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How Non-Cash Assistance Accelerates Financial Inclusion
(A Study of PKH Program Beneficiaries in Aceh)

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ABSTRACT
The government made a breakthrough by distributing social assistance through a non-cash mechanism to improve aid effectiveness and encourage financial inclusion. According to a recent study, some beneficiaries find it difficult to distribute aid through the system. They do not want to use the system for other financial services; they only use noncash facilities to disperse aid. It may be difficult to achieve financial inclusion because of this fact. The purpose of this study is to find out what influences recipients' opinions of using the cashless system. We conducted a study of 150 non-cash recipients throughout Aceh's districts and cities. Although it turns out that it is only confined to the distribution of social assistance, the community is supposed to become accustomed to saving through the distribution of non-cash social assistance. It turns out that while the distribution of non-cash social assistance is intended to familiarize the community with saving, it is only restricted to that process and the recipients do not immediately implement the saving mechanism. Financial inclusion in non-social assistance for the poor is a pseudo-financial inclusiveness and has no impact on poverty reduction.

Keywords: *Financial Inclusion, Aid Effectiveness , Non-Cash Social Assistance,*

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1. INTRODUCTION

In recent years, electronic money, also known as noncash money, has become increasingly popular as a means of financial transaction. Aside from the private sector, the government has used a non-cash system in a

variety of services. One of the government's recent breakthroughs is the distribution of transfers to poverty alleviation programs. The Government of Indonesia officially approved the distribution of non-cash social assistance in 2017. A regulation was issued to apply non-cash social assistance to poverty alleviation programs such as social protection, social security, social empowerment, social rehabilitation, and basic services. In comparison to other countries such as India, Bangladesh, Haiti, and the Philippines, Indonesia has been relatively slow to adopt this system.

It is expected that distributing non-cash aid will improve its efficacy and efficiency. The proper community is expected to receive social assistance in the right quantity, at the right time, and with good quality. Social assistance is delivered straight to the beneficiary's account through the channeling bank under this approach. Beneficiaries have the option to pay out or save some of their aid through digital financial institutions. A combo card, a payment device with electronic money and savings that can be used as a medium for providing various social assistance, can be used to access the account. This card can serve as an electronic wallet and a savings account by storing recipient information (e-wallet). It is anticipated that digital financial institutions would increase public interest in saving. Non-cash assistance provided by digital financial institutions has enabled the poor to gain access to banking.

Non-cash assistance not only improves effectiveness but also advances the cause of financial inclusion. All beneficiaries have automatic access to and use of banking services through the system. The money they get can be withheld and kept. However, the government advised against utilizing social aid in any way. They must maintain some funds in their accounts. Savings will allow recipients of social assistance to build their funds and receive higher benefits in the future.

However, several empirical findings from the pilot program for distributing non-cash social assistance in 2014 revealed that many social assistance recipients used non-cash facilities only to withdraw their money. Only a few of them saved their money.

2. REVIEW OF LITERATURE

1.1. Government Social Assistance

Indonesia, as a country in Southeast Asia, faces problems that are almost identical to those faced by other developing countries around the world, namely poverty and growth. The target figure for 2019 in the Medium-Long Term Development Plan is a 5-6% decrease in the poor population. It is hoped that the poverty reduction will be followed by an increase in GDP per capita from US$3500 in 2013 to US$7000 in 2019.

A study in African developing countries found that government cash transfers are effective in reducing vulnerability and chronic poverty, as well as having a broader positive impact on recipient households and society (Vincent and Cull, 2009). Government assistance is also becoming increasingly important due to its role in human development, improving health and education, and increasing worker productivity. In recipient regions, social assistance also drives demand for goods and services. This will boost regional economic activity. Even in Zambia, 80% of government funds are spent on the local economy (Samson et al., 2004).

In Indonesia, social assistance is divided into two types based on the requirements for receiving it: conditional cash transfers (CCT) and unconditional cash transfers (UCT) (UCT). In general, CCT is a condition in which a person receives government social assistance if he meets the required criteria, such as the Family Hope Program. On the other hand, UCT is more frequently provided by the government because it is triggered by external conditions. The Prosperous Family Savings Program is one example (PSKS). PSKS is present as a result of the recent increase in global fuel prices. As a consequence, the government wants the rise in global fuel prices to have little impact on people's purchasing power for daily necessities, particularly the poor. At the time, the government provided 200 thousand rupiahs per month in assistance to nearly 15.5 million targeted households.

1.2. Financial Inclusion

Financial inclusion, according to the Consultative Group to Assist the Poor (CGAP), is a situation in which households and businesses have access to effective and appropriate financial services. These financial services must be of a responsible, sustainable, and well-regulated nature. What is meant by effective access is service convenience at a cost that is affordable to its users while also taking into account the service providers' business continuity. Don't let banking service costs be reduced as much as possible to provide affordable financial services as an example of sustainability. As a result, it must be understood that banking is still a for-profit enterprise. Inclusive finance is considered successful if more people use formal financial services than use informal financial services.

The Reserve Bank of India (RBI) has a slightly different definition. In 2011, Dr. K.C. Chakrabarty, Deputy Governor of the Reserve Bank of India, stated that inclusive finance is a process of ensuring access to products and services required by vulnerable groups, such as low-income groups, in order to obtain financial services at affordable costs in a fair and transparent manner. India believes that financial inclusion is essential for India to achieve its goal of becoming a global player. Access to finance will attract global market participants, resulting in more jobs and business opportunities. Inclusive growth will empower people and allow them to participate more effectively in social and economic processes.

According to the various definitions above, inclusive finance is defined as the government's effort to provide quality, affordable, and guaranteed financial products and services to all levels of society. However, for a

variety of reasons, people do not use financial products and services. Bank Indonesia stated that there are at least two reasons why someone does not take advantage of financial products and services, namely because of limitations on the supply side and on the demand side. The limitations referred to are due to price barriers (expensive), information barriers (don't know), design product barriers (suitable products) and channel barriers (appropriate facilities).

At the implementation level, the government's efforts to introduce financial services to G2P (Government to Person) program recipients, who are mostly from lowincome families, are difficult. Price barriers, information barriers, and product and service design barriers are some of the challenges that the community may face in accessing financial services (Honohan, 2004). The government must make strides in a variety of areas, particularly in banking administration costs. Bank administration costs will be borne primarily by the poor recipients of government transfer funds. They observe

that the monthly administrative costs are extremely high, given that the funds transferred by the government are not large and are not received every month, depending on the type of social assistance available. This must be considered so that non-cash G2P programs can be implemented on an ongoing basis. available. ***1.3. Non-Cash Social Assistance***

According to Samson (2009), the distribution of cash assistance is better understood than the distribution of in-kind assistance. Some of the reasons include the possibility of corruption, which is easier to mitigate because monetary aid is easier to audit than in-kind aid, such as food. Although, in some cases, providing social assistance in kind is preferable, at least in the short term.

Cash transfers have several drawbacks. One is that anyone receiving cash will be expected to gather in a specific location, such as a village hall, to distribute the funds. The non-cash transfer method is expected to change the way a person is "pulled" somewhere to receive funds, with the hope that funds will be "pushed" directly to the recipient in the future (Bankable Frontier Associates, 2006). Furthermore, the distribution of assistance in the form of money is considered expensive for the same reasons as the previous method, which is prone to corruption and costly in terms of money distribution. However, it is now recognized that innovation is required for channeling assistance through cash.

3. METHODOLOGY

3.1. Location

This study interviewed 150 people who received PKH through the e-money program in 2021 and 2022 at random. Respondents were spread across three regions, with 50 in Bireuen Regency, 50 in North Aceh Regency, and 50 in Lhokseumawe City. Our research presents a descriptive analysis in cross-tabulations and histogram graphs to analyze respondents' perceptions of the convenience of non-cash systems on three aspects, namely access, characteristics, and outreach. Conditions in the three survey areas will be compared.

3.2. Research Approach

The quantitative approach was used in this study. A probit regression model was used to determine the effect of access, characteristics, and socialization on beneficiaries' intentions to use the non-cash system.

Beneficiaries are more likely to use cashless systems if they believe they can access them easily. If they find it difficult to access, they are less likely to adopt the system. This system is simple to use if the distance between digital financial institutions is short, travel time is short, transportation costs are low, and queue times are short.

We estimate the effect of access, characteristics, and socialization on perceptions of using the non-cash system using the probit regression model:

$$D = \beta 1 + \beta 2 * Access + \beta 3 * characteristic + \beta 4 * socialization + e$$

The dependent variable, D, is a categorical variable in which 1 respondent believes the non-cash system is simple and 0 others do not. The dependent variable D is a categorical variable; a value of 1 indicates that the respondent believes the transfer disbursement is simple, while a value of 0 indicates that the respondent believes the transfer disbursement is difficult. In the probit model, p represents the likelihood that respondents believe it is simple to disburse transfer funds. The greater the value of p, the more likely respondents believe that disbursing transfers is simple, and the more likely they are to use a non-cash system for financial transactions (savings) rather than simply accepting all transfers for consumption. Access variables, respondent characteristics, and socialization are the independent variables.

3.3. Data Analysis

The data obtained through observation, interviews, and documentation must be processed. The variable access is divided into several variables:

3.3.1 Distance to digital financial institutions

Ho: The distance between respondents and digital financial institutions has a significant impact on their likelihood of using a non-cash system. The shorter the distance, the easier it is for the recipient to disburse the transfer and the more likely it is that the respondent will use the non-cash system.

3.3.2 Duration of travel to digital financial institutions

Ho: Travel time to Digital Financial Institutions has a significant impact on respondents' likelihood of using a non-cash system. The longer the time for Digital Financial Institutions, the more difficult it is to access the non-cash system, so respondents are expected to be less likely to use it.

3.3.3 Time spent waiting at the counter

Ho: Waiting time has a significant impact on respondents' likelihood of using a non-cash system. The longer the queue time at the Digital Financial Institution counter, the more difficult it is to access the non-cash system, so respondents are less likely to use it.

3.3.4 Transportation expenses for digital financial institutions

Ho: Transportation costs have a significant impact on the likelihood of respondents using a non-cash system. The more expensive transportation costs, the more difficult it is to access the non-cash system, so respondents are less likely to use it.

While the Respondents' Variable Characteristics were reduced to:

3.3.5 Respondents'Age

Ho: The probability that a respondent will use the noncash system is strongly influenced by their age. The younger the respondent, the greater the intention to use the non-cash system and the greater the likelihood of using the non-cash system. Young people are thought to be more open to new technology.

3.3.6 Respondents' Last Education

Ho: Education has a significant impact on the likelihood of respondents using the non-cash system. The more educated the respondent, the more likely he or she is to use the non-cash system.

3.3.7 Respondents' Region

Ho: The region has a significant impact on the likelihood of respondents using the non-cash system. There are regional differences in the ability of respondents to use a non-cash system.

The variables associated with socialization are as follows:

3.3.7 Amount of socialization

Ho: The amount of socialization has a significant impact on respondents' willingness to use a non-cash system. The more socialization respondents receive, the better their knowledge of the non-cash system and the likelihood of using the non-cash system.

4. RESULTS AND DISCUSSION

4.1. Beneficiaries' Perceptions of Non-Cash Social Assistance Adoption

4.1. 1 Non-cash distribution is simple and varies by region.

Based on the study results, the majority of respondents in the three regions (66.83%) thought the non-cash system was simple to use. A total of 42 respondents in Lhokseumawe city, 35 in Bireuen district, and 22 in North Aceh said the non-cash system was simple to use. Other empirical findings show that perceptions differ between the three regions. The system was easy to use for the majority of respondents in Lhokseumawe City (77.22%) and Bireuen District (72%), but only 48.75% in North Aceh District. Many respondents still believe that the non-cash system is difficult. It's more than half.

4.1.2 Educational Qualification Does Not Correlate With Perceptions of Non-Cash Systems

According to the research survey, more than 80% of beneficiaries who believe the non-cash system is simple have completed elementary school. Those who believe the non-cash system is difficult (78%) have completed elementary school. This demonstrates that the level of education does not correlate with the perceptions of non-cash system beneficiaries.

4.1.3 Respondents who consider the non-cash system is simple to use are less than 40 years old on average.

In Bireuen District, respondents who were 40 years old were more likely to feel that the non-cash system was more difficult than those who were 39 years old. However, in the North Aceh District, the age of respondents who had used a non-cash system did not differ significantly. Both easy and difficult. Those who find the non-cash system simple are 43, while those who find it difficult are 45. Similarly to Lhokseumawe City, respondents under the age of 40 find it easier to use the non-cash system.

4.1.4 Distance from Digital Financial Institutions Influences Non-Cash Perceptions in All Regions

In terms of distance, there appears to be a correlation between perceptions of the non-cash system and distance to digital financial institutions in North Aceh District. Respondents who must travel longer distances to digital financial institutions find cashless systems more difficult.

Their average mileage is about 6 kilometers. Meanwhile, for respondents who believe the non-cash system is simple, the distance to digital financial institutions is only about 2 kilometers. However, in the city of Lhokseumawe, respondents who stated that cashless payment was difficult and easy had to travel nearly the same distance (less than 2 km). This demonstrates that in Lhokseumawe City, there is no significant difference in distance between those who find the non-cash system easy and difficult.

4.1.5 Travel Time Affects Non-Cash Perceptions in the Three Regions

Beneficiaries who must travel a longer distance to the Digital Finance Institute have more difficulty using the non-cash system, according to time allocation. Those who have difficulty using the non-cash system in North Aceh spend an average of more than 30 minutes with the Digital Finance Institute. Those who find it easy spend only 15 minutes on average. Those who find the cashless system difficult in Bireuen District must spend more time (15 minutes) than those who find it simple (10 minutes).

4.1.6 Transportation costs are related to respondents' perceptions of the non-cash system in the North Aceh District.

It demonstrates that in North Aceh, those who pay more for transportation costs to Digital Financial Institutions find it difficult to use the non-cash system. They must spend approximately Rp 25,000 on transportation. Those who believe the non-cash system is simple, on the other hand, spend an average of IDR 12,000. The cost of transportation in Lhokseumawe is relatively low, at around IDR 8,000. According to the cross-tabulation data, there will be significant differences in perceptions of transportation costs.

4.1.7 Queue Time Influences Perceptions of NonCash Systems in Bireuen District

According to queuing time responses, beneficiaries in the Bireuen District who spent more time queuing at Digital Financial Institutions found the non-cash system difficult. North Aceh District has some interesting discoveries. Those who spend more time in line appreciate the cashless system. Cashless systems are also difficult for those who need to be served quickly.

4.1.8 The quantity of socialization has no effect on non-cash perceptions.

The socialization factor indicates that the average respondent in the Bireuen district received socialization more than once. As many as 45% of respondents find the non-cash system simple, while another 55% find it difficult. This finding indicates that the amount of outreach provided by the government in Bireuen has not proven to reduce respondents' perceptions of the noncash system as difficult. Another intriguing finding was in North Aceh, where the more socialization provided, the more respondents perceived the non-tariff system to be difficult. These empirical findings could be the result of ineffective socialization methods or materials.

4.2. Influencing Factors on Respondents' Perceptions of the Non-Cash System

The results of the probit regression study examined respondents' collective behavior. The null hypothesis is generally supported by the relationship between access, attributes, and socialization and views of non-cash. Some of the independent variable impacts, meanwhile, do not statistically signify much. The perception of a non-cash system is significantly influenced by location, price, and waiting time.

Based on the regression results, older respondents believe that non-cash systems are easier. If the respondent's age increases by one year, the perception increases by 0.004. However, the data is insufficient to support the significance of these variables. Perhaps because nearly all beneficiaries are over the age of 40.

School and non-school perceptions of cashless systems differ significantly. Non-school respondents found the non-cash system challenging. The perception will decrease by 0.5 if the respondent does not attend school. The probability of an easy non-cash system decreases by 0.097 if the respondent has completed elementary school. However, there is no statistically significant difference in perception between respondents with primary and secondary education. Some people with a basic education believe the non-cash system is simple, while others believe it is difficult.

Perceptions of the non-cash system differ significantly between urban and rural areas. Respondents in urban areas thought the non-cash system was simpler than those in rural areas. Perceptions of urban respondents who consider non-cash transfers easier are 0.44 higher than perceptions of rural respondents.

The regression results also show that access to digital financial institutions influences respondents' perceptions of non-cash systems. The more difficult it is to access, the lower the respondent's perception of the non-cash system.

Only three of the four access variables are significant, namely variable travel time, transportation costs to, and queue time at digital financial institutions. Respondent perceptions are negatively related to respondents' distance to digital financial institutions. When the distance to school is sufficiently great, the respondent's perception tends to be lower. When the distance between digital financial institutions increases by one kilometer, perception decreases by 0.0000030. However, these data are insufficient to demonstrate that these variables are statistically significant.

Tabel 1 Probit Regression Output

Independent Variables	**Coefficient**	**Dy/dx**
Characteristics		
Age	0,0166	0,004112
Basic school 1=SD/SMP;0=others No school, 1=no education; 0=other	-0,3928	-0,097405
Urban, 1=Urban ; 0=Rural	-2,0425*	-0,506489
	1,7823***	0,441974
Access to LKD		
Distance	-0,000014	-0,000003
Time to go	-0,0390*	-0,009659
Traveling Cost	-0,0001**	-0,000018
Queue time	-0,0064*	-0,001584
Number of socialization	0,1078	0,02672
Constant	0,2394	

*Significant level : * 0,1;**0,05; ***0,001; Prob > chi2 = 0.0000; Pseudo R2=0.3487; Number obs = 150 Table*

Transportation costs have a significant impact on perceptions of non-cash systems. The higher the fee for Digital Financial Institutions, the lower the perception of beneficiaries. An increase in travel expenses to Digital Financial Institutions of IDR 1 reduces beneficiaries' perception by 0.000018.

Beneficiary perceptions are significantly influenced by time. The longer the transfer disbursement time, the lower beneficiaries' perception. The perception will decrease by 0.0096 as the travel time to the Digital Financial Institution increases. Queuing time has a significant impact on how a non-cash system is perceived. Respondents who have to spend more time waiting in line have a more difficult time with cashless systems. A one-minute increase in queue time reduces beneficiaries' perception by 0.0015.

The amount of socialization and perception have a positive relationship. The perception of beneficiaries will increase by 0.026 as the number of outreach efforts increases. These data, however, are insufficient to support the variable's statistical significance. This is suspected because beneficiaries require more socialization of the appropriate method in order to have a more positive perception of the non-cash system.

5. CONCLUSION

To encourage beneficiaries to use the non-cash system in the long run, the government must improve access to aid distribution. The government must reduce travel time, transportation costs, and queue times. Education is required to improve financial literacy, particularly among respondents who have never attended school. The benefits and financial facilities associated with the non-cash system must be extensively disseminated in a manner that is easily understood by respondents with low education. In areas where the majority of beneficiaries find the non-cash system difficult, intensive outreach and effective methods should be used.

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