Cash Transfers through BRAC Bangladesh to support families during the COVID-19 Pandemic

by Sahed Shams Azad

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Since declaring the first confirmed case of Covid-19 on 8 March, Bangladesh, as of 6, ranks at 5th place among all countries, with 249,651 total affected cases. The Bangladesh Govt. kicked off countrywide lock- down March 25th, freezing general mobility except for emergency services and necessary goods transfer. No sooner than after the directive came out, over the first couple of days a mass movement was observed among low-income people from urban centers to rural hubs. As an example, by tracking SIM cards, a telecom authority announced that almost 11.5 million people had left the capital of Dhaka city, the significant economic hub home to 21 million people, or 13% of the total population of 164 million. Needless to mention that Bangladesh has the highest density of population in the world.

At this point, the country experienced sweeping cases of unemployment among the low-income group since 90% of the jobs are in the informal sector. A significant portion of this are the daily wage earner – transport workers and vehicle drivers, street hawkers and vendors, small businesses, tea-stall or food stall owners, and daily laborers. The real manufacturing goods (RMG) sector, which contributes almost 80% of the country’s export, was severely hit by cancellation of orders worth of 3.15 billion USD, and this resulted in massive layoffs. What started as a public health crisis, soon turned towards...
A humanitarian crisis. People living in poverty or just above the poverty line started experiencing a severe economic onslaught.

A rapid perception survey done by BRAC between 31 March to 5 April, in all 64 districts of Bangladesh and among 2,675 respondents showed that the economic impact caused by the countrywide shut-down affected 93% of respondents. Daily wage earners in the non-agricultural sector reported the most significant loss (77%) compared to those in the agricultural sector (65%). Of all respondents, 14% reported having no food in their homes while in urban areas, the rate was 18%. Overall, 29% reported having 1-3 days’ worth of food in their homes. In urban areas, the income drop was 69%, in rural areas it was even higher at 80%.

So, such a situation demanded a quick aid transfer to families that started experiencing immediate food insecurity. BRAC jumpstarted this process by reaching out to 100,000 of such families in the first wave, starting April 3rd with a support of 18 USD / for each family, an amount that was estimated to help a family of 4 with food for two weeks. Within a week we had to shift away from the traditional method of food distribution because social distancing was not easy when a group of people were called to a specific spot. Immediately we changed the modality and started delivering cash to individual households. Next, we came across another roadblock – families in the adjacent houses were getting agitated that BRAC is giving support to selected houses and in some place BRAC field officers had to face unpleasant incidents. All these things were happening within a very few weeks.

Finally, we decided to switch over to cash transfer made into digital wallets as much possible – eliminating all the hurdles of public gathering, procuring food and
transporting them to different points, listing households and calling them into a specific spot, managing local authority and political influencers.

The BRAC digital cash transfer process worked in 4 steps which is explained in the diagram below.

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<th>Step-1</th>
<th>Step-2</th>
<th>Step-3</th>
<th>Step-4</th>
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<tbody>
<tr>
<td>Collection of wallet numbers from clients. Open wallet for those who do not have any.</td>
<td>Verify the list of wallet number that comes from field at central level</td>
<td>List sent to bKash (MFS) for second round verification</td>
<td>Cash is transferred to the final recipient families</td>
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The first step of this process is making digital wallets available at the receivers' end. Virtually all (95%), of these BRAC clients are female and this generated an issue around phone ownership. In Bangladesh there is a significant gender gap on this, where 61% females have phones, whereas 86% are males. And the gap exists in the usage of mobile wallets too. About 11% of women are registered as a mobile financial service user, while for men it is 30%. It was no surprise that when we started collecting digital wallet numbers, many of the clients did not have any. The next best alternative was to find
any other family members’ number. And, if in certain cases, that did not work we tried to choose the leader of the microfinance group or any other group member who lives adjacent to her house. Sometimes we were also asked to transfer to an agent’s wallet whom the client trusts. However, we tried not to go beyond family members because of two main reasons – the data privacy of the client and chances of financial misappropriation which might even lead to not getting the support at all by the intended family.

We still had trouble with the segment of ultra-poor women whose daily income falls below 1.90 USD per day. Many of these families are single-headed households. Their rate of phone ownership is even lower. In these cases, we had to transfer clients’ cash support to one reliable wallet, which was verified well by the field officers during number collection.

Eventually, digital cash transfers in this emergency quickly picked up speed. BRAC delivered 3.2 million USD cash grant to 170,000 families. Soon we expanded the digital cash transfer to cater to other client services. More than 400,000 microfinance clients were refunded with their savings worth of 9.6 million USD. Insurance benefits were paid to 208 wallets and interest from a monthly savings scheme was sent to 3,725 wallets. In total BRAC made digital cash transfers to 575,000 wallets and for a total amount of 13 million USD and we are currently planning for more.

The wave of digital cash transfers soon went beyond BRAC, resulted in a surge of wallet openings across the nation. In April and May, more than 7 million wallets were opened, out of which 2.6 million were by the RMG workers because there was an additional push from the government that factories must transfer workers’ salary to MFS accounts. Out of many stimulus packages, the government also reached out to 5 million households through this digital cash transfer with a support of 30 USD for each family, totaling 150 million USD. It is essential to mention here that some initiatives topped up the cash out charge 1.85% with the committed amount.

The digital cash transfer also brought in a massive shift in the mindset of our field staff. Previously the only digital option we had for our clients was a savings product for which the clients were required to travel to the branch for the monthly instalment payment, as it was not collected during group meetings due to chances of financial misappropriation by field officers. Introducing the digital option helped a group to avoid coming to the branch anymore. We could open up more than 800,000 wallets and almost 400,000 active wallets were used to make the payments at peak periods. About 40% of that savings product’s payment was done through DFS wallets.

However, a significant pitfall of the model was that many clients started making the transaction from other wallets than those that she had registered with BRAC. Many such transactions from these unregistered wallets (not registered in BRAC’s system) became hard to track as they were transferred to a central wallet and we were
struggling to identify which client made it from which branch. That eventually created tension between a group of clients and their field officers, which resulted in reluctance towards digital cash transfer among the field team.

So, when we wanted emergency digital cash transfer during Covid-19 outbreak, the initial response from the field was dismal. They preferred home delivery with the fear that if any money is lost during digital transfer, then they will have to manage their clients again. But when we completed the first wave of transfers to a smaller group of clients and money reached all of them instantly without any significant hindrance, an enormous positive vibe swept through field staff and eventually, 80% of the savings refund was made through the digital method.

For any MFI, when field team shows the right acceptance of an intervention, fairly half of the hard work is done. Such confidence from the field team induced us to introduce loan instalment collection through digital wallets from May 10th onward, once we resumed microfinance activities only for those clients who were willing to repay their last few instalments and take another loan. We were not in a position to resume the group activities because the spread of the virus was picking up within communities. And at the same time, we also couldn’t ask many of these clients come to our branches because of the associated exposure to health risks. The collection through the digital wallet started showing good signs early. It is now almost 8% of our total collection. And, at this point we have both digital cash incoming and outgoing options available in all the branches.

To avoid unidentified transaction issues for loan instalments, a DFS wallet is introduced in each of all 2,541 branches. Any transaction that happens now will be traced back within the branch’s client base, at the very least. Clients are no longer required to
register any specific number with BRAC; they can send money from any wallet. Field officers strongly reinforced the designated branch wallet number so that no transaction is made to a wrong wallet. A separate reference code is introduced for micro and SME clients. Leaflets were distributed wherever possible that contain the wallet number and cautions about financial fraud.
And most importantly, every field officer vehemently reinforced to every interested client that they must call the field officer before the transaction was to be made. And whenever it is made, the transaction is instantly available in a web portal assigned to that branch’s wallet and access to it is given to both the branch manager and the accounts officer. So no sooner a field officer receives a call from the client about a transaction, she/he can instantly check it with the branch manager. An in-house survey shows that almost 100% of clients did not miss calling the field officer right before (92%) or after (7%) they made the transaction. Of the clients those who made payment of their loan instalment through DFS, 85% of them want to continue doing it in future.

Communication is another major component of the whole ecosystem. In general, the microfinance clients have little awareness about the privacy of their wallet information, especially the PIN number. Another issue is the wide usage of feature phones among the clients. If the inbox is full, then new messages might not be delivered, and there were instances where clients did not receive DFS message on the transaction they made to BRAC wallet.

Also, fraudulent calls are also frequent in Bangladesh where they ask for clients’ wallet information or ask them to transfer a certain amount of money to get a more significant amount or a lottery etc. Even calls have been made in the name of BRAC staff. The MFS provider in our case which is bKash, runs mass media awareness campaigns on this topic. And, our field officers also delivered these messages to the clients; it is a significant part of the total digital transfer conversation with the clients.

Last but not the least, when the money gets into the BRAC wallet, there is a 1.15% bank settlement fee with bKash. So, should the clients top-up that charge, which will increase the total cost of credit or should the MFI take care of it? In our case, BRAC bears that charge and the clients should also know that they do not have to pay anything extra in the form of requests from agents or anyone else in the chain.

The regulatory body increased the daily “send money” limit from 882 USD to 2,352 USD per month at the very beginning of the outbreak. When the countrywide lockdown was enacted, only food, vegetable, grocery, or medicine shops were allowed to stay open... However, due to the flow of digital transfers, the DFS agents were also permitted to operate at full scale. BRAC’s survey findings show that 98% of the clients, who opened wallet during these months did not encounter any major challenge with the agents.
So today, when we look at our overall set of digital initiatives, we see that the pandemic has fast-tracked a few things way before our original planned roll-out. We were planning to experiment with loan collection through bKash wallet in 90 branches, having IPA as our research partner in 2020. But now we had to expand this option to all our branch offices just within three weeks. We were taking the time expand branch-wise our DFS wallet because of our system integration, but that is a national reality now.

So, from here, as an MFI, we need to investigate the future differently. The question that always hovers deep inside our core strategy is how we shall keep the balance between ensuring social cohesion and a human touch while deploying the digital intervention. We look forward to getting that answer from here. We see that new customer segments are rising who are not getting access to finance through our conventional approach, say a single mother who is selling her handicrafts to a small group of clients through Facebook. We need to find alternative ways to reach them and ensure financing. At the same time, we have yet to observe what the new normal after this pandemic would be, In our partial resumption of activities, we are disbursing loans to our repeat clients who have been with us a long time without the conventional assessment process. But we are not able to do that with the new clients. So, we need to figure out alternative ways of client assessment post Covid-19 scenario. Algorithm-based data analytics can be a way to explore an alternative credit scoring model.
Such a DFS boost will add to the country’s overall financial inclusion agenda too. Currently, as per global Findex 2017, in Bangladesh 50% of adults (15 years +) have bank accounts. We are hopeful that people who are getting into the usage of digital wallets now will continue using these in the long run and that this will have a positive ripple effect on others around them. As an MFI, we look forward to an even greater digital inclusion in post Covid-19 era.

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