

The Potential Gains of Digitizing Garment Sector Wages in Cambodia



- Digitizing wages in the Cambodian garment sector has the potential to drive efficiency in the supply chain, while bringing large numbers of unbanked workers, especially women, into the formal financial system.
- Digital wage payments are an effective & sustainable payroll solution. The COVID-19 crisis has demonstrated its benefits of digital payments for workers and employers.

To assess the market potential for digital wage payments in Cambodia's ready-made garment sector, BSR's HERproject and IFC, under the Better Work Partnership with the ILO and in close collaboration with Better Factories Cambodia, and supported by Microfinance Opportunities conducted a sector-specific survey* that yielded the following conclusions:

KEY FINDINGS:

- Switching from cash to digital wage payments can save money for factory owners.
- Workers' main concern is the ability to cash out from their accounts, as they still need cash for most of their financial transactions.
- The financial infrastructure surrounding Cambodia's garment sector is ripe for digitization, with smartphones and payroll products being readily accessible.

KEY RECOMMENDATIONS:

- Factories and FSPs should ensure digital wages payments consider the needs of workers, especially women, including protecting their data.
- Stakeholders should provide financial capability training and support to workers, including women, on how to use the digital services.
- Encourage and enable merchants to accept digital payments for goods, to reduce reliance on cash, and support the commercial viability of payroll accounts.
- Foster competition among FSPs with a system that allows workers to choose their own payroll account provider.

GARMENT INDUSTRY OVERVIEW

Cambodia's garment industry is estimated to account for **16% of GDP and 80% of Cambodia's export earnings**.

The industry is Cambodia's biggest employer, with more than **600 factories and 600,000 employees (80% women)**.

Many garment factories in Cambodia pay wages in cash.

This is often inefficient and risky for both employers and workers. Wages are paid twice a month, increasing administrative burdens.

* SURVEY NOTES

114 factories interviewed

56 were digitized
(average of 83% of workforce paid into accounts)

413 garment workers interviewed (82% female)
about half reported being paid into accounts

41 ecosystem stakeholders interviewed-

petty retail merchants
mobile phone retailers
food vendors
landlords

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FACTORIES FINDINGS:

Once wage payments are digitized, factories report a high degree of satisfaction with digital payroll payments.

- Factories making digital wage payments can lower payroll costs through staff time savings and less production time loss. **95% of factory managers paying digital wages were satisfied with the cost of the digitized payroll service.**
- **According to 81% of managers of digitized factories, the availability of ATMs or cash outs near the factory is “very important”.**



WORKERS FINDINGS:

There is an opportunity to enable workers to make digital financial transactions, such as remittances, that most workers (even those with accounts) still pay in cash. Workers paid in cash report interest in training and support if payments shifted to digital.

- **About 65% of workers send money home, but less than 10% send it digitally.**
- **About half of workers receive money from family, but only 10% of these receive it digitally.**
- **Almost all workers pay bills, but almost all such payments are in cash.**
- **About 70% of workers who are paid into mobile money accounts withdraw all wages on payday, compared to about 20% of workers paid into bank accounts.** This is likely explained by difference in cash out fees.
- **About 40% of workers currently paid in cash would like training on withdrawing their wages and using their account if their employer shifted to digital pay.**

ECOSYSTEM FINDINGS:

The garment sector constitutes a significant market for financial service providers, and the industry supports digital wages.

However, the economic **ecosystem for workers**, particularly merchants, faces barriers **to start accepting digital payments.**

- **There is an opportunity for financial services providers to tap into the market of garment workers through wage digitization.**
- **Local businesses serving workers prefer cash payments.**
- **Unions at the federation level support digital payments due to the advantages of increased transparency.**



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