

# Digitizing for Inclusion:

Insights from Wage Digitization  
in the Garment Sector



# Executive Summary

As the transition from cash to digital financial services accelerates around the world, greater understanding is developing on how to manage this shift, what is needed to deliver impact, and the importance of increased collaboration across private and public sectors.

Since 2018, BSR's HERproject has partnered with the Mastercard Center for Inclusive Growth to leverage the HERfinance Digital Wages program to scale up wage digitization for ready-made garment factories and workers in Bangladesh, Egypt, and Cambodia. The program focuses on implementing workplace training, especially tailored to women, and has included the development of specialized technology training tools to help factory managers and workers effectively transition to—and use—digital financial services.

Due to the severe disruption resulting from COVID-19, the garment sector is currently in a precarious position with continued uncertainty for workers, many of whom have lost their jobs. Although the pandemic forced many factories to suspend their production, it has also emphasized the need for the industry as a whole to move away from a predominantly cash-based system. While the broader concern about the future of the garment sector and the security of jobs remains, digital wages have played a critical role in ensuring that workers were paid in the short-term.

Many lessons have been learned over the past few months. The pandemic has made it clear that it is time to scale up the use of digital financial services, not only because they are more efficient and effective than cash, but—perhaps even more importantly—because of the role that digitization plays in advancing greater financial inclusion and security, particularly for vulnerable populations. In fact, as lockdowns brought much of the world to a standstill, governments and the private sector alike turned to digital financial services to make rapid payments at scale.

This report shares five lessons and insights from the Digital Wages program that can be valuable to everyone working collectively to scale digital financial services across multiple use cases, including wages and government payments.

# 5 Key Lessons & Insights

**1** Digital financial services promote dignity, security, and empowerment

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**2** Cash is inefficient, especially during crises

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**3** Training is a critical tool for success

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**4** Success is built with trust, time, and transparency

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**5** Scaling digital financial services requires innovation and collaboration

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# Context

It is becoming increasingly evident that making the transition from cash to digital payment solutions is an important driver for the financial inclusion and security of vulnerable populations. Globally, 1.7 billion adults—most of whom are women—do not have access to formal financial services such as banking, savings, credit, or insurance.<sup>1</sup>

Digital financial services and payment solutions are defined as the broad range of financial services accessed and delivered through digital channels, including payments, credit, savings, remittances, and insurance, and includes mobile financial services.<sup>2</sup>

Improving access to, and driving usage of, formal financial services enables people to better manage their money, invest in economic opportunities, and save for the future. Furthermore, since women tend to benefit the most from the investment in increased access to financial services, digital and financial inclusion can also be an important enabler of women's economic empowerment.<sup>3</sup>

The COVID-19 pandemic has emphasized the need for digital payments and highlighted the digital divide between the included and the excluded. Ensuring widespread access to digital financial services is perhaps more important now than ever before. The World Bank estimates that since the crisis began, over one billion people have received a COVID-related cash transfer from their government to help them meet basic needs.<sup>4</sup> Because of strong digital payment ecosystems, people in countries such as India were able to receive government social protection payments and private sector wages digitally, without having to travel to collect payments or visit workplaces when they were closed. Recipients of digital payments have, in turn, used additional cashless services, such as sending remittances or topping up airtime, without having to visit busy markets.

As simple as this “switch” to digital financial services may appear, there are important considerations to bear in mind.<sup>5</sup> Shifting behavior away from cash is an extremely

challenging task, regardless of gender. However, due to their unique circumstances, women remain at an increased risk of missing out on the benefits of digital financial services. For example, they are less likely than men to appear in the tax rolls, have formal identification, or own a cell phone.<sup>6</sup> Moreover, they are less likely to control household finances. The existing digital gender gap, coupled with these barriers, means women may not have the access, knowledge, or confidence to use or fully benefit from digital solutions without additional support.

Well-designed programs which support the transition from cash to digital financial services and take gender biases into account can increase women's control over their finances, enhance their prospects for economic recovery and empowerment, and improve resilience in the long run.<sup>7</sup> Since empowering women is critical for gender equality and brings clear socio-economic and business gains, their needs and circumstances should be strongly considered in policy and programmatic responses. This includes prioritizing efforts to support women's financial resilience as they recover from COVID-19 and the associated economic challenges.<sup>8</sup> If digitization programs are poorly designed or provide insufficient financial education and consumer protection, there is a risk of exacerbating the risks of financial insecurity and disempowerment.<sup>9</sup>

HERproject has demonstrated that when digitization programs are designed with the unique circumstances of low-income women and men in mind, they can lead to increased financial inclusion and greater economic empowerment. Within this context, the Mastercard Center for Inclusive Growth and HERproject are scaling up wage digitization for ready-made garment factories and workers, and encouraging use of digital solutions through capacity building and financial planning resources for managers and workers.

As part of this, a set of interactive, open-source digital training tools have been developed (currently available in Bangladesh, Cambodia, and Egypt) to help managers transition smoothly to digital wages and help workers access, use, and benefit from their new accounts. HERproject has also worked with global buyers, financial service providers, and other organizations—such as ILO’s Better Work and UNCDF’s Better Than Cash Alliance—to enable them to integrate these tools into their COVID-19 response initiatives, thereby accelerating garment workers’ transition to digital.

Lessons and insights gleaned from the garment sector are also relevant for other sectors and geographies. As the rapid shift towards digitization continues across different industries, there is an opportunity for organizations advancing digital payments to collaborate for scale. By working together, they can move further faster, and create more inclusive impact.



## 1

## Digital financial services promote dignity, security, and empowerment

The transition to digital is not simply about replacing cash transactions with digital transactions. Rather, greater access to and use of a range of digital financial services can be a stepping stone toward enhanced financial security. When combined with financial literacy and the confidence to use products, digital financial services offer people the opportunity to maintain financial flows, better manage finances, and build resilience. Digital payments also reduce the risk of theft or loss, and can be more convenient than cash—especially for women who, because of long working hours and domestic responsibilities, have limited time for financial transactions.

In Bangladesh, wage digitization through HERfinance led to a 21 percentage point increase in workers (male and female) saving regularly using their accounts, and a 19 percentage point increase in women reporting they had more confidence to weather unexpected financial shocks.<sup>10</sup> Sending and receiving remittances is a critical means for low-income families to manage expenditure. A weekly monitoring project by Microfinance Opportunities, called Garment Worker Diaries, found that female garment workers in Bangladesh who are paid digitally are more likely to transfer funds digitally than those paid in cash.<sup>11</sup> In Egypt, there was a 23 percentage point increase in workers (male and female) using savings accounts, and a 10 percentage point increase in women reporting confidence to manage a financial emergency following wage digitization and participation in HERfinance.<sup>12</sup>



“The biggest benefit is that I don’t have to stand in line to get my salary. It’s very convenient. I don’t have to carry any cash around, which is much safer. I can send money [to my family] or cash out when I need to. This helps me manage my money better.”

MAYA, GARMENT WORKER, BANGLADESH

Digital financial services can also contribute to women’s economic empowerment—better preparing females to succeed and advance economically—and can help to instill the power to make and act on economic decisions that enhance their well-being and position in society. For this to happen, access to digital financial services needs to be coupled with training that both builds the confidence needed for women to use the services, and addresses social norms around financial decision-making.

In some countries, such as Bangladesh, women are expected to hand over their earnings to a male family member who will make decisions on how it is spent. Women therefore frequently keep some of their cash earnings hidden to spend on expenses that their male partners would not prioritize, such as personal items, or to send to relatives. To help women navigate these sorts of challenges, HERfinance training, which is delivered to both male and female workers, includes guidance on how to talk about finances with the family. Since gender norms influence financial behaviors of men and women, incorporating guidance on shared planning and decision-making is critical to ensuring changes in behavior are accepted without resistance.

Female participants of HERfinance programs in Bangladesh reported increased control over their wages—an example of shifting gender norms in families.<sup>14</sup> One in five women reported that they had started to make joint financial decisions with their families, and one in five men reported the same. Similarly, among HERfinance program participants in Egypt, there was a 10 percentage point increase in women reporting that they made spending decisions jointly with their family, and an 11 percentage point increase in men agreeing that women should have equal access to financial services.<sup>15</sup>

In order to continue to progress women’s economic empowerment, governments and employers must be mindful of the financial needs of women and the social norms that may restrict their control of funds, particularly as more social protection payments get disbursed digitally. A study by ODI, for example, showed that while cash transfers had positive impacts on the well-being and livelihoods of poor women and girls, they did not automatically empower women because of existing gender dynamics within the household.<sup>16</sup>

Digital wages can drive long-term financial inclusion by providing access to formal financial services and creating an individualized financial record for women. Delivering gender-specific training can increase women’s confidence to manage money, and support shared financial decision-making by addressing social norms. This in turn can help to close the gender gap in use of digital financial services and enable women’s economic empowerment.

“My daughter and I live with my parents in Chittagong. My life is busy and can be stressful. My mobile money account has helped me plan for the future and improve my financial situation by planning, budgeting, and saving. Before [HERfinance training], I couldn’t save, but now it’s easier. I have a plan to buy a house. I also help provide for my parents, and want to invest in my daughter’s education.” *Rabia, Garment Worker, Chittagong*

# Recommendations

## Promote financial security from the start.

Identify a range of financial products, services, and money management tools that, when combined with financial health training, can build financial resilience for low-income populations.

## Be gender-intentional to enable economic empowerment.

When planning a digitization project, consider the specific needs of women at each stage (e.g. choice of provider, use of mobile technology, training, and use cases) and include consultation with women to understand the unique challenges they face.

## 2

## Cash is inefficient, especially during crises

COVID-19 has made clear that people living on low and insecure incomes with no financial safety net, limited or no savings, and restricted access to social protection are always more vulnerable to economic shocks. As a key employer of low-income workers, the garment industry has faced severe disruption. Cancelled orders and delayed payment for partially or fully completed orders led to immediate suspension of work and many job losses. As the industry grappled with the quickly changing circumstances, the pandemic highlighted the need for the sector as a whole to move away from a predominantly cash-based system. While the broader concern about the future of the garment sector and the security of jobs remains, access to digital services has played a critical role in ensuring that workers were paid in the short-term. In Bangladesh, garment employers who had digitized their payroll were able to pay workers electronically while operations were suspended, whereas factories with cash payroll had to undergo the inefficient and risky process of opening their premises on payday.

In recognition of the pitfalls of cash, many governments turned to digital solutions as an effective way to provide social protection payments to the most vulnerable during the crisis. For example, the government of Bangladesh's COVID-19 support package for the garment sector was only available for employers paying digital wages. This led to over 800 garment factories rapidly digitizing their payroll. In April 2020, 1.9 million garment

workers received the government support package payments into their accounts, with more than half estimated to be paid digitally for the first time.<sup>17</sup> Without wage digitization, these workers would not have been paid, and many would have been at increased risk of being thrown into a financial crisis.

Workers who had taken part in HERfinance training in Bangladesh and Egypt reported that digital financial services were useful during the COVID-19 lockdown period. For example, in Bangladesh, 67 percent of women and 79 percent of men used their mobile money accounts on a weekly basis during that time, including to send remittances to family members and to top up airtime on their phones.<sup>18</sup> In Egypt, 80 percent of workers surveyed reported using their savings during the lockdown.<sup>19</sup>

“I keep track of all my expenses and have savings even from my small salary. Every month I save 1,000-1,500 taka in my mobile wallet and 5,100 in my savings group. Because of this, I didn't need to borrow any money [during the COVID-19 lockdown].” *Nupar, Garment Worker, Bangladesh*

“Being paid into an account is much safer. During Corona, if I were paid in cash, I would have had to go to the factory in person and disinfect the money as my colleagues did when they received their salaries in the envelope.” *Ibrahim, Garment Worker, Egypt*

# Recommendation

Even in times of crisis, take the time to digitize in an inclusive and sustainable way to encourage long-term usage.

Rapid digitization can get money into the hands of vulnerable populations efficiently. However, it is important to build in training, especially for women, otherwise they may not be comfortable with using their new accounts. This could lead to defaulting back to cash once the crisis ends.

## 3

## Training is a critical tool for success

Training that addresses financial literacy and social norms in a risk-free environment is vital for a successful transition away from cash, because it helps increase confidence and use of digital financial services. When training covers the technical aspects of how to use digital accounts as well as increasing women's confidence to manage money, it can help close the digital gender gap and better prepare women for the future.

In 2017, when the garment industry in India digitized wages, there was limited training provided to workers. Three years later, research found that female and male workers are not benefiting from their accounts, and are mainly withdrawing 100 percent of their wages on payday.<sup>20</sup> Similarly, in Bangladesh, 17 percent of women interviewed for the Garment Worker Diaries simply did not know how to use their digital accounts as they hadn't received any training, and 29 percent reported that the process of using digital accounts was too difficult.<sup>21</sup> In contrast, after participating in the HERfinance Digital Wages program, there has been an increase in workers' usage of their digital payroll accounts. Following training in Bangladesh, women were conducting approximately eight transactions per month and men 13 transactions.<sup>22</sup> In Egypt, workers that received training had more trust in financial services, and women reported a 21 percentage point increase in their preference for saving money in the bank rather than in cash or savings groups.<sup>23</sup>

Training is also important for fraud prevention. Workers are particularly vulnerable to fraud since they lack the confidence to use accounts and may therefore be persuaded to hand over their account details to others. In Egypt, 14 percent of women and 8 percent of men surveyed shared their bank card with a co-worker.<sup>24</sup> In India, 48 percent of women surveyed shared their PIN codes with ATM helpers when making a transaction. And in Bangladesh, 3 percent of garment workers reported receiving SMS messages or phone calls from an unknown person asking the respondent to send money or share personal information.<sup>25</sup> Fraud issues also tend to increase during a crisis like the COVID-19 pandemic, making regular training on digital security and fraud prevention critical.

“Once I encountered a fraud call. The caller said he had sent a pin code to my cell phone and was requesting me to share the pin code with him otherwise my [mobile money] account would get deleted. From the moment I picked it up, I knew it was a fraud call and I knew how to tackle this. I learned it from my HERfinance training and I was able to avoid a disaster.”

***Shantona, Garment Worker, Dhaka***

The use of tech-based training tools that include videos, gamification, and animations has been shown to improve learning outcomes for low-income populations.<sup>26</sup> Tech-enabled training tools have proven especially valuable during the COVID-19 pandemic because they can be used remotely, ensuring that training can continue.

However, tech-based training tools are not a one-size-fits-all solution. To maximize their impact, they should be contextually relevant and relatable. In addition to considering digital literacy, access to relevant devices (i.e. smartphones or tablets), and the specific financial products and services available in each market, developers of the tools should also identify and address socio-economic and cultural nuances. For example, in Cambodia there are high levels of indebtedness, so the HERfinance tech learning tool in Khmer included more content about responsible borrowing.

Initial findings indicate that use of the HERfinance Digital Wages tech tools, when combined with in-person training, is increasing workers' acceptance of digital wages and confidence to use financial services. In Bangladesh, 99 percent of workers who used the tech tools during in-person HERfinance training preferred to be paid into mobile money accounts, compared with 83 percent of workers where tech tools had not been used during training. The tools also build digital literacy skills and familiarity with touch screen technology. This is important because smartphone ownership is low; in Bangladesh only 36 percent of men and 21 percent of women have a smart phone.<sup>27</sup>

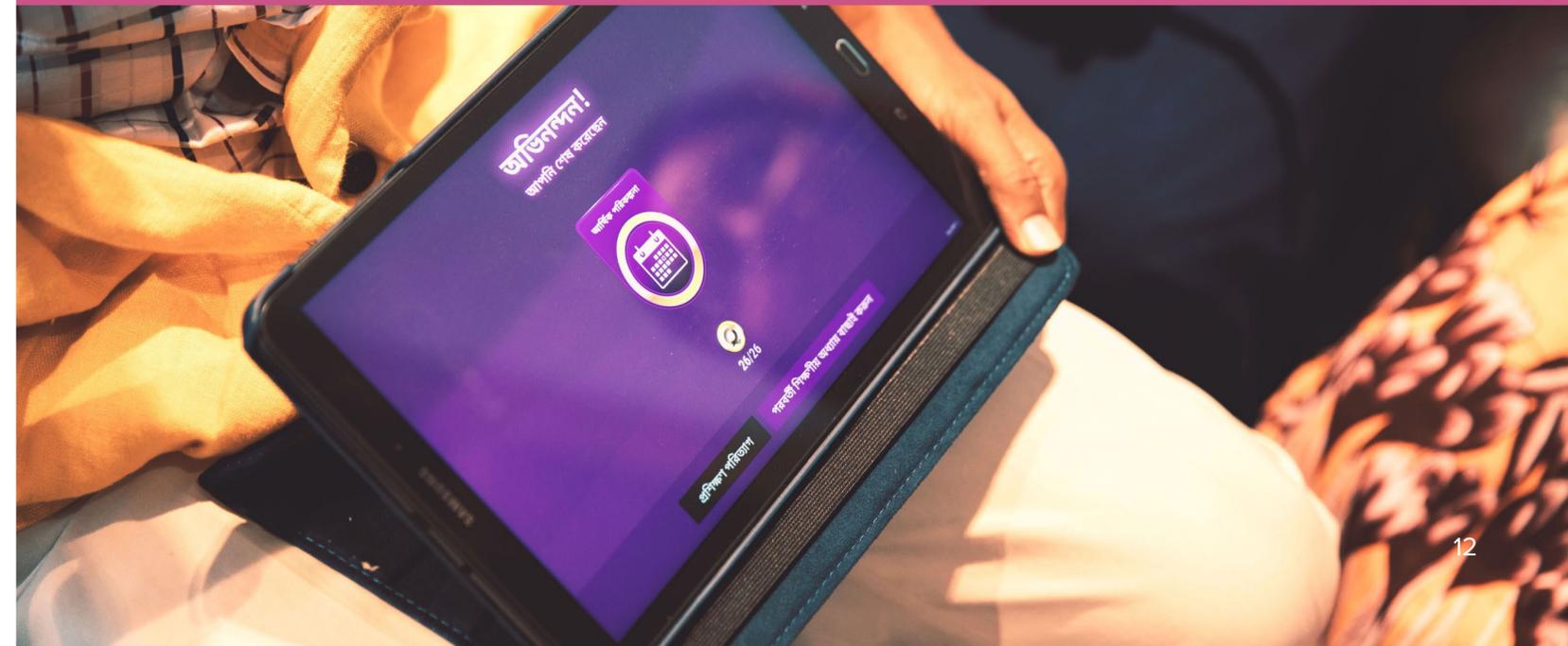
“I was afraid to use tech-tool [tablet] the first time. I had never used or handled anything like it before. But when the training started I realized I could easily use it and answer the questions. I liked the audio and video clips, which are very helpful for less-educated people.”

*Razia, Peer Educator, Dhaka*

## Digital Wages Technology Tools

Open-source tools developed by HERproject and Mastercard Center for Inclusive Growth can be used alongside any program designed to digitize cash as an addition to in-person training or as a temporary replacement during COVID-19.

- **HERfinance Digital Wages Toolkit supports managers** to plan, prepare, and deliver wage digitization. Available in English, Bangla, Khmer, Mandarin, and Arabic. Visit <https://dwt.herproject.org/> or download from [Google play store](#).
- **HERfinance Digital Wages Tech Learning Tool supports workers** to access, use and benefit from new accounts and improve financial health. Developed with QuizRR, the tool uses engaging films, quizzes and animation, and is available in Bangla, Khmer and Arabic. Download from [Herproject website](#) or watch videos on [HERproject youtube channel](#).



# Recommendations

Ensure training covers financial management not just account usage.

When training people how to use digital financial services, ensure the training goes beyond receiving digital payments; it should also provide guidance on how to make digital transactions and use functions such as savings, for greater financial security.

Review and build on existing training and tools to avoid duplication of effort.

For example, the open-source technology training tools developed for HERfinance Digital Wages program can be used alongside any program designed to digitize cash.

## 4

## Success is built with trust, time, and transparency

In largely cash-based economies such as Egypt, Bangladesh, and Cambodia, it can be difficult to convince workers and employers to let go of what they know. People are often wary about change, especially when the change involves money. To effectively transition away from cash, people need enough time and support to understand the benefits—and the business case—of going digital.

Costs, for example, are often seen as a barrier to change; both employers and workers tend to believe that digital transactions are more expensive than using cash. One way to incentivize the switch to digital is to raise awareness about the cost of using cash. Often, employers don't consider the time spent counting and distributing cash payroll, which can be reduced by more than 50 percent if the process is digitized.<sup>28</sup> To help employers better assess the potential benefits of transitioning to digital payroll, HERproject has developed a Business Benefit Analysis tool to help employers calculate current costs associated with cash management.

“I was skeptical [about wage digitization] in the beginning. Then through various conversations and over time I realized the benefit. It used to take two days to disburse salaries to my workers in cash. Transporting cash from Dhaka, from the head office, to the factory in Konabari was risky. Workers' production hours were hampered for those days. I am glad that I don't have to face those difficulties anymore. bKash and HERfinance trained my staff and the full factory is digitized.” **Rozalin Islam, Director, Jamuna Group**

Similarly, workers overlook the time, travel, and fees associated with making important payments—such as remittances or bills—in cash. Further, handling cash also increases the risk of loss or theft, and makes it more difficult for people to manage their money. Switching to digital payments gives workers greater control over how and when they spend their money, increasing their potential to save.

“It is much safer to use [mobile money]. It's convenient and it saves time. I can save some of my wages in my mobile money account and can earn interest.” **Moshrefa, Garment Worker, Dhaka**

The role that new users of digital financial services play in helping to scale digitization amongst family, friends, and neighbors is often underestimated. Research in communities surrounding factories in Bangladesh that had undergone HERfinance Wage Digitization programs showed that family members and neighbors became active mobile money account users at a higher rate (13 percentage point increase for women) than in areas surrounding factories still paying cash wages (6 percentage point increase for women)<sup>29</sup>. People were powerfully influenced by seeing how peers benefitted from using digital financial services. This ripple effect suggests that financial service providers will benefit from continuing to invest in both low-income workers and their communities to increase usage.

During the COVID-19 crisis, 59 percent of workers surveyed in Egypt and 55 percent of workers surveyed in Bangladesh reported helping family, friends, neighbors, and colleagues to access and use financial services.



“[As a peer educator<sup>30</sup>] I get a lot of questions. Some people think the new payroll account is scary and would ask me two, three or four times for help. I’ve also talked to friends and sisters about the benefits of mobile money.”

PUSHPA, GARMENT WORKER, BANGLADESH

# Recommendation

Invest in a patient approach to gain market expansion and acceptance.

Take time to ensure that new customers gain a good understanding of how products and services work and have a good experience of accessing and using digital financial services. The first experience with formal financial services needs to be positive in order to establish trust and as a step toward loyalty. Informal word-of-mouth marketing by family, friends, and neighbors is a powerful introduction to financial services.

## 5

## Scaling digital financial services requires innovation and collaboration

To accelerate the use of digital financial services, the products and services must be both easily available to and appropriate for low-income populations.<sup>31</sup> This requires financial service providers to tailor products, services, and fees to suit the particular needs of this segment. For example, where smartphone ownership is low overall or low among women, there should be solutions available that support feature phone-enabled transactions.

New digital solutions must also be useful beyond the most common digital transactions that are often conducted first: sending remittances and topping up airtime for cell phones. Financial service providers should consider where and when people spend money in their communities in their day-to-day lives and should ensure there are sufficient opportunities for them to use digital payments for these transactions. This requires investment in driving payment acceptance among businesses of all sizes, particularly since research in communities surrounding digitized factories has found that merchants did not report greater acceptance of mobile money payments just because their customers had mobile money accounts.<sup>32</sup> Without relevant use cases for payments and incentives for acceptance, digital transactions will remain limited, and the cash economy will continue to dominate.

Financial service providers may not consider tailoring products for low-income workers to be commercially viable. However, in countries with low financial account penetration, low-income workers offer a potential for market expansion worth considering. Only 18

percent of adults in Cambodia, 32 percent in Egypt, and 41 percent in Bangladesh have financial accounts, according to the 2017 global Findex.<sup>33</sup> This represents an opportunity for mass market expansion to millions.

Players that are succeeding in this market have made financial inclusion part of their core strategy. They have created dedicated teams to lead the development of this new customer segment, identified use cases and appropriate products (either tailoring existing ones or developing new ones), and developed bespoke marketing strategies. Partnering with others such as civil society organizations and funders, who have support and who understand low-income populations, is an effective way to share risk and understand the requirements for success.

Ultimately, scaling digital financial services requires collaboration between private and public sectors. As the COVID-19 pandemic has demonstrated, when governments make a decision to drive digital payments, all players rally to support the transition very quickly. Despite needing to move with speed, digitizing responsibly needs to remain high priority. This includes ensuring that sufficient consumer safeguards are in place, and that both governments and companies present consumers with simple, clear information about financial products, so that they can confidently use the products that meet their financial needs.<sup>34</sup>

To date, 75 organizations (across governments, companies, and development agencies) have committed to supporting inclusive digital payment ecosystems through the UN-hosted Better Than Cash Alliance.<sup>35</sup> This spans 35 governments, including Bangladesh, which have recognized the potential of digital payments to drive inclusive growth across payment streams and business sectors. They are making commitments to scale digitization of government and private sector payments, and to define policies to support a responsible transition from cash to an inclusive digital payment ecosystem where people can get paid, and pay digitally, for diverse needs and transactions.

Global buyers and brands can also play an important role in encouraging and supporting employers to make the switch to digital wages. Just as a select group of global buyers and brands in the garment industry have already been championing wage digitization for some time, there is an opportunity for the entire industry to push for this in order to achieve scalable change.

“We are dedicating our services to coordinate, support, and test innovative solutions to digitize payroll in order to empower garment workers, particularly women.” *ICT State Minister Mr. Zunaid Ahmed Palak, Member of Parliament, Bangladesh*

Overall, the recent proliferation of digital financial services and payment solutions offers an important opportunity to share lessons between the private sector and government in order to maximize impact. As governments continue to help citizens transition to digital financial services, there is huge potential to leverage existing solutions and insights from wage digitization efforts to drive awareness, understanding, and usage. There is now an opportunity to bridge the gap between private sector and government to share best practices, overcome challenges, accelerate digitization, and maximize impact.

# Recommendation

Achieve the full potential of digital financial services by investing and collaborating in expanding access and usage.

Beyond ensuring that digital services are accessible for and tailored to the needs of low-income men and women, and that they represent a viable business option for providers, it is necessary to simultaneously invest in making sure these new products can be used frequently. People receiving digital payments will want to use their digital financial services to pay for groceries, rent, bills, and school fees, which are usually paid in cash. Working with others in the ecosystem to expand digital payment points is the next frontier.

## Summary of recommendations

- Promote financial security from the start

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  - Be gender-intentional to enable economic empowerment

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  - Even in times of crisis, take the time to digitize in an inclusive and sustainable way to encourage long-term usage

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  - Ensure training covers financial management not just account usage

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- Review and build on existing training and tools to avoid duplication of effort

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  - Invest in a patient approach to gain market expansion and acceptance

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  - Achieve the full potential of digital financial services by investing and collaborating in expanding access and usage

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The Center for Inclusive Growth advances equitable and sustainable economic growth and financial inclusion around the world. The Center leverages the company’s core assets and competencies, including data insights, expertise and technology, while administering the philanthropic Mastercard Impact Fund, to produce independent research, scale global programs and empower a community of thinkers, leaders and doers on the front lines of inclusive growth. For more information and to receive its latest insights, follow the Center on Twitter [@CNTR4growth](https://twitter.com/CNTR4growth), or [subscribe](#) to the Center’s newsletter.

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**Photo Credit: BSR/Kamrul Hassan**



BSR’s HERproject™ is a collaborative initiative that strives to empower low-income women working in global supply chains. Bringing together global brands, their suppliers, and local NGOs, HERproject drives impact for women and business via workplace-based interventions on health, financial inclusion, and gender equality. Since its inception in 2007, HERproject™ has worked in more than 900 workplaces across 14 countries and has increased the well-being, confidence, and economic potential of more than 1 million women.

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