Early Experiences of Beneficiary Choice in Government-to-Person Payment Architecture in Indonesia

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Acknowledgments

This report is a deliverable under the COVID-19 Social Assistance Responses and G2P Payment study (2021–22), a collaboration between the World Bank and the governmental National Team for Acceleration of Poverty Reduction (Tim Nasional Percepatan Penanggulangan Kemiskinan; TNP2K). The study was funded jointly by the Indonesia Human Capital Acceleration Multi-Donor Trust Fund (IHCA-MDTF) and the G2Px Initiative Fund. The study was conducted successfully due to strong support from government institutions, especially the project management office of Kartu Prakerja led by Denni Puspa Purbasari, Romora Sitorus, and team.

The report was drafted by two teams of the World Bank Jakarta—Finance, Competitiveness and Innovation, and Social Protections and Jobs—led by I Gede Putra Arsana and Ekki Syamsulhakim with significant contributions from World Bank expert consultants, including Eflina Pehulita Sinulingga, Martha Safitri, Nurzanty Khadijah, Muhammad Noor Farid, Rachmat Reksa Samudra, Ben Satriatna, Mia Amalia, and Rissalwan Habdy Lubis. Moreover, the report has benefited greatly from reviews, feedback, and input from additional World Bank colleagues—Achim Daniel Schmillen, Marco Nicoli, Sara Giannozzi, Georgina Marin, Maria Camila Ayala Guerrero, Changqing Sun, and Karol Karpinski. Finally, Katherine Demopoulos managed the editorial process.

Great appreciation is extended to various external parties involved in the study. The phone survey was conducted by a SurveyMETER team led by Bondan Sikoki, Wayan Suriastini, and Nasirudin Rais. The study received valuable guidance and information from the program owners/managers of social assistance programs in Indonesia. These parties include the Ministry of Social Affairs and the project management office of Kartu Prakerja. Insights were also gathered during qualitative data collection from payment services providers including PT Pos Indonesia, Bank Negara Indonesia (BNI), Bank Rakyat Indonesia (BRI), Bank Tabungan Negara (BTN), Bank Mandiri, GoPay, OVO, LinkAja, and DANA.

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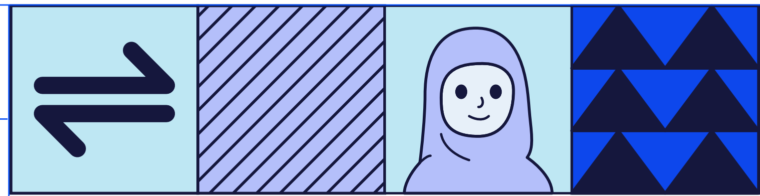

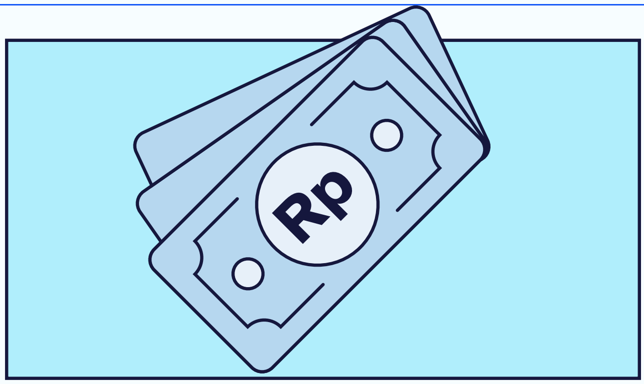

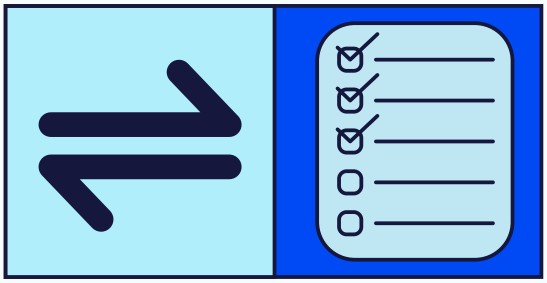

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Abbreviations

ATM	Automated teller machine
Bappenas	Ministry of National Development Planning
BNI	Bank Negara Indonesia
BPS	National Statistical Agency
BRI	Bank Rakyat Indonesia
BSI	Bank Syariah Indonesia
BTN	Bank Tabungan Negara
COVID-19	Coronavirus Disease 2019
CGAP	Consultative Group to Assist the Poor
Dukcapil	Directorate General for Population and Civil Registration (Direktorat Jenderal Kependudukan dan Pencatatan Sipil)
EDC	Electronic data capture
FDS	Family Development Session
G2P	Government-to-person
GEWEL	Girls' Education and Women's Empowerment and Livelihoods
Himbara	Association of State-Owned Banks
IHCA-MDTF	Indonesia Human Capital Acceleration Multi-Donor Trust Fund
IHS	Inverse hyperbolic sine
KK	Family card
KKS	Kartu keluarga sejahtera
KTP	National identity card
KYC	Know Your Customer
MoSA	Ministry of Social Affairs
MPPS	Multivariable probability proportional to size
OMSPAN	Online Monitoring for State Budget and Treasury System
PERPRES	Presidential regulation
PIN	Personal identification number
PKH	Program Keluarga Harapan
PMT	Proxy means testing
PSM	Propensity score matching
Pusdatin	Data and Information Center
RT	Rukun tetangga/neighborhood
SIKS–NG	Social welfare information system—next generation application
SMS	Short message service
Susenas	National Socioeconomic Survey (Survei Sosial Ekonomi Nasional)
TNP2K	National Team for Acceleration of Poverty Reduction (Tim Nasional Percepatan Penanggulangan Kemiskinan)

Executive Summary

The World Bank supports the efforts of the Government of Indonesia to implement evidence-based policies by conducting studies, sharing knowledge and best practices, and providing technical assistance in line with government needs and in responseto emerging challenges, including the COVID-19 pandemic and its economic impacts. This study was conducted in collaboration with the secretariat of the National Team for Acceleration of Poverty Reduction (*Tim Nasional Percepatan Penanggulangan Kemiskinan*; TNP2K). The aim was to provide evidence that will support the government as it refines and strengthens its social assistance policies by reflecting on social assistance delivery during the COVID-19 pandemic. The study is jointly funded by the Indonesia Human Capital Acceleration Multi-Donor Trust Fund (IHCA-MDTF) and the G2Px Initiative Fund.

The study examined the delivery of three flagship government social assistance programs during the pandemic: Program Keluarga Harapan (PKH), Program Sembako, and Kartu Prakerja.[1] This report, the first of two, focuses on Indonesia's government-to-person (G2P) payment architecture, which serves the urgent requirements of expanding coverage of social protection and delivering social assistance benefits, and at the same time empowering beneficiaries to access and use financial services. The study used a mixed-method approach, leveraging both quantitative and qualitative research through a phone survey of 3,000 beneficiaries, and focus group discussions and in-depth-interviews with beneficiaries, program owners, and the payment services providers.

The transformation of the G2P payment architecture in Indonesia in 2017 has successfully increased beneficiaries' access to formal financial services. Since 2017 the government has paid into bank accounts to deliver the largest social assistance programs in the country, the PKH and Program Sembako. About 85.3 percent of PKH beneficiaries and 80.4 percent of Kartu Sembako beneficiaries first opened a bank account to receive the social assistance. Another important milestone on the G2P transformation was introduced by Kartu Prakerja in 2020. The program enabled beneficiaries to choose their preferred account from those offered by one of six payment service providers to receive their post-training benefits. It also expanded the payment options to include e-money as well as bank accounts.[2] However, there remains a significant **opportunity to further empower beneficiaries by enabling them to choose the payment account** that best serves their needs.

The study provides early evidence that giving beneficiaries choice in how their receive their social assistance may have a positive impact on how they experience the disbursement and how they use their account. Having an account to receive social assistance also gave beneficiaries access to digital financial services, but most still preferred to cash out the funds. However, more beneficiaries of the Kartu Prakerja program than the PKH program chose not to cash out the assistance entirely. The study examined the effect of permitting beneficiaries to select their own account on their use of that account and found that beneficiaries who are given choice are more likely to use the account than beneficiaries who do not have choice. The study also found that giving beneficiaries choice could reduce the time it takes them to cash out their benefits. Despite some limitations in the models used in this study, these

1 The PKH is a conditional cash transfer program targeting the poorest 20 percent of families in Indonesia. It is managed by the Ministry of Social Affairs (MoSA). Program Sembako is a non-cash food transfer program targeting the poorest 30 percent of families in Indonesia. It is also managed by the MoSA. Kartu Prakerja is a work and entrepreneurship competency development program for jobseekers, those who have been laid off, and workers interested in upskilling or reskilling. It is managed by the Coordinating Ministry of Economic Affairs. See Chapter 2 for descriptions of each program.

2 Electronic money or e-money is money that is held only electronically and cannot be withdrawn. Usually a mobile phone is used to store the monetary value. An e-wallet is akin to a debit card, without the ability to withdraw money.

findings serve as early indicators of the benefits of expanding beneficiary choice across social assistance programs in Indonesia.

The study concludes with several recommendations to support further advancement in Indonesia's G2P payment architecture specially to empower beneficiaries of social assistances. First recommendation is to promote beneficiary choice as a core element of social assistance delivery. The study presents the potential positive impacts in beneficiaries' cashing out experience and usage of account. Second is to strengthen financial education to the beneficiaries of social assistances. Improving the enabling environment for delivery of G2P payments including shared infrastructures is the third recommendation. Lastly, to enhance the digital payment ecosystem to increase the use of the system by social assistance beneficiaries, who may have different needs to other users.

The report has four main chapters, followed by the conclusion and policy recommendations. Chapter 2, "Context" provides overviews of the three programs, including enrollment, the payment process, and demographic characteristics of the beneficiaries. Chapter 3 explains the payment architecture used to distribute social assistance in Indonesia. It also explains how it can be further transformed to improve the experience of beneficiaries in receiving social assistance and to empower beneficiaries to access and use financial services. Chapter 4 presents evidence to show beneficiaries' experience with different payment methods, cashing out, and digital financial services. The study also investigates the early experiences of implementation of beneficiary choice and whether designing social assistance delivery that includes beneficiary choice can introduce positive outcomes that are not found in programs without such choice. The final chapter presents the conclusion and policy recommendations. In Annex 1, the study details the regression models used for beneficiary choice analysis.

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CHAPTER

01 Introduction

1.1 Background

Indonesia was hit hard by COVID-19. As of November 1, 2022, Indonesia had experienced 6,512,913 confirmed cases and 158,768 deaths since the beginning of the pandemic.[3] The Government of Indonesia implemented social and mobility restrictions and a vaccination program to slow the spread of the virus. As of November 5, 2022, 87.43 percent of Indonesia's targeted population had received at least one dose of a vaccine,[4] higher than the world average of 70.6%.[5]

The pandemic severely affected Indonesia's economy. Economic growth contracted 2.07 percent year-on-year in 2020 according to the National Statistical Agency (Badan Pusat Statistik; BPS), the sharpest contraction since the Asian financial crisis of 1997–98. By March 2021 the poverty rate had increased to 10.14 percent, meaning that around 1.12 million people had fallen into poverty between March 2020 and March 2021. The unemployment rate rose to 7.07 percent in August 2020 from 5.23 percent in August 2019. However, the country is recovering: the economy grew 3.69 percent in 2021 and 5.3 percent in 2022 (World Bank 2022). In response to the pandemic, the Government of Indonesia in 2020 allocated Rp 695.2 trillion (US$49.63 billion at the 2020 rate) to key efforts to help poor and vulnerable households survive COVID-19. These efforts comprised additional financing for the healthcare sector; safeguarding individuals, workers, and businesses affected by the pandemic; and funding economic stimulus programs.

3 Data taken from https://covid19.who.int/data (accessed on November 6, 2022).

4 Data from https://covid19.go.id/id/artikel/2022/11/05/situasi-covid-19-di-indonesia-update-5-november-2022 (accessed on November 6, 2022).

5 Data taken from www.nytimes.com/interactive/2021/world/covid-vaccinations-tracker.html (accessed on November 6, 2022).

One of the key transformations introduced in the proposals for the next stage of reforms, which will be led by the Ministry of National Development Planning (Bappenas), is the beneficiary-centric design.

The pandemic called for a strengthened social protection system to support the poor and vulnerable and for a government-to-person (G2P) payment system able to deliver social assistance in a safe, secure, transparent, and efficient manner. While the G2P payment architecture in Indonesia has undergone significant improvement with the 2017 shift to cash transfer via bank accounts, there remains room for improvement. The current G2P payment architecture still has limited options of accounts into which benefits and incentives are paid and faces challenges arising from the centralized nature of the system. For example, for PKH, the government designated a distributing bank for each region, but in some regions that bank has a limited number of branches. Another complication is the account onboarding process for PKH and Program Sembako. The banks centrally open new accounts for beneficiaries through a deferred KYC process. Unlike the regular KYC process, where customer information is verified and validated during the account opening process, the deferred KYC process conducts the verification and validation when the passbook and debit card are handed out. However, this process introduces the possibility of a beneficiary's data and information mismatch.

The need for G2P payment reform is reflected in Indonesia's Medium-Term National Development Plan 2020–24, which sets priorities and states the need to advance digitization and integration of social assistance and subsidy programs to strengthen social protection. One of the key transformations introduced in the proposals for the next stage of reforms, which will be led by the Ministry of National Development Planning (Bappenas), is the beneficiary-centric design. This gives beneficiaries rights in choosing from various financial services providers. It is expected that the reform will improve efficiency for beneficiaries, payment services providers, and the program administrator (the government).

The study aims to understand beneficiary experiences in receiving COVID-19 social assistance, with a focus on the payment delivery mechanism. Specifically, the study sought to discover how well the old system represented by PKH and Sembako (without freedom of choice) versus the new system represented by Kartu Prakerja (with freedom of choice, although limited to some degree) served the needs of beneficiaries and whether it empowered them. Currently, the driving force behind changes in the G2P payment architecture is simplifying implementation, rather than improving beneficiary experience. The current G2P payment architecture still offers beneficiaries only limited options for choosing a payment service provider and account. It is crucial to know if offering beneficiaries choice in selecting a payment provider and account could save time and money for all stakeholders. Additionally, it is essential to know the elements of G2P payment architecture that have positive net benefits. The findings of this study will support further refinement of the G2P 4.0 roadmap toward end-to-end digital G2P payment based on lessons learned from the COVID-19 pandemic, a large-scale and fast-onset situation.

1.2 Methodology

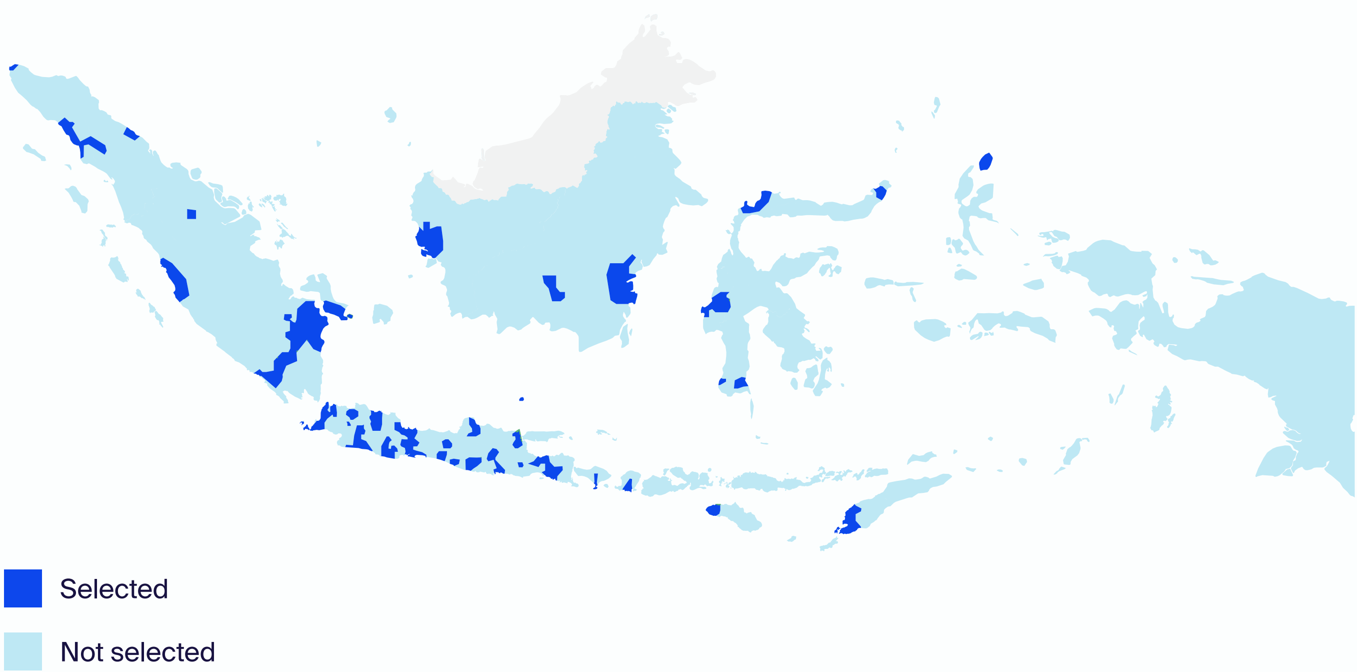
This is a study of three social assistance programs: PKH, Program Sembako, and Kartu Prakerja. The study aimed to uncover beneficiaries' experiences with the current G2P payment delivery mechanism and support further improvement based on lessons learned from the COVID-19 pandemic. A second report will shed light on the practical implementation of COVID-19 social assistance responses and the adequacy of the responses in meeting beneficiaries' needs.

This study combines a survey with qualitative research methods, namely focus group discussions and in-depth interviews. Data was collected in a survey of 3,000 respondents, 1,000 from each of the three social assistance programs. The interviewees were distributed across 50 subdistricts, 50 districts, and 24 provinces. The survey was conducted in two batches. In the period October 6 to October 24, 2021, Kartu Prakerja beneficiaries who joined the program in batches 7 to 11 (enrolling between September and November 2020). The second batch of interviews was conducted from December 4, 2021 to January 24, 2022, this time with beneficiaries of PKH and Program Sembako. Each PKH respondent had received their most recent benefit three to six months before the survey. The respondents from Program Sembako were beneficiaries who had received their most recent benefit one to three months before the survey.

For the survey, the study conducted three stages of stratified sampling and the results were representative of the population of each program. However, the sampling design does not allow the study to fully analyze the results at the subdistrict level. In the first stage of sampling stratification, 50 districts were selected from 24 provinces using multivariable probability proportional to size (MPPS) systematic sampling. In the second stage, one subdistrict was chosen from each selected district using MPPS random sampling (effective sampling stage). The last stage was to randomly select 20 beneficiaries from each selected subdistrict. Figure 1 shows the survey areas.

FIG. 1

Selected Districts and Cities for Survey



__Source:__ World Bank

The survey contained four modules to be answered by the beneficiaries listed in the program. Two of those modules could also be answered by other household members. Module 1 focused on the demographic profile of the beneficiary and the social assistance received during the COVID-19 pandemic. Module 2 focused on household characteristics and asset ownership, including the labor market status of each household member aged 10 or above. Module 3 focused on food intake and security and mechanisms to cope with pressures resulting from the pandemic. Lastly, module 4 was created uniquely for each program and related to the beneficiary's experience of that particular social assistance program, from registration, onboarding, to payment method and payment preference, how the beneficiary used their social assistance, and their use of financial services.

The survey results were complemented by an in-depth qualitative study using focus group discussions and in-depth interviews with program administrators, financial service providers, and selected beneficiaries. The qualitative study was conducted in stages. In the first stage, in-depth interviews were conducted with the project management office of Kartu Prakerja and representatives of the MoSA from May to August 2021. The next round consisted of in-depth interviews with the financial service providers for Kartu Prakerja—LinkAja, DANA, GoPay, OVO, and BNI. Once the quantitative data from the survey had been collected, focus group discussions with beneficiaries were conducted. The focus group discussions with Kartu Prakerja beneficiaries were conducted from January to February 2022. These were followed by focus group discussions with beneficiaries of PKH and Program Sembako from March to November 2022. In-depth interviews were also conducted with Kartu Prakerja, PKH, and Program Sembako beneficiaries to understand their experiences related to the benefits they received, for example their use of the benefits, how they implement the knowledge or skills they received, and their use of the account to make financial transactions.

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CHAPTER

02 Context

2.1 Program Keluarga Harapan

Background

Program Keluarga Harapan (PKH) was launched in 2007 and is a conditional cash transfer program targeting the poorest 20 percent of families in Indonesia. The program has supported 10 million families since 2018[6] and had a budget of Rp 28.71 trillion in 2022 (US$1.93 billion).[7] The PKH is managed and implemented by the Directorate of Social Security (Jaminan Sosial) at the Ministry of Social Affairs (MoSA) and is supported by 34,673 facilitators (Pusat Kajian Anggaran Badan Keahlian DPR RI 2022).

To be enrolled in the PKH, families must first be included in the Unified Social Welfare List, have a certain economic position (as calculated using the proxy means test explained in Box 1), and meet at least one of the five PKH family criteria. The family must include either a pregnant woman or breastfeeding mother; a child up to 6 years old; a child aged from 6 to 21 years old who has not completed 12 years of compulsory education (elementary, junior high, and senior high school); an elderly person aged 70 years or above; or a person with severe disabilities (physical or mental). The number of criteria met by the family determines the amount of PKH benefit they receive (see Table 1). The average benefit awarded is estimated to cover around 21 percent of the median monthly household consumption of the poorest 10 percent of families (Holmemo et al. 2020).

6 The program scaled up from less than five million beneficiaries in 2016 to ten million in 2018.

7 Using the September 9, 2022 rate of Rp 14,838.75 per US dollar. This rate is applied for all subsequent US dollar references throughout this report.

BOX 1

Proxy Means Testing to Calculate Economic Position of Household

In developing countries, identifying poor households is difficult because of a lack of data indicating a household's economic position, such as income data. Further, many developing countries have large informal sectors and many households do not pay tax. Hence, governments in developing countries must devise other methods to identify and target poor households.

Proxy means testing is one way to identify poor households. The method uses asset ownership, housing characteristics, and household demographic characteristics to predict income or expenditure. The predicted income or expenditure is used to rank households from poorest to richest, identify poor households, and create a list of beneficiaries (Banerjee et al. 2020)

The study uses proxy means testing to determine the economic position of the household of each beneficiary by categorizing them into quantiles (every 20%). The proxy means testing uses linear regression to proxy a household's monthly expenditure per capita using education status, employment status, housing characteristics, and asset ownership variables. The predicted monthly expenditure per capita is then plotted to the deciles already generated from the actual monthly expenditure per capita. The decile informs which group the household belongs to, from quantile 1 (the bottom 20%) to quantile 5 (the top 20%). The population reference for the proxy means testing in this study is based on the March rounds of the National Socioeconomic Survey (Survei Sosial Ekonomi Nasional; Susenas) of 2018, 2019, 2020, and 2021.

TAB. 1

PKH Benefits by Program Criteria

Criteria	Annual Benefit (Rp)	Annual Benefit (US$)	Note
Pregnant women/ breastfeeding mothers	3,000,000	202.2	A maximum of two pregnancies.
Child aged 0 to 6	3,000,000	202.2	Benefits are awarded for up to two children per family.
Child in elementary school	900,000	60.7	Benefit received for each child, with no limit on numbers.
Child in junior high school	1,500,000	101.1	Benefit received for each child, with no limit on numbers.
Child in senior high school	2,000,000	134.8	Benefit received for each child, with no limit on numbers.
Elderly (≥ 70 years old)	2,400,000	161.7	Benefits are awarded for just one elderly person per family.
Person with severe disability	2,400,000	161.7	Benefits are awarded for one disabled person per family.

Source: *Indonesia.go.id 2021 and Director General of Social Protection and Insurance Decision Letter No. 02/3/BS.02.01/01/2020*

The PKH benefit is disbursed using the Kartu Keluarga Sejahtera (KKS), a debit card and account provided by the government for social assistance transfers. The benefit is disbursed every three months for regions termed by the PKH as "regular" and every six months for areas that are more difficult to access (named "PKH Akses").[8] Every district and city in Indonesia has one designated state-owned bank, which is also a member of Indonesia's Association of State-Owned Banks (Himpunan Bank Negara; Himbara) and is responsible for distributing PKH payments. These are Bank Negara Indonesia (BNI), Bank Rakyat Indonesia (BRI), Bank Tabungan Negara (BTN), Bank Mandiri, or Bank Syariah Indonesia (BSI).[9] The bank centrally creates an account for the beneficiary after receiving from the MoSA the know-your-customer data of the mother or another adult woman in the family. This person is known as the PKH caretaker. The bank officials in each area then distribute a KKS card to each PKH caretaker allowing them to withdraw PKH benefits via ATMs or banking agents.[10] Any problem happening to KKS card will be solved in the branch office of HIMBARA Banks including PIN change, loss of card, etc.

The PKH is a conditional cash transfer and, as such, beneficiary families must comply with certain conditions, namely registering with and presenting at the nearest health/education/social welfare facility. The caretaker beneficiary must also attend family development sessions. Launched in 2014, these sessions are educational and are provided during monthly PKH beneficiary group meetings. The sessions aim to improve the beneficiary families with life skills (see Table 2 for the modules). PKH facilitators verify beneficiary compliance every month, including by visiting the health/education/social welfare facilities the beneficiary is required to attend. Beneficiary families who do not comply with program conditions are sanctioned, meaning that their PKH payments are temporarily stopped. During the COVID-19 pandemic, visits to facilities were postponed, as were the family development sessions.

8 I PKH Akses includes coastal areas, small islands and outer islands, remote areas, and border areas. According to DG Linjamsos Decision Letter No. 01/3/OT.01/02/2021, 1,236 subdistricts are considered PKH Akses. These are spread throughout 201 districts and 28 provinces. In addition to the less frequent disbursement, PKH Akses has a simpler process for recruiting facilitators, and each facilitator may manage fewer beneficiaries than managed by facilitators in regular areas. There are also differences in other aspects of the PKH business processes (for example, in validation, verification, family development sessions, and data updating).

9 Since July 2021, PKH benefits in Aceh province have been distributed by Bank Syariah Indonesia, the state-owned sharia bank which operates in line with Aceh's sharia law.

10 If beneficiaries withdraw money from an ATM belonging to their own bank, there is no charge. However, if beneficiaries withdraw money from an ATM belonging to another bank, or from a banking agent, there is a charge.

TAB. 2 Family Development Sessions as of December 2020

Module	Session
Children's education; parenting	• Becoming better parents • Understanding children's behavior • Understanding early childhood learning • Helping children to succeed at school
Health and nutrition	• Importance of nutrition and health services for pregnant mothers • Importance of nutrition for breastfeeding mothers and children under three years old • Childhood illnesses and the importance of a healthy environment
Financial management and business planning	• Managing family finances • Smart borrowing and saving • Smart use of banking facilities • Starting a business
Child protection	• Preventing violence against children • Preventing child neglect and exploitation
Social welfare	• Improving the well-being of the elderly • Supporting a severely disabled family member

Source: *MoSA 2020*

In response to the COVID-19 pandemic, the Government of Indonesia expanded the PKH program, increasing the coverage, the distribution frequency, and the amount given, and also provided additional benefits for PKH beneficiaries. In the first quarter of 2020, the number of PKH beneficiaries was 9.2 million. This increased to 10 million in April 2020 due to the pandemic measures. For April to September 2020, the PKH benefit was distributed monthly. Payments reverted to the quarterly schedule in October 2020. The amount of the PKH benefit was doubled for April to June 2020, equivalent to a 25 percent increase overall for 2020. PKH beneficiaries also received additional rice assistance of 15 kg per month for August to October 2020 and 10 kg in July 2021.

Enrollment and Payment Processes

The Center of Data and Information at the MoSA sends a list of candidate beneficiaries to facilitators, who then invite these candidates to attend a validation process, usually held in the office of the village head. The aim is to check whether the information that Pusdatin sends from the SIKS-NG platform (for example, names and ages of family members, their identification numbers, marital status, pregnancy status, disability status, severe illness status, educational attainment, main occupation, receipt of complementary programs) is correct and meets the PKH eligibility criteria.[11] Candidates are requested to bring their individual identity card, the Kartu Tanda Penduduk, and their family identity card, the Kartu Keluarga. Those who do not attend are visited at home.

The information from the validation process is then used by the state-owned bank allotted to that region to open a KKS account centrally in Jakarta. At focus group discussions, financial service providers for the PKH program mentioned encountering challenges when opening beneficiary accounts during the pandemic. At the beginning of the pandemic, each bank had a daily quota for the number of accounts it could open, but the government sharply increased the number of program beneficiaries and the quotas were insufficient. There was also some mismatched data between the MoSA and the Directorate General for Population and Civil Registration (Dukcapil), part of the Ministry of Home Affairs, that had to be updated by the MoSA.[12] This also hampered the opening of accounts. Opening of accounts was carried out centrally and then details were passed to branch offices. This became a challenge due to the physical distancing and mobility restrictions in place at the time.

PKH beneficiaries collected their KKS and savings book at the village office, assisted by bank staff. In general, PKH beneficiaries did not experience any issues in receiving their KKS and savings books. For those who experienced problems, the most common issue was the long time taken by the bank to create the savings book.

11 The SIKS–NG is the social welfare information system—next generation application.

12 The Dukcapil directorate holds the identity number database. Other databases that use identity numbers, as the Pusdatin database does, should ideally crosscheck them with Dukcapil.

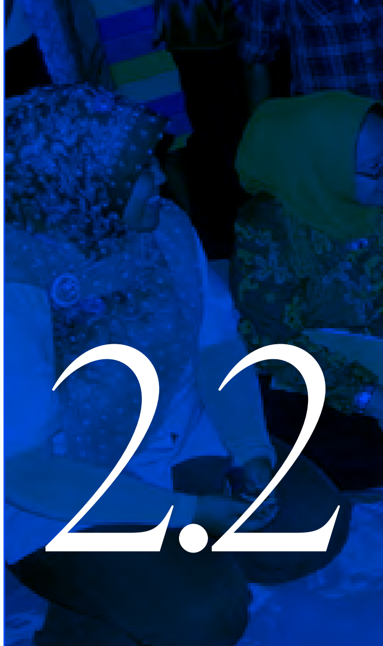
Almost all beneficiaries reported keeping their KKS themselves. Less than 8 percent of beneficiaries stated that their KKS was held by someone else, usually a PKH facilitator or the elected head of a group of beneficiary families. This is a practice that has been observed in the past and is strongly discouraged by the MoSA. Most beneficiaries and facilitators said they had been told that the KKS could be kept by other people (suggesting misinformation in the field) or that they were afraid to lose the KKS.

Only 17.5 percent of respondents knew that they must change the PIN for their KKS as soon as they received it, reflecting low financial capability and poor communication of this requirement. Among the respondents who did know, 41.3 percent were informed of this by a PKH facilitator and 23.2 percent by bank staff. However, only around one-third of those who knew they should change their PIN actually did so, and those who did not change it were generally afraid that they would forget the new number. Given this concern, communication of the need to change the PIN should be complemented by tips on how to remember the new number and an explanation of what the beneficiary should do if they forget it. Beneficiaries should be reassured that they will not lose the money but will need to identify themselves at a bank branch to reset the number.

Beneficiaries surveyed received the PKH benefits less frequently than they should have done. A beneficiary respondent joining the PKH before 2020 should have received PKH disbursements at least 11 times. However, most respondents had received six to eight PKH disbursements between April 2020 and the date they were surveyed in December 2021 or January 2022. The pandemic might contribute to this situation considering the staffing constraints and cash management. In addition, 37.9 percent of respondents stated they had experienced a wait of more than three months between their most recent payment and the payment preceding it.[13]

On average, beneficiaries received around Rp 716,558 (approximately US$48.3) in the most recent PKH distribution prior to the survey. As explained in this section, the amount of the PKH benefit depends on the number and type of PKH criteria the family meets. Almost 90 percent of PKH families meet only one or two criteria, with having children of elementary and junior high school age the two most reported criteria.

13 Only 1 subdistrict out of the 50 survey sample areas was categorized as PKH Akses (based on the Decision of DG Social Protection and Security No. 01/03/OT.01/02/2021).



2.2 Program Sembako

Background

Program Sembako, previously known as Bantuan Pangan Non Tunai, is food assistance that targets the poorest 30 percent of families in Indonesia. In 2022, Program Sembako covered 18.8 million beneficiary families and had a budget of Rp 45.12 trillion (approximately US$3.04 billion). The implementation of Program Sembako was managed by the Directorate General of Handling of the Poor (Penanganan Fakir Miskir) until 2021 and now falls under the Directorate General of Social Empowerment. Both directorates general are part of the MoSA.

Program Sembako provides Rp 200,000 (approximately US$13.5) per month to each beneficiary family, and this can be used to redeem eligible food items at an e-warong, a local shop that has been appointed as a provider of Program Sembako food (see Table 3).[14] Unlike the PKH, the Program Sembako benefit is disbursed to the e-wallet feature of the KKS, rather than the savings account. The benefit in the e-wallet can only be used using electronic data capture (EDC) facilities available in the e-warong. According to the Program Sembako Implementation Guideline of 2020 Addendum 1, each e-warong must hold at all times at least one carbohydrate, one animal-based protein, and one plant-based protein/mineral and vitamin from the approved list (see Table 3). Beneficiaries are not permitted to withdraw cash or purchase cooking oil, flour, sugar, milk, baby food such as formula milk, canned food, noodles, phone credit, cigarettes, or other items except those listed in Table 3. The benefit is disbursed monthly in regular areas or quarterly in geographically difficult areas.[15]

14 From 2017 to August 2021, e-warongs were appointed by Himbara. However, in MoSA Regulation No. 5/2021 on Implementation of Program Sembako, the authority to appoint e-warongs was switched to the MoSA, where it remains.

15 Geographically difficult areas include villages in Papua and West Papua.

TAB. 3
Food Items Available from Program Sembako

Source: *MoSA 2020b*

Carbohydrates	Rice, cassava, tubers, shelled corn
Animal-based proteins	Eggs, chicken, beef, fresh fish
Plant-based proteins	Tempe, tofu, nuts
Minerals and vitamins	Vegetables, fruit

In response to the COVID-19 pandemic, the government expanded Program Sembako, increasing the amount of the benefit and providing additional social assistance for beneficiaries. In the first quarter of 2020, the number of Program Sembako beneficiaries was 15.2 million. This increased to 20 million for April to December 2020, and fell to 18.8 million in 2021 and 2022. The government also introduced two additional initiatives under Program Sembako. First, Program Sembako PPKM food assistance was provided from July to December 2021. The program targeted an additional 5.9 million families who were chosen based on local government recommendations. Second, additional funds were provided to areas with extreme poverty. This was given from October to December 2021 to around 1.2 million families in 35 priority districts/cities. At the same time, the amount of the Program Sembako benefit was raised to Rp 200,000 (approximately US$13.5) for January to March/April 2020 from Rp 150,000 (approximately US$10.10).[16] In July and August 2021 the benefit was doubled to Rp 400,000 from the new higher level of Rp 200,000, meaning beneficiaries received 14 months of benefit that year. Furthermore, Program Sembako beneficiaries also received additional rice assistance of 10 kg in July 2021. Those Program Sembako beneficiaries who did not also receive PKH benefits were given a one-time cash payment of Rp 500,000 in August 2020 (approximately US$33.70).

Enrollment and Payment Processes

Program Sembako beneficiaries were selected based on SIKS-NG data. Most survey respondents reported receiving information on Program Sembako enrollment from their local government. Similarly with PKH, Program Sembako beneficiaries were asked to bring their individual and family identity cards, the KTP and KK, to the village office in order to collect the KKS and saving book. However, during focus group discussions, one beneficiary stated that she did not receive her KKS and was told to always bring a copy of her KTP and KK to collect the Program Sembako food package. Another beneficiary stated that she did not receive the

16 From 2017 to August 2021, e-warongs were appointed by Himbara. However, in MoSA Regulation No. 5/2021 on Implementation of Program Sembako, the authority to appoint e-warongs was switched to the MoSA, where it remains.

One of the modules is on financial inclusion where beneficiaries are thought on basic financial literacy including the privacy of their KKS.

savings book, only the KKS. Both thought this was not a problem as they perceived the KKS as a food coupon, not "real" money. The features of the KKS card for PKH and Program Sembako can be observed in Table 4.

More Program Sembako beneficiaries relied on someone outside their household for safekeeping of their KKS (12.9 percent), than did PKH beneficiaries (7.4 percent). Almost 39 percent of those Program Sembako respondents whose KKS was held by someone else said it was held by the e-warong, the banking agent appointed by Himbara. They stated that they were told the KKS could be kept by others or were concerned they might lose it. This gap between PKH and Sembako beneficiaries might be coming from the Family Development Session given to PKH beneficiaries. One of the modules is on financial inclusion where beneficiaries are thought on basic financial literacy including the privacy of their KKS.

The proportion of Program Sembako beneficiaries who knew that they must change their KKS PIN was lower than that of PKH beneficiaries: 11.6 percent compared to 17.5 percent. The absence of information suggested very poor financial education at the time the KKS was given, a lack of prioritization of this topic in further communications, and/or insufficient communication between Program Sembako administrators and beneficiaries. Among those beneficiaries who knew they should change their PIN, 29.5 percent had been told this by bank staff and 24.4 percent by program facilitators. Less than a quarter of those who knew to change their PIN did so, and those who did not either did not know how to change it or were afraid they would forget the new number.

Benefit provided under Program Sembako cannot be cashed out and can be used only to purchase eligible food items provided by an e-warong. Most e-warongs are individual banking agents. However, more than 36 percent of the respondents stated that the e-warong that they most often visited did not sell staple foods in the normal course of its business. They were individual banking agents who purchased food items only for the Program Sembako distribution, or even operated only at the time of Program Sembako disbursement. Such e-warongs might be located in another villager's house, a village office, or a store.

Unfortunately, 84.5 percent of respondents claimed they could not choose which e-warong to go to for the most recent disbursement prior to the survey. Approximately 65 percent of respondents stated there was only one e-warong in their village, leaving them with no choice. Meanwhile, the remainder may not have been free to choose which to go to even if there was more than one in the village, due to instructions from program facilitators or local government officials. Around 96 percent of respondents stated the e-warong they most frequently go to was accessible on foot or by a motorcycle journey of less than 20 minutes.

Most respondents who had enrolled in Program Sembako before 2020 received disbursements less frequently than they should. Beneficiaries reported receiving Rp 513,883 on average in the most recent disbursement. Only 21.7 percent of the beneficiaries received one-monthly disbursement in the most recent disbursement; 23.0 percent of beneficiaries received two-monthly disbursement. These indicate that payment for multiple months combined into one lump sum. Most beneficiaries (86.8 percent) came directly to the e-warong to use the Program Sembako benefit. The remainder went to a distribution point—such as a village office, the home of a neighborhood head (the *rukun tetangga* or *rukun warga* [RT/RW] head]) or of another beneficiary—to collect the food, or had the food delivered to their home. The latter applied mostly in the case of the elderly and people with disabilities.

TAB. 4 Features of the KKS Card for PKH and Program Sembako

Kartu Keluarga Sejahtera (KKS)	Program Keluarga Harapan (PKH)	Program Sembako
	• Savings in the form of bank account; cash can be withdrawn • Savings product is a basic savings account • Facilitates the distribution of PKH and other social assistance	• E-wallet and saving account • Can be used to purchase certain food items; cash cannot be withdrawn • Beneficiaries receive a quota for the goods they can purchase • Facilitates the distribution of non-cash food assistance, 3 kg of LPG, and other goods assistance • Savings features in some banks are automatically available, but others require a separate activation process

Source: *World Bank*

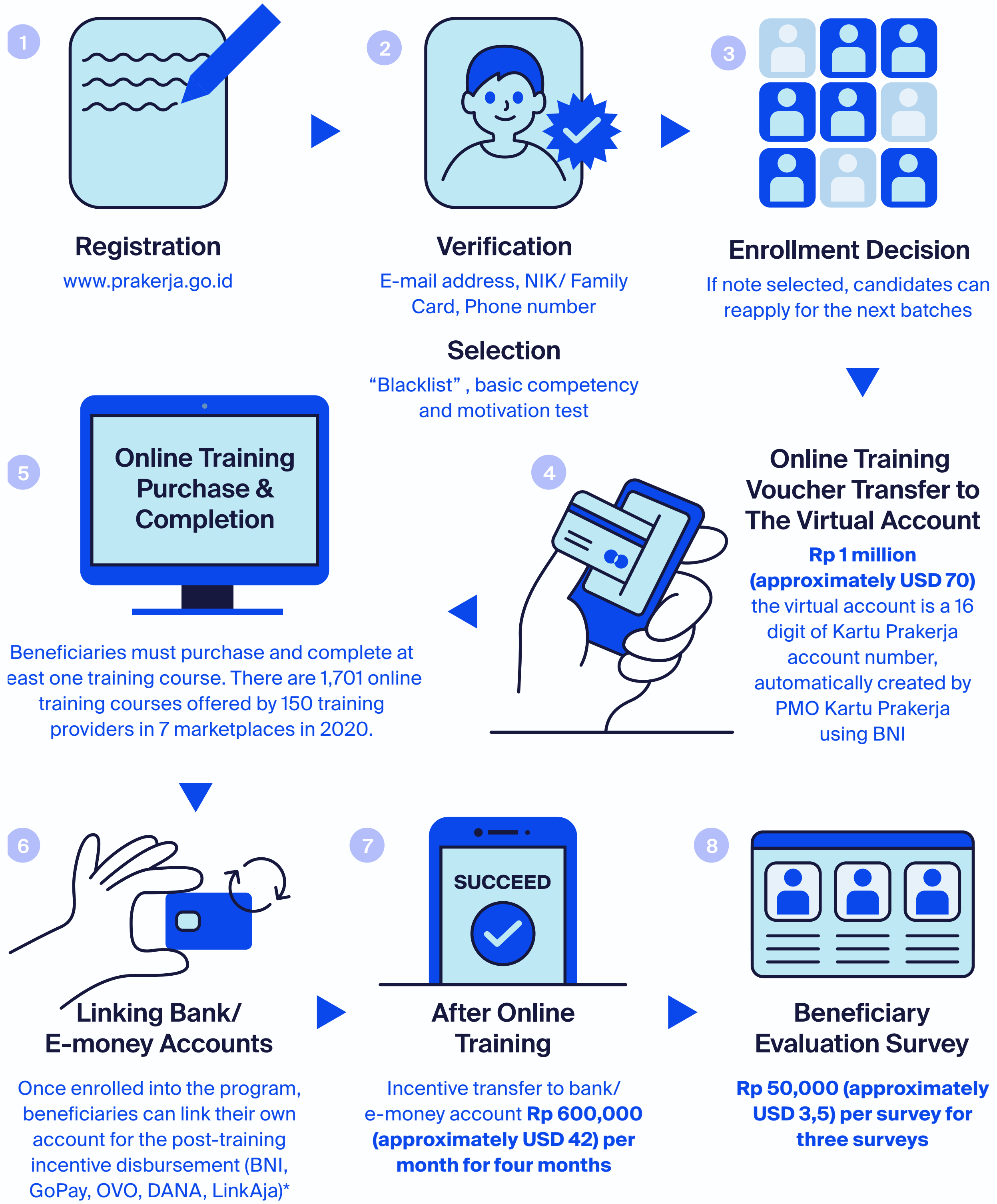
2.3 Kartu Prakerja

Background

Kartu Prakerja is a work and entrepreneurship competency development program for jobseekers, laid-off workers, and workers interested in upskilling or reskilling. It is managed by the project management office of Kartu Prakerja at the Coordinating Ministry of Economic Affairs. According to Presidential Regulation No. 76/2020, the objectives of the Kartu Prakerja program are developing labor force competency, increasing labor force productivity and competitiveness, and nurturing entrepreneurship**.** However, the program was introduced during the COVID-19 pandemic and the government added financial assistance through Presidential Decree No. 76/2020. Kartu Prakerja is the first social program in Indonesia that is implemented digitally from end to end and in which the needs of the recipient are placed at the center of the G2P payment mechanism. In order to be selected as a Kartu Prakerja beneficiary, a person must be a citizen of Indonesia aged 18 or older; they must not be enrolled in formal education; and must be looking for work, laid off, or wanting to develop their skills and competencies, especially in the case of unsalaried workers and micro and small business owners. The person must never have received any social assistance related to COVID-19; must not be working as a civil servant, national or subnational member of parliament, village head, member of the village government, or armed forces (military or police); must not be on the board of directors, board of commissioners, or board of supervisors of a state-owned enterprise, whether national or subnational. A maximum of two members in a family can benefit from the program, a rule implemented in 2021.

As of November 2022, beneficiaries were receiving support worth Rp 3.55 million (US$239.20), consisting of a training voucher (Rp 1 million), post-training cash incentives (Rp 600,000 per month for four months), and incentives for participating in evaluation surveys (Rp 50,000 per survey for three surveys). The beneficiaries are allowed to choose their preferred type of account for transactions (either a bank or e-money account[17]) to receive the post-training incentive. Figure 2 explains the journey for a user of Kartu Prakerja, from registration to receipt of post-training incentive.

FIG. 2 Delivery Phases for Kartu Prakerja



Source: *Project management office of Kartu Prakerja*

17 Electronic money or e-money usually uses a mobile phone to store the monetary value. Due diligence is conducted to record the identity information of the account owner.

Kartu Prakerja is the first social program in Indonesia that is implemented digitally

In 2020, 5.5 million people were selected from 43.8 million applicants to benefit from the program, according to the project management office for Kartu Prakerja. These beneficiaries were divided into 11 batches and 1,701 training courses were provided by 150 institutions. The training is sold on seven digital platforms. Beneficiaries were located across 514 cities and districts in 34 provinces in Indonesia. Unlike PKH and Program Sembako, Kartu Prakerja does not prioritize women. In 2021, the number of Kartu Prakerja beneficiaries increased to 5.9 million, again in 11 batches (Kartu Prakerja Program Project Management 2021). In 2020 and 2021, the government disbursed a total of Rp 26.96 trillion (approximately US$1.82 billion) for Kartu Prakerja: Rp 13.36 trillion (approximately US$0.9 billion) in 2020 and Rp 13.6 trillion in 2021 (approximately US$0.92 billion). In 2022, the government allocated Rp 11 trillion for Kartu Prakerja, sufficient to fund 3 million to 4.5 million beneficiaries.

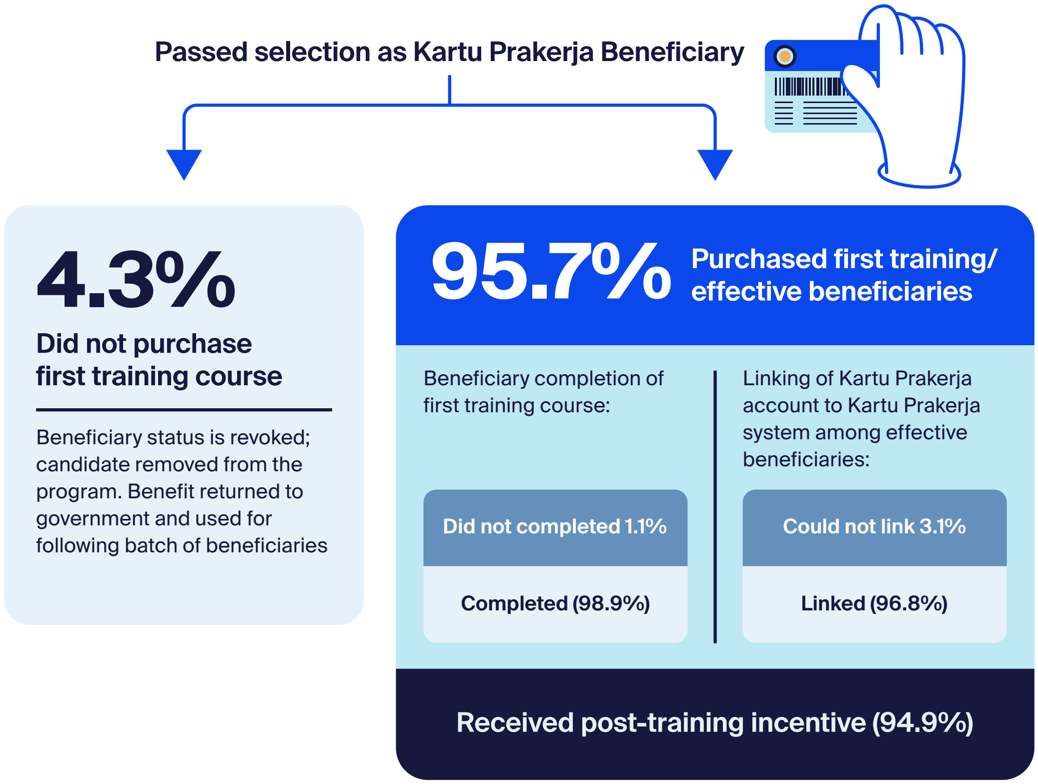
To be considered for the Kartu Prakerja scheme, neither the candidate nor their spouse may be in receipt of other social assistance, including PKH and Program Sembako benefits. However, having other relatives living in the same house and receiving social assistance is not an obstacle to receiving Kartu Prakerja benefits. The beneficiaries themselves may also start receiving these other forms of assistance once they have completed the Kartu Prakerja program. See Section 2.4 for details of beneficiary characteristics.

Enrollment and Payment Processes

Anyone wishing to register for Kartu Prakerja must apply via the program website. Most beneficiaries already had an email address before registering for Kartu Prakerja (82.9%) but most had never previously attended any training, whether offline or online (83.1%).

After passing the selection process, the applicants had to purchase at least one training course. The survey found 95.7 percent of those who passed the selection process successfully enrolled by purchasing their first training course. At this stage the participants are called effective beneficiaries. Any selected applicant who had not purchased training 30 days after the selection announcement was dropped from the program. The most common reason for not buying the first training course was that a person did not know they had passed the selection process (39.2%). Kartu Prakerja attempted to prevent this by sending a notification via SMS.

FIG. 3
Kartu Prakerja Beneficiary Journey



Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*

Effective beneficiaries of Kartu Prakerja are those who successfully purchase a first training course. The survey shows that 66.9 percent of selected potential beneficiaries were able to register smoothly to the program, though Kartu Prakerja is the first and currently the only end-to-end digital active labor market program in Indonesia. Where difficulties were experienced in registering this was attributed mostly to failure in the verification of identity, poor internet or network connection, or an inability to follow the registration instructions.

To receive the post-training incentives, Kartu Prakerja beneficiaries must complete the first training course and link their bank or e-money to the Kartu Prakerja system. Almost all (98.9 percent) Kartu Prakerja beneficiaries completed the first training. Unlike PKH and Program Sembako, Kartu Prakerja allows beneficiaries to use any bank or e-money account from one of six payment service providers, meaning beneficiaries may be able to use an account they already have or can create e-money accounts from home. This time, 96.8 percent of effective beneficiaries successfully linked their bank or e-money account. An inability to link is attributed both to a lack of understanding on how to link and incorrect beneficiary data held by Kartu Prakerja. At the end of the program, 94.9 percent of survey respondents who were effective beneficiaries had received their post-training incentive (Rp 600,000 per month for four months).[18] Figure 3 summarizes the user journey for Kartu Prakerja beneficiaries.

Some beneficiaries who succeeded in linking their bank or e-money account did report having other difficulties. The Prakerja beneficiaries has their own Prakerja dashboard where they have to add and link their preferred payment account to receive the incentive. Difficulties in the linking process were encountered mostly by those who used e-money. The difficulties included the e-money account not being upgraded through the know-your-customer process to add additional features such as payment services; poor internet signal or network; failed phone number verification; and failed identity verification. Meanwhile, those who failed to link their bank account or e-money mostly stated they did not understand how to carry out the linking.

18 According to the National Labor Force Survey (Survei Angkatan Kerja Nasional; Sakernas) of February 2021, 92.9 percent of Kartu Prakerja beneficiaries who passed the selection process completed their training. Further, is 91.7 percent of beneficiaries who passed the selection process had received their post-training incentive.

BOX 2

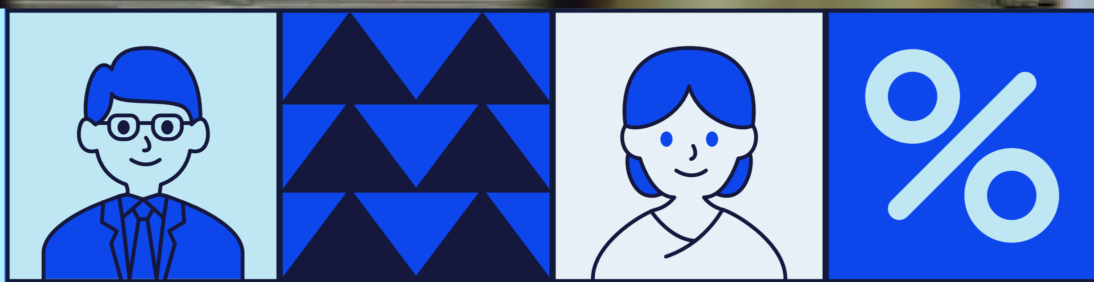
Kartu Prakerja Beneficiaries' First Experiences of Using Financial Services

Kartu Prakerja beneficiaries were required to have a bank account or e-money to receive the program incentive. It emerged from focus group discussions that several beneficiaries opened their bank account or e-money at the time they were accepted into the Kartu Prakerja program.

For those who preferred to use a bank account to receive the benefit, the most common reasons were that opening an account was relatively easy and they had good access to ATMs, banking agents, and branch offices, or that they had experienced difficulties opening an e-money account because their e-KTP data had not been accepted. Another reason cited for choosing a bank account over an e-money is that it can also be used to save money, cash can be withdrawn easily and quickly via ATM or banking agents and at no cost, and they trusted banks more than e-money providers. Several beneficiaries preferred to open an account with a bank that had online facilities as well as physical branches in order to avoid long queues. Meanwhile, the remaining beneficiaries opened bank accounts at physical branches since they did not understand how to open them online or encountered problems in doing so.

Beneficiaries who preferred to use an e-money to receive the benefit cited practicality as the main reason for doing so. For example, they liked not having to go to a bank branch to open an account. They also stated a belief that an e-money gives more benefits than a bank account, such as having a feature to check their balance, make transfers and payments online, and lower costs when transferring money. Of course, many banks do provide these options.

Participants in focus group discussions also said they withdrew their benefits in cash to use as business capital and meet their daily expenses. This was the case both for beneficiaries use a bank account and for those using an e-money. The beneficiaries do this because cash is the main payment method where they live and because they have a low level of digital financial literacy. There were, however, some participants in the focus group discussions who said they knew about digital financial transactions, but did not know how to conduct them.



2.4 Comparing Beneficiary Characteristics

This section describes the key characteristics of respondents in the survey and the differences across the three programs. These differences, particularly those related to demography, economic status, length of time in program, and the access points available to them—ATMs, banking agents, bank branches—can be helpful for interpreting results and better understanding beneficiaries' G2P experiences. All figures presented in this section are calculated by using survey weight to ensure they are representative at the national level.

Demography

Unsurprisingly, the surveyed beneficiaries of PKH and Program Sembako tend to be different to those of Kartu Prakerja, given the program design and targeting criteria. The PKH and Program Sembako beneficiaries are older than Kartu Prakerja beneficiaries. As shown in Figure 4, 43.8 percent of Kartu Prakerja beneficiaries were below 30 years old and 48.3 percent were 30 to 49 years old. Meanwhile, 73.5

percent of PKH respondents were 30 to 49 years old and 20.2 percent were 50 years old or more. Similarly, most Program Sembako respondents were 30 to 49 years old (46.1%) and 50 years or older (47.9%).

The majority of PKH and Program Sembako beneficiaries were female, while Kartu Prakerja respondents were more evenly balanced between genders (Figure 5). Almost all PKH (94.6%) and Program Sembako (84.1%) beneficiaries were female, while 46.1 percent of Kartu Prakerja respondents were female and 53.9 percent male. The study conducted a consistency check of Kartu Prakerja respondents, cross checking against data from the Kartu Prakerja management office, and found the gender composition to be very similar to data reported by the program in 2020, when 45 percent of beneficiaries were female and 55 percent male (Kartu Prakerja Program Project Management 2020).

FIG. 4
Distribution of Age Group (%)

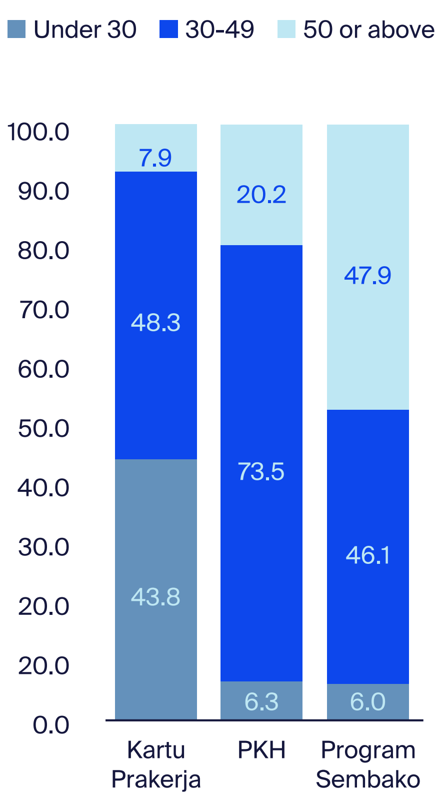


FIG. 5
Distribution of Gender (%)

Female Male

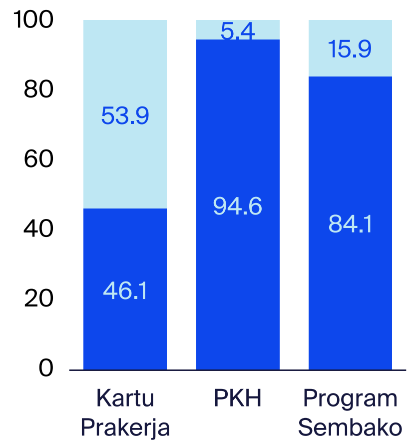
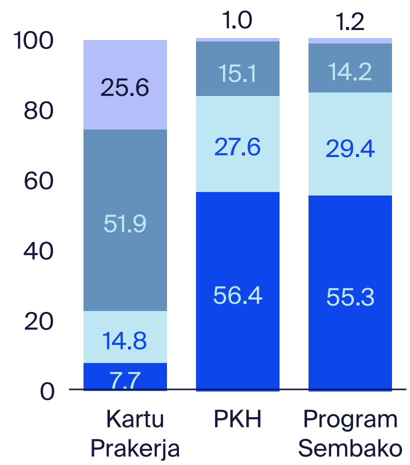


FIG. 6
Distribution of Educational Attainment (%)

- Beyond senior high school
- Senior high school
- Junior high school
- Up to and including elementary school



Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*

Most PKH and Program Sembako respondents had some elementary schooling only, while half of Kartu Prakerja respondents had completed senior high school. The survey found 56.4 percent of PKH beneficiaries and 55.3 percent of Program Sembako beneficiaries had some elementary school education. Kartu Prakerja respondents were more educated, with 51.9 percent having some schooling at senior high level (Figure 6).[19]

Less than half of the respondents in each of the three programs are the head of their household (Figure 7). Only 16.1 percent of PKH respondents act as household head, while 26.8% of Program Sembako respondents do so. In contrast, 43.9% of Kartu Prakerja respondents act as household head. Most respondents in all three programs, especially PKH and Program Sembako, have married at some point (Figure 8), meaning they are either currently married, divorced, or widowed. This also means that PKH and Program Sembako respondents were more likely than Kartu Prakerja respondents to bear caring responsibilities.

FIG. 7
Position of Respondent in Household (%)

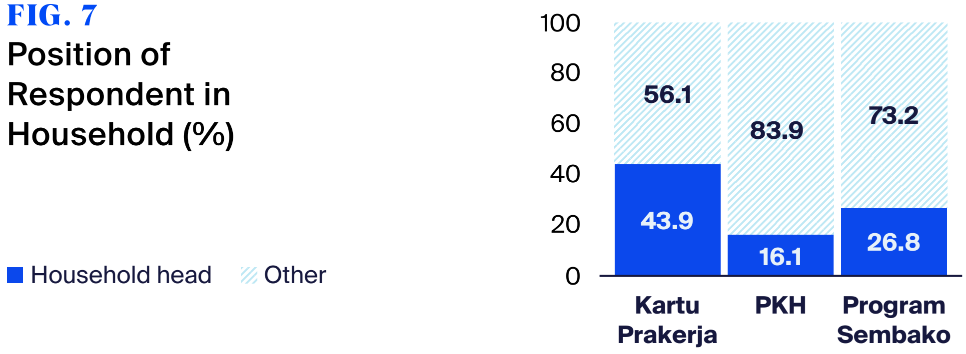
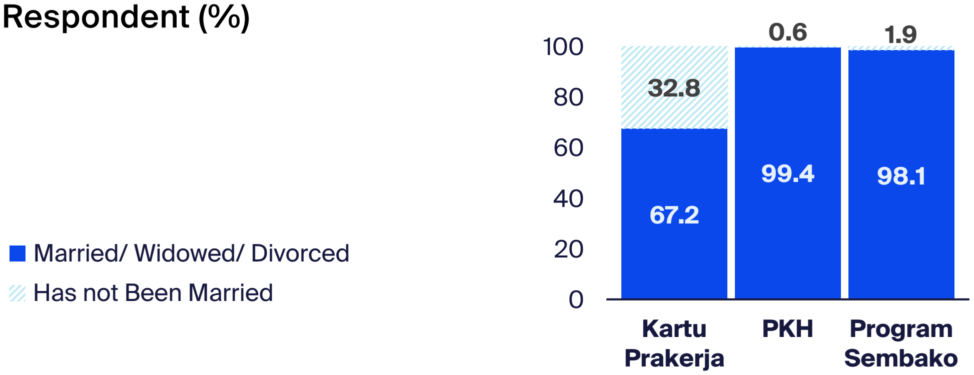


FIG. 8
Marital Status of Respondent (%)



Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*

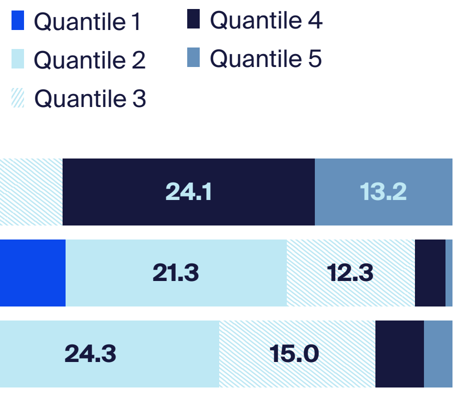
19 The educational level of Kartu Prakerja beneficiaries in this survey was slightly higher than that of the actual beneficiaries in 2020, as found during a consistency check. Around 9 percent of Kartu Prakerja beneficiaries in 2020 have only some elementary schooling (Kartu Prakerja Program Project Management 2020).

Economic Condition

The PKH and Program Sembako survey respondents have almost similar quantile characteristics based on proxy means testing (Figure 9).[20] The survey found that 62.8 percent of the households of PKH respondents and 53.4 percent of Program Sembako households were in the bottom 20 percent (quantile 1). A consistency comparison was made with the Susenas of 2021 (March round), which found that 39.8 percent of PKH beneficiary households and 35.8 percent of Program Sembako beneficiary households were in the bottom 20 percent (quantile 1). Meanwhile, Kartu Prakerja respondents were almost equally distributed across quantiles. This reflects the targeting of the programs. PKH targets poor households, while Program Sembako targets households in the bottom 40%. Meanwhile, Kartu Prakerja does not have eligibility requirements related to poverty or quantile position—it is an active labor market initiative that targets those who are unemployed and/or seek new employment, regardless of their socioeconomic condition.

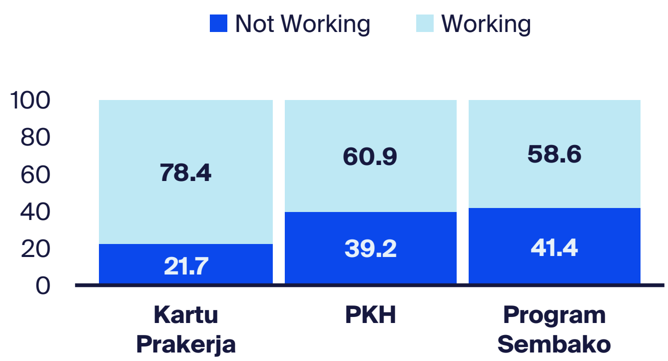
20 The quantile position is inferred based on the characteristics of a household at the time of the survey, such as the demographic composition of its members, the labor market characteristics of its members, asset ownership, and house characteristics. The reference population comes from Susenas, the National Socioeconomic Survey, for 2018 to 2021 (March round) to determine the decile position. The quantiles are the bottom 20 percent, the middle 20 percent, and the top 60 percent because the targeted beneficiaries for social assistance programs are in the bottom 40 percent. For the PKH, the targeted beneficiaries are within the bottom 20 percent. Hence, analysis of the top 60 percent is unnecessary. See Box 1 for information on proxy means testing.

FIG. 9
Distribution of Household Quantile Position Based on Proxy Means Testing, Fourth Quarter 2021 (%)



Source: World Bank calculations using data from the Social Assistance and Government-to-Person Survey.

FIG. 10
Beneficiaries Working, Fourth Quarter 2021 (%)



Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*

The difference between Kartu Prakerja beneficiaries and PKH and Program Sembako beneficiaries is also apparent in their employment. By design, Kartu Prakerja beneficiaries are more likely to already be in the labor force, since the program targets both the employed and unemployed. Beneficiaries applied to the Kartu Prakerja program to improve their skills and competitiveness in the labor market. In the fourth quarter of 2021, during the period of the survey, Kartu Prakerja beneficiaries had already received the program, having completed their training and reskilling, meaning they may have been more employable. As shown in Figure 10, more than 78 percent of Kartu Prakerja beneficiaries were working. This share is higher than for PKH and Program Sembako beneficiaries, where only around 60 percent were working.[21]

21 This study defines working as engagement in paid work/ income-generating activity. Meanwhile, not working is as defined as otherwise, such as participate in the labor market but unemployed or not participate in the labor market.

FIG. 11

Working Beneficiaries by Formality, Fourth Quarter 2021 (%)

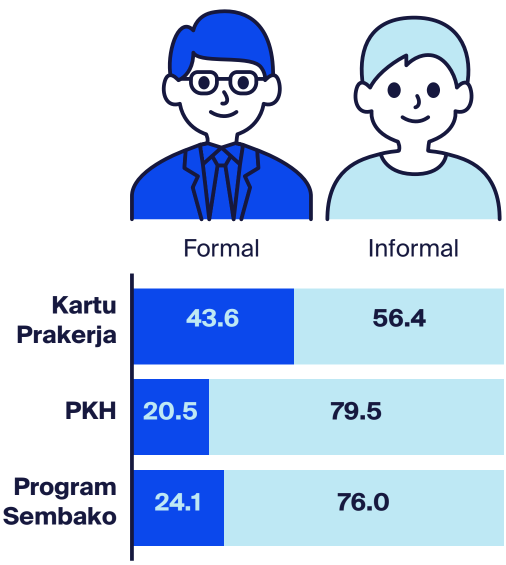
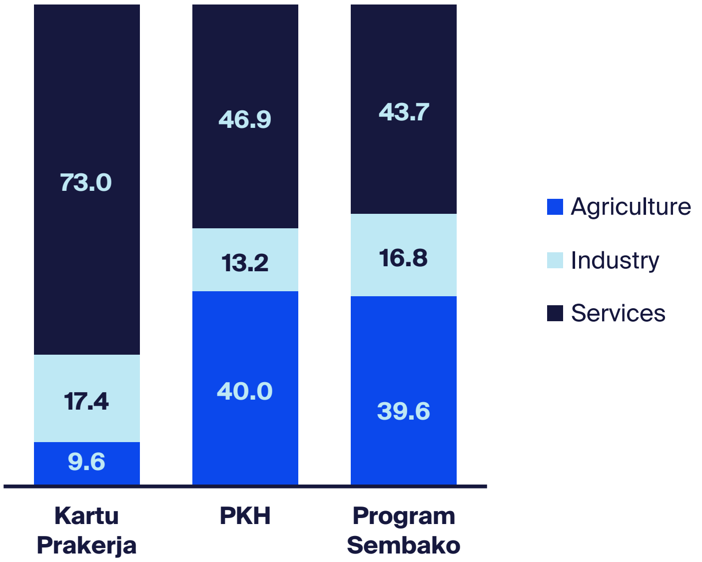


FIG. 12

Working Beneficiaries by Sector, Fourth Quarter 2021 (%)



Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*

Among beneficiaries of all programs who were working, Kartu Prakerja beneficiaries were more likely than PKH and Program Sembako beneficiaries to be working in the formal sector. Figure 11 shows that 43.6 percent of Kartu Prakerja beneficiaries who were working in the fourth quarter of 2021 were formal workers,[22] with almost all occupied as employee. However, more than three-quarters of PKH and Program Sembako beneficiaries were informal workers. In terms of work sector, Kartu Prakerja beneficiaries were mostly working in the services sector—more than 70 percent (Figure 12). PKH and Program Sembako beneficiaries were mostly working in agriculture and the services sector.

22 In line with the BPS definition, this study defines a formal worker as someone whose work status is either own account with paid worker (employer) or employee. An informal worker is defined as someone whose work status is either own account, own account with unpaid worker, casual worker, or unpaid/ family worker.

Length of Time in Program

Beneficiaries have been engaged in the programs for differing lengths of time. Almost one-quarter of PKH respondents received their first PKH assistance in 2016 or before (Figure 13). Less than 10 percent of PKH respondents received their first PKH assistance in 2020 (9.3%) or 2021 (8.7%). The largest share of Program Sembako beneficiaries first received the assistance in 2020—34.3 percent (Figure 14)—and 27.5 percent first received it in 2021. For Kartu Prakerja respondents, the study took sampled beneficiaries from batches 7 to 11, who enrolled in the last quarter of 2020. The majority of these, however, came from batch 7 (29.3%), batch 8 (27.8%), and batch 9 (27.6%) as depicted in Figure 15.

FIG. 13
Respondents' First PKH Payment (%)

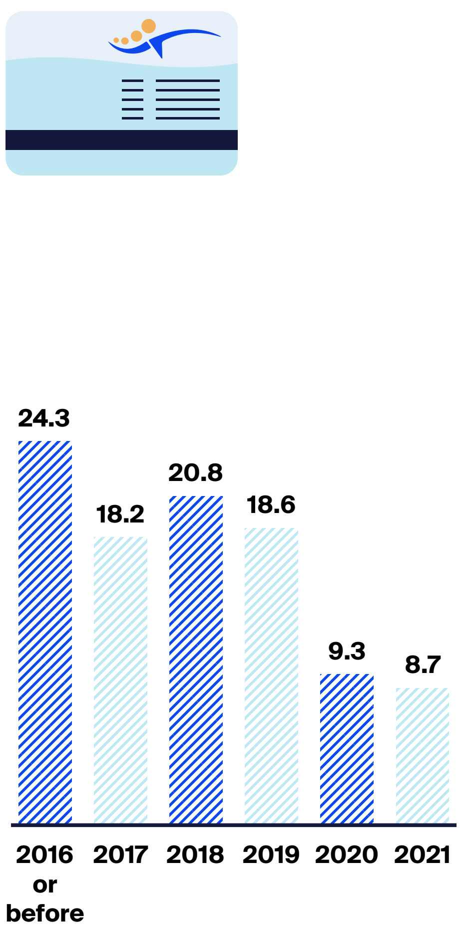


FIG. 14
Respondents' First Program Sembako Assistance (%)

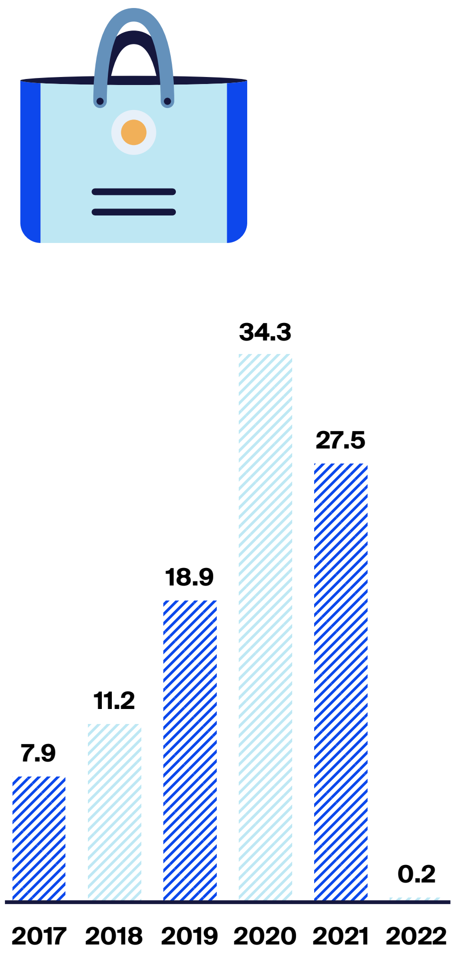
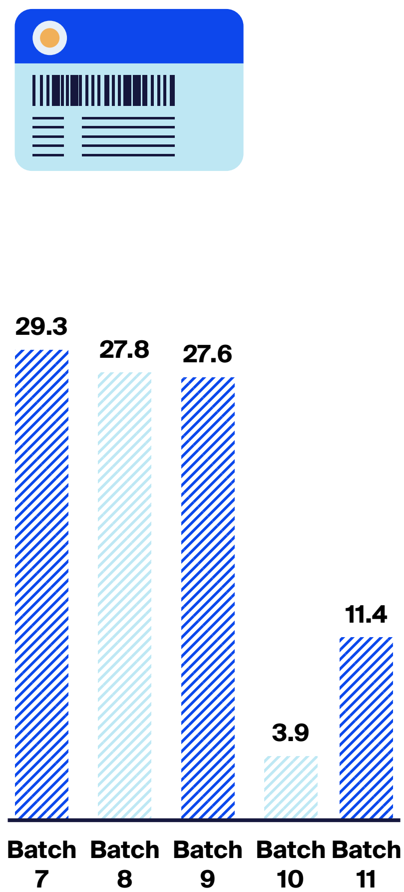


FIG. 15
Distribution of Kartu Prakerja Respondents (%)



Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*

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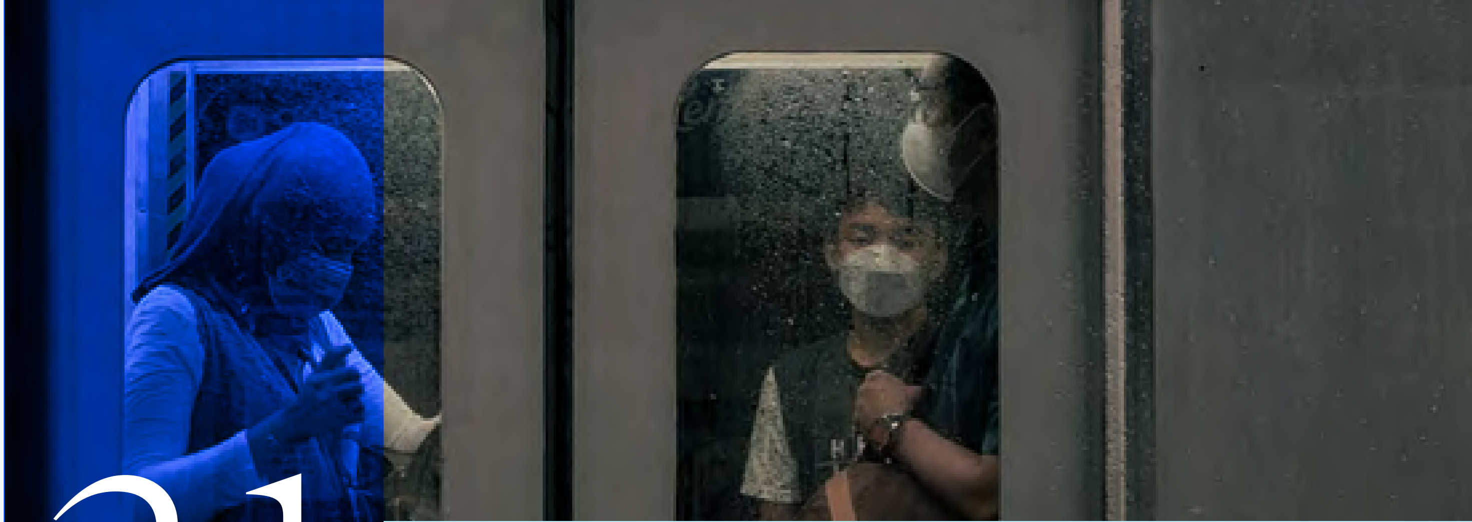
CHAPTER 03

G2P Payment Architecture in Indonesia



3.1 G2P Digitization in Response to COVID-19

The Global Findex Database 2021 revealed that global digitalization of government payments, including social assistance, has resulted in increased account ownership. Among adults in developing economies with an account at a financial institution, roughly 865 million opened their first account to receive money from the government. This includes 423 million women. Worldwide account ownership has reached 76 percent of the global population and 71 percent of people in developing countries (Demirguc-Kunt et al. 2022).

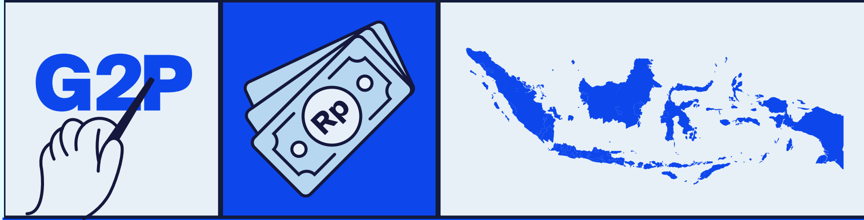
The Global Findex Database 2021 highlighted how COVID-19 has catalyzed growth in the use of digital payments in developing economies. In developing economies, more adults paid utility bills directly from an account during the pandemic, increasing from 14 percent in 2017 to 18 percent in 2021. The share of adults in developing economies making a digital merchant payment also increased after the outbreak of COVID-19.[23] More than 80 million adults in India made their first digital merchant payment during the pandemic. Similarly in China, 82 percent of adults made a digital merchant payment in 2021 including over 100 million adults (11 percent) who did so for the first time. In developing economies excluding China, 20 percent of adults made a digital merchant payment in 2021. Electronic money has become an important enabler of financial inclusion in Sub-Saharan Africa—especially for women—both as a driver of account ownership and of account use through mobile payments, saving, and borrowing.

23 The Global Findex Database 2021 defines a digital merchant payment as the use of a debit or credit card or a mobile phone to make a purchase in-store or to pay online for an internet purchase.

Some governments have also made explicit efforts to increase digital use of accounts. The Auxilio Emergencial program in Brazil, a response to the Covid-19 socio-economic crisis in Brazil, prohibited beneficiaries from cashing out immediately. Instead, there was a period of between 10 to 53 days in which beneficiaries could only use the account to make transfers or digital payments (World Bank 2022c). Of the funds transferred by Auxilio Emergencial to mobile money accounts, 75 percent was used digitally and only 25 percent was cashed out.

Not only does account ownership increase among beneficiaries, but also account use. In Colombia, for example, of the 1.7 million beneficiaries of the social assistance program Ingreso Solidario who received their payment through a mobile money account, 22 percent also made deposits or received other payments into their account and 23 percent transferred money to peers (World Bank 2022c).

Scaling up social assistance in response to the COVID-19 pandemic provided momentum for many countries to advance their payments systems to ensure the delivery of assistance in a secure, quick, transparent, and accountable manner. The pandemic also encouraged contactless interactions including in social assistance, from onboarding to disbursement and benefit use. Easy and simplified financial service onboarding, financial literacy, openness and interoperability between payment channels, and a supporting digital ecosystem are some of the critical elements to ensure the delivery of secure, fast, transparent, and accountable digital financial services.



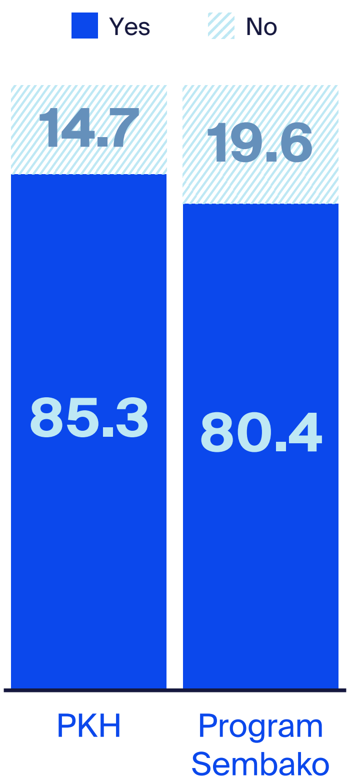
3.2 G2P Payment Reform in Indonesia

Social assistance was distributed manually in Indonesia, mostly as cash or in-kind benefits, until the financial crisis of 1997 and 1998. After the national reforms of 1998, the G2P payment architecture evolved: subsidies and cash assistance were transferred through banks, non-financial institutions, and non-bank financial institutions. However, Presidential Regulation (PERPRES) No. 63/2017 concerning Non-cash Distribution of Social Assistance provided the foundation for a new chapter of digital reform of social assistance payments in Indonesia. Following the regulation, PKH and Program Sembako gradually shifted from cash distribution to direct transfers to beneficiary bank accounts. The providers of the accounts are the five state-owned banks (Tim Nasional Percepatan Penanggulangan Kemiskinan et al. 2020).

The government benefits in many ways from distributing social assistance digitally rather than as cash. First, in the case of PKH, efficiency and transparency have improved. Digitalization has supported the MoSA in implementing six main principles for PKH: right target, right and appropriate amount, on time, better quality of service, efficient governance, and transparent and appropriate cost for delivering the benefits. Second, by switching to bank transfer in 2017, the MoSA gained efficiency in distribution costs. Prior to this, cash had been distributed by PT Pos Indonesia, the state-owned postal service. The MoSA is also now able to track transfers using a Ministry of Finance system, OMSPAN[24], helping it to monitor and solve problems in a timely manner. Third, the program has successfully increased access to financial services in Indonesia, especially for the low-income population. Fourth, the digitalization carried out to date can accelerate and facilitate the future integration of all social assistance in Indonesia. Programs currently use different databases, and integration can only be achieved if they are all digitized. By using bank and e-money accounts rather than cash, beneficiaries will in the future be able to use the same account for other social assistance.

24 Online Monitoring - *Sistem Perbendaharaan dan Anggaran Negara* or OMSPAN is a system owned by the MOF to monitor the transfer process to beneficiary's account by the HIMBARA Banks in online and real time manner.

FIG. 16
Account Opened for PKH and Program Sembako Is First Bank Account (%)



Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*

Impact on Financial Inclusion

The ongoing reforms of the G2P payment architecture could enable social assistance to not only act as a safety net for the poor but also to contribute to other long-term goals such as financial inclusion. The Global Findex Database 2021 shows that 16 percent of Indonesian adults—or 31 percent of those with an account at a financial institution—opened their first account specifically to receive a government payment (Demirguc-Kunt et al. 2022). Indonesia began its G2P digitization gradually in 2017 by transferring benefits directly to the bank accounts of more than six million PKH beneficiaries. Despite the limited options of payment instruments available to beneficiaries and challenges arising from the centralized system, digitization has increased financial inclusion and brought benefits to the individual programs. Account ownership in Indonesia has grown by 32 percentage point over the past decade, from 20 percent in 2011 to 52 percent in 2021. This growth has supported equitable inclusion, in terms of reducing the income gap and facilitating women's inclusion. In 2017, the poor were 20 percentage points less likely than the rich to have an account. The account ownership gap between rich and poor narrowed between 2017 and 2021, when the poor were only 8 percentage points less likely than the rich to have an account. The data also showed almost no gender gap in account ownership in 2021; women (52%) were slightly more likely than men (51%) to have an account (Demirguc-Kunt et al. 2022).

This study confirms that the non-cash social assistance provided by the PKH, Kartu Sembako and Kartu Prakerja programs had a positive impact on financial inclusion in Indonesia. Figure 16 shows that 85.3 percent of PKH beneficiaries and 80.4 percent of Kartu Sembako beneficiaries stated that the KKS account was their first bank account. Receiving a government payment has become the entry point for the poor to access formal financial services.

Kartu Prakerja is the first social assistance program in Indonesia allowing disbursement of funds into e-money accounts and it has contributed to increased access to digital financial services. By the end of 2021, Kartu Prakerja had distributed training vouchers and post-training incentives to 11.4 million beneficiaries. The beneficiaries were able to receive these through either an account with BNI or with one of four major providers of e-money accounts: GoPay, DANA, LinkAja, and OVO. Among beneficiaries who used an e-money account to receive the Kartu Prakerja incentives, almost half (49.8%) opened their first e-money account because they had joined the program, while 26.9 percent already had the account prior to joining the program (Figure 17). Furthermore, the survey found that Kartu Prakerja beneficiaries had greater access to digital financial services (86.7%) compared to PKH and Kartu Sembako beneficiaries (Figure 18). The bank accounts that beneficiaries use to access PKH and Program Sembako benefits come with a debit card, but are basic savings account with no mobile banking service. To provide a valid comparison among three programs, this report limits the definition of access to digital financial services to having e-money and/or a bank account with mobile banking.

FIG. 17
Kartu Prakerja Beneficiaries (%)

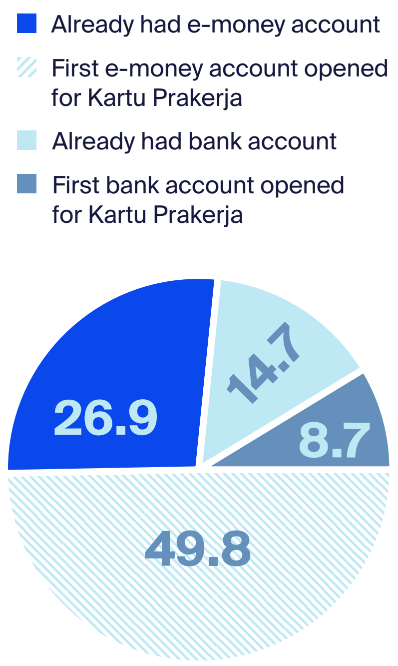
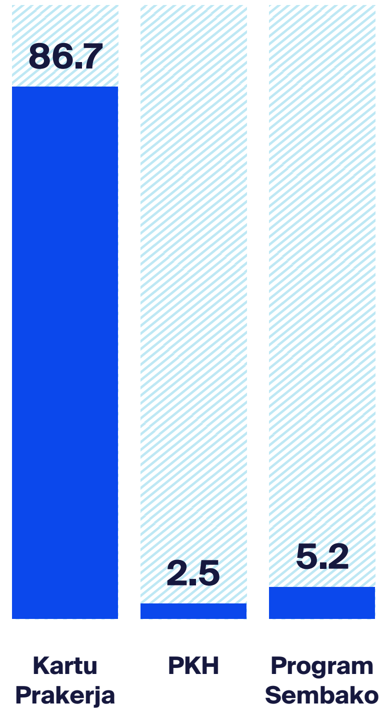


FIG. 18
Beneficiary Users of Digital Financial Services (%)



Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*

3.3 Advancing Indonesia's G2P System

Digitalization of G2P payments in Indonesia has facilitated notable program improvements, but nonetheless challenges persist. Studies and evaluations have been conducted by government, development partners, and research institutions to support further improvements to the system. The National Team for the Acceleration of Poverty Reduction (Tim Nasional Percepatan Penanggulangan Kemiskinan; TNP2K) highlighted several limitations of the current system of digital distribution, including failure to distribute the payment instrument (debit card) due to incorrect beneficiary information being held, the high cost of reaching an access point such as an ATM, banking agent, or bank branch in some locations, the dependency of some beneficiaries on facilitators for cashing out, and limited telecommunications infrastructure (Tim Nasional Percepatan Penanggulangan Kemiskinan et al. 2020).

In the spirit of support for the government's digitalization drive, the World Bank has conducted studies aimed at improving the delivery of non-cash benefits. The study of a large landscape survey of household recipients of social assistance in 2018 found several areas for improvement (World Bank 2018). First, Indonesia could improve the sophistication of its digital infrastructure. The report found that a large proportion of poorer Indonesians had digital access via a mobile or smart phone, but they used the device only for basic purposes (making and receiving calls, and sending and receiving messages). Most users reported challenges with signal, internet connection, or both. Second, there is a lack of program information at the local level. Tackling this could address the issue of unofficial fees faced by some non-cash beneficiaries. There are also power and information asymmetries resulting in two-thirds

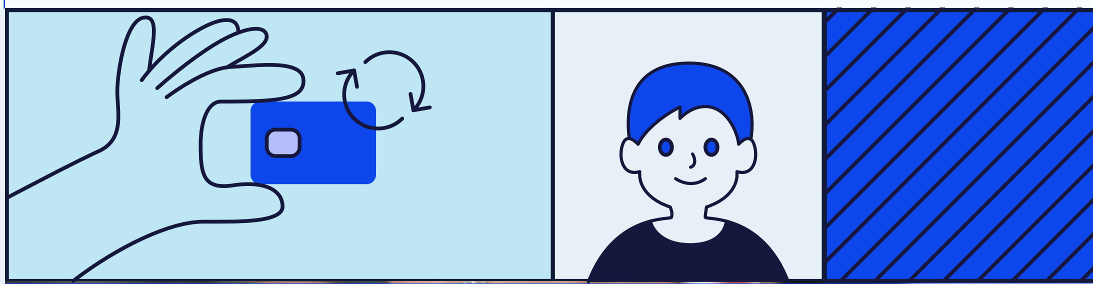
And the single type of payment account has limited use beyond obtaining the benefits.

of problems with distribution going unreported. Ensuring beneficiaries have access to better program information would improve this, as would digitalization, which helps to separate officials from distribution of benefits. Third, increasing the number of ATMs and banking agents serving social assistance beneficiaries would reduce the costs incurred by beneficiaries. Further challenges include financial illiteracy and the fact that some beneficiaries do not have identity documents.

More recently, the Consultative Group to Assist the Poor (CGAP) of the World Bank Group also conducted an assessment of the challenges of G2P architecture in Indonesia in partnership with PricewaterhouseCoopers Consulting (PT PricewaterhouseCoopers Consulting 2019). The study mapped challenges in the current G2P system in Indonesia into three groups: substantial gaps where the current system falls short of the ideal user experience, an inefficient distribution network for the payments, and a lack of robust interlinks between supporting infrastructure. The lack of option for beneficiaries of some social assistance programs to select a payment services provider and the lack of flexibility to switch providers was categorized as a substantial gap in the ideal user experience. And the single type of payment account has limited use beyond obtaining the benefits.

Regarding the distribution network for G2P payments, the study found that services and the agent network could be improved by expanding the number of participating financial services providers and the type of payment account offered, providing incentives to financial services providers to expand their network, and harmonizing regulations. Under regulation PERPRES No. 63/2017 concerning Distribution of Non-cash Social Assistance, the financial service providers allowed to distribute government payments are limited to state-owned banks, of which there are currently five in Indonesia. The study also found that with the limited number of financial service providers in the current system, there are insufficient access points—ATMs, banking agents and bank branches—at which beneficiaries can withdraw cash. Lastly, the study identified as a key challenge the lack of robust interlinks between supporting infrastructure, most importantly the national systems for identification, telecommunications, data sharing, and payment (PT PricewaterhouseCoopers Consulting 2019).

Given the current challenges in the G2P payment architecture, government ministries and regulators in Indonesia have taken other measures to further modernize the G2P payment architecture. For example, the MoSA has begun using the Ministry of Finance's OMSPAN online monitoring tool to follow PKH payments. Bank Indonesia has also improved the interoperability of payment channels, for example through the issuance of a standardized QR code, the Quick Response Code Indonesia Standard, to facilitate cashless payments. The Ministry of Home Affairs is developing a digital method for verifying identity and conducting the know-your-customer process. And Program Kartu Prakerja, introduced in 2020, has already taken an initial step by permitting beneficiaries to use either an e-money account or a bank account to receive their benefits and enabling them to choose their preferred instrument and provider.



3.4 Focus on Beneficiary Choice

Modern G2P systems are designed to provide beneficiaries with greater control and choice in how and where they would like to receive and withdraw payments. Modern designs are centered around the recipient, prioritizing their convenience and needs and addressing barriers to and gaps in inclusion, especially for women and underrepresented populations. A first principle is enabling the beneficiary to choose their payment service provider and payment instrument through informed choice. A second principle is to enable beneficiaries to use the same account for multiple G2P payments, use an existing account if available, and easily switch if desired. Beneficiaries who have greater choice will be less dependent on a single provider or limited access points, and are able to command better customer service. Enabling beneficiaries to choose how they receive payments can empower them to make other financial decisions (World Bank 2022b).

Beneficiary choice has been implemented in social assistance programs in countries including India, Zambia, Tanzania, and Bangladesh. Introducing choice brings benefits to beneficiaries, program administrators, and the financial sector, albeit to varying degrees and at different speeds, according to a study by Baur-Yazbeck et al. (2019). The study also found that other countries have not reported any hesitancy or doubt in the ability of beneficiaries to choose due to their low socioeconomic status. This study on Indonesia's G2P payment architecture assessed whether beneficiary choice in the case of Kartu Prakerja differs depending on socioeconomic status. As shown in figure 9, 44.2 percent of Kartu Prakerja beneficiaries fell into the bottom 40 percent of income distribution, 42.6 percent into the middle 40%, and 13.2 percent into the top 20%. The study found that across all three socioeconomic groups more Kartu Prakerja beneficiaries preferred e-money (Figure 19). This shows that beneficiaries, whatever their socioeconomic status, are familiar with and comfortable using e-money, or digital financial services more broadly. However, it must be understood in the context that the preference here referred to the specific range of e-money versus specific range of bank account used by Kartu Prakerja.

FIG. 19

Preference of Payment Instrument of Kartu Prakerja Beneficiaries by Quantile Position (%)

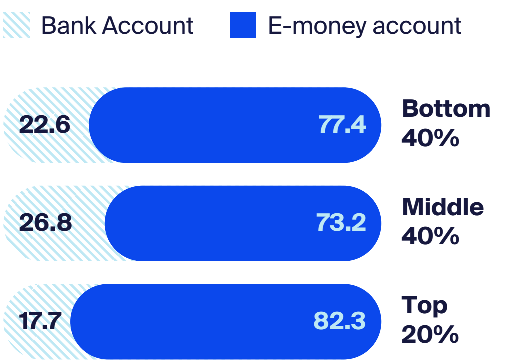
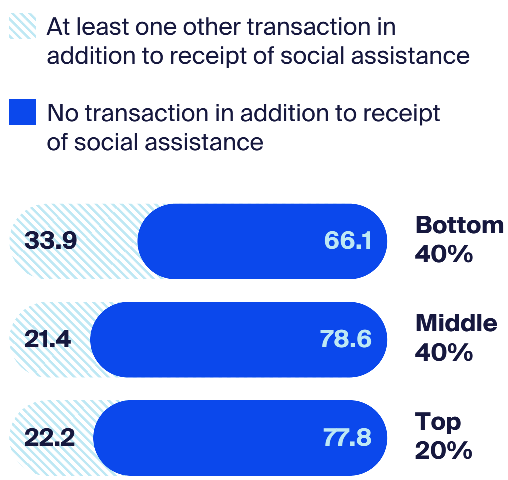


FIG. 20

Account Use of Kartu Prakerja Beneficiaries by Quantile Position (%)



Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*

Furthermore, there was no significant difference in the use of the account by beneficiaries across the three socioeconomic groups.[25] More than two-thirds of beneficiaries in each socioeconomic group stated that they had already used the account for conducting at least one type of financial transaction from those on a list shown to them: saving the remainder of the incentives, depositing money, making a transfer, purchasing goods or services using the account, paying a bill, or receiving

25 Use of account is measured by whether the beneficiary has conducted at least one transaction with their account in addition to the receipt of social assistance, or whether they have never done so.

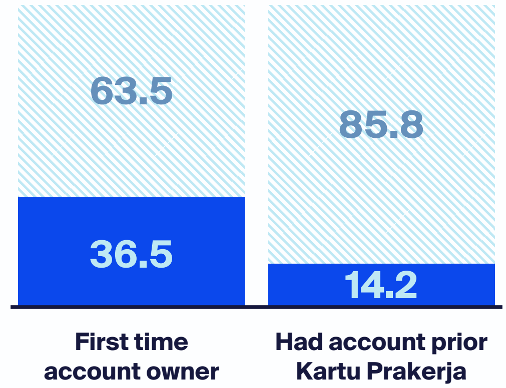
money from other people (Figure 20). Another possible explanation is that some beneficiaries are better capable of using financial services than others, regardless of their income levels, due to their familiarity to the account. When we breakdown the usage of account by Kartu Prakerja beneficiaries, those who have the transactional account prior to join the program actually use the account higher by more than 20 percentage point to the ones who were first time account owners (Figure 21).

FIG. 21

Account Use of Kartu Prakerja Beneficiaries (%)

At least one other transaction in addition to receipt of social assistance

No transaction in addition to receipt of social assistance



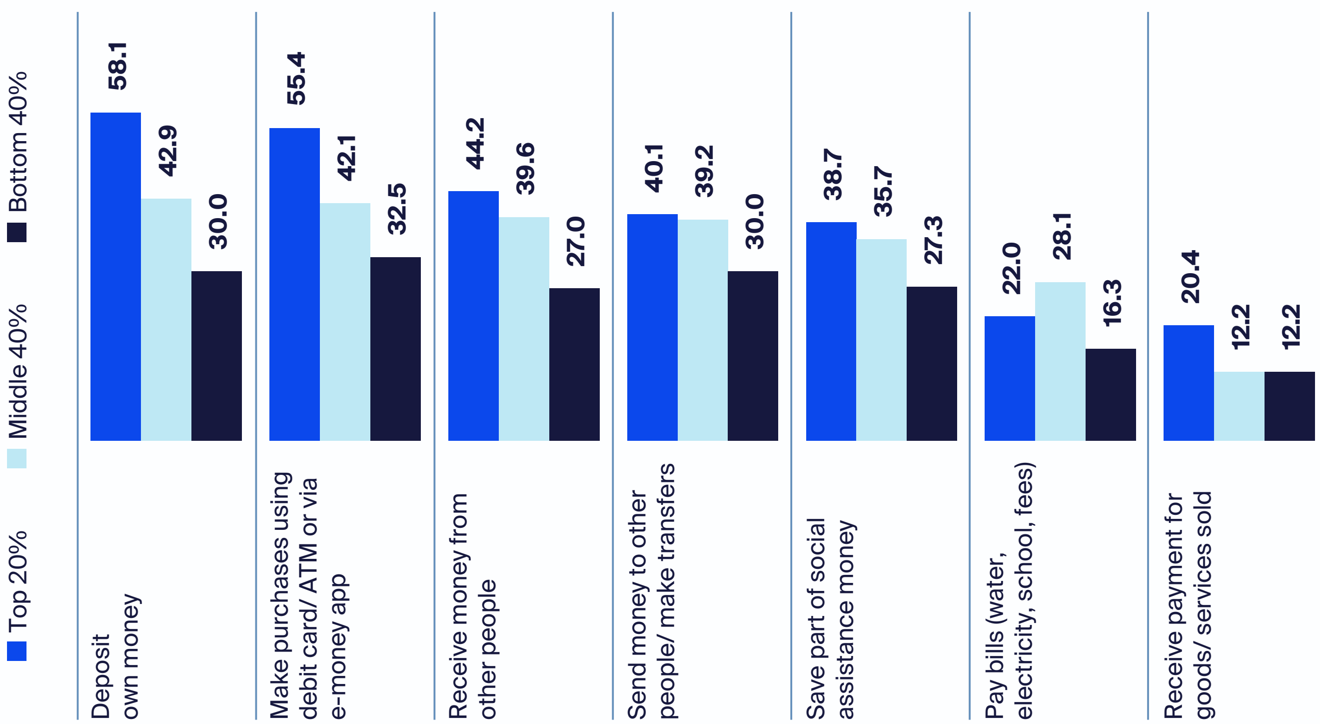
Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*

Furthermore, the type of financial transaction made was almost similar across the three income groups, where buying goods or services using the account, depositing their own money, and receiving or making a transfer were the most common transactions (Figure 22).

FIG. 22

Use of Social Assistance Account of Kartu Prakerja Beneficiaries by Decile(%)

Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*



BOX 3

Case Study: Zambia's Girls' Education and Women's Empowerment and Livelihoods Project

In 2017, Zambia introduced a new model of digital payments for its Girls' Education and Women's Empowerment and Livelihoods (GEWEL) project, allowing beneficiaries to choose their preferred financial service provider. After three years, the new model had brought many advantages to beneficiaries, the program as a whole, and the development of the financial services market in Zambia. In an evaluation study, the behaviors of beneficiaries, payment providers, and program implementers in the first and third years of the project were compared. It was found that it takes time to implement choice into a G2P program but, once implemented, choice can increase convenience for beneficiaries, bring efficiencies to the program, and contribute to a more inclusive financial services market.

When allowed to choose, beneficiaries tend to select the provider that offers the closest and most convenient access point in order to reduce travel costs and also offers a low cashing-out fee. The evaluation study found that after three years of the program, the average travel time for beneficiaries had dropped to two hours from six hours. Beneficiaries' travel costs had also decreased significantly, with 82 percent reporting zero costs. The study highlighted that despite other available access points near their neighborhoods, 20 percent preferred United Bank for Africa for the low cashing-out fee, about 25 percent of the fee charged by mobile money providers. Offering choice also benefits women and other vulnerable groups because they can choose providers with good customer service and agents who treat them respectfully.

The new model has also brought significant efficiency gains for the program owner, the government. First, the government did not need to conduct a long procurement process to select payment providers. It simply invited regulated providers to join and sign a memorandum of understanding. Competition among providers has led to a reduction in withdrawal fees. The program also pays the market price instead of negotiating fees with the providers, and has been able to reduce the delivery cost to 2.8 percent of the payment value from 4 percent. The new customer-centric approach can also prevent monopolies from developing, and limit lobbying and leakage.

The new model supports the development of a more inclusive financial services market in Zambia. If the government had chosen to only appoint one provider, all providers would have been compelled to offer unrealistically low prices to win the business. This would have created an uncompetitive market and would have lowered the quality of services. The GEWEL project creates a new market, whereby people who would not normally have money to place in an account now receive government benefits into it. Consequently providers will improve their offerings to this segment of society. The customer-centric model can create incentives for providers not only to further improve customer service but also to develop tailored products.

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04

G2P Payment Analysis

This chapter provides a descriptive analysis of the three different Indonesia programs with additional regression results for PKH and Kartu Prakerja. The descriptive statistics are a crude method of comparison, as many factors contribute to the results, including demographic characteristics and particular features of each program. This analysis shows the similarities and differences between programs across variables including beneficiary satisfaction with the payment method, use of account, and access to digital financial services. Additional analysis using a regression model will also be explored to see the possible impact of beneficiary choice on two different programs, PKH and Kartu Prakerja. These two programs were chosen due to the similarities in the type of social assistance they provide and the payment method offered. The regressions, however, should not be interpreted as causal inference but instead as possible correlations controlled by key variables.

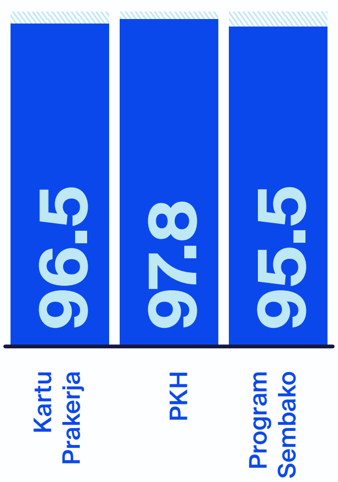
The descriptive analysis provides early indications on how providing beneficiary choice might produce several positive outcomes: increased satisfaction with the cashless payment method; a better cashing-out experience, measured by difficulty, cost, and time needed to cash out; and increased use of the account. First, offering beneficiaries choice is expected to increase their satisfaction with the payment method, since they will assess options and payment service providers and choose those that best fit their needs. Second, offering choice will allow beneficiaries to select for other preferences, such as lower transaction costs, closer access points, easier digital transactions. If beneficiaries are offered choice their cashing-out experience is also likely to improve (in terms of challenges, costs, and time) and could lead to them using the account more often. All three social assistance programs assessed in this report have already implemented a non-cash payment method. However, beneficiaries of PKH and Program Sembako are not provided with the choice of payment method and payment service provider. Kartu Prakerja offers beneficiaries choice, albeit limited choice, between a bank account or e-money account and five payment service providers (BNI, OVO, GoPay, DANA, and LinkAja).

It is crucial to use socioeconomic variables such as age, gender, marital status, and education level[26] as controls to eliminate their influence on the results. As described in Chapter 2, beneficiaries in the three programs have different demographic characteristics in term of age, marital status, gender, educational level, proxy means testing quantile position, and geographic location. Another important controlled variable that may affect the regression result is the type of social assistance given by the program, cash or in-kind. While the regression model has successfully controlled most variables that contribute significantly to the independent variables (satisfaction, cashing-out experiences, and use of account), the study also acknowledges that there may be other embedded features of the programs, other than beneficiary choice, that contribute to the result. It is also important to note that measuring the impact of beneficiary choice is still in its infancy. In Zambia's GEWEL program, significant improvements in cost and travel time borne by beneficiaries are reported in the second- and third-year evaluations (Baur-Yazbeck and Wadie Hobson 2021). A better scenario would be to conduct the impact assessment for one program over time by looking at several indicators before and after implementing the beneficiary choice. See Annex 1 for detailed regression results.

26 Control variables for the regression model include gender, age, marital status, education level, geography location, and type of social assistance. See Annex 1 for a full list of variables.

4.1 Satisfaction with Payment Method

FIG. 23
Beneficiary Satisfaction with Cashless Payment Method (%)



Source: World Bank calculations using data from the Social Assistance and Government-to-Person Survey.

Almost all beneficiaries of the three programs are satisfied with the payment method used to deliver their benefits. The study found that 96.5 percent of Kartu Prakerja beneficiaries, 97.8 percent of PKH beneficiaries and 95.5 percent of Program Sembako beneficiaries were satisfied with the payment method (Figure 23).

When beneficiaries were asked whether they would change their payment service provider if given the option, a small percentage of PKH (2%) and Program Sembako (3.7%) beneficiaries stated they would do so. The figure is significantly higher for Kartu Prakerja beneficiaries; 38.9 percent would like to change their current payment service provider. For PKH and Program Sembako beneficiaries who would change accounts, the most preferred payment service providers are state-owned banks other than the one assigned to them (75.5 percent for PKH beneficiaries and 73.5 percent for Program Sembako beneficiaries). Among Kartu Prakerja respondents, the most preferred payment service provider was a state-owned bank other than the bank they were currently with (62.8%), other commercial banks excluding state-owned banks (20.8%), or other e-money issuers (12.9%). This shows that Kartu Prakerja beneficiaries, who have already been exposed to choice, would like to have even wider options. This implies that Prakerja beneficiaries have the ability to exercise their choice. The situation is different with beneficiaries of PKH and Program Sembako who take a more resigned approach as they may be unaware of other payment service providers or instruments and of the benefits brought by them. When beneficiaries are exposed to choice they are able to make informed decisions to choose the account or instrument that suits them best.

While the current method is sufficient to meet cashing-out expectations it is not enough to trigger further transactions.

Despite the high level of satisfaction among beneficiaries of all programs with the payment method, the regression result confirms that offering choice does not affect this. **The study explored further factors constituting beneficiary satisfaction with payment method, exploring particularly the experiences of PKH and Program Sembako beneficiaries who do not have choice.** This follow-up research was conducted through discussions with groups of PKH and Program Sembako beneficiaries.

First, most beneficiaries of PKH and Program Sembako stated that the current payment method was enough to meet their expectations of cashing out, which they perceive to be the main function of the account. This also implies, however, that while the current method is sufficient to meet cashing-out expectations it is not enough to trigger further transactions, such as transfers and payments. Second, the satisfaction was driven by the impact of changing to electronic delivery of benefits. This comes in the form of minimizing long queues and expanding the number of access points at which they can cash out. Some beneficiaries explained their current satisfaction by comparing with the previous less satisfactory method of cashing out with PT Pos Indonesia. They stated they were happy to be able to avoid the long queues found at PT Pos Indonesia counters. Since the programs switched to bank accounts, beneficiaries can cash out at ATMs, banking agents, and bank branches. See Box 4 for further details on focus group discussions on satisfaction with payment method.

Similar cases where beneficiaries had a high level of satisfaction level with the G2P payment method were reported in a study by Innovations for Poverty Action (Koechlein and Jaluka 2022). The study observed beneficiary experience with digital cash transfers during the COVID-19 pandemic in the Philippines, Colombia, and Bangladesh. In all three countries, beneficiaries were satisfied with the G2P programs, though many reported long waiting times and other challenges during cashing out. However, the satisfaction rate did not translate into wider account use by beneficiaries. The report also highlighted that most beneficiaries were, prior to opening the account to receive the social assistance, in a similar situation to the respondents surveyed for this report: very few had existing deposit accounts and most received all their income in cash. However, satisfaction with payment method may be difficult to fully disentangle from satisfaction in receiving the benefits in general.

BOX 4

What Drives Satisfaction with Payment Method?

Approximately 97 percent of PKH beneficiaries and 95 percent of Program Sembako beneficiaries stated they were satisfied with the current cashless payment method. To explore this, the study conducted focus group discussions with three PKH beneficiaries and three Program Sembako beneficiaries. This analysis is not expected to represent the whole population.

The PKH and Program Sembako beneficiaries perceived that the current payment method has several advantages compared to the previous method. First, there are more disbursement points. This advantage is mostly experienced by PKH beneficiaries. Currently, PKH funds are disbursed through banks, and no longer via PT Pos Indonesia. The beneficiaries can withdraw funds from a relatively high number of ATMs or banking agents, including from ATMs or banking agents that are not owned by the issuer of their KKS card. Compared to the pre-2017 process whereby beneficiaries could only withdraw the funds from a post office, the current method makes it much easier for beneficiaries to collect funds.

Second, the changes give beneficiaries more flexibility on when they withdraw funds or collect food. The previous cash payment method required the PKH beneficiaries to attend a post office at a specific time. Program Sembako beneficiaries had to visit a distribution point at a particular date and time. Many beneficiary disbursements were concentrated into a short span of time and beneficiaries were forced to queue for long periods. Several beneficiaries stated they had to spend a whole day to cash out the PKH or Program Sembako benefits at a post office. In contrast, they can now cash out their social assistance at their preferred time.

"..I used to spend a whole day collecting the money [from the PKH program]. The nearest post office is quite far. There were also a lot of people there [on the disbursement day], so I had to wait for a long time [before receiving the money]... Now I can collect the money at a banking agent which is near to my house. It is more convenient."

(PKH beneficiary from Aceh)

These two advantages of the new method also reduced the costs beneficiaries incurred when collecting their social assistance. Several beneficiaries stated that withdrawing the fund from the nearest ATM or banking agent reduced their transport costs significantly.

"I don't have to spend money to buy gasoline for my motorcycle [to collect PKH benefit from the nearest post office], since I can just walk to the banking agent to collect the money."

(PKH beneficiary from Banten)

Despite these advantages, low levels of financial literacy prevent some beneficiaries from adapting easily to a new payment method, with some still struggling to use an ATM or EDC machine. They may not have the confidence to enter the PIN number themselves, believing their KKS card will be blocked if they enter their PIN incorrectly and they will no longer receive the assistance. Instead, they prefer to ask relatives or friends to collect the social assistance. Many PKH beneficiaries also tend to go to receive the benefits in groups led and accompanied by a facilitator. Some beneficiaries choose to withdraw their PKH funds or use their Program Sembako benefit at a banking agent or e-warong known personally to them. The banking agent or e-warong owner will help the beneficiary to enter the PIN into the EDC. In several cases, beneficiaries left their KKS card and PIN with the agent.

Most PKH and Program Sembako beneficiaries are satisfied with the services provided by the state-owned banks and are reluctant to choose another payment service provider for their social assistance benefit, since they have limited knowledge of others. Only 2 percent of PKH beneficiaries and 3.7 percent of Sembako beneficiaries stated they would choose another payment service provider to disburse their social assistance benefits. This is related to the fact that most beneficiaries are still not familiar with digital payments, even though in some areas a digital payment ecosystem is available. Most PKH and Program Sembako beneficiaries still rely on cash for their daily activities and feel it meets their needs for their daily transactions. Consequently they did not use their account for financial transactions other than cashing out their social assistance benefit. For example, just 5.6 percent of PKH beneficiaries and 1.7 percent of Sembako beneficiaries use the account for saving (Box 6).

Some beneficiaries stated in the focus group discussions that they were reluctant to use another bank through which to receive their funds as there were limited numbers of branches, ATMs, or agents for other banks. The proximity of disbursement points to a beneficiary's home is an important factor: beneficiaries hesitate to change banks as they fear the new disbursement point will be far from their home. However, one beneficiary was willing to change the bank for religious reasons, stating she feels more comfortable using a syariah bank. However, since no syariah bank was available in her area, she preferred to remain with her current provider.

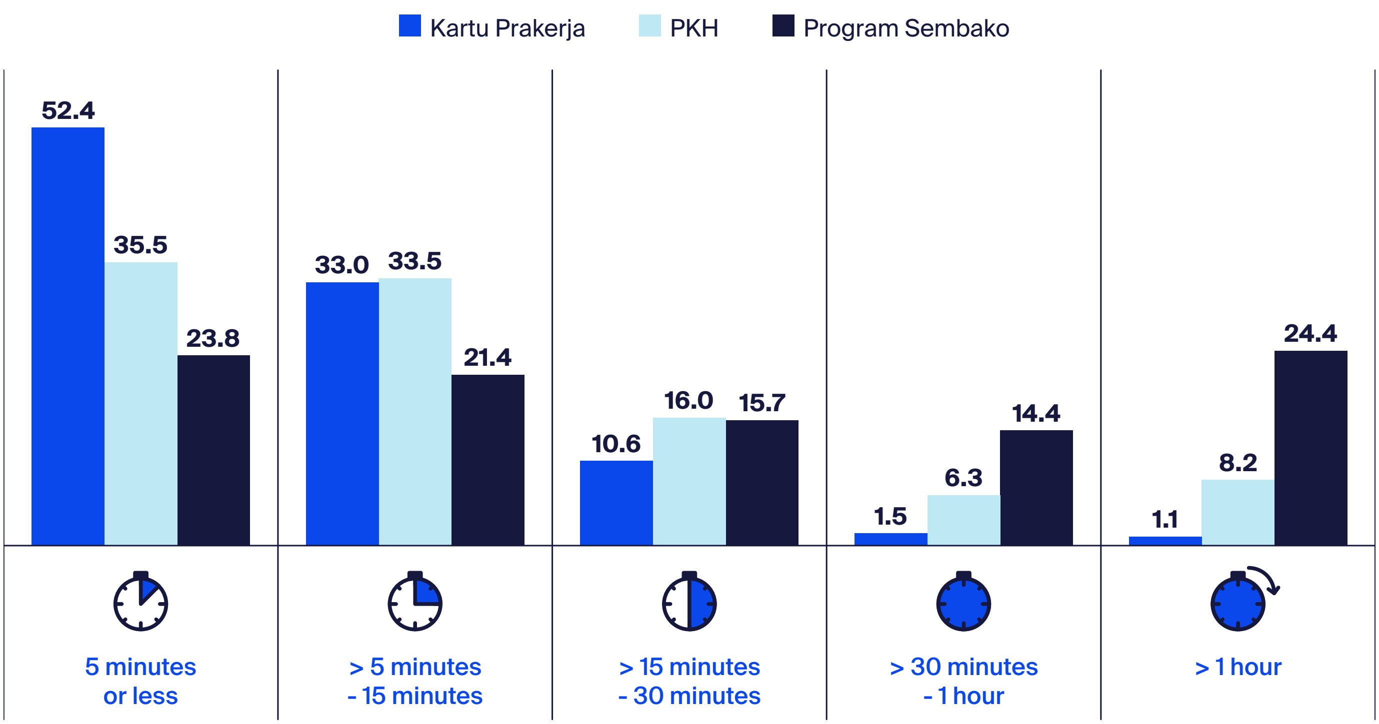
4.2 Cashing Out

Experiences from other countries show that when given choice, beneficiaries tend to select the provider with the closest and most convenient access point. The case of Zambia's GEWEL program confirmed that after implementing beneficiary choice travel expenses and time spent fell significantly. From the first year to the third year of the project, the average beneficiary reduced the time they spent accessing their payment to two hours from six hours. Travel expenses also declined significantly over the same period, with 82 percent of recipients reporting that they did not spend any money on travel in the third year. In line with this, the study expects that programs with beneficiary choice will facilitate a better cashing-out experience: easier, faster, and lower cost. The study conducted the regression for PKH and Kartu Prakerja, not Program Sembako. Though Program Sembako uses the same payment method as PKH, it was eliminated from the model due to the different nature of the benefits provided. PKH and Kartu Prakerja beneficiaries receive cash while Program Sembako beneficiaries receive food.

This study found most beneficiaries from each of the three programs did not encounter challenges when withdrawing benefits or purchasing eligible food items in the most recent disbursement prior to the survey: **97.6 percent in the case of Kartu Prakerja, 94.8 percent for PKH, and 92.2 percent for Program Sembako.** Additionally, the study ran a regression model for PKH and Kartu Prakerja beneficiaries to see the possible impact of beneficiary choice on challenges experienced during cashing out. The results show no statistically significant difference in challenges in cashing out among PKH and Kartu Prakerja beneficiaries. The result is consistent with the satisfaction rates of the beneficiaries.

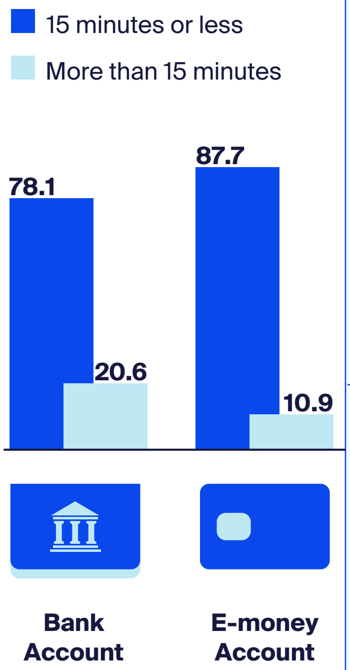
Another indicator affecting the cashing-out experience is the time taken to cash out at an access point. The study found that 52.4 percent of Kartu Prakerja beneficiaries and 35.5 percent of PKH beneficiaries needed only five minutes or less to cash out. For Program Sembako, 23.8 percent of beneficiaries needed five minutes or less to purchase the eligible food items (Figure 24). Time is measured from when a beneficiary arrives at the access point to when they have the money or food in their hands. However, it is also important to note that while Kartu Prakerja and PKH have similar payment methods (using a transaction account, whether bank account or e-money) and type of assistance (cash assistance is given for both, in addition to the Kartu Prakerja training voucher), the Program Sembako delivery mechanism is more akin to an electronic voucher, as the benefit can only be redeemed in the form of goods (food)—there is no cashing-out option for Program Sembako.

FIG. 24 Time Spent on Cashing Out Benefits



Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*

FIG. 25
Time Taken by Kartu Prakerja Beneficiaries to Cash Out (%)



Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*

Introducing e-money could reduce the time taken to cash out, with e-money Kartu Prakerja beneficiaries spending less time than Kartu Prakerja beneficiaries with bank accounts (Figure 25). Moreover, when costs are also assessed, users of e-money have lower transport costs than users of bank accounts. On average e-money users spent Rp 2,585 less in transport costs.

The regression results show that Kartu Prakerja beneficiaries, who have choice, are 13.1 percentage points more likely to spend less time on cashing out than PKH beneficiaries who have no choice (Table 5). In other words, provision of beneficiary choice may contribute to the reduction of time needed to cash out the benefit.

TAB. 5
Regression Results on Time and Experience in Cashing Out

	Time to cashing out is 5 minutes or less	Experienced difficulty when cashing out the benefit
Pr(Beneficiary has choice (1=Kartu Prakerja, 0=PKH))	0.131* (0.0700)	0.0184 (0.0448)
Control variable:		
Marital status, head of household status, age and age-squared, education level, and area of live	Yes	Yes
Satisfied with current payment method	No	No
Time to cashing out	No	Yes
Experienced difficulty when cashing out the benefit	No	No
Ever owned bank account before	No	No
PSM control variable:		
Log(HH Expenditure Per Capita)	Yes	Yes
Sex	Yes	Yes
Age and age-squared	Yes	Yes
Estimation Method	Logit	Logit

Note: Standard errors in parentheses. Significant at ***1%, **5%, and *10%. “Beneficiary has choice” variable is estimated using propensity score matching (PSM). For models estimated by logit, the presented coefficients are in the form of average marginal effects.

Experience in cashing out can also be measured by the costs incurred by beneficiaries. The survey measured the total costs for beneficiaries, namely transport costs, transaction (withdrawal) fees, and other costs. Transport costs are calculated as one-way travel from the beneficiary's home to the access point they most often visit with the mode of transport they most frequently use. The transaction fee is the official cost of withdrawing the money, which may include ATM fees, agent fees, and administration fees charged by e-money providers. Other costs may include tips for anyone helping the beneficiary to withdraw the money (facilitator, group leader, program assistant, security guard) and parking fees.

The survey found on average PKH beneficiaries spend a total Rp 12,695 and Kartu Prakerja beneficiaries spend Rp 11,512. This difference is small and is considered insignificant given the monetary value. When we break down the cost components, the average transport cost for Kartu Prakerja beneficiaries is Rp 7,172, higher than the Rp 4,396 incurred by PKH beneficiaries. However, Kartu Prakerja beneficiaries spent less in transaction fees and other costs (see Figure 26 for further details of the costs).

FIG. 26 Cashing-Out Costs for PKH and Kartu Prakerja Beneficiaries

	PKH (Rp)			Kartu Prakerja (Rp)		
	All regions	Java	Non-Java	All regions	Java	Non-Java
Mean of total costs	**12,695**	**11,845**	**13,724**	**11,512**	**9,357**	**13,955**
Mean of transport costs	**4,396**	**4,205**	**4,626**	**7,172**	**5,338**	**9,275**
Mean of transaction fee	**5,233**	**4,139**	**6,558**	**2,518**	**2,478**	**2,562**
Mean of other costs	**3,168**	**3,592**	**2,657**	**1,974**	**1,691**	**2,297**
Median of total costs	**10,000**			**9,000**		

Note: Transport cost is measured for one-way travel. Transaction fees include the agent's fee and ATM fee.
Other costs include any other costs occurred during cashing out.

Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*

Regression result on the cost model showed that the difference in total cost spent by PKH and Kartu Prakerja beneficiaries are statistically insignificant. This is in line with descriptive result where the difference of the cost is very negligible in monetary value**.** Table 6 shows regression results from the cost model, comparing the amount spent by PKH and Kartu Prakerja beneficiaries when cashing out. This result might be contrary to the study hypothesis, which suggest that giving beneficiaries choice will result in lower costs. The possible explanation for this result is the limitations of this survey in measuring the real cost in cashing out for PKH beneficiaries. The survey could not capture information on the exact amount of PKH benefits that are actually received by the beneficiaries. Some PKH beneficiaries who receive help from other people to cash out perhaps did not realize that they are incurring other informal costs. Hence these may not be captured in the survey.

The different narratives offered by the simple average achieved through the descriptive analysis (Figure 26) and the regression results (Table 6) is driven by two factors. First, the study performed propensity score matching for PKH and Kartu Prakerja beneficiaries, ensuring the matched sample could be compared between the two programs (beneficiaries with similar characteristics in term of household expenditure per capita, gender, and age group). Second, in determining the cost the study also controlled for the marital status of the beneficiary, whether they were head of their household or not, educational level, area of residence, and the place they usually chose to cash out. A simple cost average does not consider the characteristics of the beneficiary.

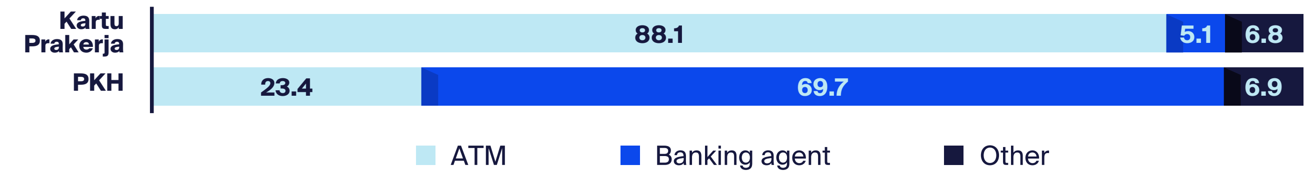
TAB. 6 Regression Result on Cost

	Total	Non-Java, Rural	Non-Java, Urban	Java, Rural	Java, Urban
Cost of transportation	0.77	0.04*	0.151	11.65**	0.74
Transaction fee	0.43	0.82	0.72	4.99	0.26
Other costs	0.76	0.11*	0.28	1.10	1.99
Total cost	1.01	0.18	0.37	11.11	1.87

Note: Significant at ***1%, **5%, and *10%. The main independent variable, beneficiary has choice, is estimated by using Propensity Score Matching and controlling for Log(HH expenditure per capita), sex, and age and age-squared. Control variables are marital status, head of household status, age and age-squared, education level, area of live (for Total), and usual place for cashing out. Coefficients presented above are exp(Beta) based on OLS regression, where the dependent variables are in the form of inverse hyperbolic sine transformation (IHS) of cost variables. If coefficient is > 1, then cost of that in Kartu Prakerja is higher than PKH. If coefficient is < 1, then cost of that in Kartu Prakerja is lower than PKH.

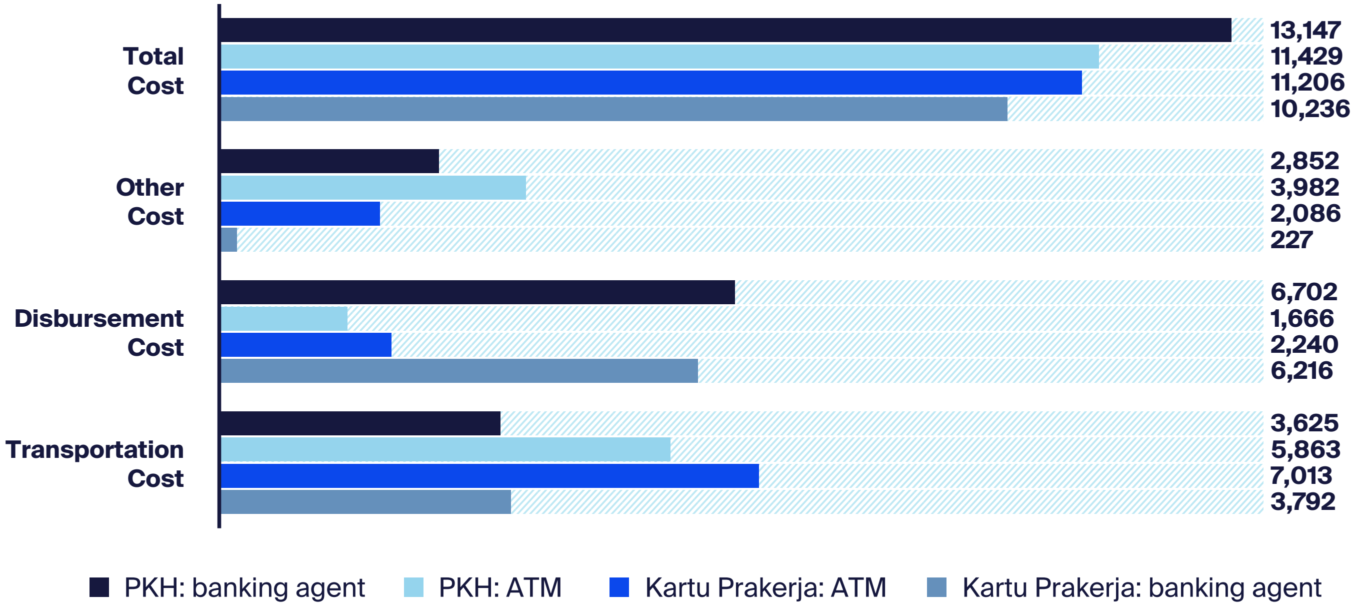
The different access points used by beneficiaries to cash out can also explain the difference in costs for PKH and Kartu Prakerja beneficiaries. While 88.1 percent of Kartu Prakerja beneficiaries mostly use an ATM, most PKH beneficiaries, 69.7%, use a banking agent (Figure 27). Further, when we compare the average cost of using ATMs and banking agents for PKH and Kartu Prakerja beneficiaries (Figure 28), cashing out PKH benefits at a banking agent has the highest average cost at Rp 13,147, followed by cashing out PKH at an ATM with Rp 11,429. Cashing out Kartu Prakerja at an ATM is next, followed by cashing out Kartu Prakerja at a banking agent. Despite the higher cost of cashing out with banking agents, there are several reasons why beneficiaries preferred to use them. First, banking agents are usually located closer to the beneficiaries than are other access points. Second, beneficiaries often have a personal relationship with banking agents that increases their comfort in conducting financial transactions. Third, banking agents are able to disburse funds in the smallest denominations, while Indonesian ATMs can only dispense Rp 50,000 or Rp 100,000 notes.

FIG. 27 Usual Access Point for Cashing Out (%)



Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*

FIG. 28 Mean of Costs by Access Point (Rp)



Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*

This study, however, has some limitations in measuring the real costs in cashing out. The survey was prohibited from capturing information on the exact amount of money received by the beneficiaries. This is critical information in confirming the amount of money spent by beneficiaries in cashing out. Some cases reported during the qualitative data collection beneficiaries did not know how much money they should have received. This might suggest that the survey does not entirely capture "other costs," including informal costs paid by beneficiaries to people helping them cash out. Furthermore, with low financial literacy, some PKH beneficiaries were not aware of the transaction fees they were charged when cashing out at banking agents or ATMs. The qualitative investigation on the cost of cashing out can be seen in Box 5.

BOX 5
Understanding the Cost of Cashing Out Social Assistance in Indonesia

Approximately 12 percent of PKH beneficiaries stated they did not pay any costs for the disbursement of their social assistance. To explore disbursement costs, the study conducted focus group discussions with five beneficiaries in total from PKH and Program Sembako. This analysis is not expected to represent the whole population. The study found it is possible to incur zero costs. The availability of access points determines the transport costs. PKH beneficiaries do not need to pay for transport if there is an access point within walking distance. PKH beneficiaries also do not incur administration charges if the funds are withdrawn from an ATM belonging to the bank that issued their KKS card. If the withdrawal is carried out through an agent, however, PKH beneficiaries pay an average administration fee of Rp 5,000 per withdrawal. The level of financial literacy of beneficiaries must also be considered as it affects their knowledge of the disbursement costs. In several cases, PKH beneficiaries were not aware of the administration fees so they concluded that the disbursement cost nothing.

The survey found that 69.7 percent of PKH beneficiaries prefer to withdraw funds from a banking agent, despite the fee, for four main reasons.

First, banking agents are usually located closer to the homes of PKH beneficiaries than are other types of access point. This enables the beneficiaries to withdraw funds at any time without having to pay for transport. The PKH beneficiaries engaged in the focus group discussions encountered no restrictions and no additional fees when withdrawing funds from agents of banks other than the bank that issued their KKS card, and therefore had more options for fund withdrawals at a nearby agent. The large number of available banking agents also reduces the gap in access to disbursement points for PKH beneficiaries living in rural areas.

Secondly, beneficiaries often have a personal relationship with a banking agent, which increases their sense of comfort and trust. The beneficiaries usually chose agents operating in the same village, who might even be their neighbor, so they are known personally. This greater feeling of comfort and trust in agents is shown, by the larger role in the disbursement process that the beneficiaries gave to their banking agent, something that cannot happen if the withdrawal is conducted at an ATM or bank branch. For example, in several cases, PKH beneficiaries leave their PIN number for the KKS with the banking agent, and the agent helps them enter their PIN into the EDC machine to make the withdrawal.

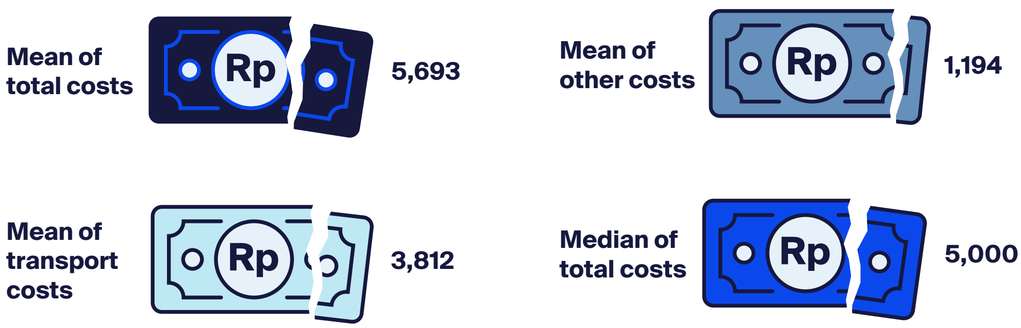
Third, banking agents are able to disburse funds in the smallest rupiah denominations. This means that PKH beneficiaries can cash out their entire funds when using banking agents. In comparison, ATMs can only dispense Rp 50,000 and Rp 100,000 bills and therefore beneficiaries may be forced to leave some money in the account.

Fourth, PKH beneficiaries generally have limited financial literacy, making them dependent on their program facilitators and group leaders and unable to critique the information or guidance given. Several PKH beneficiaries chose an access point based solely on the recommendation of a facilitator or group leader. Sometimes a recommended agent may be further than an ATM but PKH beneficiaries feel the need to follow the facilitator's guidance. The dependence of PKH beneficiaries on their facilitators and group leaders is reflected in their choice to conduct withdrawals in groups. Though some PKH beneficiaries are aware that disbursement can be carried out anytime, group disbursements at an agent are felt to give more security since a friend will be available to help if a problem arises. The focus group discussions also found that many beneficiaries choose a disbursement location without understanding that they have choice and without knowing all their options, thus indicating a low level of literacy. This low level of financial literacy is also evident elsewhere. For example, a PKH beneficiary entered the wrong PIN, which caused their KKS card to be retained by the ATM. This deterred the other group members from attempting to withdraw funds at an ATM by themselves.

Program Sembako beneficiaries spent an average total of Rp 5,693 to redeem food items at the e-warong they visited most frequently (Figure 29). Due to the proximity of an e-warong to the home of Program Sembako beneficiaries, 32.2 percent did not incur any costs when redeeming their food items. The most frequently visited e-warong can be reached in less than 10 minutes by motorcycle (49.5%) or by walking (24%). The usual places to redeem Sembako can be observed in Figure 30.

FIG. 29

Cashing-Out Costs for Program Sembako Beneficiaries

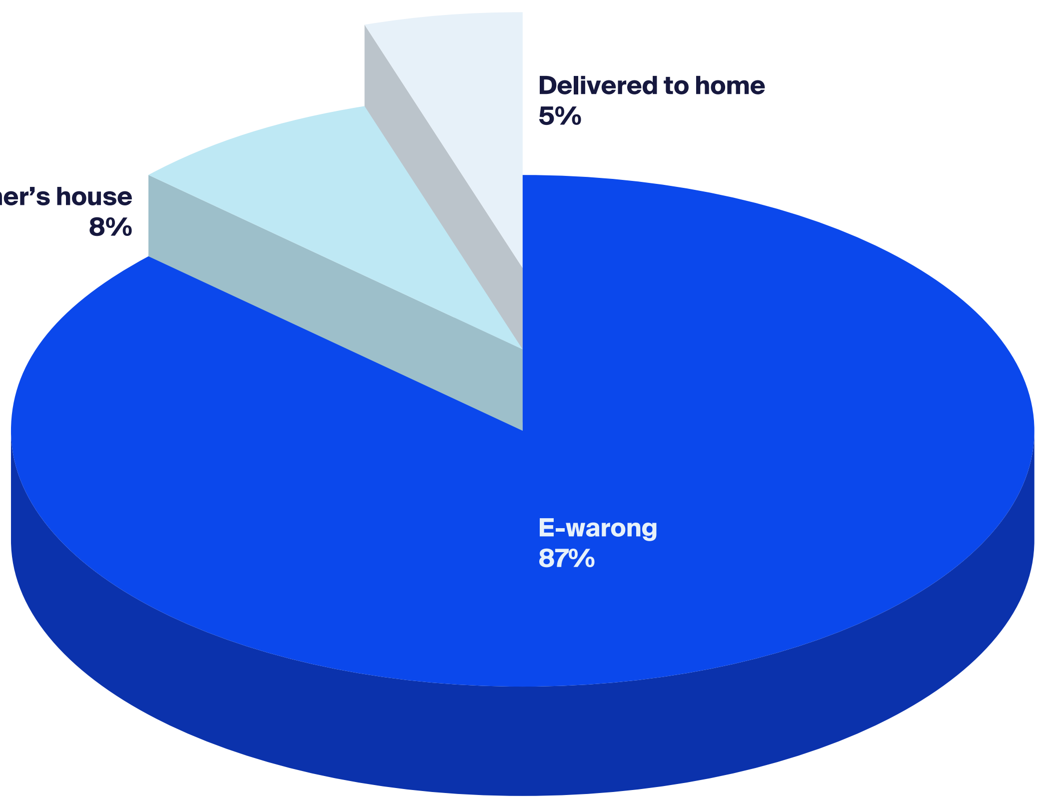


Note: The transport cost is measured for one-way travel. Transaction fees include the banking agent's fee and the ATM fee. Other costs include any other costs occurred during cashing out.

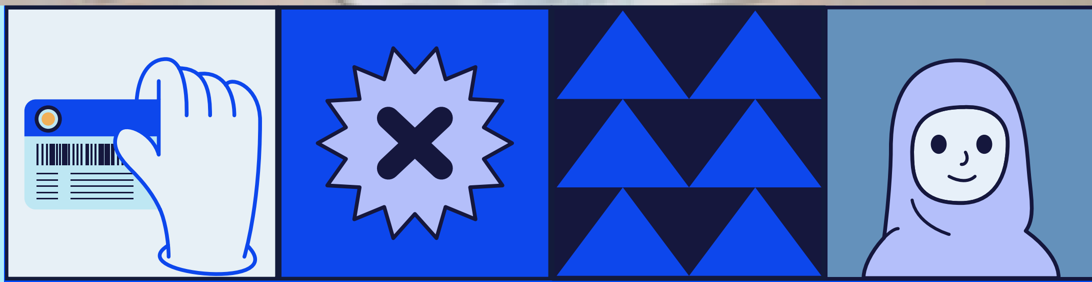
Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*

FIG. 30

Usual Place to Redeem Program Sembako Food Voucher



Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*



4.3 Use of Account

According to the survey, 88 percent of PKH beneficiaries and 95 percent of Program Sembako beneficiaries did not use their account for any transaction other than cashing out the social assistance. In contrast, the figure for Kartu Prakerja beneficiaries is 27.1 percent (Figure 31). The top three reasons given by PKH and Program Sembako beneficiaries for not using their social assistance account for any other transaction were: "I don't know how to conduct transactions other than cashing out" (32.4 percent for PKH and 45.7 percent for Program Sembako); "I don't have money" (33 percent for PKH and 33 percent Program Sembako); and "I don't have any need to" (32.8 percent for PKH and 25.3 percent for Program Sembako). In addition, 14.3 percent of PKH beneficiaries and 7.6 percent of Program Sembako beneficiaries were afraid they would lose the money held in their account (Figure 32 and Box 6). A regulation of the Ministry of Finance states that social assistance received by beneficiaries can be taken back by the government should it be found that the beneficiary is not using it, that it has not been cashed out or spent.[27]

27 The clawback clause is stipulated in Regulation of the Minister of Finance No. 228/PMK.05/2016 on the Amendments to Minister of Finance Regulation No. 254/PMK.05/2015 concerning Social Assistance Expenditures at State Ministries/ Institutions.

FIG. 31 Use of Account (%)

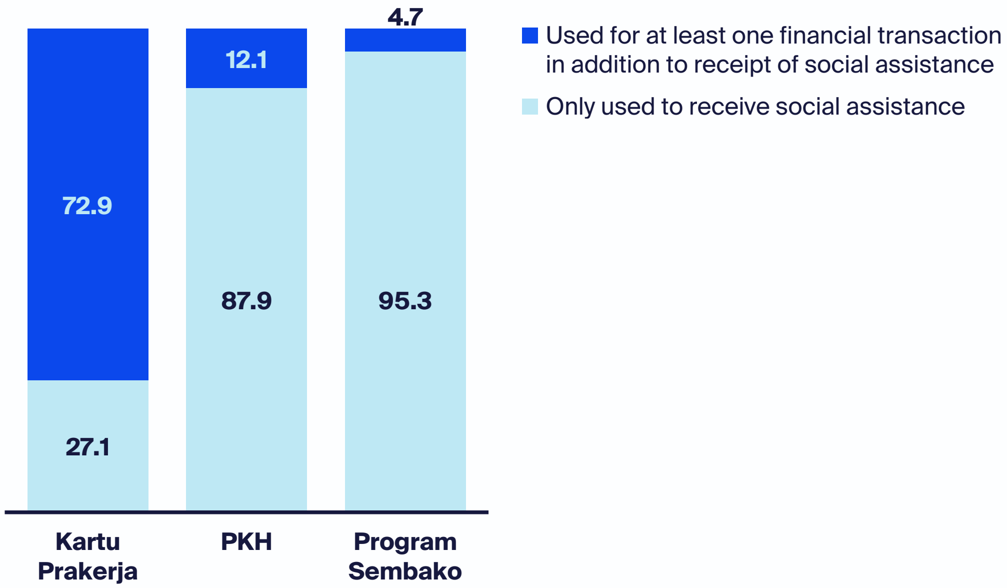
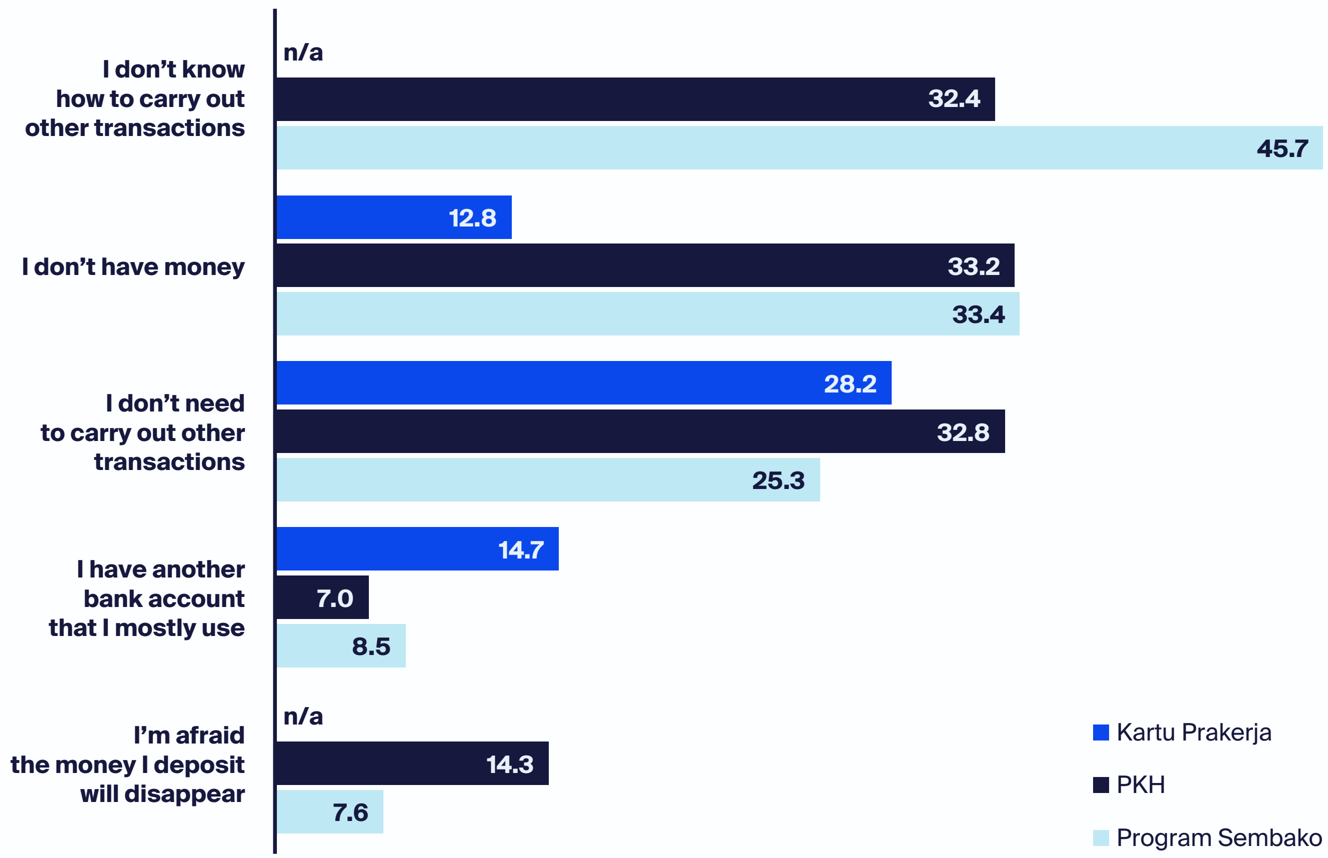


FIG. 32 Reasons for Not Using Account for Additional Transactions (%)



Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*

BOX 6

Use of Social Assistance Account in Indonesia

Generally, PKH and Program Sembako beneficiaries only use their social assistance account to withdraw funds in cash or in the form of groceries. The survey found that 95.3 percent of Program Sembako beneficiaries and 87.9 percent of PKH beneficiaries never use their account for any financial transaction other than receiving and cashing out their government payment. Other transactions can include saving, transfers, payments, and purchasing. Focus group discussions with beneficiaries uncovered several reasons for this.

First, beneficiaries do not have knowledge of the features of their account or how they can use it aside from receiving and withdrawing funds. They do not have any information on what financial transactions are permitted and can be carried out with the account, including saving. There is an assumption among beneficiaries that the account belongs to the government and, hence, that funds that are not withdrawn will be lost after three months. They also assume that when the social assistance program ends their account will be taken back by the government and the remaining balance will be lost. Several beneficiaries stated they received this information from a facilitator, while others said they heard this from other beneficiaries. Most beneficiaries have never received any formal explanation of the rules of using the account, and the information they receive is generally hearsay. Given PKH beneficiaries' fears of losing their money, they tend to withdraw all funds from their account. In addition, some beneficiaries stated they do not know how to carry out a financial transaction at a banking agent or ATM.

Second, the beneficiaries believed they did not have "enough" money to save in their account. Many beneficiaries stated they did not have any money to save, but they had in fact been saving at home, mostly in small amounts starting from Rp 1,000. Beneficiaries saved at home for reasons of practicality—having instant access to savings—but also because they consider the amount of money they save is too small to be saved in a bank. Furthermore, though the account used to receive the social assistance is a basic savings account which can accept any amount deposited through an agent, many beneficiaries do not know this.

Third, beneficiaries believed they did not need to conduct any financial transactions using their account. As with saving, the use of the accounts to conduct other financial transactions remains low. For example, beneficiaries state they never carry out a transfer because they have no need to send or receive money. If there is a need, it is usually not a routine transaction and they prefer to transfer funds in cash through an agent or through another personal account if they own one. They also state they do not need to make digital purchases or payments using the social assistance account. In addition to their limited knowledge of and skills in digital transactions, their area may not have a comprehensive digital ecosystem. Beneficiaries living in urban areas are more likely to have access to a digital ecosystem, but also do not feel the need to use it. Purchases can be made with cash since they are generally limited to daily needs, in a small amount, and can be obtained from shops near their home. Beneficiaries can buy electricity, phone credit, and other items in cash through agents.

Fourth, some beneficiaries already owned personal accounts before they owned a social assistance account (8.3 percent of PKH beneficiaries and 13 percent of Program Sembako beneficiaries). Those beneficiaries may prefer using their original personal account over their social assistance account because they are more used to it, as well as for privacy reasons. A PKH beneficiary recounted that she always asks for an agent's help in entering the PIN when withdrawing funds from her social assistance account, but will always enter the PIN herself when making a transaction using her other account. She stated that it is difficult to maintain privacy for her social assistance account privacy. Social assistance funds are sent to all beneficiaries at the same time and the group leader announces that funds are available, meaning that other beneficiaries and agents know their account balance. Beneficiaries also state that they do not want to mix up other transactions with social assistance funds so they can more easily monitor the benefits they receive.

In striking contrast, 73 percent of Kartu Prakerja beneficiaries used their social assistance account for at least one other financial transaction. The most common transactions beneficiaries conducted in their Kartu Prakerja account (whether a BNI bank account or an e-money account from one of four providers), aside from receiving and cashing out the benefit, is the purchase of goods or services using a debit card through an ATM or through an e-money app (39.7 percent), saving or depositing funds (38.9 percent), and transferring money to others (35 percent) (Figure 33). The usage of account is also slightly affected by the supply side, where urban and Java areas are more likely to have more financial access points. The usage of social assistance account by Kartu Prakerja beneficiaries is higher in Java (8 percentage points) and urban areas (6 percentage points) than non-Java and rural areas respectively (Figure 34).

FIG. 33 Use of Social Assistance Account by Kartu Prakerja Beneficiaries (%)

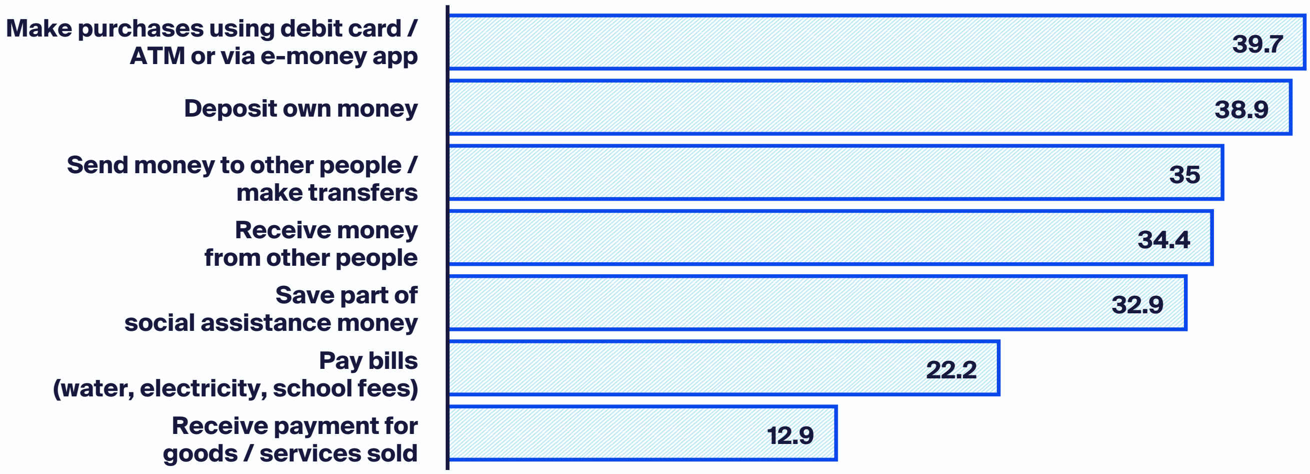
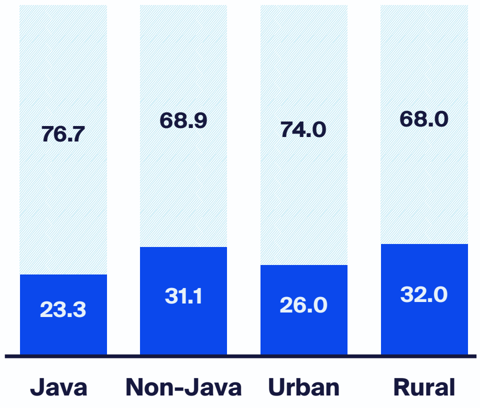


FIG. 34 Use of Social Assistance Account by Kartu Prakerja Beneficiaries in Rural and Urban (%)

At least one other transaction in addition to receipt of social assistance

No transactions other than receipt of social assistance



Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*

In the case of Kartu Prakerja, further expanding the number of bank providers beneficiaries can choose from may increase beneficiaries' use of their account. The survey confirmed that simplicity, habit, and trust are the main factors behind bank account selection. When the survey was conducted, only one provider of bank accounts, BNI, was included in the program. The survey found that 63 percent of Kartu Prakerja beneficiaries had another bank account. However, more than two-thirds (76.6%) of Kartu Prakerja beneficiaries preferred to use an e-money account to receive their post-training incentive, since the choice of bank is limited. The beneficiaries using an e-money account to receive the benefits believed opening an e-money account was easier than opening a bank account. They stated beliefs that they might incur higher travel costs when opening a bank account, that it may take more time, and that the administration process may be more complicated. Opening a bank account can only be carried out at a banking agent (a basic savings account only) or at a bank branch and the application forms are more detailed (for regular accounts). To open an e-money account beneficiaries only need to download the e-money app to their mobile phone and this can be completed in a few minutes. For beneficiaries using BNI to receive their benefits, the main reason for choosing a bank account instead of e-money was familiarity (44.7%). Trust in the specific financial product and habit/familiarity are also the main factors behind the type of account selected (figures 35 and 36).

FIG. 35 Reasons for Choosing Bank Account

Beneficiaries Using BNI Account to Receive Kartu Prakerja Benefits (%)

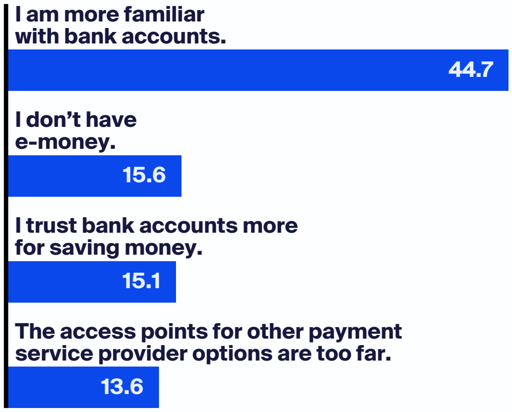
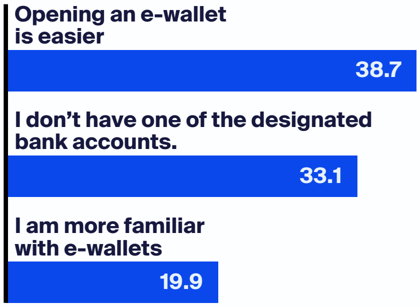


FIG. 36 Reasons for Choosing E-Money Account

Beneficiaries Using E-Money Account to Receive Kartu Prakerja Benefits (%)



Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*

The higher use of the social assistance account by Kartu Prakerja beneficiaries is also confirmed by the regression result. It shows that Kartu Prakerja beneficiaries are 31.2 percentage points more likely than PKH beneficiaries to use the social assistance bank account for other transactions. The regression results also showed that Kartu Prakerja beneficiaries use all their accounts more than PKH beneficiaries (by 31.7 percentage points) and conduct more types of transactions (by 70.7 percentage points) (Table 7 and Annex 1).

TAB. 7 Regression Result on Use of Accounts

	Use social assistance bank account	Use social assistance and non-social assistance bank account	Usage number of transaction of SA and Non-SA bank account
Pr(Beneficiary has choice (1=Kartu Prakerja, 0=PKH))	0.312***	0.317***	0.707***
	(0.0506)	(0.0541)	(0.117)
Control variable:			
Marital status, head of household status, age and age-squared, education level, and area of live	Yes	Yes	Yes
Satisfied with current payment method	Yes	Yes	Yes
Time to cashing out	No	No	No
Experienced difficulty when cashing out the benefit	No	No	No
Ever owned bank account before	No	Yes	No
PSM control variable:			
Log(HH Expenditure Per Capita)	Yes	Yes	Yes
Sex	Yes	Yes	Yes
Age and age-squared	Yes	Yes	Yes
Estimation Method	Logit	Logit	Poisson Regression

Note: Standard errors in parentheses. Significant at ***1%, **5%, and *10%. “Beneficiary has choice” variable is estimated using propensity score matching (PSM). For models estimated by logit, the presented coefficients are in the form of average marginal effects.

Some beneficiaries have an active bank account in addition to the account used to receive the social assistance. The account may have been opened before or after the beneficiary began receiving the social assistance. For PKH and Program Sembako beneficiaries, where the programs had provided first access to formal financial services, the number of beneficiaries with another active bank account is significant: 20.6 percent of PKH beneficiaries and 21.5 percent of Program Sembako beneficiaries, compared to 63.6 percent of Kartu Prakerja beneficiaries. These beneficiaries also stated that they used the non–social assistance bank account more often than the account used to receiving social assistance. Figures 37 and 38 show that 66 percent of PKH beneficiaries and 63.8 percent of Sembako beneficiaries who have both a KKS account and another bank account more often use their non-KKS bank account for financial transactions. Moreover, 78.4 percent of Kartu Prakerja beneficiaries who have both a Kartu Prakerja BNI account and another bank account stated they use their other bank account most for financial transactions. **Enabling beneficiaries to choose from more than one bank account, including an account they may already have, is likely to increase their use of the account.**

FIG. 37 Beneficiaries with an Active Non–Social Assistance Account (%)

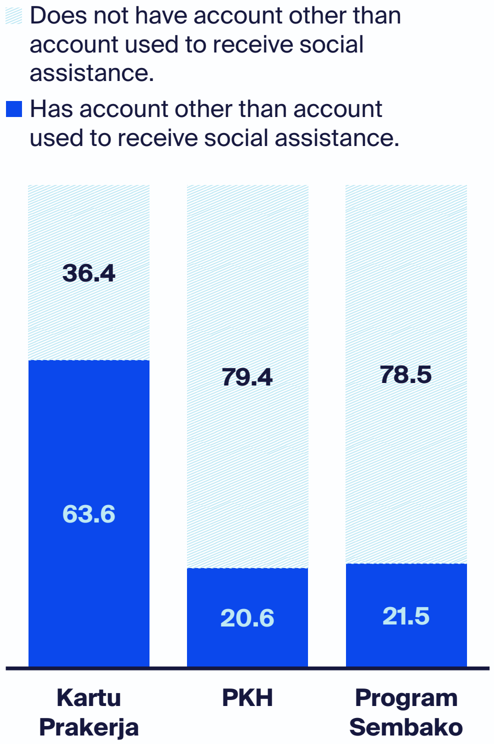
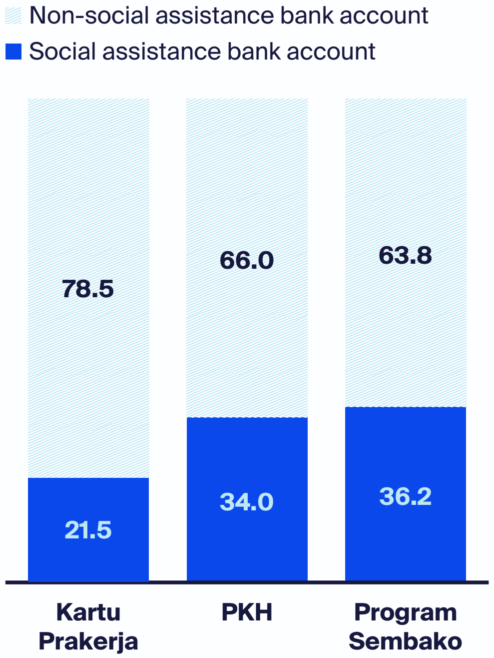


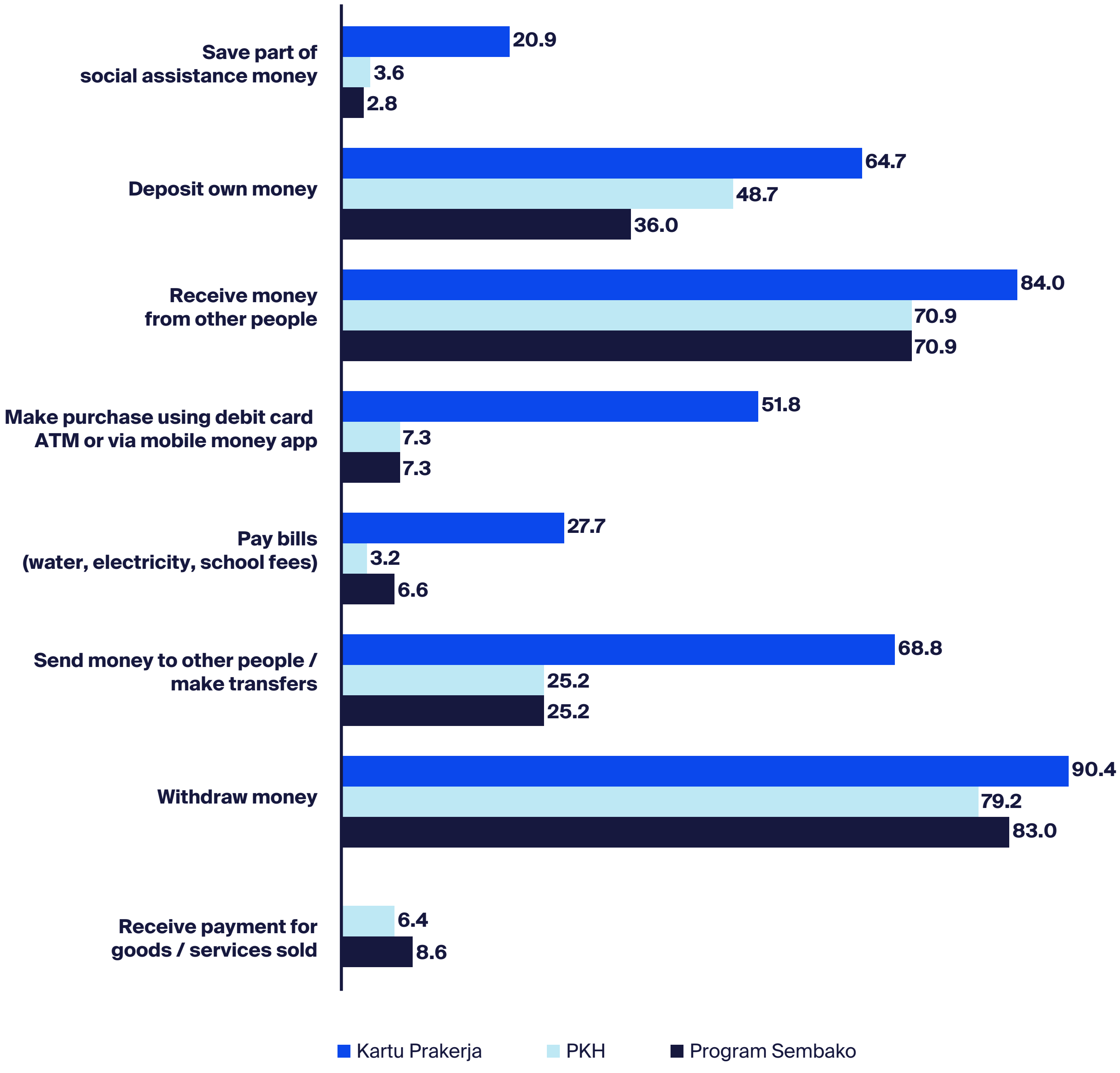
FIG. 38 Most-Used Account (%)



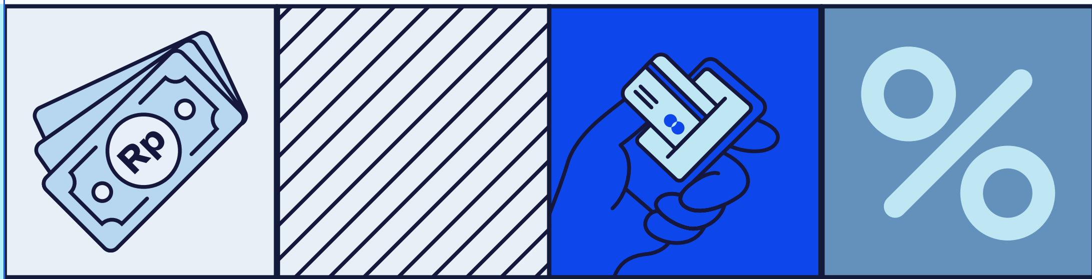
Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*

In terms of transaction type across all beneficiries, withdrawal (84.8%), receiving money (75.6%), and depositing money (49.2%) are the most common transactions conducted with the non-social assistance account. The breakdown of transactions by program can be observed in Figure 39.

FIG. 39 Use of Non-Social Assistance Bank Account (%)



Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*

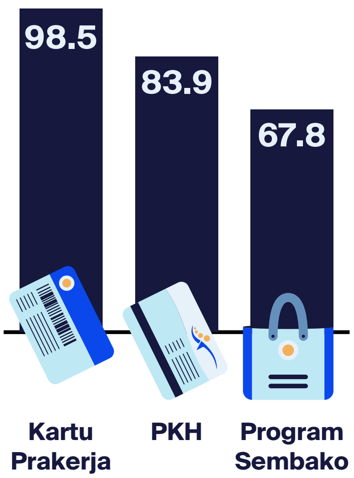


4.4 Cash versus Digital Financial Services

The definition of digital financial services is broad: they are financial services that rely on digital technology for their delivery and use by consumers (World Bank 2020). This covers all financial services accessed and delivered through digital channels, including payments and remittances, credit, savings, and insurance. In this regard, the survey counted access to banking agents (who facilitate digital transactions via their phones or computers), digital access to bank account, and e-money as digital financial services.

FIG. 40

Access to Smartphone (%)



Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*

Access to digital financial services is often heavily dependent on the ownership of a smartphone. While the majority of beneficiaries had access to a smartphone, Kartu Prakerja beneficiaries had most access at 98.5 percent (Figure 40). PKH beneficiaries have the second greatest access at 83.9 percent, while the figure is 67.8 percent for Program Sembako beneficiaries.

The greater access to a smartphone enjoyed by Kartu Prakerja beneficiaries also aligns with their greater access to digital financial services, both e-money and digital access to bank accounts. The higher access of Kartu Prakerja beneficiaries to e-money (84.3%) is derived from the fact that the program allows beneficiaries to use e-money as a payment method for receiving the benefits. Expanding the payment options for PKH and Program Sembako to include e-money will significantly increase access to digital financial services. Currently only 1.3 percent of PKH beneficiaries and 2.4 percent of Program Sembako beneficiaries have access to digital financial services (Figure 41).

In terms of digital access to bank accounts, including internet banking/SMS banking/mobile banking, Kartu Prakerja beneficiaries also have the highest level of digital access for the bank account used to receive social assistance (Figure 42) and for other accounts they own (Figure 43). For the social assistance accounts, 33.6% of Kartu Prakerja beneficiaries have access to digital services but almost no PKH or Program Sembako beneficiaries use their social assistance account to access digital services. Furthermore, Kartu Prakerja beneficiaries also have the highest level of digital access to a non-social assistance bank account (48.6%), compared to beneficiaries of PKH (7.2%) and Program Sembako (15.3%). Though only a small percentage of PKH and Program Sembako beneficiaries have digital access, the total numbers enrolled in the two programs is large, meaning this small percentage is significant. This data shows that some PKH and Program Sembako beneficiaries already use mobile financial services, and they are more comfortable using the digital financial services contained within the non-social assistance bank account. **In conclusion, enabling beneficiaries to choose the type of account they use to receive social assistance, including their existing account, could potentially increase access to and use of digital financial services.**

FIG. 41

Access to E-money (%)

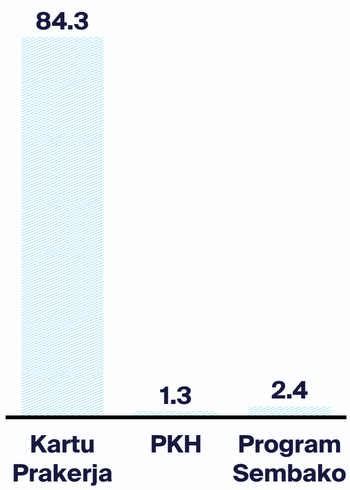


FIG. 42

Digital Access to Social Assistance Bank Account (%)

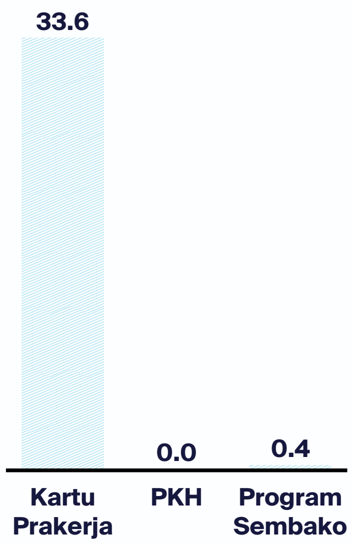
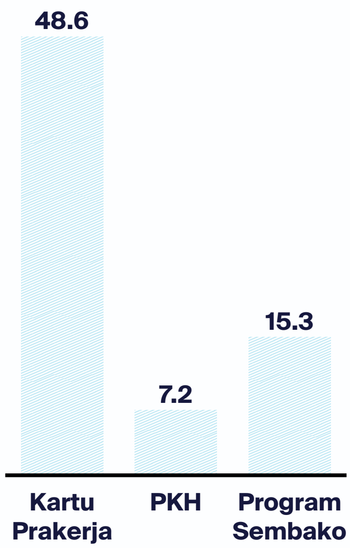


FIG. 43

Digital Access to Bank Account, Excluding Social Assistance Bank Account (%)



Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*

Still, most beneficiaries in each of the three programs cashed out their incentives immediately, albeit a smaller proportion of Kartu Prakerja beneficiaries did so. Almost all PKH beneficiaries (97.7%) had cashed out the entirety of their most recent disbursement, compared to 69.0 percent of Kartu Prakerja beneficiaries. Kartu Prakerja beneficiaries have more potential or preference than the beneficiaries of the other two programs to use digital financial services. Furthermore, comparing Kartu Prakerja beneficiaries who use e-money and those who use bank accounts, e-money users leave more money in their accounts and therefore there is more potential among them to conduct cashless transactions. A smaller proportion of e-money users (66.6%) cashed out all their incentive than did bank account users (76.9%). **These findings suggest that expanding the payment options, especially to include e-money, can potentially increase the digital use of the account (see figures 44 and 45).**

FIG. 44 Cashing Out of Social Assistance by Kartu Prakerja and PKH Beneficiaries (%)

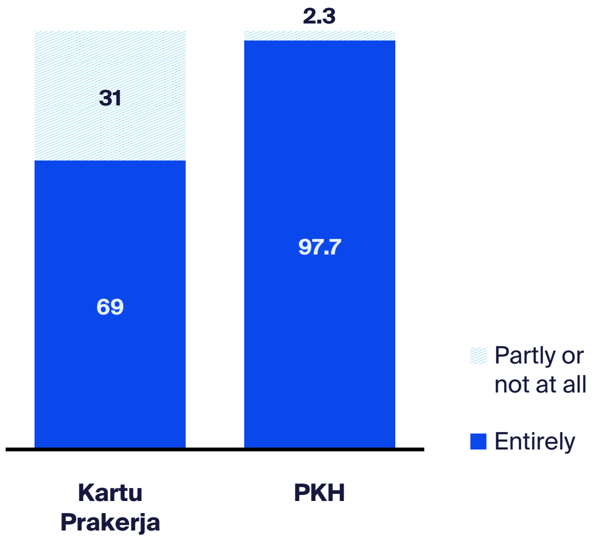
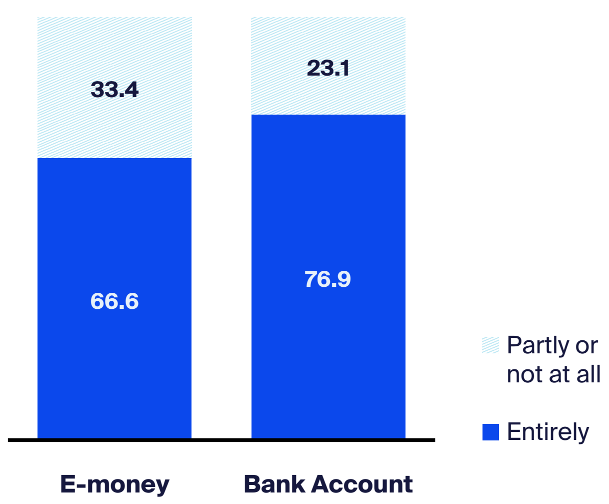


FIG. 45 Cashing Out of Social Assistance by Kartu Prakerja Beneficiaries (%)



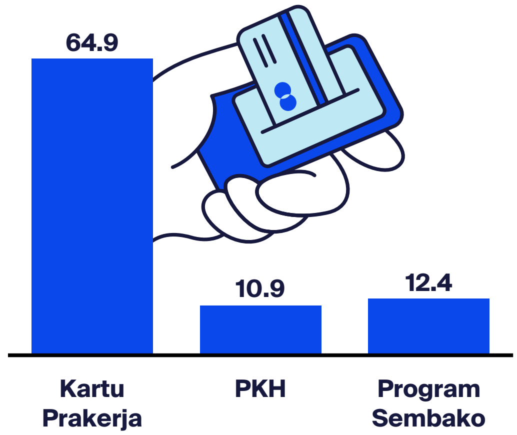
Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*

In line with the reasons given by PKH and Kartu Sembako beneficiaries (see Box 6) for their low level of use of their social assistance account, there are two main reasons for the low number of digital transactions carried out by Kartu Prakerja beneficiaries holding bank accounts. First is the absence of a supportive digital ecosystem, particularly in rural areas where merchants only accept cash. Second, the beneficiary often has a main account they already use to conduct transactions.

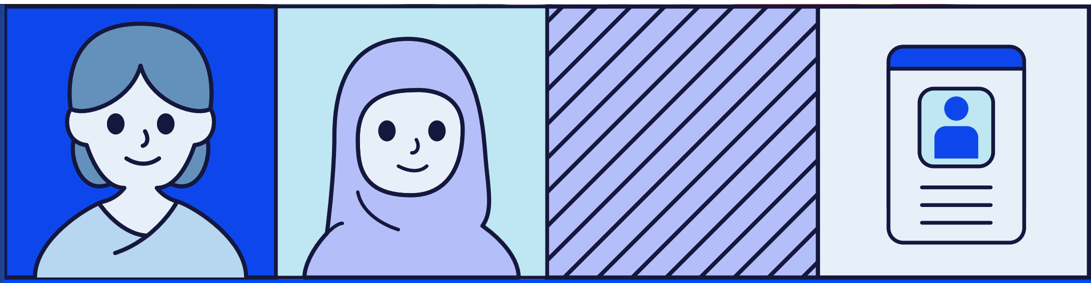
Cash still dominates when beneficiaries conduct online purchases. Around 64.9 percent of Kartu Prakerja beneficiaries carried out online purchasing, in comparison to 10.9 percent of PKH beneficiaries and 12.4 percent of Program Sembako beneficiaries (Figure 46). However, most of these online shoppers tend to pay cash on delivery: 50.8 percent in the case of Kartu Prakerja beneficiaries, 94.0 percent for PKH, and 82.8 percent for Program Sembako.

FIG. 46

Online Purchasing in Year Prior to Survey (%)



Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*



4.5 Women's Economic Empowerment

Whether cash transfers and digital payments enable the economic empowerment of women can be examined by looking at several indicators including women's privacy, financial autonomy, decision making, and labor force participation. The women's economic empowerment framework developed by the World Bank's Africa Gender Innovation Lab in partnership with the Center for Global Development (World Bank 2022a) contains indicators to assess women's economic empowerment in the context of payment (Table 8). The survey captured several of the indicators and these can be used to observe women's economic empowerment across the three social assistance programs. The three basic measures of women's economic empowerment are their input into productive decisions, their financial autonomy, and their ownership of assets.

TAB. 8 **Basic Measure of Women's Economic Empowerment**

Input into productive decisions	A: How much input do you have in making decisions about [income you earn; how household income is spent; what transfers from the government are spent on]? *1=No input or input into few decisions; 2=Input into some decisions; 3=Input into most or all decisions.* B: To what extent do you feel you can make your own personal decisions regarding income you earn; how household income is spent; what transfers from the government are spent on] if you want(ed) to? *1=Not at all; 2=Small extent; 3=Medium Extent, 4=High Extent**
Financial autonomy	A: In the past 12 months, has anyone taken your income or savings from you against your will? *1=Yes; 2=No* B: If so, who? *1=My husband; 2=My father; 3=My mother; 4=My son; 5=My daughter; 6= A male friend; 7= A female friend; 8=A male acquaintance; 9=A female acquaintance; 10=A community leader*
Asset ownership	Do you have access to a mobile phone? *Y/N* Which members of your household own the mobile phone that you have access to? *1=Self; 2=Spouse; 3=Other female household member; 4=Other male household member* A: Does anyone in your household currently have any ITEM [mats/mattress/matelas, bicycle, motorcycle/scooter, mobile phone, radio, television]? *1=Yes; 2=No* B: Who would you say owns most of the [ITEM] (i.e., who can sell, mortgage, rent out, give away, purchase new)? *1= Self; 2=Partner/spouse; 3=Other male household member; 4=Other female household member; 5=Other non-household member **

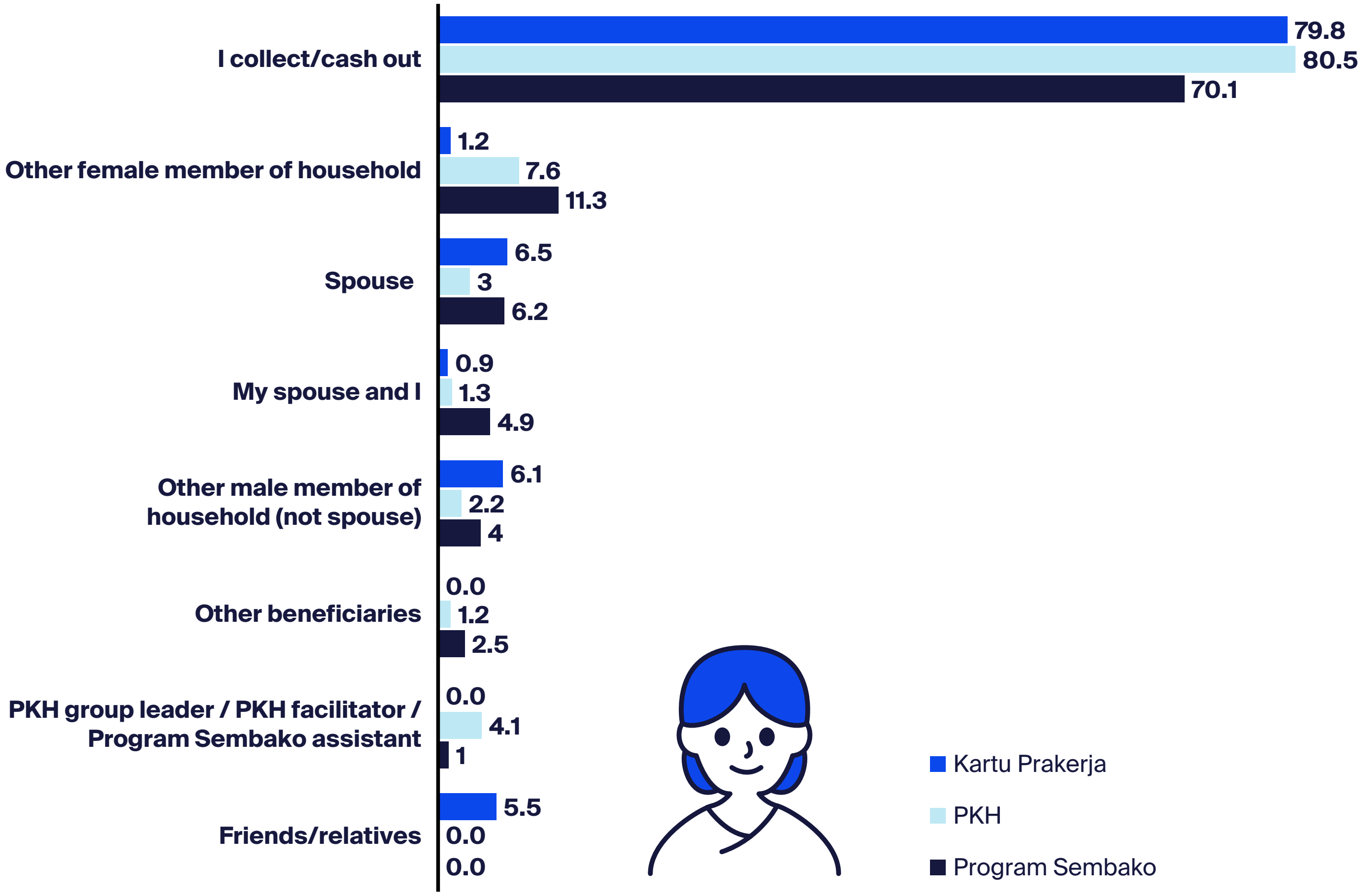
Note: *These questions were not used in this survey considering the lack of relevance to the context in Indonesian households. A matelas is a type of mattress.

Source: *World Bank and Center for Global Development n.d.*

The results shows that women beneficiaries from the three programs already have a good position within the household in terms of the three basic indicators in Table 8. In terms of gender balance, 94.6 percent of PKH and 84.1 percent of Program Sembako beneficiaries are female, while the figure for Kartu Prakerja is 46.1%. Across all programs, women stated that they can provide input into making productive financial decisions in the household, especially regarding the use of social assistance. Women beneficiaries across the three programs also have financial autonomy regarding their income and savings. Women beneficiaries of Kartu Prakerja have the same level of access to a smartphone as do men beneficiaries. However, beneficiaries of PKH and Program Sembako have lower access to a smartphone than do women Kartu Prakerja beneficiaries.

The study found that most women beneficiaries of the three programs could withdraw or collect the program benefits by themselves (Figure 47). However, it is unfortunate that there is a small portion of women beneficiaries who asked for help from other people outside the household (friends or relatives, PKH facilitators, PKH group leader, Program Sembako assistant, or other beneficiary household) to withdraw or collect the benefits.

FIG. 47 Who Usually Collects/Withdraws Social Assistance Benefits? *Female Beneficiaries (%)*



Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*

In terms of input into productive financial decisions, the survey found that approximately 92 percent of women across all three programs were able to decide how social assistance benefit is used in the household. Fewer however, were able to decide on the use of income or paying expenses. For the PKH, 81.3 percent of female beneficiaries said they decided how income was used or expenses paid, the highest among the three programs. For Program Sembako the figure is 76.4 percent and for Kartu Prakerja 67.7 percent (figures 48 and 49).

FIG. 48 Who Usually Decides How Social Assistance Benefits Are Used in the Household? (%)

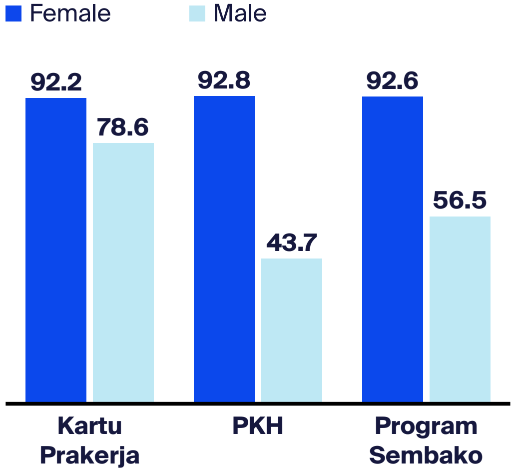
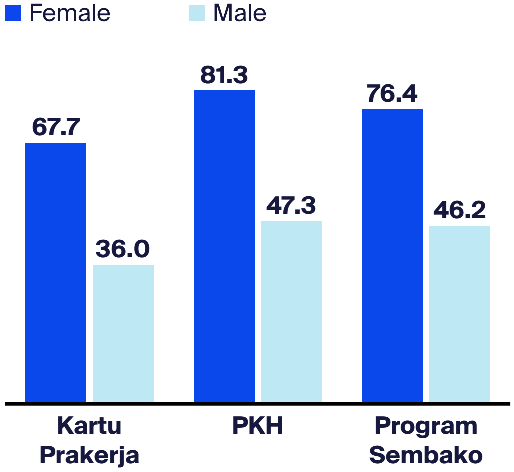
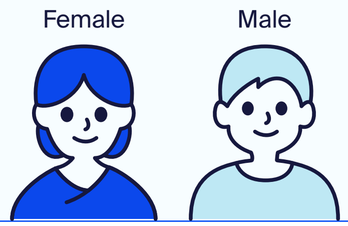


FIG. 49 Who Usually Decides on Income and Expenses in the Household? (%)

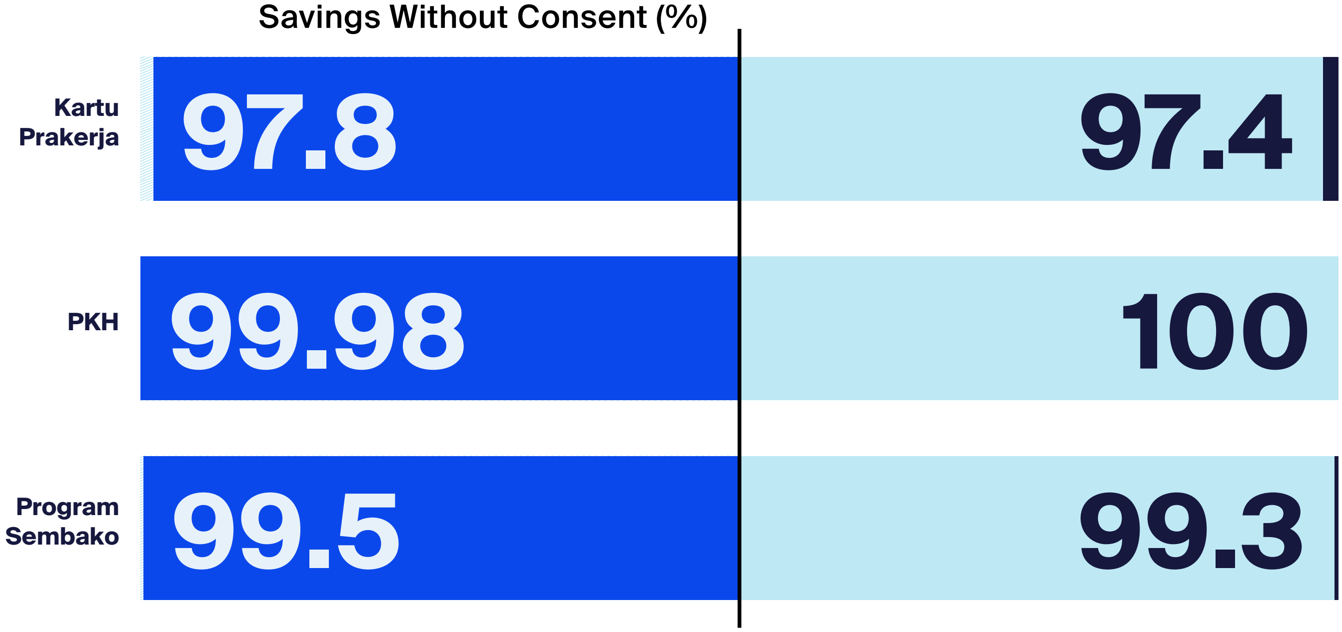


Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*



In terms of financial autonomy, there is no significant difference among female beneficiaries across the three programs. The results also showed no significant difference between women and men in the same programs (Figure 50).

FIG. 50 Never Experienced Others Taking Income or Savings Without Consent (%)



Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*

However, in terms of asset access and ownership, the survey found different rates among the three programs. Female beneficiaries of Kartu Prakerja have greater access to a smartphone (99%) compared to female beneficiaries of the other two programs: 84.5 percent for female PKH beneficiaries and 67.1 percent for female Program Sembako beneficiaries. The gap is even higher for ownership of a smartphone: 88 percent of female beneficiaries of Kartu Prakerja own the smartphone, compared to only 39 percent of female PKH beneficiaries and 42 percent of female Program Sembako beneficiaries. Interestingly, in all three programs more men than women own a smartphone (figures 51 and 52).

FIG. 51 Access to Smartphone (%)

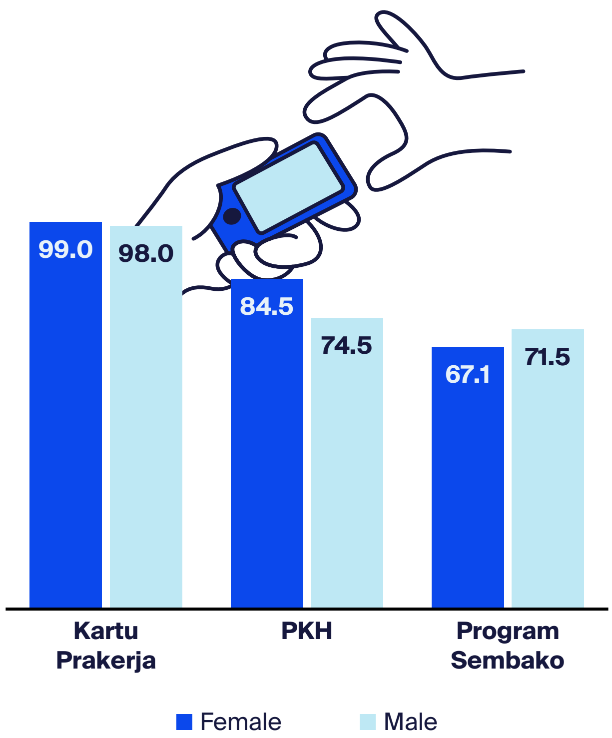
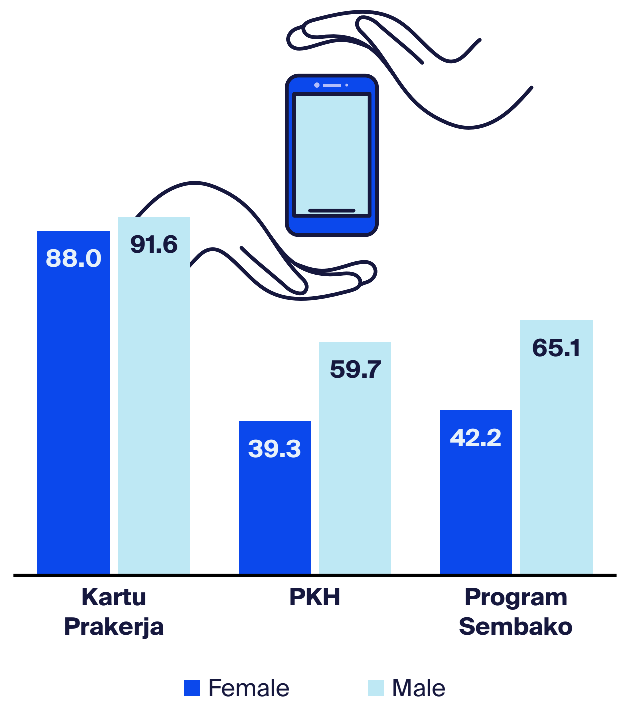


FIG. 52 Ownership of Smartphone (%)

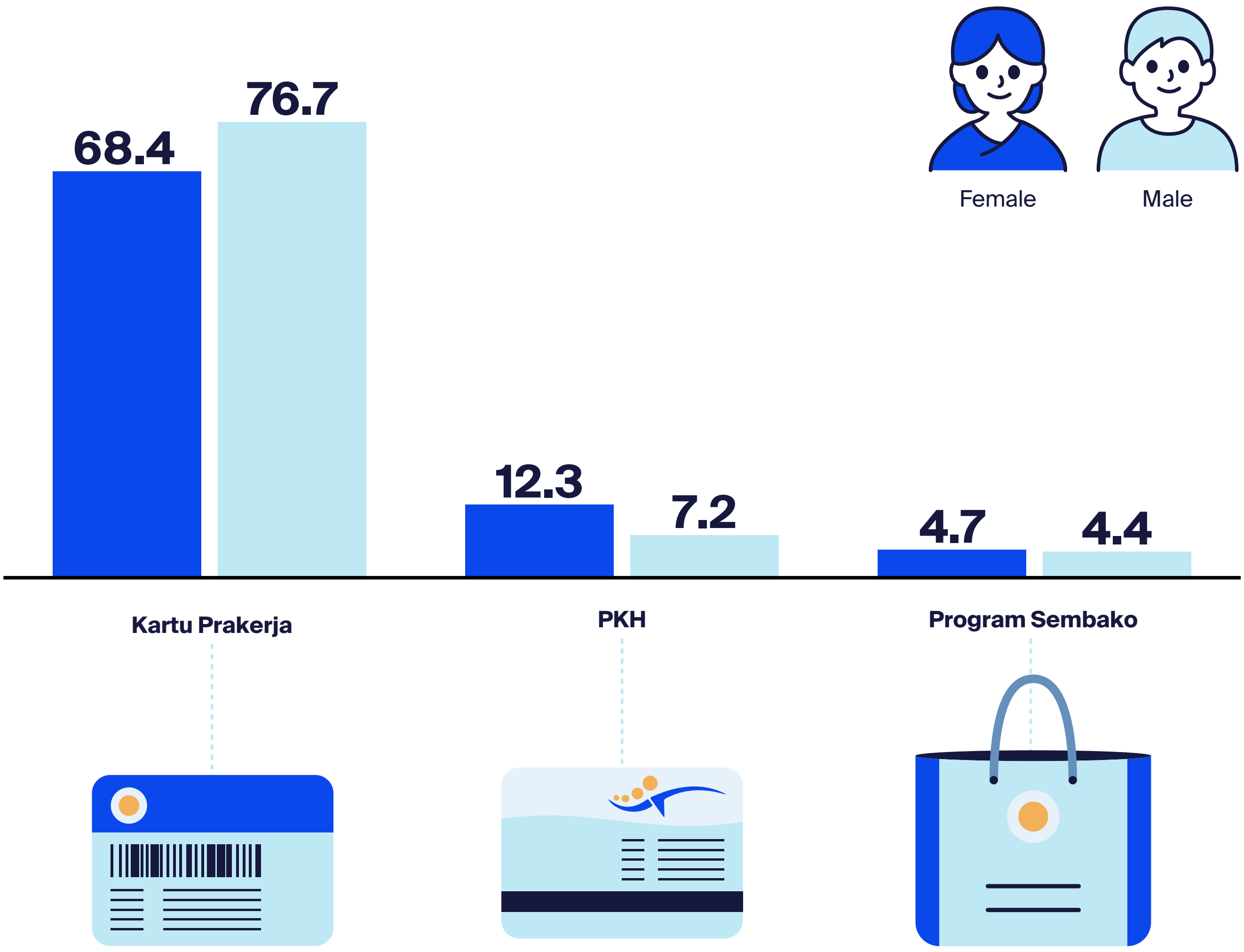


Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*

In line with the cashing-out trend across all beneficiaries, more female beneficiaries of Kartu Prakerja (27.5%) cashed out partially or not at all than did PKH beneficiaries (97.6%). If men and women beneficiaries of Kartu Prakerja are compared, more female beneficiaries (72.5%) cashed out the incentive entirely than men (66%). This indicates that female beneficiaries of Kartu Prakerja are more likely to use cash than male beneficiaries. However, for PKH, there was not a significant gap between women and men who cashed out the assistance entirely or partly/not at all.

When we compare female beneficiaries' use of the social assistance account across the three programs, the result is also consistent with use across all beneficiaries (male and female). According to the survey results, female beneficiaries of Kartu Prakerja use their social assistance account much more than female beneficiaries of PKH and Program Sembako. For Kartu Prakerja, 68.4 percent of female beneficiaries used their social assistance account for at least one transaction (other than receiving and cashing out social assistance) in the year prior to the survey, compared to only 12.3 percent of female PKH beneficiaries and 4.7 percent of female Program Sembako beneficiaries (Figure 53).

FIG. 53 Social Assistance Account Used for At Least One Financial Transaction in addition to Social Assistance (%)



Source: *World Bank calculations using data from the Social Assistance and Government-to-Person Survey.*

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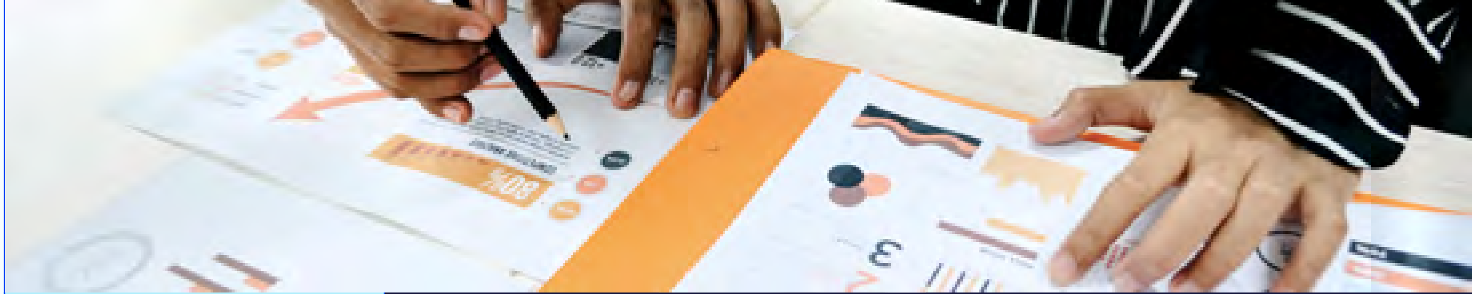
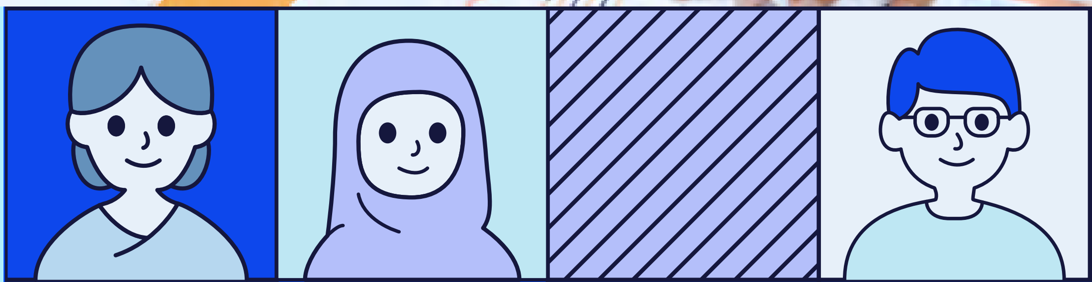
Conclusion and Policy Recommendations

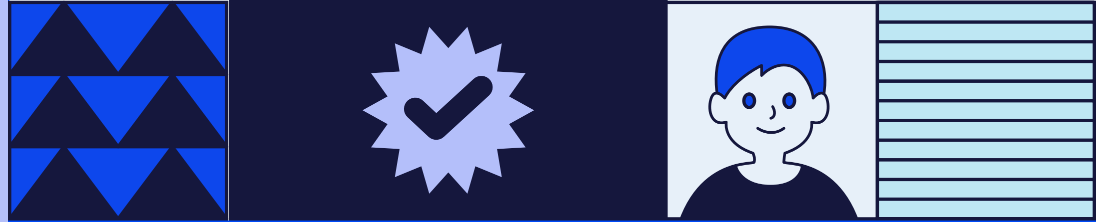




5.1 Conclusion

Beneficiary choice is important not only to facilitate smooth digital delivery of assistance but also to empower beneficiaries in choosing account following their needs thus increasing their usage of financial services. Early results from digital implementation in Kartu Prakerja show that if given choice, beneficiaries have the ability to choose the options that benefit them the most. Most beneficiaries selected an e-money account as it is simpler to open and can be used on multiple devices. Beneficiaries in all three socioeconomic categories were also familiar with and able to use an e-money payment instrument. Most beneficiaries also succeeded in opening and linking their account with the program independently.

Beneficiary choice in the type of account used may have little effect on their satisfaction with the social assistance program since the main source of satisfaction seems to be the benefit itself. Hence high satisfaction does not translate to wider account usage. However, offering beneficiary choice contributes positively to reducing the time needed to cash out the benefit and increasing account usage**.** While most PKH and Program Sembako beneficiaries did not use their account for any transaction other than cashing out the social assistance, most Kartu Prakerja beneficiaries used the account for at least one other financial transaction. The study results even suggested that beneficiaries with choice increased their use of other accounts that were not used for social assistance payments and made a greater variety of digital financial transactions.



5.2 Policy Recommendations

The study presents several policy recommendations that can be implemented in Indonesia to further advance the G2P payment architecture and empower beneficiaries of social assistance.

First, Indonesia can promote beneficiary choice as a core element of social assistance delivery, given the potential positive impacts. Evidence from the study suggests that expanding the type of account available to beneficiaries and the number of payment service providers can increase their use of the account, since beneficiaries prefer to use for social assistance an account they already have. It is also important to acknowledge that expanding account options is not without challenges. The process of expanding choice can be aligned with the readiness of the program owner, the supporting infrastructure, the infrastructure available in the location, such as internet and electricity, and the availability of different payment services providers.

Second, social assistance program can strengthen financial education to their beneficiaries. The module can start with basic financial literacy on their account for example information how to keep it safe and use in various access points. The study shows that the number of beneficiaries of PKH and Sembako who are able to safekeep their KKS card and conduct PIN change is very low. However, more Program Sembako beneficiaries relied on someone outside their household for safekeeping of their KKS than did PKH beneficiaries. One explanation to this might be the positive impact of having financial inclusion module in FDS for PKH beneficiaries.

Third, Indonesia can improve the enabling environment for delivery of G2P payments. Providing choice alone will not be sufficient if other parts of the G2P payment delivery system are not improved. Indonesia can use shared infrastructure to link identity verification, eligibility, and payment to promote efficiency. For example, a central mapper to facilitate exchange of information between ID authority, payment infrastructure, and different social assistance eligibility to process various payment distributions. Further, if a beneficiary can receive benefits from multiple programs into the same account this will increase the value of the account for both the beneficiary/customer and the account provider. Indonesia could improve beneficiaries' digital financial literacy in order to enhance their ability to benefit from their financial social assistance, including their ability to tap opportunities in the digital economy.

Four, Indonesia can enhance the digital payment ecosystem to increase the use of the system by social assistance beneficiaries, who may have different needs to other users. Hence, debit card and e-money can be used instead of cash. However, the gradual shift to digital financial services should be accompanied by the expansion of points of service, meaning more banking agents, ATMs, and bank branches to enable customers to pay in and withdraw cash. Making these networks more widely available will increase trust in the system as they enable beneficiaries to withdraw cash, their most urgent need when accessing financial services. As evident in other countries, enabling beneficiary choice creates efficiencies in social assistance programs and a more inclusive financial services market, and increases convenience for the beneficiary.

Annex 1

Result of Beneficiary Choice Analysis

This report assessed the results of providing beneficiary choice against three main indicators: beneficiary satisfaction with their payment method; disbursement experiences measured by difficulty, time, and average cost spent when cashing out; and use of the social assistance account. The study compared the results for two social assistance programs, PKH and Kartu Prakerja. The PKH program represents the absence of beneficiary choice, while Kartu Prakerja represents the existence of beneficiary choice.

Two regression models are used in this study: First, the study uses the **logistic regression model** with dependent variables that take the form of dummy variable. This model applies for four results indicators: satisfaction on payment method, cashing-out experience in terms of difficulties when cashing out, cashing-out experience in terms of time taken to cash out, and use of account. **Second**, the study uses the **ordinary least square regression with a log-linear model** and natural log values of average transport cost, transaction fee, and other costs as dependent variables. This second model, called the cost model, enabled the study to assess the result of choice on the average cost spent by beneficiaries when cashing out the benefits.

TAB. A1 Dependent Variables

Variable	Source of data	Value of variable	Regression model
Dependent variable			
Y1 = Satisfaction with current payment method	PKH and Kartu Prakerja	1 = satisfied 0 = unsatisfied	Logistic model
Y2 = Use of social assistance bank account	PKH and Kartu Prakerja	1 = Bank account used for at least one transaction in addition to receiving and cashing out social assistance 0 = Bank account used only to receive and cash out social assistance; no other transactions made.	Logistic model
Y3 = Experienced difficulty in cashing out benefit	PKH and Kartu Prakerja	1 = Yes, experienced difficulty 0 = No, did not experience difficulty	Logistic model

Y4 = Time taken to cash out	PKH and Kartu Prakerja	1 = Time taken to cash out is 5 minutes or less 0 = Time taken to cash out is more than 5 minutes	Logistic model
Y5 = Average transport cost for cashing out benefits	PKH and Kartu Prakerja	Inverse hyperbolic sine of transport cost	Ordinary least square with log-linear model
Y6 = Average transaction fee for cashing out benefits	PKH and Kartu Prakerja	Inverse hyperbolic sine of transaction fee	Ordinary least square with log-linear model
Y7 = Average other costs to cash out benefits	PKH and Kartu Prakerja	Inverse hyperbolic sine of other cost	Ordinary least square with log-linear model

Source: World Bank

Kartu Prakerja is the first social assistance program to apply beneficiary choice, albeit limited, in payment method (bank account or e-money account) and payment system provider (BNI, LinkAja, GoPay, OVO, and DANA).

This study employs propensity score matching to estimate the relationship between beneficiary characteristics on whether they receive Kartu Prakerja or PKH, reducing the bias that might have appear because of different characteristics of the beneficiaries of each program. The propensity score matching is estimated using the following model:

$$\text{Choice}_i = \beta_0 + \beta_1\ \text{Age}_i + \beta_2\ \text{Age2}_i + \beta_3\ \text{Sex}_i + \beta_4\ \text{Log(PMT Household Expenditure Per Capita)}_i + \varepsilon_i$$

Where:

- Choice_i is a dummy variable, where 1 = Kartu Prakerja and 0 = PKH for beneficiary
- Age_i is a discrete continuous variable indicating age of the beneficiary (in years)
- Age2_i is a squared-age of the beneficiary
- Sex_i is dummy of gender, where 1 = male and 0 = female for beneficiary
- Log_i is log natural of household expenditure per capita based on proxy means testing estimate for beneficiary
- ε_i is the error term

Then, we obtain $\mathrm{ChoiceHat}_i$ from the estimation. This estimated variable will be included in the main regression(s) as the main independent variable to be evaluated. Using the same estimation for propensity score matching the study obtains PKH_i, where the same independent variables are used but with a flipped dependent variable, where 1 = PKH and 0 = Kartu Prakerja. The estimated variable will also be included in the main regressions of the cost model as the main independent variable that to be evaluated.

Dummy variable “ChoiceHat” and dummy variable “PKH” were introduced in the models as the main independent variables to represent the provision of choice to beneficiaries. The dummy variable “ChoiceHat” is denoted by 1 for beneficiaries from Kartu Prakerja as it presents the existence of beneficiary choice and by 0 for beneficiaries of PKH for the absence of beneficiary choice. Meanwhile, the dummy variable “PKH” is used only in the cost models that compare the difference between costs incurred by PKH and Kartu Prakerja beneficiaries. The dummy variable “PKH” is denoted by 1 for PKH beneficiaries to represent the absence of choice and denoted by 0 for Kartu Prakerja to represent the existence of choice.

The regression models also place the program’s design (measured by type of benefits, cash or in-kind), socioeconomic characteristics of the beneficiaries, and household characteristics as control variables to eliminates their influences on beneficiary satisfaction, disbursement experiences, and use of the social assistance account.

The study use independent variables in the estimation:

- $\mathrm{ChoiceHat}_i$ dummy variable representing the existence of beneficiary choice in the program based on propensity score matching estimation
- PKH_i dummy variable representing the PKH beneficiary based on propensity score matching estimation
- beneficiary’s socioeconomic characteristics: marital status, position in household, age and squared-age, and educational level
- household characteristics: area of residence (Java-Urban, Java-Rural, Non-Java-Urban, Non-Java-Rural, where the base of Non-Java-Rural)
- other independent variables that might apply only for the specific model: dummy time to cash out the benefit, dummy difficulty in cashing out benefits, and dummy satisfaction on current payment method

The study estimated the relationship between independent variables and each dependent variable with the models:

Satisfaction with current payment method

$$Satisfied_i = \beta_0 + \gamma ChoiceHat_i + X2_i\,\delta + X3_i\,\theta + X4_i\,\vartheta + \varepsilon_i$$

Where:

- $Satisfied_i$ is dummy variable whether beneficiary is satisfied with current method for paying the benefit
- $ChoiceHat_i$ is dummy variable representing the existence of beneficiary choice in the program based on propensity score matching estimation
- $X2_i$ is a set of variables consisting of the beneficiary's socioeconomic and demographic characteristics
- $X3_i$ is a set of variables consisting of household characteristics of the beneficiary, such as area of residence
- $X4_i$ is a set of variables consisting of two variables with regards to experience in benefit disbursement, which are dummy "time" representing the time spent by the beneficiary to cash out the benefit (5 minutes or less versus more than 5 minutes) and dummy "difficulty" representing whether the beneficiary experienced difficulty in cashing out
- ε_i is an error term

Use of social assistance account

$$AccountUsage_i = \beta_0 + \gamma ChoiceHat_i + X2_i\,\delta + X3_i\,\theta + Satisfied_i\,\vartheta + \varepsilon_i$$

Where:

- $AccountUsage_i$ is dummy variable whether the beneficiary has used the social assistance bank account for any financial transaction other than receiving and cashing out the social assistance.
- $ChoiceHat_i$ is dummy variable representing the existence of beneficiary choice in the program based on propensity score matching estimation
- $X2_i$ is a set of variables consisting of the beneficiary's socioeconomic and demographic characteristics

- $X3_i$ is a set of variables consisting of household characteristics of the beneficiary, such as area of residence
- $Satisfied_i$ is dummy variable whether beneficiary is satisfied with current method for paying the benefit
- ε_i is an error term

Experienced difficulty in disbursing the benefit

$$Difficulty_i=\beta_0+\gamma ChoiceHat_i+X2_i\,\delta+X3_i\,\theta+\vartheta Time_i+\varepsilon_i$$

Where:

- $Difficulty_i$ is the dummy variable whether the beneficiary has experienced difficulty in receiving the benefit
- $ChoiceHat_i$ is the dummy variable representing the existence of beneficiary choice in the program based on propensity score matching estimation.
- $X2_i$ is a set of variables consisting of the beneficiary's socioeconomic and demographic characteristics
- $X3_i$ is a set of variables consisting of household characteristics of the beneficiary, such as proxy means testing quantile position of household based on expenditure per capita, area of residence, and distance to nearest access point for financial transactions
- $Time_i$ is dummy variable whether beneficiary could cash out the benefit within 5 minutes or less or more than 5 minutes
- ε_i is an error term

Time taken to cash out benefit

$$Time_i=\beta_0+\gamma ChoiceHat_i+X2_i\,\delta+X3_i+\varepsilon_i$$

Where:

- $Time_i$ is the dummy variable whether the beneficiary could cash out the benefit in 5 minutes or less versus more than 5 minutes
- $ChoiceHat_i$ is a dummy variable representing the existence of beneficiary choice in the program based on propensity score matching estimation.

- $X2_i$ is a set of variables consisting of the beneficiary's socioeconomic and demographic characteristics
- $X3_i$ is a set of variables consisting of household characteristics of the beneficiary, such as area of residence
- ε_i is an error term

Cost of cashing out the benefit

$$Yk_i=\beta_0+\gamma PKH_i+X2_i\,\delta+X3_i\theta+\varepsilon_i$$

Where:

- Yk_i is inverse hyperbolic sine of cost of k, where k stands for each cost to be analyzed, which is average transport cost, average transaction fee, and average other costs incurred by the beneficiary
- PKH_i is dummy variable representing a PKH beneficiary. This dummy represents the absence of beneficiary choice in the program based on propensity score matching estimation.
- $X2_i$ is a set of variables consisting of beneficiary's socioeconomic and demographic characteristics
- $X3_i$ is a set of variables consisting of household characteristics of beneficiary, such as area of residence, and usual place for cashing out the benefits
- ε_i is an error term

TAB. A2

Regression Results of Logistic Model for Satisfaction and Use of Social Assistance Account

	Satisfied with current payment method (1=Yes, 0=No)	Use social assistance bank account for at least one transaction in addition to receipt and cashing out social assistance benefit (1=Yes, 0=No)	Use social assistance and non-social assistance bank account for at least one transaction in addition to receipt and cashing out social assistance benefit (1=Yes, 0=No)	Usage number of transaction of SA and Non-SA bank account
Pr(Beneficiary has choice (1=Kartu Prakerja, 0=PKH))	0.0295	0.312***	0.317***	0.707***
	(0.0225)	(0.0506)	(0.0541)	(0.117)
Ever Married (1=Yes; 0=No)	0.00971	-0.117***	-0.129**	-0.109**
	(0.0120)	(0.0417)	(0.0558)	(0.0538)
Beneficiary is HH Head (1=Yes; 0=No)	-0.0284**	0.0225	0.0544*	0.112*
	(0.0122)	(0.0276)	(0.0293)	(0.0559)
Education: Junior High School (Base: Up to elementary school)	-0.0206	0.0144	0.0328	0.156*
	(0.0162)	(0.0297)	(0.0252)	(0.0891)
Education: Senior High School or Above (Base: Up to elementary school)	0.00370	0.161***	0.167***	0.518***
	(0.0117)	(0.0395)	(0.0373)	(0.0974)
Non-Java, Urban (Base: Non-Java, Rural)	-0.00583	-0.0822	-0.0932*	-0.205
	(0.0137)	(0.0509)	(0.0528)	(0.128)
Java, Rural (Base: Non-Java, Rural)	-0.00344	-0.0647	0.0567	0.210
	(0.0169)	(0.0568)	(0.0766)	(0.168)
Java, Urban (Base: Non-Java, Rural)	0.00599	0.0105	0.0142	0.0549
	(0.0124)	(0.0460)	(0.0434)	(0.0983)
Age	-0.00290	0.00404	0.0125*	0.0347**
	(0.00320)	(0.00571)	(0.00627)	(0.0133)
Age-squared	6.13e-05	-5.98e-05	-0.000158**	-0.000523***
	(4.64e-05)	(6.25e-05)	(6.52e-05)	(0.000169)
Experienced difficulty in disbursing (1=Yes; 0=Otherwise)	-0.0225			
	(0.0150)			
Time to Cashing Out (1=5 mins or less; 0=More than 5 mins)	-0.00789			
	(0.00829)			
Satisfied with current payment method (1=Yes; 0=No)		0.137*	-0.0769	-0.135
		(0.0689)	(0.0719)	(0.149)
Ever owned bank account before (1=Yes; 0=No)			0.307***	
			(0.0332)	
Constant				-1.641***
				(0.297)
Observations	1,760	1,890	1,890	1,890
Estimation method	Logit	Logit	Logit	Poisson
PSM control variable:				
Log(HH Expenditure Per Capita)	Yes	Yes	Yes	Yes
Sex	Yes	Yes	Yes	Yes
Age and age-squared	Yes	Yes	Yes	Yes

Note: Standard errors in parentheses. Significant at ***1%, **5%, and *10%. “Beneficiary has choice” variable is estimated using propensity score matching (PSM). For models estimated by logit, the presented coefficients are in the form of average marginal effects.
Source: World Bank calculations based on the Social Assistance and Government-to-Person Survey.

TAB. A3

Regression Results of Logistic Model for Difficulty and Time Spent on Cashing Out

	Time to cashing out (1=5 mins or less, 0=More than 5 mins)	Experienced difficulty when cashing out the benefit (1=Yes, 0=No)
Pr(Beneficiary has choice (1=Kartu Prakerja, 0=PKH))	0.131*	0.0184
	(0.0700)	(0.0448)
Ever Married (1=Yes; 0=No)	0.0232	0.0523*
	(0.0394)	(0.0267)
Beneficiary is HH Head (1=Yes; 0=No)	-0.00101	0.00383
	(0.0404)	(0.0193)
Education: Junior High School (Base: Up to elementary school)	-0.0406	-0.0440**
	(0.0495)	(0.0181)
Education: Senior High School or Above (Base: Up to elementary school)	0.0978*	-0.0121
	(0.0515)	(0.0276)
Non-Java, Urban (Base: Non-Java, Rural)	0.0729	-0.0108
	(0.0790)	(0.0175)
Java, Rural (Base: Non-Java, Rural)	-0.0493	0.0430
	(0.0717)	(0.0339)
Java, Urban (Base: Non-Java, Rural)	0.0573	-0.0141
	(0.0722)	(0.0137)
Age	0.000228	-0.000711
	(0.00746)	(0.00275)
Age-squared	1.80e-05	2.22e-07
	(7.56e-05)	(3.67e-05)
Time to cashing out (1=5 mins or less; 0=Otherwise)		-0.0494**
		(0.0229)
Observations	1,760	1,760
Estimation method	Logit	Logit
PSM control variable:		
Log(HH Expenditure Per Capita)	Yes	Yes
Sex	Yes	Yes
Age and age-squared	Yes	Yes

Note: Standard errors in parentheses. Significant at ***1%, **5%, and *10%. “Beneficiary has choice” variable is estimated using propensity score matching (PSM). For models estimated by logit, the presented coefficients are in the form of average marginal effects.
Source: World Bank calculations based on the Social Assistance and Government-to-Person Survey.

TAB. A4

Regression Results of Log-Linear Model for Cost Indicators

	Transportation	Cashing Out	Others	Total
Pr(PKH beneficiaries (base: Kartu Prakerja)) from PSM	-0.263	-0.847	-0.281	0.00593
	(0.786)	(0.623)	(0.813)	(0.554)
Ever Married (1=Yes; 0=No)	-0.751	0.414	0.471	0.226
	(0.470)	(0.464)	(0.465)	(0.402)
Beneficiary is HH Head (1=Yes; 0=No)	0.235	0.00630	0.0897	0.486*
	(0.388)	(0.340)	(0.495)	(0.247)
Education: Junior High School (Base: Up to elementary school)	0.144	0.0454	0.0693	-0.455
	(0.535)	(0.305)	(0.360)	(0.281)
Education: Senior High School or Above (Base: Up to elementary school)	0.534	0.240	0.270	0.164
	(0.564)	(0.360)	(0.379)	(0.337)
Non-Java, Urban (Base: Non-Java, Rural)	-0.856	-0.681	-0.652	-0.210
	(0.852)	(0.416)	(0.852)	(0.376)
Java, Rural (Base: Non-Java, Rural)	0.936	0.0936	1.316	0.328
	(1.251)	(0.374)	(1.448)	(0.544)
Java, Urban (Base: Non-Java, Rural)	-0.976	-1.049***	0.633	-0.512
	(0.811)	(0.390)	(0.896)	(0.406)
Usual place for cashing out: Bank (base: others)	4.108***	-3.459**	-0.0603	2.637
	(1.126)	(1.471)	(1.095)	(1.856)
Usual place for cashing out: ATM (base: others)	3.272***	-2.691*	-0.321	1.723
	(1.183)	(1.354)	(0.947)	(1.764)
Usual place for cashing out: Agent (base: others)	0.546	2.833*	-1.255	2.769
	(0.991)	(1.465)	(0.967)	(1.803)
Age	-0.0212	-0.168**	-0.0251	-0.0888
	(0.0730)	(0.0630)	(0.0614)	(0.0595)
Age-squared	6.56e-05	0.00135**	6.74e-05	0.000528
	(0.000703)	(0.000645)	(0.000525)	(0.000627)
Constant	5.647***	10.38***	3.404*	9.153***
	(1.939)	(1.962)	(1.694)	(2.282)
Observations	1,804	1,768	1,807	1,816
R-squared	0.135	0.340	0.049	0.067
PSM Controlling Variable:				
Log(HH Expenditure Per Capita)	Yes	Yes	Yes	Yes
Sex	Yes	Yes	Yes	Yes
Age and Age-squared	Yes	Yes	Yes	Yes

Note: Standard errors are in parentheses. Significant at ***1%, **5%, and *10%. Dependent variables are in the form of inverse hyperbolic sine of the cost.
Source: World Bank calculations based on the Social Assistance and Government-to-Person Survey.

TAB. A5

Regression Results of Propensity Score Matching (Choice)

	PSM for Kartu Prakerja and PKH, where 1=Kartu Prakerja and 0=PKH.	PSM for Kartu Prakerja and PKH, where 1=PKH and 0=Kartu Prakerja (for Cost estimation).
Log(HH Expenditure Per Capita)	0.278***	-0.278***
	(0.0290)	(0.0290)
Sex (1=Male, 0=Female)	0.333***	-0.333***
	(0.0337)	(0.0337)
Age	-0.0294***	0.0294***
	(0.00472)	(0.00472)
Age-squared	0.000221***	-0.000221***
	(5.10e-05)	(5.10e-05)
Observations	1,937	1,937

Note: Standard errors are in parentheses. Significant at ***1%, **5%, and *10%. Numbers presented above are in the form of average marginal effects of logit post-estimation.
Source: World Bank calculations based on the Social Assistance and Government-to-Person Survey.

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