



# Digital Gig Work and Financial Inclusion: Examination of Links, Promises and Early Evidence

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The literature review is a snapshot of current knowledge on the gig worker sector in low and middle income countries. Please direct all the questions/inquiries and additional resources to the author. IDinsight is thankful to the Gates Foundation for providing the funding for this review. The review would not have been possible without a literature search done by Shreya Gautam and Levina Adiputri, and reviews and intellectual contributions by Sudhanshu Sharma, Philipp Kastrau and Seth Garz. Any errors present are the responsibility of the author. This review is also included in the broader literature examination of the digital gig worker sector [“Digital Labor Gig Economy from the worker’s perspective: A Literature Review”](#).

The rapid expansion of employment opportunities through digital labor platforms in low-and-middle-income countries (LMICs) offers a promising path to formalize the extensive informal job sector and aid in efforts to alleviate poverty (World Bank, 2022). Additionally, employment via these platforms could improve workers' financial inclusion by providing access to a broader and potentially more appropriate set of financial tools. Currently, limited access to essential financial services like credit and savings options impairs the ability to manage cash flows, invest in profitable opportunities, and guard against financial uncertainties (Giné, Goldberg, & Yang, 2011).

Many workers entering digital work in LMICs are financially excluded ([CGAP Road Ahead 2023](#)). Those who do have access to financial tools still use informal means to save and borrow. In the review of 5-country quantitative interviews, [CGAP Insights 2022](#) reports that about three-fourths of platform workers have access to saving instruments, but for a majority of them, these are limited to informal savings groups that don't bear interest rates and are likely less secure than formal saving instruments. Less than a sixth of the sample reports having access to loan or insurance products. A study of delivery platforms in India reports that about a quarter of the current digital delivery drivers who receive salaries in bank accounts were paid in cash in their previous occupations, suggesting that merely working on the platform may have already improved access to banking services ([NCAER 2023](#)). In Malaysia and China, 84% of gig workers reported earning a savings account, 24% had insurance coverage, and only 3.5% contributed to a retirement plan ([UNCDF Centre for Financial Health, 2020](#)).

The goal of this review is to outline early thinking on how digital platforms can facilitate financial inclusion, and provide any early evidence on the success of these efforts. Given the novelty of these products and limited scale, the review is predominantly sourced from gray literature and consists of qualitative studies. The focus of the review is on direct channels that impact individual workers, but wider economy-wide multiplicative effects may be achieved through broader financial inclusion of the population.<sup>2</sup>

## How can digital labor platforms (theoretically) improve the financial inclusion of digital gig workers?

Theoretically, participation in platform work can improve the financial inclusion of gig workers in several ways, but empirical evidence is lacking.

1. **Access to formal financial accounts is often an explicit prerequisite to working on platforms** that may facilitate broader financial inclusion. For example, some digital platforms require bank accounts prior to joining, thereby leading to workers joining the formal financial system (e.g., [Gojek in Indonesia](#)). It seems plausible that this consequently

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<sup>2</sup> For example, in the presence of widely accepted digital currencies through which gig workers are paid (e.g., Gojek's [GoPay](#) in Indonesia), gig workers may become cash-in-cash-out (CICO) agents and improve the availability of digital currency for the wider population potentially improving financial inclusion.

increases workers' access to formal savings and credit products as well, but whether and to what extent this is the case remains an open question for future research.

2. **Platform income records can be used as proof of income for securing bank loans.** Many informal workers are currently excluded from formal financial lending due to not having formal proofs of income. Making platform records accessible to workers and to financial institutions might improve workers' chances of securing loans with more favorable terms by reducing uncertainty about their income status ([CGAP Insights 2022](#), [CGAP Gig Data](#)). It is currently unclear whether banks and financial institutions accept this form of income proof, and policy interventions might be necessary.
3. **Exposure to the digital economy and digital transactions may enhance users' familiarity and trust in digital services,** increasing usage of other digital products. Experiences interacting with apps may increase digital literacy in general and promote participation in digital finance in particular. However, there may be concerns with predatory lending as new consumers enter the digital credit market.
4. **Digital services embedded *within* the gig platform apps may directly improve** financial inclusion by allowing people to save and borrow directly through the platforms. For example, gig workers experience frequent income surges due to periods of heightened demand for gig services; however, may lack access to easy-to-use saving products to insure against future income fluctuations. Embedded and easy-to-use saving products may help workers to reach their financial goals. Further, **platform data (e.g., transaction histories, consistency of work hours, reputational scores) may be used to construct digital credit scores to discern creditworthiness.** The scores can be used by platforms to provide access to customized loans with more favorable terms. In fact, platforms have already started offering financial services either on their own or through forming partnerships with financial service providers (FSPs). The partnerships can be mutually beneficial: FSPs gain access to a broader set of customers with extensive and reliable information on earnings data, which is critical for product development, targeting, and prediction of payment rates; correspondingly, providing financial services to gig workers may allow platforms expand recruitment, improve platform experience, and increase retention of workers.
5. Moreover, **digital credit scores generated by the platform can be used in the wider ecosystem to facilitate broader credit access** beyond credit offered by the platforms. Broader integration and flow of information pave the way for a more inclusive financial system in which workers who've proven their creditworthiness in one platform are also granted better loans on other platforms and in other financial institutions. Workers can start building a credible credit history, enabling access to better products. The integration can be beneficial to the financial sector as it allows lenders and fintech companies to expand their customer base. The execution of such a system necessitates close collaboration between private enterprises and regulatory authorities to create systems that protect consumers and ensure data privacy.

## What are financial products that may benefit digital gig workers?

Digital gig workers have varying life circumstances, and their financial needs vary. For example, lower-income workers may benefit from cash flow tools (such as short-term small loans) to meet operating and personal expenses and deal with small economic shocks, while transitory workers engaging on a part-time basis who are pursuing education may be more interested in saving accumulation. Platforms have been offering various services mapping to these different needs. [CGAP Insights 2022](#) outlines a framework for a worker's journey on the platform and the financial tools needed for each step: Enter, Survive, and Thrive. Grouped along these three steps, some existing products in the market are discussed, and any empirical evidence related to the take-up or success of the products is provided. **It's crucial to acknowledge that the development of various financial products should be accompanied by consumer safety protection considerations and a regulatory environment that prevents financial exploitation.**

(1) *Enter: Start-up capital to start working for digital platform*

**Loans for initial assets:** Access to a vehicle is critical for participation in some segments of the platform work, but often is a binding constraint. [Moove](#), a Nigerian-born mobility fintech, provides vehicle financing to drivers of ride-hailing platforms like Uber, Glovo, Swvl, and Careem. Moove assesses platform data and combines it with background checks and driving tests to ascertain the eligibility of platform workers to apply for vehicle loans. Workers who pass the eligibility screening can enter into a work-to-own arrangement wherein the gig workers (drivers or delivery partners) continue to work on the platform with repayments directly and automatically deducted from the platform earnings. By December 2022, Moove served 8,958 customers (platform workers) across its operations and mobilized USD 11.3 million in earnings through its revenue-based vehicle financing ([Moove Impact Report 2022/2023](#)). Repayment rates or impacts of the initiative have not yet been studied.

(2) *Survive: Products that help with day-to-day management and income smoothing*

**Small credit loans to manage cash flows:** Fluctuations in income related to demand for services or price fluctuations are one of the key features of platform gig work. Managing income volatility can be challenging in the presence of operating and personal expenses ([CGAP/Dalberg 2022](#)). To address this challenge and reduce worker churn, platforms have started offering various financial solutions. For example, in India, Uber and Xpressbees partner with Karmalife, a fintech company offering financial solutions to gig workers and blue-collar employees, including Earned Wage Access (EWA) which offers salary payments as needed (as opposed to scheduled times) and installment-linked loans based on platform work data ([CGAP, 2023](#); [Karmalife, 2023](#)). Early studies of the product suggest that users find it valuable: 76% of users reported a reduction in stress levels, 78% reported feeling a sense of increased financial control, and 82% mentioned improvements in quality of life. Correspondingly, Karmalife's EWA solution has been shown to be positively correlated with productivity and worker retention - important benefits for partner platforms ([CXOtoday, 2022](#)).

**Insurance:** Platforms provide different insurance products to gig workers either themselves (like [Ola Insure](#)) or through third-party partnerships with fintechs (like [Onsurety](#) or [Zego](#)). A few important features are highlighted in the literature. Products should be **flexible**, such as being able to purchase coverage for a week or month to match the labor dynamics of the platform work ([UNCDF 2020](#)). **Bundled products** may be a more successful way to protect drivers against a variety of shocks (e.g., [drive-to-own From Movva; CGAP, 2023](#)). **Automatic payment and default enrollment** may facilitate participation, e.g., premium payments for health insurance [Turaco](#) in Uganda are automatically subtracted from the drivers' earnings when funds are available ([CGAP/Dalberg 2022](#)).

Takeup and usage of some existing products is disappointingly low. A major delivery platform in India only provides accidental insurance, which affects worker coverage. While 100% of the food delivery platform workers reported being covered by accidental insurance (mandated by the platform), only 6.3% reported having received training on how to use it, and usage is unclear ([NCAER, 2023](#)).

**Savings.** Saving accumulation is critical for hedging against economic shocks and volatile income, but access to easy-to-use and reliable saving tools is a challenge in developing countries ([World Bank, 2015](#)). [Karma Life and READ Krea University 2023](#) report reveals that gig workers, even those who are cash-constrained, frequently experience periods of a surge in income. However, the absence of integrated financial products often impedes their ability to save during these income surges. If well built and customized to the needs of the workers, **embedded financial products that automatically contribute to savings and are tied to saving goals** could be a promising way to promote saving behavior among gig workers ([GAP How can financial services support platform workers 2022, UNCDF 2020](#)). As a part of the [CGAP partnership](#), platforms and fintechs experimented with different embedded savings products for gig workers in Sub-Saharan Africa between 2022 and 2023. For example, [ABALOBI](#) and [SafeBoda](#) piloted **automatic savings** by allowing workers to decide a percentage of earnings to be swept into a savings account in their bank. These experiments found that automatic deductions were an important enabler of savings. The findings align well with the academic literature on the power of default and automatic deductions (e.g., [Blumenstock et al. 2018](#)). In contrast, the Imarika wallet piloted by Little Cabs and Britam, which required drivers to move their earnings to savings accounts using MPESA, witnessed a low uptake and usage ([CGAP, 2023](#)). This reinforces the importance of **non-cumbersome, simple, and integrated product design**.

*(3) Thrive: Products that support longer-term planning, income visibility and facilitate saving goals*

**Larger and longer tenure loans based on scoring and platform data:** Platform data can be leveraged **to create digital credit scores**, which can be used to differentiate creditworthy workers and provide access to larger loans with more favorable terms and conditions. The latter could potentially clear a path for the previously financially excluded population to access more formal credit markets, particularly *if the information about creditworthiness is shared and recognized by other financial institutions*. Challenges may still lie in implementation since, in many countries, platform data remains largely in the hands of platforms ([Johnen et al. 2021](#)). However, increasing

partnerships between platforms and fintechs is paving the way for a broader sharing of platform data with other relevant stakeholders in the financial service ecosystem. Initial results from a [CGAP and Karmalife 2023](#) pilot suggest that the provision of longer-tenure loans may improve worker retention rates. Karmalife uses a platform-data-driven scoring approach to assess the creditworthiness of the platform worker. The study shows that those who chose to borrow stayed on the platform for longer; however, causal evidence is not available. The timely repayment rate was 90%, showing promise in the financial sustainability of the product.

**Income tracking through time and across platforms.** Many workers work on multiple platforms through their gig-worker careers. While this offers opportunities for diversifying income across various industries and taking advantage of surge pricing in a particular market sector, it also makes historical income tracking challenging. Having access to widely recognized proof of income is one of the most common requirements for taking loans from formal institutions, which currently excludes many from the formal financial markets and credit ([CGAP/Dalberg 2022](#)). Platforms or other applications that consolidate employment records can be instrumental in helping gig workers with securing loans. For example, [Paywatch](#) partners with platforms to provide consolidated employment and income records. ([UNCDF 2020](#)). Having access to verified income and employment history may also help workers in their job search as it may signal worker quality.

## Challenges in the creation of embedded financial products

Partnerships between FSPs and digital labor platforms to build embedded products are a promising way to reach workers since they may allow for the creation of easily accessible financial tools within applications that workers are *already using*. However, there are a number of challenges that prevent wider integration between FSPs and digital platforms ([CGAP Road Ahead 2023](#)).

- (1) **The development of integrated products is expensive and returns are often unclear.** Fintechs incur significant fixed costs of product development with uncertainties about market size and returns on investment. In many contexts, takeup is still very low for varying contextual reasons ([CGAP Lessons](#)). Data sharing infrastructure between fintech and platforms is expensive to build and maintain, and often, companies are reluctant to share private data, which is instrumental to their business success. Profit-sharing arrangements are challenging to negotiate. The development of products requires iterative experimentation and a deep understanding of the customers to tailor products that work for various segments of the gig worker population, which is challenging to invest in without understanding profitability potential.
- (2) **Data collected by platforms may not be sufficient in order to accurately predict creditworthiness.** The data collected by platforms on gig workers is limited to basic demographics and their work history on the platform. This makes it difficult for fintechs to establish the validity of platform data for comprehensive credit scoring and convince credit underwriters and banks to lend to gig workers. Even when there's a full earnings data set, it might be insufficient for accurately discerning creditworthiness ([CGAP Lessons](#)). Earnings can fluctuate because of seasonal factors or changing prices on the platform rather than

the worker's ability, dedication to their job, or income earning, and loan repayment potential.

- (3) **Individual platform work may only reflect a part of the often diversified portfolio of income sources.** For example, about 50% of workers on an Indian food delivery platform work part-time ([NCAER 2023](#)), suggesting that credit offers made to the users based on platform data may not fully reflect their full earning potential, leading to credit offers that are not taken up.

## Early empirical findings

**Generally, the usage of embedded financial products has been disappointingly low, with many products being taken up only by a small fraction of users.**<sup>3</sup> [CGAP Lessons](#) outlines a few case studies of important product features for improving takeup and customer appeal. First, **products should be seamlessly embedded** with platform services. Integration should be seamless, terms and conditions simple, and payment deduction automatic. Second, products should **match customers' expectations and mimic similar offline products**. Collaboration between a driving platform and a savings and life insurance product offer revealed that one of the main challenges behind low takeup (only 173 people signed up after various marketing efforts) is the expectation that a savings product leads to lending opportunities, which is the case with many other savings tools in the context. Third, **terms and conditions should be simple and clear**. In some contexts, low takeup might be driven by workers' fears of losing platform work in case of non-repayment and challenges in understanding the terms and conditions of the loans ([CGAP Insights 2022](#)). Fourth, **automation should be fully utilized** and integrated into product design. Safeboda in Uganda managed to enroll only 5% of its users in its automatic daily savings account after significant marketing efforts, which was still superior to a product without the automatic feature ([CGAP Lessons](#)). Fifth, the **default savings rates set by the products should be sufficiently low**. The ABALOBI savings product was carefully designed to meet the needs of the workers, with the key feature being *small, regular, automatic* deposit amounts (smaller than what workers reported to save otherwise, [CGAP Lessons](#)). Due to the nascent business models, there is little known about the impact of the products and whether they actually improve the financial health of the workers or platform retention rates.

## Transferable lessons from mobile money markets

Financial services for gig workers hold promise for improving financial inclusion, but cautious optimism is advisable since full promise lies in the creation of mature, integrated platforms, financial markets, and trust-worthy systems. The advent of mobile money<sup>4</sup> brought about heightened hopes for wider and deeper financial inclusion via the development of various mobile-based financial products. However, product features and transaction costs impede

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<sup>3</sup> Takeup was <1% for savings accounts in Kenya, 5% for savings in Uganda, 10% for telemedicine, and 1% for insurance in Nigeria). An exception to this is saving products in South Africa with 75% of eligible pilot users (40 in total) actively saving with the product.

<sup>4</sup> Mobile money is a digital currency that can be transferred via a phone network and converted to cash. The cash conversion is usually done via a network of mobile money agents, who operate as ATMs for customers seeking to put in or take out cash.



transformational impacts. Although mobile money improved physical access relative to traditional banks (e.g. the distance to the closest mobile money agent is generally shorter than to the nearest bank agent), transaction costs such as high withdrawal fees and issues with the agent networks (agents' availability, agents' liquidity constraints, or agents' overcharges) create financial and non-financial burdens to consumers and impede usage. ([VoxDevLit Suri et al. 2023](#), [IPA Transaction Report 2023](#), [Annan 2022](#)).

Below, the literature on digital saving and credit products offered through mobile money is discussed, and lessons for the development of financial products for platform workers are drawn.

*Mobile money as a saving tool:*

Mobile money provided a safer way for money storage compared to informal methods and a more accessible way to transact compared to traditional banks ([VoxDevLit Suri et al. 2023](#)). Global Findex 2021 finds that in Sub-Saharan Africa - the region with the most widespread mobile money account ownership - 39% of mobile money account owners (and 15% of adults) report having saved using mobile money accounts. Further, mobile money has enabled more equal access to accounts between men and women in some regions, especially in Sub-Saharan Africa. However, the impact of mobile money on savings is not conclusive. [VoxDevLit Suri et al. 2023](#) document mixed results on savings caused by access to mobile money across studies in Kenya, Malawi, and Mozambique, with some studies showing positive impacts on saving behavior and savings. While mobile money has created positive shifts in financial access compared to the status quo, users may still prefer more easily accessible, even if they are more rudimentary. For example, [Aggarwal et al. 2021](#) demonstrate that savings were higher in simple savings boxes than in mobile money accounts, likely driven by the fact that saving in mobile money accounts still requires trips to agents compared to boxes that are stored at home or in a place of business. In fact, savings were negatively correlated with distance to the closest agent, suggesting that transaction costs impede usage. Secondly, mobile money has not become a universally accepted currency across all contexts, and conversion to cash is still necessary. This can be challenging given the fact that mobile money agents may not have sufficient cash or charge customers high commissions ([VoxDevLit Suri et al. 2023](#)). These factors add to usage costs. Lastly, the deposits generally don't pay interest and are not protected against inflation, reducing the value of money over time ([VoxDevLit Suri et al. 2023](#), [CGAP 2021](#))

**Embedded digital products offered through work platforms may be superior to saving in mobile money.** First, platform products can be directly connected to income sources, encourage creating saving commitments that are proven to be successful in reaching saving goals, and facilitate automatic/default savings behavior to reach saving goals (e.g., [Blumenstock et al. 2018](#), [JPAL 2021](#)). Second, partnerships with financial institutions may allow for opening interest savings accounts, which will likely attract more customers. Third, the integration of digital currency with a wider financial system (e.g., Gojek's GoPay) will obviate the need for cash conversions and facilitate more seamless payments in the wider economy.

## *Mobile-money digital credit products:*

As digital platforms are currently exploring, mobile money companies started offering digital credit products to customers, relying on internally collected data to screen creditworthy borrowers. Despite the proliferation of digital services, substantial improvements in financial well-being stemming from digital credit solutions have not yet entirely come to fruition. While in some contexts, the products help households deal with economic shocks ([VoxDevLit Suri et al. 2023](#)), in other contexts, there are no meaningful improvements in well-being despite relatively high uptake. The primary challenges with these credit products are that they are not designed to be transformational and have high interest rates, short repayment terms, and the provision of amounts is too small to catalyze substantial changes in individuals' financial circumstances ([Robinson et al. 2023](#)).

**Digital labor platforms may be better positioned to offer a greater variety of customized products and larger loans compared to mobile mobile providers.** Access to rich data on work patterns and income history alongside future earning potential may allow platforms to offer more tailored products and higher credit limits. Direct access to a user's income source may improve repayment rates and aid in building a credit history based on an individual's future income potential. In turn, this would enable offering large loans with flexible repayment schedules that adjust to market fluctuations, and include potential automatic features such as higher deductions during income surges and lower deductions during income dips. This structure would enhance user's ability to manage their cash flow and help prevent falling into debt traps.

## **Concluding thoughts**

Digital financial products offered through labor platforms hold promise in helping workers overcome credit and saving constraints, manage cash flows, and gain access to various insurance products. The existing literature highlights the importance of iterative piloting and a deep understanding of workers' needs and constraints. Based on a few pilot efforts, the products that show the most promise are seamlessly integrated into the platform, simple to use, with terms and conditions easy to understand. Users expect some comparability with offline products, with added digital convenience. Insights from behavioral sciences suggest that the power of default and pre-commitments can be a powerful tool to help overcome various behavior constraints related to takeup and usage of services. Credit products offering flexible terms and allowing for payment in case of termination of the platform work may see greater takeup. Broader financial inclusion of workers can only be achieved through a) integration of disconnected systems, allowing for free information sharing across platforms and financial sector players, which should also be accompanied by regulations protecting consumers, and b) appropriate policy responses that facilitate wider acceptance of platform records either as proof of income or credit-worthiness.

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