CARE CAMBODIA

Social Marginalised Women

SITUATION ANALYSIS: FINANCIAL INCLUSION OF FEMALE GARMENT FACTORY WORKERS IN CAMBODIA

04/April/2017
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We would like to thank the key informants from the National Bank of Cambodia (NBC), Ministry of Women Affairs (MoWA), Ministry of Labor and Vocational Training (MoLVT), International Labor Organization (ILO), Garment Manufacturers Association in Cambodia (GMAC), Cambodia Microfinance Association (CMA), ACLEDA Bank, AMK, Amret, Vision Fund, Wing, as well the selected garment factories and brands/retailers for their invaluable insights that have been indispensable for the study.

Lastly, we would like to show our heartfelt thanks to all the female garment workers for their participation in the focus group discussion and survey, without which the study could not have been successfully completed.

List of Acronym

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFD</td>
<td>Agence Française de Développement</td>
</tr>
<tr>
<td>ATM</td>
<td>Automated Teller Machine</td>
</tr>
<tr>
<td>CMA</td>
<td>Cambodia Microfinance Association</td>
</tr>
<tr>
<td>CWPD</td>
<td>Cambodian Women for Peace and Development</td>
</tr>
<tr>
<td>DP</td>
<td>Development Partner</td>
</tr>
<tr>
<td>FGD</td>
<td>Focus Group Discussion</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GMAC</td>
<td>Garment Manufacturers Association in Cambodia</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labor Organization</td>
</tr>
<tr>
<td>IFC</td>
<td>International Financial Corporation</td>
</tr>
<tr>
<td>MFI</td>
<td>Microfinance Institution</td>
</tr>
<tr>
<td>MoLVT</td>
<td>Ministry of Labor and Vocational Training</td>
</tr>
<tr>
<td>MoWA</td>
<td>Ministry of Women Affairs</td>
</tr>
<tr>
<td>NBC</td>
<td>National Bank of Cambodia</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental Organization</td>
</tr>
<tr>
<td>NSSF</td>
<td>National Social Security Fund</td>
</tr>
<tr>
<td>OT</td>
<td>Overtime</td>
</tr>
<tr>
<td>UNCDF</td>
<td>United Nations Capital Development Fund</td>
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</table>
Executive Summary

Commissioned by CARE Cambodia, the study examines the perceptions, needs and behaviors of female garment workers in accessing and using the formal financial products and services. At the same time, it explores the barriers, opportunities and solutions to enable financial inclusion of the female garment workers. The study’s approach is based on the definition of financial inclusion from the Center for Financial Inclusion, and examines a female garment workers’ accessibility, affordability, and eligibility to formal financial products, including deposit, credit, payment, and insurance. The report presents analysis and findings across three areas - enabling environment, supply of and demand for financial products and services, and the priority actions for key stakeholders. The study used a mix of desk based document review, key informant interviews, FGDs and in depth surveys with female garment workers to arrive at the findings, conclusion and recommendations.

The Royal Government of Cambodia (RGC) has put efforts in promoting the financial sector and supporting women working in the garment sector through the provision of the National Social Security Fund (NSSF), setting the minimum wage, providing subsidies and other policies. However, there is no specific policy or regulation on promoting financial inclusion of women, let alone female garment workers. According to the UNCDF’s FinScope (2015) study, financial inclusion is higher amongst females (73%) than males (69%) and higher in urban areas (74%) than rural areas (69%) with microfinance institutions (MFIs) being commonly used (24%) as opposed to banks (17%). As of December 2016, the majority of MFIs’ clients were women and they represented 69% of total depositors and 79% of total borrowers.

In Cambodia, banks, except ACLEDA, target medium to large-scale transactions in urban and peri-urban areas. MFIs offer products and services catering to customers who undertake micro and small-scale transactions in both urban and rural areas. As of December 2016, there were 2,580 licensed financial service providers including banks, MFIs, leasing companies, representative offices, third party processors, and money exchangers.

The garment sector is the largest non-agrarian employer providing employment to approximately 610,000 workers of which 87% are women from different provinces, with a minimum wage of US$ 153 (2017), still only 2% of the 590 GMAC member factories have a payroll service linked to a financial institutions, while the large majority are transacting payroll in cash given the unwillingness of workers to receive wages via banks or MFIs. In December 2016, GMAC signed an MoU with Wing, a specialized bank, in order to enable GMAC members to use Wing’s payroll services and garment workers to use its remittance services with special terms and conditions. Apart from this, brands and garment factories also encourage the factories to provide wages to workers through bank accounts.

The findings from the survey indicate that almost all of the respondents are internal migrants, except 4% who are from the Phnom Penh capital. Over 95% have an ID card with a few also possessing a passport. Most of the respondents claimed that they / their family own land (70%), house (67%) and motorbikes (67%). Nearly all respondents reported using at least one mobile device, with 63% using a smart phone. Besides the calling function, the workers use their mobile phones for entertainment purposes as well - to access Facebook, video, music and games, while none currently use it for making any financial transaction. In terms of education, although a majority of the respondents attended primary (45%) and lower secondary schools (41%), only 14% of them completed grade 6 and 6%, grade 9.

The majority of the respondents (94%) received their wage in cash with 87% having never had a bank/MFI account and 46% of them expressing interest to have a bank account. The average monthly income of the respondents was US$ 214 and expenses US$ 115 with remittance being around US$ 86. Based on this, the approximate amount left with a worker after daily expenditures, remittances and before paying personal
debts is estimated to be US$13 per month. During the last 12 months, more than half of the respondents (52%) mentioned that they and/or their family have taken loans, while the rest did not have any debt. To a large extent workers borrowed from formal institutions, mainly MFIs (40%) and a bank (Acleda Bank, 23%) as well as a leasing company (1%). The remaining of them used the informal credit mechanisms including money lenders (17%), relatives and friends (15%), community saving groups (2%), and Tong Tin (1%). Some respondents (12%) have had at least 2 loans from different sources. The size of loans taken from formal institutions ranges from US$2,000 up to US$40,000, while that from the informal sources is from US$10 to US$100.

In remitting money to family, majority of the respondents used digital money transfer agents (78%), followed by them physically handing it over to their family (13%) or through acquaintances (8%) and informal service of private vans/buses (1%). The digital money transfer service used by workers is completely dependent on agent networks, as they do not know a better or a more cost-effective way. In terms of insurance, NSSF being mandatory 92% said they were aware of it. Despite this, the utilization rate among the surveyed respondents remains low with 83% of respondents expressing that they have never used NSSF. Apart from this, the knowledge and usage of other private insurance products was rare.

Although financial inclusion is higher among women, in case of garment workers specifically we see that it is limited to remittance and credit products. A number of workers who do not have a bank account have expressed interest in saving in a bank/MFI in the future because of safety, interest earnings, leading to possibly having more income and money. In addition, several workers among those who are currently getting paid in cash expressed the interest in receiving their wage through bank deposits, for the same reasons. At the same time, the garment factories also indicated a preference to paying wages to workers through banks or MFIs and the interviewed banks and MFIs are interested in catering to garment workers through payroll, remittance, and deposit services. But worker’s perceived non eligibility, low literacy / digital literacy and critically low knowledge on products and service continue to remain a barrier which prevents them from accessing formal financial products and services.

Based on the observed needs and behavior patterns and visible gaps the study provides recommendations for priority actions (by specific identified stakeholders) on three main categories: 1) Financial literacy tools and outreach strategies as an accelerator for financial inclusion, 2) Bank linkage (to saving groups), and 3) Enabling financial access via workplace.

Introduction

This research was commissioned by CARE to build evidence and provide recommendations for CARE’s priority area on women economic empowerment, to develop a more integrated approach to financial inclusion within Dignified Work, with a specific focus on female garment factory workers (from hereon referred to as female workers) in Cambodia.

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1 Women’s economic empowerment is one of four priority areas for CARE’s work, as set out in the CARE 2020 Program Strategy, with the aim of reaching 30 million women having greater access to and control over economic resources by 2020.

2 Dignified Work means decent and gender-equitable jobs for women which contribute to their economic empowerment.
Objectives

The main objectives of the study are 1) To examine financial behaviors, needs of female workers and their constraints in accessing and using appropriate financial products and services; and 2) To recommend market based solutions and priority actions for key stakeholder engagement to support financial inclusion of female workers.

Framework

CARE defines women economic empowerment as the process by which women increase their right to economic resources and power to make decisions that benefit themselves, their families and their communities. This requires equal access to and control over economic resources, assets and opportunities as well as long-term changes in social norms and economic structures that benefit women and men equally.

Women’s Economic Empowerment Strategy of CARE (2016)

Financial inclusion as one of the interrelated and key pathways to economic empowerment means “households and businesses have access and can effectively use appropriate financial services. Such services must be provided responsibly, sustainably and in a well regulated environment” (CGAP).³ The Center for Financial Inclusion defines financial inclusion and its vision by covering 5 key categories⁴.

1. Access to a full suite of financial services – including credit, savings, insurance, and payments
2. Provided with quality – convenient, affordable, suitable, provided with dignity and client protection
3. To everyone who can use financial services – excluded and under-served people. Special attention to rural, people with disabilities, women, and other often-excluded groups
4. With financial capability – clients are informed and able to make good money management decisions
5. Through a diverse and competitive marketplace – a range of providers, robust financial infrastructure and clear regulatory framework

The above defines the study framework and approach, and the findings and analysis try to seek answers for:

1. How do female workers manage and use money? including evidence based on (but not limited to):
   a. Analysis of financial status of female workers (assets and debts)
   b. Financial management approaches of female workers - transactions and spending patterns by: type (income received, expenses, payments, remittances, etc.), method of transaction (chain of actions to complete transaction), frequency, value, rationale and associated challenges.
   c. Decision making processes around use of income by female workers (in household, and by communities).
   d. Level of knowledge and interest in different formal financial products & services and associated financial & digital literacy needs.

2. What do appropriate formal financial products and services for female workers look like? How can they be utilised effectively? Taking into consideration:

a. Specific barriers to female workers' full and efficient use of financial products and services (including physical barriers, social norms, product design, regulatory requirements).

b. Opportunities for and level of interest in supporting financial inclusion of female workers from key stakeholders (private sector actors in the garment industry, financial and non-financial institutions).

c. Formal financial product and service options for female factory workers (existing and emerging innovations) in Cambodia.

3. **What are the integrated approaches/mechanisms that Regulator (National bank of Cambodia-NBC), Formal Financial Institutions (FFIs), relevant NGOs (who work to promote financial inclusion) and private sectors (garment managers) should work together to support responsible financial inclusion of female workers.**

**Research Methodology**

**Data Collection Methods**

As part of the exploratory research, in addition to desk review, focus group discussions (FGDs) were conducted and worker survey were designed to understand financial behaviours and to explore opportunities and challenges regarding financial services as perceived by female workers.

1. **Desk review and analysis** of CARE program, government policies and regulations pertaining to financial inclusion of women in Cambodia and other relevant survey results and research reports by national and international organizations.

2. **Primary data collection:**
   - Key informant interviews (KIs) were carried out with CARE Cambodia project staff, financial institutions, non-financial private sector, business associations, development partners (DPs) and/or non-government organizations (NGOs).
   - Focus group discussions (FGDs) were conducted with 2 groups of female workers, having 8 participants in one group and 7 participants in another group at “Blue Roof” and “Red Roof”, two of the most garment worker populated residential areas along Veng Sreng road. The results helped test the survey questionnaire as well as provided insights to social factors.
   - Survey with female garment workers based on a semi-structured questionnaire designed with open-ended and dialogue-based components, allowing discovery of perceptions, behaviours and barriers to financial inclusion.

**Target Areas and Timeframe**

The study was conducted from mid-February to March 2017 in Phnom Penh, at the most garment factory populated areas in Cambodia. Four main areas were selected for the survey with female garment workers. Three areas were selected based on the concentration of garment factories, while another area, Kamboul, was purposefully selected to include workers getting wages paid via bank deposit.

- Veng Sreng area located in Khan Po Senchey and Dangkor
- Tuol Sangke area in Khan Russey Keo
- Railway area in Khan Sensoek
- Kamboul area in Khan Po Senchey
Source: Authors’ compilation based on the GMAC’s list of garment factories (as of December 2016).

**Sample Size**

The total sample size for this study is 220 including 18 key informants and 202 female garment workers. To fit in the required research timeframe and resources, the survey sample was based on 7% *margin of error* and 95% *confidence level*. With a total of 610,000 garment workers\(^5\) in Cambodia, a statistical sample of 196 is required. To ensure sufficient sample, 3% additional sample were interviewed, resulting in a total of 202 female garment workers participating in the FGDs and survey.

<table>
<thead>
<tr>
<th>Methods</th>
<th>Participants</th>
<th>Sample size</th>
</tr>
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<tbody>
<tr>
<td>KIIIs</td>
<td>Government organizations</td>
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<tr>
<td></td>
<td>Financial institutions</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Garment factories</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Brands and retailers</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Business associations</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>DPs / NGOs</td>
<td>3</td>
</tr>
<tr>
<td>FGDs and survey</td>
<td>Female garment workers</td>
<td>202</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>220</strong></td>
</tr>
</tbody>
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**Sample Selection and Identification**

Key informants and female workers were selected and identified based on certain criteria outlined in Table 2 below.

**Table 2: Sample selection and identification**

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Criteria</th>
</tr>
</thead>
</table>
| Financial institutions | - Banks and microfinance institutions (MFIs) with wide geographical coverage  
                        | - Banks and MFIs providing small loans  
                        | - Combination of institutions previously or currently providing services and products to female workers (including digital financing) and those having no specific services for them. |
| DP / NGOs           | - Supporting financial inclusion for women  
                        | - Supporting women in the garment industry |
| Garment factories   | - Having at least 2,000 workers and located in and around Phnom Penh  
                        | - Combination of factories both working and not currently working with CARE |
| Brands and retailers | - With sizable sourcing from Cambodia and/or  
                        | - Commitment to financial empowerment |
| Female workers      | **Selection Criteria:**  
                        | - At least 1-year experience as garment worker (irrespective of the type of responsibilities in the production line)  
                        | - Mixed marital statuses (married respondents not exceeding 40%)  
                        | - Young workers (majority not older than 35 years)  
                        | **Respondent identification:**  
                        | - Survey sample within the selected areas - Veng Sreng (40%), Tuol Sangke (30%), and Sen Sok (24%) - and purposefully selected sample in Kamboul (6%)  
                        | - Randomly identified at the workers’ residential areas located nearby the factories during their lunch break and after working hours in the evening  
                        | - Randomly identified within factories during their lunch break and working hours (with the factory’s permission) |
Financial Inclusion – Status and Trends

Country Context

According to the UNCDF’s FinScope (2015) study, 10 million of the Cambodia’s population (15.5 million\(^6\)) are adults, of which 42% are 30 years or younger and 52% are female. Three out of four adults are residing in the rural areas. In terms of education, 56% have primary education or lower and 13% have no formal education. There are more men with higher education than women. One third of the adults claimed to rely on farming as a main source of income, while the informal economy provides the main source of income for 25% of adults and 10% are dependents relying on remittances and assistance. Only 24% of the adults are earning from the formal sector. Approximately 40% of the adults earn around US$100 or less per month with over half of these adults earning less than US$50 per month. Accessibility to common financial service destinations such as banks/MFIs or ATMs is lower in rural areas.

The FinScope study defines individuals who are financially included as those who are either formally or informally served. Figure 1 illustrates the financial inclusion definition and utilization patterns. The formal financial inclusion rate in Cambodia is at 59% while 29% of adults are financially excluded. Financial inclusion is higher amongst females (73%) than males (69%) and higher in urban areas (74%) than rural areas (69%). MFIs are commonly used (24%) as opposed to banks (17%).

Figure 1: Defining financial inclusion and financial inclusion status in Cambodia


Gendered Access and Use of Financial Products and Services

The Cambodia gender dashboard\(^7\) (UNCDF, 2016) provides holistic insights on gender and access, use of financial services, “Financial Inclusion is higher amongst females in Cambodia”. Despite so, “the income distribution shows a disparity favoring males”. As of December 2016, the majority of MFIs’ clients were women and they represented 69% of total depositors and 79% of total borrowers.\(^8\)

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\(^8\) Interview with the representative of NBC in March 2017.
“Generally, men and women in Cambodia have fairly even levels of financial access. The major difference lies in the choices made around financial products and services. Men in Cambodia have a higher technological uptake both in terms of ownership and usage of mobile phones and access to mobile money agents. Additionally, a higher proportion of men working for government and state enterprises has given rise to higher banking usage among males. Women, who are less educated in comparison and have higher proportions of dependents are more likely to use local financial services such as MFI’s. There is little difference in the usage patterns of uneducated and educated women in terms of access to formal and informal services. Uneducated males are less likely to use informal services than uneducated women. There could be a number of reasons for this such as lack of social ties or village savings associations being mostly run by women. Men might also prefer to farm for subsistence as opposed to borrowing for consumption smoothing. Cambodia has a high rural populace (75 %) and gendered roles might be more prevalent in those settings. This might explain the high dependency of women on household members. The large number of female headed households to male-headed households also suggests that men might be part of a diaspora looking for better opportunities in neighboring countries. These men send money home on a monthly basis and thus the fairly even income levels between men and women. Women are also more likely to be self-employed and more reliant on cash transactions for payments as opposed to men who are more likely to be in formal employment where payments are made through a bank. Financial services and products need to take into account these gender nuances in order to provide relevant solutions.”

Financial Service Providers

In Cambodia, banks, except ACLEDA, target medium to large-scale transactions in urban and peri-urban areas. MFIs offer products and services catering to customers who undertake micro and small-scale transactions in both urban and rural areas. As of December 2016, there were 2,580 licensed financial service providers including banks, MFIs, leasing companies, representative offices, third party processors, and money exchangers.

Table 3: Financial institutions in Cambodia (as of December 2016)

<table>
<thead>
<tr>
<th>No.</th>
<th>Institutions</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Commercial banks</td>
<td>37</td>
</tr>
<tr>
<td>2</td>
<td>Specialized banks</td>
<td>15</td>
</tr>
<tr>
<td>3</td>
<td>Licensed MFIs (7 deposit taking MFIs)</td>
<td>70</td>
</tr>
<tr>
<td>4</td>
<td>Registered microfinance operators</td>
<td>170</td>
</tr>
<tr>
<td>5</td>
<td>Representative offices</td>
<td>7</td>
</tr>
<tr>
<td>6</td>
<td>Financial leasing companies</td>
<td>12</td>
</tr>
<tr>
<td>7</td>
<td>Third party processors</td>
<td>8</td>
</tr>
<tr>
<td>8</td>
<td>Money changers</td>
<td>2,261</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>2,580</strong></td>
</tr>
</tbody>
</table>

Source: NBC’s Annual Report 2016 and Plan 2017

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Garment Industry

From its small scale start, the garment industry rose to prominence in the early 1990’s. Garment and footwear sector remains the backbone of Cambodia’s economy and exports. In 2015, combined garment and footwear exports accounted for 78% (US$6.3 billion)\(^{10}\) of the country’s total merchandise exports. The sector’s value in 2015 accounted for 11% of the Cambodia’s gross domestic products (GDP).\(^ {11}\)

In this context, it is interesting to note that only 3% of the factories are owned by Cambodians, 33% Chinese investors, followed by Taiwan (19%), Hong Kong (15%), and Korea (13%).\(^ {12}\) The number of strikes reported in 2015 was 118 (a 9% increase from previous year) with 452,364 lost work days.\(^ {13}\) “Political and industrial stability are important for buyers and investors to continue operation in and sourcing from Cambodia, but the future of the industry also depends on increasing competitiveness and productivity. Considering international developments around trade and potential new garment producing countries emerging on the scene, Cambodian’s dependence on cheap labour as an important source for competitive advantage is at risk.”\(^ {14}\)

The number of garment and footwear factories operating in Cambodia was 604 as of June 2016.\(^ {15}\) Majority of the factories are located in Phnom Penh capital (58%), Kandal province (17%) and Kampong Speu (9%).\(^ {16}\) Thus by far, the sector is the largest non-agrarian employer providing employment to approximately 610,000 of which 87% are women from different provinces,\(^ {17}\) with a minimum wage of US$153 (2017). Thus, the garment industry in Cambodia provides women an opportunity to become part of a formal economy. Given the sizeable employment of the sector, there has been a significant flow of remittances transacted by migrant female workers to their families in the rural areas.

\(^{11}\) Cambodian garment and footwear sector bulletin. Issue 5, January 2017. ILO national Coordinator for Cambodia.  
\(^{13}\) Ibid.  
\(^{14}\) Ibid.  
\(^{15}\) Cambodian garment and footwear sector bulletin. Issue 5, January 2017. ILO national Coordinator for Cambodia.  
\(^{16}\) GMAC’s member list as of December 2016.  
\(^{17}\) Cambodian garment and footwear sector bulletin. Issue 5, January 2017. ILO national Coordinator for Cambodia.
Enabling Environment for Financial Inclusion – Roles of Key Stakeholders

Government - Policy and Initiatives

The Royal Government of Cambodia has adopted a number of regulations and policy supporting the development of the financial sector, women economic empowerment and employment through specialized departments and bodies – National Bank of Cambodia (NBC), Ministry of Women’s Affairs (MOWA), and Ministry of Labour and Vocational training (MOLVT). However, while NBC is in the process of developing a financial inclusion strategy, there is no specific policy or strategy on financial inclusion particularly to address financial inclusion of female garment workers. But there is significant influence of the government in shaping and regulating the financial sector which can have an impact on the lives of female workers.

“[…] Prime Minister Hun Sen… pulled the country’s mobile operators into his aggressive campaign to clear up any confusion about the relationship between the government and microfinance institutions (MFIs), ordering them to send audio and text messages telling subscribers that MFIs were private entities […] that any people were under the false impression that debt accrued from microfinance loans was state money and could be forgiven by the government” – Cambodia Daily, 23 Feb 2017.¹⁸

In addition, NBC in March 2017 set the lending interest rate ceiling of 18% for MFIs.¹⁹

Below provides a summary of three specific initiatives relevant to female workers:

**Financial Literacy:** In the recently launched campaign called “Let’s Talk Money”, NBC in partnership with Good Return have produced a number of educational materials including a booklet, video and sound clips, an educational song and other materials/resources in order to raise awareness of people on important money matters focusing on their interactions and contact with formal financial service providers.²⁰ Female garment workers have been featured as a part of the content.

**National Social Security Fund (NSSF),** a government run insurance scheme covering workers’ injuries, work related illness and travel-related accidents, has been in place since mid-2008, provisioned in the Labor Law. On 6 January 2016, the NSSF’s coverage was broadened to include healthcare services (including medical care, vaccination, and maternity). For work injury insurance, the employers contribute a full payment of 0.8% of the workers’ gross salary, and for health insurance, the employers and employees each contribute a premium of 1.3% of the workers’ gross salary.²¹ Through this scheme, the children of the NSSF-covered employees will be financially supported until the age of 21. Beneficiaries can access to the partnered public hospitals and health centers.²² As of 2016, NSSF covered nationwide and registered around 8,731 enterprises (with an increase of

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²⁰ Webpage of “Let’s Talk Money” Campaign, [http://www.talkmoney.info](http://www.talkmoney.info). The campaign delivers its key educational messages and contents through booklet publication and video/sound clips covered on social media, YouTube, radio and TV.


²² Interviews with the representatives of MoLVT and ILO in March 2017.
2% from 2015) employing 1,136,271 workers (with an increase of 5% from 2015), of which 70.74% was women. NSSF received 36,734 occupational risk reports.23

**Subsidies:** As an initiative to help the garment workers not to get overcharged by the landlords, since late January 2015, the government through the Électricité du Cambodge (EdC), a state-owned enterprise, has fully subsidized electricity meters, connection fee and other materials to the garment workers residing in rented rooms and lowered the deposit from 61,500 riels (about US$15.40) to 30,500 riels (about US$7.60), while the tariff is set at between 610 riels and 820 riels (about US$0.15-US$0.20) per kilowatt hour.24

Previously, the workers paid between 850 riels (about $0.21) and 2,500 riels (about $0.60) per kilowatt hour being charged by their landlords.25

**Development Partners and NGOs**

There are several development partners (DPs) and non-governmental organizations (NGOs) working on promoting financial inclusion. These include the International Financial Corporation (IFC), Agence Française de Développement (AFD), ADA, United Nations Capital Development Fund (UNCDF) and Good Return who are working with the banks, MFIs and the Cambodia Microfinance Association (CMA), and NBC through technical and financial support, while the Cambodian Women for Peace and Development (CWPD) is working directly with the female garment workers on education and awareness raising on a wide range of topics including financial literacy. The activities on the establishment of saving groups or any informal financial mechanisms were not studied.

**Industry Body**

**Garment Manufacturers Association in Cambodia (GMAC)** has a membership base of 590 export-oriented garment and footwear factories. Only around 2% of its members (factories) have a payroll service through financial institutions, while the large majority are transacting payroll in cash given the unwillingness of workers to get salary via banks or MFIs. So far, GMAC does not have any specific policy to promote financial inclusion; however, it encourages members (garment factories) to use bank or MFI services for payroll.26 In December 2016, GMAC signed an MoU with Wing, a specialized bank, in order to enable GMAC members to use Wing’s payroll services and garment workers to use its money withdrawal services with special terms and conditions. According to GMAC’s president, 5 factories have been using Wing’s payroll service and the association encourages the rest of the members to follow.27 Apart from this, GMAC expressed its willingness to support NGOs to provide financial literacy training to the workers.28

**Garment Factories**

In this study, top management and human resource management team from 3 garment factories were interviewed, and four different ways in which the factories are supporting and/or contributing to financial inclusion for garment workers have been concluded.

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24 The tariff is 610 riels (US$0.15) for the monthly consumption of less than 50 kwh, 720 riels (US$0.18) for 51 kwh - 200 kwh, and 820 riels (US$0.20) for above 200 kwh (source: [http://www.edc.com.kh/newsdetail.php?id=114&typeid=1](http://www.edc.com.kh/newsdetail.php?id=114&typeid=1) (accessed 8 March 2017)).


26 Interview with the representative of GMAC in February 2017.


28 Interview with the representative of GMAC in February 2017.
- **Payroll:** Factories are in favor of using payroll services offered by banks and/or MFIs in order to ensure transparency, reduce risks of losing money and dealing with counterfeit notes. In addition, it reduces time, efforts and costs associated with a manual payroll system. Factories mentioned that an estimated 1 hour of work time can be saved (required for manually handing over cash to the workers). However, this transition remains challenging for the factories, given the workers' preference to receive wages in cash.

- **Facilitating access to credit:** Factories provide an endorsement of employment and salary, which the staff and workers can use as a supporting document when applying for a loan from a bank/MFI. One of the factories also mentioned tracking debt record of the workers as part of buyer requirement.

- **Financial literacy:** The factories conduct an orientation on wage calculation to workers when they join the factory, which is a requirement by law\(^{29}\) as well as buyers. In addition, factories contribute to workers being well informed about their wage compositions as they distribute pay slips\(^{30}\), 2 days in advance or on the pay day, so that the workers can reach out to the management if the amount is not correct. Two of the interviewed factories have cooperated with NGOs like CARE (funded by Levis Strauss foundation) and SIPAR (funded by AFD, through a factory library project) in providing financial literacy education on topics like financial planning and managing debts.

- **NSSF and insurance:** Although the factories do not purchase any private insurance for workers, they facilitate the process of registration of workers to the NSSF and financially contribute to the scheme.

> [...] Currently the factory is using a bank linked payroll for 76 office staff and 83 worker group leaders. The factory plans to gradually expand this for up to 50% of the total workers by 2017. [...] Prior to this decision, we conducted a survey with our workers in mid-2016, and the result showed that majority of the workers preferred wages paid in cash to bank linked payroll. However, through another survey in late 2016, we explicitly explored the most preferred payroll service providers among the workers, and came to the result that Wing was the most popular. [...] In order to overcome the barrier and encourage workers to use bank or MFI's payroll service, the factory will work with the worker group leaders and union members, by providing non-monetary incentives based on the number of workers they could persuade to use banked payroll. At the same time, we will invite and allow Wing to introduce its products and services. [...]  

*Said a garment factory*

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**Brands and Retailers**

Financial inclusion is not a buying/sourcing criteria of the interviewed brands and retailers\(^{31}\) but is limited to ensuring the wage, compensation criteria (including worker's awareness) as set by the labour law and codes of conduct are met. However, they do encourage supplier factories to use bank or MFI payroll services. In some cases, as communicated by the factories, the brands/retailers also request factories to track the debt status of workers and keep them informed about it, as a method to monitor sustainability of their supply chains.

"Digital payments are an efficient and scalable way to improve the lives of the employees of our suppliers. [...] They offer a faster, safer and more transparent way to receive their salary, increase financial inclusion and support women's economic independence,"\(^{32}\) said Gustav Loven, social sustainability manager of H&M group. In case of Levis, financial empowerment, is a component of the Worker well-being initiative, where Levis "[...] saw an opportunity to go beyond compliance and invest in programs that focus on actually improving the lives of the workers."\(^{33}\)

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\(^{30}\) An employer should provide pay slips to all employees each pay day. These pay slips should be in Khmer and show how the wages were calculated.- Cambodian Labour Law Guide revised 2014 (EN&KH&CN), [http://betterfactories.org/?p=6331](http://betterfactories.org/?p=6331)

\(^{31}\) Interviews with the representatives of 2 brands and retailers.


Financial Service Providers – Products and Services

Availability of Financial Products and Services

Banks and MFIs offer a wide range of products and services, most common being - deposits, credit, and payment. However, some banks and MFIs also offer products in response to specific needs and demands and/or customer segments - including insurance and leasing. There are many banks and MFIs in Cambodia offering products and services that can be useful and are relevant to garment workers; however, the study selected only 5 banks and MFIs which currently have products and plan to develop products for garment workers with the wide geographical coverage areas and one institution which has not worked with the garment workers. The products and services of the interviewed banks and MFIs are listed in Table 4.

Table 4: Products and services of banks and MFIs

<table>
<thead>
<tr>
<th>No.</th>
<th>Bank/MFIs</th>
<th>Nature of Business</th>
<th>Coverage</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ACLEDA</td>
<td>Commercial bank</td>
<td>259 branches (nationwide)</td>
<td>Deposit, credit (business, personal consumption, agriculture, trade, student, housing, credit line…), payment (transfer and payroll), leasing and insurance</td>
</tr>
<tr>
<td>2</td>
<td>Wing</td>
<td>Specialized bank</td>
<td>5,000 agents (nationwide)</td>
<td>Payment (local and international transfer through mobile money transfer, bill payment, phone top up, online payment, and payroll)</td>
</tr>
<tr>
<td>3</td>
<td>AMK</td>
<td>MFI</td>
<td>141 branches (23 provinces) and 2,500 agents (nationwide)</td>
<td>Deposit, credit (business, housing, agriculture, personal consumption…), payment (including mobile money transfer), and micro-insurance</td>
</tr>
<tr>
<td>4</td>
<td>Amret</td>
<td>MFI</td>
<td>141 branches in 20 provinces</td>
<td>Deposit, credit (business, housing, agriculture, personal consumption …), and payment (including payroll)</td>
</tr>
<tr>
<td>5</td>
<td>Vision Fund</td>
<td>MFI</td>
<td>138 branches (20 provinces)</td>
<td>Deposit, credit (business, agriculture, personal consumption, education,, emergency, housing …), and payment (inter-branches money transfer)</td>
</tr>
</tbody>
</table>


Digital Finance

In Cambodia, digital finance emerged in 2009 and has become popular among Cambodians. Mobile payment services including local remittances, repayment of bank or MFI loans, payment for utilities (electricity and water bills), and mobile phone top up services are offered to all segments of population. Table 5 below shows the mobile money transfer service providers, number of agents, and their coverage areas. Each provider has at least 1,000 agents nationwide, located in urban, peri-urban, and rural areas. The service providers (except AMK and Ly Hour Veluy) have a mobile application. With a Wing account, transactions can be made either via SMS command (applicable for both featured and smart phones) or application (applicable for only smart phones).

Table 5: Mobile money transfer service providers in Cambodia

<table>
<thead>
<tr>
<th>Service</th>
<th>Operating</th>
<th>Amount Transfer</th>
<th>No. of Transfer Fee at</th>
<th>Coverage</th>
</tr>
</thead>
</table>

54 Amret’s payroll service is still limited as it can only cover the enterprises having around 100 employees.
### Micro-Insurance

Micro-insurance is not yet popular among Cambodians; however, there is an increasing demand and supply of the service. To date, there are 6 micro-insurance service providers who are financial institutions and insurance companies which offer health and accident insurance and/or life insurance schemes with an annual premium of less than US$40.

#### Table 6: Micro-insurance service providers in Cambodia

<table>
<thead>
<tr>
<th>Organizations</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong> AMK</td>
<td>AMK, partnering with Forte Insurance Company, offers both micro health and personal accident insurance to its clients and micro life insurance to both clients and non-clients. The annual premium for health insurance is US$6.00 and life insurance is US$5.00-US$19.00.</td>
</tr>
<tr>
<td><strong>2</strong> BIMA</td>
<td>BIMA is an insurance company which has partnered with Smart Axiata, a telecom company, in providing micro health and life insurance to Smart Axiata's clients. Its premium is US$3.20 per month or US$38.40 per year.</td>
</tr>
<tr>
<td><strong>3</strong> Sokapheap Krousar Yeung (SKY)</td>
<td>SKY offers a micro health insurance to households at a premium of US$0.50-US$1.83 per month, depending on the household size.</td>
</tr>
<tr>
<td><strong>4</strong> MEADA Rabrong</td>
<td>MEADA Rabrong offers life insurance at a premium of US$6.00 per year and loan protection, cooperating with a MFI, at a premium of 1.5% of the loan size.</td>
</tr>
<tr>
<td><strong>5</strong> Prevoir Kampuchea Micro-life Insurance (PKMI)</td>
<td>PKMI offers micro insurance services on health, personal accident, and life insurance to MFIs which purchase it for their clients – embedded with the credit of MFIs – at a premium of US$5.00 per year. Also, it offers health and life insurance to individuals at a premium of less than US$9 cents a day.</td>
</tr>
<tr>
<td><strong>6</strong> iCare Benefits</td>
<td>iCare Benefits, a social enterprise and subsidiary of iCare Benefits Asia, offers micro-health and life insurance at a premium of US$12 per year.</td>
</tr>
</tbody>
</table>

Source: Interviews and respective websites.
Requirements for Formal Financial Access

The requirements and supporting documents to access formal financial products is detailed in the table below.

Table 7: Requirements by financial product types

<table>
<thead>
<tr>
<th>Products</th>
<th>Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposit</td>
<td>- Initial deposit in an account: US$0-US$5 (depending on bank and MFIs)</td>
</tr>
<tr>
<td></td>
<td>- Legal documents(^{(1)})</td>
</tr>
<tr>
<td>Lending</td>
<td>- Collateral (fixed asset) or personal guarantor (for a very small loan size)</td>
</tr>
<tr>
<td></td>
<td>- Legal documents to prove identity and address of borrowers</td>
</tr>
<tr>
<td></td>
<td>- Source of incomes (capital and cash flows)</td>
</tr>
<tr>
<td></td>
<td>- Characteristics of borrowers, capacity to repay, conditions for loan use</td>
</tr>
<tr>
<td>Remittances</td>
<td>- Cash-to-cash remittances via mobile/digital finance: requiring telephone numbers of both sender and receiver</td>
</tr>
<tr>
<td></td>
<td>- Account-to-cash: receiver needs to cash out at mobile banking agents</td>
</tr>
<tr>
<td></td>
<td>- Account-to-account: both sender and receiver should have an account with a financial institution</td>
</tr>
<tr>
<td>Insurance</td>
<td>- Existing and non-existing clients of financial institutions (AMK and ACLEDA)</td>
</tr>
<tr>
<td></td>
<td>- Ability to pay the premium</td>
</tr>
</tbody>
</table>


Note: \(^{(1)}\) ID card, passport, or other legal documents including birth certificate, family book, or endorsement letter from the local authorities.

Products and Services Targeting Garment Workers

In addition to the existing products and services, the interviewed banks and MFIs offer and/or are designing products specifically for garment workers.

ACLEDA has been serving 24,000 garment workers and 152 garment factories, out of which 45 factories use its payroll service. Another product that is relevant for the garment workers is the overdraft (OD) facility for depositors which offers amount of up to 3 times of their salary and a total of 2 million riels (US$500) with a maturity of up to one year. In order to use the product, it is required to open a saving account with the bank having an annual deposit rate of 0.5% and a monthly lending rate of 1.7%-2.4%. In addition, ACLEDA will launch “ACLEDA Torn Cheth” (meaning ACLEDA Fast) in April 2017, targeting the unbanked and under-banked Cambodians. Even without a bank account, users can transfer money via mobile devices which can be operated in local language, Khmer.\(^{36}\) Moreover, the bank has cooperated with Prudential, an insurance company, in providing health, accident and life insurance services to ACLEDA’s existing clients and non-clients.

Wing has served 3 million Cambodians, including garment workers. So far, its payroll and remittance services have been used by the garment workers. Since December 2016, Wing has partnered with GMAC in order to provide financial services with special terms and conditions to the garment factories and their workers.\(^{37}\) Wing not only provides mobile banking service but also educates garment workers on financial services and benefits. Wing is committed to reaching out to people who do not have a bank account and ensuring users’ knowledge in using Wing services through its agents across the country.\(^{38}\) Under the partnership with GMAC, Wing

\(^{36}\) Interview with the representative of ACLEDA Bank in March 2017.

\(^{37}\) Interview with the representative of Wing in March 2017.

expects to reach 5 million clients.\textsuperscript{39} Wing users can make transactions directly via their mobile devices, be it a featured or smart phone. In addition, Wing has recently launched a \textit{mobile money payment} \textsuperscript{40} application, in English and Khmer and is training garment workers on how to use the application.\textsuperscript{41}

The popular products and services of AMK among the garment workers are the mobile banking service and micro-insurance. AMK’s \textit{mobile banking service} \textsuperscript{42} targets the existing poor clients for saving and debt repayment transactions, and money transfer for all customers. Money transfer is the most popular among the 3 products. AMK will launch a mobile application at the end of 2017. In addition, AMK offers \textit{micro health and accident insurance} with a premium of US$6 per year to the existing clients and \textit{micro life insurance} with a premium of US$5 to US$19 per year to both existing and potential clients. Moreover, AMK will pilot the \textit{long-time saving} in April 2017, requiring the clients to initially deposit and maintain a minimum balance of US$2 and providing 4%-5% of annual interest rate based on the specified maturity, 5% contribution from AMK on the ending balance upon maturity, and free insurance service.\textsuperscript{43}

\textbf{Amret}, through the financial support received from UNCDF’s Challenge Fund, has developed a product called \textit{Family+} in late January 2017, aimed at providing remittance service specifically for female garment workers. \textit{Family+} offers the garment workers monthly no-cost remittance service for 12 times a year for a maximum amount of US$500 per transaction. Both senders (urban factory workers) and recipients (rural family members) are required to have an account\textsuperscript{44} charging an annual fee of US$2 per account and an annual deposit rate of 1% for US dollars and 1.5% for Khmer riels. In addition to the office-based service, Amret also offers “cash-in and cash-out doorstep services”. For many years, Cambodia’s microfinance sector has effectively served low-income rural customers with credit/lending products. Yet the uptake of products that increase savings and assets has been slow. It is expected that with no-cost remittance as a driving factor, women garment workers will open savings accounts in Amret. The customers using \textit{Family+} will in the future be motivated to save more in their respective savings account, thereby creating long-term assets for families to reach their respective financial goals.\textsuperscript{45} To date, 42 garment workers are using this product.\textsuperscript{46}

\textbf{iCare Benefits} is a membership-based social enterprise that helps factory workers in the developing countries (in Asia) earning between US$100 to US$500, to pay for essential products and services like mobile phones, TVs, white goods, laptops, bicycles through a 0% interest, 6-month instalment program. There are no costs or fees for factories to join iCare Benefits, and no costs for workers to enroll. The program incentivizes the factory by providing 1% cash back on qualifying transactions to spend on other company initiatives for workers. They currently operate in 7 countries (Vietnam, Indonesia, India, Laos, Cambodia, Thailand, and the Philippines) with a total membership base of 2.5 million workers.\textsuperscript{47}

\textsuperscript{39} Ibid. \\
\textsuperscript{40} Mobile money payment is a non-cash payment mechanism. Users do not need to use cash for payment but smart phone by showing QR to the suppliers who can be micro to large enterprises. The expenses will be automatically deducted from users’ Wing accounts. \\
\textsuperscript{41} Interview with the representative from Wing in March 2017. \\
\textsuperscript{42} Launched in late 2013. \\
\textsuperscript{43} Interview with the representative of AMK in March 2017. \\
\textsuperscript{44} The specific product name is “Happy Account”. \\
\textsuperscript{46} Interview with the representative of Amret in February 2017. \\
\textsuperscript{47} https://www.camboexpo.com/ctg/visitorExhibitorDetail.asp?comNo=261188 (last accessed, March 2017)
Female Garment Workers – Financial Behaviors, Needs and Barriers

Worker Profile

Of the 187 workers surveyed (also referred from hereon as respondents), almost all them are internal migrants, except 4% who are from the Phnom Penh capital.

Age: The average age of the respondents is 27, with a majority of them (87%) aged below 35.

Marital status: More than half of the respondents (56%) are single and nearly one fourth of the single respondents are in a relationship, while the remaining are married (38%) or widowed, divorced/separated (6%). Of the married women, 8% are currently pregnant, and of the married and widowed/divorced women, 75% have (on an average) 1 to 2 children.

Education and training: Although a majority of the respondents attended primary (45%) and lower secondary schools (41%), only 14% of them completed grade 6 and 6% grade 9. The group also included 6% of workers who completed upper secondary schools and 4% who completed grade 12, while another 4% of the respondents have no formal schooling. Additionally, 12% of workers reported having participated in technical/vocational training, including tailoring, hairdressing and cooking offered by private training service providers.

Living: Majority of the respondents (88%) are sharing a room or house on an average with 2 persons per room, and this is consistent across single, married, and widowed/divorced respondents. Most of the single respondents are sharing a room with their siblings, friends/colleagues, and relatives, with a few staying with their parents. The widowed/divorced respondents were sharing a room with siblings and children, with some of them also staying with parents and/or friends/colleagues.

Figure 2: Accommodation sharing

<table>
<thead>
<tr>
<th>Sharing a room/house with someone?</th>
<th>With whom do you share a room/house? (n=165)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>[Graph showing distribution of sharing with different groups]</td>
</tr>
<tr>
<td>Yes (n=165)</td>
<td>[Graph showing distribution of sharing with different groups]</td>
</tr>
</tbody>
</table>


Employment Profile

The survey covered workers from 33 different factories, while 3% of the respondents did not know or could not recall the name of the factory they were employed. On average, the respondents have been working in the garment sector for around 5 years and at the current factory for nearly 4 years, with 33% of them working in the sector for around 2 years. Half of the respondents are working in sewing section, with 10% in cutting section and 14% as quality controllers, with a few in other sections like printing, ironing, packaging among others.
Figure 4: Factory work experience and responsibilities


**Capacity to Avail Financial Services**

**National ID:** Over 95% of the respondents have an ID card\(^48\) with a few also possessing a passport, while the remaining, 4% reported having neither the ID card nor passport.

**Assets owned:** Most of the respondents claimed that they/their family own land (70%), house (67%) and motorbikes (67%).

**Mobile phones/connectivity:** Nearly all respondents reported using at least one mobile device, with 63%\(^49\) using a smart phone. Besides the calling function, the workers use their mobile phones for entertainment purposes as well - to access Facebook, video, music and games, while none currently uses it for making any financial transaction.

**Figure 3: Mobile device – types and usage**


**Perception of financial products and services:** Majority of the respondents (82%) were unclear about what “financial products/services” exactly mean. Among the 18% who claimed to know, some related the term to

\(^{48}\) In Cambodia, an ID card is a proof of citizenship and it is the most commonly used and recognized for both informal and formal purposes. This is provided by the Ministry of Interior.

\(^{49}\) Other mobile devices are featured phones which here we have assumed does not have internet access.
banks and/or MFIs but hardly anyone mentioned about deposit (1 respondent) or bank loans (4 respondents). Some respondents referred to the term “money”.

**Financial Status**

*Earnings*

It was observed that in case of workers who were being paid based on a *piece rate* system, in almost all cases, had a sewing job function. While other fixed-wage workers (usually those responsible for general work) are incentivized by bonuses from the factory to keep up with the work pace of the piece-rate workers. However, all the workers receive, at minimum the minimum monthly wage if the piece-rate wage is lower than the minimum wage (US$153)\(^{50}\).

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**Wage Summary – February 2017**

- 89% received a monthly wage, average being US$206 with a minimum of US$130\(^{51}\) and maximum of US$390;
- 11% received wages based on a piece-rate system, average being US$275 with a minimum of US$200 and maximum of US$400. Regardless of wage types, the average monthly income was US$214 among all the surveyed workers.

Source: Garment worker survey, Feb-Mar 2017

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**Figure 5: Wage ranges and types of the February’s wage**

![Graph showing wage ranges and types](image)


Based on information reported by the workers who could provide the details of their wage compositions, on an average monthly wage compositions besides the minimum wage include:

1. Overtime (OT) - US$13-US$20\(^{52}\)
2. Attendance bonus - US$8-US$10
3. Meal allowance (lunch and OT-food support) - US$10-US$12
4. Accommodation and transportation allowance - US$7-US$9
5. Seniority incentive - US$3.5-US$4.5
6. Other bonus pay (e.g. skill bonus) - US$1.5-US$3

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\(^{50}\) The minimum wage of US$153 is effective from 1 January 2017, increasing by US$13 from the last year’s wage.

\(^{51}\) For those who took unpaid leave.

\(^{52}\) The OT pay is based on a rate of 150% of the worker’s normal wage for the OT work performed on Monday-Saturday and a rate of 200% for the work done on Sunday and public holidays.
In addition to the minimum wage and benefits in accordance to the law and regulation, workers also receive additional incentives and other benefits, below table presents the comparison of wage and benefits provided by an interviewed garment factory vs the minimum provisions as required by the Labour Law and other related regulations.

Table 8: Wage and benefits provided to garment workers

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Minimum Provisions</th>
<th>Offered by the Interviewed Factory⁽¹⁾</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attendance bonus</td>
<td>US$10/month⁽³⁾</td>
<td>Sam as the provision</td>
</tr>
<tr>
<td>Seniority bonus</td>
<td>US$2/month during year 2 of employment with an annual incremental of US$1⁽³⁾</td>
<td>US$1/month from the 2nd month of year-1 employment with an annual incremental of US$1 for following years</td>
</tr>
<tr>
<td>OT</td>
<td>150% for OT on Monday-Saturday (16:00-18:00) and 200% on weekdays (night time), Sunday and public holidays⁽⁴⁾</td>
<td>Same as the provision</td>
</tr>
<tr>
<td>OT-meal allowance</td>
<td>US$0.50/day (=2 hours) or one free meal per day⁽³⁾</td>
<td>US$0.50/day</td>
</tr>
<tr>
<td>Lunch allowance</td>
<td>-</td>
<td>US$0.50/day or US$13/month</td>
</tr>
<tr>
<td>Housing and transportation allowance</td>
<td>US$7/month⁽³⁾</td>
<td>US$8/month</td>
</tr>
<tr>
<td>Other bonuses</td>
<td>-</td>
<td>Around US$0.25-0.38/day for the set target achieved for piece-rate workers and US$20-25/month for fixed-wage workers involved in general work.</td>
</tr>
<tr>
<td>Maternity leave</td>
<td>50% paid 3-month leave for workers with at least 1 year employment⁽⁴⁾</td>
<td>Same as the provision</td>
</tr>
<tr>
<td>Breastfeeding breaks</td>
<td>1 hour/day⁽⁴⁾</td>
<td>1 hour/day (half each for morning and afternoon shift) for 1 year after workers’ maternity leave.</td>
</tr>
<tr>
<td>Child care</td>
<td>Onsite nursing room and day care center or allowance for child care⁽⁴⁾</td>
<td>US$8/month of food allowance for the newborn for up to 18 months after workers’ maternity leave</td>
</tr>
<tr>
<td>Insurance (NSSF)</td>
<td>2.1% of the workers’ monthly wage (0.8% on work injury and 1.3% on health care)⁽⁵⁾</td>
<td>Same as the provision</td>
</tr>
</tbody>
</table>

Sources:
⁽¹⁾ Interview with a garment factory in March 2017.
⁽²⁾ MoLVT Prakas 414 on 2017 minimum wage for garment and footwear workers, Dated 29 September 2016.
⁽³⁾ MoLVT Notification 001/14 on the implementation of Prakas 317 on minimum wage and other benefits for garment and footwear workers, dated 9 January 2014.
⁽⁴⁾ Cambodia’s Labor Law, promulgated 13 March 1997.
⁽⁵⁾ Interview with MoLVT and/or ILO in March 2017.

Besides employment at the factory, nearly all respondents do not have any other sources of income. Only a few (3%) claimed that they earned additional income from other sources - interest earned from lending to colleagues and neighbors (earning around US$120 per month on interest), sewing garments (for sale) and assisting relatives in selling food (earning around US$15-20 per month) and assisting sister in selling beauty/health products online (getting a gross income up to US$200).
Expenditures

The average monthly expenditure of the surveyed garment workers for February was US$115, which is approximately 54% of the average monthly wage, consisting single respondents spending the least (US$97) and married and widowed/divorced spending more (US$137-US$140). The expenditure on food, which covers main meals, drink, fruits, desserts and snack, was reported to be about US$51 or 44%, while non-food expenditure accounted for US$64 or 56%. The food and non-food spending pattern is quite similar among different marital status, except the share of food consumption for single workers (49%) being slightly larger than that for other respondents (41%); however, in value terms, the spending on food is lower for single respondents (US$47.25) than married respondents (US$55.77).

Figure 6: Share of food and non-food expenditures

For the non-food expenditures, the largest share of US$15.87 is on house or room rental, which is considerably higher for widowed/divorced respondents. This was followed by expenses on health care (US$9.96) mostly to cover expenses relating to the over-the-counter medicines for common illnesses, and this includes a case of a respondent spending about US$475 (in addition to the treatment supported by NSSF) because of a traffic accident, without which the average spending comes down to US$7.46. Personal goods, clothing, footwear and accessories account for US$8.63 and toiletry and personal care US$5.89, which is similar across all the respondents. Among those married and widowed/divorced respondents who are having children staying with them, the expenses on child education is US$5.73 and on child care is US$4.00. The monthly utilities (electricity and water consumption) is US$3.80 and the communication cost (phone and internet) is US$3.30. Other minor expenses, ranging from 2% to 4%, include transportation to work, entertainment (party, sightseeing transportation, dining out, etc.), hobby and skill development for self (fee for hairdressing class, buying materials for tailoring tutorial, and fee for language classes), and other expenses like cooking energy and garbage collection fees.
**Remittances**

Majority of the respondents (82%) have sent at least some money back home or have given money to family members during last 12 months, and the frequency is mostly (95%) once per month. The average amount is US$86.00. It should be noted that a number of respondents could not distinguish between the money pooled over with husband or siblings who are living together, also earning an income. Therefore, the reported remittance amount tends to be higher, US$88.00, since a considerable number of the respondents are staying with their husband (35%) and/or siblings (39%) and these cases could not be explicitly adjusted to reflect the actual per capita remittances. On the other hand, the remittances reported by the respondents who do not staying with a sibling or family member was US$79.00.
**Savings**

Regarding savings, nearly half of the respondents (44%) reported to have set aside some money after spending and remittances. The average monthly saving amount as reported by the respondents is US$38.47. Just like in the case of remittances, it was challenging to distinguish the amount saved by the respondents and the amount pooled together with the income earned by their husbands or siblings. This is more evident from the cases of the savings of those living with husbands, parents or siblings, where the savings tend to be as high as US$53.12, and those staying alone which is as low as US$19.00. Also, it is important to note that the workers do not necessarily have savings every month but only shared information based on the months they had some savings (which they say they achieved by reducing their expenses).

**Loans**

During the last 12 months, more than half of the respondents (52%) mentioned that they and/or their family have taken loans, while the rest did not have any debt. Around 21% of workers who did not have a loan said they did not want to get indebted and 2% were ashamed/scared, although they needed money. To a large extent workers borrowed from formal institutions, mainly MFIs (40%) and a bank (Acleda Bank, 23%) as well as a leasing company (1%). The remaining of them used the informal credit mechanisms including money lenders (17%), relatives and friends (15%), community saving groups (2%)53, and Tong Tin54 (1%). Some respondents (12%) have had at least 2 loans from different sources. The size of loans taken from formal institutions ranges from US$2,000 up to US$40,000, while that from the informal sources is from US$10 to US$100.

![Credit by sources](image)

**Figure 9: Credit by sources**


Of those who indicated they or their family have taken loans last year, the majority (54%) knew that they have some loan amount due, while the remaining (27%) did not have any loan balance left and 19% did not know whether their family have paid off the debts. The average loan balance was US$1,900 with a maximum amount up to US$3,800.

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53 The community saving groups refer to the collective savings attended by the respondents, their family and neighboring villagers. The group members can withdraw their deposit any time they need money, and they can borrow money from the group at a monthly interest rate of 2.6%.

54 Tong Tin is one of the informal mechanisms in peer to peer lending and saving among a group of members who can be both men and women. The group is managed by a leader who facilitates and supervises the process, in which members pool over savings and those who are in need of money will bid on a regular basis for the credit by offering highest interest rate.
**Case: Loan summary of a female garment worker**

<table>
<thead>
<tr>
<th>Source</th>
<th>Loan size</th>
<th>Monthly Interest rate</th>
<th>Tenure</th>
<th>Taken by</th>
<th>Purpose</th>
<th>Loan requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>MFI</td>
<td>US$8,000</td>
<td>3%</td>
<td>3 years</td>
<td>Family</td>
<td>House construction</td>
<td>Land title, family book</td>
</tr>
<tr>
<td>Money lender</td>
<td>US$30</td>
<td>20%</td>
<td>1 month</td>
<td>Self</td>
<td>Daily expenses</td>
<td>None</td>
</tr>
</tbody>
</table>


**Insurance**

As NSSF is a mandatory work injury and health insurance scheme, most of the respondents are covered. However, a few respondents indicated that the factory where they are employed has not yet registered with NSSF. A number of the respondents perceived having only NSSF as sufficient. Besides NSSF, 1% of the respondents indicated purchasing health and/or life insurance in the past with another 4% currently subscribing BIMA (a partner with Smart Axiata company) with a premium payment of US$0.16 per day or US$3.20 per month, charged directly from their phone account balance. AMK's micro-insurance (health & accidents) is another scheme that one respondent purchased for her mother with a payment of 25,000 riels (US$6.25) per year.

**Approaches to Financial Management**

**Income (Knowledge of Wages and Record Keeping)**

Over half of the surveyed respondents (57%) were able to tell the exact minimum wage, while the remaining respondents mentioned the minimum wage as a figure within a range of US$150-US$160 (rather than the exact value US$153) (19%), below US$150 (16%) and higher than US$160 (8%). In terms wage composition, 24% of the respondents could not recall at least one aspect of the wage composition. Half of the respondents stated that they keep a record of the overtime hours worked and pieces made, either on a daily basis (38%) or not regularly (13%), while the remaining half keep no record at all, given that they get more or less same wage every month, so they not to bother tracking. Nonetheless, nearly all of the respondents (96%) claimed the wage they received is the correct amount. For those (4%) who said the amount is incorrect, the differences range from US$0.25 up to US$30 and they are normally able to claim it back from the factories.

[...] Two days prior to the payday, the factory gives me a pay slip to check, and if there is any miscalculation I can inform the factory, but the amount is usually correct. [...] I don’t have any record of my own, but I learned the wage calculation from my colleagues so I know the amount the factory pays is correct. [...]  

*Said a garment worker in Sen Sok area.*

[.] I have a note (showing a small note which she has kept along with her employee card, neck tag) which has details of monthly minimum wage, number of working hours and days per month, OT rate, attendance bonus, accommodation and transportation allowance, meal allowance, and additional incentive from factory. [...] The note explains the calculation on hourly and daily basis, so it is easy for me to understand. [...]  

*Said a garment worker in Veng Sreng area.*
Remittances

The remittances sent by the garment workers to their family are for various purposes, the most common being daily expenditures (80%), payment for health service and treatment (30%), others include – support family with education costs, child care, wedding and ceremonies, house construction and improvement, and buying big expense items like motorbikes. Only 18% mentioned about saving for emergencies and 14% to repay loans. Besides farm-related support, very few seem be using the remittances for income generating purposes (1% and essentially only single woman), including running current business and developing a business opportunity in the near future. The purpose of remittance was similar among single and married women, except in the case of expenses pertaining to child care.

Figure 11: Remittance purposes by marital status


Savings

Most of the respondents who reported saving usually save in cash, either at home (52%) or with parents/family in hometown (24%). Some of the respondents (12%) participated in Tong Tin group as a means to save money. Only a few (7%) save in a bank account. Only one respondent mentioned about putting US$2.50 in the community-based saving group back in her hometown. One of the main purpose for saving as mentioned by majority of the saving respondents is reserved for emergency cases (53%) and for the future in general (19%). Some of the respondents (approximately 20%) intend to use the savings for purchasing personal goods (e.g. motorbikes) and investment in business, while few mentioned about children’s education, old age support and household goods. Others (15%) were saving to buy land, spend for son’s wedding, own education and house construction.
Figure 10: Means and purposes of saving

<table>
<thead>
<tr>
<th>Means of Saving (n=83)</th>
<th>Purposes of saving (n=83)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group saving</td>
<td>Old age</td>
</tr>
<tr>
<td>Saving account</td>
<td>Other</td>
</tr>
<tr>
<td>Tong Tin</td>
<td>Future in general</td>
</tr>
<tr>
<td>Send money home for...</td>
<td>Just in case of...</td>
</tr>
<tr>
<td>Save at home in cash</td>
<td></td>
</tr>
</tbody>
</table>


[... I don’t save any money since I need to support my sister going to school, but I see the other workers in the factory are saving in a group. [...] As far as I know, there are 3 saving groups in the factory, having around 20 to 30 people per group. [...] The group members meet every Saturday during lunch time, to put in an amount of 10,000-30,000 riels each (mainly the weekly meal allowance they receive) and to borrow money, say 100,000 riels, with a monthly interest of 3,000 riels for members and 4,000 riels for non-members. The interests earned will be shared proportionately among the group members. [...] The group leader manages the record book of saving and borrowing, while another person takes care of the money, kept inside a (locked) box. [...] The amount of saving and borrowing are known by all members since the transactions are made with everyone’s presence on Saturday. [...] I found that such a saving group is very good because it helps the workers save and borrow at a low interest, which is unlike the money lenders charging US$2 for every US$10 credit. [...] 

Said a garment worker in Veng Streng area.

Loans

Majority of the loans raised by the respondents were applied by their family (57%). Workers tended to access to money lenders who charge an exorbitant interest rate up to 20% per month or other informal means when they needed small loans (US$10 to US$100) for daily expenses and emergency use. The larger loans were obtained from the bank and MFIs, having a common loan size of US$2,000, a minimum amount of US$150 and a maximum amount of US$40,000. The monthly interest rate charged by the bank and MFIs ranged from 1.5% to 3%, depending on the institutions and size of loans. The loan purposes were mainly for home construction or renovation. Other purposes include investment in buying land, working capital, personal consumption, emergency, and health care.

Table 9: Loan profile of the respondents

<table>
<thead>
<tr>
<th>Institutions</th>
<th>Loan size(US$)</th>
<th>Monthly Interest rate</th>
<th>Loan terms</th>
<th>Purposes of loan</th>
<th>Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank (ACELDA)</td>
<td>500 - 10,000</td>
<td>1.7% - 3%</td>
<td>6 – 36 months</td>
<td>Buy land, home construction/ renovation, emergency, agriculture inputs, existing business, child care</td>
<td>ID card, guarantor, collateral, family book</td>
</tr>
</tbody>
</table>

55 The loan of US$40,000 was taken by the respondents’ parents, while the respondents did not know the loan purpose but remitted money to help repay the loan every month.
Insurance

Despite a compulsory contribution to NSSF, the usage rate among the surveyed respondents remains low, with 83% of respondents expressing that they have never used NSSF. Majority justified this by stating that they have never encountered any major accident or sickness, and a few have just received the NSSF card (and the registration process is yet to be completed). However, of the 17% respondents who have used NSSF, 30% used it for pregnancy checkups, 23% work-related accidents and 47% for others - including abdominal pain, sore throat, knee, liver and skin problems, etc. Approximately 90% of those who have used NSSF stated that they are satisfied/somehow satisfied with the benefits NSSF offered to them since they need not pay for the medical expenses.

[...] I had a traffic accident 2 months back and broke my left leg. [...] I didn’t pay for any expenses related to treatment at the hospital since NSSF covered it. [...] I think NSSF is very useful; otherwise, I don’t know how I could pay for the costs. Although I got 1.5 million riels as a compensation from the driver causing the accident, my family would have needed to pay a lot for all the various expenses during the time I stayed in the hospital. [...]  

Said a garment worker in Sen Sok area.

Other than NSSF, the respondents who indicated that they have subscribed to BIMA couple of months back have apparently not accessed the scheme benefits and showed critically limited knowledge about the scheme and the company. They do not feel motivated to continue and intended to unsubscribe from the scheme sooner or later. Nonetheless, this was different in the case of a respondent who purchased AMK’s micro-insurance.

[...] I bought the insurance for my mother in December 2016 when I applied for a loan from AMK in the name of my mother given her legal asset ownership. [...] The staff told me that the insurance is only for limited number of loan clients and I found the fee is acceptable, so I decided to go for the scheme [...] For this scheme, I need to pay 25,000 riels per year, and my mother will receive of 20,000 riels per day for inpatient services related to health and accident, plus reimbursement of receipt-based medical expenses. [...] But, I am not sure if the scheme also covers the case of outpatient services, and I don’t know the maximum amount that I can claim. [...] If possible, I want to purchase such insurance for myself and other family members.

Said a garment worker in Kamboul area.

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56 Including borrowing from friends with interest rate.
Financial Transactions (Patterns and Preferences)

**Income:** The majority of the respondents (94%) received their wage in cash, with only 6% get paid through a bank deposit.\(^{57}\) For those who get paid via bank deposit, majority of them normally cash out the entire amount on payday, leaving only the amount below the smallest dispensing denomination (US$10 for dollar notes and 20,000 riel for Khmer notes) available from the ATM.

**Spending:** Almost all of the spending related transactions of the garment workers are in cash. There are also a few cases the respondents pay for their utilities at digital finance agents who currently charge around US$0.25,\(^{58}\) while most only hand over the usage-based utility payment to their landlords\(^{59}\) with an extra charge of the same amount.

**Remittances:** In remitting money to family, majority of the surveyed workers use digital money transfer agents (78%), followed by them physically handing it over to their family (13%) or through acquaintances (8%) and informal service of private vans/buses (1%). The workers who carry their own money or asked their acquaintances for a favor are mostly those who visit their children on a regular basis at their hometowns or have their family located nearby Phnom Penh (e.g. Kandal, Takeo and Kampong Cham). There are a number of reasons that the respondents choose to use digital money transfer agents. First, the users find the ease in the transaction, requiring only phone numbers of senders and recipients, and PIN code provided by the agents as an identity for collection of the cash by the recipient. Second, they have trust over the agents, not fearing about the money loss. Third, the agents are widely located around their working and residing locations and charging an acceptable fee. Last but not least, the recipients (family members, including those residing in remote rural areas) are aware of the agents.

![Figure 12: Most frequently used channels and reasons for choosing digital money transfer agents](image)


To remit money, the respondents physically visit the agents, and none of them use their own mobile phones to make the transfer, which would save them the transaction fees but the sender will need to have a bank account. Majority of the respondents use Wing as a preferred service provider, and overall are satisfied with the service, fee and safety offered by the digital money transfer agents. Although some respondents think that Wing’s fee is higher than others, they still use Wing given its large agency network in rural and

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\(^{57}\) The respondents who get paid via bank deposit were purposefully selected in order to capture the other pay methods besides cash wage.

\(^{58}\) Wing exempts the US$0.25 fee (account-based transaction) for the payment of an utility bill of below US$25.

\(^{59}\) A number of landlords charge a fixed amount of utilities, which is embedded in or paid together with the room rental.
remote areas and the recipients are more familiar with Wing. For other agents like TrueMoney and eMoney, workers indicated using them only if the amount is small (less than US$50) given lower fee charge, but Wing agents are preferred if the amount is larger which is justified by the trust Wing has earned over the years.

Figure 13: Selected digital money transfer agents

<table>
<thead>
<tr>
<th>Agent</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wing</td>
<td>87%</td>
</tr>
<tr>
<td>eMoney</td>
<td>11%</td>
</tr>
<tr>
<td>TrueMoney</td>
<td>10%</td>
</tr>
<tr>
<td>AMK</td>
<td>3%</td>
</tr>
</tbody>
</table>


**Role and Influence in the Household Decision Making**

In managing income, the workers claimed that they had complete control over their earnings, which is consistent with the cultural context in Cambodia where women control the household finances. Among the single women, 49% keep some portion of their income leaving the rest to their parents; while some 27% keep all their own income and 12% let their parents keep all the income and the remaining 12% also allow other family members manage their income. On the other hand, majority (92%) of the married women manage their own income and the remaining few allow their parents to keep some part of their income, which is quite similar to the case of widowed/divorced respondents.

Figure 14: Control over income


**Spending:** For decision on major spending, the single workers are mainly influenced by their parents and siblings (40%) and some make their own decision (16%) and jointly with family (1%). On the other hand, the married workers decide jointly with their husband (28%) and their family (1%), and only few mentioned
about their own decision only (7%) and letting their husband to decide (3%). For the widowed/divorced women, major decisions are made by themselves (4%) and their parents (2%).

**Figure 14: Spending decision – Influencers**

![Bar chart showing the influence of decision-making about spending money by single, married, and widowed/divorced women.]


**Planning and Preparing for Emergencies**

When asked about how they deal with emergency situations (e.g. serious sicknesses), a number of the respondents mentioned about their own saving (almost equally answered by single and married workers) and family’s money (mostly stated by single workers). However, the choices of borrowing money from family/relatives, friends/colleagues, and money lenders were also proposed by the respondents. In addition, a very few respondents mentioned that they would seek solutions by selling valuable items and Tong Tin. Only a small number indicated formal financial products including the loans from MFIs (largely by married women) and the access to insurances (NSSF and BIMA).

**Figure 16: How to deal with emergencies**

![Bar chart showing the options for dealing with emergencies by single, married, and widowed/divorced women.]

Demand for the Financial Products and Services

Savings accounts and use of ATMs

Among the surveyed respondents, the majority (87%) have never had a bank/MFI account. Most of them justified that they do not see any usefulness and therefore have no demand for a bank account, while some said they have no or little money to open and deposit in the account. This is also reflected from the data analysis from the study, which indicated that the approximate amount left after daily expenditures and remittances and before paying personal debts is estimated to be US$13 per month.  

Other reasons include their limited knowledge on what a bank account is and not being sure if they could apply for an account. A few respondents indicated no interest, while one of the two respondents thought that she could not have an account and the other said her husband already had one account. Despite so, nearly half of the respondents (46%) who do not have a bank account showed interest in having a bank account in the future, attributing the motivation of safety, saving, ease in cashing transaction, interest earning, and possibly having more income and money.

Figure 17: Having a bank account and reasons for not having a bank account

![Graph showing reasons for not having a bank account](image)


Not many respondents who get their wages via bank account keep their money in the account for use upon demand although the majority indicated safety, ability to save and flexibility in cashing as the main advantages. Normally the workers tend to cash out as much as possible on payday (up to the smallest denomination allowed by the ATM). They mentioned usually experiencing long queues as well as frequent ATM breakdowns on payday due to the high usage at one time. In addition, some respondents said they do not actually remember their ATM pin and do not know how to operate the ATM, so they need help from their colleagues and husbands. While on the other hand, a number of them also indicated not having any major concerns with the way they get their monthly wage.

Figures rounded off to the nearest whole number.
Located in the factory compound housing around 10 factories or so, there is only one ATM, which is usually crowded on payday. Sometimes, I need to queue until 9pm to cash out my wage. […] I don’t withdraw all of my money. […] Like last month, I cashed out only US$180 out of a total US$187 I received because the remaining amount is under US$10 which is the smallest note the ATM has. […]

*Said a garment worker in Kamboul area.*

**Figure 18: Advantages and concerns over getting paid via bank deposit**

<table>
<thead>
<tr>
<th>Advantages</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flexible in cashing</td>
<td>25</td>
</tr>
<tr>
<td>Able to save</td>
<td>25</td>
</tr>
<tr>
<td>Safety</td>
<td>83</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Concerns</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Don’t know how to use ATM/Forget password</td>
<td>25</td>
</tr>
<tr>
<td>ATM errors/breakdown</td>
<td>17</td>
</tr>
<tr>
<td>Crowded on payday</td>
<td>25</td>
</tr>
<tr>
<td>Not any</td>
<td>42</td>
</tr>
</tbody>
</table>


For those who receive wage in cash, having the exact amount physically in hand and the convenience in spending in cash are the main advantages, and some others prefer cash since it is less complicated and they need not invest time for cash withdrawal from the banks. Despite so, more than half of the respondents expressed the concerns about safety, and a few (5%) shared their experiences in being thieved and pickpocketed and thus losing some or all money they carried on payday. Another concern is the possibility of having torn or counterfeit notes, and they are afraid that they only realize this when they spend the money, which is too late to get back to the factory for an exchange. A few workers also mentioned about their tendency to spend all the cash in hand without any saving left. Nonetheless, a number of the interviewed workers (42%) said getting paid in cash has no risk at all since the amount they receive is small and they could manage it with care.

**Figure 19: Advantages and concerns over getting paid in cash**

<table>
<thead>
<tr>
<th>Advantages</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Being convenient in spending in cash</td>
<td>54</td>
</tr>
<tr>
<td>knowing if the amount received is correct</td>
<td>66</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
</tr>
<tr>
<td>No idea</td>
<td>2</td>
</tr>
<tr>
<td>Not useful</td>
<td>2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Concerns</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>7</td>
</tr>
<tr>
<td>No idea</td>
<td>1</td>
</tr>
<tr>
<td>No risk at all</td>
<td>51</td>
</tr>
<tr>
<td>Experience being robbed</td>
<td>42</td>
</tr>
<tr>
<td>Being concerned about safety</td>
<td>5</td>
</tr>
</tbody>
</table>

A number of the respondents who save money in cash, either back home or as remittances, did not mention any challenge either, while some others raised the fear for thieves and unexpected fire incidents. Another factor which they acknowledge is the contentment and the perceived safety of leaving the money with their parents at hometown. In addition, quite a number of the respondents are in favor of saving via Tong Tin groups which offers interest, but there are prevalent worries about dishonest group leaders and members with the possibility of running away with the deposits.

On the other hand, those who used to have a bank account (3%) said that they used it when they were working for the previous factories with wage paid via bank deposit and when they were working in Thailand, and that they have no longer used an account since then. For those who are still using their bank account (10%), most of them are active users with the latest access in last month. The main purposes are for payroll, saving, and safeguarding money, while other uses include transfer money from a relative working abroad and for NSSF remedy reimbursement (upon a traffic accident case), which they found very useful.

While a number of respondents claimed that they have never seen an “ATM” (34%) and have seen one but do not know what it is for (18%), nearly half of them (48%) claimed they know the function of an ATM (being asked without telling the full words) as a machine or place to withdraw and/or deposit money. However, only one fifth of them (all of whom are those having a bank account) have ever used the ATM, and thought that the ATM is useful.

In addition, several workers (39%) among those who are currently getting paid in cash expressed interest in receiving their wages via bank deposit, seeing the advantages of safety and less worry about losing money to thieves, flexibility in cashing, inducing saving (restricting spending by cashing only as needed), and no more worry about torn/counterfeit notes. While a few respondents (6%) had no idea about banking linked payroll, the majority (55%) did not express any interest since some of them found that it is time consuming in cashing out the wage given the current convenience of getting their wage at their work desk on the payday and that they are concerned about the accurate amount of wage being disbursed to their account. Moreover, some claimed that they do not know how to use the account and operate the ATM, while some thought that their wage is low and it is easier for spending in cash.

**Figure 20: Workers’ interest in banking payroll and saving**

![Pie chart showing workers' interest in getting paid via bank deposit](image)
Case Study 1: Interest in opening a saving account

A 21-year old garment worker coming from Kompong Chhnang province has worked for more than 3 years at two garment factories. In the previous factory, she got her salary through Acleda Bank in 2014 and 2015. She withdrew her salary through an ATM located near the factory. “Since the factory was closed, I have no longer used the bank account,” said the worker. She believed that her bank account was closed by the factory. In addition, she has used Wing agents to remit money to her parents in order for them to repay the debt to an MFI.

If she has more money, she will open a bank account because it is safe and she does not need to carry much money with her all the time. She said, “I have no idea about which bank I should choose, but I will try to seek information from my friends and ask a few banks directly.” When asked about the criteria she will base her choice of bank/MFI, she responded, “I don’t know exactly what criteria, but I may choose the one with higher interest rate since I aim to save my money in the account.”

Digital Finance

There is high demand for and usage of digital financial services among the surveyed workers to transfer money, but completely dependent on agent networks. However, the respondents do not know a better or a more cost-effective way. They normally drop in at the agent’s office to process the transactions, instead of using their smart phones which tend to charge lower fee (for example, US$0.60 from Wing account application as compared to US$1.50 at the agents). Based on the information gathered through the FGDs, the workers normally pay for their utilities together with the monthly rental to their landlords, who charge US$0.25 for the services. They are not aware of the payment services available at Wing agents and through Wing account and mobile application which is free of charge for the utility bills of less than US$25.

[…] So far, I have received my salary through Wing account for 4 months. I need bring my Wing card to the agents to withdraw my money and I will receive a message on my (smart) phone alerting my withdrawal transaction. […] I didn’t know about other functions Wing offers. […] I usually carry money back home by myself; I rarely transfer money through agents, but when I need to do the transfer, I will go the agent’s shop. […]

Said a garment worker in Veng Sreng area.

Loans

The respondents were not that comfortable in sharing loan-related information. The majority of them did not know how much the interest rate they or their families paid. For the loans from bank or MFIs, some of them only knew the installment amount which included both the principle and interest. In the case of money lenders, they only knew that they need to repay US$12 for the US$10 credit, but they had no idea about the interest rate as a percentage.

A number of respondents (47%), especially those who have obtained loans from bank/MFIs, addressed that it was not hard to get loans as long as they had fixed assets as collaterals. However, respondents who have never accessed loans, some (17%) did not have any idea about the challenges in getting loan from bank and MFIs. Some stated that they do not have any collateral (11%) and foresee the process as complicated (10%), while others (15%) were concerned over their inability to payback the loans and cover the interest.
**Insurance Products**

Regarding the insurance product, almost all of the respondents (92%) are aware of NSSF (given that it is a mandatory scheme). When asked about what NSSF is, the majority understood NSSF as an entity/body covering expenses for "services" related to health and accidents, so that they do not need to pay for the "services". Some respondents (22%) saw NSSF as a kind of life and/or health "insurance", while only a few (4%) also said they need to pay for NSSF as a portion of their monthly wage (usually around US$2-3 per month). For other insurance scheme, only a small number (19%) indicated their awareness on the schemes related to personal health, traffic accidents, life insurance and child education, which are offered by several companies including BIMA (mostly known to the respondents as Smart company), Prudential, Manulife, AMK and Sky.

Despite a small number of the respondents who have used NSSF, majority of the surveyed workers shared that they have limited knowledge and are not aware of how to use the service and claim the benefits, and other found it too complicated. Moreover, the workers find it time-consuming to use the designated state run hospitals which are located far away from their workplace and resident areas, and several of them have heard about and experienced poor services offered by some of the state hospitals. Regarding other insurance scheme, some respondents claimed that having only NSSF is sufficient and therefore need no other scheme, while some showed no interest at all in buying insurance. Most attributed the reason for not subscribing to any scheme to no or insufficient income to pay for the premium, while several of them do not have information and trust on the insurance company. As a result, they normally do not see the benefits of the insurance explicitly. It is evident from some cases of those who have subscribed for an insurance plan do not have any idea about the insurance policy, nor the company itself as well as how to discontinue the plan.

[...I just subscribed to this insurance for only 3 or 4 months after I was approached by their staff through phone call. [...] I was charged maybe $0.03/day directly deducted from my phone balance, but I don't know the company name. [...] I think it is about life and accident insurance. I was given a contact number and told to contact that number if I need to use the insurance. [...] I haven’t had any accident, and I don’t see how I could get the benefit. [...] I want to discontinue the plan but don’t know how to do so. [...] I think having NSSF is enough for me. *Said a worker in Tuol Sangke area.*]

In spite of limited awareness and knowledge, nearly all of the surveyed workers (except 5%) showed interest in various insurance schemes perceived them to be useful for them and their family. However, only some of them (64% of those who were asked the question)\(^61\) specified their willingness to pay for the schemes, which ranges from US$0.25 to US$50.00 per month with an average of US$4.00\(^62\) and most answered amount of US$1.00.

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\(^61\) Only half of the respondents (54%) were asked about their willingness to pay for the preferred insurance schemes.

\(^62\) Some respondents did not state the exact amount, but instead said that they are fine with the amount they pay for NSSF. Therefore, the study assumed the amount to be US$3.00 in order to get to the average amount of US$4.00.
Figure 21: Most useful insurance schemes as perceived by the respondents


Case Study 2: Access to loans, money transfer service and deposit

A 28-year old garment worker, coming from Prey Veng, has worked for few garment factories as a sewer for 8 years. She stopped her education at grade 10. She is married and has a child living in her hometown with her parents. Currently, she is working for a factory located on Veng Sreng road in Khan Po Senchey. In January 2017, she earned around US$310 and remitted US$50 to cover her parents’ daily expenses and her child care. She spent around US$312 for her daily expenses, including US$50 on entertainment (party with friends) and US$20 contribution for relatives’ wedding. To cover her expenses, she got a loan of US$100 from her co-workers which she needed to repay with an interest of US$15 the following month.

She has accessed to 3 types of formal financial products including loans, money transfer, and deposit. She availed a group loan with her village neighbor 3 years ago, which required no collateral but guarantors, from Amret to buy a motorcycle. She remitted money every month to her parents through eMoney agent because of its low fee and timely service. In addition, she saves US$20 per month in Acleda Bank as she thought that it was safer than keeping the money at home. The purpose of savings is to buy another motorcycle that can be used to travel to work. So far, she has not accessed to any insurance service in addition to NSSF. She was contacted by a health insurance company through phone; however, she did not opt for it as she does not trust a service provider whom she has never met.
Discussion on Opportunities and Challenges

Opportunities

In Cambodia, although financial inclusion is higher among women, in case of garment workers specifically we see that it is limited to remittance and credit products. Most workers remitted money home through widely spread mobile money transfer agents, and they and their families received loans from bank and MFIs. The workers have an ID card and use mobile phones, which explains the eligibility to access and usage of these channels. Being a mandatory requirement almost all workers are registered with NSSF, while very few have used the other insurance schemes provided by the private companies. Savings / bank accounts are the least used financial products/service with only a small number of workers having a bank or MFI account for payroll and/or savings.

A number of workers who do not have a bank account have expressed interest in saving in a bank/MFI in the future because of safety, interest earnings, leading to possibly having more income and money. In addition, several workers among those who are currently getting paid in cash expressed the interest in receiving their wage through bank deposits, for the same reasons.

At the same time, the garment factories also indicated a preference to paying wages to workers through banks or MFIs as it can save time and improve their administration efficiency. With the possibility of the enforcement requiring wage being paid out twice a month for garment workers, it is more likely that the banking service will become even more favorable. Also, the brands and retailers have encouraged their suppliers to use banking payroll service as a means to promote financial inclusion of garment workers. Furthermore, GMAC has an MOU with Wing with special terms to encourage its members to use banking payroll as well.

The interviewed banks and MFIs expressed their interest in catering to garment workers through payroll, remittance, and deposit services. Some banks and MFIs have designed products and services to ensure they are accessible and affordable to low income customers with less stringent requirements, and some specific products and services for garment workers. To improve the accessibility of the garment workers to bank and MFI offices, door-step services have been introduced by some of them. Given the fact that garment industry is the largest non-agrarian employer, catering to garment workers will potentially help the financial institutions capture a sizeable market share in terms of number of customers. Meanwhile, there are a number of DPs with a focus on financial inclusion which banks/MFIs partner with through technical and financial support to innovate and refine their products and services to increase uptake as well as make it affordable and accessible for garment workers.

Gaps and Barriers to Financial Inclusion of Female Garment Workers

Although a number of the garment workers have accessed to formal financial products at affordable prices and in a somehow accessible manner, there remain several gaps and barriers hindering the process of financial inclusion for garment workers.

Policies and Influence

The Royal Government of Cambodia recognizes the role played by the financial sector in facilitating economic growth through enhanced access to financial services and influences the functioning of the sector through varied policies. NBC is now in the process of drafting a financial inclusion strategy and has recently enforced MFIs’ lending interest rate cap. In the short-run, this interest cap undeniably will be beneficial to the people in accessing to more affordable loans. However, this may affect the institutional profitability and operational sustainability leading to reduced operations in locations and zones which are not geographically
accessible and/or increase in service charges and complex/hidden fee structures. If this is the case, then it might cause people in need of money turn to seek credits from informal mechanisms at higher interest rate. The impacts of the interest cap setting on the financial actors and households need further study.

**Supply Side**

Limited outreach to garment workers is the first and foremost barrier for the financial institutions, especially those having specific products and services for the workers. The financial institutions normally find it challenging for their staff in introducing their products and the associated benefits to the workers due mainly to lack of cooperation from factory management to allocate time for the workers to meet with the staff during working hours, conflicting working hours between the staff and the workers, and workers’ unwillingness to talk to the staff. As a result, information of the products and services do not reach the workers.

The second barrier for formal financial institutions is the workers’ low level of education and limited financial, digital literacy, and the institutions are aware of this. However, they do not directly provide financial literacy to their clients; instead, they only inform or advise their clients during the process of loan application and disbursement. Interviews with banks and MFIs showed that workers do not understand the products and services and their specification, as well as the ability in adopting new financial services and technology.

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<th>[…] The challenges in providing the digital finance services to the garment workers include the low literacy of workers to catch up with the technology and the application guideline, and inability to remember the password and sharing it with their co-workers. As a result, it leads to the insecurity in using the application that can discourage them to use or make them lose trust on the products and services. [...] Around 80-90% of users still depend on agent network to transact their money transfer and payment. [...]</th>
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<td><em>Said a representative of a financial institution.</em></td>
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Moreover, customers’ multiple credit profile during the loan application period is one of the main barriers for banks and MFIs to approve loans for these client. A number of the workers and/or their families are having at least 2 loans at the same time, be it from formal or informal creditors. Banks and MFIs see this as a risk in offering credit to this types of customers.

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<th>[…] Most of their parents are in debt with either our institution or other financial institution(s) and they also borrow from their co-workers, so we are not interested in offering credit to them. [...]</th>
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<td><em>Said a representative of a financial institution.</em></td>
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Proximity to and limited number of quality access points offered by banks and MFIs is another barrier to financial inclusion. The distribution of the banks/MFIs’ offices, branches, and ATMs is not favorable for workers to access them. The workers perceive receiving their wage via bank deposit as a disadvantage because of the time and effort they need to invest in cashing from the limited ATM’s nearby their factories in a long queue and with frequent breakdowns or the machine running out of cash on the payday. Apart from this, physical access to the agents of the digital finance service providers is popular among the workers, over the mobile application which makes money transfer more convenient, less time consuming and cost-efficient.
**Demand Side**

One of the key barriers for the garment workers in accessing to formal financial products and services is their perceived no demand for these products and services. Given the workers’ income and small amount of money left after remittances and spending, they tend to see very minimal value in having a saving account and at the same time, they think they do not generate sufficient money to save in banks or MFIs. This perception gives rise to the workers’ interest in having a bank account only if they could earn or save more.

Critically low knowledge and information gaps about financial institutions and their products and services limit the female garment workers from accessing them. Most of the workers do not even understand what financial products are although they are using them. Some others do not know if they are eligible for certain financial products and services and even the interest rate of the bank/MFI loans which they have been paying. The workers also show limited knowledge on insurance and low trust towards the private insurance companies. A considerable number of workers only know and use the agents of digital finance service providers exclusively for remittances. Without information and knowledge about the availability of and eligibility for financial products and services, several remain unbanked, while others who have accessed the products and services are not able to use them effectively and efficiently. For instance, some workers interviewed did not know that they could pay their utility bills through the agents in addition to money transfer and that it is cheaper to make transactions via accounts than physically at the agents. A complete dependence on the agents in making transactions clearly indicated the workers’ knowledge gap and capacity in making the most use of the digital financial services.

In addition, the garment workers have limited financial literacy. Although the workers have shown moderate financial management abilities, their approaches could be improved. Some of them spend and remit money mainly for consumption purposes, for example on entertainment, gifts, clothing and accessories, rather than on the activities with prospect of generating income or future investment. Moreover, the workers seem to lack the ability to compare services (physical access or digitalized process) based on cost- and time-efficiency to be able to make informed choices. Despite those who claimed to have savings, the data showed that the workers are usually on a stringent budget and some of them normally depending on money lenders charging high interest to cover the month-end expenditures.
Recommendations

Some patterns and visible gaps emerge from the study results which form the basis of recommendations:

1. Financial inclusion is higher amongst females than males and higher in urban areas as well. In case of female garment factory workers, we see that this is limited to credit and remittance services.

2. Majority of the workers are not linked to bank accounts and receive their wages in cash.

3. The RGC has put efforts in promoting the financial sector through varied policies, and specifically in the urban context there are sizable number of financial institutions offering varied products and services. But the awareness and uptake of these products and services remains critically low among garment workers.

4. Being internal migrants, majority of the workers use the digital remittance services through agent networks despite the availability of SMS command function and mobile application.

5. Majority of the female workers have access to a mobile and 63% use a smart phone. They spend on an average US$ 3.30 (an amount almost equivalent to what they spend on utilities). Besides the calling function, the workers use their mobile phones for entertainment purposes as well - to access Facebook, video, music and games, while none currently use it for making any financial transaction.

6. The group format of savings and borrowing seemed to be a format workers were familiar (including Tong Tin, community based savings, factory saving groups) and this is an area needing further exploration.

7. Factories, industry body and brands seem to be in favour of linking workers to bank accounts, to smoothen the payroll process. But workers remain hesitant because of issues ranging from trust, time and efforts required to withdraw their salary (long queues and broken ATMs) and knowledge on financial products and services.

8. Based on current service charges of agent banking – workers can achieve savings in the range of US$ 0.25 – US$1.00 per remittance transaction by using mobile based remittance services and linked bank accounts. Apart from this they can also benefit from the service fee waivers (US$0.25) on utility bill payments of less than US$25.

9. NSSF, with the coverage broadened to include healthcare services (including medical care, vaccination, and maternity) the utilization and awareness on how to use the service and claim the benefits remains very low.

10. Financial institutions do not have any large scale outreach activities to inform workers on the products and services and is currently limited to informing them the terms and conditions when the workers take a loan.

The recommendations to improve financial inclusion are as below:

Financial literacy

Financial literacy tools and outreach strategies should be developed as an accelerator for financial inclusion: Through the course of surveys and interaction with both workers and financial service providers it is evident that low financial and digital literacy is one of the biggest barriers which prevent workers from accessing formal products and services and financial institutions from being able to provide services to workers.

Priority actions for stakeholders:

• CARE (and other DP’s working with the garment factories) can play a role in bridging the gap by partnering with financial institutions and advise on outreach strategies, build tools that are
relevant to workers (with low literacy levels) and support the implementation of effective outreach programs.

- NBC can develop strategies to extend the educational materials produced by its “Let’s Talk Money” campaign to the greater outreach to the female garment workers.
- Given the mobile penetration and usage of smart phones (for social media and games), telecom service providers can contribute to promoting digital literacy as well as gamification as a method to improve knowledge, familiarity towards promoting uptake of financial products and services.
- Factories need to prioritize financial literacy trainings for workers by budgeting time and resources.
- Brands can support the process by allocating Corporate Social Responsibility (CSR) funds and/or incentivise suppliers promoting financial literacy of workers.

I. **Bank linkages**

Given the small value of savings of workers, familiarity and comfort levels with the group saving concepts, delivery of formal financial services to Savings Groups needs to be explored for relevance, feasibility and viability. Apart from this, the groups can also serve as a dependable channel for literacy related outreach activities.

**Priority actions for stakeholders:**

- CARE (and other DP’s working with the garment factories): Detailed analysis of saving and Tong Tin groups with specific reference to their functioning, pre-requisites, spread, advantages vs disadvantages, scope for replication towards developing an advocacy strategy to engage financial institutions.
- Banks and financial service providers: Research and analysis of lessons learnt from existing providers of this facility (Prasac Microfinance Institution and Sathapana Limited\(^63\)) and mapping of best practices from other regions. Based on the information collated, if viable, develop appropriate group saving products (offering competitive interest rates) which can function in a garment factory context (with buy in from factories) and/or function independently.
- Factory to support/facilitate the identification and linking of informal saving and Tong Tin groups to banks.

II. **Financial access via workplace**

The opportunities presented by financial access via the workplace are extensive – 1) Factories using automated payroll services of banks can enable workers being brought into the banking system on a systematic and large scale basis, and 2) NSSF through increased awareness and utilization.

**Priority actions for stakeholders:**

- CARE (and other DP’s working with the garment factories and MOLVT and Ministry of Health):
  - Create a forum for information sharing of best practices and approaches adopted by factories who have been able to implement an automated payroll system, to guide other factories through the process.

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\(^63\) The state of linkage report - The first global mapping of savings group linkage

Through a multi-stakeholder engagement process with Brands, GMAC, garment factories, Trade Unions, MOLVT, NSSF departments advocate for 1) increased outreach activities to improve workers’ knowledge and awareness of NSSF; 2) improve quality of service delivery at NSSF linked health facilities; and 3) to increase utilization, regulate working hours and ensure the availability of services of NSSF linked health facilities so that they are accessible outside working hours of workers and on Sundays.

Banks/financial institutions particularly providing payroll service need to ensure ATM facilities are available at convenient locations for workers to withdraw wages. Alternate models like additional mobile ATM’s for wage days can be explored (if viable).

Submitted by

BDtruS
Research & Numbers Consulting

Disclaimer:
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