

## **The Future of Supply Chains** **Why Companies Are Digitizing Payments**

JUNE 2018

BETTER THAN CASH  
ALLIANCE



# Foreword



About 30 percent of the world's adults struggle to get by without the basic financial services they need to protect themselves against hardship and invest in their futures. **Financial inclusion seeks to unlock economic opportunity for all, especially the poor, by expanding access to these catalytic financial services.**

In the past few years, digital payments have proven to be an effective tool to drive financial inclusion, enabling hundreds of millions of people to make transactions faster, cheaper, and more safely. Not only can digital payments create incentives for people to open an account, they can also reduce the problem of account dormancy by offering new applications that customers will actively use. For example, an increasing number of innovative digital payments solutions are making it possible for individuals to afford and access services such as clean water and electricity for the first time.

**Governments in developing and emerging countries have made important moves to foster digital payments.** They are investing in vital infrastructure such as payment systems and connectivity, and they are digitizing their own payments, including wages and social transfers. That said, further action is needed to truly scale up progress.

**A growing group of companies are realizing how digitizing payments can have positive effects on their business and on people's lives.** Key private-sector actors in retail, consumer goods, garment, and agribusiness can play a crucial role in supporting financial inclusion by digitizing their salary and supply chain payments. Currently about 230 million financially excluded people still receive their wages in cash, and 235 million unbanked adults in developing countries receive cash for their agricultural products.

The 2017 Global Findex data shows us that more than half a billion adults gained an account since 2014. But several groups such as women, farmers, and small- and medium-sized enterprises remain critically underserved. I have found in my own work that a diverse range of major companies recognize that financial inclusion can improve the performance of their businesses. And they are ready to take steps that can expand financial inclusion. **We need more companies to step forward in similar ways – not for the sake of CSR but because this makes business sense for everyone involved.**

This paper provides interesting examples of powerful partnerships that have succeeded in digitizing supply chain payments. I hope that these insights and evidence will help digital payments gather force and deliver the benefits of financial inclusion to many, many more people.

**H.M. QUEEN MÁXIMA OF THE NETHERLANDS**

United Nations Secretary-General's Special Advocate for  
Inclusive Finance for Development (UNSGSA)



# CEO Voices



While governments adopted the Sustainable Development Goals, they alone cannot deliver on them. **Global businesses, like ours, now have a huge opportunity to harness the power of digital payments to drive financial inclusion.** At Unilever, we've seen first-hand how digital payments can empower individuals, micro and small businesses, and communities in the world's most marginalized settings. Ultimately that strengthens our own business, and inspires our people beyond measure.

**PAUL POLMAN, CEO UNILEVER**



Sixty-five percent of people employed in H&M group's supply chain are women, many of them with limited access to financial services. **By promoting digital payment of wages, we also promote better working conditions for women** and equipping them with tools to build a better life for them and their families.

**KARL-JOHAN PERSSON, CEO H&M**



Having our suppliers pay garment workers digitally is delivering huge benefits to our business, our employees, and our partners. **Digital payments bring improved financial security and safety for employees, efficiency gains for our suppliers, and greater transparency for the industry.** We've seen how setting new best practices can transform people's lives as well as business outcomes.

**ART PECK, CEO GAP INC.**



By integrating digital payments into everyday operations for small business owners, **Grupo Bimbo has made real strides in supporting the growth of 'mom and pop' stores and driving inclusive growth for entrepreneurs and their families across Mexico.** The impact for our business, our supply chain, and our communities has been vast and we see how the possibilities continue to grow with access to digital tools.

**DANIEL SERVITJE, CEO GRUPO BIMBO**

# Executive Summary

The journey from cash to digital payments is gathering pace around the world. Forward-thinking businesses have played a key role in generating this momentum.

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Businesses are still hampered by **the exclusionary, inefficient, unsafe, and opaque shortcomings of cash.**

As a result of digitizing payments, many companies have accrued very real benefits for themselves, their employees, suppliers, distributors, and in many instances, the communities they work in. There is reason for optimism as the case for digitization in businesses becomes more compelling every day.

Despite the clear benefits, the global business community remains at the beginning of its digitization journey. **Businesses of all sizes around the world are still hampered by the exclusionary, inefficient, unsafe, and opaque shortcomings of cash.**

The dividends of digitization remain out of sight for too many enterprises, and hence out of reach. It is clear that more action, more collaboration, and more innovation are urgently needed.

**The next stage in the world's journey to move away from cash will require payment digitization to become more widespread, and for corporate supply chains to harness its full benefits.**

These include more efficiency and higher productivity, increased revenues and lower costs, greater transparency and security, and stronger business relationships that drive more economic opportunity. By realizing these benefits, companies are championing the Sustainable Development Goals, while generating new data for unbanked workers and small business owners.

**This report draws on the experience of nearly 40 companies and organizations<sup>1</sup> – in the agribusiness, fast moving consumer goods (FMCG), and apparel industries – along with financial institutions, think tanks, and donor agencies.** It sheds light on six recent experiences from global brands and local companies digitizing supply chain payments across Bangladesh, India, Mexico, Kenya, and Uganda. Taken together, these diverse perspectives illustrate the pivotal role businesses can and must play in an economy's larger digitization efforts and how they will benefit.

*The term digital payment is generally understood to mean a transfer of value from one payment account to another using a digital device (such as a mobile phone or computer) and electronic communications channel (such as mobile wireless data). This includes payments made with electronic bank transfers, mobile money, and payment cards (e.g., credit, debit, prepaid).*

# The **Benefits** of Digitizing Payments for Companies

## IMPROVED EFFICIENCY



- Reduced transaction costs
- Higher productivity
- Better cash and business management

## INCREASED REVENUE



- Growth of suppliers/distributors through access to capital
- Data analytics for business development
- New business opportunities



## GREATER TRANSPARENCY AND SECURITY



- Transparent and traceable transactions
- Better fraud detection
- Higher personal security

## STRONGER BUSINESS RELATIONSHIPS



- Suppliers/Distributors: increased loyalty
- Employees/Workers: reduced turnover
- Consumers: better products
- Government: strategic partner

## DIGITAL PAYMENTS CONTRIBUTE TO THE SDGs

Financial  
inclusion

Women's economic  
participation

Decent work &  
inclusive growth



SUSTAINABLE  
DEVELOPMENT GOALS

\* The Responsible Digital Payments Guidelines by the Better Than Cash Alliance promote the confidentiality and security of client data.

For example:

- In India, **Gap Inc.'s** efforts led to roughly 95 percent of factory workers being paid digitally. Over time, factories also experienced a 15-20 percent general reduction in worker attrition and turnover on average.
- In Kenya, small retailers in **Unilever's** Jaza Duka (“fill up your store”) program grew sales by 20 percent in the first six months of accessing digital working capital loans, which were based on retailers' digital purchasing history.
- In Bangladesh, apparel companies participating in **BSR's HERfinance program**<sup>2</sup> reported a 53 percent savings in time for the admin and finance teams of their suppliers in the first year of implementation.
- In Uganda, mobile payments helped **McLeod Russel Uganda** (MRUL), an affiliate of the world's largest tea production company, increase transparency and started to eliminate payments to “ghost” workers.
- In Mexico, card payments and digital services such as mobile phone airtime recharge enabled small retailers in **Grupo Bimbo's** network to increase sales by 20-30 percent.

**However, these successes must be viewed against the broader global landscape of access to financial services for workers, farmers, and small businesses as part of global value chains.**

Far too many people and small businesses around the world remain financially excluded. While strides have been made in digitizing payments, there remains much work to be done and many benefits are still unrealized.

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**1.7 billion**  
**adults remain**  
**unbanked**  
globally, despite  
the fact that  
two-thirds own  
a mobile phone.

- An estimated 1.7 billion adults remain unbanked globally, despite the fact that two-thirds own a mobile phone.<sup>3</sup>
- Supply chain payments worth trillions of dollars – around \$6.3 trillion in payments from retailers to their suppliers alone<sup>4</sup> – are still being made in cash.
- Across developing countries, nearly two-thirds of wage earners in the private sector, around 230 million people, receive their salaries in cash.<sup>5</sup>
- In the agricultural sector, 235 million unbanked adults in developing countries are still paid in cash.<sup>6</sup>
- Of the estimated 180 million micro and small merchants in developing countries, just 10 percent are digitized.<sup>7</sup>



**Experience from companies digitizing payments outline three necessary building blocks to establish and scale a successful program of digitization.** These building blocks are interrelated and to a degree interdependent, but do not need to be implemented in a linear sequence:



**1**

How to undertake digitization internally, notably by mapping the hidden costs of cash of a company's supply chain, understanding the business case for digitization and identifying champions;



**2**

How to create a value proposition of digitization for suppliers, distributors, and other intermediaries along the supply chain, recognizing that many businesses do not have direct contact to large sections of the unbanked population; and



**3**

How to collaborate in building an ecosystem, working with other businesses, development partners, financial service providers, governments, and other stakeholders, when businesses alone cannot complete the transition from cash to digital payments.

**A successful transition requires collaboration among a variety of stakeholders in pursuit of an inclusive and responsible digital payments ecosystem.** Businesses, financial institutions, and governments all have a vital role to play to create a robust ecosystem in which people can seamlessly transact through efficient and well-functioning Cash-In-and-Cash-Out (CICO) agents and networks, offering increasing opportunities to use money digitally and reducing the need to convert electronic money into cash. This is key to realizing the full benefits of digitization for businesses and their stakeholders. Encouragingly, highly effective coalitions are emerging among leading players to deliver this impact.

# Building Blocks for Success



**BUILD** the  
internal value  
proposition

## RECOMMENDATIONS

- **Map** where cash is used in your business
- **Quantify** the cost of cash and new opportunities
- **Integrate** into existing roles and programs
- **Identify** champions, align teams and incentives
- **Leverage** partners and their expertise



**ENGAGE** and create  
value for supply  
chain partners

## RECOMMENDATIONS

- **Determine** the pain points that will drive supply chain partners to digitize
- **Bundle** value-added services with payments to create incentives
- **Incorporate** digital payments into existing initiatives for partners
- **Build** accountability
- **Start small** to test and increase the value of your offering



**CONTRIBUTE**  
to local market  
environment

## RECOMMENDATIONS

- **Work** with partners to address market constraints
- **Leverage** your existing relationships with banks, MNOs, and fintech
- **Develop solutions** with your partners to encourage usage
- **Start** with early adopters and leverage their influence
- **Invest** in user experience to encourage long-term habits



# CASE STUDIES BEHIND KEY FINDINGS

Case studies available on  
[www.betterthancash.org](http://www.betterthancash.org)



FAST-MOVING CONSUMER GOODS



READY-MADE GARMENTS



AGRICULTURE

## SECTION 1

# The Hidden Cost of Cash in Supply Chains

**While the costs, challenges, and risks of cash transactions may not have an explicit direct line item on the profit & loss statement, they are significant. A study by the World Bank, for example, estimates that the cost of cash handling in Uganda and Tanzania can be 7-20 percent of annual company turnover.<sup>8</sup> For companies, cash can be:**



## EXPENSIVE

**Companies face high costs to insure, store, and transport cash to pay suppliers and distributors directly or at cash distribution points.**

They report needing to hire armed guards to distribute cash to farmers. And distributors must have safety boxes on their trucks when they collect cash payments from small stores. Limited banking infrastructure also poses a problem. Leading tea production company McLeod Russel Uganda Limited (MRUL) finds it difficult to pay workers at its remote tea estates because the nearest bank is a half day's walk away. The company has to airdrop bags of cash using helicopters every two weeks,<sup>9</sup> but bad weather can often delay payments. At the same time, the company must deploy 95 staff members every 15 days to manage cash payroll, including 64 field security guards and armed policemen.<sup>10</sup> This situation is the same for most of the agribusiness companies operating in rural areas of emerging markets.

Cost of cash handling in Uganda and Tanzania can be **7-20% of annual company turnover.**



In an average factory of 1,000 workers, there is preparation, payment, double checking entries, etc. Normally there are 2-3 payroll officers managing this, and 2-3 days is average per month.

**GAP INC.**

Garment factories can spend more than 1% of the total payroll value on manual, cash management processes.

**BUSINESS FOR SOCIAL RESPONSIBILITY**  
as part of HERfinance program in Bangladesh





## UNSECURED

### Cash poses problems of theft and personal safety.

In India, National Dairy Development Board's (NDDB) field officers collect milk at 5 a.m. when it is dark and risky to be about with large amounts of cash. Nigeria Bottling Company's drivers are routinely targeted for robbery according to the company's treasury manager – as often as once a month.<sup>11</sup> And the company must pay to store large amounts of cash and faces high insurance premiums to protect it.



Small retailers and mom-and-pop store owners [in Mexico] keeping a large amount of cash in store are at a higher risk of security and safety issues.

**GRUPO BIMBO**

We know gender-based violence is quite high in many of the countries we work in. Now add women carrying their own cash to that.

**MARKS & SPENCER**

Milk collection is very early in the morning like 5 a.m. It was very dangerous for the farmers and Sahayaks [field officers] to carry so much cash in the dark.

**FINO PAYTECH**

Banking correspondent provider working with the National Dairy Development Board in India



## UNTRACEABLE

### Cash payments are more subject to fraud and leakages.

In the garment sector for example, paying wages in cash makes it more difficult for brands and factories to ensure workers receive correct, full and on-time payments for their work. FMCG companies clearly report that collecting and transporting cash from small “mom-and-pop” shops is not only risky, but also holds high potential for fraud. The company identifies cases of theft on a regular basis. Grimaldi Nigeria, a subsidiary of an Italian shipping company, faces a similar risk of fraud in accepting check payments, as suppliers would often change the amount written on the checks.<sup>12</sup> Some agribusinesses are concerned that farmers don’t receive their full payments, but have little control over how this is happening in cash.

For a consumer goods company, daily store coverage of field officers can slow down by **~15% due to time spent managing cash.**



At the end of the financial year, there are so many open items in our financials, untraceable at some level.

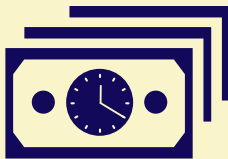
DANONE

Another [challenge] was verifying if all the deductions like provident fund were made correctly.

GAP INC.



## Considering these challenges, there are many compelling reasons for companies to go cashless.



### INEFFICIENT

#### **Managing cash is clearly inefficient for companies.**

In developing markets, employees of FMCG companies need to count and reconcile cash payments from retailers – a long and onerous process which entails considerable labor and productivity costs. A global FMCG company reports that the daily store coverage of its field officers can slow down by ~15 percent due to time spent managing cash. Most drivers distributing consumer goods products have to stop at several bank branches or collection centers every day to deposit the cash they collected, in some cases every three to four merchants visited. Each MRUL tea estate worker spends half a day in queues waiting to collect cash salaries – this is required every 15 days. Inefficiencies from using cash can also impact business reputation. Cash transactions, for example, give apparel brands a more difficult time certifying that suppliers are paying workers appropriate wages. Gap Inc. recognizes that discrepancies in salary payments can potentially fuel broader risks for its suppliers such as worker strikes.



Taking the cash and depositing it in banks is a problem for merchants as bank hours are the same as theirs, and they are unable to move out of the store during business hours.

**GRUPO BIMBO**

The field team slows down because they have to manage so much cash. They should be busy selling during this time.

**FINANCE MANAGER,  
FMCG COMPANY**

Every two weeks, half a day of work is lost by each worker queuing for payments.

**MM4P  
(MRUL PROGRAM)**

## SECTION 2

## The Benefits of Digitizing Payments for Companies: The Business Case & Beyond

**Digitizing payments dramatically reduces most costs and risks associated with cash**, while introducing other benefits to the company, its partners, workers, and those in the community and country. While some benefits accrue quickly and others can take longer to emerge, there are long-lasting, positive impacts for companies. The following infographic depicts the full suite of benefits of digital payments for companies, most of which are multiplied through generating and accessing valuable data hidden in previously untraceable transactions.



# The Benefits of Digitizing Payments for Companies

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## INCREASED REVENUE



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## STRONGER BUSINESS RELATIONSHIPS



- Suppliers/Distributors: increased loyalty
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Companies place a different priority on each of these benefits and digitize payments for a variety of reasons. However, the experience of companies that have attempted digitization shows that the realized benefits often go beyond companies' initial motivations – the discussion that follows highlights the various benefits of digitization for companies:

## Companies' Perspectives: Why They Are Digitizing



- Increase sales by enabling access to formal credit for retailers
- Access merchant and end consumer data to refine product promotions and offers



- Support the growth of small retailers in Mexico by offering tailored technology tools to increase productivity
- Increase safety and convenience for merchants and staff by moving away from cash

Gap Inc.

- Promote transparency and visibility at the supplier level
- Improve factory productivity and performance



- Promote worker well-being and gender empowerment
- Improve factory performance and productivity
- Eliminate security risks for factory staff and workers



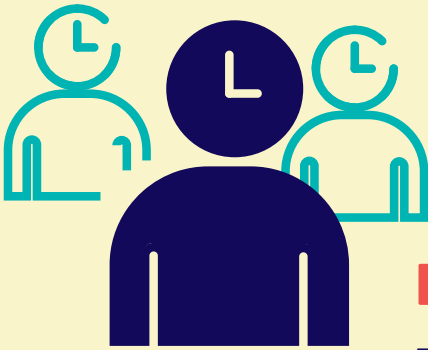
- Reduce the cost of airlifting cash to pay tea estate workers
- Minimize productivity losses for workers in collecting cash payments
- Reduce leakages in salary payments made to ghost workers
- Eliminate the risks of robbery and theft for company staff and workers



- Respond to farmer demand for more transparency in payments, and increase farmer loyalty
- Reduce loss of productive time for field officers involved in making cash payments to dairy farmers
- Facilitate access to formal credit, and broader financial inclusion of partner farmers

\* HERfinance program is a multi-stakeholder partnership involving seven apparel companies (H&M, Marks & Spencer, Target, Li & Fung, Lindex, Debenhams, and Fast Retailing), Business for Social Responsibility, and the Bill & Melinda Gates Foundation





## IMPROVED EFFICIENCY

Digitizing payments reduces the costs associated with managing and distributing cash – e.g., staff time, transportation, security, and insurance – and leads to higher productivity.

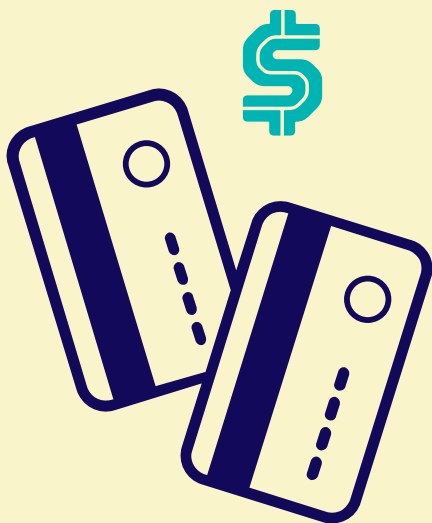
- Garment factories participating in the HERfinance program – a multi-stakeholder partnership involving seven apparel companies, Business for Social Responsibility, and the Bill & Melinda Gates Foundation – in Bangladesh have experienced a **53 percent savings in time for their admin and finance teams**.<sup>13</sup>
- In Uganda, tea company McLeod Russel Uganda (MRUL) reduced its cost of cash currently estimated at ~6.5 percent of its employee salary costs by moving its worker payroll from cash to mobile payment. It expects **savings of productive time equivalent to 25 full-time workers** on the estate per month when it completes digitization of payments to tea estate workers.<sup>14</sup>
- India's largest public sector dairy company, National Dairy Development Board (NDDB), saved ~10 percent of its field executives' time – an **estimated savings of ~USD 22,500 per month<sup>15</sup> – through direct account payments to dairy farmers**. Prior to digitization, field officers made four to six trips to banks each month. They can now focus their time with the farmers on productivity and quality practices.
- In Colombia, the Coffee Growers Association **reduced its disbursement costs by up to 79 percent**, amounting to USD 15.5 M by issuing debit ID cards to 82 percent of its out-growers to distribute agriculture subsidies.<sup>16</sup>

**MRUL reduced its cost of cash estimated at ~6.5% of its employee salary costs** by moving its worker payroll from cash to mobile payment.



Digital payments are much cheaper. With cash, I pay 1-2 percent of the cash value as transportation cost. I need to have security boxes in my trucks, cash counting machines in my depots, and I lose interest payments.

**FINANCE DIRECTOR  
(DANONE)**



Card payments and other digital services enabled small retailers in Grupo Bimbo's network to **increase sales by 20-30%.**

## INCREASED REVENUE

Revenues can be increased by pursuing new business opportunities that leverage digitization, including the ability to facilitate financing for suppliers and distributors.

- Card payments enabled small retailers in Grupo Bimbo's network to increase sales by 20 to 30 percent, including by offering new services such as mobile phone airtime recharge. Retailers found that customers spent more when purchases were not restricted to the amount of physical cash in their pockets.
- In Kenya, retailers in Unilever's Jaza Duka program **grew sales by 20 percent on average by accessing short-term working capital loans** from Kenya Commercial Bank (KCB), which were based on retailers' digital purchasing history with Unilever. Loans enabled retailers to expand product inventory and variety, increasing foot traffic to stores. Many retailers in the program are looking to become KCB agents to offer banking services, providing a new source of income for them.
- In the agri-sector, research<sup>17</sup> indicates that **farm productivity increases by 30 to 60 percent when digital payments are bundled with credit** – unlocking potential productivity gains that directly add to companies' top line and farmers' incomes.
- Global coffee trading company Neumann Kaffee Gruppe (NKG) aims to increase the productivity of smallholder farmers in Uganda by 100 percent by making fertilizer advances in a bundled product with a mobile money credit line for consumption smoothing needs, both of which are to be repaid through coffee deliveries as a rule and target. Through this innovative service delivery model, the company is looking to create a sustainable and reliable sourcing structure and ultimately increase its market share of Ugandan coffee exports while supporting smallholders in their economic development and knowledge base.



Before Jaza Duka I used to stock Unilever products worth KES 10,000. After Jaza Duka that has increased to KES 20,000 and above on a weekly basis. I never used to stock Sunlight 1 kg but through Jaza Duka, I have been able to stock it.

SHOP OWNER IN KENYA PARTICIPATING IN  
UNILEVER JAZA DUKA PROGRAM



## What is the Value of Data from Digitizing Payments?

**Data generated by digitizing supply chain payments is a valuable asset for companies.\***

Digital payment records, as well as other data collected through the process of digitization, enable businesses to better understand their own operations as well as the financial behaviors of their distributors, retailers, suppliers, and consumers.

- **Fast-moving consumer goods (FMCG) companies:** In the FMCG sector, most companies lack data beyond large or medium distributors. Digital payments have the potential to generate information which is not available today on small retailers' sales (and their consumers) and allow companies to tailor product promotions and offers that resonate with this segment of consumers. A large FMCG company in India is improving its promotional spending and product mix in specific geographies, for example, based on better understanding of small retailers' sales.
- **Neogrowth:** Payments data also creates a financial track record for the unbanked, enabling them to access credit and other financial products – fintech leaders such as Neogrowth demonstrate the case in point. Neogrowth estimates that more than 50 percent of SMEs in India are credit-worthy but remain unbanked due to traditional underwriting methods – a segment it intends to serve. The company provides working capital loans to previously unbanked merchants by analyzing their card sales data. Further, merchants can repay their loans automatically, again as a percentage of their monthly card sales.

These examples represent a small proportion of the global opportunity that generation and access to data at the last mile can represent for financial inclusion. Omidyar Network estimates that “Big Data, Small Credit” opportunity can help 325-580 million people access credit for the first time in six countries alone.<sup>18</sup>

\* The Responsible Digital Payments Guidelines by the Better Than Cash Alliance promote the confidentiality and security of client data.





**When we received cash, there were many problems. I share the house, so I didn't know where to keep my money safely. Being a woman, I also was worried about walking out of the factory with that much money.**

Lucky, factory worker participating in the HERfinance Program





## GREATER TRANSPARENCY AND SECURITY

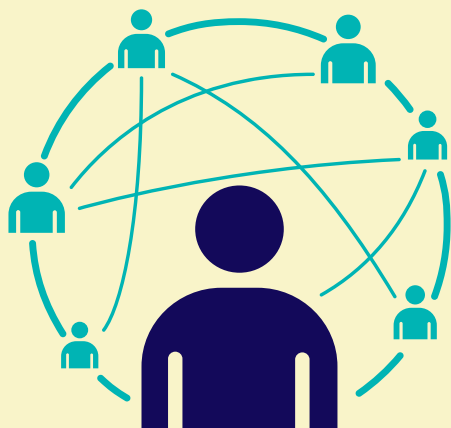
Companies gain visibility into their operations by digitizing payments, making their supply chains more transparent. However, some companies cite concerns around increased transparency expressed by supply chain partners: for example, the fear of taxation or the prospect of uncovering gaps in their operations.<sup>19</sup>

- Gap Inc. improved monitoring of overtime pay by digitizing payroll at its suppliers' factories in India and Vietnam. **This benefited 200,000 and 150,000 factory workers in Vietnam and India** respectively. The company also precluded potential factory-level issues (e.g., worker protest) due to any discrepancies in wage payments – a real risk to the stability of its suppliers' operations.
- The Ndumberi Dairy Farmers Co-operative Society in Kenya **reduced fraud and a 20 percent daily loss in milk deliveries** from its member farmers through SMS-based receipts.<sup>20</sup>
- According to UNCDF Mobile Money For the Poor Program, which is working with Ugandan tea company MRUL, digital payments will help track worker payments and eliminate ghost workers from tea estates.

**Shifting away from handling physical cash improves security.**

**Companies across industries and geographies report concerns such as theft, attacks, and fraud – women, small retailers, and smallholder farmers in remote areas are particularly vulnerable to such risks.**

- For instance, a study on the Connected Farmer Alliance found that **nearly 50 percent of the farmers in the program switched to mobile payments for security reasons.**<sup>21</sup>
- One of the top five macadamia nut processors worldwide, Kenya Nut Company, reports that mobile payments to farmers helped “to significantly reduce the risk to staff of physical harm, psychological stress and trauma, and death resulting from robbery.”<sup>22</sup>
- In Mexico, the incidence of cash fraud among small businesses is 21 percent – nearly twice the rate experienced by large businesses.<sup>23</sup> The experience of Accion-backed Tienda Pago – a fintech company extending credit to small merchants in Latin America – reiterates better risk management for distributors and FMCG companies by moving to cashless collections.



## STRONGER BUSINESS RELATIONSHIPS

**with Suppliers/Distributors, Employees/Workers, Consumers, and Governments**

By building stronger relationships with core supply chain partners and other stakeholders, companies can increase their visibility and brand value while developing more resilient networks.



### SUPPLIERS/DISTRIBUTORS AND OTHER CORE SUPPLY CHAIN

**PARTNERS.** Companies differentiate themselves by demonstrating a proactive understanding of their partners' – suppliers, distributors, and retailers – needs and pain points and developing responsive solutions. Agribusinesses confirm, for example, that farmers value increased convenience and transparency of digital payments, and that digital payments increase loyalty.

- After milk receipts were digitized, **the number of farmers selling regularly to the Ndumberi Dairy Co-operative Society in Kenya increased from 810 to 1,900 – a 135 percent rise.**<sup>24</sup> Similarly, Indian dairy company NDDDB experienced an increase in loyalty among dairy farmers after they gained access to bank accounts at Union Bank through which they received digital payments.
- CGAP highlights the role of digital payments in helping build farmer trust by reducing transaction time post-harvest, and enabling them to service their existing debt on time. As farmers do not have to wait to receive their funds, they are less tempted to sell their crops early, often for a lower price just to get cash in hand.<sup>25</sup>



**EMPLOYEES/WORKERS.** For nearly 1.7 billion adults who remain financially excluded, digital payments can address many challenges – threat to physical safety, sending remittances to families living in remote parts of the country, and accessing formal saving mechanisms. By digitizing worker salaries, companies can not only improve the well-being of their workers by helping address these challenges, but also position themselves as “employee-first” organizations, unlocking business benefits such as lower employee turnover.

During the process of enabling workers to receive their pay digitally, Gap Inc. suppliers saw a general **reduction of worker attrition rate of 15-20%.**

- Gap Inc. worked with more than 110 factories in India to enable workers to receive their overtime pay digitally and increase the transparency of the process. As factories were implementing the change, they experienced a 15–20 percent general reduction in worker attrition and turnover. This, in turn, should reduce recruitment costs and increase average worker productivity. For women workers, who represent 60 percent of workers, digital payments can help address a key pain point – increasing control of financial decision-making in the household.
- In Uganda, tea company MRUL recognized that most of its estate workers came from other parts of the country and incurred significant charges and inconvenience to remit money to their families. The company’s decision to move worker payroll to mobile money is allowing workers to seamlessly send money home. It has been received positively across the two estates where the program is being currently implemented.



Data is extremely important in the competitive world. FMCG companies have limited visibility on what their merchants are selling – only what the company sells to the distributor. If they have better data, they can offer the right product, and in the right range.

MASTERCARD



**CONSUMERS.** Digitizing payments helps companies access sales data that provides deeper customer insights. By understanding customers' needs and preferences, companies can make data-driven adjustments to their products and services.

- A global FMCG company aims to design and tailor product promotions by analyzing consumer purchasing trends using retail sales data. The company estimates this could help it improve the ROI of its USD 700 million promotional spending in India by 5–10 percent. Customers can expect that their local retailer will carry a wider variety of products and sufficient stock of high-demand items going forward. This, in turn, will translate into brand loyalty.



**GOVERNMENTS.** By embracing digital payments, companies can demonstrate commitment to governments' policy objectives that promote transparency, business formalization, and financial inclusion among other strategic priorities – all of which are positively impacted by digitization. This, in turn, can help companies gain policymaker buy-in for their digitization strategies and potentially other business goals. Digitizing payments also helps companies align business operations with significant changes in the economy. The government of Uruguay has for example implemented a series of incentives to increase the adoption of digital payments among mom-and-pop shops, as part of the Financial Inclusion Law. The government offers a 4 percent discount on value-added tax for payments being done digitally to incentivize customers and offers subsidies on access to Point of Sale (POS) devices for small merchants to receive and complete digital payments.

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Using retail sales data, one Indian company estimates it could **improve the ROI of its USD 700 million promotional spending by 5–10%.**









**“ Most of the farmers had borrowed from local money lenders and were paying very high interest rates. We knew they wanted to get loans from UBI to break out of the cycle.**

**FINO Paytech**

Banking correspondent provider working with the National Dairy Development Board in India

## GREATER CONTRIBUTION TO THE SDGs

Companies can make a strong contribution to the Sustainable Development Goals (SDGs) through digital payments, which play an instrumental role in facilitating access to financial services. The table below highlights just a few examples of how some companies are making an impact on four of those SDGs. Extensive information and examples on the connection between digital financial inclusion and the SDGs can be found on the Better Than Cash Alliance website.

	ROLE OF FINANCIAL INCLUSION	IMPACT OF DIGITAL PAYMENTS
<b>1</b> NO POVERTY 	Financial services for all, particularly the poor and vulnerable.	NDDDB, India: First time formal account access for ~135,000 dairy farmers; first time access to formal credit for ~8,100 farmers
<b>2</b> ZERO HUNGER 	Financing for smallholder farmers to increase productivity through use of better inputs and technology.	Neumann Kaffee Gruppe, Uganda: Aims to increase the productivity of smallholder farmers by making fertilizer advances in a bundled product with a mobile money credit line
<b>5</b> GENDER EQUALITY 	Access to finance for women who remain outside the formal financial system.	HERfinance program, Bangladesh: ~69% decrease in percentage of women citing an inability to save because a family member controls their salary
<b>8</b> DECENT WORK AND ECONOMIC GROWTH 	Facilitate access to digital tools and formal financial systems supporting growth of micro and small businesses.	Grupo Bimbo, Mexico: Increased formalization of 72,000 small retailers, enabling access to growth capital (20–30% increase in retailers' revenues)

## The Impact of Digitization – Perspectives from the Unbanked

“



An interesting thing happened. **After hearing that this factory was paying workers through mobile money, most of the vendors in Jamai Bazaar now have mobile money accounts.** I don't need cash even to buy clothes.

**GARMENT WORKER, SEWING SECTION, IN BANGLADESH  
PARTICIPATING IN HERfinance PROGRAM**

“



If Jaza Duka continues like this, **I will not face any financial strain to pay for my daughter's high school fees next year.**

**MERCHANT IN KENYA  
PARTICIPATING IN UNILEVER'S PROGRAM**

“



I usually save. When I am paid 100,000 UGX (28 USD), I manage to save 20,000 UGX (5.5 USD) on my phone. **I advise my colleagues to save too, it'll come in handy in the future.**

**TEA ESTATE WORKER IN UGANDA  
PARTICIPATING IN MRUL PROGRAM**

## THE CHALLENGES OF AN INCLUSIVE DIGITAL PAYMENT ECOSYSTEM

While companies are driven by different motivations and prioritize different benefits, no single public or private entity alone can overcome the technical, logistical, financial, and regulatory challenges facing emerging economies in making digital payments widely available – even when it is a government’s priority.

Companies encounter internal challenges such as misaligned incentives across different teams, inadequate time and resources to lead and manage digitization efforts, organizational inertia and change management, and resistance to making an upfront investment in digitization when some benefits and the business case materialize over the long term.

They also face external challenges, including low levels of financial literacy among unbanked farmers, small-scale retailers, consumers, limited interest perceived for digitization, and lack of supportive policies. Shifting from keeping cash under the proverbial mattress to transacting via an electronic account is a big step for unbanked or underserved employees, workers, small businesses, or farmers. It requires them to trust formal financial institutions and digital financial services – which takes time to achieve. Building trust also calls for reliable and secure last-mile financial infrastructure, including: efficient “Cash-In-and-Cash-Out” (CICO) mechanisms, such as an agent who can convert an electronic remittance into cash when it is urgently needed, a smartphone app or other point-of-sale device to accept a card-based purchase at the local store, or mobile network coverage to ensure smooth completion of transactions.

The experience of companies that are digitizing payments in their supply chains highlights several common challenges, but also shows three critical steps to overcome these challenges as presented in the following section.

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**Shifting from keeping cash under the proverbial mattress to transacting via an electronic account is a big step** for unbanked or underserved employees, workers, small businesses, or farmers.





**“‘Digital financial inclusion’ refers broadly to the use of digital financial services to advance financial inclusion.”**

It involves the deployment of digital means to reach financially excluded and underserved populations with a range of formal financial services suited to their needs, delivered responsibly at a cost affordable to customers and sustainable for providers.<sup>26</sup>

**It is estimated that globally, 1.7 billion adults remain unbanked, yet two-thirds of them own a mobile phone that could help them access financial services.<sup>27</sup>** These individuals rely on informal, and often predatory, lending networks and low savings to pay for basic needs such as school fees, manage health and other crises such as natural disasters, and finance investments in farming and micro businesses. This presents a significant challenge to their ability to prosper and contribute to economic development.

Digital financial services, however, hold great potential to reach the unbanked. Low-cost and widely available technologies such as mobile phones make it easier for financial institutions to serve the poor without traditional brick-and-mortar branches that are expensive to maintain.

**Receiving a remittance, government subsidy, or payment for farm output via a mobile money account, for example, is often the first entry point for the unbanked into the formal financial sector.** They help build digital data trails that allow financial institutions to assess the credit risk of unbanked customers, paving the way to a broader set of financial products such as loans, savings, and insurance. Beyond these benefits to individuals, studies show that inclusive financial systems are important for economic and social progress for countries as a whole.

## What is Digital Financial Inclusion?

# Building Blocks for Success

## **BUILD** the internal value proposition

### RECOMMENDATIONS

- **Map** where cash is used in your business
- **Quantify** the cost of cash and new opportunities
- **Integrate** into existing roles and programs
- **Identify** champions, align teams and incentives
- **Leverage** partners and their expertise



## **ENGAGE** and create value for supply chain partners

### RECOMMENDATIONS

- **Determine** the pain points that will drive supply chain partners to digitize
- **Bundle** value-added services with payments to create incentives
- **Incorporate** digital payments into existing initiatives for partners
- **Build** accountability
- **Start small** to test and increase the value of your offering



## **CONTRIBUTE** to local market environment

### RECOMMENDATIONS

- **Work** with partners to address market constraints
- **Leverage** your existing relationships with banks, MNOs, and fintech
- **Develop solutions** with your partners to encourage usage
- **Start** with early adopters and leverage their influence
- **Invest** in user experience to encourage long-term habits

## SECTION 3

# Three Building Blocks to Digitize Supply Chain Payments



## **BUILD** the internal value proposition

**Going digital requires a strong business value proposition, built on the facts of where, how, and why cash is used in supply chains.** Identifying, and to the extent possible, quantifying the costs and the benefits of digital payments will help to garner internal support for digitization. What makes digital payments solutions work is having buy-in and alignment across the ranks of the organization and from key departments such as procurement, sales, distribution, and finance whose operations are affected by digitization, and who will play a role in implementation.



**1. MAP WHERE CASH IS USED TODAY IN THE SUPPLY CHAIN.** Engage internal teams to map how they interact with cash directly and indirectly, and what challenges they encounter as a result of cash. Pay particular attention to diagnosing the time and resources required to process cash payments. This will help to understand which part of the value chain and payment streams are most affected by cash payments and which teams need to be engaged internally in the company.

**2. QUANTIFY THE COST OF CASH AND MAP DIGITIZATION'S BUSINESS OPPORTUNITIES.** Based on this mapping, quantify the actual recurring costs associated with cash, in terms of staff time, security, storage, transportation, etc. To the extent possible, quantify the risks related to cash as well – e.g., “leakages,” “skimming,” or misappropriation of funds and outright theft – while identifying the harder-to-quantify risks, e.g., reputational risk, compliance with local laws, etc. If possible, estimate the additional revenue opportunities coming from access to digital payment solutions and working capital for key business players, as well as development of certain new business opportunities.

## Align digitization with ongoing programs already targeting suppliers and workers.

### 3. INTEGRATE DIGITIZATION INTO EXISTING ROLES AND PROGRAMS.

Kick-start digitization by finding synergies for staff in existing functions such as procurement, sales, or digital transformation as you work toward building a properly resourced team with a senior executive sponsor to lead digitization over time. Align digitization with ongoing programs already targeting suppliers and workers, where there are clear synergies (i.e., value chain digitization programs happening in procurement or distribution, suppliers or vendors code of conduct, environmental and social compliance and improvement plans, training or support programs provided to suppliers, workers, or employees, etc.), reducing the need to design a new program as well as the level of effort required.

#### EXAMPLE

Gap Inc. in India folded its efforts to digitize salaries for factory workers into their ongoing factory improvement programs. Incorporating the digitization plan into ongoing discussions with the factory management was an important step in minimizing the time and investment required from the local team. It allowed the team to introduce digitization to its suppliers without creating a dedicated program around it, optimizing both time and financial investment – the team successfully supported digitization as part of existing relationships with each factory, and at minimal capital investment for program design.

Please refer to business case study:

INCREASING SUPPLY CHAIN TRANSPARENCY THROUGH DIGITAL PAYMENTS

**4. IDENTIFY CHAMPIONS, ALIGN TEAMS AND INCENTIVES.** While the drive to digitize can start with a company's senior leadership, it also often emerges from managers who experience the challenges of cash in their daily operations. These champions for digitization can come from the Finance or Treasury department, but also from procurement, sales, distribution, sustainability, or customer development teams depending on each organization and business sector. To sustain digitization's objectives, align Key Performance Indicators of the different teams in sales, procurement, distribution, and finance so they are evaluated not only on traditional targets (e.g., quarterly sales), but also on the broader benefits of digitization (e.g., efficiency, productivity, and transparency) to break organizational inertia.

#### EXAMPLE

Leading coffee company, Neumann Kaffee Gruppe created alignment between its sustainability and procurement teams to build the business case for digital payments in Uganda. The sustainability team wanted to introduce a financing program for unbanked smallholder farmers, which would be linked to digital payments. It recognized there was a strong business case for procurement: Low productivity of smallholder farmers who dominate coffee production threatened the company's long-term coffee supply. Facilitating access to fertilizers and credit through mobile money helps farmers smooth their consumption and make additional investments in their farms to increase productivity, enabling the Neumann Kaffee Gruppe to increase its coffee supply – and potentially market share in the long run.





## 5. LEVERAGE LIKE-MINDED PARTNERS AND THEIR EXPERTISE TO DEFINE SCALABLE SOLUTIONS.

Building or scaling a successful digital payment solution will require a diverse set of like-minded partners, including financial service providers, mobile network operators, fintech, and payment providers that share in your vision. Work with these partners to map the financial behaviors and needs of your supply chain partners and understand the digital and financial environment they operate in. Engage nonprofit partners and donor agency resources to support financial education and responsible practices about digital financial services for the unbanked recipients.

### EXAMPLE

In Kenya, Unilever partnered with Mastercard and Kenya Commercial Bank (KCB) that shared in its vision to extend credit to small-scale retailers. Each partner had important roles to play, alleviating implementation pressure. Unilever provided its partners access to its merchant network and supported research to understand retailers' pain points and priorities in transitioning to digital payments. It also identified opportunities to refine the program. Mastercard led program design and project management, including working with third parties to accelerate merchant sign-up for digital payments. KCB analyzed Unilever purchase data to assess merchants' creditworthiness and establish credit lines. It monitors the credit facility and enables merchants to repay existing loans through different channels.

Please refer to business case study:

DRIVING SALES THROUGH DIGITAL WORKING CAPITAL LOANS  
FOR SMALL MERCHANTS

**6. TRACK PROGRESS, RESULTS, AND LEARNINGS.** Recognize that investing in building evidence for digitization will help gain buy-in in the long term. Integrate the most critical metrics into existing performance measurement systems to keep costs low, including the previous cost of cash-based processes but also potential impact of digitization on business drivers such as reduction of turnover for staff, side selling for farmers, or return orders from retailers, for example. Where feasible, share the cost of data collection with external partners such as financial service providers.

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Building or scaling a successful digital payment solution will require a **diverse set of like-minded partners.**









## ENGAGE and create value for supply chain partners

**Shifting companies' payments from cash to digital payments necessarily means bringing core supply chain partners on board, including suppliers, distributors, employees, and retailers.** To reach underserved business partners at the end of their supply chains, companies need to engage with intermediaries at several levels. They must work with factories to reach garment workers, cooperatives to reach smallholder farmers, and large distributors to reach smaller distributors and retailers. Companies need to craft a value proposition for their partners that incentivizes them to move away from the convenient but inefficient status quo of using cash.

### HOW?

#### 1. DETERMINE WHAT WILL DRIVE SUPPLIERS/DISTRIBUTORS/EMPLOYEES TO DIGITIZE.

Identify partner pain points that digitization can address, beyond just a standalone payments solution, e.g., lack of access to working capital, importance of smoothing income during non-harvest period, need to send remittances, etc. Develop a value proposition that works for all by understanding the incentives and disincentives for all supply chain partners involved – for example, from the garment factory head to the production line manager to the factory worker. Determine what roles they will need to play for digitization to succeed and find ways to address their disincentives to act. One example is for companies to recognize the costs involved and find ways to keep digitization cost neutral or to offset those costs for the unbanked partners.

### EXAMPLE

In Bangladesh, apparel brands in the HERfinance program conducted workshops with senior management of garment factories to gain buy-in for their long-term vision that included digitization. Positioning garment factories as partners in the achievement of this vision was important as were the potential benefits – a reduction in payroll costs and increased security for workers. Workers were also motivated by the prospect of accessing formal savings products and gaining more control over their finances. However, recognizing that workers were less willing to pay transaction fees for mobile payments, the apparel companies encouraged factories and financial service providers to cover those fees, keeping the model “cost-neutral” for workers.

Please refer to business case study:

INCREASING FACTORY WORKER WELL-BEING THROUGH DIGITAL PAYROLL



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Understand the challenges that workers, suppliers, distributors, and retailers experience with cash and **help to bundle additional services with payments.**

**2. BUNDLE VALUE-ADDED SERVICES WITH PAYMENTS.** Dig deep to understand the financial behaviors and challenges that workers, suppliers, distributors, and retailers experience with cash – e.g., lack of access to credit, lack of trust in banks and financial system, expensive remittance services, or limited control over salary use – which digital payments can address. Liaise with others such as mobile network operators and financial institutions to design solutions.

### EXAMPLE

Digital payments offered Unilever's distributors in Kenya the opportunity to increase sales and reduce inefficiencies in product distribution. Unilever worked with Mastercard and Kenya Commercial Bank to develop a digital working capital platform for small merchants, called Jaza Duka ("fill up your store"), based on merchants' purchasing history with Unilever. As a result of working capital loans, retailers are able to purchase a wider variety of products from distributors and avoid stock-outs. Distributors no longer have to deal with return orders from retailers who were previously constrained by cash on hand to pay for their deliveries. Loans are complemented with training on financial management and merchandising to support business growth, which increases retailer buy-in. Finally, Unilever and its partners provide onboarding support and ongoing training in the new payments system for distributors and retailers.

Please refer to business case study:

**DRIVING SALES THROUGH DIGITAL WORKING CAPITAL LOANS FOR SMALL MERCHANTS**

**3. INCORPORATE DIGITAL PAYMENTS INTO EXISTING INITIATIVES OR DIGITAL PLATFORMS USED WITH SUPPLIERS, DISTRIBUTORS, EMPLOYEES, WORKERS.** As noted earlier, identify how digitization can support programs that are already in place (e.g., supplier training and codes of conduct), reducing investment of time and resources to design new programs and build trust in the solutions. In addition to enhancing the value proposition, this can make it logistically easier for partners to get on board.

#### 4. LET YOUR SUPPLIERS/DISTRIBUTORS MAKE DECISIONS, INCREASING THEIR ACCOUNTABILITY FOR THE SUCCESS OF DIGITIZATION.

Give supply chain partners the flexibility and autonomy to make choices that will impact the implementation of digitization programs (e.g., allowing factories to review and select digital payment solutions and financial partners). This is likely to increase their buy-in and help them serve as true partners in implementation. Moreover, partners bring valuable knowledge of local context to the decision-making process.

#### 5. START SMALL TO TEST AND INCREASE THE VALUE OF YOUR OFFERING.

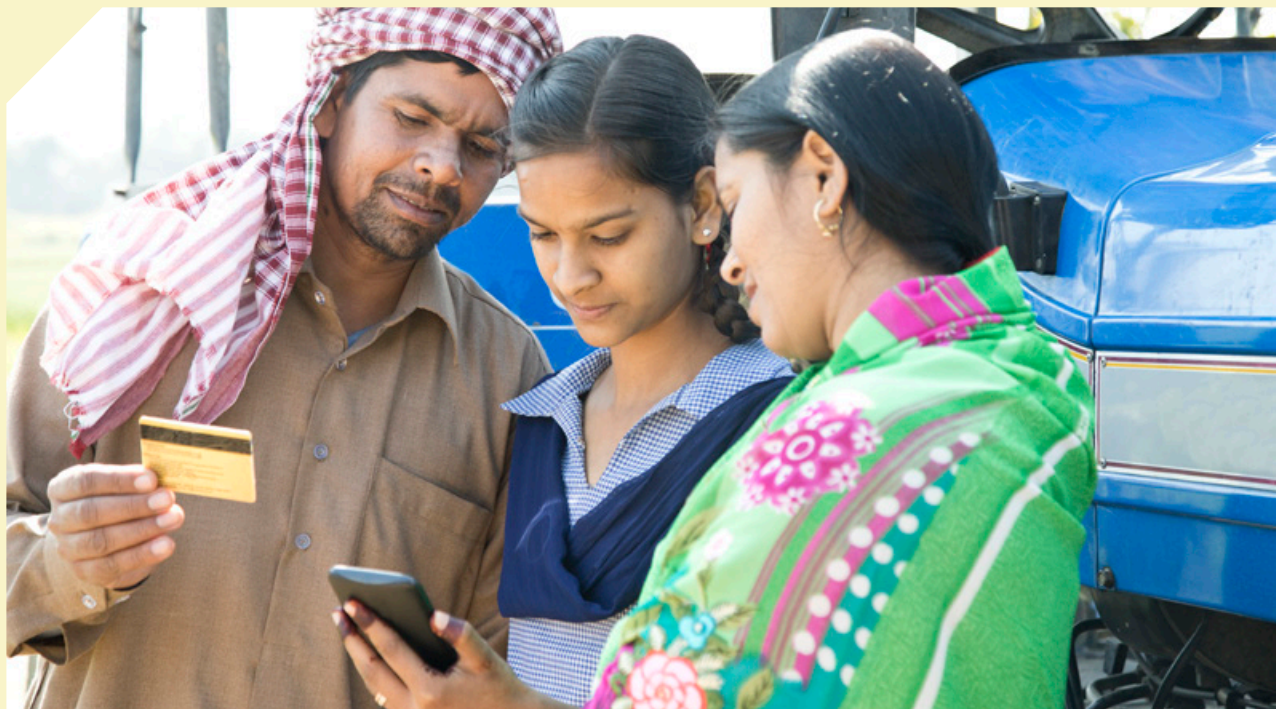
When building a digital payment solution with your suppliers, distributors, or other supply chain partners, start with a sub-set of the people or organizations you want to reach – retailers in a particular geography or a single cooperative for example. This will help to identify the relevant drivers for digitization and the costs involved. Then test your offering to gauge the value of digitization to partners, identify implementation challenges and additional features or services that would drive adoption, and adapt before you scale.

#### EXAMPLE

In Uganda, tea company McLeod Rusell Uganda (MRUL) recognized that most of its estate workers were migrants from other districts in Uganda. They were consistently sending money to their families and it was an important challenge for them with cash payments. The company worked with its Mobile Network Operator partners to integrate remittance services with digital payments for workers – this proved key in generating worker buy-in to transition from cash payments.

Please refer to business case study:

IMPROVING COMPANY PROFITABILITY THROUGH DIGITAL PAYMENTS



## How to make digital payments solutions more responsible?

**Introducing digital payments to the unbanked requires them to shift from a deep-rooted practice of using cash – a medium that**

**they trust, are familiar with, and are comfortable transacting in.** While digital payments promise to bring a wealth of benefits to the unbanked, they also bring potential risks. For instance, digital payments may lead to client exclusion from the system due to lack of technological and financial literacy, introduce vulnerability to data privacy and digital theft, and may involve miscommunication related to cost of formal financial products. Issues such as these can undermine trust in digital financial services.

**Recognizing these challenges, The Better Than Cash Alliance has developed Responsible Digital Payment Guidelines, which outline eight key principles that companies and financial service providers should incorporate into their digital payment programs for the unbanked.** These guidelines were developed in consultation with policymakers, regulators, payment service providers, and international development agencies, and were developed in parallel with the G20 High-Level Principles for Digital Financial Inclusion (2016).

### THE RESPONSIBLE DIGITAL PAYMENT GUIDELINES



**1. Treat clients fairly**



**2. Keep client funds safe**

**3. Ensure product transparency for clients**



**4. Support client access and use through interoperability**

**5. Design for client needs and capability**



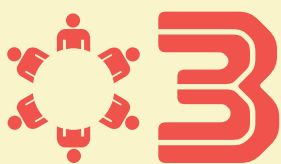
**6. Take responsibility for providers of client services across the value chain**



**7. Protect client data**



**8. Provide client recourse**



## **CONTRIBUTE** to local market environment

**The market environment for digital payments frequently deters companies from digitizing their payments.** Companies' supply chain partners often have low financial literacy, lack formal identification, and have an affinity for cash. Many are hesitant to formalize their businesses and lack trust in formal financial services. Inadequate digital infrastructure (mobile network coverage, agent liquidity, and bank branch network), limited cash in cash out mechanisms, and weak policy support can further stifle digitization programs. No single stakeholder can address all these challenges on its own.

**Governments, financial institutions, and other stakeholders must play their part to bring about those conditions.** Governments, for example, are crucial in ensuring an appropriate enabling policy environment for digital payments. Their incentives are grounded in increasing transparency, cost savings, as well as promoting women's economic participation and financial inclusion. However, companies play an important role to shape the market environment for digitization. Partnerships, advocacy, and exchange of information among companies, financial institutions, fintech players, and nonprofits are innovative ways to address traditional market challenges that hold back digitization.

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Companies play an important role to **shape the market environment for digitization.**





# HOW?

## 1. WORK WITH STAKEHOLDERS – INCLUDING THE GOVERNMENT – TO ADDRESS CONSTRAINTS IN THE MARKET ENVIRONMENT.

Be an early adopter of digital payments, assessing aspects of the market environment that impact your plans. Find like-minded partners – financial institutions, other companies, and even donor agencies – to design and co-fund awareness and training activities that address market barriers such as low levels of financial literacy. Work with your partners to understand local market challenges such as lack of formal documentation to meet know your customer requirements, which can make it difficult to identify and formally document the unbanked.

## EXAMPLE

Through the HERfinance program, companies encouraged factories to partner with mobile financial service (MFS) providers to transition to mobile payments for garment workers. By joining forces, these companies had a stronger voice in influencing garment factories in Bangladesh to make the switch. A local agency with a strong understanding of the garment industry played a critical role in onboarding and training workers, helping build trust in the digital payments system.

Please refer to business case study:

INCREASING FACTORY WORKER WELL-BEING THROUGH DIGITAL PAYROLL

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Work with your partners to **understand local market challenges.**

**Explore emerging fintech models** to partner with and test new technologies to reach the unbanked in your supply chain more cost effectively.

**2. LEVERAGE YOUR EXISTING RELATIONSHIPS WITH BANKS, MOBILE NETWORK OPERATORS, AND FINTECH PLAYERS TO PROACTIVELY ENGAGE THEM IN REACHING THE UNBANKED.** Work with these players to help them to better understand corporate supply chains, assess the scale, business track record, and financial needs of small retailers and farmers for example, and bring the trust and business relationships to reach new borrowers. This creates important incentives for financial institutions who might not target these clients or understand the opportunities on their own

In addition, explore emerging fintech models to partner with and test new technologies to reach the unbanked in your supply chain more cost effectively. For example, Dunavant, Zambia's largest cotton company, has partnered with Zoono to institute retailer payments based on e-vouchers, which can be redeemed for cash, merchandize, and other services.<sup>28</sup>

**EXAMPLE** Grupo Bimbo worked with multiple partners to get point of sale (POS) terminals to thousands of its mom-and-pop shop distributors, enabling them to accept card payments. It developed the Red Quibo digital platform with Blue Label Technologies, using Visa Inc.'s acquirer processing services for small shops to accept card payments and provide services such as top-up and bill payment. Leading Mexican commercial bank Citibanamex also came on board to make card acceptances services a reality for those retailers – a significant market for the bank and one it wouldn't traditionally consider given the high cost of acquiring small merchants. Other examples in Kenya show how ongoing digital money deployments, such as Kenya's Lipa na M-Pesa (50,000+ active merchants), and Equitel's mobile money platform (~29,000 merchants), are allowing small merchants to accept digital payments from customers. This will help cut cash at the source, enabling merchants to more easily make digital payments to FMCG distributors.

Please refer to business case study:

STRENGTHENING MEXICO'S SMALL MERCHANTS THROUGH DIGITAL PAYMENTS



Different supply chains require different solutions, which require strong partnerships for co-creation and deployment to best meet the needs of small merchants. Visa Inc. is committed to being a part of these partnerships, as we did with Grupo Bimbo, to develop the right solution for its merchant network.

VISA INC.

### 3. DEVELOP SOLUTIONS WITH YOUR SUPPLY CHAIN PARTNERS AND FINANCIAL SERVICE PROVIDERS TO ENCOURAGE THE USE OF DIGITAL MONEY.

Doing so creates business value for the financial service providers (increasing deposits, covering operational costs, and creating opportunities to extend credit and other financial products), allows workers to access a portfolio of financial services (e.g., credit, remittance, ATM cards, etc.) that helps demonstrate the value of digital over cash, and ensure the sustainability of the proposed digital solutions.

#### EXAMPLE

Indian dairy company National Dairy Development Board (NDDB) partnered with Union Bank of India (UBI) and FINO Paytech, a banking and correspondent provider, to digitize payments to dairy farmers and enable access to credit. The starting point was a government directive that encouraged public sector banks to expand banking services to rural areas. A latent market of ~135,000 unbanked farmers proved attractive to UBI, but the bank faced the challenge of how to comply with India's Know Your Customer (KYC) guidelines to open bank accounts. This was addressed using alternative Know Your Customer documents for farmers – identification letters from village heads. Building trust in digital payments was another challenge, which FINO Paytech addressed through a tailored financial services awareness and training program for participating farmers. It also made staff available at all hours to address farmers' concerns.

Please refer to business case study:

[INCREASING PARTNER LOYALTY THROUGH DIGITAL PAYMENTS](#)

### 4. START WITH EARLY ADOPTERS OF DIGITIZATION AND USE THEM AND OTHER CHANNELS TO INFLUENCE OTHERS.

Increase visibility of your digitization program (e.g., by branding) to allow non-users to observe the program's impact on early users. This will help create a strong word-of-mouth channel for partners that have not yet warmed up to adopting digital payments and help establish their trust in digital payments.

### 5. INVEST IN USER EXPERIENCE TO ENCOURAGE LONG-TERM HABITS.

Take a customer-centric approach in technology selection and in program implementation. Identify levers such as a friendly user interface, convenience of payment collection and loan repayment, accessible grievance redressal mechanisms, etc. to demonstrate the value of digital over cash to previously unbanked supply chain partners. Companies' experience demonstrates that continued use of digital payment systems is key to bringing long-term behavior change from cash.

# Conclusion

All of the barriers to further digitization can be overcome. More information and more collaboration are required, but the business case for enterprises to digitize their payments is becoming difficult to dispute. The societal imperatives for businesses to play a part in driving financial inclusion grow more forceful every day. So what are the next steps needed?

- **All actors need to work collaboratively toward robust digital ecosystems in which people can seamlessly transact.** An inclusive ecosystem needs, for example, efficient and well-functioning Cash-In-and-Cash-Out (CICO) agents and networks, but also increasing opportunities to use money digitally and reducing the need to convert electronic money into cash. Businesses, financial institutions, governments, and many other stakeholders have a vital place in this ecosystem and must work together to build trust and robust infrastructure.
- For companies, a next step is taking a threshold decision on their approach to digitization. **They can choose whether to act now and gain first mover advantages or wait and miss opportunities or even risk disruption.** They can act swiftly and enjoy early mover advantages, or they remain inactive and potentially face disruption and potential exclusion from commercial opportunities. Research by McKinsey suggests that first movers and very fast followers in the digital space stand to gain a significant advantage over their competitors.<sup>29</sup>
- Finding the best solutions for companies to achieve their goals through digitization will require **experimentation, learning, and adapting, along with the cultural and resourcing changes** to support it. This report provides a framework rather than a prescription for businesses. Not all lessons will apply to all businesses. Some learnings will apply better to suppliers, while others will apply to distributors or global brands.

The findings in this report are not meant to be exhaustive as more data is needed to continue understanding how corporate digitization can be optimized. More research is needed on different business types and models, within specific sectors, and also across certain types of economies. Each piece of research, data, or analysis helps to build a more complete and efficient roadmap for the world's journey from cash to digital payments. This report aims to contribute to this dynamic roadmap. The authors and contributors welcome any and all feedback, in the spirit of this collective journey.





## We would like to thank all the contributors from the following organizations who made this report possible:

2Kuze	Glenbrook Partners	Neumann Kaffee Gruppe	TAU Investment Management
Barclays Africa	Grab	Nutresa	Gap Inc.
Business for Social Responsibility (BSR)	Grupo Bimbo	Olam	The Initiative for Smallholder Finance (ISF)
BTPN - Bank Tabungan Pensiunan Business Bank	GSMA	Ongo	UNCDF - Mobile Money for the Poor
CGAP	H&M	PepsiCo	Unilever
Citi Inclusive Finance	Hindustan Unilever	Pymont Consulting Ltd.	VF Corporation
Danone	Kheyti	RAFLL Mastercard Foundation	Visa Inc.
Diageo	Marks & Spencer	Smart Money	World Economic Forum
Eko Financial Services	Mastercard	Tata Consultancy Services	
FINO Paytech	Mobile Money Africa (Eezee Money)		
	Morgan Stanley, Supply Chain Finance		

## Methodology

This study builds on the extensive knowledge and research in the field of digital payments, and its role in furthering financial inclusion. The review of existing literature has been complemented by conversations with more than 40 organizations in the sector, including global development agencies, philanthropic foundations, private sector businesses, financial service providers, and technology providers. The study also draws upon the experience of companies that have attempted digitization in three sectors – Fast-Moving Consumer Goods (FMCG), readymade garments, and agriculture. The experience of six companies in these sectors has been captured through case studies, which have been developed in consultation with the company teams and are based on the data collected by them.

The data presented in this study is self-reported by participating companies and is not based on review of source documents by the project team. Dalberg and the Better Than Cash Alliance are not responsible for the accuracy of the data reported in this study.

Authors: Marjolaine Chaintreau, Vibhor Goyal, Dianne Rajaratnam and Camilo Tellez



# The Better Than Cash Alliance Business Series

Our business series seeks to highlight specific examples of shifts from cash to digital payments by companies in their supply chains. Each report and case study aims to provide insights for business executives and wider audience on the factors that have helped or hindered the digitization process, and also present key results and benefits of the transition away from cash. We hope that readers will be able to adapt the lessons from these cases to their own contexts and local conditions.

## Endnotes

1. Please see the full list of organizations interviewed at the end of the report.
2. A multi-stakeholder partnership involving seven apparel companies (H&M, Marks & Spencer, Target, Li & Fung, Lindex, Debenhams, and Fast Retailing), Business for Social Responsibility (BSR) and the Bill & Melinda Gates Foundation.
3. World Bank Global Findex 2017 Data.
4. World Bank, "Cash vs. Electronic Payments in Small Retailing," 2016.
5. World Bank Global Findex 2017 Data.
6. Ibid
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### About The Better Than Cash Alliance

The Better Than Cash Alliance is a partnership of governments, companies, and international organizations that accelerates the transition from cash to digital payments in order to reduce poverty and drive inclusive growth. Based at the United Nations, the Alliance has over 60 members, works closely with other global organizations, and is an implementing partner for the G20 Global Partnership for Financial Inclusion.

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