



The Setup: Partnerships and Conditions for Offering Financial Services to Gig Workers

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Summary

The digital rails created by platforms can be a powerful foundation for offering financial services to underserved gig workers, but ensuring the right environmental conditions around digital payments, regulations, and analytical capability are important. Platforms, financial service providers, and others need to assess these local conditions, and then create partnerships and alliances to bring the right skills, expertise, and regulatory licenses to the table. It is premature to decide on a winning approach, but this brief shares some early lessons about institutional partnerships for going to market successfully.

For Financial Service Providers (FSPs) and fintechs targeting the [unmet financial needs of underserved segments](#), a partnership with a gig work platform seems like a golden ticket: easy access to many low-income users; each already onboarded to digital financial accounts and with reliable earnings data. For a fintech or FSP, this kind of partnership seemingly requires one round of operational and setup costs, unlocking access to tens of thousands of potential users. Moreover, users on those platforms face low and volatile earnings, suggesting a strong need for financial services to manage shocks and accumulate stores of value.

For platforms, offering financial services to workers can also seem like a win-win: they earn commissions and transaction fees, and gain improvements in engagement and retention since workers feel more tightly tied to the platform. In some cases, platforms see the advantages so clearly that they acquire fintech licenses and offer the services directly. For example, in Pakistan, ride-hailing service Careem [obtained regulatory approval via a partnership](#) with a bank to be able to offer a broad range of financial services directly.

Furthermore, [CGAP's research with platform workers](#) found that they lack access to appropriate financial services, suggesting a strong need for financial products. Workers may have volatile earnings and changing work conditions, which prevent formal FSPs from seeing them as an attractive segment. However, entering the digital economy without access to a range of savings, credit, investment, and insurance products prevents workers from fully capitalizing on the benefits and mitigating risks of platform work.

But as simple and compelling as the case may be, in practice offering financial services to platform workers, either in partnership or not, can be complicated. The platform ecosystem is still nascent, so it remains to be seen how the business case and models evolve – a process that is unfolding quickly.

Over the past year, CGAP has facilitated [five pilots](#) to offer financial services to platform workers and also convened a learning community of leading fintechs, FSPs and platforms operating in the space. These experiences have suggested a few lessons about when, and under what conditions

providers should attempt to offer financial services to platform workers, how to do so, and with which institutional arrangements in place.

When to offer: Ecosystem conditions

These are the set of ecosystem conditions that facilitate the process of offering financial services to platform workers.

- **Primarily digital payments:** When payments to workers are largely digital, as is the case with ride-hailing platform Gojek in Indonesia, it makes it easier to transfer value between accounts and to deduct at source. However, most emerging markets are still cash-based so workers receive a mix of cash and digital payments. This remains true even in mature digital payment markets like Kenya and India. In this environment, platforms have visibility into worker earnings but can only intervene on the portion that is digital. The platform must deduct its commissions from both cash and digital rides from the digital earnings, meaning a smaller percentage of digital earnings end up in workers' hands. When that happens, at-source deductions for loan repayments, savings deposits, or investments can only be taken from digital earnings, resulting in failed deductions and frustration from workers when digital earnings are lower than expected. However, when earnings are primarily digital, there is more room to play with automatic and in-source deductions, thereby facilitating seamless financial services.
- **Strong data capture and analytical capability:** Although it seems obvious, it is worth stating that platforms, FSPs, and fintechs need to be able to aggregate and analyze work data, alongside credit bureau data to leverage platform work data meaningfully. However, platforms typically have a low ability to identify workers, using only a phone number or email address, which creates a thin database from which to start. In addition, customer protection norms and commercial agreements prevent fintechs and FSPs from combining records across platforms. For example, in India, workers in the ride-hailing and delivery sectors work across several platforms, and monthly earnings may be distributed across them. Indian Fintech Karmalife has partnerships with several prominent platforms in the country and consolidating data across platforms might help KarmaLife

offer drivers bigger loans, but the need for initial trust and confidence-building with partners has meant that each platform's work data remain separate for now. [Low-quality data](#), low analytical ability, and low ability to consolidate can all limit the provision of financial services.

- **High-quality engagement:** Platform workers need financial services, but that need does not automatically translate into [high uptake and usage](#) for off-the-shelf products. Providers still need to build trust and engage workers to make such services work. Offering financial services to platform workers may be more feasible when platforms have high-quality relationships and engagement with workers. This is particularly true for savings and investment products in which the platform is responsible for holding workers' cash. In partnering with Jumia, CGAP found that JForce agents (e-commerce agents that facilitate orders from end-consumers) exhibited higher click rates than their merchant sellers, which may reflect the underlying differences in the quality of trust and engagement that those two segments have with the platform. Workers may also be nervous about exposing their financial activities to their employer and prefer to keep those spheres separate.
- **Favorable regulatory conditions:** In many markets, platforms, FSPs and fintechs are under scrutiny from government authorities in ways that can undermine financial service efforts. Platforms are [facing pressure](#) to contract workers as employees rather than as gig contractors to ensure that gig work meets fair and decent working conditions. Platforms are resisting this pressure, as it would imply higher labor costs, and they want to demonstrate that the work they provide is high-quality but also that it is contractual and arms'-length in nature – an impression that the provision of financial services might undermine. Fintechs and FSPs are facing a different kind of pressure in markets where indebtedness and predatory lending practices are a concern, for example, in [India](#) or [Kenya](#), where regulators are more closely scrutinizing lenders, particularly those that lend to underserved populations. Given the scrutiny it may bring, FSPs may be unwilling to risk lending to lower-income workers. In these environments, platforms and fintechs may be balancing various priorities in such a way that prevents full tech and data integration and reach to excluded workers, thus stifling innovation overall.
- **Government support for innovation:** Where authorities have created sandboxes or are otherwise supportive of innovation, platform and fintech partnerships may have a better chance of succeeding. For example, [India](#) launched a facility to promote innovation in insurance. Without such efforts, traditional processes for product development may prevail and limit the speed at which digital products come to market. Most insurance regimes, for instance, still require signing in person and disallow free insurance products, both of which preclude truly embedded insurance policies.
- **For lending, access to liquidity:** When offering credit to workers, a platform or fintech needs access to liquidity to finance loans, generally through a financing partner like a bank or a venture debt provider. However, many of these liquidity providers do not have the risk tolerance for lending to low-income platform workers and can limit the extension of financial services to the most underserved segments or lend at unaffordable rates. Karmalife has solved this mismatch in India by [partnering with LenDenClub](#), a peer-to-peer alternative investment solution.
- **For lending, low churn:** If workers are churning frequently, as they do in markets where multiple platforms are competing for workers such as in Kenya, then offering loans can be a risky proposition. Workers could take out loans, but faced with lower payouts due to repayments, might rationally choose to work more or more often on other platforms, thereby driving loan delinquency as well as lower activity on the platform. In some instances, workers may churn for other reasons, like higher pay on other platforms, but may still be willing to repay their loans. This can be solved by allowing workers to repay via other channels, beyond deduction at source. For example, Karmalife users can pay installments via [Unified Payments Interface \(UPI\)](#), allowing them to manage liquidity across accounts and sources of income. When fintechs serve a worker on multiple platforms, and there are data sharing agreements, it may be possible to facilitate repayments more easily. However, until such arrangements are in place, low churn can be considered a prerequisite for lending products.

With these core baseline conditions in place, platforms, FSPs and fintechs have a better opportunity to offer financial services.

How to offer: Partnerships and arrangements

A range of institutional arrangements and partnerships can be structured to provide financial services to platform workers and the advantages or disadvantages of each approach. However, even when advantageous conditions are in place, there are few examples to learn from.

At one extreme are **platforms that secure a license to offer financial services directly to users**. This is the case for SafeBoda, a motorcycle hailing platform that acquired a license in Uganda as part of a broader strategic push to offer a larger suite of services to both riders and drivers. Their approach follows the success of holistic approaches taken by players like Apple, Google, Amazon, and GoTo, which have all integrated payment services into their ecosystems. While this approach has advantages in terms of creating revenue streams for the platform and avoiding messy partnerships, it does require the platform to fundamentally change its stripes to become a fintech, in addition to being a marketplace matching service. This implies internal complexity as well as challenges communicating this new identity to users. Workers may not accept the transition from work to financial service provision so easily. For example, SafeBoda found that workers accustomed to having fees or commissions deducted from earnings were suddenly worried about that possibility once savings accounts were opened. In addition, that transition has implied greater scrutiny from authorities, stricter regulation, augmented know-your-customer flows, and a range of more rigorous processes, which all increased complexity and costs for the platform.

To cordon platforms off from some of this complexity but still retain control and returns internally, some **platforms “incubate” a fintech in-house or acquire one**. In these instances, the fintech remains largely separate from the platform operationally, but still benefits from complete access to the users, data, and brand capital of the platform. This is the approach taken by ANI Technologies in India, whose flagship company, Ola Cabs, offers services

“One of the mistakes that platforms [make is to] think that this is the product that workers need. They start with a particular fintech and then realize if that’s not the exact need that’s being met, they just stop and move on. I think it’s an exchange and a long-term relationship; there needs to be a lot of exchange between the fintech and the platform to be able to build out a good product. And I think platforms should be open to doing that kind of exchange, that’s needed with fintech entities.”

—Anshul Khurana,
Co-founder of Entitled,
a fintech serving gig workers in India.

from other subsidiaries of the company including Ola Financial Services, which offers drivers OlaPay payments, buy now, pay later deals, insurance, credit cards, vehicle loans and more. This “in-house” aspect has allowed Ola Insure to form part of driver onboarding and to benefit from the trust drivers have in the platform, which is particularly important for insurance products.

At the other extreme are **providers that offer financial services to workers independent of platforms**. These innovators work directly with workers to assess their earnings data and offer financial services that bypass the platform entirely. They have the benefit of avoiding difficult partnerships but also sacrifice the key benefit of being able to deduct at source. These models therefore sacrifice a critical part of the value proposition imagined for providing financial services via platforms. While they can secure visibility into earnings, they cannot leverage the digital rails to the full extent. Providers tell us that deduction at source is important, but not a silver bullet for making these products

work. Open finance regimes that incorporate third-party initiated payments could eventually give these providers the same advantages as those that deduct at source.

In the middle of the spectrum are several types of partnership structures. Some **platforms completely outsource financial services**, treating FSPs and fintechs as providers rather than partners. In these instances, given the nascent state of the products aimed at this segment, the platforms often have several providers in place at once, testing various offers simultaneously to see which deliver results for the platform and for workers. In India, Uber has several financial service pilots in place around the country, taking advantage of geographic spread to simultaneously test various products and partners. They may also be using these engagements to learn about good products with the aim of offering such products directly in the future.

This service provider approach has the benefit of making roles clear between the service provider and platform. However, the outsized power of platforms in the market can create bargaining power asymmetries, making it difficult to create the long-term, sustainable partnerships required for success. The provider, generally a fintech startup, signs an agreement for both the pilot and scale-up with the platform, with space to add addendums along the way. The fintech must often put significant skin in the game, bringing a financing partner along and shouldering first losses, even when financial returns are still a way off. Though fintechs take the risk, platforms generally control how data is shared, for example, whether in real-time or not, comprehensive, or partial, and as well as whether to allow seamless repayment deductions or not.

Such partnerships also require the allocation of limited resources in the form of staff-time for both the platform and fintech, even before there is clarity on how things may go. There are questions around financial viability related to pricing and Non-Performing Assets (NPAs) that require time and effort to resolve before there are clear returns. Fintechs say that this time and effort can be especially difficult to secure, especially given high turnover and siloed verticals at platform companies. That turnover, along with shifting priorities and lack of strategic alignment at lower levels, can mean that intense and ongoing relationship building and education ties up high-level resources at the fintech.

Furthermore, the current reality is that with outsourced partners, integrations are generally not complete although legal models for data sharing have been tested and validated. This may be due to technical limitations when platforms do not have API-driven (application programming interface) data sharing capabilities. In these instances, fintechs often provide initial “workarounds” via manual file-sharing to achieve adequate data exchange. However, low integration presents operational risks borne by the service provider around how data is shared, in an accurate and timely manner or through seamless repayment deductions for example. With two years of early wage experience in India, Karmalife believes that platforms are recognizing that [sharing work data](#) with fintechs can translate to financial benefits for workers and associated improvements in engagement and retention. It may be that as these proof-of-concept phases evolve, data sharing and integrations also gain depth.

In addition to these arrangements are a spectrum of partnerships between **platforms and financial service providers**. Britam and LittleApp, for example, have partnered to offer drivers a bundled investment and

“These are novel partnerships that take considerable time and resources in establishing. This includes evangelizing, forging common strategic vision, aligning teams and resources to deploy, ensuring effective data integration, signing legal and commercial terms, and potentially other teething operational issues. But once these hurdles are crossed, these relationships tend to be sticky and there is significant untapped joint value to uncover.”

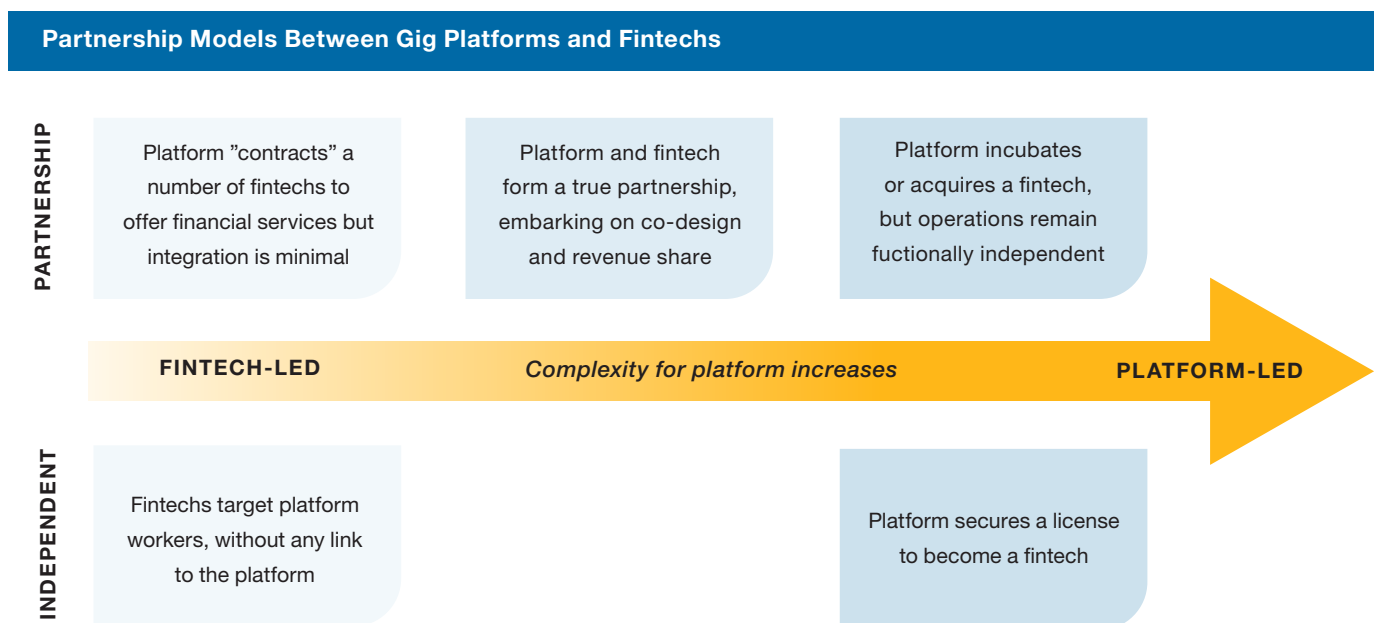
—Badal Malick,
co-founder of Karmalife, a fintech providing credit and other financial services to gig workers in India.

insurance product, the Imarika Wallet. The two companies already partner on insurance services and have recently extended that partnership to offer this product to drivers. Both partners share costs and returns for launching and scaling the product. In Nigeria, partners Jumia and MeetingDoctors similarly each put resources into launching and promoting a telemedicine product and have created clear revenue-sharing arrangements for whatever returns are generated.

These partnership arrangements allow each player to focus on their strengths, but can be messy to operate, since it is hard to know who is accountable for what. We have observed that this can mean low investment in early days when trying to establish a minimum viable product. While this is a common approach to developing unproven new products, low investment can mean incomplete tech development and integration, which can hamper the product from the get-go.

In general, each arrangement has pros and cons in distributing risk, responsibility, and returns. In our view, it is premature to decide that one approach is superior to another, and it may be likely that multiple approaches will succeed depending on the context. However, there are some early lessons about how institutional arrangements can succeed:

- **Be flexible on roles during the journey to finding product-market fit:** While it is important to clarify motivations and align incentives at the outset, it is also useful to be flexible in finding the right roles and responsibilities and even financial agreements during the initial stages of finding product-market fit. For example, fintechs and FSPs often expect platforms to shoulder the marketing burden of promoting a financial service, whereas platforms have the opposite expectation. In reality, both will likely need to contribute to marketing efforts and together, assess which efforts are worthwhile and how to share the rewards. As one platform told us: “We still don’t know what the size of the pie is, so it is premature to decide what share each partner should get.”
- **Invest in enough tech integration to ease the user journey:** While developing a Minimal Viable Product (MVP) is a smart way to start product development, users need to experience high levels of functionality and smooth user experiences to accept new products, and platform workers, in particular, might not tolerate lower functionality. These workers are accustomed to certain functionalities in the platform app so they might reject clunky, low-fi experiences. This may necessarily include some level of tech integration, at least for user-facing functions.



- **Don't underestimate acquisition costs:** Although platform workers lack access to financial services, take-up is far from guaranteed. Providers still need to communicate well, build trust, answer queries, and more, all requiring investment from partners. This will mean over-communicating about value propositions, building trust, and establishing channels where workers will hear and listen. More about these acquisition and marketing strategies can be found [here](#).
- **Consider user-facing brand carefully:** In some cases, leveraging the platform's brand has earned trust for fintech services. However, in other cases, workers may find it confusing to accept financial services from a job-matching platform. Platforms also need to consider that negative experiences with a financial product might erode relationships with platform work opportunities and find ways to mitigate such incidents. Deciding which brand to associate with financial services will depend on the product in question –insurance for example might require a very established brand– as well as a workers' understanding of the company.

Going forward, we anticipate that digital ways of securing work and getting paid will create much more work data from a range of sources. Using this data and leveraging the digital channels available to reach excluded segments will require new kinds of collaboration and partnerships.

The initial insights here point to how platforms, FSPs and fintechs are coming together to offer financial services to workers, but examples are likely to proliferate in the coming years and will point to clearer best practices for how they should, or should not work together.

More support for innovation and piloting will be needed, particularly for financial service provision beyond small-ticket loans. Funders and other sector support organizations could participate by supporting pilots, as CGAP has done, and in documenting experiences and lessons.

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