

POLICY BRIEF • 2025

Stitching **Financial Health** for a Resilient Future of Ready-Made Garment Workers in Bangladesh

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BACKGROUND

Bangladesh's RMG sector is the principal engine of national economic growth, accounting for approximately USD 46.99 billion in export earnings in FY2022–23 and providing formal employment to over 4.2 million workers, of whom approximately 60% are women (BGMEA, 2024). The sector indirectly supports an estimated 40 million Bangladeshis and is the primary source of formal employment for women with limited educational attainment in rural areas.

Yet the financial lives of RMG workers remain characterised by fragility, exclusion, and chronic stress. Despite more than a decade of financial inclusion interventions, from Bangladesh Bank's no-frill accounts and MFS promotion to development-sector projects, the benefits of formal finance have not been meaningfully translated into worker financial resilience.

4.2M+

RMG workers employed

84%

of national export earnings

92%

lack formal employment contracts

BDT 12,500

monthly minimum wage

40%

cannot afford medical care

I. KEY FINDINGS

This policy brief represents an analysis of financial inclusion for Bangladesh's RMG workforce. It draws on seven years of implementation experience from the Sarathi project of Swisscontact Bangladesh; key national studies; current MFS market data; and a roundtable discussion with government officials, policymakers, financial institutions and experts.

The analysis identifies six principal findings presented below, each constituting a material barrier to genuine financial inclusion for the RMG workforce. Findings are presented in order of systemic severity.

Wage income is insufficient to generate a financial surplus.



The minimum wage falls 49–55% below the estimated living wage. Workers at or below the subsistence level have no surplus to save, find credit indispensable for basic needs, and face persistent income shocks that formal insurance could mitigate but which they cannot afford to access.

► **Required intervention:** Annual minimum wage reviews; enforcement of living wage benchmarks.

MFS platforms function as wage conduits, not financial inclusion tools.



Approximately 70% of workers receive wages digitally; however, the dominant pattern is immediate full withdrawal on payday. This 'wage pipe' behaviour reflects rational responses to poorly designed products, absent digital merchant ecosystems, high cash-out fees, and social pressure to distribute wages in cash.

► **Required intervention:** Reduced cash-out fee ceilings; merchant ecosystem investment; behaviour-change product design.

Formal credit is structurally inaccessible to many workers.



92% of workers lack formal employment contracts, disqualifying them from orthodox credit assessment. Informal moneylenders charge 180–240% annualised interest, perpetuating cycles of indebtedness. Bangladesh's Payment and Settlement Systems Act (2024) provides a legal foundation for alternative scoring, but this has yet to be operationalised.

► **Required intervention:** Credit Guarantee Scheme; CIB API access; alternative credit scoring sandbox under Payment Act (2024).

Near-zero insurance coverage exists.

Micro-insurance uptake remains negligible. Section X of the Bangladesh Labour Act (2006) prohibits automatic wage deductions for insurance premiums, constituting the single most significant structural barrier to scalable enrolment. In addition, no incentives from the government (for factories) to provide access to health insurance to the RMG workers. IDRA's KYC requirements for policies below BDT 200,000 further impede rapid worker onboarding.

► **Required intervention:** *Labour Act amendment; IDRA KYC simplification; phased mandate for factories above 400 workers.*

Gender-specific barriers compound financial exclusion.

Women, comprising over 53% of the workforce, face compounded barriers: lower smartphone ownership, male-dominated outreach, restricted mobility, and the risk of domestic financial coercion through digital wage visibility. Women also disproportionately occupy lower-skilled roles, most vulnerable to automation-driven displacement.

► **Required intervention:** *Gender-smart product design; female agent networks; privacy-protected accounts; peer educator models.*

Ecosystem and coordination failures.

Workers' financial lives span MFS platforms, bank accounts, MFI loans, and insurance products that do not communicate. No integrated financial identity links NID, wage, and MFS data. No formal multi-stakeholder coordination platform aligns government, regulators, industry, and civil society around shared objectives.


► **Required intervention:** *NID-linked national data stack; inter-system data sharing; multi-stakeholder coordination platform.*

II. POLICY RECOMMENDATIONS

The following recommendations are grounded in national evidence, seven years of Sarathi project implementation experience, and comparative global best practice. They address demand, supply, and regulatory dimensions simultaneously. Each card below identifies the responsible authority, the implementation horizon, and the specific recommended actions.

 Bangladesh Bank

- Operationalise a Credit Guarantee Scheme (with an initial fund; 50:50 risk sharing on nano-loans to RMG workers)
- Establish a progressive MFS cash-out fee ceiling indexed to transaction volume
- Mandate banks to allocate a minimum of 10% of lending portfolios to microloans for low-income workers
- Enable licensed MFIs to participate in agent banking as authorised agents of commercial banks
- Launch a fintech regulatory sandbox for alternative credit scoring using MFS transaction and wage data

 IDRA – Insurance Regulator

- Simplify KYC for micro-insurance policies below BDT 200,000: permit MFS-based e-KYC as sufficient verification
- Mandate health insurance coverage for all RMG factories employing more than 400 workers, with phased implementation
- Enable licensed MFIs to serve as insurance distribution agents

 Government / Labour Law

- Amend Labour Act: permit auto premium deduction; alternatively, give incentives to factories for health insurance for workers
- Mandate written employment contracts and payslips for all RMG workers
- Institutionalise annual minimum wage reviews, eliminating the five-year revision cycle
- Establish a NID-linked national data stack connecting employment, wage, and MFS transaction history
- Deploy G2P social protection transfers through MFS platforms as a financial inclusion entry point

 RMG Factories & Industry

- Adopt Earned Wage Access solutions (partnering with fintechs) in payroll systems: provide workers access to earned wages before payday
- Co-invest in in-factory financial literacy through bi-weekly capsule modules and trained peer educators
- Implement shared-contribution health insurance models as a pre-mandate preparatory measure

 Financial Institutions, Fintechs & Insurers

- Design purpose-built financial products using human-centred research with workers
- Implement alternative credit scoring using MFS transaction data under the Payment and Settlement Systems Act (2024)
- Integrate gender lens principles: female agents, privacy-protected accounts, and women-centred product design
- Deploy MFI distribution networks for micro-insurance, to onboard new RMG worker policyholders

III. IMPLEMENTATION CONSIDERATIONS

Effective implementation requires deliberate sequencing across three horizons. Immediate regulatory actions create the enabling conditions within which market actors can respond. Medium-term measures build on that foundation to achieve scale. Long-term actions require sustained institutional investment and inter-agency coordination and should be initiated in parallel with immediate actions.

⚡ IMMEDIATE PRIORITIES	📅 MEDIUM-TERM MEASURES	🏗️ LONG-TERM FOUNDATIONS
<ul style="list-style-type: none"> – MFS cash-out fee ceiling review – CIB API access for fintechs – IDRA KYC simplification for micro-insurance – Initiation of Labour Act amendment process/ incentivise factories for providing health insurance to workers 	<ul style="list-style-type: none"> – Credit Guarantee Scheme operationalisation – EWA pilots in selected factories – In-factory financial literacy sessions – MFI agent banking formally enabled 	<ul style="list-style-type: none"> – NID-linked national data stack – Sector-wide health insurance mandate – Alternative credit scoring ecosystem – Multi-stakeholder coordination platform

The most consistently identified gap across all stakeholder consultations is the absence of a formal coordination mechanism. This brief recommends the establishment of a dedicated RMG Financial Inclusion Platform, convened under Bangladesh Bank or the Ministry of Finance, with rotating co-chairs from industry and civil society, and secretariat support from development partners. Ghana’s National Financial Inclusion and Development Strategy governance architecture — comprising a high-level council, steering committee, and technical working groups — provides a practical reference model.

IV. CONCLUSION

Bangladesh’s RMG sector stands at a pivotal juncture. The Payment and Settlement Systems Act (2024), the Digital Bank framework, the IDRA Regulatory Sandbox, and the emerging EWA and alternative credit scoring ecosystem together constitute the most enabling regulatory environment the sector has seen. The global evidence is unambiguous: Kenya’s financial inclusion rate rose from 26 to 84% over fifteen years through aligned regulatory, market, and behavioural investment; Cambodia’s garment sector wage digitisation grew from 22 to 72% in six years through coordinated public-private action.

Bangladesh has the institutional capacity, the digital infrastructure, and the national development imperative to achieve comparable results. What is required is coordinated, sustained action across the full system, from statutory reform to product design, and from factory payroll integration to gender-responsive financial literacy. The workers of Bangladesh’s RMG sector, who underpin the economy that funds national development, deserve nothing less.

CALL FOR ACTION

The Government of Bangladesh, financial regulators, industry associations, and development partners are called upon to align action across regulatory, market, and behavioural dimensions. The financial health of Bangladesh’s RMG workforce is not solely a financial sector objective — it is a national development imperative.