BUFT Journal of Business & Economics (BJBE)
ISSN 2664-9942 (Print)
2023 Volume 4, Pg: 61-76
DOI: *https://doi.org/10.58481/BJBE2304*

Financial Capability of Low-income Workers: Insights from Bangladesh's Readymade Garment Industry

Aysa Yeasmin[1*]

ARTICLE INFO

Article History:
Received: 16th June, 2023
Accepted: 14th July, 2023

Keywords:
Financial capability,
Financial knowledge and skills,
Financial behavior,
Low-income workers.

JEL Classification:
D14

ABSTRACT

Purpose: A growing body of knowledge describes financial capability as financial knowledge and skills, a combination of financial behavior, or having knowledge and the opportunity to apply it. However, developed knowledge has rarely focused on the financial capability or functioning of the low-income working class constrained by resources and opportunities. This study investigates the financial capability of Bangladesh's low-income readymade garment (RMG) workers, focusing on their financial knowledge and behavior.
Methodology: This study has conducted six focus group discussions (FGD) and ten in-depth interviews with RMG workers. The participants for FGDs and in-depth interviews are selected purposively covering three industrial cities – Dhaka, Gazipur, and Narayanganj. The FGDs and interviews are analyzed thematically.
Findings: The study finds that workers lack knowledge and skills regarding financial products and services and their associated charges and are also very present-focused in financial matters. This research also exhibits the challenges of workers in money management, future planning, information collection and utilisation, and financial product management.
Practical Implications: The study contributes to the understanding that lack of knowledge, insufficiency of income, and lack of trust in financial institutions shape the financial functioning of the low-income RMG workers and suggests wage reform and inclusive financial policy for the workers.
Originality/Value: This study determines the financial capability of low-income RMG workers focusing on cognitive and behavioral aspects. It fills the research gap on the financial capability of the low-income working class of Bangladesh in general and the RMG industry in particular.
Limitations: The study's results cannot be generalized for low-income workers of other industries as the data is collected from some purposively selected RMG workers. Additionally, the study relies on self-reported data, which may be subject to recall or social desirability bias. The absence of a mixed analysis method is another limitation of the study.

1. Introduction

Financial capability is the application of appropriate financial knowledge and making desirable financial decisions that will enhance financial well-being. Research focuses on an individual's financial knowledge and behavior in real life (Xiao, Huang, Goyal, & Kumar, 2022). A financially capable person will be restrained from overspending, keep track of expenditures, understand financial products' terms and conditions, make informed financial decisions, and plan for the proper utilization of income (Kempson & Poppe, 2018). It is influenced by both knowledge and behavior of individuals.

* Corresponding Author
[1] PhD Fellow, Institute of Bangladesh Studies, University of Rajshahi, Rajshahi – 6250, Bangladesh, E-mail: aysayeasmin@gmail.com

In a rapidly developed financial world, individuals are not only in charge of their financial functioning but also responsible for assuming the consequences. Individuals need to make day-to-day money management and planning for the future, which requires financial capability. The cost of not having such capability or functioning ability is disproportionately high for low-income citizens, as insufficient income is regarded as one of the major impediments to financial capability (Vyvyan, Blue, & Brimble, 2014). Insufficient income results in the inability to save for emergencies, carrying large debt, or involvement in costly financial dealings (Lusardi, 2011). In such a situation, financial capability empowers individuals to understand the financial situation and make decisions that bring financial satisfaction. Lack of knowledge, ability to manage money, and insufficient income hinder financial capability development.

RMG industries of Bangladesh contribute more than 80 percent of export earnings and employ more than 4 million workers (Bangladesh Bank [BB], 2022). Still, the low-income workers of this sector are vulnerable to economic crisis due to their inability in day-to-day money management. The study finds that workers' average monthly income can cover 50 percent of their monthly expenditures, and only 47 percent can save money each month (Moazzem & Arfanuzzaman, 2018). The same study also finds that 23 percent of earnings is spent on debt repayment. Moreover, poor financial knowledge of RMG workers generally and female workers particularly increases their economic vulnerability (Hossain, Al Mahmud, Bajracharya, Rob, & Reichenbach, 2017). These circumstances necessitate the study of the financial capability of the RMG workers. This research explores the financial capability of RMG workers in Bangladesh. In this regard, the study finds workers' knowledge, skills, and attitude toward financial matters. Also, it explores the financial behavior of the workers in terms of managing money, planning for the future, obtaining, comprehending and evaluating information, and managing financial products.

The paper proceeds as follows. The next section discusses relevant literature focusing on the theoretical and contextual background of the research, followed by the methodology adopted. Subsequently, results are provided with a discussion. Finally, a conclusion is developed, focusing on the limitation of the study and the scope for future research opportunities.

2. Literature Review: Theoretical and Contextual Background

2.1 Concept of Financial Capability

Managing personal finance and using financial services requires shaping the concept of financial capability that goes beyond financial literacy. Financial literacy requires knowing interest rates, inflation, and risk evaluation (Lusardi & Mitchell, 2011a), crucial in choosing savings, investments, or consumption alternatives. Empirical evidence suggests that a low level of knowledge results in a poor financial decision (Cole, Sampson, & Zia, 2011; Lusardi & Mitchell, 2011b), mandates the necessity of knowledge in making a sound financial decision, but knowledge is not sufficient to describe financial behavior as it is impeded by skill, motivation, behavioral aspects, attitude towards financial products and institutions, or the surroundings where the decision is made. Financial literacy or knowledge is functional but insufficient for building financial capability; other personal traits are necessary to use the knowledge in making real-life financial decisions (Kempson, Perotti, & Scott, 2013). Emphasizing financial self-efficacy, financial capability is defined more by an individual's psychological attributes rather than having knowledge and skills in financial matters (De Meza, Irlenbusch, & Reyniers, 2008; Rothwell, Khan, & Cherney, 2016). Informed by the capability approach of Sen (1999) and Nussbaum (2013), social work researchers developed a financial capability approach that argued that individuals should have knowledge and skills (ability to act) with the opportunity to use that knowledge to make sound financial decisions (Sherraden, 2013). Extending Sherraden’s (2013) capability approach, Xiao et al. (2022) defined financial capability as a knowledge-behavior-opportunity model where a financially capable person has financial knowledge, uses knowledge to perform desirable financial behavior, and takes the opportunity to enhance financial well-being.

The broad dimension of financial capability — financial knowledge and skills, self-efficacy, and financial behavior— covers income generation, income disposal, payment, information gathering, record keeping, financial planning, risk-return, personal choice, consumer rights, and responsibilities (Kempson, Collard, & Moore, 2006). Previous studies develop financial capability scores based on the financial practices of people. Atkinson (2007) developed the financial capability score as a composite of making ends meet, keeping track, planning ahead, choosing products, and staying informed and confirmed that financial capability is not an inevitable consequence of literacy and numeracy. Kempson and colleagues clarify four aspects of financial capability: managing money, planning ahead, making choices, and getting help (Kempson et al., 2006). National Financial Capability Survey in the United States measured financial capability based on making ends meet, planning ahead, managing financial products, and financial knowledge and decision-making (Lin et al., 2016). Another state-run study assesses the financial capability of people as a combination of knowledge and understanding, skills, confidence, and attitudes where personal circumstances, community access, environment, and professional support work as enablers for developing capability (Australian Government, 2022). Households' saving and debt management, home ownership, retirement planning, and subjective well-being also inform the financial capability of citizens (Galick, 2020).

2.2 Financial Capability for Low-income People

Financial capability for low-income[1] people encompasses behavior, knowledge, skills, and attitude, and the impact of the surrounding environment on people's abilities (Kempson et al., 2013). Along with knowledge and skills, it considers certain personality traits, such as achievement orientation, attitude toward the future, budgeting, covering unexpected expenses, living within means, monitoring expenses, not being impulsive, not overspending, saving, and using information (Kempson et al., 2013). Though financial capability is high for high-income people (Atkinson, 2007), for low-income people, financial capability also performs various financial functions such as money management, planning for the future, financial services, and information (Taylor, 2011). So only income is not to be blamed for low financial capability because people with high income or living standards may have low financial capability. According to Sen (1999), for poor people, capability deprivation is intrinsically important, whereas low income is instrumentally significant.

Poor people of lower-income countries prioritize experience, individual efforts to increase income, and virtuous behavior over financial literacy and money management in describing financial capability (Collins & Zollman, 2010). For poor people, financial capability is explained as,

> *[...] capability did not extend much beyond day-to-day money management. Their ability to plan for the future was constrained by their lack of spare cash. They use a limited range of products, mostly those involving borrowing, and they use limited sources of information and advice (Kempson et al., 2006).*

The financial capability index for low-income rural people informs that a mix of financial literacy and financial behavior influences financial capability (Potocki & Cierpiał-Wolan, 2019). The same study claims that lack of financial fragility and poverty significantly impact the financial capability index (Potocki & Cierpiał-Wolan, 2019). Another study on low-income households finds that people's experience of economic hardship is not related to financial literacy; instead, it depends on the external environment, i.e., access to financial services or planning and managing money (Huang, Nam, & Lee, 2015). Rothwell et al. (2016) claim objective financial knowledge improves the saving behavior of low-income migrants, but the relationship is more robust when self-perception and attitude mediate between objective financial knowledge and saving behavior.

2.3 Financial Capability of RMG Workers

Financial capability is a rising but less focused concern for the low-income working class of a country like Bangladesh, where income inequality is a burning concern. The bottom 50 percent of the country's population holds 17.1 percent of income, whereas it is 16.3 percent for the top 1 percent ("National Income Report," 2021). This inequality in income causes the ends meeting capacity of low-wage earners difficult. The Rising income inequality and spiraling prices for food and non-food items compelling low-income earners to reduce food consumption and stop saving for the future ("Price hike of essentials," 2023).

RMG workers are not above the sufferings of soaring prices, as workers' wages are insufficient to meet monthly expenditures.[2] According to the Micro Finance Opportunity report, a 50 to 60 percent wage gap between regular and living wages is prevalent among RMG workers (Ortega, 2022). Even a wage increase failed in the long run to reduce the poverty of the workers (Fair Wear Foundation, 2012; Kabir, Maple, Islam, & Usher, 2022b). Study finds that increased wage, to some extent, brings improvement in savings and ends meeting capability but at the cost of a reduction in breaks and leaves, wage cut, higher workload during regular working hour, high production target, abusive behavior from management, mental stress, and deteriorated relation between worker and management (Kabir et al., 2022b). Increased workload and working in a stressed, scared, and pressured environment negatively impact workers' psychological health (Sinkovics, Hoque, & Sinkovics, 2016; Steinisch et al., 2013), which is no better off for the employee's well-being. With ongoing price hikes of daily commodities and physical and psychological health sufferings, workers fail to realize any financial benefit (savings or meeting emergencies) from their wages (Kabir et al., 2022b). Sufficiency of wage is also questioned as it covers almost half of the monthly expenses and is not paid on time[3] — 53 percent received in the first week, 25 percent receive after the first week, and 22 percent after the second week of the month (Moazzem, Khandker, Arifuzzaman, & Ferdows, 2019). Besides the insufficiency of income, RMG workers are also highly vulnerable to any nationwide crisis like COVID-19. The COVID-19 shutdown period evidences how the financial frugality of the workers compels them to take coping strategies like skipping meals, using savings, delaying house rent payments, or taking shop credit (J. Hossain, Akter, & Ahmed, 2021). In such circumstances, personal financial management functions like ends meetings, future planning, and saving become arduous for low-wage earners like RMG workers.

The dismal financial condition of low-income workers necessitates more research to find out different attributes of their financial capabilities. Rarely there is any research informing the financial capabilities of the low-income working class of Bangladesh in general and RMG in particular. This research contributes by studying the financial capability of RMG workers under five dimensions — knowledge, skills, and attitude; managing money; planning for the future; obtaining, comprehending, and evaluating information; and managing financial products.

3. Methodology

3.1 Sample and Data

The research is conducted on the RMG workers of Bangladesh. A total of 6,821 garment factories are in Bangladesh, of which 3,856 are operational (Moazzem & Radia, 2018). A maximum of the factories are located in the Dhaka and Chattogram Division. More than 80% of factories are in Dhaka, Gazipur, and Narayanganj districts. Over three-quarters of 4.2 million workers are employed in these three urban areas (Moazzem & Radia, 2018). Therefore, considering the maximum number of workers in those cities, these three districts are selected as the preferred location for this study.

Lower-income workers' various financial functioning — expense management, savings, borrowing, and budgeting — within limited resources is the focus of the research. The study population is accordingly the low-income RMG workers; 4th to 7th grade workers were selected using purposive sampling — a highly used technique in RMG research (Kabir et al., 2022a, 2022b; Mamun & Hoque, 2022; Steinisch et al., 2013) — for conducting FGDs and in-depth interviews. Low income is a regular phenomenon for RMG workers, as a report claims a 50 to 61 percent wage gap exists between gross wages and a living wage for RMG workers (Ortega, 2022). This wage gap is severe for lower-grade workers. Another study more specifically informed that the average gross monthly wage (excluding overtime) of the worker from 4th to 7th grade ranges from BDT 9245 (US$106)[4] to 8000 (US$92), whereas the average monthly expense is more than BDT 22,435, about 41 percent of expense is covered by income (Moazzem, 2019). This evidences a persistent insufficiency of income among the workers every month, particularly for the 4th to 7th grade workers.

This research conducted six FGDs and ten in-depth interviews from January 2022 to June 2022. Among the FGDs, three were conducted in Dhaka, two in Gazipur, and one in Narayanganj. Among the ten in-depth interviews, four were conducted in Dhaka and Gazipur, and two were conducted in Narayanganj. Forty-nine workers participated in the FGDs; 33 were female, and 16 were male. Seven females and three males participated in the in-depth interview. Among the 59 randomly chosen participants, 24 were from 4th grade, 14 were from 5th grade, and 12 and 9 were from 6th and 7th grade, respectively. The author conducted the sessions at the worker's convenient time and place. Separate FGD and in-depth interview checklists were developed covering financial capability matters. The sessions were recorded with the participant's permission. All the sessions were conducted in Bangla. The author transcribed the recordings, and then transcripts were prepared. The average duration of FGD and interview sessions was around 1 hour.

3.2 Analysis of Data

The research used the inductive approach of qualitative data analysis to conceptualize the financial capability of the low-income working class. This approach is a handful in analyzing qualitative data (Bryman & Burgess, 1994; Thomas, 2006). The outcome of the inductive approach is the development of categories that summarize the raw data. Thematic analysis was undertaken to generate codes and categories from the transcript of the FGDs and interviews (Braun & Clarke, 2006). The coding process started with a literature review and field notes. After preparing the transcript of all FGDs and interviews, the author again coded, revised, summarized and categorized them into different themes of financial capability (Saldaña, 2013).

3.3 Ethical Consideration

The research has been conducted with utmost ethical consideration. For rapport build-up, the researcher employed NGO staff working for the RMG workers to recruit participants for FGDs and interviews. As most of the sessions were conducted in the evening, the NGO staff ensured the attendance of the participants from the expected grades of the worker and provided the necessary support for the smooth running of the sessions. The NGO staff arranged FGDs and interviews at the worker's premises. All these helped to gain and maintain the trust of the participants. For better communication, subject-related technical words were avoided. A pre-description of the subject matter and a pre-declaration of identity protection were made, and verbal informed consent was sought from all participants.

4. Results and Discussion

This study identifies the financial capability of the low-income working class in terms of knowledge, skills and attitude, and various financial behavior. Knowledge and skills regarding various financial matters such as interest rates, inflation, financial charges, and advantages and disadvantages of financial products and attitudes towards money for the low-income working class are delineated here. The financial behavior — money management, future planning, being informed, and multiple product holding — in a tight financial circumstance is also explained in this research.

4.1 Knowledge, Skills, and Attitude of Workers

Financial knowledge is related to an individual's knowledge of personal financial management. The present study on RMG workers finds that the participants rarely know about the interest rate of savings and loan products. Discussion with the workers discloses that this lack of knowledge builds their preference for saving in hand and later investment in land or domestic animal. They believe investment in land and animal is more profitable and easily accessible in an emergency than savings with FIs (FGD1, Dhaka). Such belief resists them from having ideas about different charges or terms and conditions of institutional savings products and services.

Financial product and service charges involve annual operating charges, cash out or send money charges, tax on interest, punishment charges, and per transaction charges. More than two-thirds of participants know nothing about the charges associated with financial products and services. For workers who know about the different charges, their knowledge is limited to a few charges. In focus group discussions, workers discussed their salary account's annual charge, mobile banking cash-out charge, and salary disbursement charge. Regarding a loan, workers borrow from relatives, colleagues, money lenders, non-government organizations/microfinance institutions (NGO/MFIs), local cooperatives, saving groups, and private funds. In the case of informal borrowing, workers know how much they have to pay back. For borrowing from NGOs/MFIs and cooperatives, they know the number of instalments and the amount they must repay, but in all cases, they do not know the loan interest rates (FGD, Dhaka 3).

Interest and inflation rates influence each other and jointly influence the worthiness of saving, borrowing, and investing decisions. The worthiness of saving decisions is evaluated by how interest from savings influences purchasing power, influenced by the inflation rate. Due to short-term investment planning and low financial knowledge, low-income individuals have less knowledge of inflation (Bruine de Bruin et al., 2010). Almost four in five workers in the study do not know how an increased inflation rate reduces the purchasing power received from saving. Discussions reveal that workers' income is low, so saving is difficult with this income. Those who saved a small amount, most of the time, were used up for another purpose within the next few months. This is one of the reasons for not making savings with FIs that insulate them from not realizing the impact of inflation on earned interest from savings. Workers who have savings as deposits pension schemes (DPS) or save with cooperatives or saving groups have little understanding of the effect.

Knowledge of interest rates is used as a yardstick for evaluating the advantages and disadvantages of FIs' products. Most of the time, the workers make savings in their village with the help of their family members or relatives; for evaluating FIs, they rely on the family members' opinions. An FGD participant said she opened her DPS account with a commercial bank in her village because her family member has DPS with the same bank (FGD, Dhaka 2). The discussion with workers reveals that they do not understand the advantages and disadvantages of FIs. Some participants explain with grief that their income is not enough to meet family needs; saving with FIs is inconceivable for them. Thus, evaluating advantages and disadvantages is beyond question (FGD, Dhaka 3).

Attitude influences the present and future orientation of financial decisions. Most workers agreed that they live for today and give less attention to tomorrow. The respondents have opined that their income is insufficient to meet current living expenditure; they leave the future to care for itself. According to an FGD participant, "If I save in one month, this spends in another month. At year-end, I have no money as savings" (FGD, Dhaka 1). This attitude toward money is developed due to the deficient liquid funds for savings.

4.2 Managing Money

Money management is a vital part of financial capability. It demands that a financially capable person make ends meet, maintain a surplus of funds at the month-end, and make consistent savings. It also necessitates keeping records of incoming and outgoing transactions of money.

Ends meeting determine the ability to meet daily expenditure and monthly payment of house rent, electricity bill, water bill, medical expense, child education, conveyance, loan repayment, mobile bill, and other expenses. Despite having regular earnings, workers face trouble in meeting their monthly spending. Discussion with workers reveals that even those who can meet ends face struggles occasionally. Single earning member in a family and debt burden are the problems workers face in meeting ends. According to an interviewee,

> *I am the only earning member in my family. One younger brother, a younger sister, and our parents depend on my income. Every month I need to spend BDT 8,000 to 10,000 on food, BDT 4,500 on house rent, BDT 2000 to 3000 on health, and BDT 3,000 on education. These are fixed payments that we need to make each month. Besides, there are other expenses of BDT 1,000 to 2,000 each month. Every month, my income falls short of meeting all expenses.* (Interview 1)

Family expenditures, such as medical expenses, the child's schooling fees, debt burden, and emergency expenses, exhaust the monthly income, resulting in less or no money left at the end of the month. The study participants said that they had no money left at the end of the month. Those who have admitted to having money at the end of the month have it irregularly. In the FGDs, participants revealed that worker's income is insufficient for all monthly expenditures. Money remains after meeting expenses if there is more than one earning member in a family (FGD, Dhaka 1). A vast loan burden is too responsible for the shortage of money after meeting expenses. According to a worker,

> *I am required to spend all of my income on loan repayment. These loans will take longer than a year to repay. Even if I can pay the interest, it will take two to three years to repay the money lenders' interest. I am not making payments on the loan's principal; I only make interest payments. Along with this, I also have a loan from an NGO. I am currently paying installments of the NGO's loan and only interest from the money lender. After paying the NGO's loan, I will take another loan to repay the principal amount of the money lender. I must pay BDT5,000 in interest to the money lender until the principal balance is repaid.* (Interview 3)

Shortage of money at the end of the month challenges the saving ability of workers. In the present study, only three in twenty workers can save regularly, and the rest cannot. Probing with the workers who can save, do it most of the time at home, which is occasionally spent for another purpose, or make the saving with family members in the village. In the discussion, a female participant of FGD exclaimed,

> *I have opened a savings account with a cooperative in my village. I continued the savings for ten months. It became very tough for me to continue the savings, as my family and my in-law's family depend on our (me and my husband) income, and we were then passing through a huge financial crisis. I closed the savings with that FI. Though the officer insisted me not stop saving but I could not continue it.* (FGD, Dhaka 3)

Keeping records for withdrawals and spending determines how well people control daily spending and keep track of incoming and outgoing funds, ultimately improving financial capability (Mokhtar, Sabri, & Ho, 2020). In this study, respondents declare that after receiving wages in the account (bank/mobile bank account), in most cases, they withdraw the whole amount keeping the minimum required amount (FGD, Gazipur 1). Workers rarely withdraw the necessary spending amount and keep the rest as savings. Notwithstanding, workers who receive wages in cash cannot keep records of withdrawals. Moreover, monthly dues are paid up first from the wages. As these expenses are incurred in the previous month, they know for what reason and how much should be paid; therefore, they do not need to maintain the spending records. According to a participant,

> *The monthly wages are spent within one or two days after receiving them, and no money is left for any further planned expenditure. That is why we feel no necessity to keep records of withdrawals and spending. Every month we buy grocery items on credit for which the shop owner maintains the record, where we have no option for a bargain. We must borrow BDT1,000 to 2,000 or sometimes more for the unplanned expenditure. So, what record should we keep?* (FGD, Dhaka 1)

4.3 Planning for Future

Planning enables people to show positive financial behavior —saving, controlled spending, and budgeting (Xiao & O'Neill, 2018). People need to do future planning for expected and unexpected expenses and keep provisions for income loss. Planning for the future requires keeping funds against sudden drops in income, unexpected major expenses, and retirement. It also requires planning for monthly expenditures and making investments in different assets.

Financial capability requires people to have provisions for a sudden drop in income. Working poor with minimum wage has less flexibility in making provision for a sudden drop in income. In the present study, respondents rarely have precautions against a sudden loss in income. Some FGD participants have admitted that during COVID-19, they returned to the village due to the factory shut down and job loss (FGD, Narayanganj). A study on the livelihood of workers finds that during the shutdown, workers kept high dues and fell under huge debt, including house rent and unpaid bills, starved, and some returned to the village (Kabeer et al., 2022).

Financial capability requires individuals to have the ability to cover unexpected major expenses in the future. Setting aside funds for unexpected expenses helps to achieve financial goals and improves financial capability (Mokhtar et al., 2020). In the discussion, it is found that few workers have plans for future unexpected expenses. Probing with the workers discovers the reasons for the workers' inability to plan for unexpected expenses and the strategies taken to cover such expenses. An FGD participant claimed,

> *We do not make any separate savings for unexpected emergencies. All our income was used to meet regular expenses — food, house rent, child education, sending money to the village, bills, and loan repayments. In an emergency, if we have any savings, we use it. Otherwise, depending on the amount and situation, we borrow from relatives, money lenders, or local FIs. [...] not make any separate savings for unexpected financial shocks. Last month my baby fell into a disease for which I borrowed BDT1 lakh from one of my relatives. Now, I am repaying the amount by reducing my monthly expenditure. I may need to borrow more for my child's treatment.* (FGD, Dhaka 3)

Sometimes if any significant amount is spent unexpectedly, this affects the monthly expenditures over the following months and even years, as they have no plan for monthly expenditures. Planning or budgeting can help individuals predict how much can be saved after expenses and how much financial shock they can withstand. A discussion with an interviewee revealed that,

> *The amount of wage we received used up on the payday. Before getting the wage, we know what amount should be spent on where. We do not have enough cash remaining for planning. Most of the time, the rest of the month's expenditures are made on credit.* (Interview, 2)

The absence of planning for monthly expenditure impedes planned investments in financial assets, including different types of saving products or securities. In the present research, few participants have admitted to investing in financial assets. Further inquiring with the workers who invest in financial assets has revealed that they invest in formal and informal financial assets such as DPS, insurance, or saving with local saving groups like rotating savings and credit associations (ROSCA). Discussions with those without investment in financial assets have shown a preference for leasing land or investing in small businesses in the village (FGD, Dhaka 3). The informal investments by the workers are not instrumental in reducing the risk of financial vulnerability, especially for the retirement period, unless they have any planning for the future.

Retirement savings are absent among workers. Discussions with workers reveal that they have no specific planning for retirement. Workers' retirement planning includes doing agribusiness, poultry or farming, and small business during retirement. Female workers have plans to open their boutiques and tailoring shop. Nonetheless, no one can say about any specific step taken for retirement planning (FGD, Gazipur 2). According to an interviewee,

> *I started to save money for starting my poultry firm. After retiring from the garment factory, I wanted to return to my village and start a poultry firm there. A few years ago, I made savings with an institution. I saved there for one year, and the amount was above BDT30,000. This was a fraudulent institution and absconded with all the depositors' money.*

> *I have tried to save at home, but this savings does not last as it is spent in another month. We always make saving plans for the future, but these plans do not come true due to unavoidable circumstances.* (Interview, 8)

4.4 Obtain, Comprehend, and Evaluate Information

Financial decision-making requires obtaining, comprehending, and evaluating financial information. In this process, people seek information about various financial matters, use financial documents, learn from other mistakes, and complain about financial exploitation or service dissatisfaction.

Family/relatives/friends/colleagues, FIs, advertisements, social media, SMS marketing, social organization, print media, and electronic media are familiar sources of financial information. Workers of the study generally make savings or borrowings in their village. That is why they do not collect any information but rather depend on the opinion of family members or relatives (FGD, Narayanganj). In this regard, the opinion of an interviewee is worth mentionable,

> *I cannot rely on anyone other than my family members or relatives in financial matters. Once, I visited a FI here (working area) to open a saving account. They told me to submit a list of documents. I have some problems with my National ID. They rejected opening the account. Later I opened a savings account with a bank in my village where one of my cousins works. He managed all the documents and told me that the institution was good. He also opened saving accounts for my other relatives, and they also said positively about the institution.* (Interview, 7)

Individuals should be able to read and understand financial documents to comprehend or understand financial matters. Terms mentioned in the financial document and bank statement demands financial knowledge to understand. In the present study, workers do not have much financial knowledge. Despite their being literate, workers cannot read and use financial documents. The situation is worse for female workers due to having less financial autonomy (Mamun & Hoque, 2022) and depending on or being under the surveillance (increase due to wage digitization) of the male person in their family in financial matters (Gates Foundation, 2020; Jenkins, 2023). According to a female worker,

> *I have a bKash[5] account on my husband's mobile. He has two SIM cards, one of which is my bKash number for getting wages. [...] For handling financial matters, I depend on my husband. When my salary comes, he informs me about that and makes the cashout. I do not understand any banking dealings, so he makes all the financial decisions. I cannot buy anything of my choice without his permission.* (Interview, 6)

The ability to understand financial matters helps individuals learn from others' mistakes. Learning from other mistakes helps workers avoid sharing personal identification numbers in the case of mobile banking. According to a worker having a mobile banking account,

> *I do not take help from my colleague in drawing money. A few months ago, my co-worker gave a colleague her personal identification number (PIN) to draw her salary. That person draws the money and cheats with my co-worker. As a result, a clash occurred between them. Since that incident, I have never shared my PIN with others.* (Interview, 5)

Learnings from financial harassment or exploitation induce people to become un(der)banked. Discussions with workers who fall into such a trap reveal that they lost trust in any FIs and prefer to take a mortgage of land in the village from which they can get a fixed income each year (FGD, Dhaka 2).

Workers who fall into the trap of financial fraud or are dissatisfied with financial services do not complain but accept this as misfortune. Discussions with workers show that exposure of workers with varieties of formal financial products and services is minimal. Informality in financial dealings and dependency on family members for financial decisions reduce experiencing any dissatisfaction with financial services. Even dissatisfied workers do not know where to complain (FGD, Gazipur 1).

4.5 Managing Financial Products

Another indicator of financial capability is holding and managing different financial products and services over the years. This financial functioning requires holding different financial products, managing those products, and understanding the risk associated with financial products.

Multiple financial product holding is hardly found among the workers, and the range of financial products used by the workers are mobile banking accounts, salary accounts, saving with banks or FIs, loans from MFI/NGOs, and insurance products. Qualitative discussions reveal the reasons for the limited number of financial products the workers hold. A participant of FGD said,

> *The factory opens my present salary account. I gave my photograph, copy of NID, and signed where they told me to put it. If I leave the job, I am unsure whether I can use the account. I have no other account for saving money. The bank account opening process is very much cumbersome for me. I do not understand the process. Our supervisor told me to save with a local cooperative, and he has opened my account there. Now, I save money with that cooperative.* (FGD, Gazipur 2)

Preference for informal saving and borrowing results in less usage of different financial products and services. Sometimes lack of trust and inability to check financial service provider authorization reduce product holdings. Workers, who hold financial products and services from formal or informal FIs, do so without knowing whether the service provider is authorized. Consequently, they frequently fall victim to fraudulent FIs and lose their hard-earned money. Most of the time, service providers or entire institutions are unauthorized and disappear with people's money (Garz et al., 2021). Lack of financial literacy and knowledge of technology-based services cause threats for marginalized people to become victims of various financial scams of mobile financial services (Aziz & Naima, 2021). Qualitative discussion with the workers clarifies that small amounts of investment, lucrative return prospects, and flexible terms and conditions of such FIs lure workers into the trap of financial fraud (FGD, Gazipur1).

The product range held by the low-income individual is limited to only saving accounts; poor credit records, demand for small amounts, and speed of dispense of loans make alternative financial services more accessible than mainstream services (Hogarth & O’Donnell, 2000). Products held by the RMG workers are also limited to savings/salary accounts and loans with NGO/MFIs, and the holding period is usually less than one year. Further discussion with the workers revealed that the employer opened maximum workers’ account for the disbursement of wages. Very few workers have personally opened saving accounts. Workers who have a loan with NGOs have no separate saving accounts; instead, they save with NGOs as part of the loan installments and no longer continue saving once the loan is paid up (FGD, Gazipur 2).

Managing various financial products and services requires understanding the risk associated with them. RMG workers hardly understand the risk of different financial products and services. Further discussion with workers reveals the risk-averse nature of the worker. According to an interviewee,

> *I do not invest money other than with our people — my brother, cousins, or relatives in the village. Once I lost huge money after depositing with an institution here (working area). Many of my colleagues deposited with that FI; I also made deposits with them. One of our officers said this is a good institution. After one to two years, this institution flew away with all our money. After that, I do not believe anyone other than my family and relatives.* (Interview 4)

4.6 Summary of Financial Capability Dimensions

This research quarried about the financial capability of the workers under two broad dimensions — knowledge, skills, and attitude towards financial matters and financial behavior. Based on the financial knowledge, skills, attitude, and various financial behaviors of the RMG workers, a list of indicators is generated under the main themes presented in Table 1.

Table 1

Financial Capability Indicators of RMG Workers

Theme	Indicators
Knowledge, skills, and attitudes	1. Idea about the interest rate of saving and loan
	2. Idea about different financial charges
	3. Saving interest rate and inflation rate
	4. Evaluating advantages and disadvantages of FIs
	5. Live for today
Managing money	1. Ends meeting
	2. Cash surplus
	3. Regular borrowing
	4. Volatile saving
	5. Recording withdrawals and spending
Planning for future	1. Sudden drop in income
	2. Unexpected expenses
	3. Planning monthly expenses
	4. Fund for retirement
	5. Investments
Obtain, comprehend, and evaluate information.	1. Various sources of financial information
	2. Read and understand the financial document
	3. Depend on male members
	4. Learn from other's mistakes
	5. Complain service dissatisfaction
Managing financial products	1. Holding multiple financial products
	2. Checking validation of service provider credential
	3. Informality in financial dealings
	4. Product holding period
	5. Risk-averse
	6. Trust in FIs

Source: Developed by Author

5. Conclusion

5.1 Summary of Findings

This investigation shed light on the concerning state of financial capability among low-income working-class individuals, explicitly focusing on the RMG workers in Bangladesh. The study reveals that many RMG workers lack knowledge about financial products and services and the associated charges. Additionally, their skills in evaluating financial options are limited. The reliance on informal financial arrangements and the lack of resources for future savings contribute to a present-focused mindset among these workers.

Regarding financial behaviors, the study highlights the poor financial capability of RMG workers. Workers exhibit significant challenges in money management, future planning, information collection and utilization, and financial product management. Managing expenses, paying bills on time, and setting money aside for savings are crucial aspects of money management, yet the findings indicate a dismal condition in these areas. Workers struggle to meet their ends, rarely have money left at the end of the month, face difficulty maintaining savings, and lack proper records of their financial transactions.

Whereas future planning requires a sufficient income, the study reveals that RMG workers constantly face income shortages that hinder their ability to plan for the future. Despite working long years in the garment sector, they lack planning for potential income loss, unexpected expenses, investment in financial assets, and retirement savings.

Furthermore, the study highlights a lack of active engagement in collecting and evaluating financial information among RMG workers. Dependence on family members and a preference for saving and investing in the village context limit their development of this capability. Additionally, the workers tend to hold a limited range of financial products, such as salary accounts, loans from NGOs, savings with FIs in their villages, or savings with informal FIs like ROSCA. Risk-averse behavior is the learning of financial fraud that some workers have experienced. Consequently, it has eroded trust in formal FIs and led to investments in tangible assets like land, domestic animals, or small businesses.

5.2 Implications, Limitations, and Future Research Direction

This study contributes to the financial capability research as it indicates the financial behavior of the low-income working class of a developing country. Focusing on the financial practices of the workers, this study finds the impeding factors of financial capability development for low-income groups. Additionally, it has implications for policymakers, financial institutions, and garment companies for developing policies and programs targeting specifically low-income workers, empowering them to make informed financial decisions. Also, developing policies for reducing income vulnerability and enhancing financial inclusion is crucial for better future planning. FIs can design financial products and services better tailored to this working class's preference, build trust, and ensure transparency in offering these services to encourage adoption. Understanding financial behavior and challenges faced by low-income workers enables garment companies to develop more targeted and effective financial wellness programs tailored to the workers' specific needs.

The limitation of the study opens the door for future research. Firstly, the research focuses solely on RMG workers in Bangladesh and their personal financial experience, limiting the generalizability of the findings for the entire low-income population of the country. Additionally, the study relies on self-reported data, which may be subject to recall or social desirability bias. Future research should aim for a more diverse sample and employ a mixed-methods approach to enhance the depth and breadth of the findings. Secondly, the study does not show how the current financial capability level impact the financial well-being of the low-income working class. Thus, further research can be pursued showing the impact of financial capability on financial well-being.

Notes

1. Low-income people are those whose income is less than 60% of the national per capita income (Gammarano, 2019). Kapsos & Bourmpoula (2013) and Huynh & Kapsos (2013) classify the working poor using income threshold. The present study considers 4^{th} to 7^{th} grade RMG workers as low-income because their income which ranges from \$106 to \$92, is 48% to 41% of the national per capita income of \$2668.
2. Worker’s Union in Bangladesh is demanding rising of minimum wage from BDT8,000 (\$75) to BDT23,000 (\$215). https://www.just-style.com/news/bangladesh-unions-demand-wage-board-and-increase-for-garment-workers/
3. Bangladesh Labour Act 123. Time of payment of wages: (1) The wages of every worker shall be paid before the expiry of the seventh day after the last day of the wage period in respect of which the wages are payable. Bangladesh Labour Act, 2006.
4. BDT is Bangladesh Taka. The average exchange rate against US\$1 = BDT87.35 from January 2022 to June 2022. See https://www.exchangerates.org.uk/USD-BDT-spot-exchange-rates-history-2022.html.
5. Bkash is a mobile financial service provider in Bangladesh. https://www.bkash.com/

Acknowledgement

This work is a part of the author's PhD thesis. Thanks to the study supervisor, Dr. Jakir Hussain, for valuable supervision and comments on the earlier draft.

References

Atkinson, A. (2007). Financial capability amongst adults with literacy and numeracy needs. *Basic Skills Agency*. http://www.bristol.ac.uk/media-library/sites/geography/migrated/documents/pfrc0701.pdf

Australian Government. (2022). *National financial capability strategy-2022*. Retrieved from https://www.financialcapability.gov.au/sites/www.financialcapability.gov.au/files/2022-02/Financial-Capability-Strategy-2022_0.pdf

Aziz, A., & Naima, U. (2021). Rethinking digital financial inclusion: Evidence from Bangladesh. *Technology in Society*, *64*, 101509. https://doi.org/10.1016/j.techsoc.2020.101509

Bangladesh Bank. (2022). *Quarterly review on readymade garments (RMG): April-June FY'22*. Retrieved from https://www.bb.org.bd/pub/quaterly/rmg/rmg_apr_jun2022.pdf

Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research in Psychology*, *3*(2), 77–101.

Bruine de Bruin, W., Vanderklaauw, W., Downs, J. S., Fischhoff, B., Topa, G., & Armantier, O. (2010). Expectations of inflation: The role of demographic variables, expectation formation, and financial literacy. *Journal of Consumer Affairs*, *44*(2), 381–402.

Bryman, A., & Burgess, B. (2002). *Analyzing qualitative data*. New York, NY: Routledge.

Cole, S., Sampson, T., & Zia, B. (2011). Prices or knowledge? What drives demand for financial services in emerging markets? *The Journal of Finance*, *66*(6), 1933–1967.

Collins, D., & Zollman, J. (2010). Financial capability and the poor: Are we missing the mark. *FSD Insights*, 1–11.

De Meza, D., Irlenbusch, B., & Reyniers, D. (2008). Financial capability: A behavioural economics perspective. *Consumer Research*, *69*, 192–193.

Fair Wear Foundation. (2012). *Minimum wage implementation in Bangladesh's garment sector*. https://api.fairwear.org/wp-content/uploads/2016/06/MinimumWageImplementationBangladesh.pdf

Galick, C. (2020). *Financial capability barometer 2018-2019*. Commission for Financial Capability. https://apo.org.au/sites/default/files/resource-files/2020-08/apo-nid308951.pdf

Gammarano, R. (2019). *The working poor or how a job is no guarantee of decent living conditions*. ILOSTAT. https://ilo.org/wcmsp5/groups/public/dgreports/stat/documents/publication/wcms_696387.pdf

Garz, S., Giné, X., Karlan, D., Mazer, R., Sanford, C., & Zinman, J. (2021). Consumer protection for financial inclusion in low-and middle-income countries: Bridging regulator and academic perspectives. *Annual Review of Financial Economics*, *13*, 219–246.

Gates Foundation. (2020). *Digital wages: Positive impact for women and business*. Bill and Melinda Gates Foundation. https://herproject.org/files/reports/HERproject-digital-wages-positive-impact-for-women-business.pdf

Hogarth, J. M., & O'Donnell, K. H. (2000). If you build it, will they come? A simulation of financial product holdings among low-to-moderate income households. *Journal of Consumer Policy*, *23*(4), 409–444. https://doi.org/10.1023/A:1007222700931

Hossain, J., Akter, A., & Ahmed, M. (2021). *The impact of COVID pandemic on the garment workers in Bangladesh*. Fair Wear Foundation and Karmajibi Nari. https://www.researchgate.net/publication/364787434_The_Impact_of_COVID_Pandemic_on_the_Garment_Workers_in_Bangladesh#fullTextFileContent

Hossain, M., Al Mahmud, A., Bajracharya, A., Rob, U., & Reichenbach, L. (2017). *Evaluation of the effectiveness of the HERhealth model for improving sexual and reproductive health and rights* *knowledge and access of female garment factory workers in Bangladesh*. Population Council. https://knowledgecommons.popcouncil.org/cgi/viewcontent.cgi?article=1590&context=departments_sbsr-rh

Huang, J., Nam, Y., & Lee, E. J. (2015). Financial capability and economic hardship among low-income older Asian immigrants in a supported employment program. *Journal of Family and Economic Issues*, *36*(2), 239–250. https://doi.org/10.1007/s10834-014-9398-z

Huynh, P., & Kapsos, S. (2013). *Economic class and labour market inclusion: Poor and middle class workers in developing Asia and the Pacific* (ILO Asia-Pacific Working Paper Series, pp. 1–41). International Labour Organization. https://www.ilo.org/wcmsp5/groups/public/asia/ro-bangkok/documents/publication/wcms_218752.pdf

Jenkins, L. (2023). 'Band aid' for women in the ready-made garment industry: self-help and surveillance in Bangladesh. *Globalizations*, 1–19. https://doi.org/10.1080/14747731.2023.2202102

Kabeer, N., Huq, L., Aktar, T., Al Mamun, S., Alam, A., Roy Nath, S., & Sultana, R. (2022). *Livelihood Transitions and Coping With Shocks: Women in the Ready-Made Garment (RMG) Sector Coping With COVID-19*. https://opendocs.ids.ac.uk/opendocs/bitstream/handle/20.500.12413/17259/Working-Paper_Livelihood-Transitions-and-Coping-With-Shocks_Women-in-the-Ready-Made-Garment-RMG-Sector-Coping-With-COVID-19.pdf?sequence=1

Kabir, H., Maple, M., Islam, M. S., & Usher, K. (2022a). A qualitative study of the working conditions in the readymade garment industry and the impact on workers' health and wellbeing. *Environmental and Occupational Health Practice*, *4*(1), 1-12. https://doi.org/10.1539/ eohp.2021-0020-OHW

Kabir, H., Maple, M., Islam, Md. S., & Usher, K. (2022b). The paradoxical impacts of the minimum wage implementation on ready-made garment (RMG) workers: A qualitative study. *The Indian Journal of Labour Economics*, *65*(2), 545–569. https://doi.org/10.1007/s41027-022-00375-9

Kapsos, S., & Bourmpoula, E. (2013). *Employment and economic class in the developing world* (ILO Research Paper No.6, 1–65). International Labour Office. http://gesd.free.fr/nearpoor.pdf

Kempson, E., Collard, S., & Moore, N. (2006). Measuring financial capability: An exploratory study for the Financial Services Authority. *Consumer Financial Capability: Empowering European Consumers*, *39*, 44–76.

Kempson, E., Perotti, V., & Scott, K. (2013). *Measuring financial capability: A new instrument and results from low-and middle-income countries*. https://openknowledge.worldbank.org/server/api/core/bitstreams/b43ebf4e-38c7-523c-9574-41ace89698b3/content

Kempson, E., & Poppe, C. (2018). Understanding financial well-being and capability—A revised model and comprehensive analysis. *Oslo: Consumption Research Norway (SIFO), Oslo Metropolitan University*.

Lin, J. T., Bumcrot, C., Ulicny, T., Lusardi, A., Mottola, G., Kieffer, C., & Walsh, G. (2016). *Financial capability in the United States 2016*. Washington, DC: FINRA Investor Education Foundation, 1–37.

Lusardi, A. (2011). *Americans' financial capability* (Working paper no 17103). National Bureau of Economic Research. https://www.nber.org/system/files/working_papers/w17103/w17103.pdf

Lusardi, A., & Mitchell, O. S. (2011a). *Financial literacy and planning: Implications for retirement wellbeing* (Working Paper 17078). National Bureau of Economic Research, 1–38. https://www.nber.org/system/files/working_papers/w17078/w17078.pdf

Lusardi, A., & Mitchell, O. S. (2011b). Financial literacy around the world: An overview. *Journal of Pension Economics and Finance*, *10*(4), 497–508.

Mamun, M. A. A., & Hoque, M. M. (2022). The impact of paid employment on women's empowerment: A case study of female garment workers in Bangladesh. *World Development Sustainability*, 1, 100026. https://doi.org/10.1016/j.wds.2022.100026

Moazzem, K. G. (2019). *Addressing the issues of non-compliance in implementation* (Working paper

129). Centre for Policy Dialogue, 1–33.

Moazzem, K. G., & Arfanuzzaman, M. (2018). *Livelihood Challenges of RMG Workers: Exploring Scopes within the Structure of Minimum Wages and Beyond* (Working paper 122). Centre for Policy Dialogue, 1–42

Moazzem, K. G., Khandker, A., Arifuzzaman, M., & Ferdows, F. (2019). New dynamics in Bangladesh's apparels enterprises: perspectives on restructuring, upgradation, and compliance assurance. *Center for Policy Dialogue (CPD). Retrieved From*. http://rmg-study.cpd.org.bd/wp-content/uploads/2020/07/Report-on-New-Dynamics-in-Bangladeshs-Apparels-Enterprises.pdf

Moazzem, K. G., & Radia, M. A. (2018). *'Data universe' of Bangladesh's RMG enterprises: key features and limitations* (Working paper 123). Centre for Policy Dialogue, 1–30

Mokhtar, N., Sabri, M. F., & Ho, C. S. F. (2020). Financial capability and differences in age and ethnicity. *The Journal of Asian Finance, Economics and Business*, *7*(10), 1081–1091.

Nussbaum, M. C. (2013). *Creating capabilities: The human development approach*. Massachusetts, MA: Harvard University Press.

Ortega, D. (2022, September 27). Living wage, living planet: September 2022 update. *Garment Workers Diaries*. https://workerdiaries.org/living-wage-living-planet-part-three/

Potocki, T., & Cierpiał-Wolan, M. (2019). Factors shaping the financial capability of low-income consumers from rural regions of Poland. *International Journal of Consumer Studies*, *43*(2), 187–198. https://doi.org/10.1111/ijcs.12498

Price hike of essentials: The poor have their back against the wall. (2023, February 5). *The Daily Star*. https://www.thedailystar.net/health/food/price-essentials/news/price-hike-essentials-the-poor-have-their-back-against-the-wall-3239096

Roberts, J. T., Hite, A. B., & Chorev, N. (2015). *The globalization and development reader*. West Sussex, UK: John Wiley and Sons, Ltd.

Rothwell, D. W., Khan, M. N., & Cherney, K. (2016). Building financial knowledge is not enough: Financial self-efficacy as a mediator in the financial capability of low-income families. *Journal of Community Practice*, *24*(4), 368–388. https://doi.org/10.1080/10705422.2016.1233162

Saldaña, J. (2013). *The coding manual for qualitative researchers* (2nd ed). Los Angeles, LA: SAGE. https://emotrab.ufba.br/wp-content/uploads/2020/09/Saldana-2013-TheCodingManualfor QualitativeResearchers.pdf

Sen, A. (1999). *Development as freedom*. Oxford, UK: Oxford University Press.

Sherraden, M. S. (2013). Building blocks of financial capability. In M. S. Sherraden, and J. C. Curley, J. (Eds.) *Financial capability and asset building: Research, education, policy, and practice*. pp. 1–43. Oxford, UK: Oxford University Press. https://openscholarship.wustl.edu/cgi/viewcontent.cgi?article=1643andcontext=csd_research

Sinkovics, N., Hoque, S. F., & Sinkovics, R. R. (2016). Rana Plaza collapse aftermath: Are CSR compliance and auditing pressures effective? *Accounting, Auditing and Accountability Journal*, *29*(4), 617–649. https://doi.org/10.1108/AAAJ-07-2015-2141

Steinisch, M., Yusuf, R., Li, J., Rahman, O., Ashraf, H. M., Strümpell, C., ... Loerbroks, A. (2013). Work stress: Its components and its association with self-reported health outcomes in a garment factory in Bangladesh—Findings from a cross-sectional study. *Health and Place*, *24*, 123–130. https://doi.org/10.1016/j.healthplace.2013.09.004

Taylor, M. (2011). Measuring financial capability and its determinants using survey data. *Social Indicators Research*, *102*(2), 297–314. https://doi.org/10.1007/s11205-010-9681-9

Thomas, D. R. (2006). A general inductive approach for analyzing qualitative evaluation data. *American Journal of Evaluation*, *27*(2), 237–246.

Vyvyan, V., Blue, L., & Brimble, M. (2014). Factors that influence financial capability and effectiveness: Exploring financial counsellors' perspectives. *Australasian Accounting, Business and Finance Journal*, *8*(4), pp. 3–22.

Xiao, J. J., Huang, J., Goyal, K., & Kumar, S. (2022). Financial capability: A systematic conceptual review, extension and synthesis. *International Journal of Bank Marketing*, *40*(7), 1680–1717. https://doi.org/10.1108/IJBM-05-2022-0185

Xiao, J. J., & O'Neill, B. (2018). Propensity to plan, financial capability, and financial satisfaction. *International Journal of Consumer Studies*, *42*(5), 501–512.https://doi.org/10.1111/ ijcs.12461

1% of Bangladesh's population holds 16.3% of national income: Report. (2021, December 9). *The Daily Star*.https://www.thedailystar.net/news/bangladesh/news/inequality-increasing-2913046