

ADB



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Social Protection Payment Systems and Digital Financial Inclusion in Asia and the Pacific

Dr Stephanie Diepeveen

Senior Research Fellow - Digital

ODI (formerly the Overseas Development Institute)



The Research

- **Team:**
 - Dr M.B. Sarwar (lead), Dr S. Diepeveen, D.B. Moreno, and dRI (Bangladesh), CDRI (Cambodia), NISER (Nepal)
- **Areas of investigation**
 - How (digitalisation of) cash transfers contributes to financial inclusion for recipients
 - What supply side actors can do to achieve meaningful financial inclusion
- **Methods**
 - Focus group discussions (133 participants), interviews with persons with disability (N=44), key informant interviews (N=54)



Cash transfers and digital financial inclusion

Regional evidence from Asia Pacific with a focus on Bangladesh, Cambodia, and Nepal

By Moizza B Sarwar, Stephanie Diepeveen and Diego Benitez Moreno

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Outline

- **A (brief) regional overview**
- **Deeper dive:**
 - Experiences of cash transfer recipients
 - key factors affecting digital financial inclusion through digital payments
- **Opportunities for supply side actors**

Guiding questions and key terms

- **Is there evidence of digitalisation of social protection as a route to digital financial inclusion in the region? And for whom, and under what conditions?**
- **What are the barriers and challenges in digitalisation of social protection payments as an enabler of financial inclusion?**
- **Key terms: *financial inclusion, digital financial inclusion, ‘digitalisation’ of cash-based transfers***

The regional picture: Digital social protection payments

- **Of countries reviewed, almost all national governments have a plan or strategy to promote digital financial inclusion**
- **Most administer cash transfer programs with some form of digital technology (often in registration or transfer from government to FSP)**
- **But also, generally, there is a low emphasis on financial inclusion outcomes as part of cash-based transfers**

- **International development and humanitarian actors incorporate digital elements into cash-based transfers but often with shorter life spans; also involved in advocacy and evidence generation**



- **Private sector involved in key implementation roles, e.g. cash distribution, database development**



Deeper dive: User experiences from Bangladesh, Cambodia, Nepal

	Bangladesh	Cambodia	Nepal
Program	WFP DRR cash for work program, host communities in Cox's Bazar	Government COVID-19 emergency CBT & the child nutrition and grant allowance	Government Social Security Allowance (SSA) for single and widowed women and elderly recipients
Payment mechanism	Cash to bKash account linked to a SIM card	Cash transfers with digital component at the back end	Cash transfers with digital component at the back end
Information system	WFP SCOPE	IDPoor database	SSA beneficiary list

Indications of opportunities to expand digital financial inclusion

- **Some respondents – mostly women & elderly men/women – report first account with formal financial institution indicating necessary first step**
- **Using a POS (agent or ATM) locally means no time or expense accrued to get to far off cash disbursement centers**
- **One participant reported saving some cash every time to build towards savings for her child's education**
- **Some used the digital payment for credit, with mixed effects on financial stability and security**

Limited evidence of changes in use of digital financial products and services

- **Changes in individuals' financial lives are often not immediate or linear; but are shaped by contextual and individual factors that inform decision making**
- **Most behaviors remained the same before and after the cash-based transfers, for example:**
 - Payments usually cashed out within 1-15 days
 - Top ways of saving unchanged
 - No reported change in where cash recipients obtained credit during emergencies or for productive investments

Making sense of limited change: factors affecting digital financial inclusion through 'digital' payments

- **Digital mechanism / delivery mechanism**
- **Digital and financial infrastructure**
- **Knowledge and training**
- **Practices and norms**
- **Trust and mistrust**

Key reflections

- **Access to a bank or mobile money account does not necessarily translate into active use day-to-day transactions**
- **Whether or not individuals/households use and adapt digital cash transfers to improve their financial inclusion outcomes depends on other factors**
 - Use of technologies amongst trusted users and sellers, which depends on readily available infrastructure
 - Trust in formal banking & mobile systems, and the ability to access cash in an emergency
 - Knowledge of digital savings and credit products relevant to everyday lives of respondents
 - Interoperability to allow choice amongst providers as well as linkages across family/relative/friend networks regardless of location

For more information:

Sarwar, M.B., Diepeveen, S. and Moreno, D.B. (2023) Cash transfers and digital financial inclusion: Regional evidence from Asia Pacific with a focus on Bangladesh, Cambodia and Nepal, ODI Report, London: ODI.

Sarwar, M. B., and Diepeveen, S. (2023). Increasingly digital financial inclusion in the Asia-Pacific region: Key factors for cash recipient inclusion, ODI Policy Brief, London: ODI.

Opportunities and challenges for social protection and humanitarian actors

- **There is a key opportunity to enable first access to financial services**
- **A systemic approach (e.g., considering digital literacy, phone access and maintenance) is required to improve DFI for marginalized populations**
- **An important challenge is ensuring appropriate and sustained access to financial products among of marginalized groups**
 - When physical cash delivery/verification might be more appropriate?
 - How can requirements be adapted to ensure inclusion of the most vulnerable? (e.g., alternative documentation to prove residence)

Opportunities and challenges for private sector actors

- **Private sector actors play a central role within an enabling ecosystem for digital financial inclusion**
- **Specific contributions:**
 - Innovating and providing financial products and services needed for digitally-delivered CBT
 - Supporting and enabling the creation of a cash-in/cash-out and merchant network
 - Supporting and encouraging interoperability
 - As new intermediaries with back end digital disbursement