

DELIVERING CASH TRANSFERS DIGITALLY

AMIDST COVID-19 IN THE PHILIPPINES



This brief presents findings of an evaluation of a digital cash transfer disbursement pilot project during the COVID-19 pandemic in the Philippines. Our findings present beneficiaries’ perceptions and experience of digital cash transfers and their financial behavior upon gaining access to mobile money. We share recommendations for scaling up this model with other national government agencies (NGAs), local government units (LGUs), and mobile money operators (MMOs).

BACKGROUND

Providing cash transfers is a key economic response to support vulnerable households during the COVID-19 pandemic. In the Philippines, these cash transfers are often given directly to individuals using physical cash, a process that is logistically difficult, can be more costly, and presents transmission risks.

The United Nations Development Programme (UNDP) in the Philippines supported Pasig City to implement a pilot for disbursing its Supplemental Social Amelioration Program (SSAP) through a local Mobile Money Operator (MMO), with targeted Financial and Mobile Money Literacy Training. The Adaptable Digitally Enabled Post-Crisis Transformation in Pasig City Local Government Unit (LGU) (ADEPT-Pasig City) Project aimed to improve the efficiency and transparency of cash transfers by disbursing through mobile wallets instead of physical cash and promote greater financial inclusion among households.

This pilot, implemented from April-November 2020, was made possible through the UNDP COVID-19 Rapid Response Facility.

KEY FINDINGS

1. Beneficiaries have a favorable perception of digital financial services (DFS) for cash transfers.
2. Program implementers faced challenges in account verification, which led to delays in processing payments and cash disbursement into the beneficiaries’ accounts.
3. Most (7 in 10) beneficiaries “cashed out” their cash transfer (i.e. converted all or part of their cash transfer from digital to physical cash), mostly to purchase necessities.
4. The cost and convenience of converting from digital to physical cash varied by cash-out method: those with access to ATMs spent less and waited less than those who pursued informal measures.
5. Of the 58% of beneficiaries who had mobile money remaining on their accounts, usage of mobile money (MM) functions varied by poverty status and prior MM usage.

RECOMMENDATIONS FOR SCALING UP

1. Assess beneficiary profiles and segment them to provide more targeted support.
2. Calibrate the scale-up plans and offering based on a thorough assessment of the digital cash ecosystem, especially if expanding to rural areas.
3. Improve user experience of mobile money through less burdensome account registration, reduced costs for cashing out, and enhanced training.
4. For the government: Strengthen capacity for digital disbursement of cash transfers.

SCOPE AND OBJECTIVES OF THE STUDY

UNDP solicited the services of IDinsight, an independent evaluation firm, to conduct an independent evaluation of the ADEPT Pasig City Project to assess beneficiary and partner experience with the program, with the following objectives:

1. To examine beneficiaries' experience with receiving their disbursements and their use of mobile money (MM);
2. To understand perceptions of challenges and facilitators in the implementation of digital cash transfers among beneficiaries and implementing partners; and
3. To inform the design and implementation of scaling up the DFS model to other LGUs and/or by other government agencies.

METHODOLOGY

A mixed methods approach was used in the evaluation, which involved the use of phone surveys with ADEPT beneficiaries, and qualitative interviews with beneficiaries and other stakeholders.

Phone surveys with digital cash transfer beneficiaries

As face-to-face data collection was not feasible during COVID-19 pandemic, data was collected through phone surveys with a team of experienced enumerators. The final sample consisted of 200 ADEPT beneficiaries who completed the phone survey. This was out of a population of 257 registered and enrolled ADEPT beneficiaries. In order to account for the 57 beneficiaries who did not get to complete the survey, weighting method based on age and gender was applied to the sample to generate results for the population. The response rates were higher among younger beneficiaries compared to older ones, and males compared to females, so the underrepresented groups were in the sample received a higher weight.

Qualitative interviews with beneficiaries and other stakeholders

Qualitative data was collected through semi-structured, phone interviews with 41 beneficiaries and 17 stakeholders from four stakeholder groups—UNDP, LGU of Pasig City, the MMO, and a civil society organization (CSO) partner. Respondents were purposively selected to gain a diversity of views. The interviews sought to verify information, complement quantitative data, and uncover emergent themes, such as opportunities, barriers, and attitudes towards the MMO.

CHARACTERISTICS OF DIGITAL CASH TRANSFER BENEFICIARIES

The final weighted sample is composed of 57% female and 43% males. 28% of respondents were in households that were female-headed. The respondents' average age was 41 years old.

Only 3.5% of ADEPT beneficiaries are below the national poverty line, based on the Poverty Probability Index (PPI). Cash transfers under ADEPT are given to households in Pasig City that are above the cut off of the national government's Social Amelioration Program (SAP), distributed by the Department of Social Welfare and Development (DSWD) to the poorest 18 million households in the country, as well as other national cash transfer programs by other NGAs, such as the Department of Labor and Employment (DOLE) and Department of Transportation (DOTr).

In addition to being wealthier than the national population on average, they are also likely more technologically and financially included. Majority of respondents have access to a smartphone or touchscreen phone: 92% owned a smartphone or touchscreen phone and 1% shared a smartphone or touchscreen phone with someone, while 7% owned a feature phone. Prior to the ADEPT program, a third of respondents already used MM.

KEY FINDINGS

Beneficiaries have a favorable perception of receiving cash transfers through digital financial services (DFS).

8 out of 10 beneficiaries preferred receiving SSAP through MM compared to cash, while a smaller share preferred cash (11%) or were indifferent between the two (8%) (See Figure 1). Relatively wealthier beneficiaries were more likely to prefer MM over cash, while poorer beneficiaries tended to prefer cash instead.

Beneficiaries who prefer receiving SSAP through MM over cash, cited the following main advantages: MM was easier for managing finances (41%); it was safer and more secure (40%); it allowed faster receipt of payments (33%); and it could help limit exposure to other people (32%).

By contrast, beneficiaries who prefer cash found that it was faster for receiving SSAP (28%) and would allow them to avoid paying extra cash out fees, (23%). Some also indicated that they just liked having cash in hand (19%), found cash to be easier to pay for purchases (14%), and/or they did not know how to use MM (14%).

[1] As of the beginning of the phone surveys, only 257 beneficiaries had completed the disbursement process. These were mostly residents of Barangay Manggahan and a few LGU volunteers. The remaining beneficiaries who had not received their transfer at the time of the study were LGU volunteers.

[2] The Poverty Probability Index is a poverty measurement tool that consists of 10 questions about a household's characteristics and asset ownership, which are scored to compute the likelihood that the household is living below the poverty line. The PPI version used in this survey was developed using data from Philippines' 2015 Family Income and Expenditure Survey conducted by the Philippine Statistics Authority (PSA). Note that the PPI was designed to be conducted in person; however, this survey was done over the phone to prevent the transmission of the coronavirus.

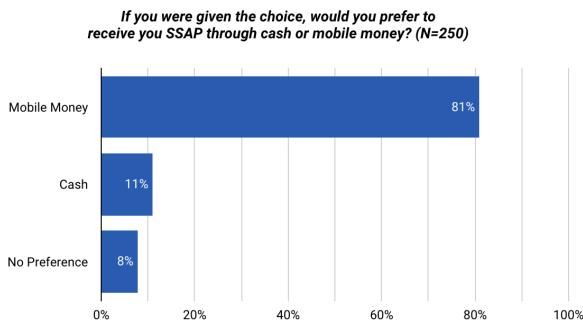


Fig. 1. Majority of survey respondents prefer to receive cash transfers digitally

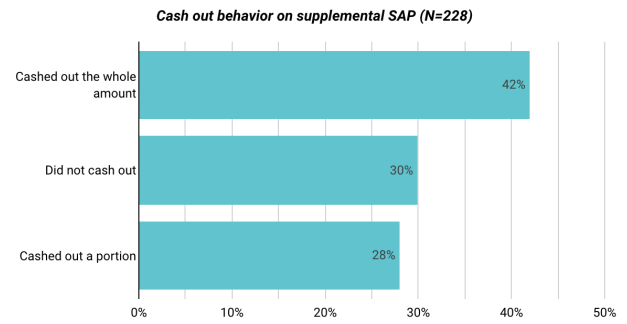


Fig. 2. Most beneficiaries converted all or a part of their digital cash transfers to physical cash

Program implementers faced challenges in account verification, which led to delays in processing payments and cash disbursement into the beneficiaries’ accounts.

Three in 10 beneficiaries encountered difficulties opening and verifying their accounts, with poorer respondents more likely to face verification challenges compared to their less-poor counterparts. Some beneficiaries had issues related to technology use or identification documents. Verification challenges also occurred when users with existing mobile money accounts had personal information that did not align with their personal information for the LGU’s cash transfer tracking, such as names, addresses, and birthdates. Resolving these issues took time in addition to internal processes of UNDP, the LGU, and MMO. Beneficiaries reported that receiving the disbursement took a long time, in some cases over a month.

Most beneficiaries converted all or part of their cash transfer from digital to physical cash, mostly to purchase necessities.

Once cash transfers were disbursed digitally, 7 in 10 beneficiaries cashed out a portion or the whole amount (See Figure 2). The main reason for cashing out was that beneficiaries needed physical cash to buy necessities. 75% used the cash to purchase food, and 36% used it to pay bills.

The cost and convenience of converting from digital to physical cash varied by cash-out method – those with access to ATMs spent less and waited less than those who did not.

Method/Location: The most common approach of cashing out was through informal means (40%). This means that beneficiaries sent money via the MM platform to someone (not an official cash out agent) who then gave them cash in return. Beneficiaries also withdrew using an Automated Teller Machine or ATM (36%) either through cash cards or through bank accounts. Others cashed out at agents such as pawnshops and retail stores (See Figure 3).

Cost: Almost half of respondents (46%) had to pay for “cashing out”. On average, the cash out fee was 1.5% of the amount, which is below the 2% standard rate of the MMO, although some informal locations, pawnshops and stores charged cash-out fees above the standard rate. ATM fees were much lower, as these are either free or at a fixed amount. About 1 in 4 also paid for transportation to and from the cash out locations.

Waiting Time: A third of respondents (33%) waited to cash out, with a median duration of 10 minutes, while others did not have to wait. Informal cash-out points were associated with longer reported wait-times.

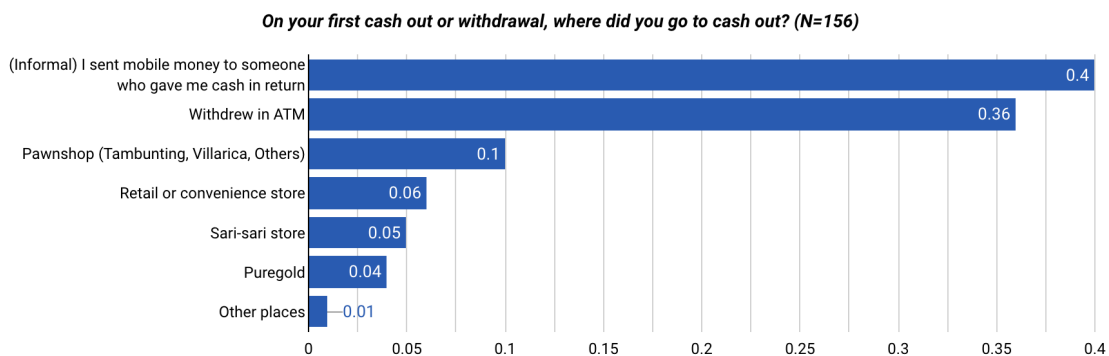


Fig. 3. Beneficiaries mainly cashed out through informal means

[3] Note that the MMO in this pilot also has cash cards that allow users to cash out in BancNet/Mastercard ATMs and shop online and at stores. Since Pasig City LGU has not distributed those cash cards ordered by UNDP, respondents were using their own cash cards.

[4] In this method, beneficiaries sent money from their MM account to their own or someone else’s bank account that has an ATM card, and then withdrew the money using an ATM. For the purpose of this analysis, we consider these transactions as a “cash out” and not a transfer to their bank accounts because the intention was to convert the money from digital to physical cash.

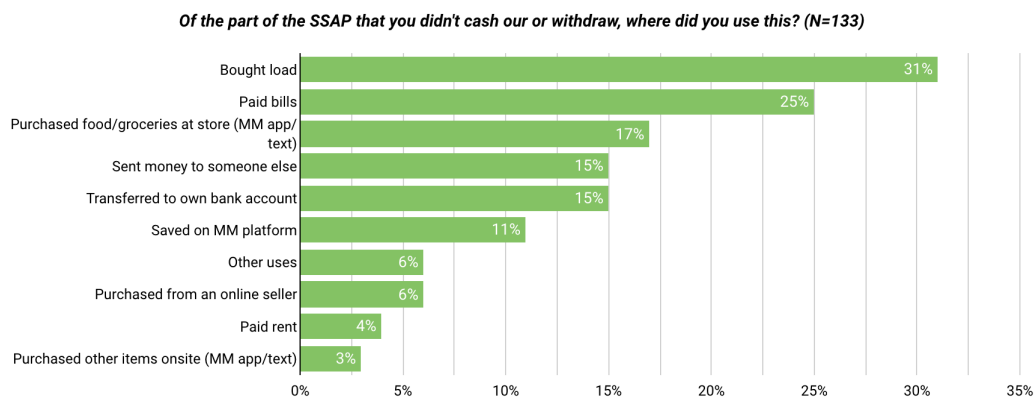


Fig. 4. Most common MM transactions are to buy load, pay bills, and purchase groceries

Of the 58% of beneficiaries who had mobile money remaining in their accounts, usage of MM functions was low, especially for poorer beneficiaries and those that have not used MM prior to the program.

MM functions used: Among those who had some SSAP remaining, the majority (61%) used only 1 function, 8% did not use any function, and only 31% used 2 or more MM functions. The most common functions used by survey respondents were: buying load (31%), paying bills (25%), and purchasing food/groceries at a store (17%) (See Figure 4). Some of the barriers for usage were lack of knowledge and lack of merchants that accept digital payments. Knowledge-behavior gaps could also be observed – while almost all respondents were aware that bills could be paid through MM, some still cashed out their SSAP to pay bills in cash.

Prior MM usage: Among prior users of MM, a larger proportion used more than 2 functions (27%), compared to new MM users, among whom only 15% did so. Interviewed beneficiaries who were already previous MM users found MM to be easy to use, convenient, fast and efficient. A few also noted that they received notifications from MM which made using the app easy.

MM usage by poverty status: Usage of more MM functions is higher among wealthier beneficiaries. Very few (6%) in the poorest quartile used 2 or more MM functions (See Figure 5). The higher cash-out rates (87%) among those of the lowest socioeconomic quartile suggests they may have needed the cash more immediately; whereas the relatively lower usage of multiple MM functions suggests poorer beneficiaries may face more barriers in taking advantage of the MM platform's many features to make financial transactions.

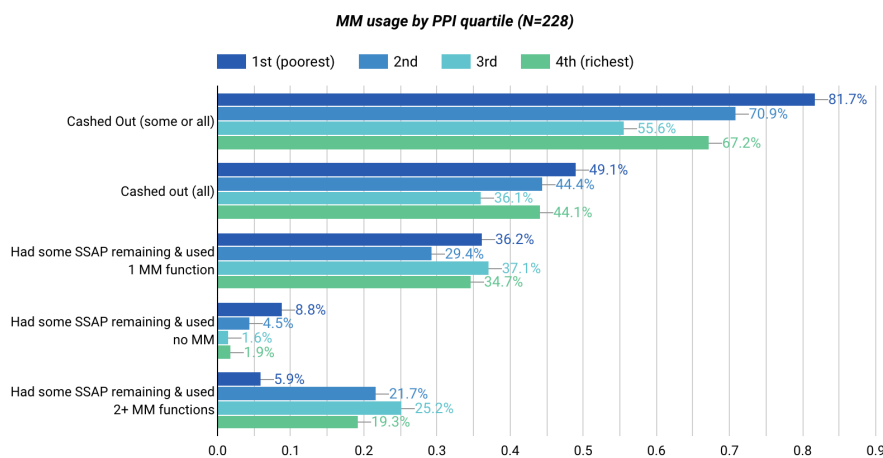


Fig. 5. Usage of 2+ MM functions is common among wealthier beneficiaries

[5] These respondents either did not cash out any of their SSAP or cashed out a portion only.

LESSONS AND RECOMMENDATIONS FOR SCALING UP

The following are key recommendations for future scaling up of similar interventions:

Assess beneficiary profiles and segment them to provide more targeted support.

As the program scales up to cover poorer beneficiaries, many of challenges encountered may be amplified. Poorer beneficiaries will need more targeted support as they will likely encounter more difficulty enrolling and registering, cashing out, and learning how to use mobile money features.

Calibrate the approach and offering based on a thorough assessment of the digital cash ecosystem, especially if expanding to rural areas.

As the program scales up in other geographies, it is important to consider the DFS ecosystem, and whether to utilize the mobile platform used in this pilot or other DFS providers. The provider with the strongest ecosystem in the local communities should be used to encourage beneficiaries' use of the system. A thorough assessment of the ecosystem in the target area should be done, especially in remote areas where the ecosystem would likely be even weaker than in Pasig City, i.e. there are fewer ATMs, cash out agents, and merchants accepting digital payments.

Improve user experience of mobile money by:

Reducing barriers to enrollment and verification – Explore solutions that reduce requirements for account ownership and full KYC verification before disbursement to avoid delays, particularly for poorer beneficiaries without documentation.

Ensure proper dissemination of relaxed disbursement requirements from the MMOs to their partner outlets.

Reducing costs of cashing out – Distribute cash cards during registration to beneficiaries without access to bank accounts or ATMs to lower cash out fees. Inform beneficiaries of the right amount of fees to avoid getting overcharged by informal agents.

Providing additional training and information on how to use mobile money features – In addition to the basic training delivered during the pilot, educate beneficiaries on popular transaction types and features (e.g. load rebates, potential savings).

Provide detailed how-to-use guides for mobile money platforms, especially for older beneficiaries. Introduce behavioral interventions to address the knowledge-behavior gap (e.g. SMS or in-app reminders).

For government: Strengthen capacity for digital disbursement of cash transfers.

Certain aspects of digital disbursement differ from the physical cash disbursement process, which have implications on LGU and NGA's resources and compliance. While costs of deploying personnel for physical cash distribution can be reduced, government agencies would need resources for registration, enrollment, and financial literacy training. They would also need to provide additional post-project servicing and grievance redress to respond to issues that beneficiaries encounter.

For MMOs: Strengthen the DFS ecosystem.

MMOs should bring onboard more merchants and users into their ecosystem to encourage beneficiaries to use of DFS for payments and other transactions, rather than cashing out. In particular, include in digital platforms more merchants selling basic necessities, such as food and groceries, especially smaller businesses where beneficiaries transact. Ecosystem strengthening takes time, and should be done proactively prior to and not just during crises.



ABOUT UNDP

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ABOUT IDINSIGHT

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