Policy brief

Increasing digital financial inclusion in the Asia-Pacific region

Key factors for cash recipient inclusion

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Key messages

Our discussions with cash transfer recipients in Bangladesh, Cambodia and Nepal highlighted a lack of engagement with systems of digital payments, savings or credit, despite high levels of mobile phone use.

Where people receive cash is often more important than whether it is delivered through a bank/ money agent or through a local government disbursement venue.

The ability to convert money deposited in a bank account or mobile money app into cash in hand is critical to people's participation in the local economy of payments and savings, as well as for emergencies.

Lack of trust and familiarity seemed to be linked to the lack of embeddedness of financial products and services in everyday activities, which in turn contributed to low usage of bank accounts and mobile money.

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Introduction

Within the humanitarian and development fields, innovation in digital financial products and channels offers an opportunity to utilise humanitarian and social protection cash transfer programmes to contribute to financial inclusion, specifically by providing first-time access to formal financial institutions and/or digital financial products.

Households and individuals served through social protection and humanitarian assistance are often the most excluded or have the least access to financial products and services. Similarly, the unbanked and underbanked often belong to historically marginalised groups such as women, the elderly, people with disabilities and low-income households (often living in rural areas), as well as forcibly displaced people. In the East Asia and Pacific region, 53% of unbanked adults are in the poorest 40% of households, and globally the poorest 40% of households make up nearly half of all the unbanked (Global Findex, 2021).

While there is a strong consensus that digitalisation can increase financial inclusion, how to integrate digital financial products and services in cash recipients' lives is less clear. In particular, literature on the experiences and perceptions of cash recipients is limited. This briefing draws on a wider study on digital financial inclusion in the context of humanitarian and social protection cash transfers in the Asia-Pacific. The study, conducted by ODI for (World Food Programme) WFP, draws insights from focus groups and key informant interviews with men and women recipients of digitally delivered cash transfers in Bangladesh, Nepal and Cambodia (see Box 1).[1]

Box 1 At a glance: the cash programmes our respondents discussed[2]

To explore user experiences of digital financial inclusion through digitalisation of cash transfers, we conducted 26 focus group discussions (FGDs) with men and women in different age groups, as well as 27 paired in-depth interviews with individuals with disabilities across three country and programme contexts: Bangladesh, Cambodia and Nepal. These were conducted separately with men and women, and in rural and urban locations (except for Bangladesh, where we focused on peri-urban areas). User research was complemented

1 In these contexts we use the expression *digitally delivered* to mean *at least* cash transfers delivered digitally between the budget-holder and the financial service provider (FSP) (i.e. from the government of Cambodia to the WING shops in Cambodia, or WFP to the bKash mobile app in Bangladesh). Only in Bangladesh amongst our sample countries did recipients receive money in a mobile money wallet, meaning that the cash transfer was digital end-to-end.

2 We carried out separate FGDs with men and women (89 men and 144 women) to ensure female participants were not restricted in expressing their views by the presence of male participants. Also, where possible, we carried out paired IDIs with people living with disability who received the grant. When unable to recruit a paired interview, in-country teams carried out KIIs with persons with disability individually, for a total of 44 people with disability (20 women and 24 men).

by key informant interviews with global, regional and country-level cash transfer and digital financial inclusion experts, and a literature review of (digital financial inclusion) DFI in the Asia-Pacific region.

Cambodia – recipients of an emergency government-to-person (G2P) cash relief programme and of the child nutrition and grant allowance

In Cambodia, we interviewed recipients of an emergency cash relief programme and of the child nutrition and grant allowance. Recipients provide their national ID and mobile number to the Payment Service Provider (PSP), known as Wing (Cambodia) Limited Specialized Bank ('WING'). Recipients collect money from a designated PSP agent after receiving an SMS notification of the transfer. Transfers to the PSP are through digital means, but recipients must physically travel to a WING agent to withdraw money against their ID card.

Nepal – recipients of the Social Security Allowance (SSA)

In Nepal, we focused on recipients of the social security allowance (SSA), the flagship national social protection programme. The SSA provides cash transfers through bank accounts to people aged 70 years and above; those aged 60 and above from the Karnali region and Dalit communities; widows and single women; and people with disabilities. In some cases, banks are used to disburse social security payments to bank accounts, while in others (hard) cash is disbursed directly by a local government authority. For 'digital' payments, recipients must travel to the local bank agent to withdraw money.

Bangladesh – recipients of a WFP cash-for-work programme

The focus in Bangladesh was a WFP cash-for-work programme to men and women in Bangladeshi communities in the area surrounding the Cox's Bazar refugee camps. Payments are made to bKash mobile money accounts linked to a SIM card. Recipients could, potentially, use the bKash account directly for financial transactions, though we found they typically cash out at a bKash agent soon after their balance is updated.

Key areas of opportunity and improvement for financial inclusion through digital cash transfers

1. **Where recipients get their cash is often more important than the mechanism used to deliver it**

In Nepal and Cambodia, recipients spoke about both the location of cash-in/cash-out (CICO) points, and the waiting time for collection as a key component of their preference for receiving cash.

> *When I first started receiving allowance [government cash transfer] the ward office used to provide direct cash. That time there was no banking system. I forgot the exact time [this happened], but I think it has been only 8–9 years since we started getting it through bank. I found both ways of getting the cash transfer convenient, however if it is deposited in the bank we can withdraw it whenever we want. When there was the time of cash distribution, we had to wait for the respective office [the Village Development Committee] to provide us the cash.*
>
> Focus Group Discussion (FGD) with women receiving SSA in urban Nepal.
>
> *It was more convenient for me to receive cash from the VDC [Village Development Committee] rather than going to the bank. [Now] I have to go to the bank and it takes me a whole day. I also have to pay for transportation.*
>
> Key informant interview, person with disabilities in urban Nepal.

Waiting times and payment delays were also key concerns for recipients. Participants in the WFP Disaster Risk Reduction cash for work programme in Bangladesh were enrolled on a 15-day basis and, as in Cambodia and Nepal, cash was often used to address immediate household needs (e.g. daily food purchases). Cash recipients often preferred digital transfers because they were seen to ensure timely and reliable payments within this short-term programme, which were then cashed out. In urban areas in Cambodia, respondents reported they were less likely to spend time in queues to cash out their transfer because of the higher number of WING agencies around their area.

> *If it takes [us] longer to get money from one WING agent because of the long queue, then we can go to another WING agent to get the money.*
>
> FGD with women under 45 in urban Cambodia.

2. **The ability to convert money deposited in a bank account or mobile money app into cash was of critical importance for respondents to participate in their local markets**

In Nepal, Cambodia and Bangladesh, for most of our respondents access to a bank account for the cash transfer had not changed behaviour around payments for daily items. The majority cashed out transfers within a short period after receipt. The minimum time noted was usually a day and the maximum 15 days. Respondents continued to withdraw and use cash for most expenses. When probed – sometimes with demonstrations by data collectors on their own phone on how digital apps for money and QR code payments worked – respondents emphasised a preference for cash. They also discussed lack of incentives in learning about new technologies that were not common in the area.

> *When they hear[d] that the money can just directly go into their phone, they seemed to be interested and willing to have such [a] thing. However, they believed that it only works if there is someone there to help them to get the cash out [to make payments] as the process of paying for a phone card from a bank account using an online application can be another challenge for them.*
>
> Data collector reporting back from FGD with women over 46 years in rural Cambodia.
>
> *In our village [the] majority of SSA recipients make cash transaction. Online transactions are not very common here.*
>
> FGD with women under 45 in urban Nepal.

Supply-side dynamics, such as the availability of formal financial institutions, were one contributing factor indicated by respondents. The markets in which respondents met daily needs – such as groceries, as well as local health clinics – were cash-based in both rural and urban areas, which encouraged reliance on a cash economy.

Our respondents indicated that only when they have access to funds that exceed the amount they try to maintain physically for immediate payments or emergencies do they consider putting that cash in a bank account rather than keeping it on their person, in the house or saving in local and community savings groups. Respondents did not associate bank accounts or mobile money agents with easy or immediate access, and often seemed to perceive that the amount of money was too low to allow for changes in financial activity, such as depositing in a bank. In line with these concerns, cash transfers were cashed out immediately and in full across almost all our respondents.

> *It is easy to take out a loan in an emergency if we save money in our local saving groups.*
>
> Key informant interview with a man with disability in rural Nepal.

3. **Cash recipients were not aware of formal financial products relevant to their payment, insurance, savings and credit needs**

Cash recipients' behaviour in cashing out digitally delivered payments was also linked to a lack of familiarity with digital financial products and a lack of training. When prompted about formal payment, savings and insurance products, most of our respondents did not have knowledge of existing products attached to local FSPs, such as ATM cards or mobile banking.

> *I have seen people withdrawing money from* [*a*] *machine but I have never used that* [*myself*]. *The bank staff did not say anything about mobile banking, SMS banking and ATM card that you describe. I think it is easy to withdraw cash from card but, since I don't know how to use that it makes no sense for me. I am uneducated, I cannot read and write so what is use of getting ATM card?*
>
> Paired KII with people with disability in urban Nepal.

When respondents in Bangladesh were asked whether they used bKash to buy airtime for their phones, they replied that they knew that this transaction could be carried out via their bKash account, but they were not sure they knew how to do it (FGD with women under 45 in Kutubdia).

Some respondents – generally those who were older and in rural areas in our sample – articulated a preference for cash because of a lack of familiarity with digital cash. A lack of familiarity seemed to affect trust in formal financial institutions (compared to cash in hand).

When interviewers speaking with recipients explained what digital financial options were (e.g. mobile wallets and payments via QR code), respondents were often interested though did not see themselves using such technology since they did not know enough people in their community who did so (including vendors).

> *If I lost my mobile phone then my money also would be lost. Lost mobile phone means lost everything. So, I withdraw it immediately.*
>
> FGD with men over 45 in Kutubdia.
>
> *They believe*[*d*] *that mobile payment is for rich people with mobile phone … Hence, cash-in-hand is the most convenient method for grocery shopping.*
>
> FGD with women under 45 in urban Cambodia.

Factoring the priorities of cash recipients into digital financial inclusion approaches

1. **Take into account the financial lives of cash recipients – including the channels in which financial transactions are conducted in the local economy – when designing digital cash programmes.**

If the local economy is mostly cash-based – but has potential for digitalisation – ensure that recipients have multiple options on how to transact with the money they receive, i.e. cashing out, but also making digital merchant payments and peer-to-peer transfers or just saving on their digital device. Lack of trust and familiarity with and embeddedness of digital financial products and services in everyday economic activities limits the extent to which digital cash transfers contributed to wider change. To that end, providing clear information to recipients, iterative training and assurances of the safety and security of transfers may be important. For example, having a helpline that is responsive and a grace period to make up for missed dates/accidental transactions will help build familiarity and trust in digital channels.

2. **For humanitarian agencies and social protection actors interested in financial inclusion, it is important to ensure that there is a deliberate link between cash transfers and financial products that are tailored to the financial lives and demands of recipients.**

Improved financial or digital literacy is key and needs to accompany existing cash programmes, in particular differentiated training that caters to the specific needs of the target population. However, literacy initiatives on their own will not guarantee uptake and use of digital financial products – target populations need information about existing financial products that could be useful to them. For humanitarian agencies and social protection actors this means assessing available financial products to identify those that are user-friendly for low-income populations (e.g. recognise recipients may have low volumes of cash initially and that they need products they can cash out in an emergency). Once products have been identified, training for cash transfer recipients can strengthen their confidence, choice and ability to use digital financial products and services. A starting-point could be to compare evidence on learning outcomes achieved through different approaches to digital and financial training (e.g. considering guidance from AFI, 2021; GSMA, 2020; OECD, 2018).

3. **Conduct a cost–benefit analysis from the viewpoint of a cash recipient – not just the cash provider – when deciding on the mechanism of delivery of cash assistance.**

This should include an assessment of cash-in/cash-out agent networks in the areas where cash recipients live, to determine potential transport and time costs. Cost efficiencies for transfer providers may not align with low costs for cash recipients. For example, delivering cash to a bank might lower costs for the cash provider, but depending on the location and accessibility of the bank's physical or mobile branches, the material cost borne by recipients might increase, e.g. for transport (or the opportunity cost of forgoing a day of work). Recipients might also face additional costs to keep accounts open beyond the cash assistance programme, or to use additional financial products and services. To facilitate financial inclusion, the delivery mechanism needs to consider the financial infrastructure that provides the greatest ease of access to cash recipients.

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