Study on Deposit Mobilization for Readymade Garments Workers in Bangladesh
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Report Prepared by Shorebank International
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Foreword

Towards Financial Inclusion.

Readymade Garments is a $16 billion dollar industry in Bangladesh. It is the second biggest employer in the country, employing about three million people of which 85% are female, and contributing significantly to social inclusion. However, the extent of transformation is yet to be fully realized, as 86% of the workers in the garment factories do not have access to suitable financial services, according to our Readymade Garment Workers Deposit Mobilization study. This constraint precludes leveraging banking services and workers are limited to traditional and informal financial sources.

Gaps in education and awareness are at the heart of the problem. And, if banks were fully aware of the profitable space that readymade garment workers and small entrepreneurs can provide, more financial products targeting this segment of the market would be offered. Garment workers, too, need to be educated on new and existing banking products and ways to access them, which in turn, would make them less risk averse.

IFC’s objective of making financial services accessible and affordable for the excluded, together with the strong demand from the financial sector to better understand this untapped market, led to this market study. Jointly commissioned by SEDF, managed by IFC, in partnership with DFID and Norad, and BICF; managed by IFC, in partnership with DFID and EU, the study explores key trends, challenges and opportunities that exist in banking services aimed at readymade garment workers. Financial awareness is part of IFC’s larger responsible finance initiative both in South Asia and globally.

The study finds important potential for bankers, for bringing readymade garment workers into the formal financial sector. Interestingly, some key findings in the study shows that 14% of readymade garment workers have bank accounts and only 19% of the workers have a savings account, although 82% believe that they need it. This represents an “opportunity gap” of 63%.

The market is there and the products are there. There is a need to match demand with supply as well as financial awareness and education for these garment workers.

We trust this contribution will add value to the efforts of those committed to making affordable financing available for millions of garment workers who work hard to keep Bangladesh among the top garment exporters.

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At the G-20 Seoul Summit in November 2010, the leaders of the 20 member countries endorsed the “Financial Inclusion Action Plan” and the creation of the “Global Partnership for Financial Inclusion (GPFI) proposed by the Financial Expert Group.” The resulting declaration provides the following rationale for creation of the group: “To promote resilience, job creation and mitigate risks for development, we will prioritize action under the Seoul Consensus on addressing critical bottlenecks including infrastructure deficits, food market volatility, and exclusion from financial services.”

For a developing country like Bangladesh, the readymade garments (RMG) sector is the country’s primary foreign exchange revenue generator. It accounted for about 87% of the total share of exports and earned $16.2 billion in 2009-10. In addition to the substantial contribution to the economic arena, the social contribution of the garments sector has also been significant. It has provided employment to about three million workers, with 85% being young, poor and semi-literate women. The sector is growing at 16% annually, but workers cannot leverage this effectively, as they lack access to suitable financial services and face security risks due to receiving wages in cash.

The recent developments in banking technology have transformed banking from the traditional brick-and-mortar infrastructure of staffed branches to a system supplemented by other channels like automated teller machines (ATM), credit/debit cards, internet banking, online money transfers, etc. Access to such technology, however, is still restricted only to certain segments of the society. For the financially excluded such as RMG workers, small entrepreneurs, etc., opening and maintaining bank accounts, especially in a country like Bangladesh, can be complex and time-consuming due to lack of awareness, accessibility and availability of targeted products.

As part of its agenda to promote financial inclusion in Bangladesh, IFC is focused on providing access to finance to underserved segments through building the financial sector’s awareness. As a part of its commitment to provide technical assistance to its partner financial institutions (PFIs), Shorebank International (SBI) was engaged by IFC to conduct scoping of the market, collect and compile the relevant information to identify the needs of RMG factory workers, and opportunities available for financial institutions (FIs) in designing value added depository and lending products. The primary objective of the research was:  

**Introduction and Context**

- To identify the financial services currently being used by RMG workers and to identify areas of unmet demand.
- To outline their deposit, spending and savings habits and define product needs.
- To identify current levels of familiarity with the formal financial services and understanding of personal financial management including budgeting.

The survey was extensive, covering 724 workers (80% female, 20% male) from a wide range of different pay grades and factories together with separate in-depth focus group discussions. This was combined with factory management interviews and a desk study of products and channels specifically targeting the low income market implemented both in Bangladesh and elsewhere in the world.

The work stream encompasses three areas:

1. Research and data;
2. Recommendations; and,
3. Identification of banking models geared to the needs of RMG worker

**Rationale**

The rationale for conducting this study is that while in Bangladesh there are about 3 million employees in the RMG sector, however only a fraction of these employees use any banking services. A number of factors have been investigated as contributing to the slow growth, including institutional issues, lack of awareness on banking services offering, risk aversion, lack of targeted product offering, accessibility of banking services at convenient times of workers, etc. As access to finance is repeatedly identified as a major constraint to encouraging economic growth, this report sets out to analyze the issues involved in improving access to finance for RMG employees.

It also aims to identify scalable financing models that can be replicated looking to increase the opportunities of RMG employees.

**Scope**

This report highlights key trends, challenges, and opportunities for banking services for RMG workers and increasing their access to finance. Due to their high growth potential of the sector, RMG employees are of particular interest. The report therefore identifies constraints and opportunities for scalable approaches to increase access to finance for RMG employees; pinpoint specific knowledge gaps for which further training is recommended; and, provide recommendations on expanding access to finance for RMG employees.
Summary of Findings

The survey identified minimal differences in overall financial behavior between those at the highest pay grade (earning over Tk.9300, or around US$122 per month) and those at the lowest grade (earning around Tk. 2300, or around $33 per month). 50% of those interviewed fell into the Tk.3763-7199 (US$49-95) pay bracket. Based on these findings, a typical RMG worker profile can be seen below.

- almost exclusively paid in cash
- does not receive a pay slip
- has a 30-45 minute break for lunch, and no other breaks
- does not have bank accounts
- keeps their salary at home or on their person
- uses predominantly informal channels for savings, borrowing and sending money home
- generally has control over their own money, although rely often on family advice
- occasionally overspends, and will borrow from friends or family
- sometimes has money left at the end of the month, and will buy something special or save it
- undertakes some income/expense planning, but would like to know more
- would like to save for short and long term aims
- takes loans more for general consumption and unplanned expense than future-building

- The demand/usage gap for savings products is the most significant - around 2:1 - with a significant percentage of workers (40%) wishing to be able to deposit and withdraw through an agent at work.
- 46.3% of the garments workers only use those services that they are familiar with – friends and family are the most often-used channel for money transfers and short-term borrowing.
- 38.4% of the garments workers are always looking for the most convenient way to do things but are a bit scared of technology.
- 66% of the workers would like to learn what different types of insurance are.
- 72.5% of the workers would like to learn about different types of banking services and compare them. For further details please refer to pg 27.
- 86.9% of the workers learn about their options for financial services by word of mouth through friends & relatives. 75.1% of the workers learn through media.

RMG factories currently spend around 5.92 person hours per 100 workers undertaking calculations (around 3.5 minutes per worker). A further 2.98 person hours per 100 workers is spent disbursing payroll (around 1.8 minutes per worker) – this typically takes 1-2 days for the whole factory, but at some factories this can equate to 3-4 days. Additional anecdotal evidence shows that in some cases workers wait in line to receive salary, where in other cases their salaries are taken to their workstation.

The majority of factory payroll systems (90.3%) are only partially computerized. Around half would be willing to try a third party service, stating improvements in efficiency as the main perceived benefit, with the main concerns being cost and the need to retrain staff.

Around half of the factories interviewed said they would have no problem with trying a new method of salary payment and quoted perceived worker resistance as the reason for not proceeding. Most workers would not wish to try out a new system, prefer being paid in cash, do not have a bank account etc. Delay in salary disbursement generally leads to worker unrest. Please refer to pg 18 & 32 for details.
It can be seen that there is a significant opportunity to provide a range of financial services to RMG workers – a “shopping basket” of competitively-priced, easily-accessible products that enable them to save for short and long term objectives, and manage their money more effectively. Improving the efficiency of factories in calculating and disbursing salaries also has the potential to improve the speed with which workers get paid, and their trust in receiving the salary they expect for the hours they have worked. There are, however, three key challenges to overcome:

- Low-value products are extremely expensive to deploy and maintain through traditional banking channels (and as a result, commercial banks do not find it financially viable)
- RMG workers are extremely price-sensitive and have no access to financial institutions during normal opening hours
- Encouraging the adoption of formal financial services is likely to require incentives combined with education on the security, convenience, low cost and benefits of planning for the future, and how products and services offered can help to achieve this.

In order to validate and seek inputs from some of the key stakeholders, i.e the banks, a validation workshop was held to assess some of the key findings. At the session, three potential scenarios were considered and presented to IFC and partner banks. These are covered in detail in the “Conclusions” section of this report, together with pros and cons of each.

This assessment, together with the data on financial services addressing the RMG and low-income markets in other countries, has overwhelmingly identified the branchless (agent) and mobile delivery channels – collectively referred to as Alternative Delivery Channels (ADC) – as being the most effective way to increase outreach.

Bank branches require considerable investment in infrastructure, equipment, human resources, and security. Setting up and maintaining ATM machines are expensive.

By contrast, branchless banking leverages existing infrastructure (agent shops) and equipment. Recent CGAP research service has shown that branchless banking is 19% cheaper compared to traditional banking. Please refer to pg 33 – 42 for more details.

To date, Bangladesh financial institutions have offered very limited services to the RMG worker and low income markets. Only one bank (Social Islami) has offered commitment savings accounts to this specific market segment – but these are still only available through branches. Preliminary research shows that approximately 50,000 workers are using this. Two ADC initiatives have recently been started targeting the low income population in general:

- Dutch Bangla Bank has launched an agent-based banking service, enabling deposit, withdrawal and money transfer services through a network of 1100 agents.
- Mobile financial services provider bKash has launched a mobile wallet that is capable of working with multiple banks. In addition to agent-based deposit and withdrawal services through a network of 3000 agents, customers can send money to each other from their mobile phone.

Internationally, there have been a number of successful ADC deployments (with details on page 29): MPesa in Kenya now has over 15m clients and is internationally known. A number of agent banking services have been launched in South America and India such as Lemon Bank, Geosansar etc. Geosansar is being supported by the RMG industry.
It is quite viable for any commercial bank in Bangladesh wishing to increase its outreach to either link in with one of the established platforms, or create its own.

Retail banks, although recognizing the potential of this approach, also have reservations about the management aspects of enabling large volumes of small accounts on their CBS – which are also typically not configured to readily integrate to ADC. Based on evaluation of all of the various factors involved, the key recommendations on the way forward can be summarized as follows:

• Design a range of savings and credit products, tailored to the RMG workers’ needs, which will primarily be delivered through ADC. Workers will access their accounts through a network of agents and/or their mobile phone – there will be no need for branch access or ATM/debit card linkages. These products can be deployed on a separate software platform, designed for this purpose. There are many high-quality microfinance institutions (MFIs) solutions globally available that would be well suited to this task. Integrate this platform with a mobile wallet solution that is designed to enable high volumes of “virtual current accounts” combined with cash-in, cash-out and money transfer services through an agent network. The mobile wallet will enable interaction (transfer in, transfer out, enquiry) with the savings and credit products described above for those who want it.

• Once the potential program offerings have been shortlisted, the key next step would be to hold a series of consultative sessions with the RMG workers and manufacturers to explain product and its intended benefits.

• Deliver a series of training modules (backed up by infomercials displayed on TVs throughout the factory) explaining the planned product offerings and the benefits to the workers. Ensure that all communications effectively address the key worker concerns: especially the ability to access money when and where they need to. Install a “help desk” in the factory to answer worker questions and concerns, and ensure they are all adequately addressed and fed back to the factory population prior to launching any service. The training component will be an integral part of the program.

• Establish an agent point inside the factory, so that workers who wish to deposit and withdraw cash can do so on demand. Ensure this agent point is well-informed about the range of savings products available, and can assist the worker in setting one up on demand.

• Either establish a network of agent points in the areas where the workers live and work (to enable access outside of working hours), or work with an established mobile wallet provider who already has such a network established. The bank can set up and train its own agents or outsource the responsibility to other companies.

One of the key challenges has been seen to be the amount of time it takes to physically disburse salaries – being paid on time, and not having to wait in line, represented over 50% of the main reasons for workers wanting to change the present systems. Enabling a mobile wallet solution as a mandatory means of salary payment is unlikely to remove this “rush” in the short term – workers will still want to cash out immediately until they become more confident in storing money in their wallet and withdrawing it on demand.

Given this scenario, in order to develop a more cost/time effective system, some of the potential suggestions are as follows:

• Work with the factory to enable a staggered system of salary payments that divide disbursements equally throughout the week in which they normally make payment.

• Ensure the factory has sufficient “agents” on pay day to effectively ensure fast cash-out.

• Phase introduction of new payment methods i.e. 50% still in cash followed by a gradual reduction as workers get used to new financial behaviour.
• Enable frequent and repeated “lunchtime interactive sessions” with workers over a number of months leading up to the implementation. These sessions should be conducted through bank employees, trained and knowledgeable factory workers or the providers of the service. Such sessions will aim to capture questions that workers may have and provide them with solutions to their concerns. It will also ensure that concern over access to salary is overcome (including reassurance that on-demand withdrawals are readily available in a wide range of locations near the workers’ homes), thereby encouraging as-needed withdrawals rather than a big rush on payday. This could take the form of the following:

  • Initial televised “infomercials” shown at lunchtimes explaining what the factory is planning to do, and reassuring them that there will be full consultation before any steps are taken
  • Training of selected workers who will in turn act as focal points for listening to workers’ concerns and questions and ensuring they are answered satisfactorily
  • Provision of “question boxes” where workers can anonymously deposit questions, and the posting of all answers on a central noticeboard
  • “Test beds” where workers can experiment with the technology and ensure they are comfortable with it

In summary, although there is significant potential to bring RMG workers into the formal financial sector, lack of careful planning (and careful pricing) will result in little or no uptake. It is recommended that the next steps would be:

• Design a suite of financial products (Detailed in the “recommendations” section at the end of this report) that may have appeal to the target market.

• Concept Test the proposed products with a number of focus groups. This is similar to the qualitative research process, but involves presenting participants with a planned product and obtaining their impartial feedback on its suitability and pricing.

• Depending on feedback, modify the design and retest the concept.

• Research the various options for delivery channels, understand purchase, deployment and transaction-based pricing, and build a detail business model and strategy for a partner commercial bank.

• Engage with three partner RMG factories to discuss a planned pilot, ensuring concerns (both theirs and those of their workers) are addressed and built into the plan.

• Finalize systems and ecosystems design; procure and integrate the relevant solutions.
Sample Selection and Research Methodology

RMG workers were selected at random at end-of-shift within the designated areas, whilst adhering to the split of female/male and different grades of workers that are representative of the workforce. Factories were chosen from the list of factories that the interviewed workers were employed by, using the Purposive Sampling method in order to ensure an even mix of factories in terms of type (knitwear, woven and sweater) and also to ensure that some of them were located inside the Export Processing Zone. Only employees responsible for salary disbursement were selected for interview.

Data Gathered

The following broad information areas were covered in the quantitative worker segment:

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Designation, grade, monthly salary, duration of employment, break time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cashflow</td>
<td>Method of payment, preference for using current method, interest in using direct deposit, desired improvement in method of payment, safekeeping habits, preference of using alternative safekeeping instruments</td>
</tr>
<tr>
<td>Budgeting and financial management</td>
<td>Monthly expenses of various items (rent, food etc), planning finances, usage of money saved from previous month’s salary, management of cash when salary runs out before month end</td>
</tr>
<tr>
<td>Savings habits</td>
<td>Frequency, where, how much, interest earned, reasons for saving; FI/banks used, reasons limiting ability to save, desired features of a savings account, willingness to participate in a commitment savings program, features of such a commitment savings program</td>
</tr>
<tr>
<td>Use of banking services</td>
<td>Knowledge of banks near home/workplace and ATM available, distance to nearest bank, banks used, convenience of operating hours, reasons for maintaining/not maintaining a bank account</td>
</tr>
<tr>
<td>Use of credit services</td>
<td>Current/past loan status, institutions borrowed from, purpose of loan</td>
</tr>
<tr>
<td>Use of other financial products</td>
<td>Reasons for sending money to family/friends, current life insurance status</td>
</tr>
<tr>
<td>Summary of financial services used and needed</td>
<td>Ranking of services used &amp; needed most, interest in learning on topics related to finance</td>
</tr>
</tbody>
</table>
In additional to quantitative studies, in-depth qualitative surveys were undertaken with a number of groups. The attendees represented the typical profile of the RMG population being a mixture of males and females and within the 18-35 age group.

These sessions took roughly 90 minutes, and were focused on learning more about the following areas:

- **Lifestyle & behavior**: Daily activities, hobbies, shopping habit, food habit
- **Media habits**: TV, radio, newspaper, internet, cinemas, advertisement
- **Employment & financial info**: Occupation details, income, method of payment, expenses, safekeeping and savings habits, remitting money to friends & family
- **Financial institution**: Knowledge of banks near home/workplace and ATM available, banks used, convenience of operating hours, reasons for maintaining/not maintaining a bank account

### Field Survey Respondent Distribution by Garment Type & Location

<table>
<thead>
<tr>
<th></th>
<th>Knitwear</th>
<th>Woven</th>
<th>Sweater</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inside EPZ</td>
<td>41</td>
<td>43</td>
<td>25</td>
<td>109</td>
</tr>
<tr>
<td>Others</td>
<td>282</td>
<td>275</td>
<td>28</td>
<td>615</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>323</td>
<td>318</td>
<td>83</td>
<td>724</td>
</tr>
</tbody>
</table>

### Field Survey Respondent Distribution by Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>No of Respondents</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>147</td>
<td>20</td>
</tr>
<tr>
<td>Female</td>
<td>577</td>
<td>80</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>724</td>
<td>100</td>
</tr>
</tbody>
</table>

### Management Survey by Garment Type & Size

<table>
<thead>
<tr>
<th></th>
<th>Knitwear</th>
<th>Woven</th>
<th>Sweater</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large</td>
<td>4</td>
<td>4</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>Medium</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Small</td>
<td>6</td>
<td>8</td>
<td>5</td>
<td>19</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>12</td>
<td>13</td>
<td>6</td>
<td>31*</td>
</tr>
</tbody>
</table>

*All management survey respondents were male

### Focus Group Discussions

<table>
<thead>
<tr>
<th>FGD Serial</th>
<th>No of Participants</th>
<th>Age</th>
<th>Gender</th>
<th>Factory Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>6</td>
<td>18–35 yrs</td>
<td>Male</td>
<td>Knitwear</td>
</tr>
<tr>
<td>2</td>
<td>6</td>
<td>18–35 yrs</td>
<td>Female</td>
<td>Sweater</td>
</tr>
<tr>
<td>3</td>
<td>6</td>
<td>18–35 yrs</td>
<td>Female</td>
<td>Knitwear</td>
</tr>
<tr>
<td>4</td>
<td>6</td>
<td>18–35 yrs</td>
<td>Male</td>
<td>Knitwear</td>
</tr>
<tr>
<td>5</td>
<td>6</td>
<td>18–35 yrs</td>
<td>Male</td>
<td>Woven</td>
</tr>
<tr>
<td>6</td>
<td>6</td>
<td>18–35 yrs</td>
<td>Female</td>
<td>Woven</td>
</tr>
</tbody>
</table>
Almost one fifth of the workers are uneducated and almost 70% of the workers have studied only up to grade 10. Pay Grade and Income

Most of the workers belong to Grade 3 – 5 earning Tk 3455 – 7199.

**Pay Grade Level**

- Grade 1 - Above 9300 Tk
- Grade 2 - 7200 - 9299 Tk
- Grade 3 - 4120 - 7199 Tk
- Grade 4 - 3763 - 4119 Tk
- Grade 5 - 3455 - 3762 Tk
- Grade 6 - 3210 - 3454 Tk
- Grade 7 - 3000 - 3209 Tk
- Apprentice - 2500 - 2999 Tk
- Below - 2500 Tk

**Level of Education**

- Uneducated/Only Sign/No Schooling
- School upto class-7
- School upto class-8 to 10
- SSC/ Dakhil
- HSC/ Alim
- Graduate (general) / Fazil

**General Profile**

- Majority respondents have been in the business for 8 months to 2 years. The rest are working for 3 to 12 years.
- Expected worklife in the industry is 4-6 years

Little education is required. Could not find any other job. Good industry to work in when one becomes a skilled worker. Some relatives & friends work there.

Most of the respondents didn’t work in any other industry earlier.

Some respondents changed their workplace but not the industry.
Access and Challenges of Using Banking Services

Only 38.1% of the workers knew whether there is a bank close to their home or workplace, and fewer still know whether that bank has an ATM. Majority of the banks are located within 1km from their workplace/home. Cost of travelling on average ranges between Tk. 10-50. The stakeholder sessions revealed that the fact that few workers knew whether there is a nearby bank or not means that banks don’t feature in their lives – since most banks aren’t open outside of factory working hours, and findings below explain why workers generally don’t have accounts.

Roughly 14% respondents have bank accounts. Islami Bank, Dutch Bangla Bank & Sonali Bank are the most widely used. Significant gender differences seem to exist in preference for institutions. Women prefer Islami bank, Sonali Bank & Grameen Bank. Men prefer Dutch Bangla Bank, Islami Bank & Agroni Bank.

Those who have opened a bank account have mainly done so in order to have a safe place to keep their money and to be able to meet long term objectives (retirement, education for children/family members etc).

Purpose for Opening a Bank Account
- Security reasons
- Gain access to other financial services (Cheques, paying bills etc.)
- Earn interest on saving
- Save for a specific purchase
- For predicted future needs (education, retirement, etc.)
- For emergency needs (death, accident)

General Profile

Most workers are unaware of how banks operate and hence feel that opening an account must be a complicated process. Banking hours are also inconvenient for workers as they cannot get out of their work place during bank opening hours. It should be noted that the process for opening a bank account could be a potential training topic - however, it must first be ensured that services are easily accessible to workers, convenient and low cost.
Workers who open a bank account usually do it upon receiving advice from friends & family. Their main source of information on financial institutions and services provided is gained through word of mouth and media.

Opening Bank Account After Receiving Encouragement From

- Bank staff: 5%
- Friends/co-workers/family: 33%
- Employer: 60%
- Self: 2%

Safekeeping Instrument

- In my wallet: 87%
- At home: 11%
- In a bank account: 2%
- Others: 0%

Source of Information on FIs

- Word of mouth (friends/relatives): 87%
- Media (TV, newspaper, billboards): 75%
- Through visits from representatives of FIs: 11%
- Self inquiries to locate needed services: 8%

Desired Features of an Alternative Safekeeping Instrument

- Deposit and withdraw through an agent at work: Male 42% Female 40%
- Deposit and withdraw through a local store: Male 10% Female 10%
- Check balance and do transactions using mobile phone: Male 35% Female 21%
- Ability to save: Male 76% Female 76%
- Ability to send money to friends, family: Male 26% Female 33%
- ATM access: Male 25% Female 19%
- Pay for things at shops: Male 9% Female 6%

Safety

RMG workers generally keep their money at home. It can be seen that at the higher pay grades the percentage maintaining bank accounts is higher, but still extremely low in percentage terms. Safety of carrying money around after receiving a cash salary is not considered as a significant problem.

22% of the respondents would be interested in an alternative safekeeping instrument if it provides them the option to save their money. Men want more access to ATMs and to be able to check balances and do transactions through a mobile phone. They would also like the option to deposit and withdraw through an agent at work. Women want the ability to save and to send money to friends & family.
Saving

Only 25% of the respondents save. The majority state a lack of ability to save due to a lack of money, knowledge of how to save and lack of ability to control spending/discipline.

Saving is equally prevalent amongst men and women, but is higher amongst the higher salary scales than the lower. Savings are overwhelmingly monthly, with an amount of between 500-1000 a month.

80% of the respondents would be interested to participate in a commitment savings program if it is safe and trustworthy.

Across all pay grades, except at the lowest income level, the most common place to save is a bank, with men more likely than women to use this method. Women save more through cooperative societies and insurance programs. Workers in lower pay grades tend to save in NGOs more.

Data from the FGDs suggest that workers prefer government banks to private banks because:

<table>
<thead>
<tr>
<th>State Owned Banks</th>
<th>Private Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>More secure than private bank → no fear of losing money as they are controlled by government</td>
<td>Risky investment → can close their operation at any time.</td>
</tr>
<tr>
<td>Government is the guarantor of the money</td>
<td>Provide better profit and services but not dependable</td>
</tr>
<tr>
<td>Trustworthy and dependable → longer presence</td>
<td>Branches are not available all over the country</td>
</tr>
<tr>
<td>Branches are available throughout the country</td>
<td></td>
</tr>
</tbody>
</table>

Earning interest is not a primary reason for respondents to choose their mode of saving. Respondents focus on security followed by trustworthiness when selecting the mode of saving money.

Over 80% of those surveyed didn’t know what rate of interest they were currently getting.

<table>
<thead>
<tr>
<th>Interest Earned</th>
<th>Bank</th>
<th>Community Savings Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base</td>
<td>87</td>
<td>33</td>
</tr>
<tr>
<td>3</td>
<td>1.2%</td>
<td>0.0%</td>
</tr>
<tr>
<td>5</td>
<td>6.9%</td>
<td>0.0%</td>
</tr>
<tr>
<td>8</td>
<td>3.5%</td>
<td>3.0%</td>
</tr>
<tr>
<td>8.5</td>
<td>4.6%</td>
<td>0.0%</td>
</tr>
<tr>
<td>10</td>
<td>0.0%</td>
<td>9.1%</td>
</tr>
<tr>
<td>12</td>
<td>1.2%</td>
<td>0.0%</td>
</tr>
<tr>
<td>20</td>
<td>0.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>40</td>
<td>0.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>65</td>
<td>2.3%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>80.5%</td>
<td>81.8%</td>
</tr>
</tbody>
</table>
The main two reasons for saving were identified as "for future needs or emergencies" (short-term on-demand savings) and "for a better lifestyle in future" (long-term).

When they are left with cash they usually buy something special or save it for emergencies.

Only 8% of the workers surveyed had loans from a “formal” institution, and the prevalence of borrowing was slanted more towards the higher salary scales.

However, more than half of the borrowers gave their reason for borrowing as “consumption” and “unforeseen expenses” – indicating poor budgeting and/or failing to keep money for a rainy day even at higher income levels.
Money Transfer

50% of workers send money home: the percentage is slightly higher amongst higher pay grades, but not significantly. The vast majority of these (around 90%) used personal contacts – friends, family, or trusted contacts - rather than channels such as transport companies or the Post Office. Workers paid no fees for sending money through personal contacts, and all were satisfied with their current method. Women send through family more than men.

Although very few workers currently have savings accounts, the demand for such products are high – the same level of importance is given to savings as to money transfer, even though money transfer is a service that a high percentage are already using. On a scale comparing the difference between “have already” and “would like access to” (therefore representing the opportunity gap), the following priorities can be clearly seen:

From the chart it can be seen that workers have most need for, but least access to, the following financial services:

i) Savings - Only 19% of the workers are using savings services, although 82% believe that they need it. This represents an “opportunity gap” of 63%.

ii) Insurance -58% of the workers believe that insurance is needed for everyone. However only 10% has access to insurance. This represents an “opportunity gap” of 48%.

iii) Deposit – An opportunity gap of 40% exists regarding deposit services as well. Of the 47% that think that such a service is needed, only 7% currently have access.
From the FGDs, workers mentioned the following financial requirements:

<table>
<thead>
<tr>
<th>Financial Services Needs</th>
<th>Details</th>
</tr>
</thead>
</table>
| Loan Facility             | - Hassle-free loan option ➔ one that does not need too many documents and guarantors.  
- Low interest rates. |
| 24 hours banking         | - ATM service ➔ booth should be widely available  
- Some branches should remain open on holidays also |
| Availability of branches  | - Availability of branches ➔ could then open and operate account from nearby branch. |
| Easy money transfer facility | - Lower charges for sending / transfer money ➔ should not be more than 20 Tk.  
For every 1000 taka |
| Profitability             | - Higher interest rate for DPS / savings account ➔ will encourage them to open an account |

While nearly half of all respondents thought they had adequate financial literacy, there is clear indication of demand for additional financial literacy training. The study aimed to find out their need for financial literacy regarding the above topics. At least 61% workers expressed their interest to learn more about all the topics.

Most workers think that savings is an important service needed for them and 74% of the workers want to learn more about planning income & expenses for long term savings. The lower the income level, the higher the interest to learn more about budgeting and saving. Workers are seen to be more familiar with targeted savings (e.g. saving for a TV) and less about long-term savings.

Workers also do not wish to open bank accounts as they believe it is very complicated process. 73% of the workers want to learn more about the different banking services available and compare them.

Workers also believe that insurance is an important financial service. 66% of the workers have indicated their interest in learning more about the different type of insurance services available.

As per the IFC study conducted in increasing access to women owned SMEs (2011), “credit is more likely to be extended to those with stronger knowledge of business practices and financial literacy. Indeed, having these skills is a predictor of how productively the credit will be used. More needs to be known about how best to tailor programs to different types of borrowers. The experience of financial institutions in providing additional financial literacy and business management training seems to be a good model to replicate, but financial institutions should be actively involved rather than relying on independent training organizations.”

Microfinance loans are often granted to customers with no collateral who have been able to demonstrate the ability to save over a given period of time, and it has been seen that encouraging the practicing of such “financial discipline” results in fewer defaults and a better ability to plan for the future.
• All the respondents were male.
• All were full-time employees.
• All the respondents were involved in the decision-making process of salary disbursement.

**Personnel Involved in Accounting & Cashier Services**

On average roughly 5 staff members are involved in providing accounting & cashier services. Salaries of these staff members range between Tk 8000 – 70000.

**Salary Disbursement**

Workers are given the choice regarding their method of payment and all of them prefer being paid through cash. All factories therefore pay their workers using cash. Only one factory uses direct deposit along with cash payment for salary disbursement. The payments are made to a private bank. Overtime & bonus payments are usually paid along with the monthly salary. Payments are made within the first two weeks of the month.

**Timing of Salary Disbursement**

- 32% First week
- 68% Second week

**Salary Processing, Disbursement Duration & Recordkeeping Process**

Salary processing & disbursements can in some cases take factories up to 10 days. 65% of the factories process the payroll within 3 days. 90% of the factories disburse salary within 1-2 days.

- Most factories do not have a fully computerized system. All accounting & cashier services personnel are capable of operating computers.

**Record Keeping Process**

- 90% Completely computerized system
- 10% Partially computerized system

None of the management staff are unhappy with the system that is in place at the moment. 64.5% are completely satisfied with the entire process.

**Reasons for Satisfaction**

- 55% Things work smoothly
- 3% Cost is low
- 29% Can control and change the timing of payment as needed
Alternative Payment System

94% of the factories have not tried out any alternative salary payment method. Two factories tried out the 'packet' system. Through the system

- Workers could receive their salary at their desk
- Easier to manage backend process
- Petty cash management reduced

The system was discontinued due to complicated accounting procedures and inconvenience. However there is interest from the factory management to try out alternative system.

3rd Party Payment Service

42% of the factories would be interested to try out an alternative 3rd party payment service if it increases efficiency in the process. Others, however, believe that the system may prove to be expensive and that staff will have to be retrained to manage the new system.

Banks for Direct Deposit Service

Although 48% of the respondents have not considered the option of direct deposit, the majority believe that this system won't work as workers prefer cash and majority workers do not have a bank account.

E-Payment System

Factory management would also be interested to try out alternative e-payment systems and would be willing to pay fee to avail the service. Majority believe that workers would even be willing to pay a fee for the service.
The desk research has been drawn from a range of reports and various websites, and is divided between local and international initiatives. The research also looks into schemes undertaken for other factory workers which could potentially be tailored to fit the needs of RMG workers as well, and a comparison between branchless banking and traditional banking.

The RMG sector in Bangladesh employs more than 3 million people earning a minimum of Tk. 3000 and represents a huge source of funds for financial institutions to tap into. However the research indicates that only two banks have taken up deposit programs targeting RMG workers.

Social Islami Bank Limited

Social Islami Bank Ltd. (SIBL) was established in 1995 and functions on the Shariah principle with a vision of reducing the poverty level amongst local people. The bank has a full-fledged commercial banking operation and has a strong client base across the country with 71 branches and SME Centers, and has plans to add more branches.

SIBL offers more than 50 different types of deposit schemes. The following scheme is targeted more specifically towards garments workers:

<table>
<thead>
<tr>
<th>Monthly Deposit (Tk)</th>
<th>Surbonreka Scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Monthly Deposit (Tk)</td>
</tr>
<tr>
<td></td>
<td>3 yrs</td>
</tr>
<tr>
<td>100</td>
<td>4341</td>
</tr>
<tr>
<td>200</td>
<td>8682</td>
</tr>
<tr>
<td>250</td>
<td>10852</td>
</tr>
<tr>
<td>500</td>
<td>13023</td>
</tr>
<tr>
<td>400</td>
<td>17363</td>
</tr>
<tr>
<td>500</td>
<td>21704</td>
</tr>
<tr>
<td>1000</td>
<td>43409</td>
</tr>
</tbody>
</table>

The scheme was introduced in April 2011 and is for only female workers. A cumulative interest of 12.5% is applied on the deposit amount. Workers have to deposit between Tk 100-1000 every month and will be able to access their deposit only after maturity.

Dutch Bangla Bank Mobile Banking

Dutch Bangla Bank Limited (DBBL) was established under the Bank Companies Act 1991 and incorporated as a public limited company under the Companies Act 1994 in Bangladesh with the primary objective to carry on all kinds of banking business in Bangladesh. In June 1996, DBBL started its formal operation in the banking sector. DBBL is most widely recognized for its donations to social causes and its IT investment (it has the largest ATM network in the country). The bank has around 1.5 million consumers served by 101 branches, as well as 1,608 ATMs.

DBBL is the first bank in Bangladesh to introduce a mobile banking service. Bangladesh Bank has granted licenses to more than a dozen banks to initiate mobile banking with the aim to connect the deprived section of the society with the modern banking system. DBBL is operating this service through the Banglalink and Citycell mobile operators and 1156 approved agents throughout the country. Anyone can open a bank account by visiting any of the approved agents, showing proper documents, and paying a fee of Tk. 10. The subscriber must own a mobile phone in order to use the service. Once the account is created, a 4 digit mobile banking PIN code will be provided to perform various banking activities securely and secretly. The subscriber can withdraw and deposit cash from his account at the agent using his mobile phone.

The scheme has proven to be very popular in Gazipur, Tangail and Savar, where many RMG factories are located. RMG owners also actively encourage (in some cases insist) their workers to open their accounts at SIBL under this scheme, as workers will then have access to insurance coverage. Workers under this scheme depositing a maximum of Tk. 500 per month for a 5 year tenure are covered by Progati insurance between Tk. 50,000 and 100,000. Workers who have saved up to Tk. 50,000 through this scheme also become eligible to apply for loans at SIBL.
bKash

bKash Limited is a joint venture between BRAC Bank Ltd., Bangladesh, and Money in Motion LLC, USA. Ensuring access to a broader range of financial services for the people of Bangladesh is the ultimate objective of bKash.

It has a special focus to serve the low income people of the country and promote sustainable micro-savings to achieve broader financial inclusion by providing financial services that are convenient, affordable and reliable. This will benefit the country as 83% of the population lives under $2 a day and access to finance can help in improving their economic situation. Less than 15% of Bangladeshis are connected to the formal financial system whereas 44% of total population has mobile phones. Providing financial services using this mean can make the service more accessible and cost effective for the vast population of Bangladesh.

bKash offers a full-scale mobile phone-based payment switch which is capable of linking with multiple banks on a case-by-case basis. bKash has linked with Grameen Phone and Robi to deliver the service to potential clients. It has partnered with BRAC NGO to roll out its agent network. Currently more than 3000 agents covering 80% of the country has already been deployed, which will increase to over 7,000 by June.

Many initiatives are being implemented worldwide focusing on financial inclusion, micro-savings and branchless banking. However, even internationally, few initiatives specifically targeting factory workers can be considered successful. This section of the report has therefore been expanded to include a range of different branchless initiatives that have been designed to increase outreach to the lower income bracket in general.

Comparing Branchless and Traditional Banking

According to a recent CGAP research it was seen that there is a significant difference in costs of running branchless and traditional banking services. The research compares 26 branchless banking pioneers and traditional banks with products aimed at the same kind of customers. On average branchless banking is 19% cheaper - the average monthly cost of using a branchless banking service is US$3.90 compared with US$4.80 when using a traditional bank.

Branchless banking is particularly cheap (50% cheaper) if clients use it for medium-term savings and bill payment. In the case of short-term safekeeping, banks as a group are cheaper (43%) than the branchless banking pioneers. In other use cases (sending, receiving, high usage, and typical M-PESA and Kenya bank customers), branchless banking is 12% to 14% cheaper.

Bank branches require considerable investment in infrastructure, equipment, human resources, and security. By contrast, branchless banking leverages existing infrastructure (agent shops) and equipment (in many cases, mobile phones). The study only analyzed banks which target low-income customers and selected the cheapest comparable accounts for these customers. Banks in developing countries target the more affluent segment of the population. If the study is expanded to include these banks, the gap between traditional and branchless banking would grow wider.
Geosansar

Geosansar is a Hyderabad based social enterprise established to provide practical financial education and thereby promote financial inclusion amongst those who are not served by mainstream banking service. Since its launch a year ago, Geosansar, the brainchild of British entrepreneur Nish Kotecha - who still acts a consultant to the business - has already racked up 58,000 account holders and opened 74 kiosks in five cities including Hyderabad, Delhi, Tirapur and Bangalore.

Geosansar's kiosks, which act as sub-branches of the State Bank of India (SBI) with banking run from a laptop computer, are staffed by workers trained to help educate people about banking services and the benefits of saving. They also sell life insurance policies and allow customers to transfer money electronically to other bank accounts.

New Look and Primark, UK-based clothing retail chains, are working with Geosansar to set up savings bank accounts for workers in factories supplying the retailers with clothing. The project is part of efforts by The State Bank of India to improve financial access. It has hired Geosansar as its agent to open small banking kiosks in factories and poor areas which have been traditionally ignored by banks because of the high costs and low returns involved.

At the 10 factories where it currently operates, monthly or weekly pay goes directly into workers’ bank accounts, helping ensure they are paid the right amount at the right time. Primark and New Look expect the system to be operating at 100 of their factories by the end of this year and factories working for other retailers including Tesco are set to join the project imminently.

Geosansar has recently begun trials of a rural version of its bank, where services are offered by a member of staff on a motorbike. Staff member visit villages at set times and can help pay out money electronically transferred from family members working in urban areas. Geosansar & State Bank of India visits believe that every village has the potential of 200-300 accounts. The target is to cover 1,381 villages by March 2012.

TPC

The Asian Development Bank provided technical assistance to the National Bank of Cambodia and the microfinance industry to strengthen the capacity of MFIs to deliver voluntary savings services. The project ran from April 2006 through to June 2008. Three MFIs (Amret, CEB, and TPC) were selected on a competitive basis to participate in the project's savings product development program by means of a competitive tender process. All three MFIs successfully developed a variety of savings products. The products were relatively simple in design and packaged such that they were attractive and convenient to potential clients; and in convincing clients as to their trustworthiness.

TPC (Thaneakea Phum Cambodia) was launched in 1994 as a credit and savings project of the Small Enterprise Development Program of Catholic Relief Services (CRS) in Cambodia. In 2002, CRS/TPC was officially incorporated into a limited liability company, Thaneakea Phum (Cambodia) Ltd, and became a locally registered and licensed microfinance institution in 2003. TPC had planned to offer a savings products targeted at three specific market segments. These three segments were; garment workers, hospitality workers (tourism) and farmers. TPC had intended to initially focus upon the development of a savings product called "Commitment Savings" for garment workers in the Phnom Penh region.

TPC was unable to continue this product rollout as it could not meet regulatory minimum capital requirements for the issue of the new Central Bank-controlled microfinance deposit-taking license.

Wing

Wing was a wholly owned subsidiary of Australia & New Zealand Banking Group Limited (ANZ) until it recent sale in late 2010. WING is a mobile payments provider that offers its customers a money transfer service within Cambodia as well as allowing customers to purchase airtime. Customers can use the WING Cash Xpress agents to cash in or cash out as well as to purchase goods and services.

WING is targeting those Cambodian customers who are generally unbanked, but nevertheless have important financial service needs. WING Cambodia began developing their mobile payments business model in February 2008, with a commercial launch in January 2009. It is currently operating in all of the nation’s 24 provinces with more than 200,000 registered customers and 700 agents.
Wing has also entered into partnerships with MFIs such as Vision Fund and Angkor Mikroheranhvatho Kampuchea (AMK) to use their extensive branch network to provide Wing’s services to customers.

Garment workers and microfinance institutions (MFIs) are among the market segments WING has targeted. There are more than 300,000 garment workers in 300 or so factories in Cambodia, who send half of their salary ($20 - $30) home at a cost of $2. Thus, they are paying up to 10% of the amount in transaction fees. WING is providing the same service at a cost of 50 cents. Wing also provides a payroll product enabling garments employers to log in through a virtual private network (VPN) and upload a file of employee’s salaries.

**Lemon Bank**

Lemon Bank is led by the former Argentine founders of a financial service company, who reinvested the sales proceeds of a part of their business empire in the establishment of the Lemon Bank. Lemon Bank began operations in June 2002, with an initial investment of US$40 million. A private bank, it is devoted exclusively to correspondent (agent) banking. It’s one office in São Paulo serves as its headquarters, together with its network of 5,579 correspondent banking outlets across the country. These outlets are mainly retailers (minimarkets, pharmacies) and payment outlets subcontracted by management companies. The mode of delivery of services to the end client varies. In some locations, existing employees of the correspondent are used to provide services; in others, a separate kiosk has been established within the correspondent’s premises, manned by a bank employee or by staff of the management company.

The primary target clientele of Lemon Bank are the unbanked in dense urban areas. Lemon Bank offers five different current accounts that vary in the number of free transactions offered and cost between USD 0 – 7 per month. Credit services are also offered and, in this case, there is some basic risk control mechanism as the owner of the outlet provides an opinion based on customer history. Additionally, formal credit evaluation and approval processes are applied by the Bank.

Lemon Bank’s Conta Brasil, a current account, can be opened by anyone with proof of residence, identity and tax documents. Proof of income is not required. Clients have to pay a fee from R$0.30–R$1.00 for each transaction above the five free transactions permitted per month. The bank offers deposit services and although it offers a range of financial services exclusively through retail outlets, it is largely dependent on bill payment services. The bank tried but could not successfully offer savings. The credit offering has been decreased due to lack of funds.

The Lemon Bank model allows it to reach customers in remote areas and increase customer convenience. Data also shows that by employing this model the bank has been able to reduce personnel cost by 1/3rd and reduce facilities cost by 50%.
UBL Omni

UBL is one of the leading banking and financial services firms in Pakistan, which operates a network of over 1,121 branches across the country, with 17 overseas branches and nearly 14,000 staff. UBL’s development of a country-wide branchless banking platform began with its introduction in 2005 of a mobile wallet named Orion to existing UBL customers. Leveraging the Orion experience, UBL refined its technology platform and business plan, and developed more structured process flows and controls based on the customer feedback and market response. This eventually paved the way for the current model of UBL branchless banking, called Omni.

The Omni branchless banking system offers clients the opportunity to open a bank account, perform deposits and withdrawals, pay for goods and services, and remit funds – and perform these functions in their corner shop or market stall that is closest and familiar to them. Currently 5802 agents are serving more than 150,000 clients. It is envisioned that Omni can be further leveraged to create a widely used merchant-based payment capability where regular walk-in clients can pay for goods and services, and where local shops accept payments and transactions via the Omni system. UBL’s ultimate goal remains to lead UBL Omni to evolve as an “alternate payment mechanism” to cash, which can replace not only card and ATMs but also a large proportion of transactions currently conducted in cash and through informal mechanisms.

M-Pesa

In March 2007, Kenya’s largest mobile network operator, Safaricom (part of the Vodafone Group) launched M-PESA, an innovative payment service for the unbanked. “Pesa” is the Swahili word for cash; the “M” is for mobile. The product concept is very simple: an M-PESA customer can use his or her mobile phone to move money quickly, securely, and across great distances, directly to another mobile phone user. The customer does not need to have a bank account, but registers with Safaricom for an M-PESA account. Customers turn cash into e-money at Safaricom dealers, and then follow simple instructions on their phones to make payments through their M-PESA accounts; the system provides money transfers as banks do in the developed world. The account is very secure, PIN-protected, and supported with a 24/7 service provided by Safaricom and Vodafone Group.

Since its inception, over 14 million Kenyans have registered to use M-Pesa, and over $8 billion has been transferred over the system. The explosive growth was also mirrored in the growth of M-Pesa agents which amounts to more than 28,000 at present. M-PESA has also launched its services in Tanzania, South Africa, Uganda, Rwanda and others. Currently it is transacting more than $1 billion a month in East Africa.
RMG workers can be seen to currently have extremely limited access to formalized financial services. When considering the products and services that can be offered to the “typical” (matching the majority profile) RMG worker by a commercial bank, it is important to consider a number of key factors:

• The perceived need for different products by the worker themselves. There should be focus on targeting services/products for which there is a demand and value addition for workers. To understand “need” it is necessary to analyze the challenges they are currently facing and design products to address those challenges. In order to do this, the gap between “what workers have” and “what workers think they need” is a key indicator, as well as any areas where they are being overcharged or experiencing difficulty.

Based on the findings, it seems that the greatest current demand gap has been seen in “savings accounts” – a combination of short term with on-demand withdrawals and mid to long term for fixed future needs. Amongst those who currently save regularly, a typical amount is Tk.500-1000 per month. Few (less than 20%) know how much interest they are receiving at the moment, and only 8% of those with accounts rated profitability (interest) as their main reason for savings. This indicates that imperative to developing an effective program is to have a financial awareness training to showcase the options of savings and its intended benefits. It is envisioned that once the target group of workers become comfortable with savings and banking services, some of the beneficiaries will become future entrepreneurs. This has an implication for promoting greater gender inclusion, as women comprise 85% of the RMG working population.

Although workers are currently satisfied with being paid in cash, they see potential benefits of being paid electronically as efficient and secure. The main reasons for not wanting to be paid this way were that they don’t have a bank account, and they prefer to receive their money in person so they can address discrepancies on the spot.

• The ways in which they would need to be able to access the services. Accessibility outside of working hours in convenient locations close to the factory or home is of primary importance. A very limited number of commercial banks currently have branches near to the workers’ factories or homes – of those, few have ATMs and none are open outside of factory working hours.

• The cost to the bank of managing a high volume of low-value accounts held by clients who are extremely price-sensitive. Most commercial banks are unwilling and unable to open a current account for every RMG worker, as it is not always cost effective. This is so, as the cost of opening and running them exceeds the benefits they bring. Savings accounts with regular low deposits present the same challenge, requiring an over-the-counter transaction (which has a typical cost of Tk 40-60 when salaries and branch overheads are factored in). The survey showed that willingness to pay fees for banking services was fairly evenly spaced between “not willing” and “depends on how much”.

A number of possible ways of addressing these needs were considered, with pros and cons of each aggregated and discussed both with IFC and its partner banks. These are shown below:

<table>
<thead>
<tr>
<th>Option 1: Continue paying workers in cash.</th>
<th>Option 2: Position bank agent in factory to take savings deposits.</th>
</tr>
</thead>
<tbody>
<tr>
<td>✅ no pressure for cash out at pay day</td>
<td>✅ worker can deposit when they want</td>
</tr>
<tr>
<td>✗ Pressure to deposit at pay day</td>
<td>✗ Access limited to factory in working hours</td>
</tr>
<tr>
<td></td>
<td>✗ Limited requirement for bank technology integration</td>
</tr>
<tr>
<td></td>
<td>✗ Labour intensive</td>
</tr>
<tr>
<td></td>
<td>✗ No solution to cash holding</td>
</tr>
<tr>
<td>Option 2: Pay workers into prepaid card or “payroll” accounts.</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>✓ Bank receives temporary benefit of deposits, plus processing fee from factory</td>
<td>✗ Rush to withdraw at pay day</td>
</tr>
<tr>
<td>✓ Savings accounts that don’t require in-person deposits and withdrawals are cheaper for bank to maintain</td>
<td>✗ ATM deployment and maintenance expensive, and using other banks’ ATMs will result in fees for worker, especially for small frequent amounts</td>
</tr>
<tr>
<td>✗ ATM’s generally do not hold small denominations that low income clients need</td>
<td></td>
</tr>
<tr>
<td>✗ Requires bank to implement a prepaid card management system and issue cards to all workers</td>
<td></td>
</tr>
<tr>
<td>✗ RMG worker’s typical interactions do not accept cards</td>
<td></td>
</tr>
<tr>
<td>✗ Linked savings accounts will require development of transfer facility via ATM</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Option 3: Pay workers into mobile wallet</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ M-wallet designed to run through mobile phone and agent network</td>
<td>✗ Rush to withdraw at pay day</td>
</tr>
<tr>
<td>✓ Mobile wallets and agent networks already established in Bangladesh</td>
<td>✗ Fees for cash out</td>
</tr>
<tr>
<td>✓ Mobile-managed savings and loan accounts are cheap to operate</td>
<td>✗ Not all workers have mobile phone</td>
</tr>
<tr>
<td>✓ Instant “send money home” option</td>
<td></td>
</tr>
<tr>
<td>✓ Workers can process transactions anytime</td>
<td></td>
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<table>
<thead>
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<th>Option 3 PLUS:</th>
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<td>Factory-based/staffed agent/s (existing factory staff)</td>
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<tr>
<td>Agent “loan phones” – workers given SIMs which they can use in any phone. Agents provided with spare low-cost phone for use by customers</td>
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IFC’s aim is to deploy a pilot program with one or more partner commercial banks and a number of garment factory workers. Bearing in mind the findings and conclusions above, it is important to ensure both that the products offered will be readily taken up by workers, and can be cost-effectively offered by the banks.

Products

RMG workers have been seen to be transient: often moving from one factory to another. For this reason it is proposed that all products offered are portable i.e. not tied to a specific factory, but instead belonging to the worker and enabling them to continue their usage of the services wherever they work.

- A “liquid” savings account, enabling on-demand deposit and withdrawal. Such an account would be suitable for short-term flexible savings, when there is no particular timeline for withdrawal – acting more as buffer to cushion against unanticipated expenses or as a safe place to keep unspent salary (however small) until such time as it is needed. Interest rates need not be high, given the current behavior of saving primarily at home.

- A short-term commitment savings account, with an agreed monthly deposit amount for a particular period of time. Unlike a term deposit, the amount could be withdrawn at any time, but inability to meet the committed targets could result in a penalty or reduced interest rate. This product could be geared towards a particular aim of the worker, such as buying a television set, or a particular event, such as Eid.

- A longer-term commitment account, focused on saving towards a more distant event. The attributes of this product would be similar to that of the short-term offering, but offering a higher interest rate subject to targets being met.

For those who have demonstrate an ability to save over a period of time, a line of credit that can be drawn down on when the need dictates and repaid on a flexible basis. The amount granted can be directly linked to the savings they have available, and enables cushioning against unanticipated expenses without comprising their commitment savings.

Delivery Channels

Providing low-value accounts to low-income workers has been shown through the desk research to be extremely expensive for a commercial bank. The cost of establishing such accounts on a typical commercial bank core banking system is high, deploying additional ATMs specifically to cope with large numbers of small value withdrawals does not make financial sense, and as can be seen from the desk research, the cost of branch time spent processing small deposits and withdrawals is also prohibitively expensive. However, the cumulative benefit of holding many small deposits can be significant – the challenge therefore lies in minimizing the cost of maintenance and delivery.

As can be seen in the desk research, outreach to low-income workers in developing countries has been successfully achieved through the implementation of “branchless” channels – utilizing retail outlets as agents, and enabling self-operation of account transactions through mobile phones. The branchless, self-service approach effectively removes the people-intensive aspect of serving large numbers of low-value clients and makes offering reasonably-priced financial services viable for banks.

True cost-effectiveness, and maximum value to the implementing bank, can be achieved when it is able to offer all of the products highlighted and “outsource” the deposit and withdrawal methods to either a number of agents, or to the customer themselves. It is proposed that this is addressed by a combination of a number of different services:

- A “mobile wallet”, running on a separate platform to the CBS, that enables customers to sign up a “virtual account” linked to their mobile phone.

- Integration with an MFI-type system capable of managing many small accounts, to sit alongside the existing core banking platform - This would link to the mobile wallet, and enable automated signup (KYC having already been undertaken when the wallet was created) to a range of different accounts on-demand, and the ability to transfer between those accounts and the wallet via the mobile phone.

- For workers who don’t have a mobile phone (50%), the mobile wallet can be operated using a shared phone (or one supplied by the agent). The worker only needs a SIM and their PIN number.

In this model, the bank can either visit the workers on a periodic basis to conduct signups, or may (subject to regulatory approval) outsource the KYC process to a designated agent, either inside or outside the factory.

There may be minimal resistance to receiving their salary electronically as long as a withdrawal location is nearby and they receive confirmation of the salary amount (and calculation basis) immediately.
Financial Literacy Training

For workers to understand the benefits of the product and services that will be offered, they will need training. Workers have already expressed their interest to learn more about long term savings and about understanding banking services. Financial literacy training can be conducted at the garments factory during lunch hours, and include lectures, handouts, in class assignments, videos etc. A lot of work has already been done by various organizations to develop such training content—it is freely available and capable of being adapted to suit the Bangladeshi RMG worker environment.

Workers have also indicated their areas of interest regarding the training. Most workers think that savings is an important service needed for them and 74% of the workers want to learn more about planning income & expenses for long term savings. 73% of the workers want to learn more about the different banking services available and compare them. 66% of the workers have indicated their interest in learning more about the different type of insurance services available.

In order to prevent resistance to the transition of salary disbursement from cash to an electronic method, training will also need to be interactive—allowing workers to raise concerns and objections that must be able to be addressed prior to any pilot being deployed. Identifying key factory workers, providing them with intensive training and establishing them as community “mavens” could also prove beneficial in removing the “them and us” distinction that low income people often feel towards financial institutions.

Replicating Learning from Successful Models

There should be a concerted effort to identify, evaluate and support the replication of successful models for expanding financial services to RMG employees. The few models featured in this report have shown that it could be profitable for commercial banks to actively target the low income group such as RMG employees. However, additional data may be needed. Increased efforts to capture these models and replicating them will be critical to enabling the RMG employees to access the financing they need to grow.

Furthermore, incentivizing commercial banks to further segment their clients and create or customize products and services to address the needs of these segments will help financial institutions in serving their SME more efficiently and profitably. The experience of existing initiatives and efforts can be leveraged, scaled-up, and complemented on a strategic basis.
Appendices