

# The Real Effects of Electronic Wage Payments in Bangladesh



Can employers help unbanked individuals enter the formal financial sector by offering their employees electronic wage payments? Researchers are working with a bank, a mobile money operator, and garment manufacturers to help answer this question. This study will randomly assign employees at select factories to either continue collecting their wages in cash, receive them as a mobile money payment, or as a direct deposit payment into a no-frills bank account. The research team will observe the effects of the new payment channels on the financial behavior of the employees. The researchers will also work with the employers to understand how best to transition to electronic wage payments and determine whether the new electronic payroll systems are a worthwhile investment in terms of cost and productivity.

## Policy Issue

Around the world, half of the adult population does not have a bank account at a formal financial institution.<sup>1</sup> Most of these people are poor and must rely on cash to manage their day-to-day finances and plan for the future. Even as countries aggressively expand their banking infrastructure, poor households often still choose to save informally and many formal accounts remain dormant, preventing their potential welfare benefits from being realized. Electronic payment and savings systems, which reduce the cost and increase the convenience of formal financial services, are one tool with the potential to boost financial inclusion and encourage formal savings in poor households. This study measures the impact of providing workers in Bangladesh with no-frills bank accounts or mobile money accounts and examines if automatically depositing their wages into these accounts can encourage workers to save.

## Evaluation Context

The study takes place in urban Dhaka, Bangladesh, with garment workers in four factories. Few of the factory workers who work on the production line have bank or mobile money accounts, and the use of high cost moneylenders is common. While the workers are currently paid in cash, many do use mobile money platforms for purposes such as transferring money to family members in home villages. However, most workers use vendors' or other people's accounts to conduct these transactions, paying high transaction fees in the process.



### RESEARCHERS

Emily Breza, Martin Kanz, Leora Klapper

### COUNTRY

Bangladesh

### PARTNER

City Bank Limited

### PROGRAM AREAS

Financial Inclusion, Financial Services for the Poor

### TOPICS

Digital Finance, Payments, Savings

### TIMELINE

2014-2016

## Details of the Intervention

Researchers will study if switching workers currently paid in cash to electronic payroll systems based on either bank or mobile money accounts can encourage the use of formal financial services. For the study, researchers are working with a large commercial bank and one of Bangladesh's mobile money providers to offer accounts to workers in four garment factories in Dhaka. The bank will install an ATM at each of the factory sites and will train workers on how to use the accounts. The mobile money provider will also offer onsite assistance. To understand the effects of cash versus either account, workers will be randomized into one of four groups:

*Group 1:* Workers will receive a traditional no-frills bank account with training on how to use it, and their wages will be electronically deposited into this account.

*Group 2:* Workers will receive a mobile money account and training, and their wages will be electronically deposited into this account.

*Group 3:* Workers will receive a mobile money account and training, but will continue to receive their wages in cash.

*Group 4:* The comparison group, in which workers will continue to receive their wages in cash as they have been, with no additional accounts set up.

Researchers will survey participants before the accounts are issued and then monthly for the next nine months, followed by a final endline survey. This data will allow researchers to assess how workers' borrowing, saving, spending, and remittance patterns change when they receive their wages electronically into formal accounts. Researchers will also examine administrative data from the factories at the end of the study to help measure attendance, job performance, and the profitability of switching from cash to electronic payroll.

## Results and Policy Lessons

Results forthcoming.

## Sources

1. Demirguc-Kunt, A. and L. Klapper (2012). Measuring Financial Inclusion: The Global Findex Database. World Bank Policy Research Working Paper 6025.

---

### GLOBAL HEADQUARTERS

101 Whitney Avenue  
New Haven, CT 06510 USA  
+1 203.772.2216 | [contact@poverty-action.org](mailto:contact@poverty-action.org)

**poverty-action.org**