Women's World Banking

MAKING FINANCE WORK FOR WOMEN™

Delivering on the Potential of Digitized G2P:

Driving Women's Financial Inclusion and Empowerment through Indonesia's Program Keluarga Harapan

Sophie Theis | Giudy Rusconi | Elwyn Panggabean | Sonja Kelly

August 2020

CONTENTS

Using the PDF navigation

To get to a segment quickly, you can click on the navigation menu on the top of the page. This feature will appear on most pages.

FOREWORD

I am thrilled that Women's World Banking is releasing this research, and especially that we are doing so in the midst of the Covid-19 pandemic when government-to-person (G2P) payments have emerged as a critical emergency response tool.

In the last few months, nearly every country in the world has announced some sort of G2P payment scheme. The World Bank's Global Findex reported two years ago that if governments moved cash payments to digital channels, they could help up to 100 million unbanked adults open up their first account. Now, with social distancing and widespread lockdowns, opening bank accounts to ensure these payments get to beneficiaries safely has become a priority for many countries. In fact, this moment in history is one in which G2P, when well-designed, can do more than facilitate immediate crisis response; they can promote long-term women's economic empowerment through financial inclusion.

The spread of the virus has been uneven throughout Indonesia, but the Indonesian government has issued broad social protection measures to support its most vulnerable populations. Those hardest hit—mostly women—have managed their lives in the midst of stay-at-home orders and social distancing protocols. Their enterprises, both formal and informal, are suffering under these new norms. Never have digital G2P systems been more relevant to women's well-being, and the existing infrastructure has proven essential to the government's ability to respond to these needs.

Covid-19 amplifies and raises the stakes on our findings. Before and into the crisis, a team from Women's World Banking worked with Indonesia's Ministry of Social Affairs staff to identify beneficiaries of the Program Kelarga Harapan (PKH) and hear about their experience with the program in their own voices. PKH is being adapted in the face of the pandemic, but the financial capability needs of recipients are as urgent today as they were when we conducted this research a few months ago (prior to the outbreak in Indonesia). In response to Covid-19, PKH switched from quarterly to monthly disbursements for beneficiaries, increased the annual payment amounts by 25 percent, and added 800,000 beneficiaries. To understand and benefit from these changes, recipients need an accurate understanding of the features of their basic savings accounts and how these accounts can be a tool for their financial management. You will hear in this report about ways the program could unlock the full benefits of G2P payments—by increasing efficiency, transparency, and financial inclusion and facilitating emergency response.

As the program's governing body moves forward and faces critical decisions about increasing PKH's effectiveness, we hope Indonesia can become an example for similar efforts around the world. Many countries are just starting out on their journey toward digitization of payments. We hope this report can serve as a road map to making G2P work for women.

Mary Ellen Iskenderian
President and CEO,
Women's World Banking

ACKNOWLEDGMENTS

Women's World Banking is grateful for the critical support and input from the Ministry of Social Affairs of the Republic of Indonesia; Brooke Patterson from the Bill & Melinda Gates Foundation; I Dewa Gede Karma Wisana and Flora Aninditya with their teams from Lembaga Demografi Faculty of Economics and Business Universitas Indonesia for managing quantitative and qualitative data collection; and Hamidah Mantiri, Rahmi Yunaningsih, Siti Rizqi Ashfina Rahmaddina Siregar, Siti Hilya Nabila, Fitri Ayunisa, Sri Musyawarohyati, Andina Amelia Putri, and Indraini Hapsari for essential roles in the qualitative fieldwork. I Gede Putra Arsana (World Bank), Joep Roest (CGAP), Simone Schaner (University of Southern California, Jaclyn Berfond (Women's World Banking), and Marina Dimova (Women's World Banking) provided valuable peer review that strengthened the report. This research was only possible with the generosity of PKH staff, recipients, and bank agents in sharing their time and insights with the team. Finally, we thank Iskandar Simorangkir, Head of the Secretariat of Indonesia's National Financial Inclusion Council (DNKI) and Djauhari Sitorus, Head of Project Management Office of the Secretariat, for their instrumental role in supporting Women's World Banking's work in Indonesia.

EXECUTIVE SUMMARY

Government-to-person (G2P) payments hold promise for women's economic empowerment through financial inclusion. With well-designed accounts delivered to financially capable consumers, beneficiaries are confident about the transactions they are conducting, motivated to save, able to make and receive payments, and eligible for loans. The financial inclusion community has been working for nearly a decade toward creating the conditions for the success of these payments in the lives of low-income beneficiaries, who are mostly women.

Knowledge

She understands the core features of her account, knows she can use it to save and do transfers, and sees the value of doing so with a bank account

Confidence

She is confident conducting transactions on her own via ATM or agent when she needs to, without help from anyone

Savings

She is motivated to save by leaving a balance in her account or making deposits, which feels safer than leaving it at home or at school, and less costly than saving with a friend

Transfers & Payments

She receives transfers from her son working in Jakarta, and makes payments for her other child's school fees, saving her time and expense

Loans

Her consistent account use helps her prepare to graduate from PKH and makes her eligible for a loan, and she continues to use the account after graduating from PKH

Just three years ago, Indonesia's primary social benefits program, Program Keluarga Harapan (PKH), shifted its payment channels from cash to bank accounts for its nearly 10 million beneficiaries. For most of these recipients, the account was their first owned product with a formal financial services provider. This engagement, however, has yet to translate into active use of accounts. This research examines what influences beneficiaries' use of accounts in this flagship program through a mixed-methods analysis of a nearly 2,000-person survey and robust qualitative research.

Based on the collected data, we define four distinct segments of beneficiaries. Withdrawers (79.3 percent of the sample) collect their payments in cash as soon as possible. Balance leavers (11.3 percent) leave some funds in the account for fear of account closure. Savers (7.7 percent) withdraw only the funds they need and make deposits into the account for safe keeping. Transactors (1.4 percent) receive or make additional payments using the account. The distribution of our sample across these segments underscores a significant opportunity to leverage the accounts for financial inclusion to further women's economic empowerment. There is evidence that if PKH beneficiaries were to receive the right information and have greater financial capability, a larger proportion of them would save, make payments, transfer funds, and borrow against their balance.

PKH is uniquely positioned to deepen women's financial inclusion and empowerment. With these changes, Women's World Banking sees promise for women beneficiaries to make informed decisions to use these formal accounts to meet their needs.

1. Redesign the program's financial capabilities training. A new curriculum would help beneficiaries build knowledge, skills, attitudes, and behavior.
2. Use behavioral design to drive account use. The PKH group structure has potential to leverage peer support for a behavioral design intervention to encourage active engagement with the account and related services.
3. Coordinate program touchpoints. Program facilitators, agents, and bank staff all interact with beneficiaries, but currently do not coordinate or reinforce messages. This lack of coordination perpetuates misinformation about the account, but could be changed.
4. Enhance program design elements to strengthen women's economic empowerment.
5. Create incentives for the private sector to prioritize account activation. With the right incentives, financial institutions could play an active role in increasing account usage.

INTRODUCTION

For more than a decade, the financial inclusion community has recognized the potential of government-to-person (G2P)[2] programs for financial inclusion and women's economic empowerment.

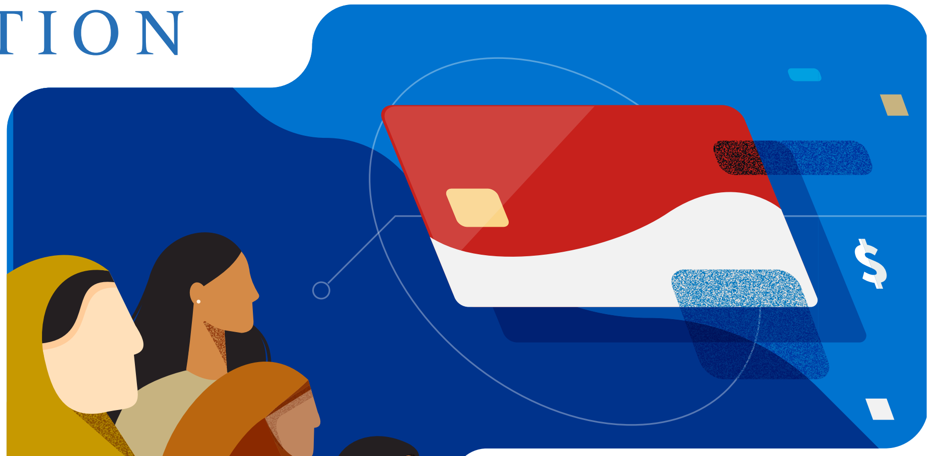
As G2P transfers digitize, transitioning from cash payments to newly opened financial accounts for recipients, these programs have ushered large numbers of low-income people, many of whom are women, into the formal financial system for the first time.

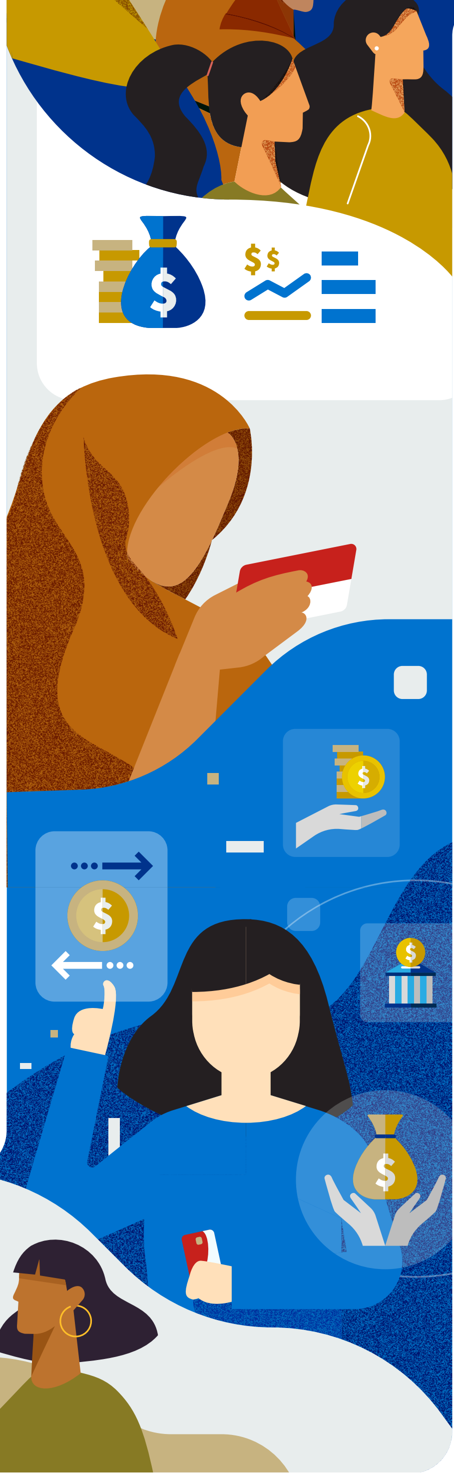
In 2017, Indonesia's conditional cash transfer program, Program Keluarga Harapan (PKH), made this transition from cash to digital, enlisting four state-owned banks to open basic savings accounts for millions of women recipients.

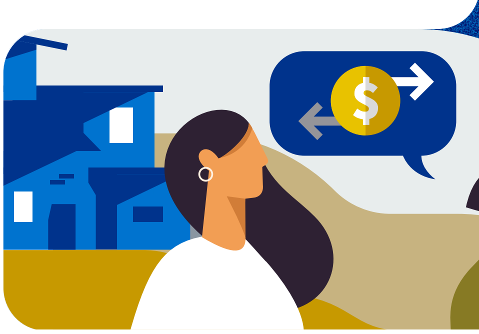
Previous research shows that this was the first bank account for the majority of beneficiaries, yet it is rare that they use their accounts for any function beyond withdrawing cash.[3] The program presents a clear opportunity to deepen financial inclusion for women.

If PKH more fully addresses beneficiaries' needs and constraints with respect to account use, it can better deliver on its potential for advancing women's financial inclusion and economic empowerment.

Today, governments around the world are turning to G2P programs to help women build back better after Covid-19. It is more critical now than ever to empower G2P recipients to use their accounts as tools for recovery and resilience. This research examines the key drivers and barriers to women's use of accounts in PKH, Indonesia's flagship G2P social benefit program.







The promise of G2P for women

Digitized G2P can do more than deliver cash payments more efficiently. Though functionality varies, accounts delivering G2P payments can directly facilitate formal savings, person-to-person (P2P) transfers, and payments, offering beneficiaries greater safety, security, and efficiency compared to informal transactions.

G2P accounts can also be an on-ramp to new financial services. In theory, as beneficiaries become active account users, financial services providers deepen their understanding of customers' behavior, design new offerings tailored to their needs, and use transaction history to unlock beneficiaries' access to credit, insurance, and other products.

Digitized G2P can be especially important for women. G2P payments directed into accounts can provide a private, independent, and reliable income stream as well as a secure place to store value. These can protect against appropriation of funds by other family members, strengthening a woman's control over her own economic gains, and increasing her overall bargaining power within the household.[4]

Nevertheless, this potential has not yet translated into practice. Global experience thus far with G2P programs has uncovered a number of obstacles to delivering on the promise of G2P for financial deepening and women's economic empowerment.

[2]Government-to-person (G2P) payments refer to any payment delivered from the government to an individual. In this report G2P refers almost exclusively to government-to-person social benefit payments.
[3]MSC (2019). Report on Findings of Impact Evaluation of Program Keluarga Harapan (PKH).
[4]Chamberlin W., Kellison, L., Klugman, J., & Zimmerman, J. (2019). Enhancing Women's Economic Empowerment Through Digital Cash Transfers - Digitize/Direct/Design: The D3 Criteria.

Many have to do with the deep constraints that beneficiaries face when starting to use formal financial accounts for the first time: they do not know they can use the account; they do not know how to use it; they do not trust that the money will be safe if left in the account; they prefer cash; or they need the money right away.[5] Lack of knowledge, skills, and trust suppresses use.[6] As a result, it is common across G2P programs for beneficiaries to use their accounts primarily to cash out benefits, neglecting other use cases.

Though these challenges continue to limit digitized G2P from delivering on its potential, they are not insurmountable.

One of the key insights from earlier digitized G2P programs is the importance of designing for the customer in order to achieve successful behavioral change of this magnitude[7]. Beneficiaries need to build substantial new financial capabilities—knowledge, attitudes, skills, and behaviors—in order to start using formal financial accounts. Efforts to empower beneficiaries to use accounts must start with an understanding of beneficiaries' baseline capabilities and financial needs.[8]

Program Keluarga Harapan

Figure 1: Key Features of PKH Basic Savings Accounts

The BSAs offer progressive features for low-income populations, including no minimum balance and no monthly administrative fees.

Account holders have the ability to withdraw cash at:

Branchless banking agents
(Laku Pandai[12], with an electronic data capture machine)

ATM
(with no fees at the four state-owned banks)

Bank Branch

E-warung KUBE[13]
(groups of PKH beneficiaries who operate an agent business)

Depending on eligibility criteria, each beneficiary receives annually:

About IDR 900,000 to IDR 10 million

(About USD 65-715, disbursed on a quarterly basis[14])

Basic savings accounts can also be used for savings, person-to-person transfers, and payments, by using the account or the associated debit card called KKS (Kartu Keluarga Sejahtera).[15]

Indonesia's conditional cash transfer, Program Keluarga Harapan, is an example of a new wave of digitized G2P programs. Starting in 2017, PKH successfully directed the opening of basic savings accounts (BSAs[9]) for almost 10 million beneficiaries, of which approximately 94 percent are women.[10] By presidential decree, four state-owned banks (BNI, BRI, Bank Mandiri, and BTN) were enlisted to disburse G2P payments and assigned to cover specific districts (kabupaten) of Indonesia.[11] Figure 1 describes key features of the basic savings accounts.

Recipients of the food subsidy, Bantuan Pangan Non Tunai (BPNT[16]), also use the KKS card to collect basic staples (rice, eggs, oil), distributed on a monthly basis at designated agent locations.

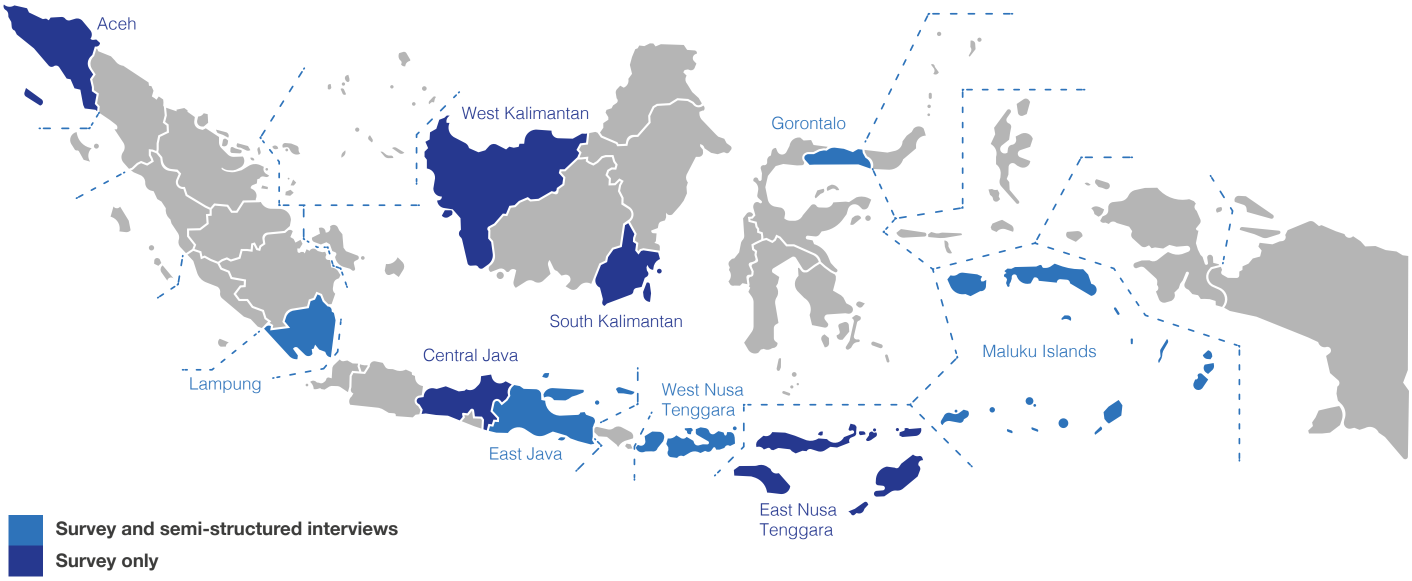
PKH is embedded in a strong social structure with capacity building elements. As a condition of receiving PKH, beneficiaries participate in monthly Family Development Sessions (FDS), led by a PKH facilitator. These sessions emphasize children's education and health as well as the beneficiaries' own health and nutrition.

[5]Stuart, G. (2018). Government to Person Transfers: On-Ramp to Financial Inclusion? Washington, D.C.: Center for Financial Inclusion at Accion.
[6]Berfond, J., Gomez S., F., Navarrete, J., Newton, R., & Pantelic, A. (2019). Capacity Building for Government-to-Person Payments: A Path to Women's Economic Empowerment. New York: Women's World Banking, Fundacion Capital, and the Bill & Melinda Gates Foundation.
[7]For a more detailed discussion of this literature and program review, see Appendix B.
[8]Berfond, J., Gomez S., F., Navarrete, J., Newton, R., & Pantelic, A. (2019).
[9]In Indonesia, a basic savings account (BSA) is a savings product designed by the Financial Services Authority to promote financial inclusion.
[10]MSC (2019).
[11]Regulation of the president of the Republic of Indonesia, Number 63 (2017)
[12]Layanan Keuangan Tanpa Kantor Dalam Rangka Keuangan Inklusi (Laku Pandai) is a Financial Services Authority financial inclusion program that provides formal financial services through partnership with third party agents.
[13]Electronic Warung Kelompok Usaha Bersama (e-warung KUBE) is an economic development initiative created, supported, and maintained by the Ministry of Social Affairs for PKH beneficiaries to start a group-owned business.
[14]MSC (2019).
[15]Kartu Keluarga Sejahtera (KKS) is a combo/debit card given to PKH and BPNT beneficiaries to receive their G2P funds/money.
[16]Bantuan Pangan Non Tunai, or BPNT, is the Indonesian food subsidy program.

The Government of Indonesia's Financial Inclusion Strategy calls for digitizing cash-based social assistance payment systems like PKH so that recipients do not have to withdraw all the assistance at once and have incentive to make deposits, build assets, and manage their finances.[17]

Previous research, however, on the PKH program found that usage of accounts beyond withdrawal remains low: 82 percent of respondents reported cashing out their payment in full.[18] This research also revealed low awareness of accounts: 39 percent of respondents did not know the card was linked to a basic savings account, and 31 percent reported they were aware of the account but did not know how to use it.

Figure 2: Research locations across Indonesia



Methods

We collected original primary data using a mixed methods approach. In December 2019, we conducted a large-scale quantitative survey of 1,980 PKH women beneficiaries in 10 provinces (see Figure 2).

In each considered region, we chose the province with the highest share of PKH beneficiaries and used a multistage randomized approach to select survey respondents.

After the initial survey, we followed up with qualitative, semi-structured individual interviews with 40 women beneficiaries, eight bank agents, eight PKH facilitators, and four PKH district coordinators in four of those provinces. We disproportionately sampled beneficiaries who had used their account to save, transfer money, or make payments in order to study what factors explain such positive deviance in the use of accounts. For additional context, we interviewed PKH facilitators, agents, and bank employees at distribution partner institutions.

Following the Covid-19 outbreak, the government deployed PKH for emergency relief. In response, we conducted follow-up phone interviews with 42 respondents from the earlier phases of research, including 22 facilitators (2 in each province plus Jabodetabek[19]), 10 agents, and 10 beneficiaries (2 each in the qualitative study sites plus Jabodetabek). For a further discussion of methods, see Appendix A.

[17] National Financial Inclusion Strategy (2016).
[18] MSC (2019).
[19] Jabodetabek refers to the greater Jakarta area including Jakarta, Bogor, Depok, Tangerang, and Bekasi.

Profile of respondents

For 92.5 percent of respondents, the PKH basic savings account is their first bank account.

Figure 3 shows that the background of women in our sample varies greatly – from age, education level, income generation, technological access, and family size.

Figure 3: Respondent characteristics

Households

- **4** people live in a median household
- **87.6%** are married
- **3** median number of children per beneficiary
- **79.1%** Muslim, **20.1%** Christian, **0.8%** others

Income Generation

- **57.3%** self-report as housewives
- **37.3%** earned some income during the past 30 days
- **58.2%** have enough money to buy food but find it hard to buy clothes

Women's Accounts

- **92.5%** first bank account
- **97.2%** have a biometric ID
- **80.8%** receive BPNT subsidy

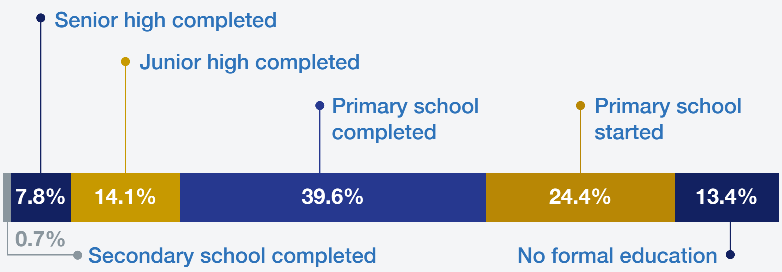
Phone Access

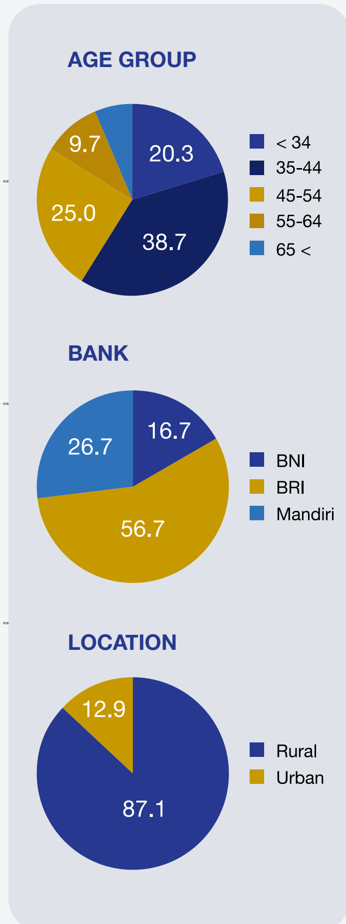
- **65.3%** have access to a mobile phone
- **29%** own a feature phone
- **10.3%** own a smartphone

Literacy

- **53.8%** read a simple sentence easily
- **23.1%** read a simple sentence slowly and/or made mistakes
- **22.7%** were not able to read at all

Education





FINDINGS

By combining data on self-reported withdrawal behavior and past use of the basic savings account, we see respondents falling into different categories of account behaviors. Most respondents (90.9 percent) use their account for a single purpose: to withdraw their PKH payment in cash.

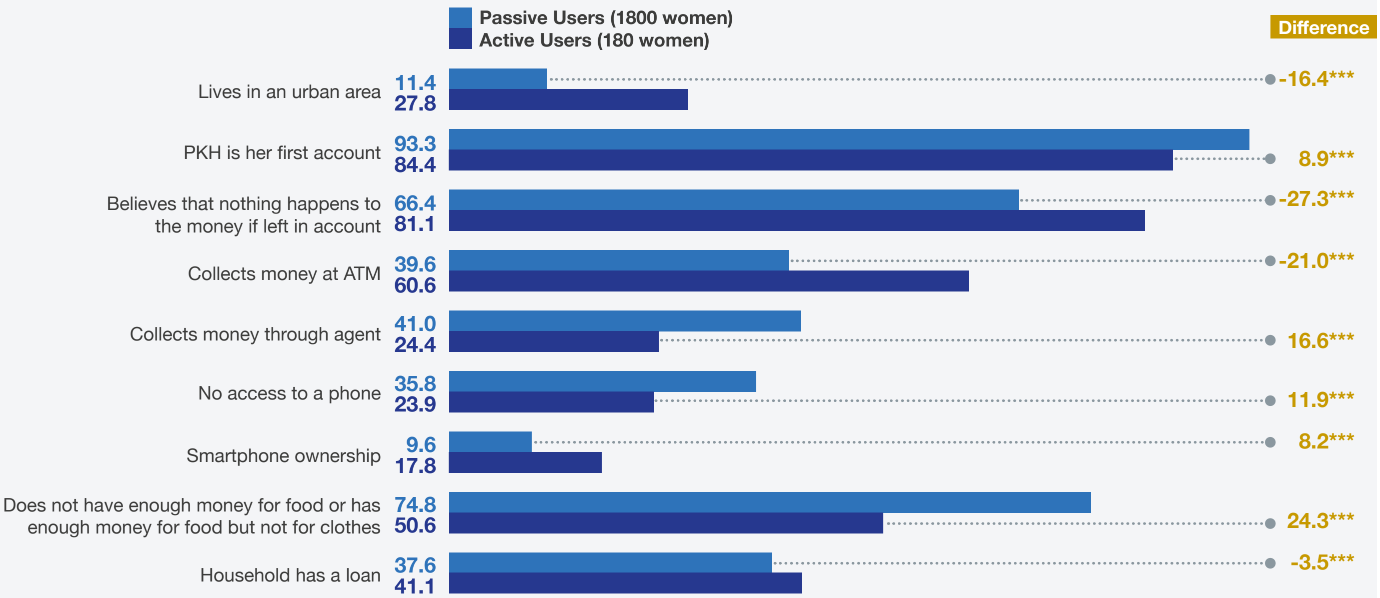
For these users, the account serves no function beyond access to cash at the time of disbursement. We call these account holders Passive Users.

There are account holders, however, who use other account functions: 9.1 percent of respondents have used the account for savings, person-to-person (P2P) transfers, or making payments. We call these account holders Active Users.

How do Passive and Active Users differ?

Active and Passive Users have similar age profiles, median number of children, and household sizes, with no significant differences in reading abilities or educational attainment. As displayed in Table 1, however, for a Passive User, the PKH account is more likely to be her first account, and she is more likely to believe that something could happen to her PKH money if she did not withdraw it. Passive Users are more likely to go to an agent than to the ATM. Passive Users are more likely to lack access to a mobile phone and come from a household that is struggling financially. While about 30 percent of both groups own feature phones, Passive Users are significantly less likely to own a smartphone compared to Active Users.

Table 1: Profiles of Passive and Active Users



Source: Authors' own calculations. Notes: Data is shown in percent. ***1 percent, **5 percent, *10 percent significant difference between the proportions of two samples, using Fisher's exact Test between Active and Passive Users. Displayed differences are exact and may differ because of rounding.

In the following section, we examine the Active and Passive User self-reported behavior in the quantitative survey and identify four key customer segments in terms of account use, investigating the attitudes and behaviors of each segment to understand what informs their behavior. Next, we explore key barriers to account use and describe three promising use cases for the account. In the final section of the findings, we explore how women perceive the implications of PKH account ownership for their control over income and financial autonomy.

User Segments

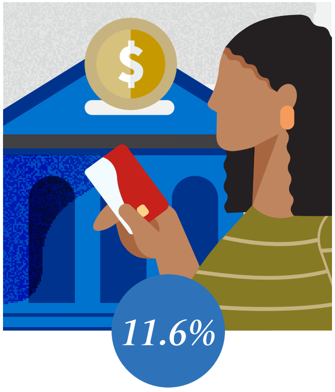
Passive Users

Active Users

Withdrawers

She withdraws her payment as soon as possible to meet basic needs and/or because she believes it is unsafe to leave money in the account

Balance Leavers



She withdraws almost all of her payment, but leaves balance in the account to avoid account closing

Savers

She withdraws only the money she needs and makes savings deposits into the account

Transactors

She receives transfers or makes payments

Segment 1: Withdrawers

Passive Users

Among our survey participants, 79.3 percent classify as Withdrawers. Why do Withdrawers withdraw their PKH payment in cash as soon as they can? While the majority (73.4 percent) report that they "need cash," this response is worth exploring further.

It reflects multiple explanations: a response to immediate expenses, a desire for financial control, or a demonstration of their need for PKH. The findings also show that other motivations drive withdrawal behaviors.

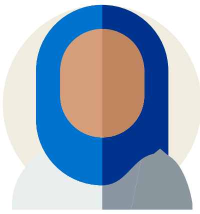
Table 2: Why did you withdraw all of your last PKH payment in cash at once?

Need cash	73.4%	Necessity
Prefer saving at home	4.2%	Convenience
Travel cost and travel time	8.2%	Convenience
Told by PKH facilitator	18.3%	Influence of others
Told by other people	3.6%	Influence of others
Do what peers do	4.8%	Influence of others
Fear losing PKH benefits	0.8%	Fear
Fear money will be taken	5.2%	Fear

Source: Authors' own calculations. Notes: Unprompted question, N = 1571 (Withdrawers). Multiple answers were allowed.

Necessity

Many Withdrawers report that they withdraw out of necessity. Many use the money to promptly pay back debts, particularly those incurred for private school tuition.



"We borrow money first. If the PKH payment isn't out by then, for example, the school needs us to pay for something, we borrow money from our neighbors. We pay them back when the [PKH] money becomes available."

Female beneficiary,
Withdrawer, age 37, NTB

"I withdraw it in the evening, and pay for the school in the next morning."

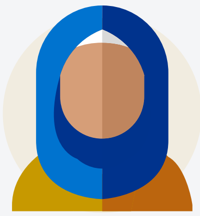
Female beneficiary,
Withdrawer, age 32, Malang

Convenience

This includes a preference for saving at home, reducing travel to the agent or ATM, and avoiding bothering someone to come with them or help them conduct a transaction at the ATM or with an agent. Many Withdrawers save money—just not in the account.

"I can't be bothered, I'm embarrassed of telling people what to do [getting help], and we're busy too."

Female beneficiary,
Withdrawer, age 37, NTB



"No, [I withdraw] all of it. Except I store some of it at school. As of now, the money is still there too, in my son's savings."

Female beneficiary,
Withdrawer, age 45, Lampung

Influence of Others

A quarter of the Withdrawers, 25.4 percent, report withdrawing due to the influence of others. The role of peers and PKH staff is apparent, with 18.3 percent following the PKH facilitator's advice and another 8.3 percent following the guidance of a peer, bank agent, or ATM security guard to withdraw.

This advice often imparts misinformation about account use (see Box 1, p.15); an additional 5.5 percent say they withdraw to avoid losing their funds.

"Someone said that once the PKH money has been transferred, we have to withdraw the money immediately. If not then the money will disappear… "Hurry, once you get the help you have to quickly withdraw it, if not it will disappear, hurry," they said."

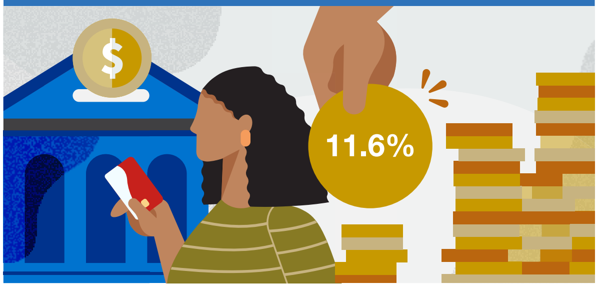
Female beneficiary,
Withdrawer, age 31, Lampung

"I was worried, so I withdrew all the money. I heard that if it wasn't withdrawn within three days, it cannot be withdrawn therefore I withdrew it."

Female beneficiary,
Withdrawer, age 40, Lampung

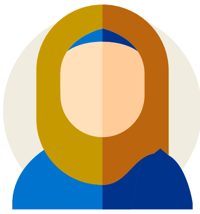
Segment 2: Balance Leavers

Passive Users



Balance Leavers make up 11.6 percent of the interviewed PKH beneficiaries. Balance Leavers have the same intention as Withdrawers but are unaware of an important feature of the account: there is no minimum balance.

Some facilitators, agents, or other beneficiaries perpetuate the belief that the account will be closed if the balance is drawn down to zero (Box 1). Balance Leavers hold small sums, typically IDR 50,000 (US $3.5) or less, on the account to keep it open.



> *"They say if I take everything [the account] will be blocked, someone said that. I'm scared. So I leave a little."*

Female beneficiary,
Balance Leaver, age 42, Malang

> *"If it's deactivated, we can't withdraw money from it, right?... They said don't withdraw all of the money, or the ATM will be deactivated."*

Female beneficiary,
Balance Leaver, age 37, NTB

Segment 3: Savers

Active Users

Among the survey respondents, 7.7 percent have used the PKH account for saving purposes. Savers report that they withdraw in cash only what they need and leave money in the account to save or have money available for future needs. Only 1 percent make savings deposits.

> *"I would still make sure that I leave some amount in my account. This is due to the reality that we sometimes have unexpected expenses. The money we have saved keeps us afloat."*

Female beneficiary,
Saver, age 29, NTB

> *"I spare it just in case I have emergency needs."*

Female beneficiary,
Saver, age 24, Malang

Segment 4: Transactors

Active Users

Fewer than 2 percent of respondents have used the account to make or receive P2P transfers or make a payment. We discuss these transactions in the next section.

Barriers to account use

Why do we see such low account activity?

From the perspective of beneficiaries, awareness of account functionality remains very low. In addition, recipients have limited ability to conduct transactions independently. We explore these barriers in the next two sections.

Low awareness of account functionality

What do beneficiaries understand about the functions of their basic savings accounts? Notably, 85.4 percent say that it is not possible to do any other transaction besides cash withdrawal with the account.

Table 3: What can you do with the PKH account other than withdraw money?

	All	Withdrawers (1571 Women)	Active Users + Balance Leavers (409 Women)	Difference
Nothing	85.4	88.9	72.1	-16.4***
Don't Know	2.4	2.2	3.4	1.3***
Save by depositing money	5.6	3.6	13.5	9.9***
Receive non-PKH money	4.9	3.6	10.0	6.5***
Send money	4.6	3.9	7.3	3.5***
Make Payments	1.2	1.1	1.7	0.6***

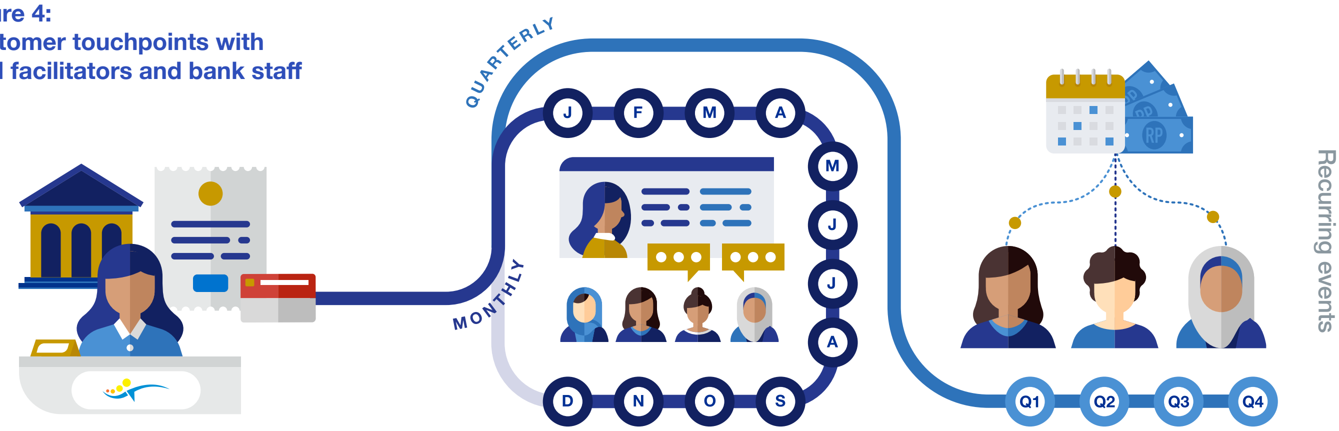
Source: Authors' own calculations. Notes: ***1 percent, **5 percent, *10 percent significant difference between the proportions of two samples using Fisher's exact test between people who report withdrawing all money at once (Withdrawers) and those who do not (Active Users and Balance Leavers). Unprompted multiple answer option, with the most frequent answers displayed. Displayed differences are exact and may differ because of rounding.

Overall, only 5.6 percent know they can save by depositing money into the account. Nearly 5 percent know they can send or receive money, and only 1.2 percent know they can make any payments using the account. Urban respondents and younger cohorts are more likely to know about these functions than rural and older cohorts.

How do PKH beneficiaries currently learn about the account? There are three relevant touchpoints for recipients to learn about their account: account opening, Family Development Sessions (FDS), and quarterly benefit disbursement (see Figure 5). Only during account opening, however, is information formally conveyed to beneficiaries about the accounts; otherwise, there is no standard training or messaging provided about the accounts, and no actor is responsible for ensuring beneficiaries learn to use their accounts.

Customer touchpoints with PKH facilitators and bank staff

Figure 4:
Customer touchpoints with PKH facilitators and bank staff



Touchpoint 1	Touchpoint 2	Touchpoint 3
Account Opening	*PKH Group Meeting*	*PKH Disbursement*
ONE-TIME EVENT	MONTHLY	QUARTERLY
Bank staff provide some information about the account during the mass account opening process, but beneficiaries do not remember the information. Bank staff have limited interaction with beneficiaries after account opening.	In the Monthly Family Development Sessions (FDS) with beneficiaries, the PKH Facilitator usually does not discuss how to use the bank account, as it is not currently included in the FDS curriculum.	When beneficiaries go to bank agents or ATMs to collect their PKH benefit, most bank agents and security guards do not know or share accurate information about how the account can be used besides cash out.

In 2017 and 2018, PKH orchestrated mass account opening events at local government offices to register beneficiaries for their bank accounts and distribute KKS cards.

While bank staff provided some information about the account, the large, busy event involving hundreds of people lacked personal or interactive components.

The event was not effective in helping beneficiaries learn about their new account. Very few beneficiaries remember the information received at account opening.

[20]5.6 percent of beneficiaries withdraw their payment from a community access point and 3.9 percent from the PKH facilitator or group leader.

PKH facilitators meet with groups of beneficiaries monthly in FDS and sometimes more frequently on an informal basis. In the FDS, the PKH facilitator leads beneficiaries through a curriculum focused primarily on health and education. One of the existing modules focuses on financial management, but there is currently no mention of the basic savings accounts that beneficiaries already have.

In addition, facilitators are not always aware of existing bank agents and services offered. PKH facilitators further find it challenging to deliver effective FDS, especially since they often address large groups of 30+ beneficiaries and overall manage upwards of 200 beneficiaries. Moreover, many PKH facilitators have yet to complete a full cycle of the FDS curriculum with all of their PKH groups. Among the surveyed beneficiaries, 35.7 percent remembered attending the sessions.

In West Kalimantan, 77.8 percent of respondents did not recall attending any FDS compared to 6.6 percent in East Java, results that show large regional differences. Older PKH recipients and beneficiaries in urban areas were less likely to remember attending FDS. Only 35.1 percent of respondents recall participating in the family financial management module.

In the quarterly disbursement, most beneficiaries personally collect their payment (80.5 percent). Beneficiaries report that they most often go to ATMs (41.5 percent) and agents (39.5 percent), while some go to e-warung KUBE (3.8 percent) and bank branches (4.9 percent).

When they arrive at the disbursement location, many (44.4 percent) need help to access their cash. Agents and ATM security guards offer significant help to beneficiaries in conducting withdrawal transactions, including inputting the PIN.

In these interactions, however, these actors often perpetuate misconceptions about how the account can be used.

Limited ability to conduct transactions independently

Low awareness of account functions is compounded by beneficiaries' limited confidence in conducting even basic transactions by themselves during the quarterly disbursement.

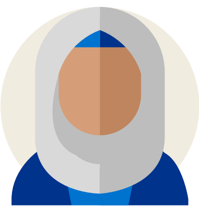
Nearly half (44.4 percent) of respondents rely on ATM security guards, agents, and family members to get help withdrawing money from their account. Many report preferring agents over ATMs because agents will complete the full transaction for them and they only need to hand over their card.

Many remain fearful of the ATM. The stakes are high; they fear if they make a mistake they will lose their benefits. Many learned how to use the ATM from the ATM security guard, and others continue to rely on the security guard to help them operate the ATM.

> ***"If the security guard were not there] I would be scared. I'm afraid the number will be all wrong, the money won't come out."***
>
> Female beneficiary,
> Balance Leaver, age 42, Malang

> ***"My heart was beating so fast, miss. My hand was shaking... I was afraid of making mistakes."***
>
> Female beneficiary,
> Saver, age 24, Malang

To minimize error, many respondents never changed the PIN from the original default number, or they use the same PIN as others in their community.



> ***"I forgot the PIN. I changed it to match other people's PIN… Yes, the PIN is now 1 to 6 because I keep forgetting it."***
>
> Female beneficiary,
> Balance Leaver, age 42, Lampung

Box. 1 Misinformation about the account

Misinformation about the account

Lack of accurate information about the account from the right sources, along with some bad experiences (and rumors) spread out among the beneficiaries, lead to misinformation about the account.

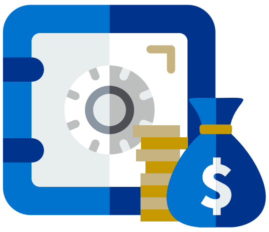
Beneficiaries, facilitators, and bank agents often hold incorrect beliefs about the accounts, including:

- Any money left in the account will be taken back by the bank
- Any money not withdrawn for more than a few days in the account will be taken back
- Beneficiaries will lose PKH eligibility if they use the account for savings or P2P transfers, as this reveals they do not need the money
- Accounts with zero balance will be closed or blocked
- Any person-to-person transfer will cause the account to be blocked

These misconceptions constrain account use by creating fear and mistrust of the accounts.

Key use cases

Despite low rates of account use, based on respondents' current behaviors and financial needs, there are promising use cases for the account in the near and long term.



1 *Savings*

Only 5.6 percent of respondents currently know that they can save by depositing money into the account, but 20.4 percent currently save outside the PKH accounts. Even Passive Users report saving, though to a lesser extent than Active Users (18.2 percent vs. 42.8 percent).

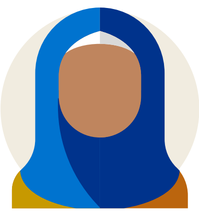
Table 4: Where do savers save?

Source: Authors' own calculations. Notes: Unprompted question, single choice, N = 404

While some save at home in their wallet or in a piggy bank (celengan), if they are afraid of spending their savings, respondents opt for an informal savings group (arisan), school savings, or saving with a friend or neighbor. Saving at home is also seen as less secure, as savings could be taken by a family member or stranger visiting the house. Some even pay neighbors to hold their savings for them.

"I just take it [from the account] when I need it... If I keep it at home, I'll spend it quickly... It's safer [in the account]. If I have cash on me, I will spend it quickly."

Female beneficiary,
Saver, age 35, Malang



"I feel that it's safer to keep it in the bank account, because someone could possibly take it away if I keep it somewhere at home."

Female beneficiary,
Saver, age 48, Lampung

"I ask someone to keep it for me… Then later I will pay them, like borrowing money."

Female beneficiary,
Withdrawer, age 40, NTB

The basic savings account offers a distinct value proposition through additional security, lower fees, greater autonomy to cash out when needed, and flexibility to cash in, even in small amounts, with agents in the community. Figure 5 outlines the types of saving channels available to these women.

Figure 5: Saving channels

	Basic Savings Account	*Arisan*	*Celengan*	*School saving*	*Saving with a friend*
Amount	• Any	• Rp. 5,000-20,000/ monthly	• Rp. 1,000-20,000/day	• Child brings Rp. 5,000-10,000/day to school	• Rp 50,000
Liquidity	• Medium	• Low	• High	• Low	• Medium
Fees	• Rp. 3-5,000 to deposit or cash out at agent	• None	• None	• May have fee on withdrawal	• May charge fee
Purpose	• Safely save in small amounts	• Avoid temptation to spend • Social function • ROSCA or group purchase	• Save extra coins or bills • Teach child to save	• Avoid temptation to spend • Dedicated for school fees • Teach child to save their pocket money	• Avoid temptation to spend • Keep savings private from family members at home
Challenges	• Low awareness • Lack of motivating social structure	• Cannot access money in emergency • Not always seen as saving in lottery	• High temptation to spend • Money can be destroyed, lost stolen, or taken by a family member	• Cannot easily withdraw money when needed • Teacher must be trusted to store money safely • Child can lose money	• Do not want to bother friend to ask to take out money

Formal savings also help build beneficiaries' banking profiles and can increase their access to other financial services such as loans by providing information on their repayment capacity.

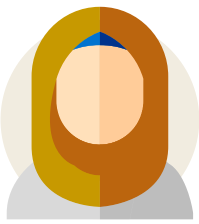
2 *Transfers*

Only 4.9 percent of respondents know they can receive person-to-person (P2P) transfers into the account, yet almost 20 percent of beneficiaries report that their family already receives money transfers in the form of remittances. Some send money by Western Union, have a family member or neighbor carry cash, or use someone else's bank account. Several respondents even opened new bank accounts to receive money transfers from family members or customers for their business.

"I'd rather use this [the PKH account] instead of asking my neighbor to transfer some money. I don't want to bother them."

Female beneficiary,
Transactor, age 32, Malang

Some respondents are interested in using the account for transfers but concerned about whether it is allowed.



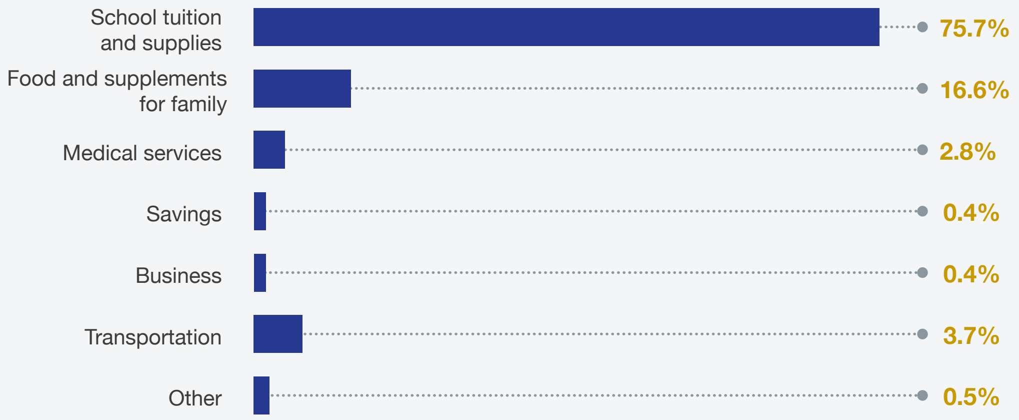
"I wonder if there would be any problem to send money to, let's say, my mom and grandma. The one for PKH aid is the only bank account we have. Do you think it's a misuse if I use the bank account for this personal matter?"

Female beneficiary,
Saver, age 39, Lampung

3 *Payments*

Only 1.2 percent of respondents know that they can make payments using the account. Beneficiaries primarily report using the PKH money for school-related expenses, having strongly internalized messages that PKH is for their children.

Table 5: What do you most frequently use the PKH money for?



Source: Authors' own calculations. Notes: Unprompted question, single choice, N = 1980

"Ma'am, please be reminded that this is for the children's education,' he said. 'Use it appropriately, so it will not be cancelled.' The facilitators told me so. The bank clerk as well."

Female beneficiary,
Saver, age 33, NTB

Most of these payments can only be made in cash, and few locations accept payment using the KKS card. For example, beneficiaries typically buy electricity tokens from agents in cash, and school fees are still paid in cash. In the future, however, structural changes to PKH and the payment ecosystem could propel the payments use case. We discuss this further in the fourth recommendation.

Women's perceptions of PKH account ownership

Women consistently report a preference for having the PKH card and account in their own name rather than their husbands'.

They explain that they should receive PKH because they are already responsible for managing all household finances, including their husbands' earnings, and meeting children's needs.

"I'm the one who decides [on PKH]. Yes, my husband would never do that. My husband leaves it all to me... Because I manage it myself, it's better to leave it to me, I guess because the husband can't manage, right?... He just can't take care of our children."

Female beneficiary,
Balance Leaver, age 37, NTB

Similarly to when they receive money from their husbands, most women have nearly full autonomy in deciding how the PKH money is used. Yet this autonomy is limited to the domain of basic needs. Women explain that they cannot make decisions about bigger purchases—sometimes even clothing for themselves and their children—on their own.

In addition, women do not necessarily view their responsibility for household financial management as a source of agency. Instead, many reflect that PKH reinforces the stress of singlehandedly managing household finances, with little support from their husband.

"I do that, miss [manage the money]. My husband doesn't know anything about it. I'm the only one who is left to deal with the stress. It's the wife's duty to manage the money, whether it's enough or not... Yes, my husband doesn't know anything about it [the PKH amount]... He doesn't think about it, he only works."

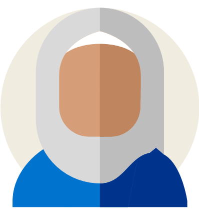
Female beneficiary,
Balance Leaver, age 34, Malang

Even though women's account ownership is clear, several respondents recognized that in practice the account is not fully private. Many husbands use the KKS card for BPNT, picking up heavy sacks of rice, eggs, or oil from the distribution point, and know the PIN to do so. Some women also enlist their husbands to collect the PKH payment if they are too busy.

With just the PIN and the KKS card, husbands have no trouble accessing PKH funds. Though no respondent expressed concern that her husband might appropriate the funds, respondents do feel apprehension that if their husbands see that they have savings, they may reduce their wives' access to money. Respondents believe this will reduce their husbands' motivation to work or decrease the amount of money they give their wives to manage.

"As long as my husband doesn't know it. My husband will find out if I keep the savings at the bank ... he will know that I still have savings while our needs will never end. I keep it secret."

Female beneficiary,
Transactor, age 32, Malang



"[He says] 'Oh, you actually still have money,' 'Well, we still have many things we want to do, we want to build a house, so we have to save it little by little to buy the materials.' So if my husband knows [about my savings], then he will be lazy to work. 'Oh, you already have money,' like that."

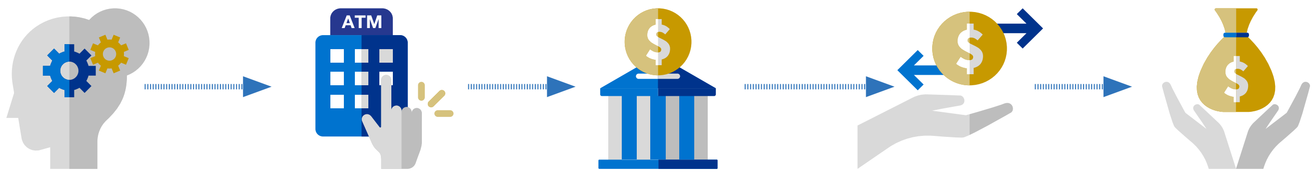
Female beneficiary,
Withdrawer, age 31, Lampung

RECOMMENDATIONS

What is the role of G2P programs in ensuring women can make informed decisions about the use of accounts? This question is even more critical today against the Covid-19 backdrop. The PKH basic savings account can be an important tool in helping women manage their finances, but many beneficiaries are not yet aware of this as an option available to them.

Beneficiaries need to build knowledge of account features and confidence in using accounts in order to make an informed choice about whether and how to use the accounts for savings, transfers, or payments. In the future, active use of accounts can make women eligible for credit or other financial services from the government. Figure 6 lays out a theory of change to show how knowledge of and confidence in accounts can lead to account use and eventually access to broader financial services within the current Indonesian context.

Figure 6: The promise of digitizing G2P payments for financial empowerment



Knowledge

She understands the core features of her account, knows she can use it to save and do transfers, and sees the value of doing so with a bank account

Confidence

She is confident conducting transactions on her own via ATM or agent when she needs to, without help from anyone

Savings

She is motivated to save by leaving a balance in her account or making deposits, which feels safer than leaving it at home or at school, and less costly than saving with a friend

Transfers & Payments

She receives transfers from her son working in Jakarta, and makes payments for her other child's school fees, saving her time and expense

Loans

Her consistent account use helps her prepare to graduate from PKH and makes her eligible for a loan, and she continues to use the account after graduating from PKH

Financial capability interventions have a high potential to be effective. In perhaps the most optimistic study, Cole et al. find that it is the combination of a small subsidy and financial capability that drives demand for financial services. Among their sampled population, many newly opened accounts remained open and active years after account holders received a subsidy.[21] With minimal changes in program design and delivery, governments have been able to achieve financial inclusion goals alongside the goals of their conditional cash transfer and social benefit programs.

For example, in Peru, at the outset of an intervention in the Juntos program, only 3.9 percent of recipients were aware they had a savings account. The government developed a training curriculum to ensure this awareness increased.[22] After the initial intervention, the program saw a 30 percent increase in savings over the baseline[23]. In Colombia, an evaluation of training plus tablet-based learning and practice found that average recipient balances increased to US$11 (compared to $4 in the control group), and 12 percent of recipients carried a savings balance.[24]

These studies revealed that changing recipient behavior is possible, even if these behavioral changes start small.

The literature on financial capability underscores two relevant principles to consider when designing capability-building initiatives.

First, trainings must be short, to keep the attention of recipients.[25] Second, they must be delivered at the time when recipients need the training, so that they can immediately practice what they have learned.[26]

The PKH program and partner financial institutions can play a critical role in building the necessary capabilities to activate accounts. What initiatives could effect this type of behavioral change?

[21]Cole, S., Sampson, T., & Zia, B. (2011). Prices or Knowledge? What Drives Demand for Financial Services in Emerging Markets? The Journal of Finance, 1933-1967.
[22]Berfond, J., Gomez S., F., Navarrete, J., Newton, R., & Pantelic, A. (2019).
[23]Chong, A., & Valdivia, M. (2017). Social Media Instruments and the Promotion of Financial Inclusion in Peruvian Rural Areas. Partnership for Economic Policy Working Paper, 2017-15.
[24]Attanasio, O., Bird, M., Cardona-Sosa, L., & Lavado, P. (2019). Freeing Financial Education via Tablets: Experimental Evidence from Colombia. NBER Working Paper.
[25]Kaiser, T., & Menkhoff, L. (2017). Does Financial Education Impact Financial Literacy and Financial Behavior, and If So, When? Washington, D.C.: World Bank; Miller, M., Reichelstein, J., Salas, C., & Zia, B. (2015). Can You Help Someone Become Financially Capable? A Meta-Analysis of the Literature. The World Bank Research Observer, 30(2).
[26]Karlan, D., McConnell, M., Mullainathan, S., & Zinman, J. (2016). Getting to the Top of Mind: How Reminders Increase Saving. Management Science, 62(12), 3393-3411.

1

Redesign FDS on financial management

Awareness of accounts remains very low. Even when beneficiaries have a notion that PKH is linked to a savings account, what an account is and how it can be used is unclear.

Myths and misconceptions about the accounts further obfuscate this understanding. Beneficiaries' trust in PKH facilitators makes the facilitators key messengers for building knowledge and confidence in the accounts.

New FDS Training: What might this look like?

A new FDS curriculum can help beneficiaries understand how accounts function and the value of using them, by:

- Explaining that the account belongs to you, even after you graduate from PKH
- Showing that the account can be used for savings, transfers, and payments
- Describing the benefits of using the account for savings, transfers, and payments compared to informal options
- Demonstrating how you can conduct financial transactions yourself at an agent or ATM
- Explaining where the nearest ATM and agent are located
- Describing what kinds of fees to expect at ATMs and agents
- Showing how to conduct a transaction by yourself, at an agent or ATM
- Demonstrating how savings, transfers, and/or payments can help you meet specific goals, such as children's education, emergencies, Eid celebration, business capital, etc.

NEW CURRICULUM

The Ministry of Social Affairs is partnering with the World Bank to design a new curriculum that explains the features of the basic savings accounts and services that banks provide. Using the curriculum, PKH facilitators help beneficiaries learn about various access points (teller, ATM, agents) during Family Development Sessions.

In the longer term, by building on this information, facilitators can explain how account activity can unlock access to further financial services such as credit and insurance.

2 Use behavioral design to drive account use

Only if PKH facilitators convey changes to the FDS curriculum in an appropriate and engaging way will such changes spark and sustain new behaviors among recipients.

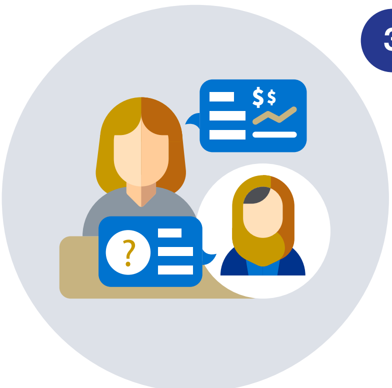
The PKH group structure has high potential for a behavioral design intervention that builds new account use behaviors, leveraging this consistent touchpoint, the role of the facilitator, and peer support to build and reinforce new habits.

Behavioral design for account use: What might this look like?

To build savings behavior, facilitators can draw on best practices in behavioral design to create new habits, helping beneficiaries define their personal savings goals, make a concrete plan, and commit to it. They can draw on elements such as:

- A personal commitment to a specific, time-bound savings goal for a specific purpose
- Calendars to plan saving and household needs after each disbursement
- Distribution of empty water bottles or lockboxes to store savings
- A savings goal card to track progress at each meeting
- Reminders around the time of disbursement to motivate action
- Celebration of progress, even if small

Other account uses, such as payments and transfers, can also be introduced and supported by the PKH group in a similar way.



3 Coordinate PKH touchpoints including PKH facilitators, agents, and bank staff

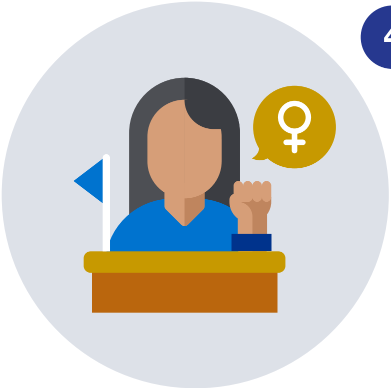
Capability building should happen not just at the FDS touchpoint but continuously, over all touchpoints in the G2P user journey, to reinforce knowledge and behavioral change.[27]

Fortunately, beneficiaries already interact fairly regularly with trusted actors linked to PKH, including agents, bank staff, and PKH facilitators. Improved coordination between these actors could ensure consistent and accurate messaging to beneficiaries about accounts.

Improved coordination between PKH touchpoints: What might this look like?

- Ensure all actors share accurate information about accounts: Train facilitators, agents, e-warung KUBE, ATM security guards, and other bank staff to share accurate information with beneficiaries about how accounts can be used
- Mobilize agents into becoming advocates for active PKH account use by supplying appropriate marketing materials; banks should supervise and incentivize agents, including e-warung KUBE groups, to market services to PKH recipients
- Ensure agents are informed about disbursement schedules to mitigate liquidity constraints
- Ensure beneficiaries are aware of agents, for example by inviting agents to FDS sessions, as they can be a key source of information and confidence-building in use of accounts

[27] Chamberlin W., Kellison, L., Klugman, J., & Zimmerman, J. (2019).



4

Enhance program design elements to strengthen women's empowerment

Empowering beneficiaries to actively use the account for savings, transfers, and payments can increase women's safety, time savings, control over funds, and access to new financial services in the longer term. All recommendations around account activation can advance women's economic empowerment, and ongoing research should monitor and assess these anticipated changes.

In addition, current aspects of program design can enhance women's empowerment. Women currently have relative autonomy over the use of PKH money, yet they do not necessarily have privacy over the account. Men and other household members sometimes have access to the KKS card and PIN because they help collect heavy sacks of rice and other staples from BPNT. In addition, PKH, like many cash transfer programs targeting women, reinforces the burden on women of managing household finances and caring for children with little involvement from men.

Enhancing program design for women's empowerment: What might this look like?

- Explore ways to ensure the account holder can control who has access to the account, recognizing that other family members can be essential in helping collect BPNT and/or PKH
- Explore use of biometrics to access accounts, given difficulties remembering unique PIN
- Expand discussion and reflection on gender equality concepts within the FDS
- Invite husbands to participate in specific FDS sessions to reflect on gender norms and equitable contributions to household and children's well-being, and/or involve men in household financial planning, including savings, using the account
- Whenever possible, ensure new PKH accounts are opened for women, not the household head from the family card
- In the overall PKH program, collect and report data on the gender of PKH recipients

5 Create incentives for the private sector to contribute to account activation

Who should be responsible for activating accounts? With the right incentives, financial institutions could play an active role in account activation and capability-building. In fact, some banks are already interested in doing so, but concerned that treating PKH beneficiaries as customers could contradict their social obligation to the Ministry of Social Affairs in disbursing PKH. Incentives at the provider level are important to motivate investments in increasing use of accounts, yet the state-owned banks note that the 30-day float they are supposed to receive as compensation is insufficient to cover their current costs of disbursement.

As part of a new vision for "G2P 4.0" in Indonesia, some G2P programs are already allowing customers to choose how they want to receive their payment. Allowing emerging non-bank actors with expertise in payment systems and strong engagement with their customers to disburse PKH could accelerate the development of the payments use case.[28 29]

Yet to realize this vision, it will be critical to ensure that beneficiaries are making an informed choice, in light of the challenges we already see in beneficiaries' understanding of their accounts, their low use of mobile money (3 percent) and smartphone ownership (10 percent), and the outsized role that facilitators and agents play in influencing their choices, often with inaccurate information.

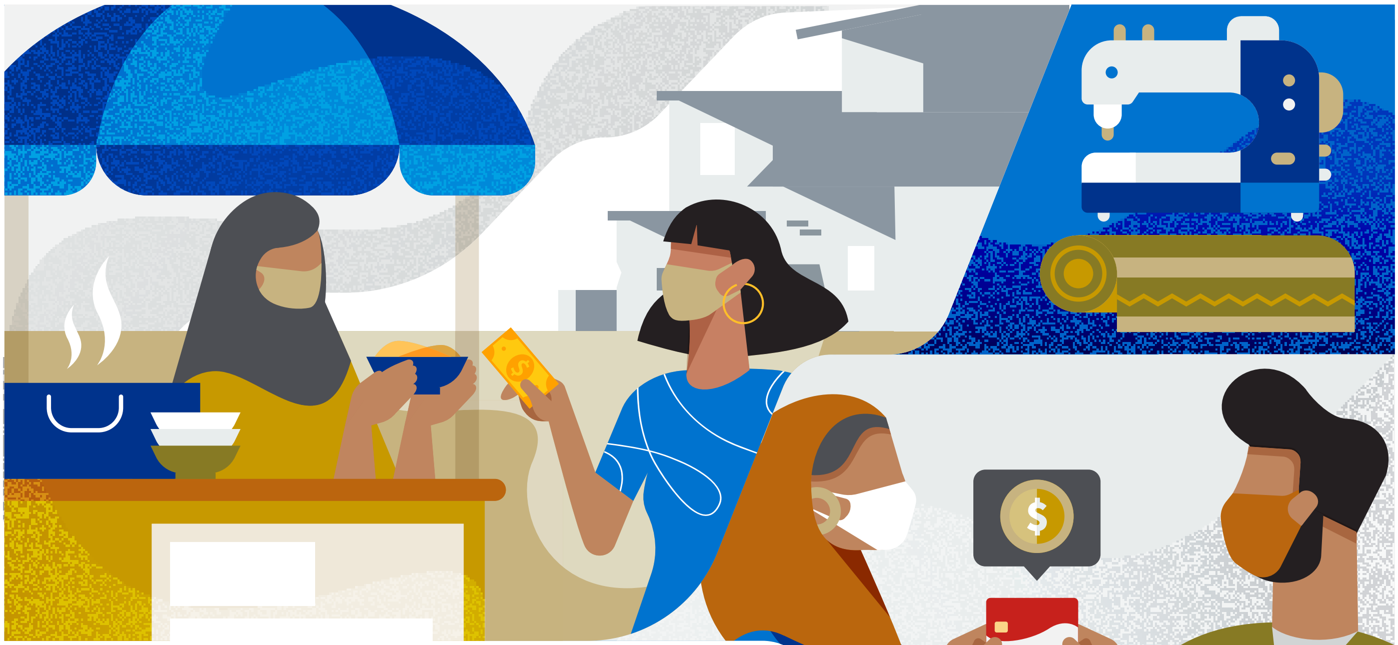
Enhancing program design for women's empowerment: What might this look like?

- Ensure G2P payment providers are not penalized for non-zero balance of beneficiaries and that beneficiary accounts are only closed if no transactions have been made, not if there is a non-zero balance; ensure clarity and enforcement of the regulation that accounts are allowed to have remaining balance, without penalization of the banks, the Ministry of Social Affairs, or beneficiaries

- In line with the G2P 4.0 vision, support customers in making an informed choice of accounts and instruments, and revise incentives for banks and non-banks to compete to serve customers, invest in beneficiaries' financial capabilities, and promote account use and financial deepening[30]

- Involve the private sector in developing payment infrastructure so that beneficiaries can use their accounts to make payments for their priority needs, such as school fees

[28] Baur-Yazbeck, S., Chen, G., & Roest, J. (2019). The Future of G2P Payments: Expanding Customer Choice. Focus Note. Washington, D.C.: CGAP. CGAP 2019.
[29] Blackburn, C. (2019, November 11). CGAP Blog. Bringing Digital Finance Agents to the Last Mile in Indonesia. https://www.cgap.org/blog/bringing-digital-finance-agents-last-mile-indonesia
[30] Baur-Yazbeck, S., Chen, G., & Roest, J. (2019).



IN THE COVID-19 CONTEXT: NEW CHANGES & CHALLENGES

In March, the Ministry of Social Affairs announced supplementary payments through PKH to help beneficiaries weather economic uncertainty, and payments shifted from quarterly to monthly disbursement. Beneficiaries now report that they are more likely to cash out their payment in full to minimize social contact and reduce travel.

Yet ensuring beneficiaries have an informed choice about the use of accounts will support both recovery from the pandemic and resilience to future shocks. With smaller monthly payments through December, if beneficiaries prefer not to travel each month to cash out, they need to know it is safe to leave money in the account.

Similarly, using the accounts for person-to-person transfers could help beneficiaries tap into their social networks to borrow and lend money in times of need.

Finally, with schools closed, beneficiaries currently report reduced motivation to save to cover school fees, and many who were saving in the account report that they withdrew their funds.

There is a risk that with savings depleted, families may not be able to enroll their children in schools when they open again. Efforts will be needed to help motivate and rebuild savings.

PKH is a digitized G2P program uniquely positioned to deepen women's financial inclusion and empowerment. The basic savings accounts can be used for key financial needs at no or low cost; with the Laku Pandai agent network, PKH financial service points are on the whole widely accessible to beneficiaries; and the PKH group structure and relationships with the facilitator, agents, and ATM security guards provide strong touchpoints through which to convey new information and inspire new behavior.

In the aftermath of Covid-19, now is the time to build back better with PKH.

APPENDIX A: METHODS

This study relied on original primary data collected using a mixed methods approach.

We conducted a large-scale quantitative survey of 1,980 PKH beneficiaries in 10 provinces in December 2019. In each considered region, we chose the province with the highest share of PKH beneficiaries.

The selected provinces are shown in Figure A1. We used a multistage random sampling approach to identify PKH beneficiaries to be interviewed.

In a second stage of sampling, we randomly selected two districts to be part of the study.

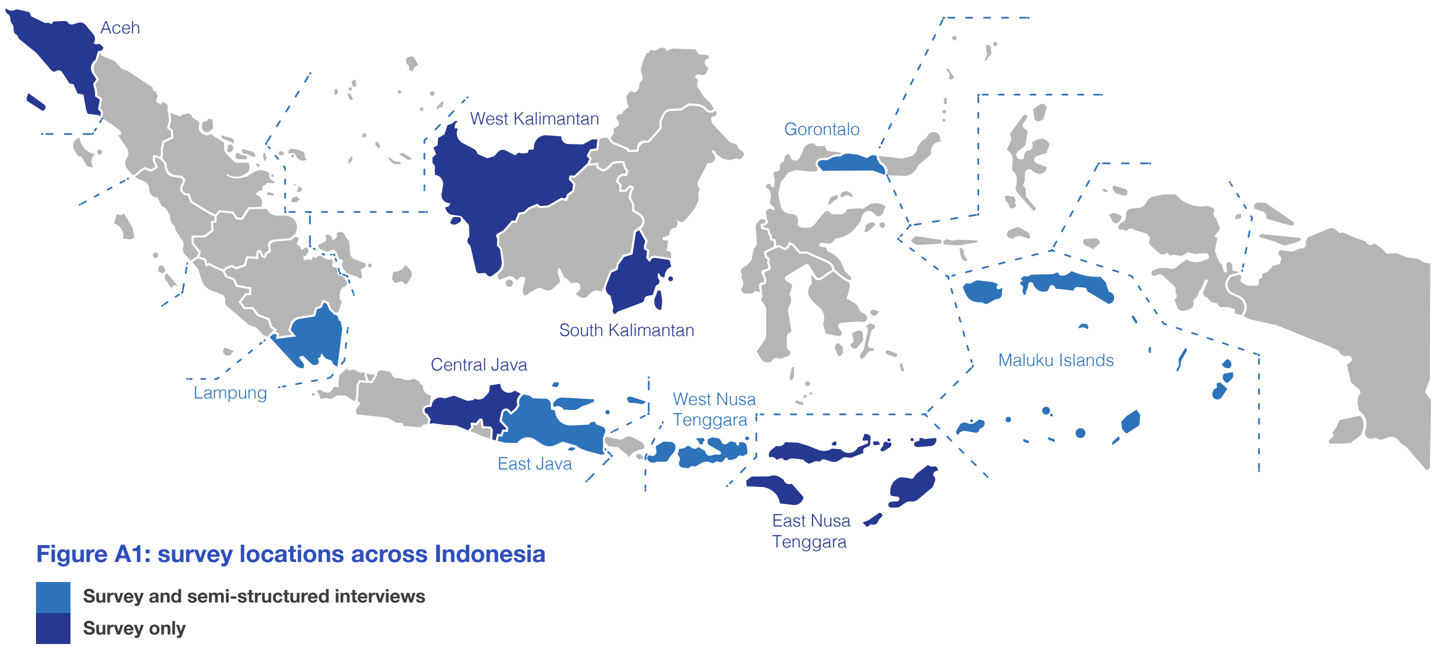


Figure A1: survey locations across Indonesia

In a third stage, we randomly selected three sub-districts per district.

In a fourth stage, we randomly selected three villages per sub-district, out of which we randomly selected 11 beneficiaries per village.

All beneficiaries interviewed were women, given our focus on women's financial inclusion and economic empowerment and the fact that the overwhelming majority of PKH recipients are women. The survey contained questions on socio-demographic indicators of the respondents, information on household size, questions around PKH awareness and use, savings, borrowing behavior, insurance, mobile phone and online platform use, and questions relating to gender norms.

After the initial survey, we followed up with qualitative, semi-structured individual interviews with 40 beneficiaries, eight bank agents, eight PKH facilitators, and four PKH district coordinators in four of those provinces.

The semi-structured interviews with beneficiaries centered on beneficiaries' use and understanding of the PKH accounts, their use of the PKH fund, and their role in household financial decisions including the use of PKH.

We disproportionately sampled beneficiaries who had used their account to save, transfer money, or make payments (Active Users) to study what factors explain such positive deviance in the use of accounts.

We asked PKH staff about their responsibilities with respect to the beneficiaries, and about the beneficiaries' perceptions of the PKH accounts. From agents we learned about their role in disbursing PKH money and assisting beneficiaries with transactions. Qualitative data was transcribed, translated, and coded using thematic analysis.

To gain deeper insights into the banks' perspective, we conducted key informant interviews with the divisions responsible for PKH disbursement at BNI, BRI, and Bank Mandiri.

Soon after the qualitative data collection was completed, the Covid-19 outbreak began, and it became clear that the government would deploy PKH as a channel for emergency relief. In response, we conducted follow-up phone interviews with 42 respondents from the earlier phases of research, including 22 facilitators (2 in each province plus Jabodetabek), 10 agents, and 10 beneficiaries (2 each in the qualitative study sites plus Jabodetabek). These semi-structured interviews, conducted by phone, explored facilitators', beneficiaries', and agents' perceptions, understanding, and experience of the Covid-related modifications to PKH.

APPENDIX B: LITERATURE REVIEW

The literature on the active use of accounts by beneficiaries who receive G2P payments focuses on the role financial capability plays.

Capability-building for G2P payments includes a range of interventions—from trainings to nudges, demonstrations, and practice sessions. Each of these efforts has a unique goal.

The literature highlights goals such as increasing users' confidence, knowledge, and skills in the use of the service; targeting users' felt pain-points; and intervening at key moments in the user journey to build awareness of product features.

We focus our literature review on financial capability as described in a recent joint report from Women's World Banking, Fundacion Capital, and the Bill & Melinda Gates Foundation:

> *"Any act or process of imparting knowledge and skills, which includes a range of content and formats, from customer orientation information and product awareness to skill-building and formal instruction around financial management.*[31]*"*

The potential for interventions is high. In perhaps the most optimistic study, Cole et al. find it is the combination of a small subsidy and financial literacy that drives demand for financial services. Among their sampled population, many newly opened accounts remained open and active years after receiving a subsidy.[32]

Where possible, we also reviewed literature assessing the counterfactual—programs in which financial capability among recipients was not a priority. What we found was that programs that did not focus on imparting confidence, knowledge, and skills to users (or ones that did so poorly) did not see an increase in account activation and use.[33]

In these programs, users engaged with the program just as they did before a shift to digital payments. Rather than collect their cash from a program representative, they collected their cash from an ATM or agent, not using the account for any additional purpose.

[31] Berfond, J., Gomez S., F., Navarrete, J., Newton, R., & Pantelic, A. (2019).
[32] Cole, S., Sampson, T., & Zia, B. (2011).
[33] There are few studies that explicitly measure account activation that do not include an intervention designed for that purpose—but we include them where possible.

Table B1: Sample financial capability interventions among government-to-person programs[34]

Country	Program Name	Intervention	Goal of Intervention	Activation Increase?	Source
Brazil	Bolsa Familia	No	N/A	No	Dias (2011); Berfond et al. (2019)
Colombia	Mas Familias en Accion	Training at registration, tablet-based learning and practice	Improving knowledge, attitudes, adoptions, and outcomes	12% of clients had savings balances; average balance was US$11 (average balance in comparison group was $4); treatment group likelihood to save by any means increased 26% over control	Berfond et al. (2019); Stuart (2018); Marulanda Consultores (2015); Attanasio et al. (2019)
Fiji	Family Allowance; Child Care & Protection	Multimedia training, booklet	Increasing confidence and sharing functionality of accounts for activation	24% of recipients did not withdraw all funds	Leonard (2011); Stuart (2018)
Haiti	Ti Manman Cheri	No	N/A	No	Zimmerman & Bohling (2013); Zimmerman, Bohling, & Parker (2014); Stuart (2018)
India	NREGA in Andhra Pradesh	Trainings through self-help groups	Financial literacy	No	Banerjee & Rotman (2013); Stuart (2018)
Kenya	Cash for Assets	13 weeks of financial literacy training	Financial literacy	No	Zimmerman, Bohling, & Parker (2014); Stuart (2018)
Madagascar		Nudges, gamification	Planning and self-affirmation	Yes, but percentage increase not reported	Datta & Desai (2018); Berfond et al. (2019)
Mexico	Prospera	Training, heuristics	Increasing use of accounts for saving	No	Dias (2011); Zapata (2013); Berfond et al. (2019)
Niger	Concern Worldwide	Training alongside distribution of mobile phones	Increasing confidence with mobile money	No	Aker et al (2011); Stuart (2018)
Pakistan	Benazir Income Support Program (BISP)	No	N/A	No	CGAP (2014); Berfond et al. (2019); Stuart (2018)
Peru	Juntos	Banking agents, communication campaign, telenovela, and education/trust workshops	Building knowledge, trust, and empowerment; encouraging saving in accounts through agents	Moderate: 2015 intervention resulted in 30% more savings among the treatment group; 2020 intervention resulted in a 1.6 pp increase in savings rate out of cash transfer deposit (13 Peruvian Soles more); increased confidence and improved attitudes; no effect on transaction frequency	IPA (2016); Chong & Valdivia (2017); Galani, Gertler, & Ahumada (2020); Berfond et al. (2019)
Philippines	Pantawid Pamilyang Pilipino Program	Staff demonstrations; trainings delivered by “parent leaders”		No	Zimmerman, Bohling, & Parker (2014); Stuart (2018); Berfond et al. (2019)
South Africa	SASSA	No	N/A	No	Pulver & Ratichek (2011); Stuart (2018)
Uganda	Social Assistance Grants for Empowerment	45-minute program sensitization	Understanding of the program	No	Zimmerman & Bohling (2013); Zimmerman, Bohling, & Parker (2014); Stuart (2018)

[34] Aker, J., Boumnijel, R., McClelland, A., & Tierny, N. (2011). Zap It to Me: The Short-Term Impacts of a Mobile Cash Transfer Program. Washington, D.C.: Center for Global Development; Attanasio, O., Bird, M., Cardona-Sosa, L., & Lavado, P. (2019); Banerjee, S., & Rotman, S. (2013). Direct Benefit Transfer and Financial Inclusion: Learning from Andhra Pradesh. Washington, D.C.: CGAP; Berfond, J., Gomez S., F., Navarrete, J., Newton, R., & Pantelic, A. (2019); CGAP (2014). Financial Inclusion for the Poorest Women in Pakistan. Washington, D.C.: CGAP; Chong, A., & Valdivia, M. (2017); Dias, D. (2011). CGAP G2P Research Project: Brazil Country Report. Washington, D.C.: CGAP; Dias, D. (2011). G2P Research Project: Mexico Country Report. Washington, D.C.: CGAP; Innovations for Poverty Action. (2016). Financial Inclusion for the Rural Poor Using Agent Networks in Peru. Washington, D.C.: CGAP; Leonard, M. (2011). G2P: Expanding Financial Inclusion in the Pacific. New York: UNCDF; Marulanda Consultores. (2015). Going Mobile with Conditional Cash Transfers. Washington, D.C.: CGAP; Pulver, C., & Ratichek, J. (2011). G2P Research Project: South Africa Country Report. Washington, D.C.: CGAP; Stuart, G. (2018); Zapata, G. (2013). Correspondent Banking in Mexico’s Rural Areas: Lessons from a G2P Payment Digitization and Financial Inclusion Project. Somerville: BFA; Zimmerman, J., & Bohling, K. (2013). Electronic Payments with Limited Infrastructure: Uganda’s Search for a Viable E-Payments Solution for the Social Assistance Grants for Empowerment. Washington, D.C. & London: CGAP & UKaid; Zimmerman, J., & Bohling, K. (2013). Helping Ti Manman Cheri in Haiti. Washington, D.C. and London: CGAP and UKaid; Zimmerman, J., Bohling, K., & Parker, S. R. (2014). Electronic G2P Payments: Evidence from Four Lower-Income Countries. Washington, D.C.: CGAP.

Of the best-documented electronic G2P programs, most included an intentional capability-building intervention, either as a pilot or as part of the program roll-out from the beginning.[35] These programs showed a significant range of interventions and goals.

In every case, greater financial inclusion results were modest, varying by country context, government capacity, and the needs of recipients. In Peru, at the outset, only 3.9 percent of recipients were aware they had a savings account. The government developed a training curriculum to ensure this awareness increased.[36] After the initial intervention, the program saw a 30 percent increase in savings—a modest amount given the extraordinarily low baseline.[37]

An evaluation of training plus tablet-based learning and practice in Colombia found that average recipient balances increased to US$11 (compared to $4 in the control group), and 12 percent of recipients carried a savings balance.[38] These studies revealed that changing recipient behavior is possible, even if these behavioral changes start small.

The literature on financial capability underscores two relevant principles to consider when designing capability-building initiatives. First, trainings must be short, to keep the attention of recipients.[39] Second, they must be delivered at the time when recipients need the training, so that they can immediately practice what they have learned.[40]

Literature from practitioners reveals clues as to where and why successful interventions have an impact. For example, Guy Stuart underscores the necessity of building confidence at the point of use of the service and trust in the financial institution and/or agent delivering the service.[41]

Women's World Banking, Fundacion Capital, and the Bill & Melinda Gates Foundation lay out three necessary features of any successful training: understanding of payment features, skills to use the technical platform, and basic financial management tools.[42] Chamberlin et al. emphasize the necessity of starting first with the goal of broader economic empowerment objectives, and using these to guide specific interventions.[43]

Programs that did not result in a change in financial inclusion used interventions that were under-resourced or poorly designed, or that trained recipients on aspects of the program not relevant to their account activity. Kenya's Cash for Assets, for example, included a three-week financial literacy training for recipients but never allowed for a practice session in how to use a POS device to input their PIN.

A program delivering payments through Zap mobile phones in Niger showed recipients how to use the phone but neglected to describe additional functionality of accounts. Some programs that do not include capability-building components also included other barriers to account activation. In Pakistan, BISP accounts only allow withdrawals and not long-term storage of value.[44] Recipients of Mexico's Prospera program complained of poor customer service and complaint resolution.[45]

We know from the literature that G2P recipients do have financial needs. Financial diaries research shows that low-income populations all over the world spend, save, borrow, and plan.[46] Regional research in rural Java, Indonesia, found that life needs drive saving and borrowing activity in both formal and informal channels.[47]

G2P payments provide a "useful lump sum" that necessitates this financial management. Analyzing the Global Findex, Guy Stuart found that people receiving a G2P payment were statistically more likely to have reported saving

[35] This does not mean that most electronic G2P programs include capability-building efforts. Rather, the ones that do include such efforts receive more attention in the literature.
[36] Berfond, J., Gomez S., F., Navarrete, J., Newton, R., & Pantelic, A. (2019).
[37] Chong, A., & Valdivia, M. (2017).
[38] Attanasio, O., Bird, M., Cardona-Sosa, L., & Lavado, P. (2019).
[39] Kaiser, T., & Menkhoff, L. (2017); Miller, M., Reichelstein, J., Salas, C., & Zia, B. (2015).
[40] Karlan, D., McConnell, M., Mullainathan, S., & Zinman, J. (2016). Getting to the Top of Mind: How Reminders Increase Saving. Management Science, 62(12), 3393-3411.
[41] Stuart, G. (2018).
[42] Berfond, J., Gomez S., F., Navarrete, J., Newton, R., & Pantelic, A. (2019).
[43] Chamberlin, W., Kellison, L., Klugman, J., & Zimmerman, J. (2019).
[44] Berfond, J., Gomez S., F., Navarrete, J., Newton, R., & Pantelic, A. (2019).
[45] Berfond, J., Gomez S., F., Navarrete, J., Newton, R., & Pantelic, A. (2019).
[46] See, for example, Collins, D., Morduch, J., Rutherford, S., & Ruthven, O. (2010). Portfolios of the Poor: How the World's Poor Live on $2 a Day. Princeton: Princeton UP.
[47] Mukherjee, P., Lal, N., Choudhary, S., & Gupta, A. (2018). Understanding Demand for Financial Products Among Young Women in Central Java. Lucknow: MicroSave.

for a specific purpose, saving in a savings club, or borrowing from an informal source.[48] It is not a lack of financial need that drives the lack of saving in accounts designed to deliver G2P payments.

The literature points to a number of perverse incentives that hinder the success of G2P programs in leading to active account use. First, barriers to use in product design disincentivize active engagement. One example is the requirement that customers withdraw all of the funds and then redeposit them into an account, as was the case in Mexico in 2013 in the administration of the Prospera program.[49] Second, financial institutions may not see a business case in actually promoting the accounts. In Andhra Pradesh in India, a financial institution received Rs 2 for every Rs 100 they delivered, but reported it cost Rs 2.93 to get the funds to recipients.[50]

Among government ministries, lack of alignment of program goals can also hinder financial capability among recipients. A ministry of finance may be more interested in transparency of payments. Budget authorities are concerned with reducing leakages, inefficiencies, and costs of the system. A ministry of social affairs is thinking about program administration. The financial inclusion authority may be thinking about using the accounts for its goals, but must compete with priorities in other ministries.

Nevertheless, there is now a global expectation that digital G2P deployments will include capability-building efforts. For example, the Asian Development Bank says that in Indonesia, digital channels for the delivery of financial services (G2P and others) should include efforts to protect consumers, build digital literacy, increase consumer awareness, and build trust in financial systems.[51]

For more than a decade, the financial inclusion community has been operating under the hypothesis that G2P payments can be an on-ramp to further engagement with formal financial services. The literature shows that electronic G2P payments do have the potential to increase engagement for customers and create new lines of business for financial services providers. Intentionality and customization of the program, however, to meet the needs of its beneficiaries will be required in order to turn that potential into results.

[48] Lower-Income Coua Demirguc-Kunt, A., Klapper, L., Singer, D., Ansar, S., & Hess, J. (2018). The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution. Washington, D.C.: World Bank; Stuart (2018).
[49] Zapata, G. (2013).
[50] Banerjee, S., & Rotman, S. (2013).
[51] Chatterjee, A. K., & Jayawardana, P. (2018, April 1). Asian Development Blog. Retrieved from Asian Development Bank: https://blogs.adb.org/print/blog/how-fintech-can-accelerate-financial-inclusion-indonesia

Women's World Banking

@womensworldbnkg

www.womensworldbanking.org

This report was developed and produced with support from the Bill & Melinda Gates Foundation.

Delivering on the Potential of Digitized G2P:

Driving Women's Financial Inclusion and Empowerment through Indonesia's Program Keluarga Harapan