

center for
inclusive growth

Increasing Financial Inclusion in Egypt's Garment Sector through Responsible Wage Digitalization: Benefits for Workers and Business

September 2024



Introduction

The garment industry in Egypt provides around 2.5 million workers¹ with access to formal employment, 40% of whom are women. While these jobs offer a regular income, many workers receive their wages in cash. This makes it difficult for workers, especially women, to manage their finances. Many garment workers are unbanked – only 26% of adults in Egypt have a financial institution account,² limiting their access to financial services.

Egypt continues to face significant economic and social challenges, negatively impacting workers' ability to balance their income and expenses. The Egyptian pound has devalued by more than 70% since March 2022,³ and the inflation rate is 32.5% (April 2024), up from 7.3% in early 2022.⁴ In addition, Egypt is one of the top five countries with the highest food price inflation in real terms.⁵ While the government has previously taken measures to cut prices on some staple food products, more recently the price of bread has increased by 300%⁶ and workers are often going hungry to cope.⁷

Financial inclusion is a key priority for Egypt, led by the Central Bank of Egypt (CBE), and financial service providers are now mandated to establish financial inclusion departments to focus on low income markets.⁸ However, while digital payments are becoming more and more popular in Egypt, workers still struggle to trust using their money in the digital economy. With 72% of the population having access to the

internet,⁹ wage digitalization has huge potential to increase financial inclusion and improve garment workers' financial health. Recent legislation in Egypt making public bodies and private companies pay employees, contractors and service providers digitally has pushed more workers into the digital economy.¹⁰ However there continues to be preference for cash given limitations in merchant acceptance in areas where workers live and their trust in financial service providers. Where wages have already been digitized, workers need support to be able to use and benefit from their payroll accounts, otherwise they will simply withdraw 100% of wages on payday.

Women are often at risk of being left behind unless a gender intentional and intersectional approach is taken to support closing the gender gap in financial inclusion. Specific opportunities, barriers, needs, and lifestyles of women are important to consider in order to support their financial agency.¹¹ For example, digitizing savings groups (*gamaeya*) which are popular with women, creates an opportunity to increase financial inclusion. National Council for Women worked with CBE, UN Women and CARE Egypt to develop the 'Tahwisha' savings app¹² which aims to reach 2.2 million women through *gamaeya* and increase their access to financial products and services.¹³



Program Overview


In Egypt, RISE and Mastercard Center for Inclusive Growth have partnered since 2019¹⁴ to support and scale gender intentional wage digitalization in the garment sector, working closely with local partner, *Center for Development Services (CDS)*. Through the partnership, employers receive guidance and advice on planning, and digitizing their payroll while ensuring the specific needs of women workers are considered.


Building financial capability for workers, especially women, is a vital part of wage digitalization in order for them to build the knowledge and confidence they need to accept, use and benefit from their new payroll accounts. Through RISE Financial Health, employees receive gender sensitive training including the technical aspects of how to use their new payroll accounts and associated financial services, as well as lessons on financial planning, budgeting savings and discussing finances with their families, designed to help them manage and control their money, building independence and resilience in the process.


This report sets out the results¹⁵ from supporting 9 factories in 5 governorates in Egypt with over 24,000 workers (43% women, 56% under 35) with wage digitalization and enabling workers to access, use and benefit from their accounts.

Results for workers (men and women) and business include:

 **34 percentage point increase of workers preferring to be paid into accounts.**

 **19 percentage point increase of workers using mobile money accounts** including for merchant payments, sending remittances, topping up airtime and paying bills.

 **14 percentage point increase of workers saving** regularly including for marriage, children's education, expected expenses (such as medical bills, household items, personal expenses), and emergencies.

 **53 percent reduction in admin costs dedicated to preparing and disbursing payroll.**

This report includes recommendations for global brands and buyers, financial service providers and other key stakeholders to support this scale up in a way that can lead to increased financial inclusion and improved financial health for women and men workers across the industry.



Business Efficiency

Wage digitalization yields significant payroll and production savings



Employers reported saving on the cost of transporting cash and on the time to count, batch and distribute cash by managers through wage digitization.¹⁶



Workers are away from the production line for around 15 minutes per pay day, to receive their cash wages. For an average factory of 1,500 workers, this represents a saving of around 375 hours of production time every month.



Following wage digitalization and participation in the program, managers report that the process of paying workers is now much easier than with cash wages, which was very stressful, positively impacting on their work environment and conversations with colleagues and employees.

Industry View

“We have digitized wages because the cash payroll was time taking to count and distribute the wages into envelopes with the right denominations and we would lose production time each payday. **The government has a focus on financial inclusion and we wanted to be part of that.**

We took our time and digitized in batches of 100 workers, going line by line, and arranged for the bank to provide training for groups of workers. **At first, workers were worried about using cards but following the training, they are asking to be paid into accounts.”**

NADER NABIL BAHBESHY, CEO, SHEEBA GROUP



Financial Services

Financial inclusion rates increased for men and women workers



93% of workers were paid into a digital account up from 51% at the start of the program.¹⁷



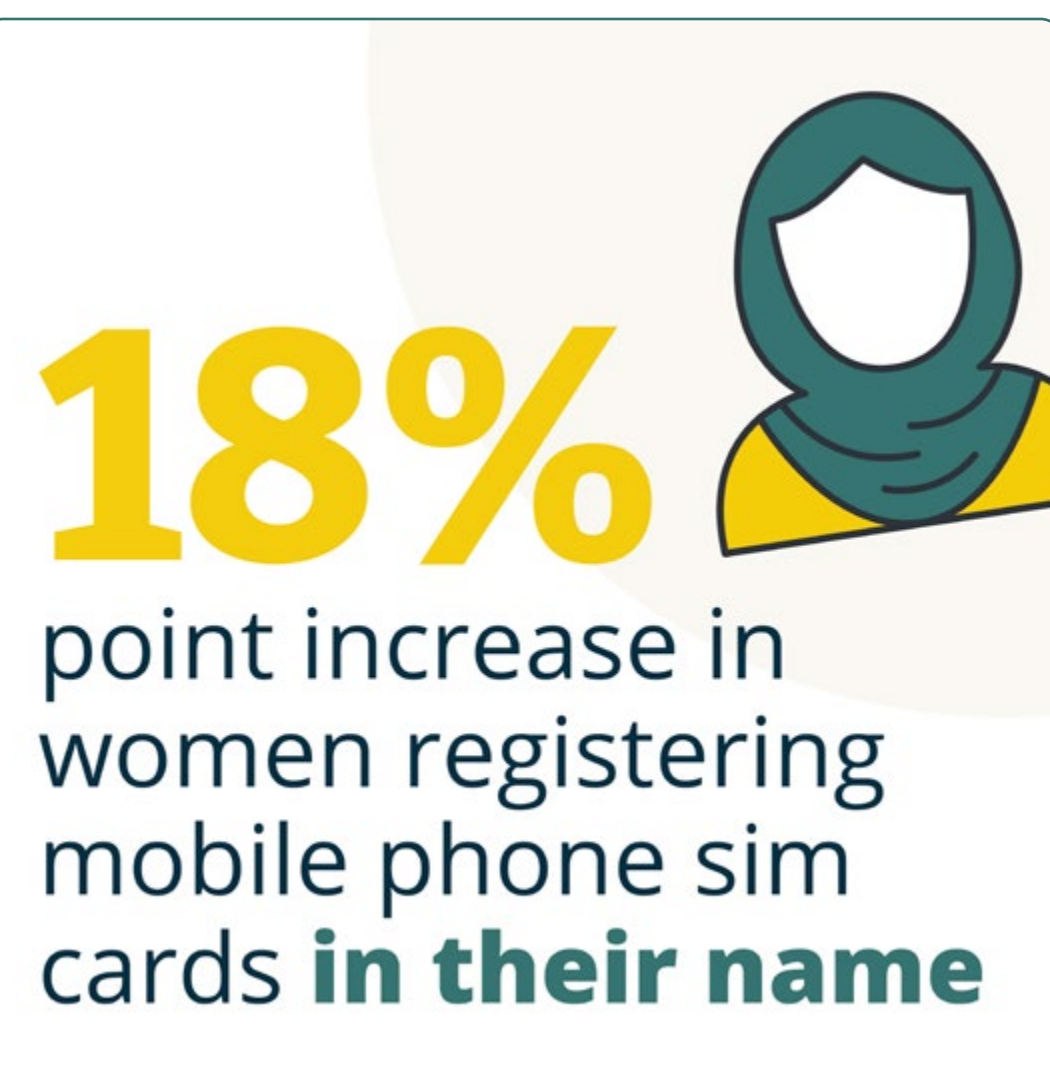
64% of men and women preferred to be paid digitally up from 30% before the program. Main reasons cited included it being safer, easier to manage their money, transfer money and save.



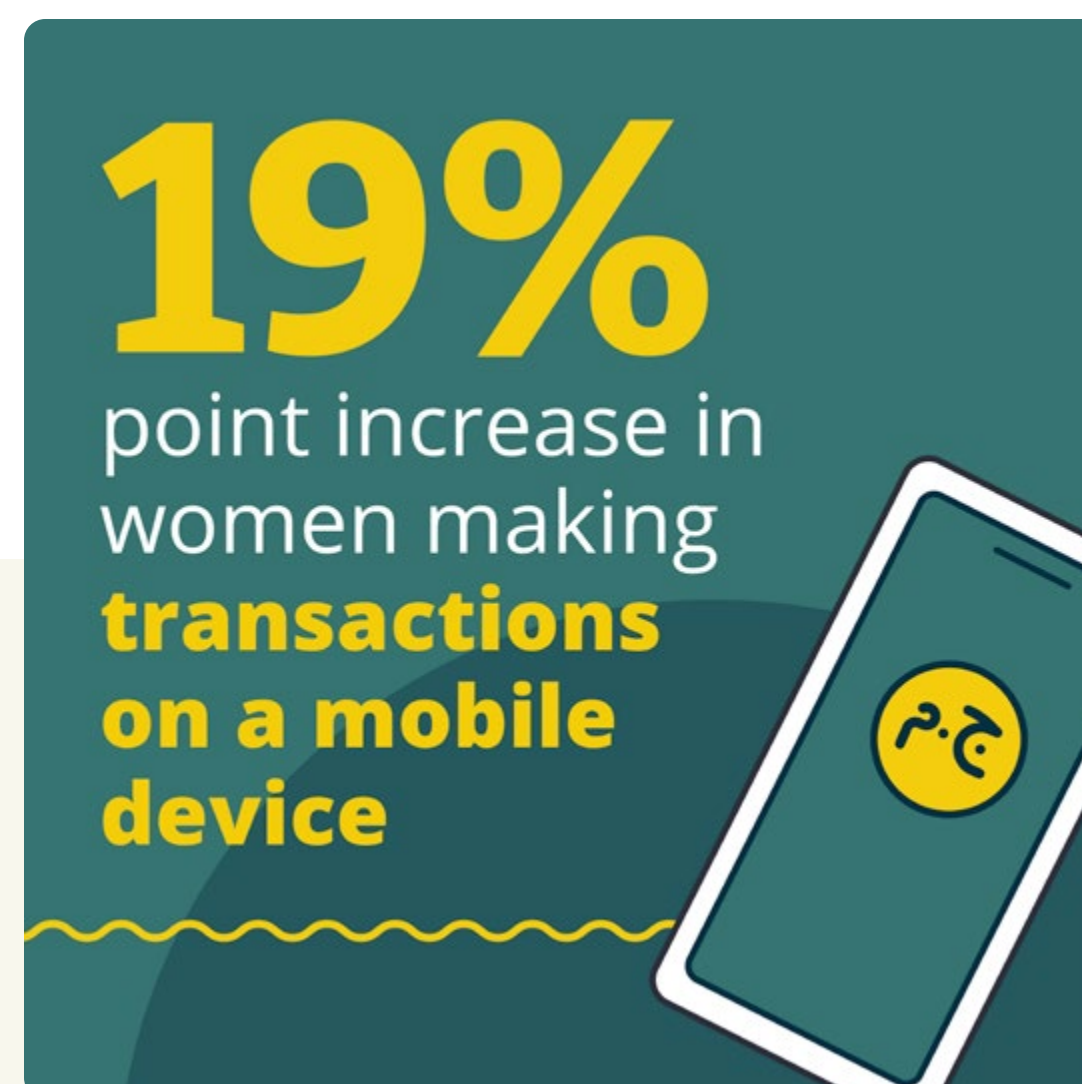
88% of women and men said they used financial products and services compared to only 65% and 60% at the start of the program. The most common product to be used was savings accounts.

Financial Services

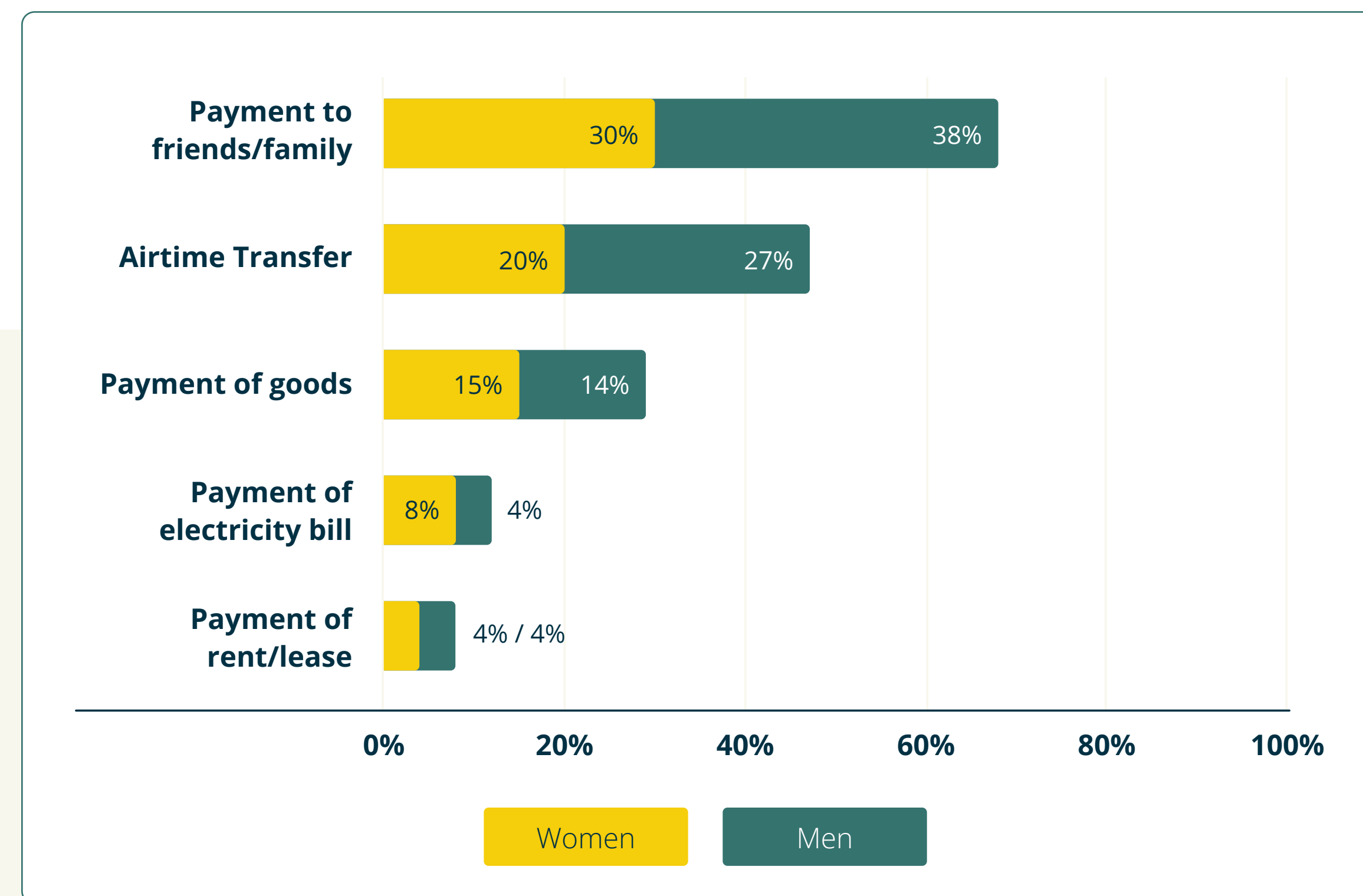
Women and men workers became active users of digital financial services



88% of women said they owned a smart phone at the start of the program however only 74% said they own a mobile phone sim card registered in their name (own or shared). By the end of the program, 90% of women said they owned a smart phone and 92% of women said they have a mobile phone sim card registered in their name (80% own and 11% shared). This positive trend is reflective of efforts by the telecoms and financial services industry to ensure all customers have a sim card registered to their name. This is an encouraging ecosystem change.



44% of men and 36% of women said they made transactions on a mobile device, up from only 13% and 17% at the start of the program. There is a gender gap in transactions on a mobile device with men surpassing women in making transactions despite them having a lower starting point. The main transactions made on a mobile device were to pay a friend or family member, followed by airtime transfer, and payment of goods. The most used payment app is 'InstaPay' which is licensed and regulated by CBE.



Types of transactions made by workers on a mobile device following participation in the program



Worker View

"I prefer to be paid into an account [than cash wages]. It's very simple and I can withdraw money easily – I learnt from the [peer educator] training. When I received my salary in cash, I spent more, but now I'm paid into an account, **I spend less and can save more.**

It's ok for me to be paid into an account, **but for others it's difficult**, especially those in villages, or who are older or have low levels of literacy. I have been helping other colleagues to activate and use their card. **They are scared to use their card** as they are scared to lose their card.

Because I have limited resources **I have to manage on what I have.** I prioritise my spending to cover expenses for the month and then to treat my children. **New prices keep surprising me**, they go up all the time."

**IMAN | GARMENT WORKER
PORT SAID, EGYPT**

Financial Health

Workers increased their financial resilience



There has been a 10% point increase of women reporting saving every or most months (from 50% to 60%) and a 20% point increase for men (from 45% to 65%). Traditionally, saving has been seen as the responsibility of women, so it is positive to see that men are increasing their savings behavior. Men reported saving for marriage and children's education and women for marriage and expected expenses, such as medical bills, household items and personal expenses.



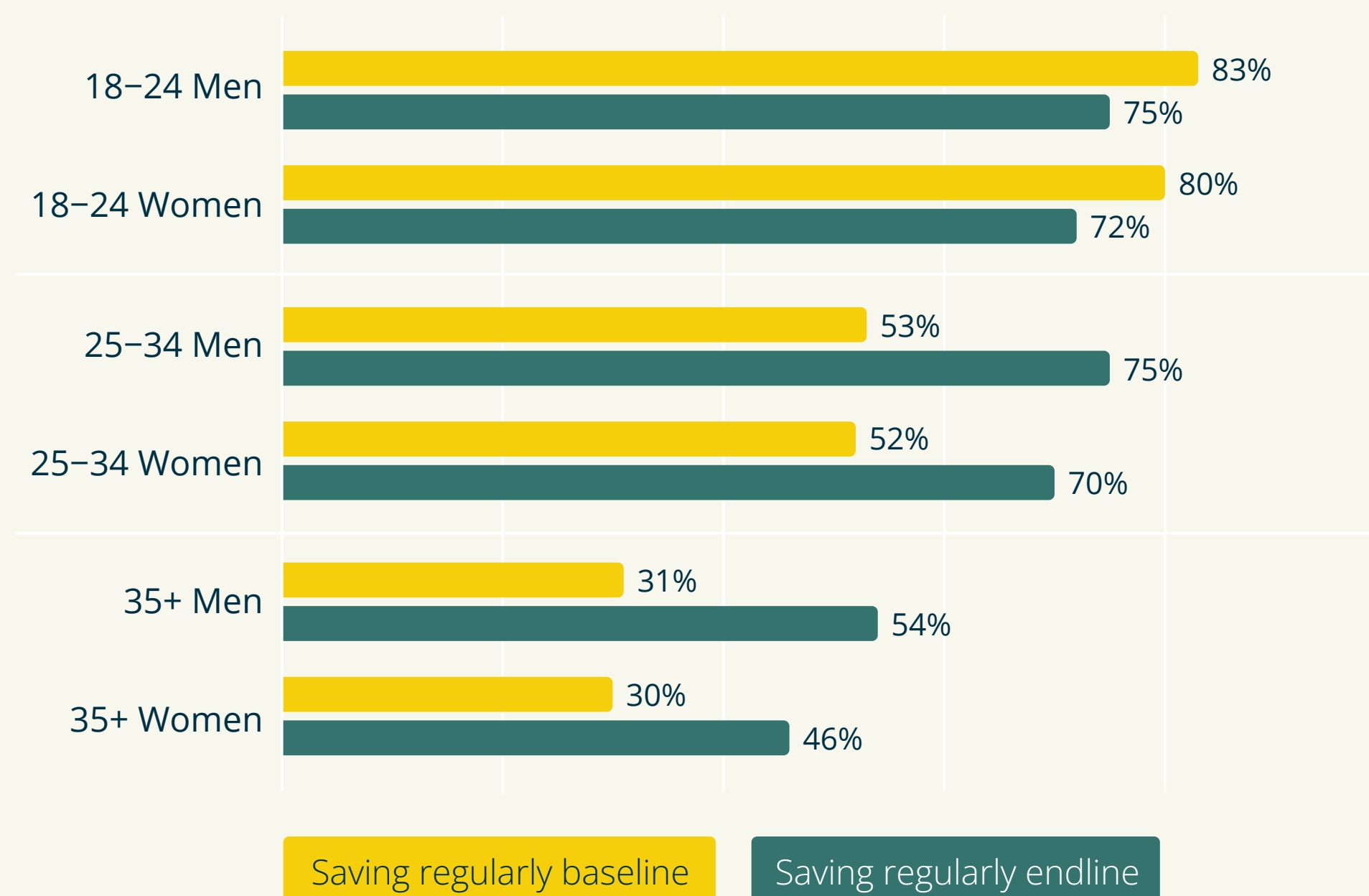
65% of men and women reported having a separate account for their savings, up from 37% at the start of the program. Only 10% of workers reported keeping most of their savings in a bank account. Most preferred to save through *gamaeya* (savings groups) with 45% of women and 50% of men reporting this as the method they used the most. Saving in cash has increased slightly from 10% of workers to 13% of workers, likely due to the economic situation and fear of putting their money in financial institutions or savings groups amidst the crisis.

Savings behaviors vary according to lifestage

Despite challenging economic conditions, workers realise the importance of saving money for the future and have increased their savings behavior. There are variations in saving patterns for different age groups and marital status.

Unmarried workers were more likely to report saving every or most months than married workers because they are focused on saving for marriage. Workers **aged 18-24 are more likely to save regularly** than other age groups as they prepare for marriage. Both men and women aged 25-34 are next likely to save regularly, increasing by 19% points to 72%. Workers aged 35+ are the least likely to save regularly, linked to family responsibilities, although increased by 20% points following participation in the program to 49%.

Women and men saving regularly by age group



Worker View

“I am paid my wages into an account. I was nervous at first, but now I prefer to be paid into an account as it **helps me manage my money better**. I spend less when I don't have cash in my pocket and I only cash out what I need. **I find it difficult to save so I have joined a *gamaeya* to help me save**. Before I was spending a lot on shopping and clothes. I am now saving for my marriage.”

**FATMA | GARMENT WORKER
ISMALIA, EGYPT**



Expenditure

Workers decreased confidence to manage expected and unexpected expenses due to cost of living crisis

↓ **12%**
point **decrease** in
workers reporting
**confidence to
manage expected
expenses**

27% of women and 29% of men said they were somewhat or very confident compared to 39% and 41% before the program. Married workers maintained their confidence to meet expected expenses (4% point decrease) more than unmarried workers (26% point decrease).

10%
point **decrease** in
workers reporting
**confidence
to manage
unexpected
expenses**

Men reported higher decreases than women in confidence to manage unexpected costs. 30% of women and 24% of men said they were somewhat or very confident compared to 36% and 38% before the program. Married women reported increased confidence to manage unexpected costs from 24% to 29% at the end of the program. This reflects differing family responsibilities in Egypt where men tend to be responsible for larger purchases or emergencies.

35%
of women who took
a loan used it for
expected expenses

Whilst only 13% of workers have formal loans, more women reported having loans (17%) and this has increased slightly from baseline (15%) whereas men reporting having loans has decreased. 35% of women who took a loan used it to have funds at disposal for expected expenses (this is likely predominantly for school/ university fees), up from 28% at the start of the program and 24% said they took a loan for funding marriage (usually purchases in installments such as cookers and other appliances).

Amid the challenging economic environment and cost of living crisis in Egypt, workers have recognised the need for sound **money management skills** through support from the program however workers continue to **lack confidence in managing expenses**. Further adverse impact in confidence to meet expenses would be expected without workers' increased knowledge and skills to better **manage their income** given increased inflation. Managers have also felt the pinch of the economic crisis with 77% of managers reporting they were "very stressed" when asked if they were **frequently stressed or depressed** because of not having enough income, an increase from 46% at the start of the program.

The increase in **relying on loans for expected expenses** is concerning and it is clear that for some workers, the cost of living crisis is forcing them into debt. Egypt has strict penalties for defaulting on loans¹⁸ and so if workers do not fully **understand the fees** associated with them, workers could get into significant difficulties.



Worker View

"I am paid into an account and can use the ATM myself and **I'm comfortable using my debit card in the supermarket.** I also use the banking app to check my balance.

I have learnt how to create a financial plan and **distinguish between my wants and needs.** I have created a monthly budget and am managing my expenses better.

Everything has become more expensive, and I am not able to save although sometimes I do use the *gamaeya*. If I need extra money, I borrow from my friends.

I am not working for just receiving my salary to feed my kids and educate them, but **I need to work and save money to reach my goals."**

**BASMA | GARMENT WORKER
PORT SAID, EGYPT**

Women's Economic Empowerment

Men and women changed their attitudes around financial decision making



24% of women and 39% of men said they make decisions with their family about household spending compared to 18% and 27% before the program. This gradual shift to making decisions with family rather than individually is positive given traditional norms in Egypt.



76% of men and 40% of women strongly disagreed that most household decisions should be made by the man compared to only 40% and 59% at the start of the program.



62% of men and 71% of women strongly disagreed that large financial decisions should be made by the man compared to only 32% and 42% before the program.

Why it's important to take a gender intentional and intersectional approach in Egypt's garment sector

Egypt, like many Arab states, embodies patriarchal structures. Major areas of life are organized according to unequal gender principles and the conflicting hierarchies of power,¹⁹ as shown in Egypt's ranking 129 out of 156 in the Global Gender Gap Index.²⁰ Gender roles are largely associated with traditional Islamic family structures. Married men serve as heads of households and make decisions for the household. Women take on traditional roles in the household and outside labor force participation is infrequent.²¹

Whilst only 20% of working-age women in Egypt are participating in the economy, a much higher proportion of 40% is seen in the garment industry. Highly feminized industries require a gender intentional and intersectional approach that considers the most vulnerable social groups. The concentration and aggregation of women workers in the garment sector in Egypt provides an opportunity to close the gender gap in financial inclusion through gender intentional approaches. It is vital to consider specific barriers of women workers and design programs and products for their needs. Wage digitalization must be coupled with financial capability training to support women to use services and addresses social norms around financial decision making. Otherwise, women may be left behind.

Worker View

“My wages are spent on rent, groceries, the *gamaeya*, and a small amount for my expenses. I pay these in cash but if it’s an option **I would pay them digitally**. I am saving in the *gamaeya* for home goods and personal expenses. We need a water filter and also for the baby.”

ISLAM
CAIRO, EGYPT



Ecosystem Insights

Insights for successful financial inclusion initiatives in the garment sector

RISE has demonstrated that responsible wage digitization, coupled with financial capability training that considers the needs of women, leads to benefits for business and workers.

Key insights to scale this further include:

Saving and budgeting is more important than ever

The cost of living crisis in Egypt and uncertainty around food prices mean that managing spending and saving is vital to stretching wages further. It is important that initiatives support workers to avoid getting into debt in order to manage expenses.

It is vital to consider the needs of women

Gender norms mean women are less likely to have experience of financial services or digital technology and will need more support to build confidence to use them. Considering women's lifestyles is important to focus efforts. If women's financial needs and barriers are not considered then gender financial inclusion gaps may be increased.

Digitalizing wages doesn't (immediately) resolve the need for cash

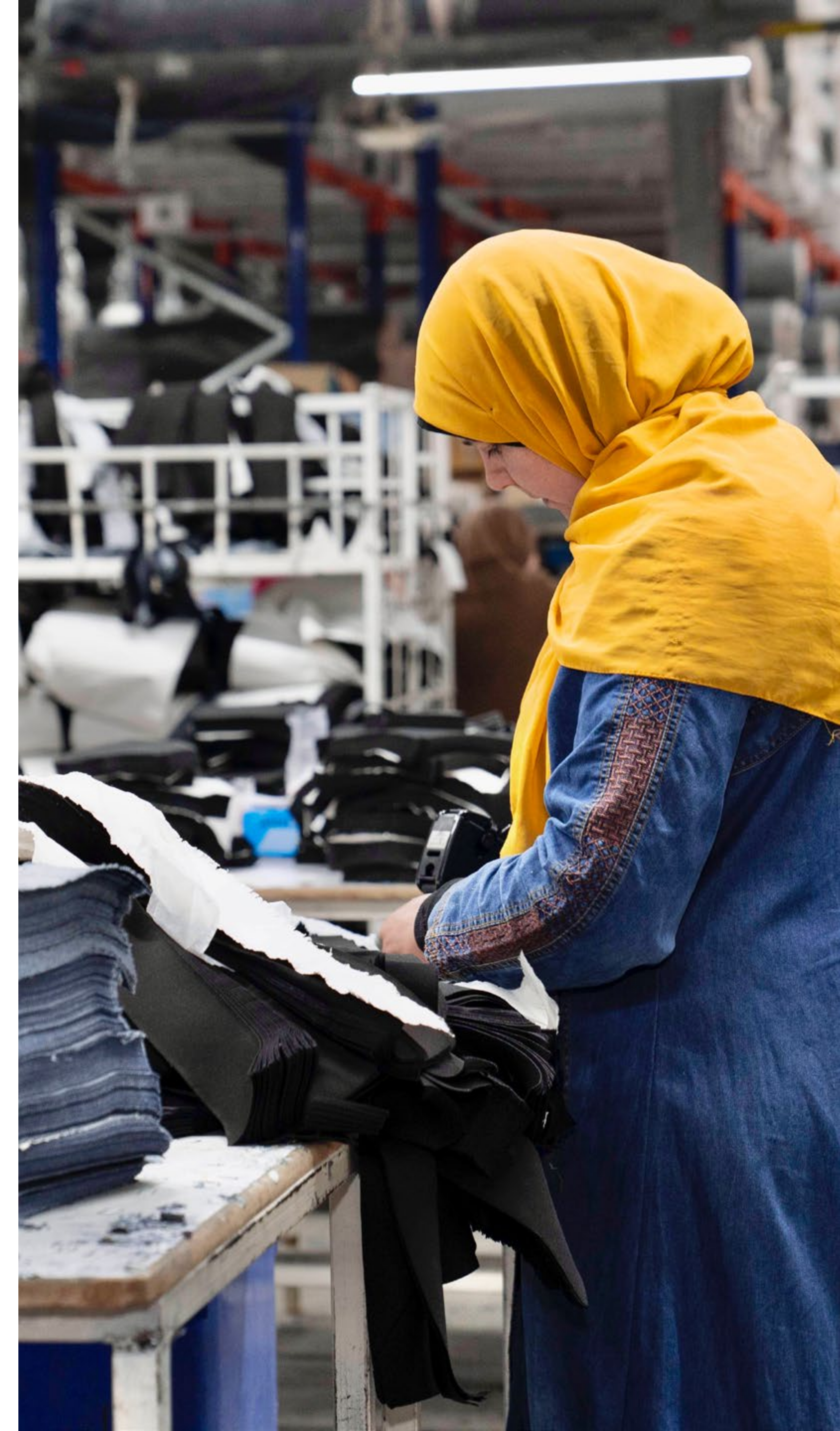
It is important that workers build confidence, knowing they can access their cash when they need it. With the right support, workers will begin to use more digital payments over time.

If the technology is right, workers will use it

The take up of Instapay by women and men workers shows that with the right knowledge and skills, workers will start to use digital financial services that are user-friendly and relevant for them.

Positive customer experience builds trust

Workers trust in financial products and services is eroded if fees are not clearly explained to them and factories will change payroll providers if they receive a lot of complaints from workers. For example, workers don't all have email addresses, and so may be charged for paper statements that they didn't know they had requested. Or if agents encourage workers to apply for credit cards without explaining the fees and difference with debit cards.



Recommendations

RISE has demonstrated that the garment sector working with the financial service industry and other key stakeholders can be a catalyst for increasing financial inclusion and improving financial health for low income women and men workers through:

- Digitizing wages in a gender responsive way
- Investing in the long-term financial health of workers as part of a comprehensive business model

			Stakeholder & Benefit
 <p>Garment Sector Increased efficiency, transparency, compliance and managing risk</p>	 <p>Financial Sector A new active market sector meeting financial inclusion targets</p>	 <p>Government Increased financial literacy, financial inclusion and improved financial health of the population</p>	 <p>NGO's Increased women's economic empowerment</p>
			Recommendations
<ul style="list-style-type: none"> • Include gender intentional financial capability training and support for workers as part of wage digitalization • Integrate financial capability into existing worker empowerment initiatives – use RISE materials, including posters, videos and audio • Monitor progress, including collecting gender disaggregated data to identify where additional support is required 	<ul style="list-style-type: none"> • Take a long term approach – workers need to be able to withdraw cash from local ATM's as they build their trust and confidence to use digital financial services. • Develop use cases for low-income men and women including savings, digital gamaeya and digital payments including merchant payments, transit payments • Use behavioural design to promote saving products eg. around Payday 	<ul style="list-style-type: none"> • Encourage financial service provider's financial inclusion strategies to include low-income men and women workers • Design strategies to incentivize merchants to accept digital payments and campaigns on how customers can make safe digital payments 	<ul style="list-style-type: none"> • Conduct and share research into workers' financial needs and barriers, considering women's lifestages, gender norms and power dynamics to best support women's financial agency • Promote gender intentional wage digitalization and advance worker's financial inclusion and economic empowerment

Brand View

“Paying workers digitally, when supported with gender-focused financial literacy training, **increases financial inclusion and improves workers’ financial health**. This has many positive knock-on effects for workers and their families, as clearly demonstrated by the results of this successful program in Egypt, by RISE and Mastercard Centre for Inclusive Growth.”

**M&S CLOTHING AND HOME ETHICAL
TRADE TEAM**

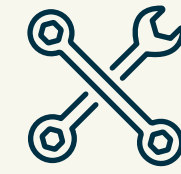


Resources

Digital wages and financial capability resources

The following resources developed by RISE in partnership with Mastercard are readily available online:

RISE Digital Wages Toolkit for Employers



Sets out best practice and guidance for managers to transition towards digital payroll in a responsible and efficient manner. Available online in Arabic, and English.



A Practical Guide for Global Brands and Buyers



This guide offers global brands and buyers practical advice and covers four stages for ensuring sustainable wage digitalization, that benefits both business and workers.



A Practical Guide for Financial Service Providers



Developed with Mastercard this guide offers financial service providers practical advice to develop the digital wage segment, including acquisition, driving usage of financial services, and retention of new customers.



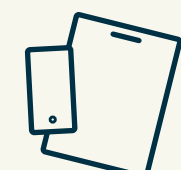
RISE Financial Health Videos



A set of 6 videos and animation developed with QuizRR, can be used during training or shown on their own, such as in factory canteens. Playlist available in Arabic.

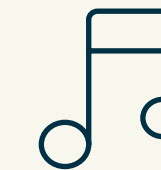


RISE Digital Wages Tech Learning Tool for Workers



Developed in collaboration with QuizRR, uses engaging films, quizzes, and animation to support workers to increase their knowledge of financial services, improve financial health and build their digital literacy. Available in Arabic.

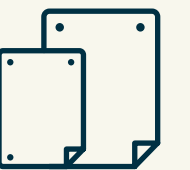
RISE Audio Messages



A series of 5 audio messages about financial services and money management are available in Arabic.



RISE Financial Health Posters



A set of six posters with information about financial services and management. Available online in Arabic.



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13. [Egypt's 'Tahwisha' savings app targets 2.2 million women in 3 years](#), April 2023
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15. RISE conducted surveys at the start of the program with 532 workers (62% women) from 9 factories located in Alexandria, Giza, Ismailia, Port Said and Qalioub and at the end of the program with 493 workers (59% women) from 9 garment factories. 50% of men and 59% of women are 34 years or younger. The data presented in this report is taken from these surveys unless noted otherwise.
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RISE: Reimagining Industry to Support Equality is an initiative to support collaborative industry action at scale to advance gender equality in global garment, footwear and home textiles supply chains. RISE brings together the fashion industry's four largest women's empowerment programs from BSR's HERProject, GAP Inc. P.A.C.E, CARE and Better Work with 15+ years' experience of implementing women's empowerment programs in global supply chains to build from proven approaches. RISE focuses on three interconnected priorities with the potential to create transformational improvements in the lives of women workers and support improved business outcome including Financial Health, Prevention of Gender Based Violence and Harassment and Women's Advancement and Leadership.

riseequal.org