduct, including payments, savings, and borrowing, and what is the basket of goods and services they spend money on?
- Are any of these transactions difficult to conduct using current methods?
- Where are most transactions conducted, and where should mobile money services be available?
- How could mobile money serve their daily transaction needs?

*This study is a part of a larger cost benefit analysis study, which is being conducted by another FSP partner, on the potential for digitization of salary payments.

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LOCATION AND PARTICIPANT PROFILE

- Twelve focus groups were conducted in Dhaka city and Savar Upazila, in Bangladesh, Nov. 2-10, 2013. Each focus group had eight participants.
- Of the 12 focus groups, six were conducted with garment workers from factories operating in the export processing zones* (EPZs) and the remaining six were with workers from factories operating outside the EPZs.
- Of the six focus groups in each location, three were conducted with mobile money users and three with nonusers of mobile money.
- FGD participants were also divided by age group and gender.

Focus Group Composition			
Age	Gender	Factory type	Mobile money (MM) user/nonuser
18-30	Female	Non EPZ Garment	MM Users
18-30	Male	Non EPZ Garment	MM Users
18-30	Female	Non EPZ Garment	MM Nonusers
18-30	Male	EPZ Garment	MM Users
18-30	Female	EPZ Garment	MM Users
18-30	Female	EPZ Garment	MM Nonusers
31-40	Male	Non EPZ Garment	MM Nonusers
31-40	Female	Non EPZ Garment	MM Users
31-40	Female	Non EPZ Garment	MM Nonusers
31-40	Male	EPZ Garment	MM Nonusers
31-40	Female	EPZ Garment	MM Users
31-40	Female	EPZ Garment	MM Nonusers

**Export processing zones are special industrial areas. Factories located within EPZs are exempt from local taxation and all products must be sold outside the country. In return for the exemption, factories must follow specific labor laws and wage scales provided by the government.*

SUMMARY OF FINDINGS (1)

Mobile phone and mobile money use

Most workers own a mobile phone and know how to use basic features, but many ask for help with reading text messages (SMS) or using apps, which are generally not in colloquial Bengali.

Workers are not allowed to use phones inside the factory.

Awareness of mobile money – particularly bKash – is high, but it is perceived only as a money transfer service. There is little awareness of the other services among both users and nonusers.

Most mobile money users in the study use over-the-counter money transfers and do not have registered accounts.

Salary payment method

Garment workers are generally satisfied with the current payment method (cash).

It takes two to 10 minutes to disburse salaries to individual workers and is perceived as efficient.

Workers value getting paid in cash and having instant access to their money since most of their regular transactions, such as paying rent and buying groceries, are also conducted in cash.

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SUMMARY OF FINDINGS (2)

Financial behaviors

Most regular transactions are centered around rent, food, savings deposits, paying back regular vendors who sell them goods on credit, and remittance transfers.

Most routine transactions are conducted in cash within a radius of 2 km of home/work, and most are done with relative ease.

Many workers use a savings deposit plan with a bank or with the factory they work in. They must deposit the same amount of money on a monthly basis to reap the interest earnings, at the end of a specified number of years. Factories also offer loans to workers in the form of interest free advances on future earnings.

Potential for digitizing salary payments and extending mobile money use

Many were unclear about ways in which a switch from the current disbursement method to a digital salary payment could benefit them.

Workers are reluctant to embrace digital salary payments mainly because it requires an additional step -- going to an agent to access their cash. They are concerned about the possibility of waiting in long lines, lack of cash at agent locations and potential fraud issues.

Despite concerns about fraud and inconvenience, many workers are open to the potential use of mobile money if they can conduct all mobile money transactions **without incurring additional transaction fees.**

Some participants were able to identify transactions that might benefit from digitization. For instance, many place a high priority on going to the bank as soon as they get their salaries so they can meet their monthly deposit deadlines for their bank savings plans. Using mobile money to immediately transfer money from their salary directly to their savings plan could help make this transaction smoother.

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Conclusion:**Garment workers could be ideal for piloting salary payment digitization in a relatively contained mobile money micro-ecosystem**

- Garment workers' close proximity to their workplaces, especially those who work in the EPZ in Savar, and the fact their routine financial activities are conducted within a 2-km radius from their workplaces, makes them an ideal target for a contained digital payment pilot project.
- These conditions also may present a key opportunity for testing the onboarding of merchants and vendors situated within these geographic clusters to receive mobile payments from their clients.
- In such a contained micro-ecosystem it would be easier to ensure sufficient numbers of agents and liquidity are available to service the garment workers needs as digital payments are rolled out.
- Among the garment workers in this study, current mobile money users are less skeptical about a potential digitization of salary payments than nonusers.

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Potential for digitization:**Despite the potential advantages to digitizing salaries at garment factories, workers' concerns need to be addressed**

- While digitizing salary payments could create efficiencies in salary disbursements, workers are not sure how it would benefit them. Both mobile money users and nonusers who participated in the study were reluctant to embrace mobile money payments due to concerns about needing to go to agents on payday to access their cash. They are worried this will create bottlenecks or delays in receiving their salaries.
- At least in the near-term, even if paid via mobile money, workers will most likely cash out their full salary amount on payday and continue to transact in cash because most of their regular transactions are currently conducted with vendors who can only transact in cash. The exception is remittances for which mobile money has become a popular option.
- Despite the preponderance of cash transactions, several current transactions show potential for digitization, including monthly installments to savings deposit plans at a bank or with the factory, and getting advances on salaries from the factory. Workers also buy goods in cash and credit at their local stores; these transactions may also be made easier with mobile money.
- Given that currently 85 percent of garment workers do not access formal financial services, digitizing salary payments could be a gateway product leading to the use of additional demand driven services which can provide long-term benefits.

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Recommendations:

To be successful, solutions and products must be created to support digitization of salaries without adding significant burdens or bottlenecks

Address key concerns about digitization

- Ensure a smooth and fast mobile money cash-out process on payday by making sure agents and e-float are accessible and sufficient.
- Cash-out charges may need to be either absorbed by the factory or set at a rate considered to be within an acceptable range by workers.
- Information about how to address concerns with salary disbursement issues needs to be clearly provided by the factories and mobile money providers.
- Mobile money providers should ensure and publicize safeguards against fraud, and hold information campaigns about security and fraud prevention to reassure workers about the safety of mobile money transactions.
- Some workers suggested that mobile money agents handling payday transactions should be certified by the factory to avoid potential fraud or scams by agents.

Create products to allow workers greater access to digital financial services

- Despite some concerns, workers showed interest in using mobile money if they could use it for more varied transactions than just money transfers.
- Onboarding merchants serving factory workers could extend mobile money usage, especially for transactions conducted in cash or on credit with corner stores. The ability to use mobile money at the places they are used to conducting their regular transactions will be key to getting garment worker buy-in.
- The ability to electronically transfer savings installments from their salary into a fully portable savings scheme can make these transactions easier and more attractive to workers.
- Disbursal and repayment of factory loans directly through a mobile money account could make transactions more efficient.

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Additional steps to successful digitization:**Implement public awareness and education campaigns promoting the potential benefits of digitization**

Raising public awareness of the benefits of digitizing salaries and educating workers on how to use mobile money services could help alleviate concerns. Campaigns could focus on:

- Increasing understanding of how to use mobile money;
- Promoting mobile phone security mechanisms such as PIN;
- Educating customers on how they can conduct their own transactions and providing assistance with transactions;
- Providing customer service to address problems, including fraud

Participants suggested some potential benefits that could be reinforced through awareness/education campaigns:

- Some think mobile money is safer than carrying cash.
- Some participants said mobile money account statements can assist with budgeting and financial planning, and provide transaction records.
- Text messages (SMS) detailing payments were seen as ways to help clarify discrepancies in salary payments with supervisors.

Mobile network operators and mobile money service providers also could be encouraged to make their services more accessible and easy to understand by using colloquial rather than formal Bengali for transaction instructions and text messages.

USING MOBILE PHONES AND MOBILE MONEY



Source: InterMedia

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Most garment workers have a mobile phone and can operate basic phone features - many ask family and friends to help when it's needed

- Most workers have access to a mobile phone; either personally owned or shared.
- Workers are not allowed to use phones during work, but they take their phones with them and keep them on silent mode, or hide the fact they are using them.
- Digital literacy varies across workers but most, at least, know how to use one function beyond calling and storing contact lists, such as listening to music or taking a picture.
- Those who have trouble with any specific phone features rely on friends and family for help.
- Multiple SIM card ownership is common and is used to access better rates for out-of-network calls. Many SIM cards are not registered.

Low SMS use is a barrier to mobile money use – using simple colloquial Bengali may help users better understand messages & navigate menus

Most workers have problems with the SMS function.

Many don't know how to read English and would prefer to have Bengali text. But, they want simple, everyday Bengali to be used rather than the official and difficult-to-understand Bengali currently used in communications by service providers.

Workers who can read basic English script would prefer menus in English rather than in official Bengali because many English words are commonly used in Bangladesh, and people are more familiar with them than official Bengali.

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Most are aware of mobile money, but only as a money transfer tool

- Almost all workers are aware of mobile money services and view it as a money transfer tool. Most workers don't know of any other uses for mobile money.
- bKash is the most well recognized mobile money service by both users and nonusers of MM.
- Workers who are aware of mobile money, learn about it mainly through TV ads, mobile money outlets and other users.
- Mobile money users like the service because it's fast and trustworthy and agents are available near their factories.
- Both users and nonusers perceive transaction charges as being too high.
- A few participants in nonuser focus groups said that during an emergency someone had sent or received money on their behalf, via mobile money. They did not have any personal transaction experience using an agent or their own phone. It was generally a one-time occurrence, and since they did not conduct the transactions themselves, they did not consider themselves to have ever "used" mobile money.
- Nonusers prefer to use alternative transfer methods unless there is an emergency. Most use informal methods such as friends or family or prefer to hand-deliver the money themselves. A few use post office services since they are familiar with them.
- Many nonusers do not need to send remittances at all, and, for this reason, do not use mobile money.

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Over the counter (OTC) is the preferred method of transaction, even for registered users

- Most mobile money users conduct OTC transfers -- even registered account users prefer OTC transactions.
- Mobile money users feel ill-equipped to conduct transactions themselves, and are unsure about their own skills in using the service. Users prefer going to a mobile money agent and conducting transactions in their presence, in case something goes wrong with the transaction. Agents are considered to be proficient in transacting and the only source of help.
- Since most transactions happen at the agent location, users do not perceive the need for registering a personal account or understand the potential benefits of registered use beyond the services they can get through an agent.

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Overall concerns about security, fraud and lost money is a barrier to mobile money use

- Many nonusers have fears about the security of transactions. Some worry whether the money will actually reach recipients securely and intact.
- Newspaper reports and rumors of transaction fraud, loss of money, network issues and negative experiences with agents, such as an agent not sending money or sending less than the full amount, act as serious barriers for overall mobile money uptake.
- Those who use mobile money largely think it's safe. But users also express fear of fraud, money being sent to the wrong number and frustration with network problems.

Fear of transaction error resulting in lost money is high

“There should be a system like the mobile recharge card. If the correct number from the card is not inputted into the mobile, then the top-up fails. However the card credit does not go to anyone else.” Male, mobile money nonuser, EPZ

Key barriers to uptake – lack of information and misconceptions:

- *Most participants don't know about account protection or the use of PINs for security.*
- *They think that if they lose their phone they will lose their money.*
- *Participants fear agent-initiated fraud – they worry agents will send their money to the agent's own dummy account, with no recourse for getting it back.*

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Mobile money providers need to deepen their relationships with current and potential customers

- bKash is the most popular mobile money provider in Bangladesh, and workers associate the brand with mobile money in general. Mobile money transfers are commonly referred to as “doing bKash.” Workers view agents, and not the specific mobile money service brands, as the primary service providers.
- **Users said they don’t think any of the mobile money providers offer adequate information about their services or direct customer service. They would like each mobile money provider to establish customer service centers.**
- Some of users’ and potential users’ fears could be alleviated if mobile money service providers create better, more direct relationships with customers. Providers need to convey they take direct responsibility for resolving problems. A well publicized customer service system may encourage adoption and advanced wallet usage if users don’t feel like they have to go through an agent to ensure transaction accountability.



Source: InterMedia

CURRENT FINANCIAL BEHAVIORS AND POTENTIAL FOR DIGITIZING SALARY PAYMENTS THROUGH MOBILE MONEY



Source: InterMedia

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Most workers find the current salary payment method (cash) is easy

- Workers are satisfied with their current method of payment.
- Since the payment is physically disbursed, they are reassured that any discrepancy can be immediately addressed.
- Workers like receiving their salaries in the early part of the month when most routine bills are due.
- Getting paid in cash allows them to meet pending expenditures immediately.
- Security is not perceived as an issue. Workers say they are careful going home with their cash; they make sure to take well lit and busier routes on payday.
- There were no reported pain points with this system, except the 10 Taka stamp fee charged by the factory for salary disbursements.

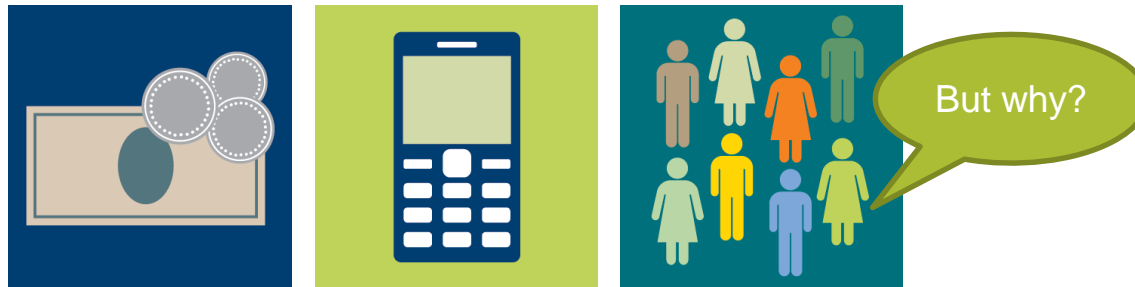
Current Salary Payment Method

Factories implement various ways to successfully streamline the disbursement of cash payments, which generally occurs between the 5th and 10th of every month, and reduce disruptions to productivity on payday.

Payments are usually disbursed in sections to reduce wait periods. A token is handed to a worker who then goes to pick up their cash payment; the token is then passed on to the next person to do the same. It takes two to 10 minutes to disburse the payment to each worker. The salary is provided in cash in an envelope, often with an accompanying pay slip.

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Workers are reluctant to shift to mobile money payments



- **Workers did not perceive a need to change the current payment system.** Not surprisingly, those who were less familiar with mobile money expressed more reluctance.
- **Getting salaries via mobile money means the added step of visiting agents,** which is seen as an unnecessary hassle. Workers anticipate long lines at the end of a long work day, possible scams, and lack of liquidity at agent locations on pay day.
- **Cash in hand is crucial on payday due to pending expenses,** and workers fear they will not be able to make cash payments in time if they have to wait in long lines at agent locations.
- **If the correct salary amount is not received, workers fear it will be harder to resolve the problem** without a factory representative present at the time of disbursement.
- **Potential mobile money transaction fees also add to their disinclination to change their payment method.** Many believe the cash-out charge will be higher than the stamp fee currently charged to workers for receiving cash salary payments.
- **Some workers say they are not sure mobile money is safe for storing money.** Many fear that if they lose their phone, they also lose their money.

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Salaries received in cash are then used for cash-based transactions; other methods largely absent

- Many factory workers identified a few key expenditures due on payday or within a week of it, including house rent and utilities.
- Rent is generally the first transaction made on payday and is collected, in cash, by a rental manager.
- The second most important payment is the monthly tab for goods bought on credit at the local store.
- Mobile money users remit money through nearby agents (bKash, OTC), and nonusers conduct remittance transfers through the post office or via hand-delivery.
- Garment factory workers tend to live in close proximity to where they work, especially those who work in factories in the EPZ in Savar. Financial transaction points are generally in clusters near the factory and their residences.
- Most of their routine financial activities are conducted in cash and roughly within a 2-kilometer radius of work and home.

Potential mobile money product: Make regular transactions at grocery stores more efficient

Dry goods such as rice, beans, oil, salt and sugar are bought in large quantities – usually in cash – at the neighborhood store. Daily necessities such as soap and shampoo are bought on credit at the same store. This “corner store” owner keeps a running tab and accumulated charges are due as soon as workers get paid. Some workers also get loans from the store owner.

Some of these types of payments could be made more convenient and efficient (and merchants’ and workers’ record-keeping simplified) through mobile money transfers which generate an electronic record of transactions.

“I borrow money from the shop from where I take my goods. Whenever there is need of money at my home I borrow money from the shop.” Male, mobile money user, EPZ

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Savings and borrowing are closely linked with the factory

Saving - DPS and Factory Funds

- Garment factory workers, who save money regularly, generally deposit a specific proportion of their salary, in cash, into a deferred savings plan either through a bank (typically called a Deposit Pension Scheme (DPS), or a factory (commonly referred to as a Factory Fund).
- Cash installments must be deposited on time and each month for a pre-specified number of years to reap the full interest benefits. So when workers receive their salaries, one of the first obligations is to go to the bank to meet their DPS payment deadlines.
- Those who save in the Factory Fund ask for the installment amount to be deducted from their pay. However, the downside of this option is that the savings plans aren't portable – if the worker changes jobs, she/he has to cash out without getting the interest benefits. This discourages many workers from saving in these funds even though they like these savings plans.
- **A deferred savings plan that can be paid into without having to visit a bank, and that is de-linked from employment at a specific factory, has the potential to appeal to workers who wish to save.**

“We have children. They’ll need it in the future. If I have a savings then I can buy a land at my village. I can’t do a job forever.”

“There is a package in DPS that if you keep one lakh taka for five years then it’ll become double after that period of time.”

Female, mobile money users, non EPZ

Borrowing

- With the supervisor’s approval, factories allow workers to borrow against their pay. No interest is charged and salaries are adjusted based on repayment. Most prefer to borrow from their factory or from friends and relatives rather than a formal financial institution.
- **If workers were to be paid through a mobile money account, linking payment and borrowing transactions can potentially make loan disbursement and repayment easier to conduct.**

“An application for advance, (*say for*) 2000 TK (approximately \$25 USD), needs to be submitted to the accounts with the signature of our factory manager. Then accounts may accept the application to give the money in advance....(*it*) will be deducted from my salary.”

Male, mobile money user, non EPZ

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