

# Digitizing Payroll for Factory Workers in Bangladesh

“Electronic payroll accounts are a financial technology with potentially high returns to adoption that is currently being introduced to millions of workers worldwide. At the same time, payroll accounts are susceptible to many common consumer financial protection problems, such as shrouded fees, commission-based incentives, and barriers to use among inexperienced consumers.” To study the effects of active engagement with payroll accounts has on consumer learning, and how “learning by doing” occurs with exposure to electronic payroll accounts, the researchers conducted a field experiment with employees in the garment manufacturing industry in Bangladesh, an export industry that is increasingly being regulated regarding employee wages and transparency. The experiment introduced electronic payroll accounts to a population of largely unbanked factory workers and analyzed treatment results (Klapper et al., 2020).

## Quick facts

### Barriers addressed



#### *Entry & Capability*

Low digital financial capability  
High cost of using DFS (incl. transaction cost)



#### *Product & Market Design*

Poor user interface & navigability



#### *Consumer Protection*

Overcharging

### Segment focus

1 2 3 4

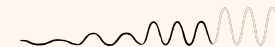
### Geography

[Bangladesh >](#)

### Sources

[Klapper et al., 2020.](#)

### Customer Journey Relevance



### Key stakeholders involved

3,136 garment workers  
Two large garment manufacturing firms (unnamed)

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## Key activities

- A sample of 3,136 workers randomly assigned to either continue receiving wages in cash (control group), or begin receiving wage payments into a bank or mobile money payroll account (treatment group).
- “In a set of comparison treatments, workers were given an account but continued receiving monthly wage payments in cash.”
- “Treatment effects were measured through panel surveys and administrative data review.”

## Outcomes/results

“The results show that exposure to payroll accounts leads to increased account use and consumer learning. Those receiving accounts with automatic wage payments learn to use the account without assistance, begin to use a wider set of account features, and learn to avoid illicit fees, which are common in emerging markets for consumer finance.”

Workers in the payroll account treatment condition interact with the account more frequently, develop greater trust in the technology, learn to use the account without assistance, and learn how to avoid common consumer financial risks and use the account in the most cost-effective way. “The treatments have real effects, leading to increased savings and improvements in the ability to cope with unanticipated economic shocks.”

Those that received accounts with automatic wage payments were 4% to 11% more likely to have any savings and 25% more likely to have savings in a formal account.

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## Key enabling environment factors for the intervention

- Sufficient documentation for those in the treatment group was necessary to open payroll accounts. Fortunately, FSPs allowed employers to submit documentation on behalf of their employees, covering for those that might not have the proper documentation or knowledge of which documentation is required.
- The garment industry in Bangladesh is an export industry that includes a large labor force and is increasingly requiring the digitization of wages.

## Key design elements and principles that led to successful outcomes

- Demonstrate to employer the importance of investing in long-term employees – low seniority level workers whose tenure at the firm was too low to warrant opening a formal payroll account were excluded from participation.

- The employer and FSP played active roles in the process; the employer covered the costs of account opening for those in the treatment group.

## Potential for scale/replicability

There is potential for replicability in garment manufacturing industry globally, taking the approach of digitizing wages in export industries/sectors for which regulation is increasing.

This approach can also be replicated in other high export sectors, and sectors in which there is a large female workforce – for which regulators and importers can require increased transparency and digitization of wages.

This approach can also be replicated, however, it would benefit the initiative to study what results would look like if employees covered the costs/fees for account opening and transactions, not the employer.

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## Challenges encountered during the program

There were some initial resistance from employees in treatment group due to lack of trust in technology, but this decreased with increased interaction with the technology. Also, many workers did not have sufficient documentation, and had to rely on identification and guarantees provided by their employer to open an account.

## Recommendations from the research

Channeling wage payments into an account creates a strong incentive to engage with the account and learn about the features of the technology in a way that is not achieved by account opening alone. Channeling wage payments into formal accounts is an obvious next step with potentially large positive implications for access to finance and consumer learning in low- and middle-income countries where wage payments are still made predominantly in cash.

Some employers may want to avoid the transparency that comes with payroll accounts and may require nudges from regulators to adopt payroll accounts.

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