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**An Economic and Social Review on Indonesias Direct Cash Transfer Program  
to Poor Families in 2005**

Muliadi Widjaja

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Department of Economics Building 2nd Floor

Depok

West Java, Indonesia 16424

Telp. 021-78886252

Email: rusan.nasrudin@gmail.com

Web: <http://econ.fe.ui.ac.id/workingpage>

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# An Economic and Social Review on Indonesias Direct Cash Transfer Program to Poor Families in 2005 <sup>☆</sup>

Muliadi Widjaja<sup>a</sup>

<sup>a</sup>*Department of Economics, University of Indonesia & Institute of Economic and Social Research, University of Indonesia.*

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## Abstract

This paper contains a report on the findings of a survey on the implementation of the Direct Cash Transfers (Bantuan Langsung Tunai) program. The survey named Susenas (National Socio-Economic Survey) was held across Indonesia in the aftermath of the program in 2006. The economic purpose of this governments welfare program was to dampen the increasing rate of poverty incidence in Indonesia due to the increase of gas prices. Several issues featured in this paper are the achievement of the program in distributing the cash transfers; how the recipients used the funds they received; the impact of the cash transfers on the recipients working behavior; the socialization method of the program; and finally, the problems that arose during the programs implementation. The findings are that the program was not properly prepared and not properly organized; it achieves the goal in resisting the increase of poverty rate due to gas price increases.

## JEL Classifications: I38

*Keywords:* Cash Transfers, Welfare, Poverty

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## 1. Introduction

Bantuan Langsung Tunai (BLT- Direct Cash Transfers) is the program of Indonesias central government to subsidize poor families. The economic goal is to offset the impact of increasing poverty incidence as a result of the increase of petrol prices. The political goal is to prevent large mass demonstrations demanding lower gasoline prices. In Indonesia petrol

prices are set at fixed prices by the central government. The BLT program was first introduced under the administration of President Susilo Bambang Yudhoyono, and was implemented for the first time in October 2005, the same month when the government increased the petrol price by 87.5 percent. The BLT program was officially introduced with the Presidential Instruction No. 12/2005. The second BLT program was started in May 2008, the same month when the President increased the petrol price again for the third time, this time by 33.3 percent, which is currently under operation. Since no results are available as yet, the discussion in this paper will focus on the first BLT program, the one implemented in 2005 and 2006. The BLT program is unique because for the first time since Indonesias in-

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*Email address:* muliadi.widjaja@gmail.com  
(Muliadi Widjaja)

dependence, a cash transfer program was implemented to help the poor families in coping with poverty due to the increase of petrol prices. The fund is taken from the partial cut of the petrol subsidy which is then transferred into a household subsidy. The Indonesian BLT program follows other conditional cash transfer programs (Table 1), like the one held in Mexico, called Progresa (Programa de. Educacin, Saludy Alimentacin). However, while the purpose of Progresa and most other cash transfer programs in South America are conditional on the provision of education, health support and nutrition improvement of the poor by the recipient households, the BLT program is only to counter poverty increases due to the price increases of petrol. There is no restriction on how the BLT cash transfer is utilized. A pilot project for the BLT program has been tested in the Jaringan Pengaman Sosial (JPS-Social Safety Net) program in 2000, with only a small amount of cash transfer being distributed to poor families within a three months period. In 2005, the payments were made in two terms, one term for every three months period. For every term, a family received the amount of Rp. 300.000, or Rp100.000 per month. The program was only for six month, from October 2005 to March 2006 and was suspended after that.

For 2005, the definition of poor households is those whose per capita expenditure is Rp. 175.000 or less (around 17.5 USD per month at an exchange rate 1 USD =Rp. 10.000). The surveyor from The Central Agency of Statistics (BPS) set the benchmark by using an expenditure proxy-means testing. There were 15.5 million households involved as recipients in 2005, who were classified into the poor households category. This number equals 28 percent of the total number of households in Indonesia. The total number of households in Indonesia is roughly 55.5 million, with the mean of 27.7 million households. Meanwhile, the nearly poor households category numbers 3.7 million

households above the poor households category, make the sum of 19.2 million households, or 35 percent of the total households.

There are three institutions involved in the implementation of the BLT program. The first is the central government, as it owns and controls the funds for the program. The second institution is the Central Agency of Statistics (Badan Pusat Statistik-BPS), responsible for estimating and recording the number of targeted poor families. BPS is also responsible for the distribution of the Energy Compensation Card (Kartu Kompensasi BBM-KKB). Without the card, a family cannot receive the cash transfer. The third institution is the post office. Local post offices are responsible as a station for the poor families to come and receive the cash transfer. However, during the implementation, a lot more parties are involved, including the local government, the village head, local elites, local police, etc. These additional parties get involved without any initial coordination between the three institutions.

The purpose of this paper is to analyze the social and economic impact of the implementation of the cash transfer program in Indonesia. The findings are interesting as Indonesia, as other developing countries, does not have an adequate infrastructure to support such a program, for instance a computerized list of the individuals and or households which fall into the poor category, as the problems arise here. Since the targets of the program are poor families, the Indonesian central and local government do not have the exact data of which household is included in the category of the poor. In order to gather such data, in 2005 the central government, assisted by BPS, conducted a census called Pendataan Sosial Ekonomi Penduduk 2005 (PSE05). The purpose of the census was the mapping of the poor families in the rural and urban area. According to the guidelines, there are 14 criteria to map households into the government category of poor families. After being recorded, each

Table 1: Unconditional and Conditional Cash Transfer Programs around the World

Country	Program Name	Starting Year	Target Recipient
Argentina	Programa Familias	2000	Children and pregnant Women
Brazil	Bolsa Familia	2001	Children age 0 to 6 and pregnant women
Chile	Solidario	2002	Children age 0 to 6
Colombia	Familia en Accin	2000	Children age 0 to 6
Costa rica	Programa Supermonos	2000	Children age 6-12 attend school regularly
Dominican Republic	Solidaridad	2005	Children age 0 to 5
Ecuador	Bono de Desarrollo Humano	1999	Children age 0 to 5
El Salvador	Red Solidaria Programa de	2005	Children age 0 to 5 and
Honduras	Asignacin Familiar	1990	Children and pregnant Women
Indonesia	Bantuan Langsung Tunai (Direct cash Transfer)	2005	Families satisfying poor criteria
Indonesia	Program Keluarga Harapan (Hope For Family)	2007	(Uncondiitonal Cash Transfer) Mother in pregnancy and Children at schooling age
Jamaica	Program of Advancement through Health and Education (PATH)	2002	Children age 0 to 6
Kenya	Cash Transfer Program for Orphan and Vulnerable Children	2004	Orphan and Vulnerable Children
Mexico	Progresa	1997	Children and Adults
Nicaragua	Red de Protectin Social	1998	Children age 0 to 5
Paraguay	Tekopor	2005	Children age 0 to 14
Peru	Juntos	2005	Children age 0 to 5 and pregnant women
Turkey	Social Fund	2002	Educational and Health grants
South Africa	Child Support Grant	1998	Children age 0 to 6
Zambia	Kalamo Cash Transfer Scheme	1999	Older people affected by HIV/AIDs

Source : Department of Communication and Information (2008), Bassett (2007), Norbert and Araujo (2006), Palma and Urza (2005), Triegaardt (2004).

household that fall into the poor category receives a petrol compensation card (Kartu Kompensasi BBM). This card is the identification for individuals to get the distributed cash at the local post office. The government premises for the cash transfer implementation are shown in Table 2.

Table 2 shows that an increase of petrol prices and its relevant products would increase the proportion of the poor by 5.39 percent or 11.5 million people. The number 5.39 percent is achieved by distracting the poverty rate after the increase of the petrol prices with the poverty rate before that (22.05 percent - 16.66 percent). This calculation is based on the 2004 BPS poverty rate base-line. In fact, the BLT program could reduce the percentage of the poor from 5.49 percent to 1.21 percent. This target is achieved by assuming that the BLT cash transfer aimed at 100 percent target is also achieved. The higher the mistargeting rate of BLT transfer is, the higher the increase of the poverty rate level, up to 5.39 percent.

## 2. The Determination of Recipients

There are 14 main indicators to be used in determining whether a family is entitled to be included as cash transfer recipients. Those 14 indicators are: the area of the house, the type of floor in the house, the sanitation facilities in the house, the source of drinking water, light facilities, type of cooking fuels, weekly frequency of purchasing meat, poultry and milk; daily frequency of having meals, the amount of clothes purchased annually, access to puskesmas (public health facilities) and polyclinics, jobs, the education of the breadwinner, and asset ownership. In addition to these 14 main indicators, there are an additional four supporting indicators: the existence of children below five years old, the existence of children at school age, the participation in the family planning program, and whether the target candidate is a recipient of investment credit.

From the list of questions, there is a small probability that respondents do not reply accordingly to their own actual conditions; in that way their responses are underestimates of their actual condition in order to qualify for the receipt of cash transfers. In addition, there are some reports that the BPS enumerators did not ask all the questions, but only 3-4 questions out of the 18 questions due to time constraint. The fact is that this survey was held only for one month before the action and targeting of 15.5 million households. Therefore, the type I statistical error (choosing families not feasible as recipients as cash transfer recipients) and the type II statistical error (not choosing the feasible poor families as cash transfer recipients) happened when the enumerators collected information.

Below the results of the field survey of 2006 on the BLT implementation will be discussed. This survey is called Susenas (National Socio-Economic Survey) and was held by the BPS staff all over Indonesia.

## 3. The Final Result of The BLT Target

From Figure 1, one can see that from the first round of BLT payment in October 2005, 94.17 percent of the recipients claimed that they had received 100 percent of the transfer, while 5.83 percent stated that they received less than the promised amount. From the second round payments in January 2006, roughly 89.62 percent stated they had received the full payment, while 10.38 percent did not. If their responses were true, the increase in the poverty rate could be modified from 18.2 percent to 18.7 percent due to the increase of petrol prices (Table 2). Without the direct cash transfer program, the poverty incidence would increase to 22 percent. The BPS itself announced in March 2006 that the amount of people living below the poverty line reached 17.75 percent in March 2006 and 16.58 percent in March 2007 (Badan Pusat Statistik, 2006 and 2007). However, one cannot tell whether there is a decrease

Table 2: A Simulation of Indonesian Poverty Level Changes Due to Gas Price Increase and BLT

Details	Poverty Line (Rp/capita/month)	People live below the Poverty Line (percent)
Year 2004 BPS poverty rate base-line	110.353	16.66
Adjusted to Gas Price Increases 1)	122.909	22.05
BLT transfer Rp. 100.000/month/hh		
- 100 percent target achieved		17.87
- 90 percent target achieved		18.23
- 80 percent target achieved		18.73
- 70 percent target achieved		19.11
- 60 percent target achieved		19.48
- 50 percent target achieved		20.05

Notes: 1). Gasoline price increase = 87.5 percent, Kerosene price increase = 185.7 percent, Diesel Fuel price increase = 104.8 percent

Source : Hastuti (2006.a) and (2006.b)

since the standard error of calculation and the methodology of calculation was not published.

Even so, this prediction of the poverty incidence still depends on how the family spend the cash they received. As will be discussed in the next session, many families receiving the cash transfers used the fund to service their private debt or other spending not related to their welfare. These spending activities actually did not increase their welfare at all, affecting the rate of poverty incidence.

#### 4. The Use of BLT Cash Transfers by The Recipients

How recipients spend the cash transfers are shown in Figure 2. More than 90 percent of recipients claimed that rice accounted for most of their spending, followed by expenditure on kerosene, respectively private debt service, health expenditure, and education expenditure. . It is interesting that some of the BLT received was also used for capital and other production cost, like petrol for households owning a motorcycle. The data gathered is more or less the same for the two rounds of cash transfers. There are also other consumption activities, like the purchase of clothes. These activities are relatively insignificant, account-

ing for only 12 percent of the respondents in the first round and 18 percent of respondents in the second round of payments. Other activities not related to welfare increase, like alcohol drinking and gambling, were not reported.

The information obtained from this survey indicates that the BLT cash transfer was not a good program because the government could not control the way the recipients spend the money. The critics of this program stated that there is a high probability of moral hazards in the way the recipients spend the money.

#### 5. The Impact of BLT Cash Transfers Towards The Recipients' Working Hour

Table 3 illustrates the impact of cash transfers on the working hour of the recipient and non-recipient households. . Three groups of household members were being surveyed: The head of household, the couple in the household and the other members in the household.

Comparing the head of households working hours in 2005, the recipients average working hours (39.2 hour per week) were lower than non-recipients households (41.0 hour per week). Although there was a 1.8 hour difference, the significance test on the two did

not show any significant difference. Comparing the households couples working hours, in 2005 the recipients average working hours (30.1 hour per week) were lower than those of the non-recipient households (33.2 hours per week). Although there were quite high 3.0 hour differences, the significance test on the two did not show any significant differences. For the other members of the households working hours, in 2005 the recipients average working hour (37.8 hours per week) were lower than those of the non-recipient households (41.0 hours per week). While the differences were 1.8 hours, the significance test on the two did not show any significant differences.

The survey was conducted again in 2007 among the same respondents. For the three groups of recipients and non-recipients, there were again no significant differences. The significance test on the time series data of 2005 and 2007 of the three groups of recipients and non-recipients showed that the increase of petrol prices in 2005 forced the poor families to work longer hours in order to maintain their welfare. Five out of six data tests show significant differences at the 5 percent significance level.

The information gathered regarding the recipients working hours also contradict the critics of the BLT program, that this program would make the recipients lazy after receiving the cash transfers.

## 6. The Effectiveness of BLT Source of Information and Media Socialization

The recipients sources of information about the BLT program vary (Figure 3). The initial source of information of the program are local civil servant and policemen (39 percent), electronic media/television (22 percent), BPS officers (17 percent), society and religious leaders (12 percent), social gatherings (7 percent) and newspaper (3 percent). Roughly 88 percent of the BLT recipients admitted that they knew how much money they would receive, while the

remaining 12 percent admitted that they did not know. The information confirms that the two most effective media of information are local civil servants and television. Most recipients do not subscribe to newspapers so that information from newspapers does not reach them.

Since the transfer involved some amount of money, the red-tape problem is a problem that one must expect. From Figure 4, the unofficial slush funds are spent on the following categories, first, that the fund is equally distributed to other poor but not registered by the BPS surveyors (stated by 57 percent of the first term recipient respondents and 77 percent of the second term recipient respondents). The second category is the transportation cost of the BLT administrators (27 percent and 27 percent). The third category is the administration cost (15 percent and 0 percent). The next category is for the maintenance of the public facilities (4 percent and 14 percent). The rest are for the honoraria of the BLT administrators (2 percent and 4 percent) and for a security fund (5 percent and 6 percent). There are still some unclassified other categories (6 percent and 6 percent).

The next question is, who are the actors of these unofficial slush funds? In Figure 6, most of respondents stated that it is the head of Dusun (orchard? An orchard is a kebon buah-buahan!!) or RW (Rukun Warga, a unit of households consisting of around 150 - 200 households) or the head of RT (Rukun Tetangga, a unit of households consisting of around 40 - 50 households), both in the urban and rural areas. There were 42.6 percent of first term recipient respondents and 61 percent statement of second term recipient respondents. Other actors are the head of villages or the head of the Kelurahan (unit of households consisting of around 1,000 households), stated by 17.8 percent of first term recipient respondents and 29 percent of second term respondents. A lower percentage stated that the

Table 3: The impact of BLT cash transfers on the Recipients Working Hours

Almost Poor Households and Below			
	2005	2007	Differences
Head of Family			
DCT	39.2	37.7	1.5**
Non-DCT	41	39.8	1.2**
Differences	-1.8	-2.1	0.3
Spouse (Husband/Wife)			
DCT	30.1	31.6	-1.5**
Non-DCT	33.2	33.4	-0.3
Differences	-3	-1.8	-1.2
Other Household Member			
DCT	37.8	35.6	2.2**
Non-DCT	39.1	37.5	1.6**
Differences	-1.3	-1.9	0.6

Source: Department of Communication and Information (2008)

actors are the head of the Kecamatan (unit of households consists of a few Kelurahan), BPS staff, and other person not involved in BLT distribution.

The information regarding the red-tape problems indicates that a face-to-face BLT distribution method would cause the problem. In developing countries like Indonesia, many people are not registered either by the local government or central government. Many people do not have an ID card, do not have a bank account and do not have a valid address. As a result, the only choice of distribution method for a cash transfer program like the BLT is the face-to face method. If only people have a good address, have a bank account and have an ID card, a bank transfer or a post delivery method would eliminate the red-tape problem.

## 7. Incident and Protest During The BLT Implementation

Not well organized BLT implementations led to protests from the cash transfer recipients (Table 4). From the 2006 National Social and Economic Survey in 566 villages, protests took place as the highest percentage of incidents, accounting for 34.6 percent of the villages surveyed.. The protests took place because the

received amount was less than the promised amounts. Another reason for the protests was that there were many households who thought that they deserved the transfer but do not receive it, either because they were not registered as recipients or because they failed the proxy-mean test.

Injuries, faintings and deaths took place in 14.9 percent of the villages. The wounded victims fell as the distance between their homes and the post office was quite far. Many of the recipients did not even have a bicycle, so that they had to walk to the post office to receive the transfers. Figure 5 shows that roughly 80 percent of the respondents stated that the post office could be reached within one hour or less by walking. Meanwhile, 17 percent of the respondents stated that they could reach the post office between one to two hours. Two percent of the respondents stated that the post office could be reached between three to five hours, while one percent of respondents admitted that it took more than five hours to reach the post office.

The number of faintings was not recorded, even though the case is not rare. There were three dead victims in the whole program in 2005. The cause of the two cases was

Table 4: Incidents in the Distribution of Direct Cash Transfers in Indonesia, 2005 and 2006

Types of Incident	Percent of Villages
Protests	34.6
Injured Victims	14.9
Threats to Village Officials	11.8
Threats to BPS Staff	4.4
Vandalism to Public Facilities	1.5
Conflict among Citizens	1.4

Source: Department of Communication and Information (2008)

the same: The queuing persons were too exhausted. Many of them were old men and women, aged 60 years and older. Figure 6 shows that among the respondents of older men and women aged 60 years and older, 49.7 percent claimed that they had queued for one hour or less, while roughly 33.9 percent claimed that queuing time is 1 to 2 hours. Queuing time for three to five hours was claimed by 13.7 percent of the respondents, while 2.7 per cent stated that they had waited more than five hours.

Other incidents were threats to the local civil servants and to the BPS staff which took place in 11.8 percent and 4.4 percent of the villages, respectively. The two threats came from unsatisfied people because they were not registered as recipients. Incidents like vandalism of government facilities and conflicts between village members took place in 1.5 percent and 1.4 percent of villages under investigation, respectively. The cause was again that there were differences between recipients and non-recipients who thought that they also deserved to receive the cash transfers (Figure 7).

## 8. Conclusion

While the program implementation was not properly prepared, the Direct Cash Transfers in 2005 was actually able to withstand the increase of poverty incidence due to the increase of administered petrol prices. From the initial 16.66 percent poverty rate, the poverty rate increase could be limited to 18.7 percent com-

pared to the predicted 22 percent without any welfare assistance program.

From this authors point of view, the governments BLT program was not intended to reduce poverty, but to limit the impact of the increase in the price of petrol on the welfare of the poor households (economic purpose), and to prevent large mass demonstrations due to the increase in the price of petrol (political purpose), the program has achieved its purpose. The socialization of this program was helpful to achieve this purpose, although the socialization was done within a short time. In addition, there was no indication that the BLT program increase sloth among the recipients, meaning that the negative side-effect of the program was avoided.

The problems in the implementation included failures in the registration of households, red-tapes, the long distance from the homes of the recipients to the post office, where the funds were distributed, and the long time of queuing. Under the current conditions and poor infrastructure, the queuing problem is probably the easiest to fix. The post office could also revise the schedules of the recipients. Even though this is not difficult to fix, improving the household registration failure might lead to additional costs for the government budget.

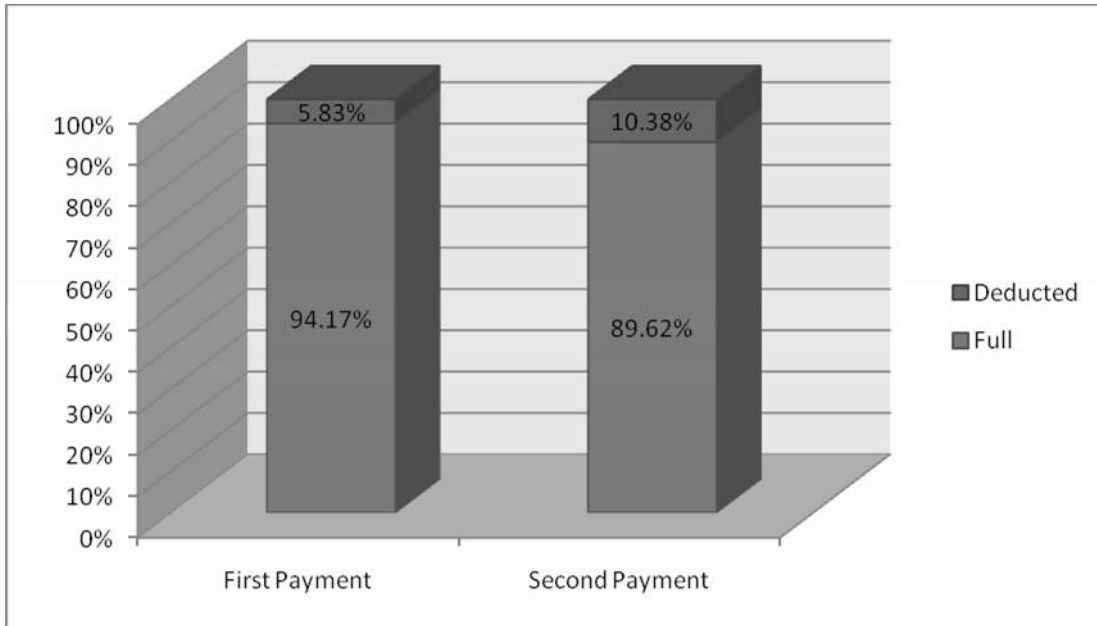
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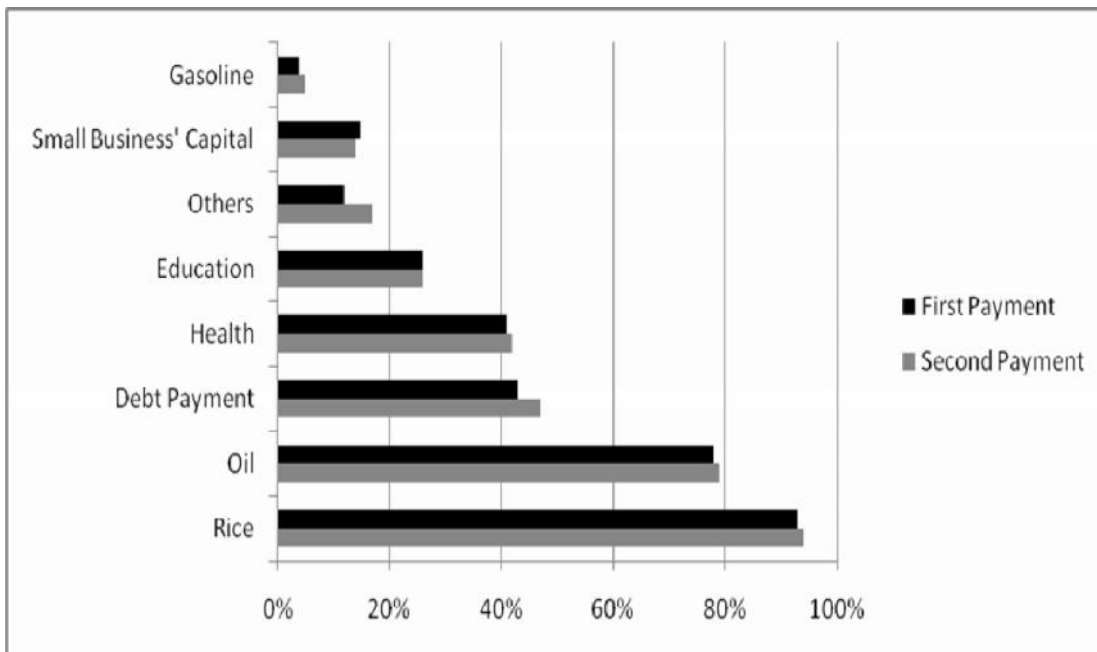
## Appendix I

**Figure 1**  
**The Results of the BLT Target**



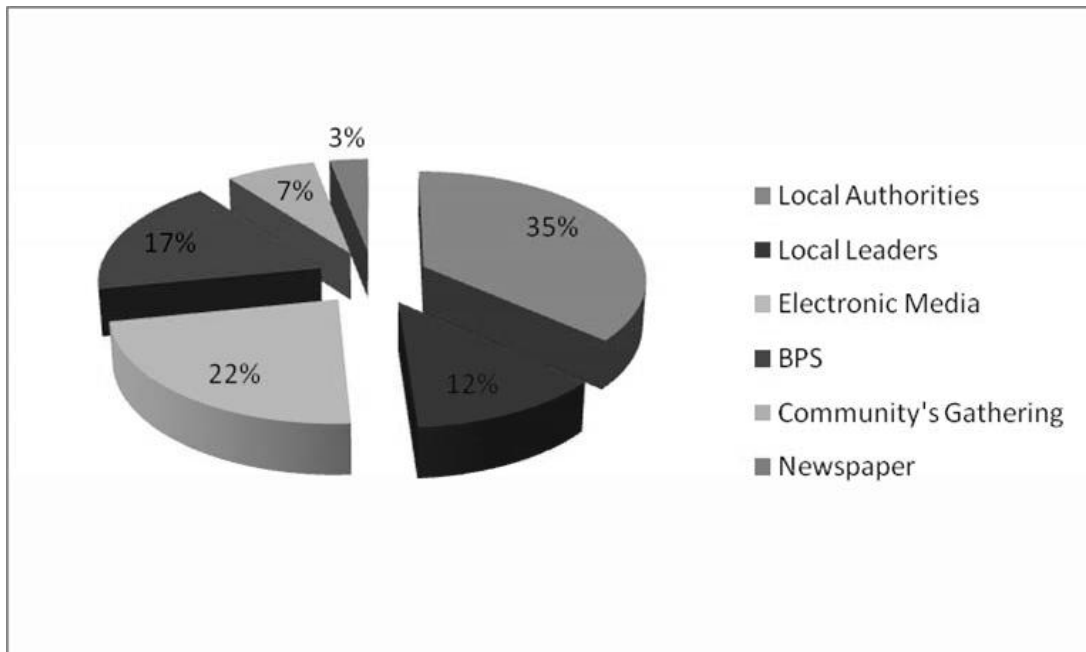
Source: Department of Communication and Information (2008)

**Figure 2**  
**How the Recipients Spend the Cash Transfers**



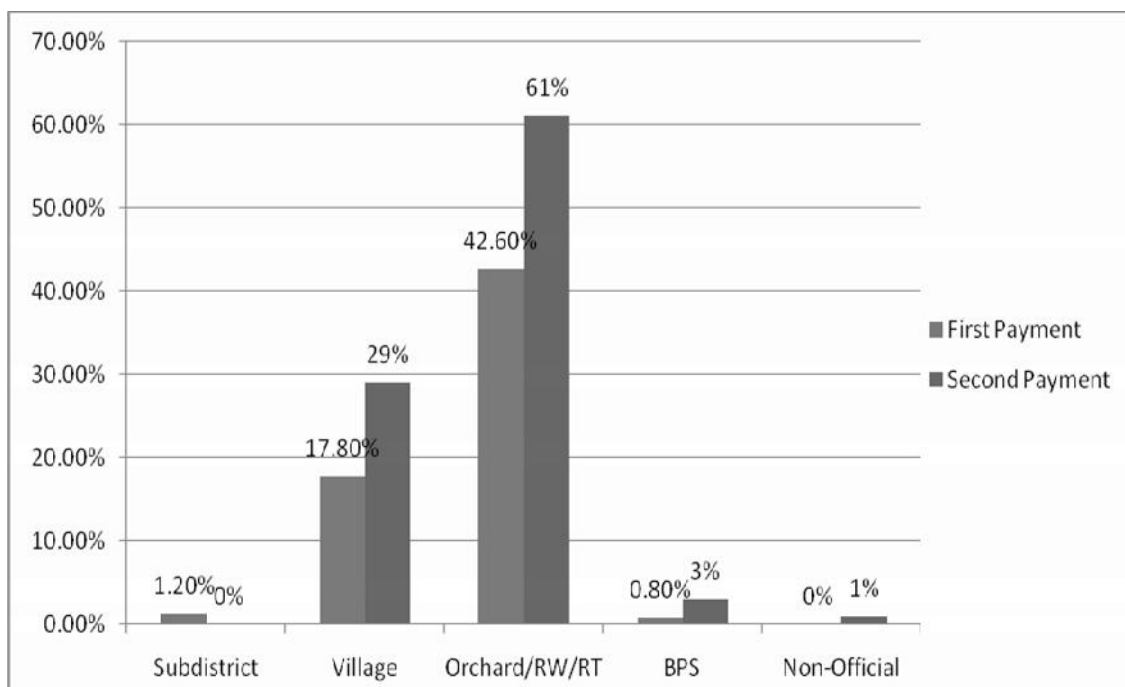
Source: Department of Communication and Information (2008)

**Figure 3**  
**The Initial Source of Information about the BLT Program**



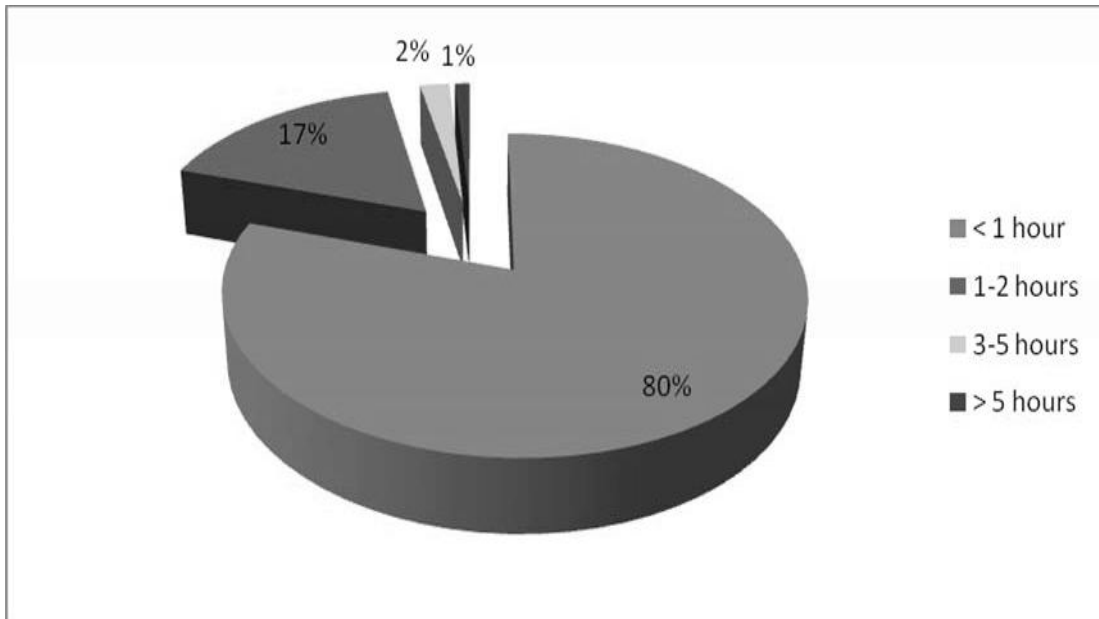
Source: Department of Communication and Information (2008)

**Figure 4**  
**The Actors of Red-Tape**



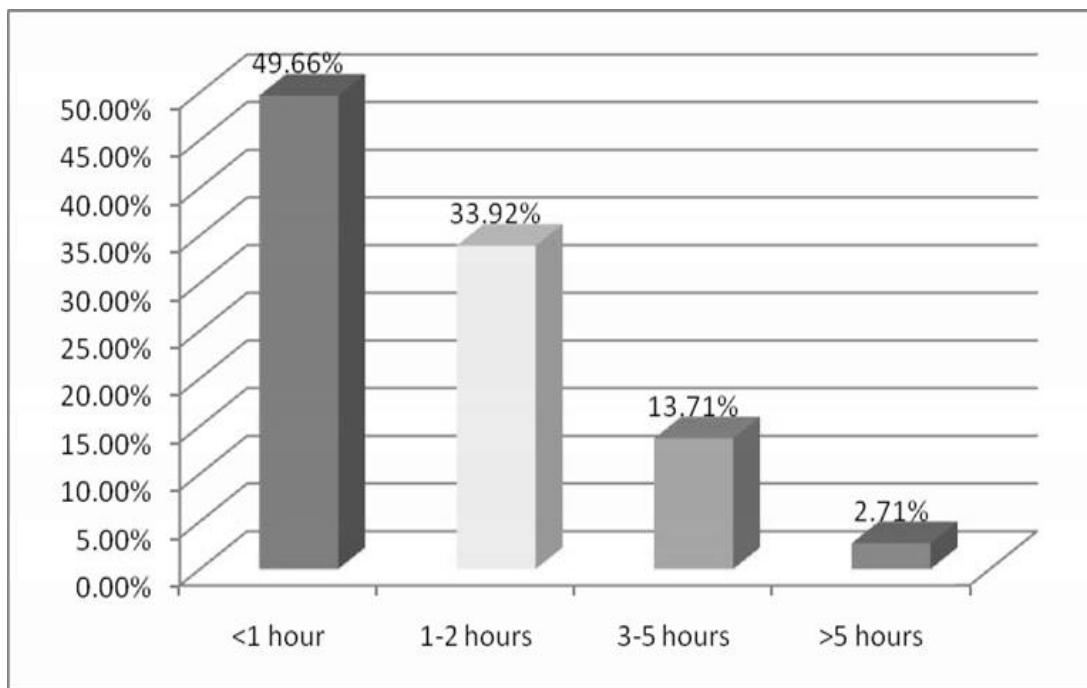
Source: Department of Communication and Information (2008)

**Figure 5**  
**The Walking Distance between the Recipients Home and the Post Office**



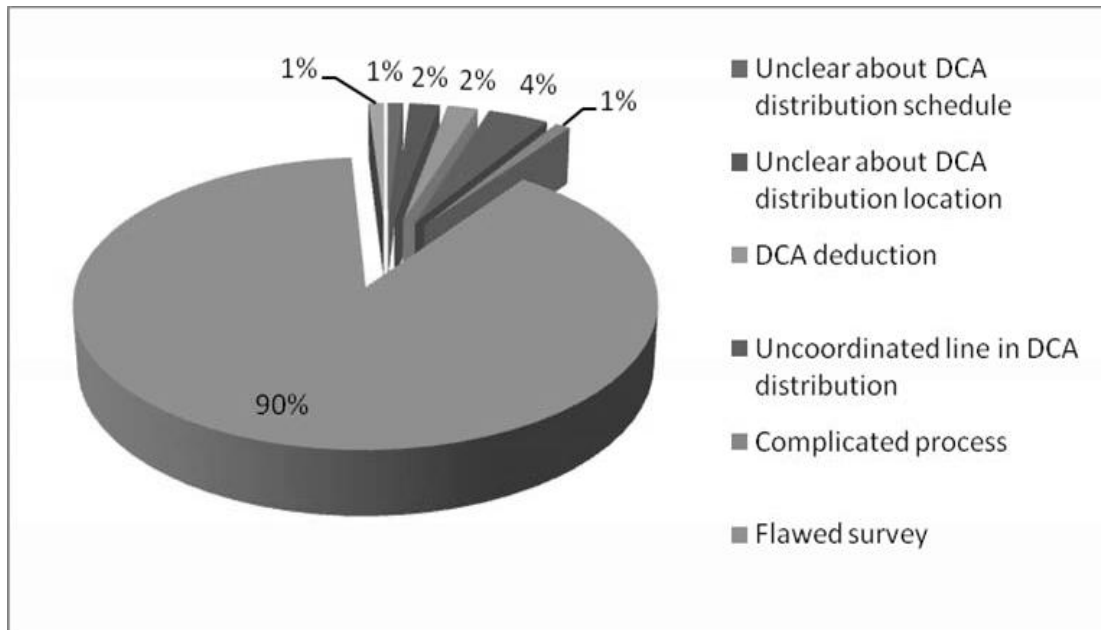
Source: Department of Communication and Information (2008)

**Figure 6**  
**The Queuing Time According To the Recipients, Aged 60 years and Older**



Source: Department of Communication and Information (2008)

**Figure 7**  
**The Cause of Protests**



Source: Department of Communication and Information (2008)