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Beneficiary Experience of Digital Government-to-Person (G2P) Payments

Evidence from the Philippines, Colombia, and Bangladesh

About 17 percent of the world's population has received at least one COVID-19-related cash transfer payment since the onset of the pandemic.*[,1] Many of these transfers have been conducted digitally to efficiently and safely provide economic relief to affected households. Amongst low- and middle-income countries (LMICs) that offered cash transfers, 58 disbursed funds directly to a fully functioning bank account, an account only for benefit withdrawal, or a digital non-bank account.[2]

Innovations for Poverty Action (IPA) research from **the Philippines**, **Colombia**, and **Bangladesh** explores consumers' experience with digital cash transfers, and supports policy recommendations to improve the effectiveness of G2P payments and future financial inclusion.

Key Findings**

- In all three countries, **beneficiaries were satisfied with the G2P programming.** However, **this did not translate to wider account usage.**
- Before the payments, the beneficiary populations had **low rates of financial inclusion:** very few had existing deposit accounts and most received all income in cash.
- Many beneficiaries reported **long wait times** at their withdrawal points. In Bangladesh, about half of beneficiaries reported having **no access to assistance** at these sites.
- **Beneficiaries' experiences differ based on demographic characteristics**, financial service providers, and financial and digital literacy.
- In Colombia, **a concerted government effort likely increased the number of mobile money recipients.**
- Official communication and training on how to use the benefit account were limited. In the Philippines, only 16 percent knew they were given a deposit account for their disbursement. In Bangladesh and Colombia, most knew they were given an account but were **unaware they could use it for any purpose other than withdrawing their payment.**
- In all three countries, the majority of beneficiaries **withdrew their full benefit** in a single transaction and did not leave a balance. In Colombia, most beneficiaries immediately cashed out either because few merchants accept digital payments or because beneficiaries were unfamiliar with using mobile money as a form of currency.

* The statistics in this paragraph refer to either new or expanded (in terms of value or eligibility) cash transfer schemes.
** These projects were not randomized evaluations.

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Departamento Nacional de Planeación (DNP),
Departamento para la Prosperidad Social (DPS),
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COUNTRIES
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TIMELINE
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TOPICS
Financial Inclusion, Cash Transfers, COVID-19, Digital Finance

The Problem

The COVID-19 pandemic and related containment measures have had severe impacts on financial health in the Philippines, Colombia, and Bangladesh.

In the Philippines, the pandemic has exacerbated existing inequalities across income classes, and has pushed an estimated 1.5 million families below the poverty line.[3] IPA evidence finds that among Colombian households with at least one member working in February 2020, half reported losing employment by May of the same year. In Bangladesh, the effects of the pandemic and nationwide lockdown threaten decades of progress on poverty reduction.

Vulnerable groups feel these effects most acutely. The poorest often lack access to formal financial services and tools. Digitizing cash transfers offers the opportunity to include beneficiaries of social programs in formal banking through the creation of formal accounts or by facilitating digital financial transactions. Digitizing G2P payments—for example by sending payments to mobile money accounts—can also benefit citizens by reducing transaction costs and enabling beneficiaries to respond to shocks while enabling the government to disburse benefits quickly and efficiently.[4,5]

However, digital transfers are only as efficient as the enabling environment. Delays in system maintenance, onerous know-your-customer (KYC) requirements, lack of financial and digital literacy among beneficiaries, and consumer protection concerns all pose a threat to the efficacy of digital cash transfers. Facilitating greater financial inclusion entails understanding consumers' experience throughout the disbursement process, awareness of the social protection scheme and the financial products involved, and usability of the digital platform.

Interventions

THE PHILIPPINES In the Philippines, the Department of Social Welfare and Development (DSWD) implemented an emergency cash transfer program—the Social Amelioration Program (SAP)—to provide immediate economic relief to low-income households affected by the COVID-19 quarantine measures. In its second tranche (SAP 2), the DSWD partnered with six financial service providers (FSPs) to disburse approximately PHP 68 billion (almost US $1.3 billion) in cash aid to over 9 million households via digital payments.

COLOMBIA To ameliorate the economic impact of COVID-19 lockdown orders on vulnerable households, the Government of Colombia launched *Compensación de IVA*, a VAT compensation benefitting one million poor households who were already part of other existing cash transfer programs.[6] The *Compensación de IVA* is an unconditional cash transfer supported by VAT revenue and targeted toward Colombian households living in extreme poverty. To stem infections and distribute benefits quickly, the government allowed program beneficiaries to receive payments digitally using Daviplata, a mobile wallet offered by Banco Davivienda. If preferred, beneficiaries could also receive payments in cash.

BANGLADESH The Bangladesh government has been delivering cash payments to the most vulnerable—old age pensioners, widows, and people with disabilities—since 1997.[7] This began with in-person cash disbursement. In 2015, Aspire to Innovate (a2i), the government entity responsible for digitizing public services, decided to digitize payments by directly depositing the transfers into individual bank accounts.[8] In 2020, the cash transfer program began disbursing funds to newly enrolled beneficiaries via multiple private mobile financial service platforms.

Program & Study Characteristics	The Philippines	Colombia	Bangladesh
Disbursement method	Digital account and manual cash outs	E-wallet and manual cash outs	Round 1 & 2: Bank accounts Round 2: Mobile money wallets
Transfer type	COVID-specific, unconditional cash transfer	Not COVID-specific, unconditional cash transfer	Not COVID-specific, unconditional cash transfer
Survey type	Quantitative survey, random sampling	Qualitative interviews	Quantitative survey, random sampling
Sample size	5,000	32	Round 1: 5,039 Round 2: 3,122
Survey timeline	Spring 2021	Fall 2020	Round 1: June 2020 Round 2: March 2021

Results

Working closely with governments and partners in the three countries, IPA mapped key challenges in the delivery and use of digital G2P payments, specifically related to beneficiaries' program awareness, withdrawal experience, and use of financial services.

PROGRAM AWARENESS

Awareness of the basics of each program is generally high, but there is major variation across country-contexts in the knowledge of program specifics, such as benefit amount, qualification, and timing. In the Philippines, all participants knew SAP was a government aid program and two-thirds could name DSWD as the implementing agency. Nearly 90 percent knew they qualified for the benefit via income threshold and most knew there were no fees in order to withdraw the funds.

Similarly, in Colombia, most respondents knew about the program, but typically only after they were enrolled and received the first payment. Many respondents did not understand eligibility requirements; some thought the program was based on a lottery system rather than financial need. Further, many thought their benefit was directly tied to their household-level expenditure on VAT, rather than the average VAT for their income bracket.

Beneficiaries in Bangladesh were aware of the program's general features, but lacked knowledge of the specifics. For example, only 19 and 29 percent*** understood that notification of disbursement would occur via SMS, but 89 percent depended on local communications networks to get details on the timing of disbursements.

There was also significant variation in the understanding of the digital distribution methods and the functionality of the digital accounts. In the Philippines, only 31 percent of respondents knew which financial service provider housed their funds and only 16 percent knew that a functional financial services account had been opened in their name for the payment. Thirty-eight percent of the respondents that knew they had a function account used the account for something other than withdrawing the disbursement. Most beneficiaries preferred to immediately cash out their benefits.

In Colombia, beneficiaries had varying experiences with the Daviplata platform, the mobile money platform used to disburse payments. Some respondents had difficulty downloading it or activating their accounts. Others reported that they were generally comfortable and pleased with the system, having used Daviplata for services and transfers prior. However, connectivity issues interfered with the platform's effectiveness and negatively affected many rural beneficiaries' trust in the system.

While 95 percent of beneficiaries in Bangladesh understood the payment would be disbursed via mobile or bank account, low levels of literacy and phone ownership interfered with their ability to easily access their funds.

WITHDRAWAL EXPERIENCE

Almost all Filipino beneficiaries withdrew their entire SAP benefit. Ninety-three percent were able to withdraw in one trip and 63 percent reported no major difficulties with the experience. Among those who did report difficulties, the largest issue was the wait time, reported by 29 percent of beneficiaries who had complaints. Overall, 90 percent reported they were satisfied with the withdrawal process.

The majority of interviewees in Colombia also cashed out their payments immediately because few merchants accepted mobile money. As a result, many experienced long queue times—some waiting for as long as two hours.

*** Statistics from Bangladesh are presented in the brief as two numbers representing findings from survey rounds one and two, respectively.

Technical issues with the Daviplata app also delayed the transfer. For example, some beneficiaries reported difficulties accessing their funds because the benefits were sent to inactive accounts. These issues were more pronounced for older and rural beneficiaries.

In Bangladesh, 88 and 90 percent of beneficiaries were able to receive their benefit in one trip. Fifty-five percent of women and 37 percent of men sent representatives to withdraw their funds at mobile agent sites, indicating that women were either less comfortable with the withdrawal process or not allowed to go to the cash site. Beneficiaries who sent representatives are at greater risk of pilfering or theft because they shared private account information with others.

Though the majority were able to withdraw their benefit immediately, 54 to 58 percent of Bangladeshi beneficiaries faced challenges during the withdrawal process. Only about half of beneficiaries received any assistance from a representative during the withdrawal process. Other complaints during the withdrawal process included the negative attitude of staff at cash points, long wait times, and unexpected fees (5 percent and 7 percent reported paying a "fee" or a "tip" of 34 and 24 taka, on average, or USD 0.40 and USD 0.28, respectively).

ACCOUNT USAGE

Beneficiary satisfaction with programming across the countries was high. However, digital transfers were not associated with beneficiaries becoming more active users of other financial products over time (for example, use of a mobile wallet beyond receipt of G2P funds).

Findings from the Philippines indicate that 82 percent of beneficiaries know where the nearest bank is, but only 9 percent have a bank account. Thirty-one percent of beneficiaries could correctly recall which financial service provider disbursed their SAP payments, and only 16 percent reported having an account for their SAP payment. Despite this, there are promising opportunities for financial inclusion via mobile money: 96 percent of SAP beneficiaries have access to a phone (someone else's or their own), 69 percent of whom own smartphones. These figures are higher among women, who are more likely to own a phone than men. This particular finding is unique for the Philippines—in most other contexts, women's phone ownership lags behind men.

While these numbers are promising, the deposit accounts provided to beneficiaries in the Philippines are temporary and restricted. They can be converted to a full account within 12 months if they meet KYC requirements, but beneficiaries must actively take steps to convert it and awareness of the possibility of conversion remains very low.

In Colombia, mobile money enrollment increased over the course of the VAT program with many participants receiving their first transfer via cash and opening a mobile money account on the Daviplata platform for subsequent transfers. By November 2020, 75 percent of beneficiaries received the transfer via Daviplata. Some participants who received their transfer digitally used the digital platform to check their account balances, send and receive money, and recharge cell phone balances. This trend in increased mobile account enrollment extends to the broader population as over 3 million users opened mobile wallet accounts between March and June 2020.[10] This was due, in part, by a concerted government campaign to enroll people onto the mobile platform. However, mobile money enrollment is still concentrated among wealthier, urban users.

While the payments increased mobile money adoption in Colombia, technical issues inhibited beneficiaries from utilizing the platform. Due to low penetration of digital merchant payments, many beneficiaries immediately cashed out their transfer. Additionally, weak grievance mechanisms inhibited beneficiaries' ability to solve their technical issues with the Daviplata app.


ADAM COHN

In Bangladesh, among those using a banking agent in survey round 2, 95 percent are aware of their account type, i.e., that they have a bank account rather than a mobile money account. Only 2 percent of those using a banking agent report using their benefits account for anything beyond receiving benefits, compared to 13 percent of those receiving their money in a mobile money account.

The vast majority of those receiving their benefit in a bank account—95 and 99 percent—cashed out the full benefit immediately after receiving payment. Most said they needed the money immediately while about 5 percent were unaware that they could leave their money in their account.

Conclusions

Digital financial services, and particularly mobile money, offer promising opportunities for greater financial inclusion among beneficiaries of social protection programs. Issuing G2P payments digitally, if executed well, can be a useful on-ramp to using these services. However, important challenges remain across contexts in terms of ensuring adequate digital and financial infrastructure, especially in rural areas, and fostering greater awareness of available financial services and how to use them. With further interventions to invest in digital payments ecosystems and encourage account usage, beneficiaries could access formal financial services that were previously out of their reach.

To improve the effectiveness of digital G2P, stakeholders may want to consider:

1. **Improving communication:** Better communication about how to use the digital financial products, consumer protection, and potential benefits and use cases for the digital financial products can better equip beneficiaries to effectively use the products. This, in turn, may encourage beneficiaries to use their benefit accounts for purposes other than withdrawals. In cases where beneficiaries must take additional action to fully use their accounts, for example in the Philippines where they must present additional information to the financial service provider to complete the KYC process, instructions on how to do so should be simplified and clearly communicated. Opportunities to share information with beneficiaries occur during account opening and registration, SMS messages, meetings with mobile agents, and at withdrawal locations.

2. **Establish effective and inclusive complaints and redress channels:** Evidence demonstrates that customers in LMICs infrequently use formal complaints channels like telephone or in-person help desks.[11] Instead, social media and chatbots can democratize the ability of beneficiaries to lodge complaints. Financial service providers can analyze existing social media complaints to identify and prioritize consumer constraints, and establish online communities to provide real-time support.

3. **Expediting the withdrawal process:** The majority of beneficiaries withdrew their benefits as soon as they were received. However, a significant number reported unexpected challenges during the withdrawal process relating to wait times and on-site help. Investing in a robust ecosystem for cash-in/cash-out (CICO) and merchant payments can alleviate these concerns. An expansion of CICO infrastructure may include establishing multiple cash out sites in high-density areas, and making sure there is an adequate agent and ATM presence in markets with more advanced DFS presence. Efforts should also be taken to place supervisors at cash points to ensure agents do not charge extraneous fees and provide beneficiaries with information about their accounts and payments.

4. **Improving the digital and financial services ecosystems:** Investing in digital infrastructure and ecosystem prior to emergencies includes user-friendly regulations, physical infrastructure, and improving digital and financial literacy. Expanding mobile coverage can ease access to payments, bridge the rural-urban divide, and enable consumers and merchants to regularly utilize digital transfers and payments. Further, concerted effort to streamline the delivery of financial services can help beneficiaries more easily adopt new technologies. Colombia's ability to quickly onboard beneficiaries is largely a credit to regulations that relaxed KYC and reduced the requirements associated with opening mobile money accounts.

5. **Better coordination between government and private sector:** Collaboration between governments and financial service providers in designing programs to better meet financial inclusion goals could include standardizing the onboarding and account processes, developing communication strategies to support account usage, and supporting efforts to improve digital financial literacy. Financial education campaigns to encourage the use of digital accounts and address misinformation could serve to build users' trust in digital financial services. The biggest challenge for governments is to incentivize the private sector to take action; what is the business case for the private sector to invest in consumers' financial literacy? In costly onboarding support?

6. **Collecting data on consumer experience:** Providers should make and meet commitments to analyzing administrative and qualitative data. Both are needed to provide a complete understanding of consumer experience with a new product. While administrative data provides rich insights on beneficiaries and financial activity, qualitative research and/or survey data can help to understand how consumers engage with the platform throughout the disbursement process. This helps to identify points of vulnerability that are not detected by data monitoring techniques alone. Consumer experience data provides rich insights into the diversity of experiences and can eventually help governments respond in real-time to problems.


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