

Researchers

Cesi Cruz
University of California, Los Angeles

Yoonyoung Cho
World Bank

Julien Labonne
University of Oxford

Rebecca Rouse
Program Director, Financial Inclusion

Kate Glynn-Broderick
Associate Director, Financial Inclusion Program

Staff

Rebecca Rouse
Program Director, Financial Inclusion

Kate Glynn-Broderick
Associate Director, Financial Inclusion Program

Nassreena Sampaco-Baddiri
Country Director, Philippines

Yuna Liang
Research Manager

Karisha Anne Cruz
Policy Associate

Maria Isabel Fernandez
Senior Research Associate

Timeline

2020-2021

Sample Size

5,000 adults

Research Implemented by IPA

Yes

Monitoring Digital Financial Payments of Cash Transfers in the Philippines

Abstract

Digital payments offer a fast and transparent way to distribute cash aid to households that have been economically hard hit by the pandemic. In the Philippines, researchers conducted a survey to learn about the experience of recipients of the Social Amelioration Program (SAP), an emergency cash transfer program implemented by the government. Results revealed that recipients were highly satisfied with their withdrawal experience of digital cash transfers, however, account awareness and use among recipients remained low.

Policy Issue

The COVID-19 pandemic is estimated to push millions into poverty. To mitigate these effects, countries are resorting to cash transfer programs to quickly provide economic relief to vulnerable households. In this context, digital transfers have the potential to help streamline the delivery process, reduce the risk of contagion, and accelerate financial inclusion. However, key challenges may persist in the last-mile delivery of these services, particularly for under-banked recipients and those without experience using digital channels such as mobile money. In the Philippines, researchers conducted a survey to understand the experiences and challenges of providing cash transfers via mobile money as part of the Social Amelioration Program cash transfer program.

Context of the Evaluation

To support vulnerable households affected by COVID-19, the Philippines Department of Social Welfare and Development (DSWD) launched the Social Amelioration Program (SAP). The program granted transfers to a large number of eligible low-income households in the country in two rounds. The first one consisted of US\$100 to US\$160 (PhP 5,000 to PhP 8,000) transfers to 18 million households, and was distributed between April and June 2020. The second one transferred the same amount to about 14 million households and was distributed from July to November 2020. The second one focused on the geographic areas still under strict lockdown but added waitlisted households who did not receive the first subsidy. Unlike the first transfer, which relied manual application process and physical cash delivery, the second one introduced digital payments.

For the second transfer, the DSWD partnered with 6 financial service providers (FSPs) and assigned recipients to certain FSPs to collect payments through temporary digital financial accounts (mobile money or bank account, depending on the provider). Afterward, these accounts could be potentially converted to verified accounts to access all financial features. The objective of the introduction of digital payments was to speed up the process and reduce the risk of contracting COVID-19 during delivery.

Details of the Intervention

Note: This study is not a randomized controlled trial.

Researchers conducted a phone survey in the Philippines of recipients of the Social Amelioration Program (SAP) cash transfer program to understand their experience with digital payments and their usage of mobile money products.

The research team used administrative data from the Financial Management Service (FMS), (which contains information on SAP digital payments) and from the Information and Communication Technology Management Service (ICTMS) (which contains information on household characteristics) of DSWD to randomly select 5,000 recipients to survey. The survey was conducted between February and April 2021 among recipients from four regions (III, IV-A,

V, VII) who received payments through FSPs' digital channels.^[1] It included questions about program awareness, experience, and satisfaction, as well as financial awareness and capability, and health.

Results and Policy Lessons

Results revealed that digital cash transfer recipients were generally satisfied with their withdrawal experience, however, account awareness and use among recipients remained low.

Financial status: Consistent with the targeting criteria used to select program users, respondents tend to be low income, employed in the informal sector and negatively affected by covid. Seventy-seven percent of respondents said they had no formal employment as their main source of income, and 70 percent said they had reduced incomes due to the pandemic. Only 31 percent reported having funds left at the end of a typical month. Meanwhile, 71 percent had unpaid loans, with an average remaining balance of approximately US\$280. The most common types of loans were informal loans or loans from community members, moneylenders, and store credit. Access to cash for emergencies was limited, 26 percent of those surveyed said they could in no way access emergency funds worth US\$200. Most respondents were inexperienced with formal financial services and the channels to access them. While 82 percent said they knew where the nearest bank is, only less than 10 percent had access to an active bank account at the time of the survey.

Program awareness: Awareness among respondents about the key aspects of the SAP was high. All respondents knew that SAP was a government program (66 percent were able to name DSWD), and almost all understood that they were entitled to receive US\$100 to US\$160 of emergency cash transfer. Most knew that they could contact their village council (*barangay*) or DSWD if they had any questions or concerns regarding the program. Only 7 percent reported that there was no one to contact if they had any questions.

Financial service awareness: Awareness about the financial service provider and the account provided was very low. Only 31 percent could correctly recall which financial service provider disbursed their transfer and only 16 percent had an awareness that an account had been created for them. Of this number, 58 percent said they could use the account for other financial services, and 38 percent reported having used these other financial services (e.g., receiving or sending remittances and paying bills). This lack of awareness and adoption of the accounts limits the program's impact on furthering financial inclusion.

Program experience: A majority (90 percent) reported high satisfaction with the SAP withdrawal experience. Almost all withdrew the whole SAP amount (99.8 percent) at the time of the survey, with 93 percent doing it in just one transaction. Further, a majority experienced no reported difficulties in their SAP withdrawal (63 percent). The average time spent in the queue to receive payments was about an hour, and the average withdrawal fee was about US\$1.

Although account awareness remained low, the creation of financial accounts for these

underbanked beneficiaries presents an integral milestone in increasing financial inclusion amongst the poor. If further interventions were implemented to raise awareness and encourage account use, recipients could have greater access to formal financial services that were previously out of reach.

Collaboration between the government and the financial services providers to a) standardizing the onboarding and account processes, b) developing communication strategies to support usage, and c) supporting efforts to improve digital financial literacy could support this transition.

Sources

^[1] These regions disbursed the digital SAP payments at a later time which was closer to the start of the survey conducted by IPA.

September 20, 2021