

Fintech For Health Case Study: Protecting migrant workers in Malaysia from high healthcare costs

Context

Migrant workers are defined in Malaysia through the Employment Act 1955 as foreign workers who are not Malaysian citizens in contrast to local workers who are Malaysian citizens¹. These migrant workers typically work to support their basic needs and those of their family by sending money back home (termed remittances). While this population has become a significant contributor to economic development in their home countries, they often face challenges in meeting their own needs in their countries of work.

The Government of Malaysia reports that Malaysia is the home to approximately [2 million documented migrant](#)² workers, and according to the World Bank data, [3.5 million undocumented migrants also reside in the country](#)³. About 40% of them originate from Indonesia⁴, and the rest are from Nepal, Bangladesh, the Philippines and other countries in Asia. Most of these migrant workers work in the [agriculture and manufacturing](#)⁵ sectors and the states of [Sabah, Selangor, and Johor](#)⁶. These migrant workers send up to [RM30 billion of remittances per year](#)⁷ from Malaysia, with the largest pool of remittance money sent to [Indonesia \(RM10.6 billion\), followed by Bangladesh \(RM6.2 billion\) and Nepal \(RM5.9 billion\)](#)⁸.

Challenge

While Malaysia provides affordable universal health coverage for its citizens, there is no widespread public financing of migrant workers health. One [study](#)⁹ estimated that almost 90% of the migrant workers visited private clinics to receive healthcare. This is because migrant workers are not covered and subsidized by public hospitals. However, there are high upfront costs in private healthcare systems in Malaysia that might force migrant workers to seek care only at public hospitals in Malaysia or force them to forgo healthcare altogether.

Currently, migrant workers and their employers are mandated to purchase the Foreign Workers Hospitalization and Surgical Insurance Scheme (SPIKPA) by paying RM 120 per year of the annual premium, giving them access to limited inpatient hospital admission, surgeries, and intensive care unit treatments up to RM20,000 per year. However, this does not include

¹Employment Act 195. Retrieved from <https://www.ilo.org/dyn/natlex/docs/WEBTEXT/48055/66265/E55mys01.htm#p12b>

² Malaysia: Facts and Figures (2022) Retrieved from <https://www.iom.int/countries/malaysia>

³ Malaysia: Facts and Figures (2022) Retrieved from <https://www.iom.int/countries/malaysia>

⁴ Cover Story: Overhauling the billion-ringgit migrant worker industry. Retrieved from <https://www.theedgemarkets.com/article/cover-story-overhauling-billionringgit-migrant-worker-industry>

⁵ Foreign Workers in Malaysia (2013). World Bank. Retrieved from <https://www.knomad.org/sites/default/files/2017-06/KNOMAD-MALAYSIA-NEW.pdf>

⁶ Foreign Workers in Malaysia (2013). World Bank. Retrieved from <https://www.knomad.org/sites/default/files/2017-06/KNOMAD-MALAYSIA-NEW.pdf>

⁷https://www.dosm.gov.my/v1/uploads/files/7_Publication/Research_Papers/1_%20The%20Increasing%20Trend%20of%20Foreign%20Workers%20Remittances.pdf

⁸https://www.dosm.gov.my/v1/uploads/files/7_Publication/Research_Papers/1_%20The%20Increasing%20Trend%20of%20Foreign%20Workers%20Remittances.pdf

⁹ Ab Rahman, N., Sivasampu, S., Mohamad Noh, K., & Khoo, E. M. (2016). Health profiles of foreigners attending primary care clinics in Malaysia. *BMC health services research*, 16, 197. <https://doi.org/10.1186/s12913-016-1444-0>

coverage for outpatient or preventive care. Hence, [affordability of outpatient care](#)¹⁰ is cited by migrant workers as their major barrier in seeking healthcare. Therefore, this prevents them from seeing doctors and receiving [preventive, acute, and curative care](#)¹¹.

Addressing this problem is crucial to improving the health outcomes of the migrant workers, including early checks on blood pressure, diabetes, and heart. The healthcare burden of migrant workers in Malaysia can be significant as they tend to be hired in the construction, agriculture and manufacturing fields and face significant occupation and safety hazards and experienced cardiovascular and suicide deaths¹². Moreover, migrant workers have limited to no insurance protections for injury and death. Ergo, those injured at work have no safety nets to help them. These gaps could be tackled by creating successful life insurance and health insurance products specifically for these migrant workers.

Finally, migrant workers remain a largely underbanked population in Malaysia. They often lack [financial literacy and documentation to open bank accounts](#)¹³. Many migrant are paid in cash and are compelled to carry their salaries with them whenever they work. Language could be another significant barrier for them when opening bank accounts in Malaysia.

Fintech for Health Approach:

Understanding the needs of the migrant worker community

Merchantrade Asia is a money services business, digital payment service and mobile virtual network operator provider company and has worked to provide the financial service needs for Malaysian migrants since 2006. Merchantrade Asia began as telecommunication hardware provider before launching phone card products that targeted migrant workers in the early 2000s. Nowadays, its business has evolved strategically with changing time and trends; its core business include remittance, digital payment and micro-insurance. Additionally, the company is also venturing out by partnering with a telemedicine company.

The company's transition to becoming a remittance company started at the time when government of Malaysia was providing licenses to non-bank operators of remittance companies. When the government of Malaysia began to give this license, Mr. Ramasamy K. Veeran, the founder of Merchantrade Asia, applied for the opportunity. Before starting his own remittance company, he traveled to Dubai – another epicenter of migrant workers, to better understand the remittance industry and its customers. Mr. Rama carefully studied the interactions of the migrant workers in the remittance branches and visited partner banks to

¹⁰ Loganathan T, Rui D, Ng C-W, Pocock NS (2019) Breaking down the barriers: Understanding migrant workers' access to healthcare in Malaysia. PLoS ONE 14(7): e0218669.

¹¹ Karim, A.H.M Zehadul and Mohamad Diah, Nurazzura (2015) *Health seeking behavior of the Bangladeshi migrant workers in Malaysia: some suggestive recommendations in adjustive context*. Asian Social Science, 11 (10). pp. 348-357.

¹² Pocock, N. S., Suphanchaimat, R., Chan, C. K., Faller, E. M., Harrigan, N., Pillai, V., & Wickramage, K. (2018). Reflections on migrant and refugee health in Malaysia and the ASEAN region. *BMC proceedings*, 12(Suppl 4),

¹³ Shimanuki, Stacy, "Financial Inclusion of Migrant Workers in Singapore" (2021). Social Impact Research Experience (SIRE). 90. <https://repository.upenn.edu/sire/90>

be understand how these institutions served migrant workers. The experience was highly crucial so that he could provide the best services for migrant workers.

After returning home, he set up services and branches like those he observed in Dubai. He recognized quickly that Malaysia needed remittance operators that could help the migrant workers to send money swiftly and safely to their family members. Mr. Rama also traveled to the migrant workers' countries to better understand their life experiences in their home countries. He found that each country had its unique barriers and facilitators that he needed to address to provide the best services for these migrant workers. For example, he witnessed how families in Bangladesh used the remittance money to pay for their needs and learned firsthand the importance of ensuring the money sent by migrant workers reached their family members safely and quickly.

From there on, Mr. Rama and the Merchantrade team have been intensely dedicated to providing valuable services to migrant workers and they eventually emerged as one of the largest remittance companies in Malaysia. Currently, Merchantrade Asia [holds almost a third of all remittances sent to and from Malaysia](#)¹⁴. This could not happen without pursuing various strategies to serve these migrant workers.

Merchantrade Asia set up 97 branches, more than 500 offline booths (agent manned) and cash-in-cash-out (CICO) merchants all over Malaysia¹⁵, concentrating in places where migrant workers were working. These offline physical stations are opened until late night so migrant workers can access the booths after their work hours. Furthermore, Merchantrade Asia educated the migrant workers on the basics of remittance transfers, how to correctly fill in the details of the family members who would receive money, and, in the process, convince them that the system was safe and secure.

Furthermore, Merchantrade Asia's on ground sales team receive training to best support the migrant workers. Apart from that, on ground sales team are required to travel to the migrant workers' workplace to understand the challenges of workers while using the remittance products and conduct financial literacy programs and awareness campaigns. Plantations located deep inside areas such as the inner Sarawak were also visited by Merchantrade Asia's on ground sales team. This helps to increase the trust migrant workers have for Merchantrade Asia products.

Nowadays, remittances can be sent by visiting Merchantrade Asia's omni-channel distribution network which consists of branches, agents, mobile app; eRemit & e-wallet; Merchantrade Money (card-based wallet) & Valyou (network-based wallet). These dual platforms allow Merchantrade Asia to reach migrant workers with high and low digital literacy. The Cash-In/Cash-Out (CICO) merchants also educate the migrant workers to convert cash into mobile money. So, Merchantrade Asia has learned to use its offline presence to increase its online uptake.

¹⁴ <https://asia.nikkei.com/Spotlight/DealStreetAsia/Malaysian-fintech-company-Merchantrade-buys-Telenor-unit>

¹⁵ https://mtradeasia.com/main/wp-content/uploads/2022/03/Merchantrade-Asia_Social-Impact-Report-2021.pdf

After the rapid online uptake, Merchantrade Asia identified other products and services that could be offered to migrant workers. In March of 2020, [they partnered with a telemedicine company](#),¹⁶ to provide healthcare services for migrant workers using their remittance platform. This was the first primary healthcare service offered by Merchantrade Asia and it is done by offering teleconsultation and e-pharmacy services to its customers.

Merchantrade Asia also started offering life insurance products for migrant workers. A key feature of the insurance policy is that the claim amount will be paid to family members of migrant workers in the home country. The cross-border claim settlement is the first of its kind for migrant workers. This extremely affordable and cross-border pioneering product helps to fill up a significant gap for migrant workers – the lack of affordability of insurance products. Furthermore, the beneficiaries will receive the claim payments within five days. Hence, this fast turnover increases the trust the migrant workers have for Merchantrade Asia products.

Apart from that, Merchantrade Asia has also created medical insurance and income replacement models for migrant workers. These products are also available for UNHCR refugees and other Malaysian. These products range from RM5 to RM20 per month. The income replacement product allows migrant workers to seek healthcare as fear of losing income prevents them from seeking healthcare in the first place. The products fill up significant gaps in healthcare needs for migrant workers by providing safety nets of income when they face fatal injuries or are admitted to hospitals.

However, this is not the first foray to health insurance by Merchantrade Asia; they had started a similar product specifically for UNHCR refugees. However, they had challenges gaining traction with refugees. Much of it is due to the state of refugees whose priority is [surviving and living day to day and lack of awareness](#)¹⁷ about the importance of medical insurance products.

Finally, the data collected over the years allows Merchantrade Asia to meet additional needs of the migrant workers, such as cross border micro-lending. This is because the family members back home most of the time need additional cash to support unforeseen expenses such as emergency cash or education. A partnership between Bank Asia in Bangladesh and Merchantrade Asia allows migrant worker to pilot share their remittance data with the bank and access loans for their family members. The product is currently in the pilot testing phase, and it is clear that the ability to quickly access secured loans through the platform for the family members has opened new channels of financial sustainability for migrant workers.

Challenges and Solutions

¹⁶ <https://www.mobihealthnews.com/news/asia/malaysia-based-digital-health-platform-doctoroncall-partners-merchantrade-expand-user-base>

¹⁷ Chuah, F., Tan, S.T., Yeo, J. *et al.* The health needs and access barriers among refugees and asylum-seekers in Malaysia: a qualitative study. *Int J Equity Health* **17**, 120 (2018)

Promoting the products to migrant workers has its own set of challenges. Migrant workers speak multiple languages, and a lack of awareness and trust in life insurance and health insurance products leads to poor adoption. So, when promoting products like this, Merchantrade Asia needs to be creative and inclusive of the needs of migrant workers. This is where the product fit needs to be carefully examined by making sure the price of the products needs to be affordable for migrant workers who overwhelmingly earn minimum wage in Malaysia. Likewise, the benefits of the products need to be visible and seen by the migrant workers for rapid adoption. This is where migrant workers experiencing the benefits of the products need to be captured and spread to other migrant workers to help their decision-making.

Additionally, gaining the trust of migrant workers is extremely crucial to make sure they purchase products tailored for them. When trust has been earned, migrant workers themselves could be the best ambassadors of the products to their fellow men via word of mouth. Merchantrade Asia also makes sure they are available offline and online and in multiple languages to answer any challenges migrant workers might face with Merchantrade Asia's products. Any negative experience needs to be addressed and solved quickly as the bad experience can spread like wildfire and influence other migrant workers.

Lastly, consistency in maintaining this service is also very vital. There is very little room for hiccups. And when there are hiccups, quick solutions need to be created. Often, migrant workers reach out to the helpline to track the money they have sent home, and the data provided by them is limited. To address such issues, Merchantrade has more than 1,100 physical touchpoints in Malaysia to support and resolve issues.

Impact

Almost 800,000 migrant workers used Merchantrade Asia remittance service in 2021, and they sent almost RM8.1 billion¹⁸ to family members in Nepal, Bangladesh, Myanmar, Indonesia, the Philippines, and India. About 115,000 unbanked employees, with the majority being migrant workers, have also started to receive digital salaries¹⁹. This, in turn, has helped many rural area businesses in Malaysia to be digitalized to accept cashless payments from these migrant workers. And, for many migrant workers, digital salaries mean they do not need to worry about their wages being stolen or lost. They could also rapidly remit their salaries via the Merchantrade Asia remittance app. 189,000 customers have also purchased micro-insurance products. In 2021, RM37 million in remittance money sent through Merchantrade Asia was used to pay for medical services for family members abroad.²⁰ Merchantrade Asia's insurance products also have high satisfaction among its insurance holders (78%), indicating these products are living up to the expectation and needs of migrant workers²¹.

¹⁸ https://mtradeasia.com/main/wp-content/uploads/2022/03/Merchantrade-Asia_Social-Impact-Report-2021.pdf

¹⁹ https://mtradeasia.com/main/wp-content/uploads/2022/03/Merchantrade-Asia_Social-Impact-Report-2021.pdf

²⁰ https://mtradeasia.com/main/wp-content/uploads/2022/03/Merchantrade-Asia_Social-Impact-Report-2021.pdf

²¹ https://mtradeasia.com/main/wp-content/uploads/2022/03/Merchantrade-Asia_Social-Impact-Report-2021.pdf