Delivering Cash Grants to Indigenous Peoples through Cash Cards versus Over-the-Counter Modalities: The Case of the *4Ps* Conditional Cash Transfer Program in Palawan, Philippines[1]

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ABSTRACT

This paper looks at dispensing cash grants to Indigenous People (IP) beneficiaries in Palawan, Philippines. It reports the results of a survey of IP beneficiaries, focus group discussions (FGDs) with cash mobility mapping exercises and key informant interviews to explore how different transfer modalities for conditional cash transfer (CCT) grants affect the way IPs perceive money and financial technology. It looks at the possible socio-cultural changes in how they consume, save and utilize the cash grants given to them.

The results suggest that CCT proponents will need to think about available infrastructure and distinct beneficiary segment practices related to consumption, saving and accessing market for goods when designing social transfer schemes especially when applying electronic channels. In the case of IPs, while some already use cash and mobile phones and go to public markets for their household needs, there are still some groups - especially from more remote areas - that predominantly practice non-cash ways of payments/exchange (barter), do not use mobile phones

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and rarely go to public markets to buy household needs. For this sub-segment, there are signs that CCT has served as a tool to introduce the concept of money, which has consequently affected the way they perform their financial transactions (e.g., from barter to cash-based transactions).

There was also no evidence yet that the difference in disbursement modes has translated into any disparity in consumption priorities among beneficiaries or to differential improvements in formal savings. Saving through non-cash items remained as the most popular mechanism for savings for both groups. However, we have uncovered practices and a growing mind-set among cash card beneficiaries associated with the denomination of banknotes that opens opportunities for savings and mobile and electronic money development.

Keywords: conditional cash transfer, indigenous peoples, mobile technology, cash cards, automated teller machines (ATMs)

INTRODUCTION

Conditional cash transfer (CCT) programs are increasingly regarded as an effective tool in fighting poverty worldwide. The Philippines created its own CCT program in 2008 called the *Pantawid Pamilyang Pilipino Program or 4Ps* (which loosely means "Filipino family tide over program" to assist in surmounting a period of difficulty for the household). The Department of Social Welfare and Development (DSWD) and the Land Bank of the Philippines (LBP) act as the lead implementing agency and depository/disbursing bank of the program, respectively.

The objective of the program is to promote investments in the education and health of children to help break the intergenerational transmission of poverty, while providing immediate financial support to the household. Beneficiaries are selected from households with estimated incomes below the poverty line who have at least three children 0-14 years of age and/or a pregnant woman during the assessment period. For beneficiaries to get a maximum of Php1,400 (US$ 33.92)[2] per month, they have to fulfill certain conditions, illustrated in Figure 1.[3]

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[2] Average currency exchange rate during the study period: 1 US$ = Php 41.27

[3] **Program conditionalities:** For education: children aged 3 to 5 years shall attend daycare/preschool program at least 85% of the time while children 6-14 years old shall enroll in schools and attend at least 85% of the time. For health: Children 0-5 years old shall get regular preventive health checkups and vaccines; pregnant women shall get pre-natal care, child birth is attended by skilled/health professional and mother shall get post-natal care in accordance with standard DOH protocol; and children 6-14 years old must receive de-worming pills twice a year. For Family Development Sessions: Parent/guardians shall attend responsible parenting sessions, mothers' classes on health and nutrition, parent effectiveness services and other topics fit for their needs and interest at least once a month.

Program grant breakdown: For education: P300 (US$ 7.27) per month for ten (10) months or a total of P3,000 in a year for children 3-14 years old with a maximum of three (3) children per household. For Health: P500 (US$ 12) per month per household or a total of P6,000 per year. Each household beneficiary will receive the cash grants of P1,400 per month (health – P500/month and education – P900/month) for five (5) years as long as the conditions are complied with.

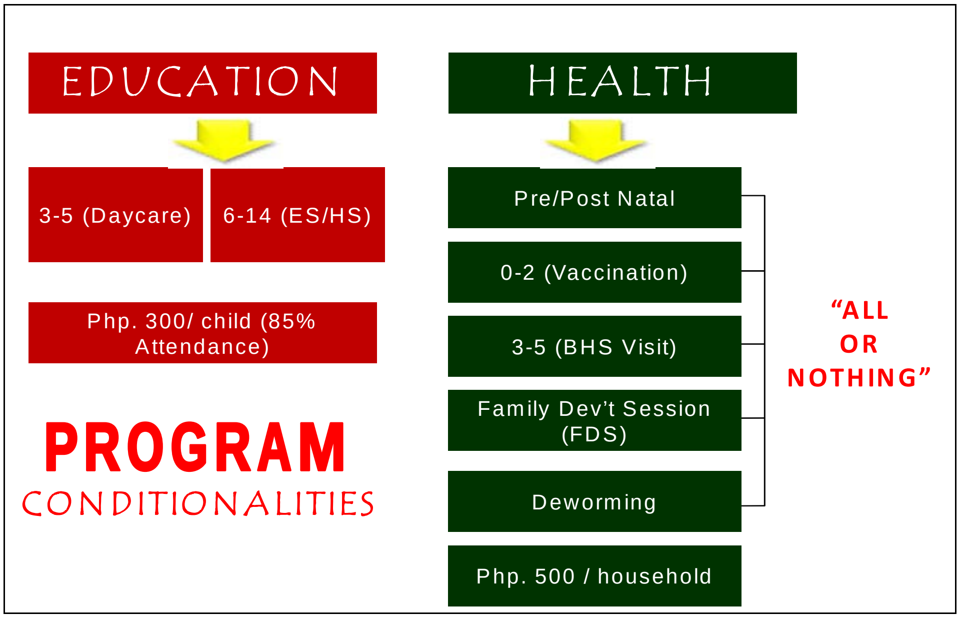


Figure 1. CCT Program Conditionalities (Source: DSWD 2012)

Since its launch in 2008, the 4Ps has been scaled up rapidly and has become the cornerstone of the Philippine government's social protection efforts. It has been an important part of a renewed effort to address chronic poverty and meet the Millennium Development Goals (MDGs) to eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality, reduce child mortality, and improve maternal health. By May 2012, the program covered approximately 3 million households. (Chaudhury et al., 2013).

Cash grants were initially disbursed through the LBP Cash Card (interest-free debit card account) and could only be withdrawn from Automated Teller Machines (ATMs). The transfer was directly deposited into the account of the beneficiary. The accounts were opened free of charge, and there were no fees to withdraw the cash transfer from LBP ATMs. Program recipients though had to travel to the town center where the nearest LBP ATM is located to receive the cash transfer. At present, a portion of the grants are already released via the over-the-counter (OTC) or manual method in the LBP bank branches and through other conduits including rural banks, cooperative banks, cooperatives, non-government organizations, pawnshops, GCASH Remit partner outlets, and through the Philippine Postal System (PhilPost).

Among the beneficiary groups, indigenous people (IPs) arguably pose the biggest challenge in the process of disbursing cash grants. Aside from geographical considerations, they also have low levels of literacy. Most of them do not even know how to read or write. Furthermore, the use of technology in obtaining cash grants via ATM withdrawal through cash cards or via GCASH is new to them. It is interesting to note the process by which cash grants are delivered to them and their experiences in using certain technologies in obtaining such grants.

RESEARCH OBJECTIVES

How should social transfer schemes be carried out in this day and age? While there have been efforts to evaluate CCT programs in terms of its overall effectiveness, there are no studies that specifically look at the relationship between the disbursement mode and the beneficiaries' behaviour, especially among IPs who are neither used to handling cash nor using any form of technology to perform financial transactions. This study hopes to add to the literature by taking interest in the process entailed by the DSWD to provide grants to the IPs, the experience of IPs in using technology, and, more importantly, how mobile banking and other technology fits into the perceptions of the beneficiaries as an innovative tool in serving the poor.

This study compares the ways by which cash grants are disbursed to IPs in the research sites, which include: (1) use of technology such as cash cards/ATMs; and (2) manually or OTC. Moreover, with the differences in distributing cash grants, this study explores how IP beneficiaries perceive and respond to such uses of financial technology. It also looks at the possible changes in perceptions and behavior towards technology and money, as well as how they spend, save and utilize the cash grants provided to them.

This paper is organized as follows: section one above provided an introduction and overview of the relevance of the study, section two outlines the theoretical framework for situating different disbursement modalities within the broader landscape of social transfer schemes, section three discusses the research methodology and findings, and section four identifies some design implications/concepts for the development or selection of disbursement channels to make CCT programs an effective gateway for financial inclusion, particularly for savings among the poorest of the poor.

THEORETICAL FRAMEWORK

Impacts of Mobile Technology. Mobile technology continues to offer itself as an innovative solution in serving poor people in developing countries. Its impacts on development have undeniably been seen in several sectors, especially in "connecting the excluded" (The Economist 2011), building inclusive financial services, increasing market efficiencies for farmers and traders (Aker and Mbiti 2011), and reducing corruption by cutting out the middlemen, among others. Recently, mobile technology has been used as an innovative solution in bringing social services to the poor in remote areas. More specifically, in delivering cash grants to beneficiaries, studies have shown that the use of mobile money transfer systems are better compared to manual cash transfers. In a study conducted by Aker, Boumnijel, McClelland and Tierney (2011) on Niger's Zap mobile service, it is found that cash transfers done through mobile money transfer systems “strongly reduced the variable distribution cost of the implementing agency, as well as the program recipients’ costs of obtaining cash transfer”. They also asserted that mobile cash transfers are cost-effective means especially for those living in remote rural populations who have limited road and financial infrastructure.

Mobile Technology in 4Ps. In the Philippines, cash grants are disbursed to beneficiaries through two modes: (1) cash cards or ATMs and (2) OTC. While both modes seem systematic, the main problem emerged at the onset of 4P’s implementation is the lack of banking facilities in some areas, specifically in IP communities. Most LBP branches and ATMs are located in the town centers. As such, beneficiaries still have to travel from mountains and incur additional travel expenses to go to the off-site disbursement location not to mention the security risk that long travel poses on the beneficiaries. To address these issues, in November 2010, DSWD and LBP partnered with Globe Telecom to use GCASH Remit in disbursing grants (DSWD 2011). GCASH Remit enables beneficiaries to “no longer have to spend a big amount on transportation and endure long hours of travel just to get to the Land Bank branches and receive their cash subsidy” (Ibid.).

Indigenous People and the Use of Mobile Technology. Under the Indigenous Peoples’ Rights Act of 1997 (IPRA) or Republic Act 8371, IPs “refer to a group of people or homogenous societies identified by self-ascription and ascription by others, who have continuously lived as organized community on communally bounded and defined territory, and who have, under claims of ownership since time immemorial, occupied, possessed and utilized such territories, sharing common bonds of language, customs, traditions and other distinctive cultural traits, or who have, through resistance to political, social and cultural inroads of colonization, nonindigenous religions and cultures, become historically differentiated from the majority of the Filipinos" (NCIP 2013). IPs are also recognized to have "retain(ed) some or all of their own social, economic, cultural and political institutions, but who may have been displaced from their traditional domains or who may have resettled outside their ancestral domains" (Ibid.).

While IPs are seen to be the most traditional communities, introduction of new technologies are not uncommon for some of them. Adoption of mobile technologies are existing, especially with the indigenous people in Torres Strait in Australia who are said to be "enthusiastic adopters of modern technology" despite being in one of the remotest islands (Brady, Dyson and Asela 2008). In the Philippines, several IP communities have access to mobile phones. According to Portus (2006), these are the Aetas from Zambales in Northern Luzon, the Tausugs from Zamboanga del Sur in Southern Philippines, and the Dumagats and Remontado tribes from Rizal in Luzon. She found that the Tausug and Aeta communities have at least two mobile phone owners who allow the use of their unit for a certain price. She called this "mobile-phone-for-rent." While consumerism has entered into these communities, there is no denying that they have incorporated local cultural values and practices in their adoption of mobile phone use. The mobile phone has become a community tool whereby a unit is shared by everyone. According to Portes, this "socio-cultural development underscores the native ability of tribal communities concerned to adapt to the technological environment, but, more significantly, it reinforces the traditional custom or generous practice of sharing one's godsend or windfall with the community" (Ibid.).

While no study has been conducted on indigenous peoples who have received cash grants through mobile money transfer or ATM card systems, there are reports where acceptance of new technologies is positive. In the Philippines, receiving cash grants through a different mode is a new experience for most IPs. In Zambales located in Northern Luzon, the Aetas are receiving cash grants through cash cards or ATMs. One beneficiary said she did not expect that she could use automated teller machines and "felt nervous at first" (Villa 2011). Government officials, however, note that this is a positive sign of development, especially for the indigenous people. Using banking services also entailed some level of literacy, which are lacking for most IPs. However, in Cebu located in the Visayas or Central Philippines, Badjao communities are taught to read and write by the program's partner organizations such as the NCIP solely for purposes of obtaining their cash grants, conduct bank transactions and lessen their chances of being deceived (Lariba 2011). In a way, the use of mobile technology has not only functioned as a cost-effective means of delivering cash grants but has also brought about changes in the life world of its IP beneficiaries.

RESEARCH METHODOLOGY

The study presents findings drawn from a survey of 60 IP beneficiaries and six focus group discussions with particular focus on spending patterns and points of interests in the area where community members usually go and transact their business. Field work for the study was conducted from September to October 2012 in two municipalities of Palawan, Philippines (Brooke's Point and Rizal). To help the beneficiaries articulate and express thoughts that may be difficult to talk about, we included images of the most common expenses in the survey questionnaires as well as in our visual aid for the FGDs (large sized paper) together with candies to act as markers for the amount they spent for each expense item (See Figure 2 below). The study also interviewed key officers and staff of DSWD and LBP as well as tribal leaders to validate the information gathered from the beneficiaries. The sample groups consisted of the following:

(i) Lowland IPs or cash card users/beneficiaries – represented by beneficiaries who use LBC Cash Cards who go to town to withdraw their grant from the ATM.

(ii) Upland IPs or OTC household beneficiaries – represented by beneficiaries who are availing their grant through the PhilPost field officer (formerly from GCASH Remit agent). Both the PhilPost and GCASH send a field staff member to the designated payout point to release the grants in cash (i.e., municipal multi-purpose center). Both user groups were selected from a list of beneficiaries provided by DSWD Regional Office IV-B.

Figure 2. FGD Respondents using candies as markers for their household expenses

At the time of the visit, beneficiaries from the upland part of Palawan (Municipality of Rizal) were all getting their grants through OTC. Meanwhile, most of the beneficiaries from the lowland (Brooke's Point) were getting their grants via ATM although there were already a few who already shifted to OTC. This allowed us to look at two groups: Cash Card Users from the lowland and Non-Users (OTC beneficiaries) from the upland.

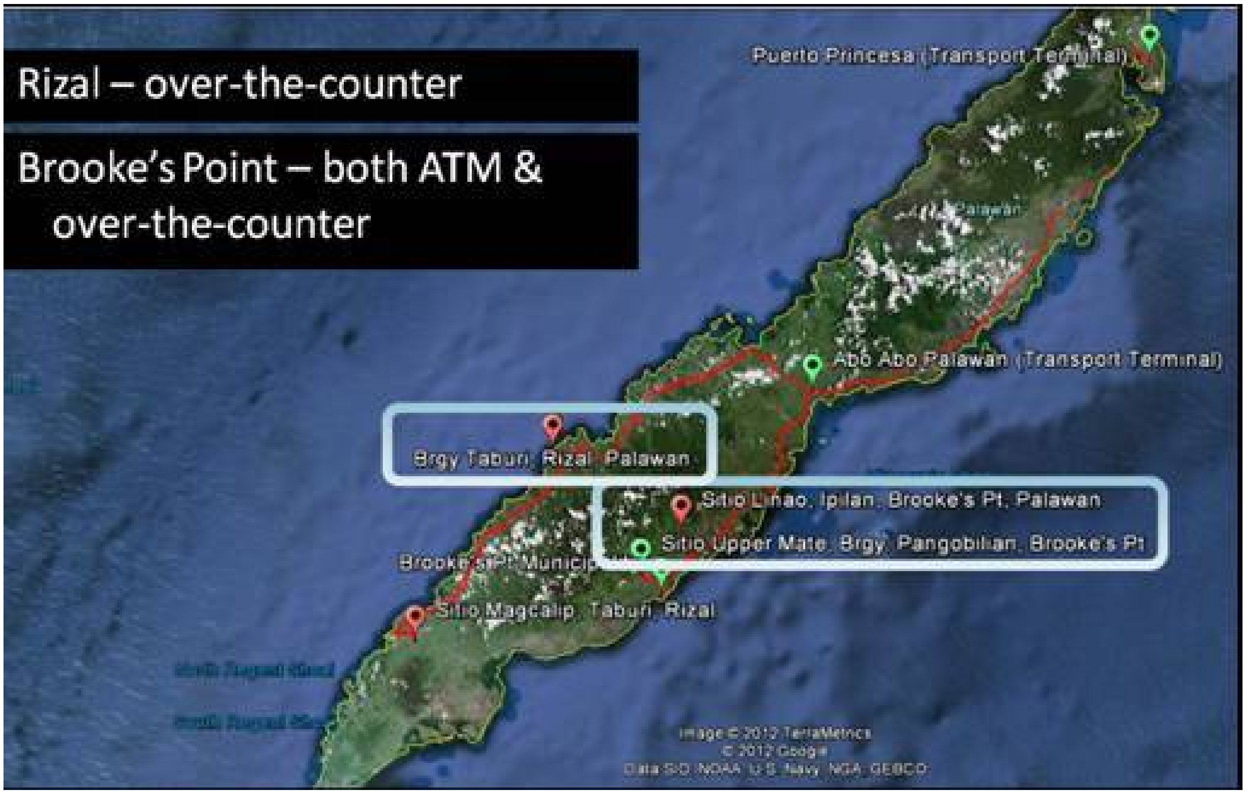


Figure 3. Research Sites

The main respondents of the study are composed of IP groups from Palawan living in Rizal and Brooke's Point in Southern Palawan. In the survey, the majority of the respondents are females, since 98 percent of the program beneficiaries are female. In the FGDs, three (3) groups of female beneficiaries and another three groups of husbands of female beneficiaries were interviewed.

Limitations of the Study

There are three limitations of the study worth mentioning. First, the generalizability of the research findings is limited because the research was conducted as? an exploratory inquiry on a small sample size of of beneficiaries with specific focus on IPs. While we cannot extrapolate the subject case to other groups of cash transfer beneficiaries, we believe that it nevertheless provides an illustration (insight?) of how the beneficiaries' priorities and culture vary from community to community. As such, institutions should consider them carefully when determining the coverage and benefit structure of social protection programs.

Second, the quality of the sample may be lacking given that the study was only able to find beneficiaries who are card users and none for beneficiary-users of mobile money. Interviews with DSWD revealed that beneficiaries under the GCASH Remit scheme were not receiving their grants in GCASH but rather in cash, thereby rendering it still as an OTC or manual transaction. Beneficiaries still had to queue up at an accredited GCASH Remit agent (which can be a rural bank, pawnshop or other existing merchant operating in the municipality) and present a transaction reference code which was given to them by the DSWD assigned personnel.[4] In this particular case, the end-user of mobile technology was not the beneficiaries; rather, it was the GCASH agent who operates the mobile phone to process CCT transactions and gets to receive GCASH during payouts.[5]

Third, the continual change in disbursement modes that occurred in the course of the research made it unfeasible to assess how disbursement channels might have influenced respondents' long-term thinking. When the research was being conceptualized, the project proponents were still using GCASH Remit and LBP cash cards in the research sites. However, certain

[4] Interview with DSWD 4Ps Finance Officer on August 2, 2012.
[5] The agent would be the one to register the reference code into his/her GCASH menu on the phone. Once the transaction code has been validated/entered into the GCASH menu, the agent would receive an SMS confirmation message indicating the amount that the beneficiary should get. Afterwards, s/he would make an over-the-counter "cash payment" to the beneficiary and receive an equivalent amount plus premium in GCASH as commission.

adjustments happened along the way such that during the actual visits, some of the selected sites were already using or just started to use the services of PhilPost, which is also an OTC-type of disbursement mode.[6]

PROFILE OF RESPONDENTS: *Cash Card Users and OTC users: who are they?*

Our two groups had similar socio-demographic profiles although the cash card beneficiaries were somewhat better off as they had higher educational attainment, had access to more transportation options and had shorter travel time going to the payout site. As Table 1 shows, the ages (35 to 38 years old) and genders of the two groups were similar, as well as family size (3-4 children), and average age of children (8-9) . In terms of school attainment, only 38% of the respondents from the lowlands had no schooling while all respondents from the uplands had no schooling.

Table 1. Socio-demographic profile of the two groups (Survey)

Sample	Brooke's Pt (lowland) n=30	Rizal (upland) n=30
Gender	97% - Female	100% - Female
Age (average)	35	38
Marital Status	90% - Married 3% - Widowed 7% - Living-in	93% - Married 7% - Widowed
Educational Attainment	38% - No schooling 34% - Some Primary School 14% - Primary completed 3% - Some Secondary school 3% - Secondary completed 7% - Some vocational school	100% - No schooling
Ave. no. of children	4	3
Ave. age of children	9	8
Type of Pay-out	73% - Cash card 27% - OTC (previously cash card)	100% - OTC

[6] At the time of visits all GCASH operations had already stopped. The shift from GCASH to PhilPost was made in part due to the former's connection problems resulting from poor network signal and on account of the latter's cheaper transaction fee, which is paid separately by LBP (Php 50 or $1.21 per transaction for Philpost vs. Php75 or $1.81 per transaction for GCASH Remit). Meanwhile, the shift from LBP Cash Card to PhilPost was made to address complaints of beneficiaries on the long travel they had to make (distance of the ATM site to their homes).

In the FGDs, the educational attainment profile of the lowland and upland beneficiaries was also similar, with majority of lowland male IPs having better access to education (have either reached or finished primary schooling) than their female counterparts (have either reached primary schooling or not studied at all).

KEY FINDINGS

How did the IPs access the cash transfers and how much did it cost them to do so?

There were several considerations in comparing transfer modalities in terms of costs to program recipients, namely: travel time and waiting time, transportation mode, transportation cost, communication cost, transaction cost, location of payout site and market, and transfer leakage as contributory cost factors.

- ***Travel time and mode of transportation.*** The cash card recipients had shorter travel time going to the payout site and had access to more affordable modes of transportation. It took them about an hour on average to reach the payout site, as 60% of them took a tricycle ride while others opted to rent a motorcycle; no one walked to go to the payout area. On the other hand, it took three to five hours for OTC users to reach the payout site who mostly travelled by foot (93%); said site can actually be reached in half an hour by motorcycle or truck (Figure 4). Poor road conditions made the upland areas impassable to other modes of transportation, as revealed by the respondents in the FGDs.

Lowland-cash card recipients	Upland-OTC recipients
	

Figure 4. Mode of transportation (Lowland vs. Upland IPs)

Figure 5. Motorcycle ride going to the Upland *Sitios*.

- ***Transportation Costs.*** Program recipients in general incurred costs in travelling from their residence going to the payout site more than from the payout site to the market. Transportation costs in the lowlands were far cheaper compared to the uplands. Transportation costs for lowland cash card recipients ranged roughly from Php50 to Php85 ($1 to $2) for a round trip tricycle ride from the lowland *sitios*[7] to the payout site, equivalent to 6% of the monthly cash grant. On the other hand, while most OTC upland recipients did not incur any transportation cost as they travel by foot, it

[7] A *sitio* is a territorial enclave that forms part of a *barangay (*village). Typically rural, a sitio's location is usually far from the center of the barangay itself. Source: Wikipedia. <http://en.wikipedia.org/wiki/Sitio>.

would have cost them Php300 ($7.27) for a round trip ride in a truck/motorcycle equivalent to 21% of their monthly cash grant.

	Lowland BROOKE'S PT (Ipilan)	Lowland BROOKE'S PT (Upper Mate)	Upland RIZAL (Taburi)
Type of Pay-out	87% - Cash card 13% - OTC	60% - Cash card 40% - OTC	100% - OTC
Average travel time from home to the payment venue	1 1/2 hours	1 hour	3 hours
Mode of Transportation	47% - Tricycle 40% - Motorcycle	73% - Tricycle 20% - Motorcycle	93% - by foot 7% - truck/motorcycle
Average Transportation Cost	Php 85/ $2++ (6% of transfer)	Php 50/ $1++ (4% of transfer)	Php300/ $7++ (21% of transfer)

Table 2. Comparison of CCT Beneficiaries by Location and Disbursement Type

- ***Communication cost.*** Beneficiaries were all informed one week or less before the scheduled release of the transfer by their respective Parent Leaders[8] mostly by word of mouth, thereby implying very minimal communication cost for the beneficiaries. While a few of the lowland beneficiaries reported to have a mobile phone in the house (37%), none had one from the upland beneficiaries.

- ***Waiting time cost***. The waiting time for the more recent payouts was similar for both cash card and OTC program recipients, which was about one hour to two hours as DSWD was already able to spread out the timing of releases. OTC recipients had to queue up twice: one for verification and another one for disbursement/release of transfer. Nevertheless, they are serviced by more than one disbursing officer. In contrast, cash card recipients had to line up only once as there was no need for verification but it took about the same time since there was just only one ATM where money can money can be

[8] Parent Leaders are chosen from the same community the beneficiaries belong to and they typically work in the public school/health center servicing the children of the beneficiaries. They are assigned by the DSWD to communicate directly with a certain group of beneficiaries.

withdrawn. A majority of the beneficiaries also had to be assisted by the ML/PL as they were not confident to withdraw on their own. Most of the respondents would get hungry or thirsty as they had to stay in line even during poor weather conditions.

Figure 6. OTC and cash card program recipients queuing up to get the transfers

- **Transaction costs.** Both groups did not incur any cost in getting the grant. OTC recipients did not pay any transaction fee; cash card users were not charged from withdrawing from the ATM.

- ***Denomination issues of cash: a source of transfer leakage.*** A cash transfer paid in high-denomination banknotes can result in "value leakage" as problems of access to the entire amount of the grant arise. We have witnessed that for both groups, some merchants who sell goods during payouts have difficulty in giving the exact change as most transactions involve high-denomination banknotes for small purchases (e.g., less than Php100). One merchant resorted to using candies in lieu of coins when he runs out of smaller bills for change.

Figure 7. Merchant paying in candies due to lack of coins and smaller bills.

Cash card Issues

We have witnessed that the cash card modality has comparative advantages. However, we have also seen that major implementation issues prevailed in the context of the IPs given that there was just one ATM available to service the beneficiaries. They also did not know how to perform ATM transactions on their own and even when they were taught would prefer that someone else did it for them. They were not confident enough and were scared something might go wrong: "I was afraid that the machine will break/ malfunction and I can no longer get my money and cash card back (if I press the wrong buttons)." Municipal links and parent leaders ended up doing the transactions for them.

We have also heard that in other municipalities, the cash cards were pawned, i.e., the lender agrees to keep the cash card and withdraw future transfer payments as payment for the loan of the beneficiary. Beneficiaries do not utilize the cash grant as it was originally intended (for health and education). The DSWD staff thought that it would have been more secure if they are able to monitor the withdrawals of beneficiaries on the payout day.

OTC Challenges

The OTC mode has its own share of challenges, one of which is on trust. The beneficiaries had initial doubts with the program and at first could not believe that the government would give them money for the betterment of their children's education and health. Various rumours hindered early acceptance of the program: *"We are afraid that if DSWD took a picture of us for the ID, we would be brought into the lowlands with a big 'wanted' sign, which would ensue to our arrest and imprisonment." "We are afraid to ride a truck going to the CCT payout. We believe that we would be brought somewhere to be burned alive." "The CCT Program is not a real program; others said that if we join, DSWD will put tattoos in our organs."* Other rumours such as being brought to the city to be arrested, being burned alive and having DSWD put tattoos in their organs hindered the beneficiaries from accepting the program fully. Fortunately, with the help of locals whom the IPs knew (i.e., municipal links and parent leaders), DSWD was able to allay fears and gain their trust in the end.

How did they use the transfers?

This section provides the results of the study along several dimensions. First, we examined the cash handling patterns of the two groups and looked at the possible changes in their general perception towards money. We also compared their general spending patterns during CCT periods and non-CCT periods and the amount spent per household expense category. To better understand the extent of how modality affects their patterns of consumption, we also looked at how spending grew per specific expense item by modality. Finally, we compared the saving decisions of the two groups and possible changes in perceptions on financial technology.

- ***Evolving behavior towards money.*** At the onset, the IPs from both groups attached little importance to money itself as most of them did not give particular attention to where they keep it. At least in the areas visited, cash is perceived with little value beyond its function as a means of exchange. In fact, storing cash in physical wallets or purses among indigenous groups is not a common practice, especially for the upland OTC group. When asked where they keep their money, they said they just put them in plastic bags or in an envelope containing their other 4Ps documents. Compared to wallets, they put more value on baskets that they carry in their backs which they use for transporting goods they barter, sell or purchase. Interestingly, one male beneficiary also showed a wooden storage around his neck where he kept some coins. He said that it was originally intended for keeping his homemade cigarettes. (Figure 8)

Figure 8. Storage of value for IPs

Research findings support the notion that the transfer program has contributed to the upward shift in the frequency of cash usage for both modalities. Even though very few have transacted daily in cash as a result of their livelihood activities and the transfers were released only every two months, more beneficiaries have been found to transact in cash more frequently since they started receiving cash transfers. (Figure 9)

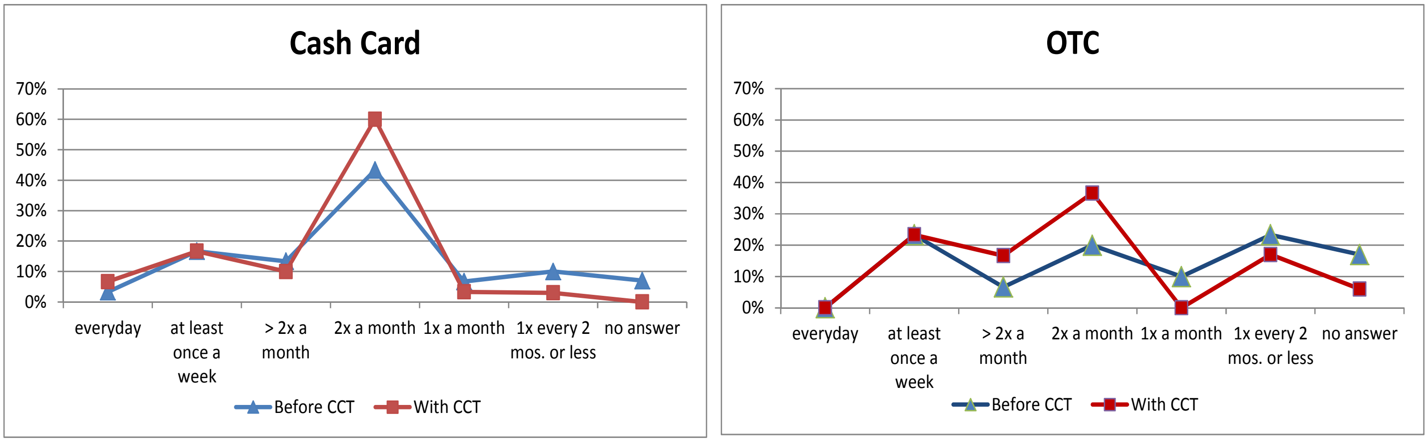


Figure 9. How often do you handle cash through your sources of livelihood before 4Ps and now?

When asked what they do to provide for the needs of the household when the 4Ps money is used up, both groups go to their neighbors or other members of the community for rice or some food. During focus group discussions, lowland IP beneficiaries said they also resort to *utang* (informal borrowing from friends/neighbors/ family members). On the other hand, in the uplands, most of the interviewed beneficiaries still do barter. Their transactions were in large part converted into cash as a result of receiving some money from 4Ps. When the transfer comes in, they have cash to spend specifically for their children's education and health expenses. When it is all used up and they have nothing to eat, they go back to doing barter. As one beneficiary mentioned, "We seldom get the chance to use cash unless there is already money from the 4Ps. We are able to buy fish when we get the transfer. But when the money is all used up, we have no choice but to barter again."

- ***Possible effects on their patterns of consumption.*** Not surprisingly, findings also reveal that the recipients are increasingly buying more goods as a result of the entry of "more cash" in their households. It is interesting however that neither disbursement modality led to any shift in consumption priorities among beneficiaries. As can be seen in Figure 10, both cash card and OTC beneficiaries bought more of the same goods after receiving the cash grants, namely 47-48% for food, 30-35% for education, 6-10% for healthcare products.

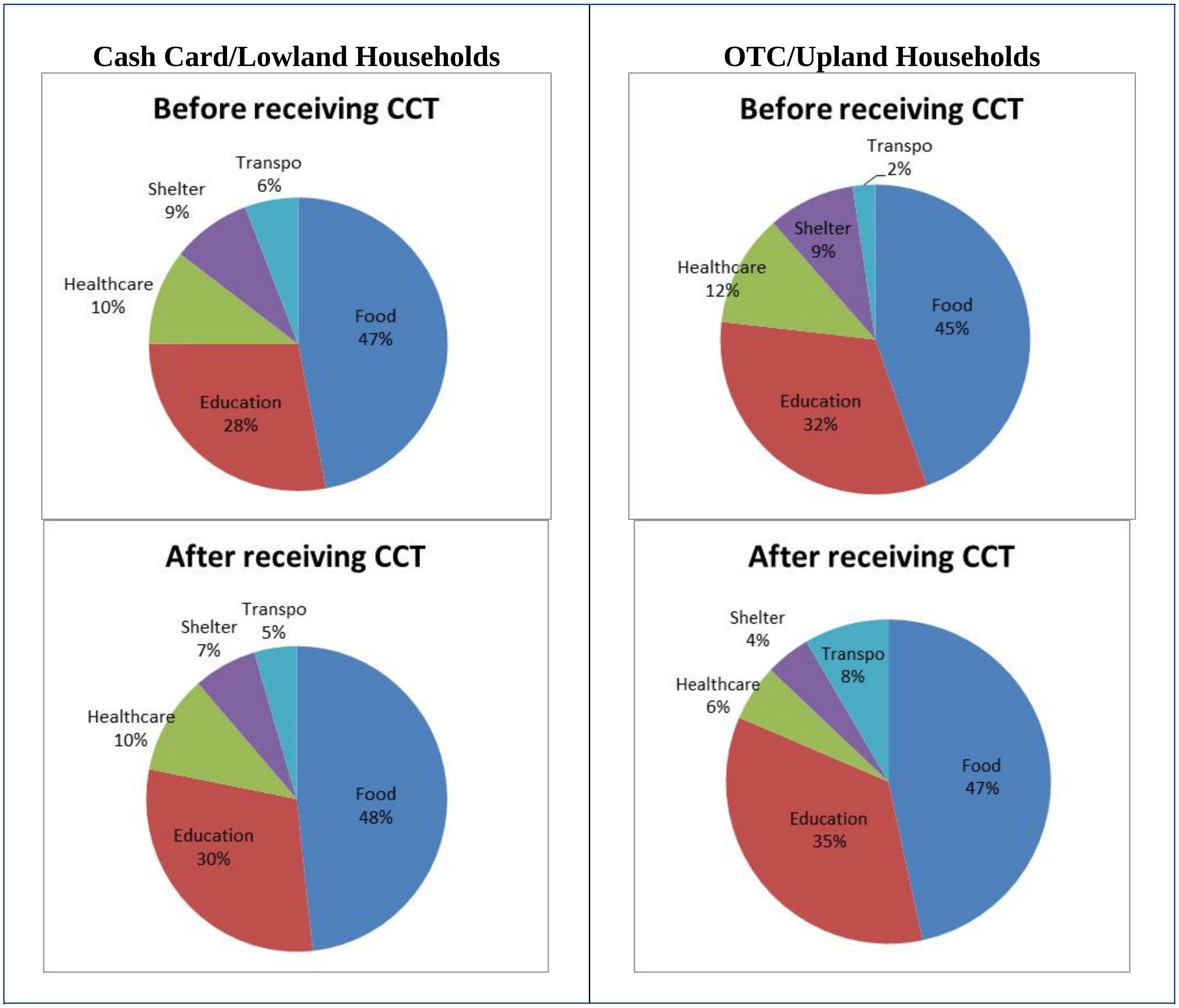
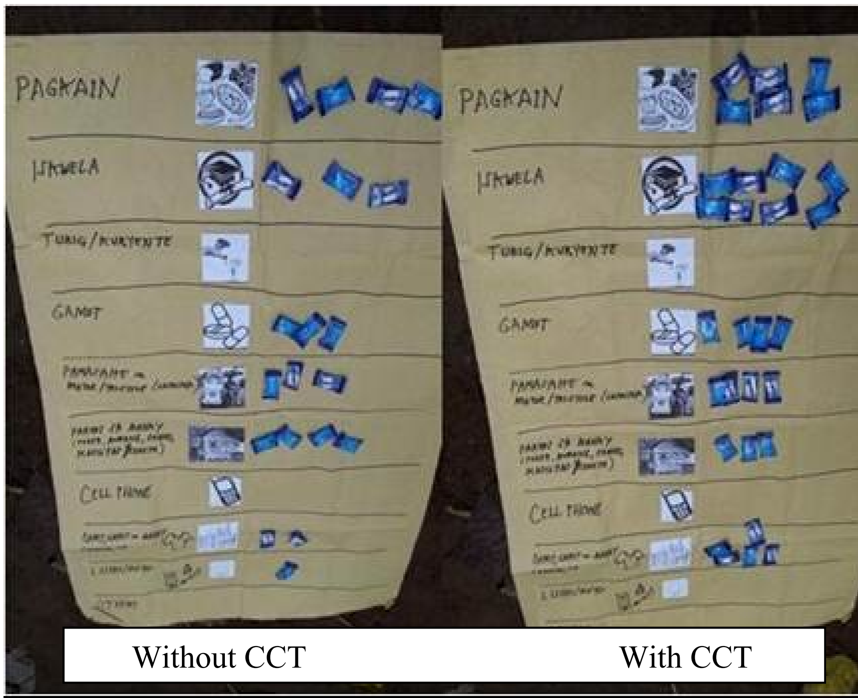


Figure 10. General Spending Patterns before and after CCT by Modality

Results of the focus groups likewise showed that respondents use the additional funds they receive mostly for food and education (Figure 11). They shared that they would not be able to support their children's education if the program were to be discontinued. One respondent said: "My children might stop going to school if there was no more support. We will need to spend on food first but I will try my best to earn a living to support their schooling."



LEGEND (Expenditure Items):

Pagkain – Food
Iskwela – School or Education
Tubig/Kuryente – Water/Electricity
Gamot – Medicine
Pamasahe –Tricycle fares/fuel
Paayos ng bahay – house repairs
Cellphone airtime load
Clothes
Vices

Figure 11. FGD tabulation on spending activities before and after receiving CCT

- ***Spending on what expense category?*** Figure 12 below shows a graphical representation of the different household expenditure categories, in terms of median spending estimates. Both groups were similar in their spending patterns as they prioritized food items (USD 20.60 for cash card; USD 20.11 for OTC) over education items and healthcare needs, although the cash transfer was meant supposedly for supporting the family's expenses on education (USD 21.81) and health (USD 12.12) alone.

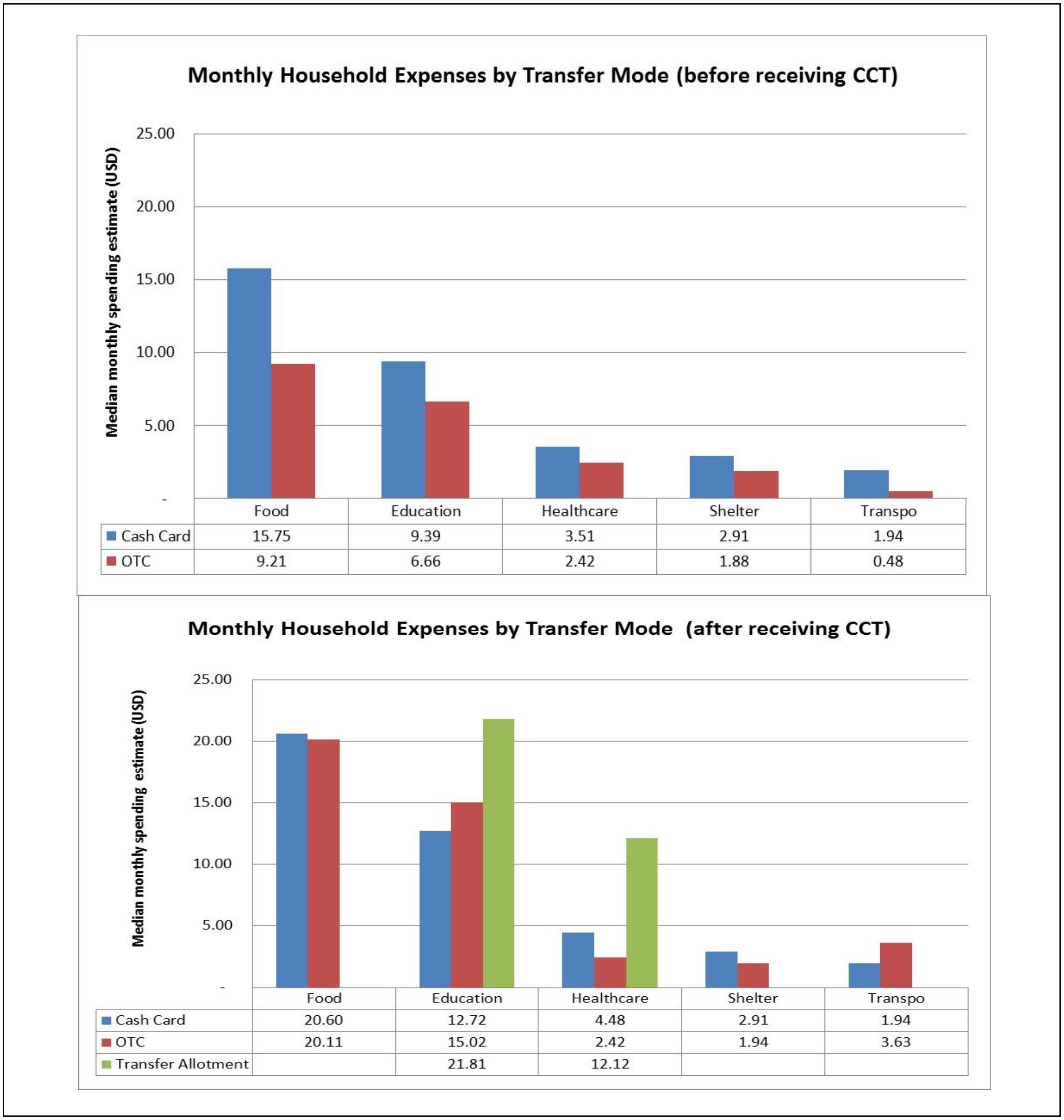


Figure 12. Comparison of General Household Expenses (before vs. after receiving CCT)

- ***Spending on what specific goods?*** Figure 13 shows how spending grew per specific expense item (growth rates) based on the beneficiaries' recollection of the amount of purchases they made before and after receiving the grants by transfer modality. Based on the results, cash card households were more likely to purchase vegetables (178%) and fruits (150%) as compared to the OTC households who were more likely to spend on rice (121%) and meat (100%). For education items, cash grants seemed to have the most effect on both group's spending on books (104% to 128%) and school projects (60% to 88%). On healthcare and shelter needs, cash card users were more likely to spend on doctor consultation fees (75%) as opposed to OTC users who were more likely to spend on lighting items like flashlights, batteries and kerosene lamps (30%). In terms of other non-food items, the cash card group was more likely to spend on airtime top-ups (61%), the OTC group was more likely to spend on clothing items but both user groups were more likely to spend on transportation. In terms of "temptation goods" or "vices", both beneficiary groups were more likely to spend on cigarettes (37% to 55%).

The FGDs supported the survey findings as they mentioned generally the same food items (rice, vegetables and meat or fish) as well as school items. One beneficiary shared: "my children used to have just one pair of uniforms and one notebook; but now, they have at least three pairs of uniforms and a notebook for each subject." Some beneficiaries also spent on other kinds of expenses, among which are housing repairs (roofs) and leisure expenses (from homemade/free cigarettes to commercial/paid cigarettes). They also bought medicine/vitamins, cooking equipment such as pans and cooking oil, toiletries, flashlights, batteries, canned goods, and "relief clothes"[9]. These relief clothes can be seen more especially in the upland IPs, who, before, did not usually put on clothes[10]. The FGDs also revealed that the beneficiaries shared a portion of their grant with non-beneficiary neighbours

[9] Relief clothes are second-hand clothes bought at a cheaper price. Some relief might even cost less than a dollar.
[10] Women used to be topless, while men only wore their own version of "underwear".

by giving them some cash (usually around Php100 or $2.42) or portions of what they bought, usually rice or coffee.

Figure 13. Growth rate spending estimates covering the period before and during 4Ps implementation

Overall, the results paint a picture of more diverse specific uses of the transfer by the cash card group compared to the OTC group. Access to markets could have played a role into their expanded consumption patterns. The presence of small market stalls in the payout venue were beneficial to the beneficiaries as they need not go to the town market but they were also exposed to other "unnecessary goods"[11] which they did not actually need.

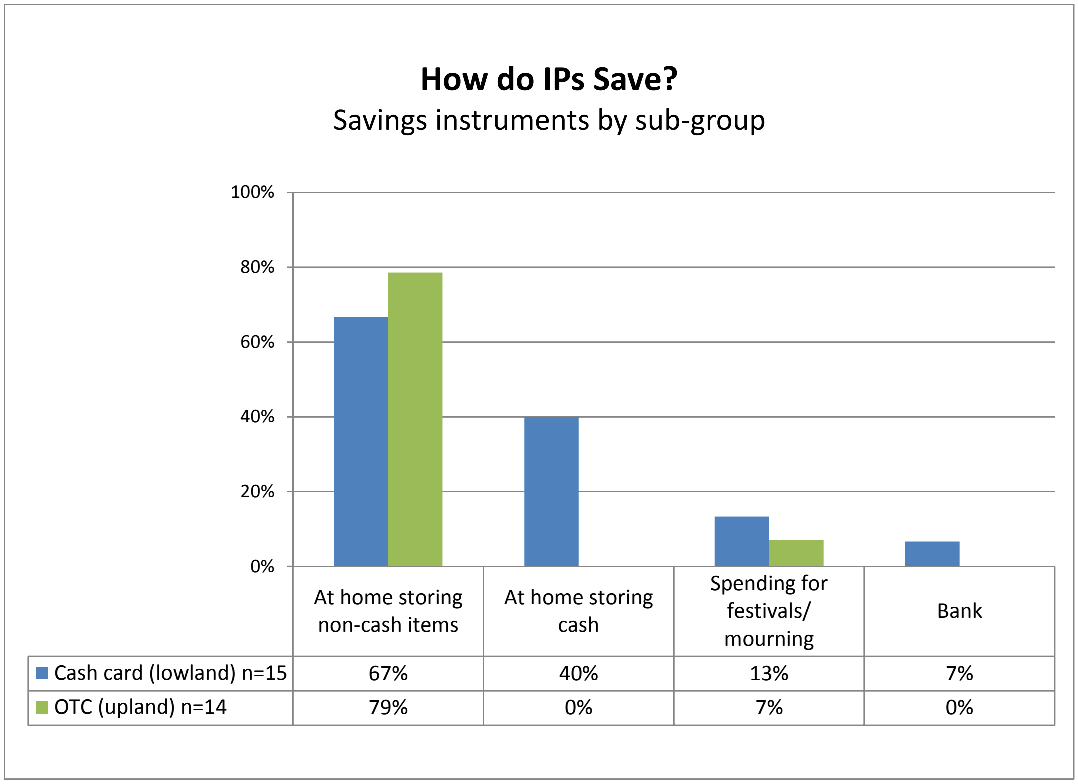
- ***Possible changes in perceptions and behavior towards savings and financial technology.***

Saving in cash was done for a particular purpose – to cover children's education-related expenses. In the sampled IP areas, many preferred to keep their money in circulation rather than saving their cash. Beneficiaries set aside some amount of cash to pay and/or cover the future school related needs of their children. FGDs revealed that these "incidental expenses" cover school projects and food and transportation allowances. Interestingly (and, in a way, questionable), beneficiaries spend on school projects that they tend to incur credit payable on the next cash disbursement. They usually keep their money in their pockets, in a plastic, in an *alup*[12], and when at home, in a basket.

Saving through non-cash items remained as the most popular mechanism for savings for IPs but cash card households were the only ones who have had some cash savings at home and opened a bank account. Overall, 48% of IPs who indicated to have some savings of any kind was storing crops and livestock at home. Both groups had non-cash items (67% for cash card households and 79% for OTC households) as their top savings mechanism. Interestingly, only the cash card group indicated storing cash at home (40%) and having a bank account (11%). While cash card households were more likely to have

[11] Unnecessary goods are goods we categorized as non-basic goods. While basic goods mean rice, meat, food, clothes, among others, unnecessary goods could be in the form of candies, junk food, hair dyes and accessories, fashionable bags. among others.
[12] Alup is a small cylindrical container made out of bamboo and is usually worn around the neck using a lanyard (also made of native material). One male IP from Rizal Palawan uses his alup to hold his money, cigarettes, and other small-sized valuables similar to a wallet.

high usage of cash as they live closer to urbanized regions with banking and market infrastructure, there is indication that increased usage of cash cards reinforces utilization of cash for other purposes. Figure 14 provided some evidence of the extent to which increased access of IPs to ATMs reinforces their usage of cash for savings. These suggest that areas with the most cash card users are the ones which are likely to have the most deposit accounts.



	At home storing non-cash items	At home storing cash	Spending for festivals/ mourning	Bank
Cash card (lowland) n=15	67%	40%	13%	7%
OTC (upland) n=14	79%	0%	7%	0%

Figure 14. Use of savings instruments among IPs in Palawan

Dispensing Issues of the ATM: a form of "alternative" transfer storage. One interesting thing to note is that the ATM in the study site only dispenses specific bills: Php500 and Php1,000. Supposing the beneficiary receives a transfer of Php2800. If the ATM only dispenses Php500 or Php1000 notes, this is disbursed as two Php1000 and one Php500 bills, forcing a "leftover" of ₱300. Beneficiaries can only withdraw the remaining Php300 or "whatever is left" during the next cash grant as it is added to the last transfer paid to her account but only if the new total balance is divisible by 500. In the FGDs, we have seen that while it can be considered a limitation of present technology in terms of providing recipients the immediate access they need to the exact amount of the grant, we have uncovered practices and a growing mindset among beneficiaries associated with the denomination of banknotes and coins that provide opportunities for mobile and electronic money development. In particular, ATMs that dispense only high-denomination banknotes somehow forced the cash card beneficiaries into “saving” amounts of their cash transfer between those denominations—and some reported satisfaction with this outcome saying that it helped them to cover unexpected expenses in schools and buffer financial crises. Some beneficiaries stated that they were actually looking forward to the next payout because of the “bigger” amount of money that they will get. They attest to “feeling happy” when this happens. In a way, we found how beneficiaries had an actual experience of saving albeit unintentionally. In one instance, a recipient even inquired if it is possible to credit those funds to a deposit account.

Cash grant	ATM will only dispense..	What's left	Can only withdraw when next cash grant leaves...
2,800	2,500	300	200 (500)
2,200	2,000	200	300 (500)
1,000	1,000	0	0
800	500	300	200 (500)

Figure 15. ATM dispenses only 500 and 1,000 Peso bills

CONCLUSION

This report provided a glimpse into the conditional cash transfer program of the Philippines in terms of access by a specific client segment to a social program through two transfer modalities as well as usage of the transfer through the basic activities of the household beneficiaries, including payments for the purchase of goods and deposits.

The IPs might be argued to represent a segment of society that are on the edges or in places where people live, communicate and consume differently. As the study showed, a majority of them still do not use cash regularly and only a few have access to mobile phones. Interestingly though, there are signs that the cash transfer program has served as a tool to introduce the concept of money, which has consequently affected the way they perform their financial transactions (e.g., from barter to cash-based transactions).

We found that the cash card modality has comparative advantages, revealing that the project proponents can exploit the speed and accuracy of ATM technology to innovate the delivery of social programs. However, we also saw that major implementation issues prevailed in the context of the IPs given that there was just one ATM available to service the beneficiaries and that the beneficiaries did not know how to use the card on their own.

Although the sampling was not designed to be statistically representative, the results also indicate that the difference in transfer modalities has not translated into any disparity in consumption priorities among beneficiaries or to differential improvements in formal savings. Saving through non-cash items remained as the most popular mechanism for savings for both groups. However, we have uncovered practices and a growing mind-set among cash card beneficiaries associated with the denomination of banknotes that opens opportunities for savings and mobile and electronic money development.

The cash transfer program presents opportunities for financial institutions, pharmacies, transportation groups and other merchants in the community to take advantage of the expected increase in spending among the beneficiaries. The impact of the program has been more pronounced among the upland beneficiaries, who are representative of minority groups that live in the remotest areas and continue to struggle because of limited access to – if not absence of – financial and market services and infrastructures.

DESIGN IMPLICATIONS AND RECOMMENDATIONS

*T*he success or effectiveness in using any transfer modality will depend on the ability of the project proponents to recognize its limits, work around said constraints and leverage existing infrastructures in the target areas in pursuit of the program's goals. *Project proponents therefore need to think about existing infrastructure and distinct beneficiary segment practices related to consumption, saving and accessing market for goods when designing social transfer schemes, especially when applying technology.*

The 4Ps Program is designed not unreasonably perhaps around the requirements of the project proponents (DSWD and LBP) rather than the comfort of the project beneficiaries. There is a need however to balance the proponent's legitimate concerns around outreach and efficiency with the empathetic concern for the human side of the equation to improve the beneficiary experience.

Our findings point to four major issues that stakeholders need to think about when selecting or designing channels to make it an effective gateway for financial inclusion.

1. Constant changes in Technology

Each new technology brings not only new business models and processes but also new information that needs to be learned and accepted by all concerned. But it should not prevent them from making a concerted effort to aid in the distribution of cash grants to beneficiaries by thinking about how to apply new technology.

Post field-work meetings with DSWD and LBP revealed that there is an effort to explore how other channels and innovative solutions, including biometrics and point-of-sale (POS) terminals, can be used in partnership with conduits and merchants. In a recent payout in Palawan in 2013, CCT beneficiaries reportedly got the chance to purchase and pay for goods in the merchant's store without using cash by swiping their ATM cards on a POS terminal and entering their Personal Identification Number (PIN) which is the same PIN used in the ATM. This payment transaction – which results in an electronic deduction of the purchase amount from the beneficiary's cash card and corresponding credit to the merchant's deposit account – is believed to be convenient as it eliminates or reduces the need for beneficiaries to take the extra step of going to the ATM to withdraw money.

Meanwhile, the use of biometrics system for OTC distribution of cash grants has also been recently introduced in other parts of the country for validating beneficiaries to hasten transactions during over-the-counter release of cash grants.

2. User and cultural contexts

Regulators and providers must understand that the CCT beneficiaries are a new and unique client segment that enjoys regular, steady flows of capital (sometimes into a deposit or debit account). While technological advancement offers new options in the distribution of cash grants, the context with which the "target clientele" operates is still the same. CCT beneficiaries are economically vulnerable, with relatively low levels of education, they may also be more comfortable operating in the informal sector In the case of Indigenous groups, their traditional cultural practices and rudimentary experience in using/storing physical cash causes problems. Regulators may be ill-equipped at the moment to serve and monitor this market if their focus is limited to formally regulated institutions.

There is evidence that regulators can be flexible and creative, which is what is needed to develop digital strategies that leverage context. For one, part of the recent enhancements carried out by LBP and DSWD involves partnering with non-bank financial institutions as well as civil society organizations (CSOs) in the implementation of the program. Furthermore, there are signs that they interested to know whether cash is really a prerequisite to be able to promote access to investment goods for the education and health of children. Is there a way for poor households to have better access to these funds or equivalent goods for education and health without using cash?

3. Denomination of bank notes vs. amount of user transactions

We have seen that while it can be considered a limitation of present technology in terms of providing recipients the immediate access they need to the exact amount of the grant, we have uncovered practices and a growing mindset among beneficiaries associated with the denomination of banknotes and coins that provide opportunities for mobile and electronic money development. Banks that serve as conduit partners for CCT must seize the opportunity to help with account opening in order for recipients to get a CCT payment, as well as an increase in balances and a sustained usage of accounts.

4. Gender Dimensions

The implementation of the program has brought changes in gender roles and relations which proved beneficial for both parents. Because of 4Ps, women IPs have started to actively participate in the economic activities of the household such as going to the market place and buying goods, whereas before, they merely stayed at home and took care of the children. Before the program was introduced, it was primarily the men who conducted economic activities such as bartering goods. Now, with the implementation of the program, men have also started taking on the traditional domestic responsibilities of women such as taking care of the children. During the payout, some husbands accompany their wife to help carry purchased goods from the transfer.

KEY TAKEAWAYS/CHALLENGES

Not just to withdraw money but to shop "cash lite" if not "cashless." The objective of conditional cash transfers is for poor households to be able to invest (spend) in the education and health needs of their children. Our research has shown that CCT proponents must not only ask about "how to improve the delivery of grants," but also "how to ensure an affordable and convenient way to purchase/deliver the needed goods/investment in the poor households." The relevance for CCT beneficiaries of any form of value is not just related to its ability to be transferred and cashed out (liquidity), but also the ease of dividing it into smaller units of value (divisibility) conducive for small purchases.

Need for not "new" but "better" technology. Aligning technology with actual delivery capability in the field is a challenge that CCT proponents will need to face in considering any other distribution channel. In the case of the Philippines, cash grants are often still disbursed through a non-interest bearing debit account. Banks that serve as conduit partners might be able to take advantage if beneficiaries are offered the opportunity to open a savings account where payments can be made via SMA. This way, beneficiaries can be given incentives to save and maintain a higher balance. The accounts can be made more appropriate if they also include features such as bank transfer/remittance, bill payments, airtime top-up, insurance availment, etc.

Need for End-user education. The example of indigenous groups using the ATM machines indicates that while there might be a relatively simple technology already available, the CCT segment is still typically characterized by lower education levels and lower exposure to technology. These will require that any new technology introduced will need to include a significant training component that emphasizes the benefits of using the service as well as the mechanics of accessing the service.

Key points to consider include the following:

1) Gradually shift/expand the objective of the program from being "spending-focused" to "spending and savings-focused" (e.g., why not bundle the cash card with an ATM savings account for interested/qualified beneficiaries, why not develop a payment-savings bundle where the beneficiary can opt to have the change from a payment transaction be automatically credited/deposited to his/her account?)
2) Select partners that can provide complimentary financial services (e.g., savings, insurance, remittance) and non-financial services (e.g., post-harvest processing or enterprise development support).

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Jing used to lead MICRA Philippines' Research and Innovations Unit and is now an independent consultant. He has done various research and capacity-building projects in the Philippines, Uganda and Zimbabwe in the field of financial inclusion, rural development and branchless banking. He graduated cum laude from the University of the Philippines with a Bachelor of Science degree in Economics. In the field of microfinance, he completed in 2009 the Boulder Microfinance Training Program held in Turin, Italy, which included special tracks on microcredit methodologies, risk management, agriculture microfinance, management of growth and product diversification, and financial education.

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