Business Conglomerate Implements Blockchain-based EWA Solutions for its Employees using VeriDoc Global Technology

BACKGROUND INFORMATION:

The Challenge
Being under financial pressure is counterproductive for every employee. When monetary concerns are on the employee's mind, work will suffer in the long run. Managing cash flow is becoming a pressing issue for employees across organizations, primarily in the lower- and middle-income groups - a situation that has aggravated in the current Covid-19 pandemic hardship.

About the Client
Our client is a conglomerate with diversified interests in property development & construction, investment, hospitality, and financial services. The company has 2000+ employees with business operations in Malaysia and Australia.

THE APPROACH:

Alleviating these cash flow concerns is possible through a system such as Early Wage Access (EWA) if implemented correctly. EWA is a fintech platform enabling employees to access a portion of their accrued but unpaid salary any time before payday. The concept of EWA, at its core, is a way for employees to access their pay before the payroll cycle commences.

Proposed Solution
The proposed solution is an EWA software platform that would make it easier for the employees to get access to their Earned Wages and apply for Salary Advance. Employees would be able to apply & receive an advance of their monthly salary and repay the money via future monthly salary deductions. EWA platforms have become very popular, and their usage is increasing around the world nowadays. Introducing blockchain-based solutions to this equation can benefit immensely as Blockchain technology can have a positive impact on the EWA initiative.

SYSTEM FEATURES & PROCESS FLOWS:

Platform entities, their functions, and interactions

The context diagram below illustrates the main entities involved in this *OSK-EWA* platform, and the functions and interactions between these entities.
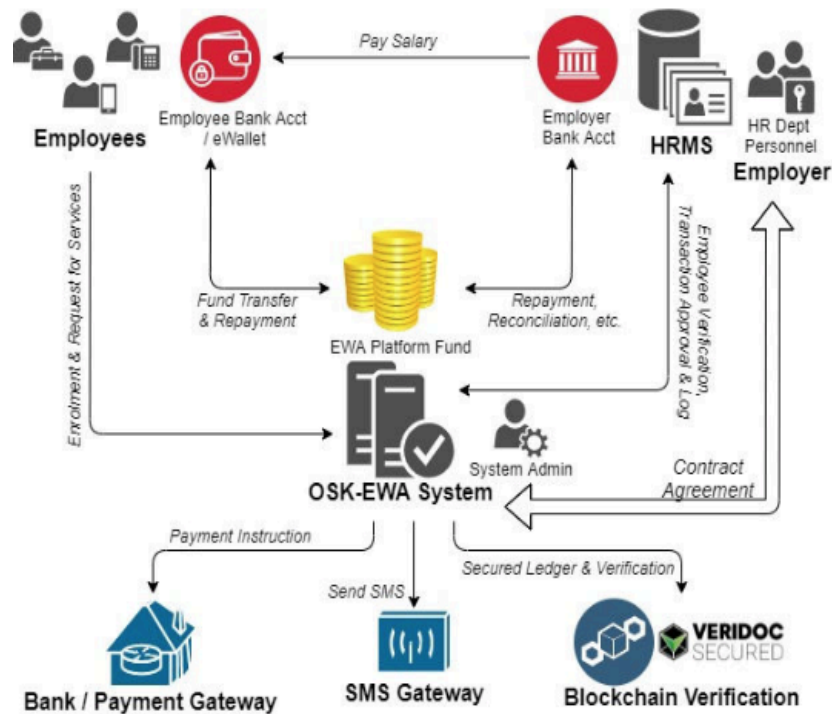

Figure 3.2--1: Context Diagram for OSK-EWA Application

The EWA components and building blocks

OSK-EWA Building Blocks

The OSK-EWA software application is made up of multiple components. Diagram below (FIGURE 3.2.2: OSK-EWA BUILDING BLOCKS) shows an overview of the building blocks that make up the system.
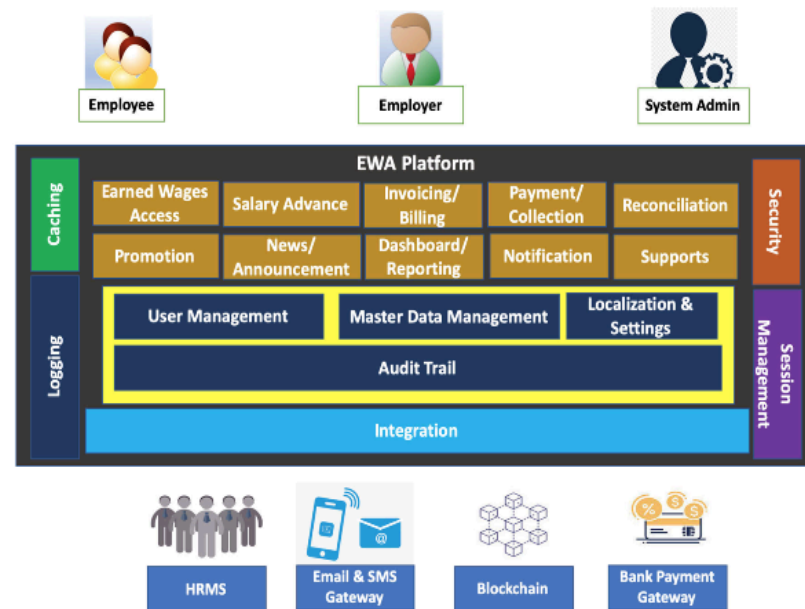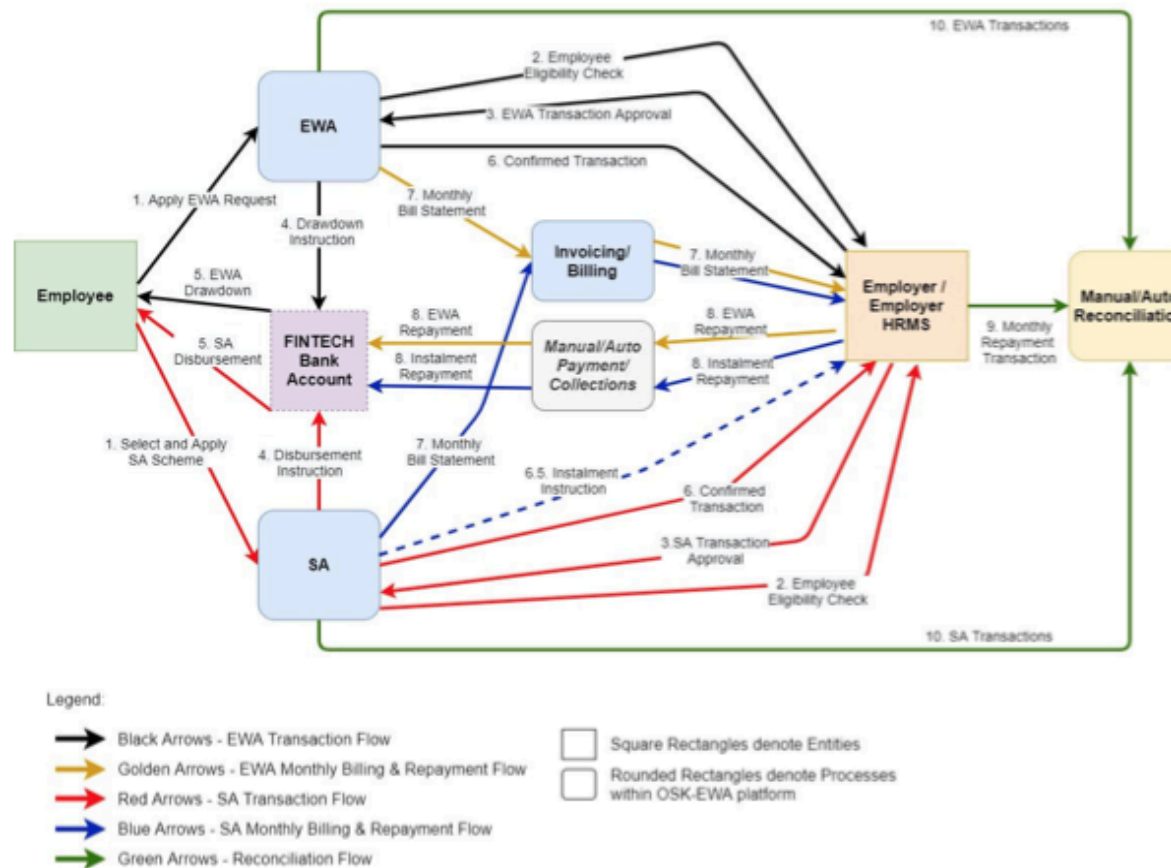

Figure 3.2--2: OSK-EWA Building Blocks

EWA Transaction flow diagram:

In this section, an overview of the main transactional flows is presented. The two major functional flow in OSK-EWA platform, EWA transaction and SA transaction, are elaborated in the Overall Flow diagram below (FIGURE 3.2-4: OVERALL FLOW).

Legend:

→ Black Arrows - EWA Transaction Flow
→ Golden Arrows - EWA Monthly Billing & Repayment Flow
→ Red Arrows - SA Transaction Flow
→ Blue Arrows - SA Monthly Billing & Repayment Flow
→ Green Arrows - Reconciliation Flow

☐ Square Rectangles denote Entities
☐ Rounded Rectangles denote Processes within OSK-EWA platform

EWA flow:

Briefly, the main steps in the EWA flow (black arrows) are as follows:

1. Employee submits the EWA application request.
2. The EWA process checks with Employer HRMS about the Employee's eligibility.
3. Employer HRMS approves the EWA transaction either automatically or manually depending on interface availability between OSK-EWA and Employer HRMS.
4. The EWA process sends drawdown instructions to the bank
5. Fintech Bank sends EWA drawdown to Employee
6. The EWA process informs Employer HRMS about the completed transaction – will inform whether the transaction succeeds or fails.

Overall SA flow:

As can be seen in the diagram above (FIGURE 3.2-4: OVERALL FLOW), the steps for the SA flows (red arrows) are quite similar:

1. Employee selects a SA scheme and submits the application request
2. The SA process checks with Employer HRMS about the Employee's eligibility and approves the SA application.
3. The SA process sends disbursement instructions to Fintech's bank.
4. Fintech Bank sends SA disbursement to Employee.
5. The SA process informs Employer HRMS about the completed transaction – will inform whether the transaction succeeds or fails.

Towards the end of a payroll cycle, the following steps (blue arrows) will take place

6. The OSK-EWA platform will send Billing Statements to Employer HRMS as usual – but before doing so, it also sends No.6.5 Instalment Instruction to HRMS so that Employer would deduct a certain amount from Employee salary.
7. Employer then makes installment repayments to Fintech.

Towards the end of a payroll cycle, say at the end of each month, the following steps (golden arrows) will take place:

8. The OSK-EWA platform will send Billing Statements to Employer HRMS.
9. Employers will make repayments to Fintech directly based on standing instruction or handle manually.

Finally, to do the reconciliation process in OSK-EWA platform, the following steps (green arrows) will take place:

10. Employer HRMS will send records of those repayment transactions to OSK-EWA platform.
11. OSK-EWA platform will also retrieve relevant transactional records from its own database.
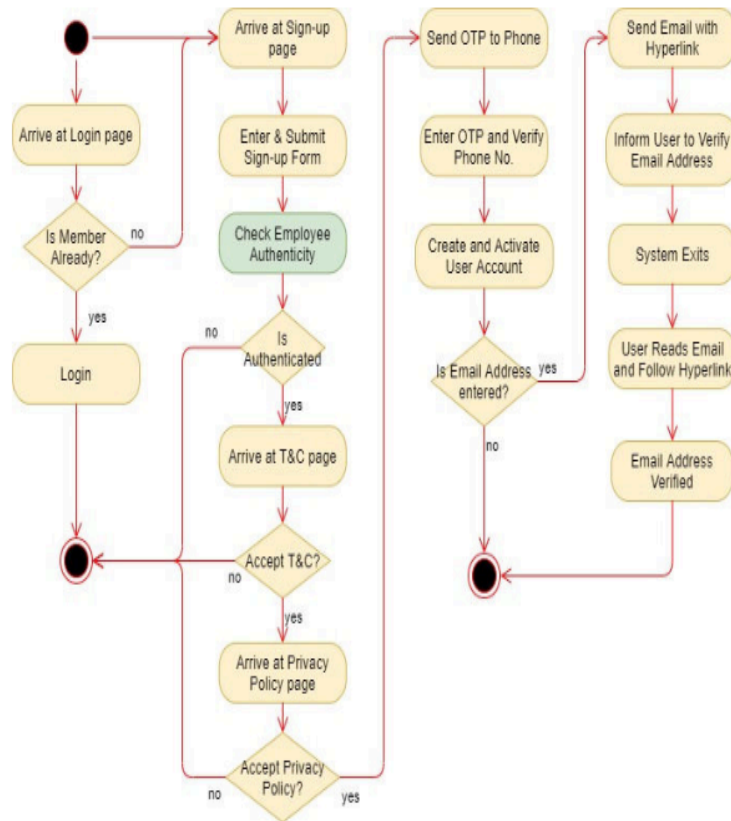
Employee Registration flow

Figure 4.10--5: Employee Self-Registration
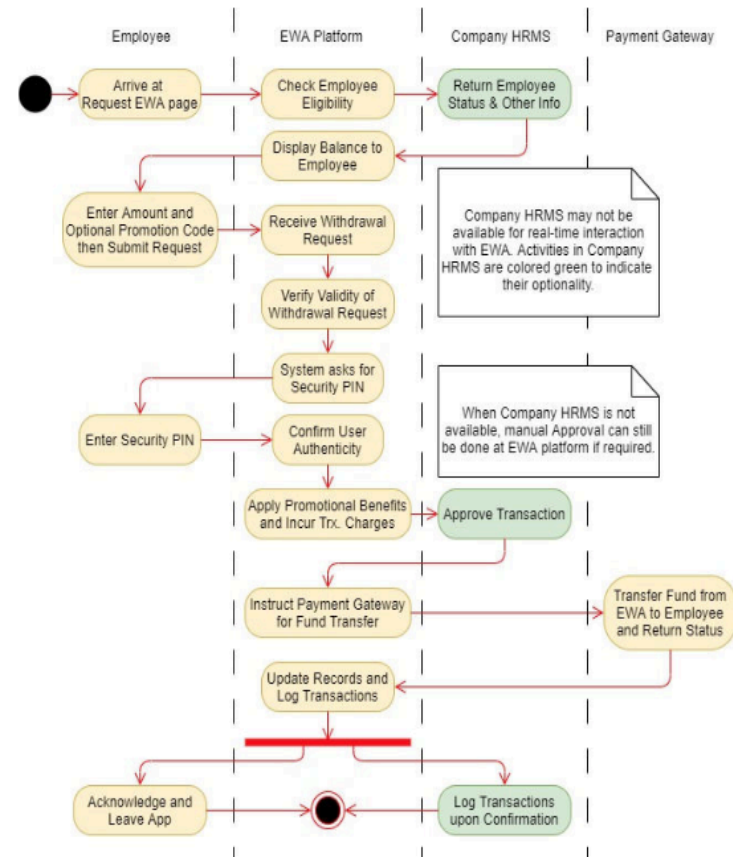
Earned Wage Application flow

Figure 4.4--1: EWA Transaction Flow

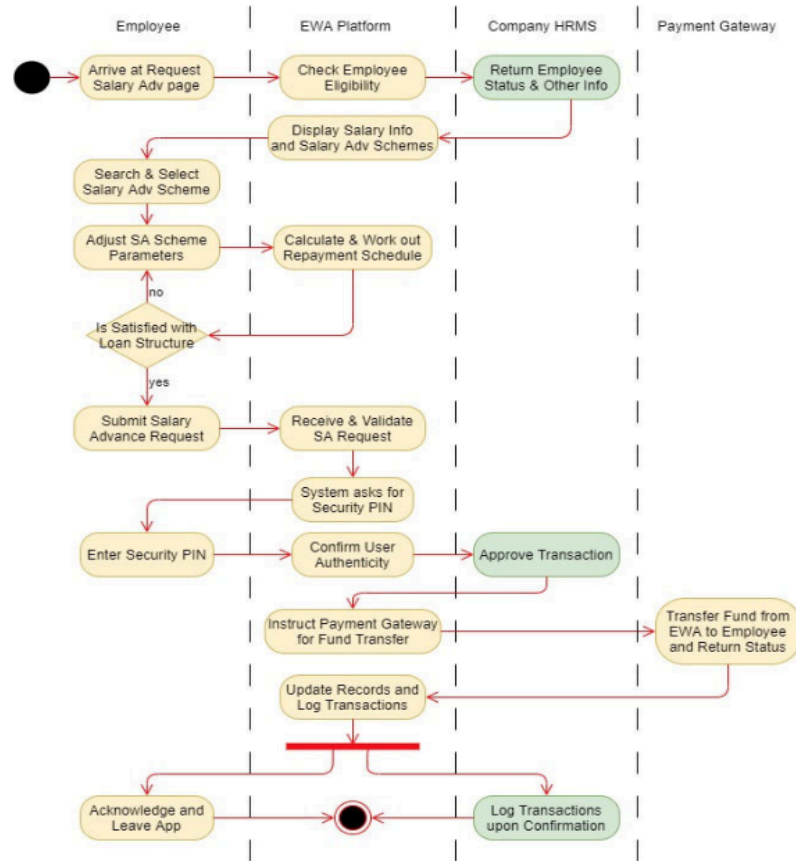## Salary Advance (SA) application

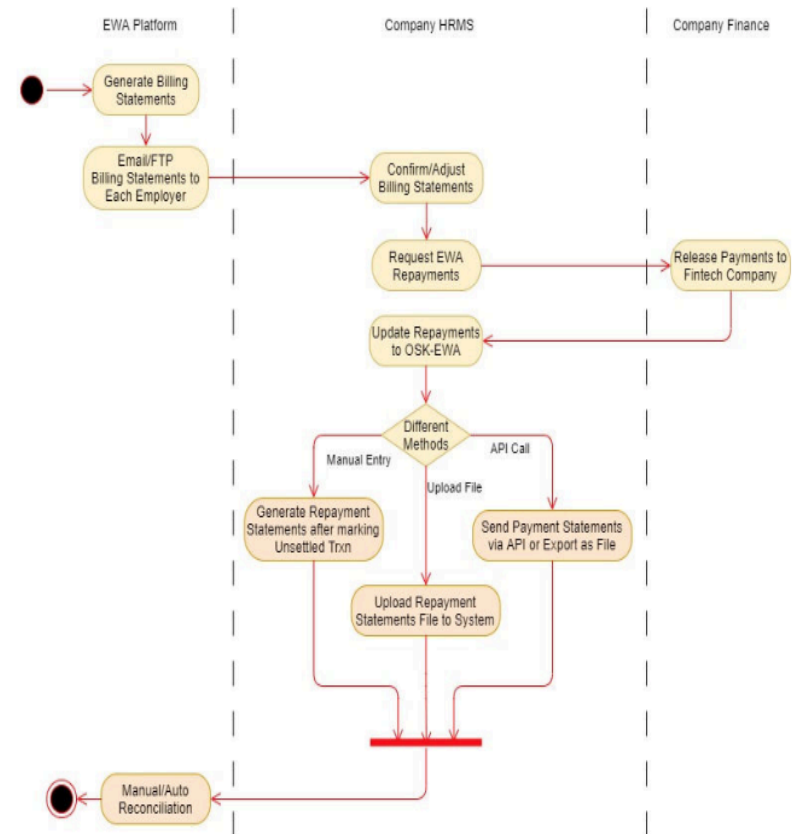Figure 4.5--1: Salary Advance Transaction Flow

Collection flow

Figure 4.6--1: Billing, Collection & Reconciliation Flow

THE OUTCOME

At the end of each month, the OSK-EWA platform will compile transaction records and produce a billing statement for each of the Employer companies. These Employer companies will do their own billing diligence and make necessary repayments. Statements from these companies are then gathered and imported into OSK-EWA to check discrepancies and do manual/auto reconciliation.

The EWA platform would allow employees to withdraw their wages on demand instead of waiting until payday. Further, introducing blockchain-based solutions to this equation benefits immensely. The EWA platform helps employees with more liquidity to manage unexpected expenses, investment planning, and improve their financial wellbeing.