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# Who's the Boss: Standing Up for the End User of Digital Payments



There has been a recent trend of employers, financial service providers, and governments to move towards digital payments; after all, evidence suggests that digital payments are efficient, cheaper, and reduce corruption in the system. This coupled with the global influx of new digital financial products on the market, and the ubiquity of mobile phones in the developing world, has led to a lot of excitement about digital payments being a possible on-ramp to financial inclusion. However, we still have limited evidence to suggest that this is the case. A recent study in Afghanistan showed that the benefits of switching from cash to digital salary payments in the short run may be realized by those making the payments (e.g. the employers), rather than by the recipients. Furthermore, simply having the account doesn't mean they will use other financial products - even when paid digitally, many users still immediately withdraw all the money as soon as the payment is received. Which leads us to question, do digital payment products create a real value proposition for users beyond the payment delivery itself?

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This question is becoming increasingly important as the shift to digital payments increases, and has led us at Innovations for Poverty Action to new lines of research which bring together academic experts in financial behavior, financial service providers, and governments to collaborate on answering practical questions like these. The hope is that with these various stakeholders working together we can generate rigorous evidence on not only the benefits of digital payments for the recipient, but also which combinations of financial products could be offered together to increase access and usage of financial products and better their financial lives. Some of the interesting questions currently being explored include:

- **Is cash still king?** A study in [Bangladesh](#) is looking at the effect on financial behavior for garment factory workers of receiving their salaries through mobile money, versus cash or even through a direct deposit into their bank accounts.
- **Can digital payments be effectively linked to other financial products?** A study in [Malawi](#) is looking at whether providing additional financial tools, in this case a commitment savings account, to workers receiving digital payments can lead to increased saving and help smooth consumption. Similarly, in the [Dominican Republic](#), researchers are evaluating whether providing a low interest credit product linked to a digital Government to Person (G2P) payment, so that the loan payments are automatically deducted from the benefit transfer, reduces risk for both the client and the financial service provider. This study will also shed light on whether there is demand for financial products linked to G2P payments, and if they actually enhance the beneficiary's welfare.
- **Can the government catalyze the development of a broader ecosystem for mobile money through payments to public servants?** In Afghanistan, researchers are evaluating a government initiative to pay school teachers through mobile money, to see if these payments will lead to increased demand for and usage of mobile money in general and promote a more robust ecosystem for digital payments.

Digital payments, especially those that recur frequently such as salary, government transfers etc., provide an entry point to the formal financial sector for many who are otherwise excluded. While the efficiency gains from the provider side are obvious and to an extent proven, questions remain on the recipient side as to how we can translate these payments into usage of other digital financial products and services. The above mentioned studies are just a few examples of how researchers, financial service providers and governments can work together to provide evidence on the benefit of digital payments and to test products and services that build on the existing momentum created by recurring payments. As the switch to digital payments and the buzz surrounding it grows, we should not lose sight of the fact that there is a need for more research to understand the value of digital financial products for recipients which goes beyond the delivery mechanism.

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