

Making Finance Work for Women



From Cash to Digital Wage Payments in Vietnam

Win-Win for Enterprises and Women Workers



Women's World Banking



International
Labour
Organization

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Background

The past decade has seen a surge in Vietnam's economy, with an expanded jobs market and a shift to wage work bringing the country's unemployment rate down to 2%¹. However, the vast majority (60%) of Vietnam's workforce still receive wages in cash – only 8.9% of private sector wage earners in the country reported receiving digital wage payments accounts at financial institutions or mobile money services².

The digitization* of wage payments has the potential to improve both business efficiency for enterprises and financial inclusion and empowerment for women. Moving from cash-based to digital wage payments reduces manual processes, decreases cash management activities, and has the potential to increase efficiency of enterprises' payroll and minimize the risks for both enterprises and workers³.

Despite the benefits, enterprises in Vietnam, particularly small enterprises, have not yet fully embraced digital wage payments given challenges such as resistance from workers and the required training/ infrastructure investments – thus presenting an opportunity to support them in this transition and advance financial inclusion for women.

Objectives and Methodology

Women's World Banking, in partnership with the International Labour Organization (ILO), assessed the awareness, use and acceptance of digital wage payments among enterprises and workers in Vietnam. The resulting study includes an analysis of the financial behaviors and attitudes of Vietnamese workers, the benefits and challenges for enterprises to move from cash to digital wage payments, and an assessment of the effect of digital wage payments on the financial inclusion of the workers, with a specific attention to female workers.

We conducted this assessment through primary interviews across 15 factories and 50 workers across the Garment, Seafood Processing, and Electronic sectors. These sectors were selected because of their importance to the Vietnamese economy as well as the high representation of women workers in these sectors. To ensure diverse perspectives, enterprises varied in size from 25 to 3000+ workers and included both enterprises who have digitized wage payments and those who continue to pay wages in cash. We also spoke with workers across a wide spectrum of age (16yrs - 40yrs), marital status, and industries. Finally, we also interviewed key stakeholders (financial service providers, industry associations and trade unions, international organizations, etc.) to build a foundational understanding of the Vietnamese market context and financial sector landscape.

** Digitization refers to payments provided into a financial institution account or mobile money service*

¹ World Bank World Development Indicators (2019)

² World Bank Global Financial Inclusion Database (2017)

³ "Digital Wages: Positive Impact For Women And Business." BSR, HERProject, <https://herproject.org/files/reports/HERproject-digital-wages-positive-impact-for-women-business.pdf>



Market Context

Vietnam is in a prime position to benefit from a switch to digital wage payments, and Vietnamese women in particular, stand to gain from digitization for several reasons:

- **Strong economic growth resulting in reduction in poverty and unemployment:** The country's GDP has grown by 7% annually (2018)⁴, driven largely by exports in manufacturing and the service industry. Furthermore, Vietnam has made vast improvements in stemming poverty over the last two decades, from 38% living below the international poverty line of \$1.90/day in 2002 to just 1.9% in 2018⁵.
- **Rapid urbanization:** The population is urbanizing at a rapid rate of 3% per year, as the 65% percent of the population living in rural areas continue to move to smaller and mixed-density cities for better job opportunities.
- **High rate of female labor force participation:** Compared to its ASEAN neighbors, Vietnam has one of the highest rates of female labor force participation, with 79% of women in the labor force compared to 82.6% of men⁶. However, women's economic gains are far from secure. The majority of women (60%)⁷ in the labor force are in vulnerable employment with little security, and more than half of women (51%) are in the informal sector (e.g., domestic workers or street hawkers)⁸.
- **Strong digital penetration but an evolving ecosystem:** Vietnam has a high rate of digital penetration, with 70% (68MM) of the population using the internet, and 145.8MM mobile connections across Vietnam (93% smartphone penetration). The country also benefits from a regulatory focus around building a digital (cashless) economy, as well as the rapid growth of new digital providers (e.g., FinTechs and mobile money services) in the market. However, despite these trends, mobile money usage remains low, with only 3.6% of women reporting they have a mobile money account compared to 3.4% of men⁹.
- **While financial inclusion has improved, the majority of women are still unbanked:** Women's financial inclusion in Vietnam rose from 19% in 2011 to 30% in 2017, and the gender gap in account ownership shrank from 6% in 2011 to 1% in 2017¹⁰. However, despite advancements, 70% (26MM) of Vietnamese women remain unbanked and 6% (2.25MM) are underbanked (i.e., inactive – they have an account but are not using it)¹¹.
- **Majority of wages continue to be paid in cash:** In Vietnam, 23.5% of women receive wages, of which the majority receive private sector wages. However, 60% of women workers continue to receive wages in cash vs. only ~40% via account or mobile phone. Across the sectors interviewed (seafood processing, garment, and electronics), large and medium enterprises tend to be digitized already, while small enterprises (less than 500 workers) tend to continue to pay wages in cash.

Therefore, there is a significant opportunity to reach wage-earning women in Vietnam who still receive their cash payments with digital solutions to shore up their financial security and prosperity, particularly working with smaller enterprises who have not yet switched to digital wage payments.

⁴ World Bank World Development Indicators (2018)

⁵ World Bank World Development Indicators (2018)

⁶ World Bank World Development Indicators (2018)

⁷ World Bank World Development Indicators (2018)

⁸ Female workers still barred from some jobs. Viet Nam News (The National English Language Daily). March 2018

<https://vietnamnews.vn/society/423945/female-workers-still-barred-from-some-jobs.html#WWUu8qCjqFslpcGm.99jobs.html#WWUu8qCjqFslpcGm.99>

⁹ World Bank Global Financial Inclusion database (2017)

¹⁰ World Bank Global Financial Inclusion database (2017)

¹¹ World Bank Global Financial Inclusion database (2017), Women's World Banking analysis



Key Findings

Factory Workers' Financial Attitudes and Behaviors

- In Vietnam, women hold the bulk of responsibilities in the household. While men and women make household decisions together, women were identified as being in charge of budget allocations within the household. In fact, men often relinquish their earnings to their wives or mothers.

I give all the salary to my wife and she will be in charge of deciding on how to spend.

– Electronics Factory, Male, Married, 34

- Savings behavior is not a consistent practice. Most workers recognize that savings is important for financial security, but the lack of available funds to save and a consumerist mindset to spend were identified as the primary reasons for not saving. Moreover, those who do save prefer to save in cash because it is convenient and easily accessible, and very few workers save in a bank account.

- While most workers recognize the convenience of digital payments, more than 75% of expenses are still paid for in cash. Primary expenses such as rent, food, and other necessities (40%-50% of budget), school fees (nearly 10% of budget), remittances (20%-25%), and any savings (5-10%) are typically paid for in cash. Only in some instances, bills such as water, electricity, or internet are paid for through bank or mobile money transfer.

For me, because I now have almost 3 children, it's hard for me to even pay for expenses - not to mention saving.

– Electronics Factory, Female, Married, 28

Perceptions and Use of Financial Institutions

- Generally, workers have positive perceptions of financial institutions. Most respondents acknowledge that financial institutions are a convenient and safe place to keep their money.

I think that I should a bank account because it will be safer to keep money. It will also prevent the risk of dropping or losing it, or those kinds of risks.

– Seafood Factory, Female, Married, 40

- Most workers who do have an account use it only to receive wage payments and simply withdraw cash funds at an ATM on payday. While salary accounts create an opportunity to provide access to financial services, the engagement and use of those accounts is low.
- Lack of familiarity and knowledge, limited understanding of the costs of using digital financial services, and limited accessibility were identified as the primary barriers to use of digital financial services. The inability to use digital payments in common day-to-day transactions (e.g., buying food in the market) or send digital payments to family members in remote areas who do not have access to bank branches are significant barriers to the use



of digital financial services. Furthermore, while many workers understand that digital payments are beneficial, the lack of knowledge and trust in digital financial services also poses a challenge for broad uptake of financial services. Finally, workers consider the fees associated with bank accounts (e.g., transfer fees, withdrawal fees) to be prohibitively expensive.

If I send money via mobile phone, my family doesn't know how to receive it. Will they have to have some apps on mobile phone to receive money or what?

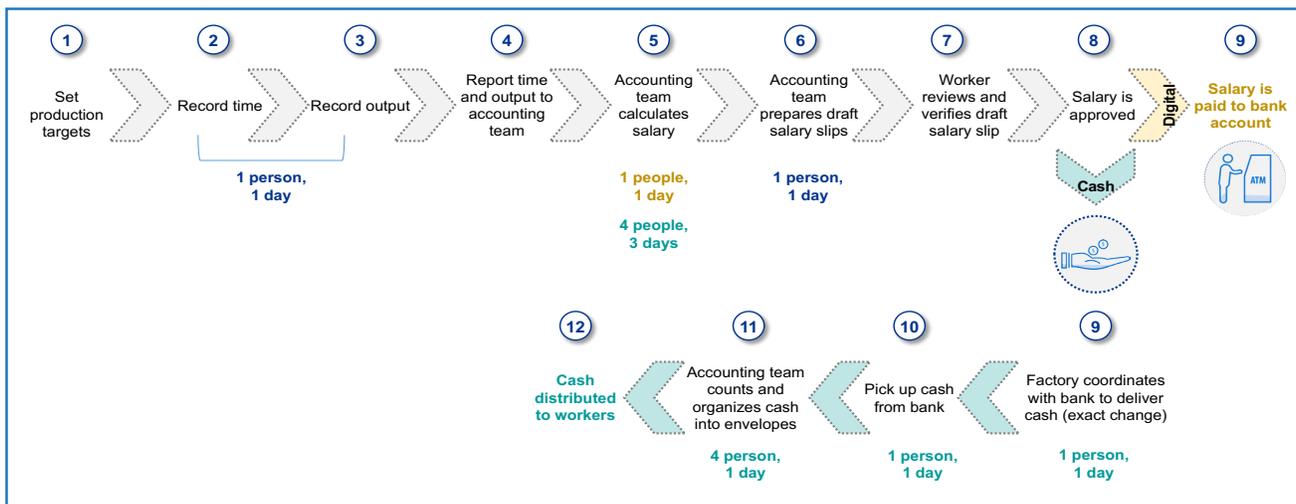
– Garment Factory, Female, Unmarried, 19

Thus, while perceptions of financial institutions are positive, financial institutions have the opportunity to enhance digital and financial capabilities of workers to ensure they understand and fully use their accounts.

Benefits and Challenges of Wage Digitization

- Based on the research, for a small enterprise with 300-500 employees, paying wages in cash requires 17 person-days more per month in staff time than paying wages digitally: Typically, those factories paying wages in cash also have manual processes to calculate wages. Therefore, the time taken for the accounting team to manually calculate workers' wages takes 4 people 3 days (12 person-days) while digital processes cut this time to 1 person 1 day. Once the salary is approved, digital wages are immediately disbursed into a financial account, while cash disbursement requires additional steps for the factory to coordinate with the bank (1 person-day), bring the cash to the factory premises (1 person-day), and count and organize cash for disbursement (4 person-days). Thus, disbursing cash wages takes 20 person-days per month to complete whereas disbursing digital wages takes only 3 person days per month (see FIGURE 1).

Figure 1: Process map of Cash vs. Digital Payments



- There is a potential business case for digitizing wage payments for small enterprises (less than 500 workers). Assuming that managerial staff earns VND 10MM-12MM/month and cash



wages take 17 person-days more per month than digital wages, the process of disbursing wages costs the enterprise VND 7MM-9MM / month. Thus, distributing wages in cash is equivalent to the cost of hiring one additional factory employee (assuming workers earn VND 6-8MM / month on average). In addition, there are several indirect costs associated with cash wage payments, including insurance and security to protect cash, transportation costs to bring cash to the factory premises, loss of time and productivity for workers to be off the line to collect wages, etc.

“By shifting to digital wage payments, we were able to reduce the manpower and costs required. Additionally, digital wage payment keeps us from miscounting and allow us to pay workers in full amount of salary they should receive.”

– Garment Factory, >500, workers, Digital wage payments

- While both enterprises and workers recognize the benefits of digital wages, certain challenges remain. For workers, digital payments can lower the risk of cash wages (such as theft or overspending), thus protecting their earnings and enabling them to save safely. However, overcoming challenges of trust and comfort that come with trying a new technology, the inconvenience of ATM trips, and high fees will be critical to ensure uptake. For enterprises, switching to digital wages would increase efficiencies by saving the time it takes to arrange cash payments and organize exact change, reducing manual processes and cash management activities, and improving records and transparency. However, challenges such as updating infrastructure, worker resistance to switching, and lack of a standardize approach to digitization remain. See FIGURE 2 for summary of benefits and challenges of digital wage payments to both the workers and enterprises.

“After paying all my rent or everything, the remaining of my salary can be kept in the account, and it’s safer rather than taking cash with me. And when I go shopping, I don’t need to keep too much cash.”

– Garment Factory, Female, Unmarried

Figure 2: Summary of Benefits and Challenges of Digital Payments to Workers and Enterprises¹²

		BENEFITS	CHALLENGES
 WORKER		<ul style="list-style-type: none"> • Convenient • Safe • Less time consuming • Able to save (prevents spending available funds) 	<ul style="list-style-type: none"> • Lack of comfort / knowledge on how to use • Cannot use in daily transactions • Time consuming to queue at ATM • Lack of trust with digital payments • Fees associated with banks
	 ENTERPRISE		<ul style="list-style-type: none"> • Simplified and centralized accounting • Saves time • Increased accuracy

¹² Women’s World Banking research and analysis



Recommendations

To successfully transition to digital wage payments, enterprises in Vietnam’s key sectors will need targeted solutions tailored to address the unique needs of their workers. In this research, we have identified two segments of women workers that can be targeted for digital financial inclusion through digital wage payments:

PERSONA: “Cash Always” Consumer 	DEMOGRAPHICS <ul style="list-style-type: none"> • Age: 16-35 • Marital Status: Single / recently married • Children: None • Household: Joint family structure or factory dorm • Migrant: Migrant from distant province • Education: Post-secondary 	EMPLOYMENT EXPERIENCE <ul style="list-style-type: none"> • Recently joined • Motivation is primarily for independence and source of income • Daily Routine: <ul style="list-style-type: none"> • 6:30AM-7AM – Wake-up • 7:30PM-11:30/12PM – Work in factory • 12PM-1PM – Lunch break • 1PM-5/5:30PM – Afternoon shift • 5:30PM – Go home • 6PM-7PM – Dinner • 7PM-9PM – Second shift OR relax with friends / call family • 10PM - Bed
	HOUSEHOLD BUDGET / EXPENSES <ul style="list-style-type: none"> • Limited expenses – no rent, limited food expenditures • Some provide contribution to household expenses, not in charge, limited expenses (little cost for food, no rent) 	WANTS / NEEDS <ul style="list-style-type: none"> • Feeling of independence and financial freedom • Consumerist mindset – want to spend and buy things and not really saving / planning for future
ATTITUDE TO FINANCIAL SERVICES <ul style="list-style-type: none"> • Impatient - want easy access to cash for spending • Lack of trust in mobile financial services – fear of fraud 	PAIN POINTS <ul style="list-style-type: none"> • Familiar with digital technology but need to be convinced of benefits of mobile financial services / digital accounts 	

The “Cash Always” consumer is typically an unmarried or recently married woman with no children. She is a recent employee, motivated primarily by independence and economic opportunity. She has limited expenses as she typically resides with extended family or within the factory dorm, thus does not bear the burden of managing her household. Her primary desires are for independence, financial freedom, and the ability to purchase what she wants; she is not focused on saving or planning for the future. She is familiar with digital technology but needs to be convinced about the benefits of digital financial services and build a desire to save in digital accounts.



With this segment, the solution should be focused on account onboarding, targeting the smaller factories still paying in cash and starting with a subset of workers to introduce digital payments and then roll out more broadly. We must communicate to workers the benefits and importance of saving and building resilience in times of economic uncertainties. Furthermore, providing enterprises, in particular smaller enterprises (less than 500 workers), with guidelines, tools and assistance will be critical to facilitate their transition to digital wage payment. To help build trust and confidence in digital accounts, we must also enhance digital financial capabilities of workers by working with enterprises to provide detailed, step-by-step training on how to conduct digital transactions.

<p>PERSONA: “Aspiring Digital” Saver</p>	<p>DEMOGRAPHICS</p>	<p>EMPLOYMENT EXPERIENCE</p>
	<ul style="list-style-type: none"> • Age: 20-50 • Marital Status: Married • Children: 1-5 kids • Household: Spouse, kids and maybe elderly parents • Migrant: Local to the town / province of factory • Education: High school or vocational training 	<ul style="list-style-type: none"> • 5+ years in job • Motivation is primarily for security and stable income for family • Daily Routine: <ul style="list-style-type: none"> • 5:30AM-6:30AM – Wake-up • 7:30PM-11:30/12PM – Work in factory • 12PM-1PM – Lunch break • 1PM-5/5:30PM – Afternoon shift • 5:30PM-Go home • 6PM-9PM – Spend time with family, take care of kids, prepare / eat dinner • 10PM -11PM - Bed
<p>HOUSEHOLD BUDGET / EXPENSES</p>	<p>WANTS / NEEDS</p>	
<ul style="list-style-type: none"> • Main expenses are for children (education, baby) 	<ul style="list-style-type: none"> • Responsibility for taking care of her family (including children or elderly parents) • Want to save and plan for the future (children’s education, house, etc.) 	
<p>ATTITUDE TO FINANCIAL SERVICES</p>		<p>PAIN POINTS</p>
<ul style="list-style-type: none"> • Perception of financial institutions as a trusted and convenient place to save and prevent spending easily • Utilizing banking services to pay some bills (e.g., water, electricity), but less comfortable with mobile and digital banking services 		<ul style="list-style-type: none"> • Limited income to save as expenses are high – saving is an “afterthought” • Need financial / digital education to fully embrace DFS

The “Aspiring Digital Saver” persona is typically married with children. She has been in her role for a long time and is primarily motivated to work because she wants economic stability. She is typically the bearer of household responsibilities and manages all the household expense. She already uses her bank account to pay some bills but is less comfortable with mobile and digital banking services. She wants to plan and save for the future, but given her limited income and higher expenses, she is unable to do so on a consistent basis.



For this segment, we recommend developing and enhancing savings solutions to promote savings behavior and provide additional use cases (e.g., remittances) to promote digital financial transactions. Given her trust of financial services, we should encourage her to avail the full features of her bank account beyond ATM withdrawals. Furthermore, we should build her digital financial capabilities by helping her understand how to use mobile financial services, how to budget and create a savings plan etc. to help her save even on a limited income.

Conclusion

A move to digital wage payments is a win-win for both workers and small enterprises of a certain scale (300-500 employees). Workers will deepen their access and engagement with financial services thereby building their security and prosperity and ultimately a sense of confidence and control. Enterprises will benefit from cost savings and increased productivity due to transitioning to digital wages, leading to business growth. However, for digital wage payment solutions to be successful they must be tailored to appropriately target key segments of women workers to successfully enable their financial inclusion.





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