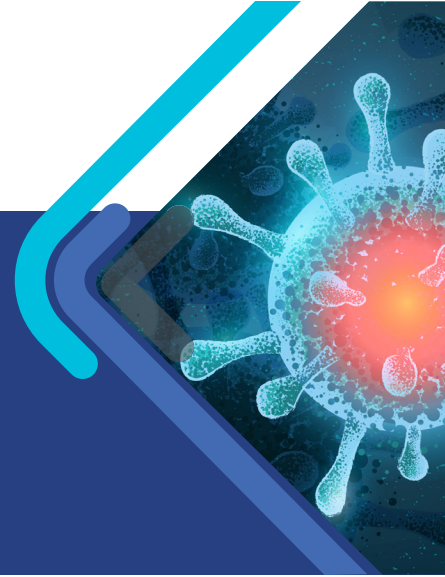


Liquidity support for G2P agents in Indonesia during the COVID-19 pandemic

Astri Sri Sulastri and Raunak Kapoor



Previously, 10 to 15 customers would come to me each day for money transfers and airtime top-ups. After COVID-19 hit Jakarta, this number dropped by 50%. I had no customers at all last week and had to close my business. My total income has dropped by up to 70%. If the condition remains the same until the end of April, I may have to go back to my hometown and work for my parents.

— A male agent in the urban area of Jakarta



COVID-19 had an [unprecedented impact on micro-enterprises](#) and the over 3 million DFS agents¹ that operate in the country. [Our research](#) indicates the transaction volumes of DFS agents fell by 50% to 90% in the past few months. Movement restrictions imposed to curb the spread of the pandemic, combined with the work-from-home policy and staff layoffs, affected the business of [most micro-enterprises](#), including the DFS agents. These circumstances have pushed agents to use their working capital, including the funds earmarked for the DFS business, to fund household consumption needs. Our research showed that in order to cope with the current situation, agents are avoiding high ticket size transactions, such as money transfers and cash withdrawals and instead use their limited capital to conduct small top-ups and bill payments. Due to the crisis, [the customer demand for data packages and airtime top-ups](#) has shot up by 20%. However, the volume of bill payment transactions, a crucial source of revenue for non-bank agents, has gone down significantly. This is due to the decision of the Government of Indonesia (GoI) to [waive electricity bill payments for low-income households](#).

Since the onset of COVID-19, GoI has launched several new programs and modified some of the existing G2P programs. These measures are designed to provide a social security net to some of the most vulnerable sections of society. [Three out of the six G2P programs](#) involve cash transfers, namely Program Keluarga Harapan (PKH), Bantuan Langsung Tunai Dana Desa (BLT), and Bantuan Sosial Tunai (BST). Under these three programs, every eligible beneficiary or household will receive a cash transfer of IDR 75,000–615,000 (USD 5–41) each month for three to nine months, depending on the specific program. The total disbursement for these programs could range anywhere between IDR 2.5–6 trillion (USD 172–413 million) per month.

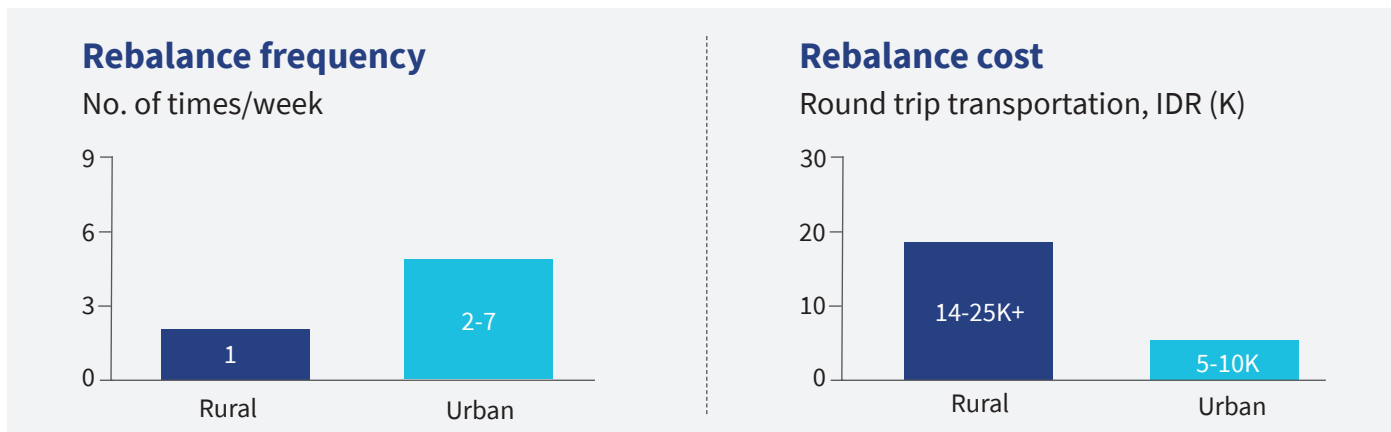
At present, four state-owned or Himbara banks are the only service providers allowed to deliver G2P benefits. MSC's research shows that a large majority of PKH beneficiaries (69%) [prefer ATMs over bank agents for cash-outs](#). The low presence of agents near the



1. The digital financial services (DFS) agent landscape in Indonesia covers a wide range of service providers, which includes banks and non-banks. In this blog, we use DFS agents as a generic terminology for all categories of agents.

houses of beneficiaries, high charges for cash-outs, and inconsistent levels of liquidity at agent points are some of the main reasons behind this preference. However, movement restrictions have created the need for beneficiaries to access their entitlements around their houses. As a result, cash-in cash-out (CICO) agents will become key to provide last-mile reach for the disbursement of G2P benefits.

The management of liquidity has always been a challenge and a critical expense for agents to deliver DFS services. A joint study by [MSC and BCG on CICO economics in Indonesia](#) highlights that liquidity management for the rural agent is challenging due to distance. On average, rural agents make one rebalancing trip per week, which costs them IDR 14,000–25,000 (USD 0.97–1.72) for a round trip.



Effective liquidity management is critical for the delivery of G2P programs, particularly in times of emergency when beneficiaries are most vulnerable. CICO agents in Indonesia receive little or no support to manage liquidity and a large majority still have to travel to the nearest bank branch. Furthermore, with the onset of the pandemic, banks are optimizing their branch networks. Not all bank branches are operational and the operating hours of functional branches have also been restricted to a shorter time window.

The government faces a difficult task of enrolling approximately 5 million new beneficiaries for its existing G2P programs—PKH and Kartu Sembako. It is equally essential that adequate arrangements are made to ensure CICO agents have the liquidity to disburse cash on time.

“ Since the nearest bank branch is closed, I have to visit another branch. This will take around 30 minutes to make a cash deposit. — A rural DFS agent in Yogyakarta ”

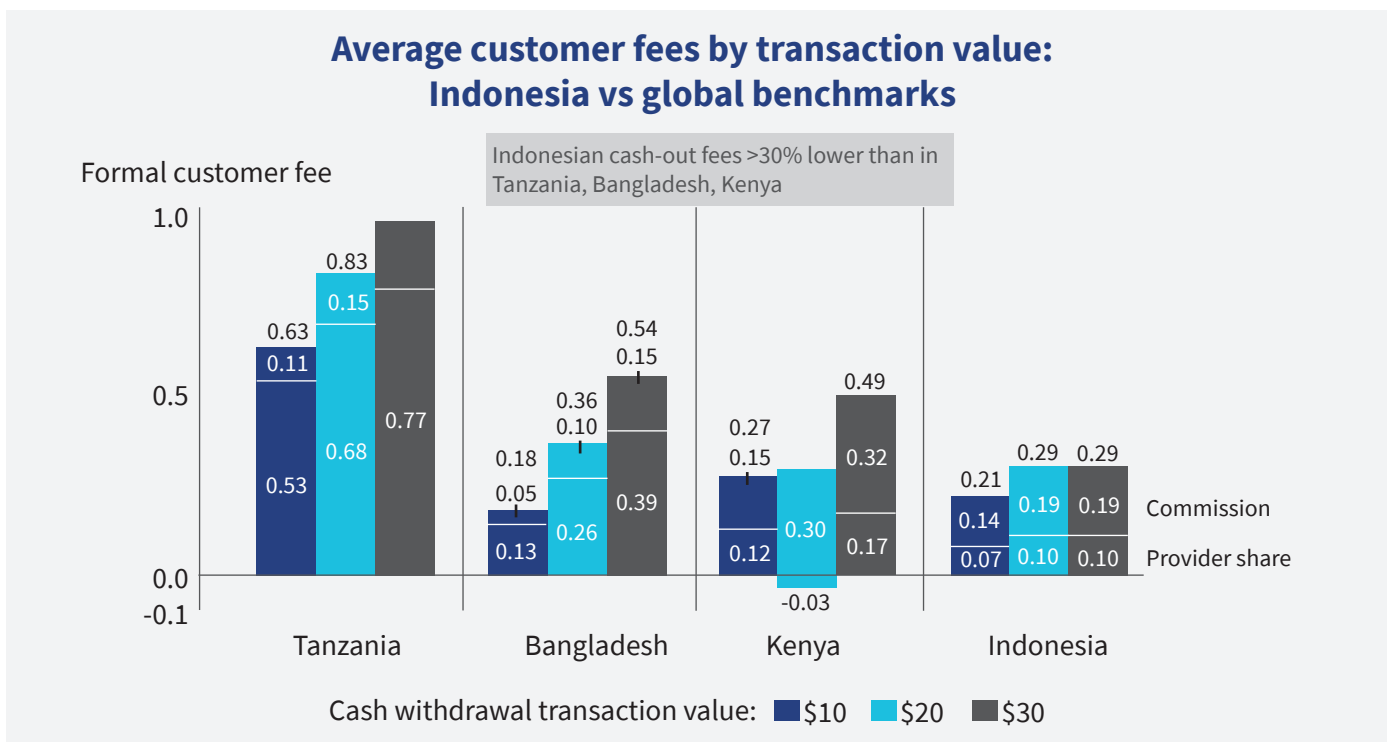
Recommended measures to provide liquidity support to CICO agents involved in G2P programs

Some measures that policymakers and service providers may consider to support agents with liquidity management have been discussed in the section below. These are categorized into short-term or immediate measures and medium-term measures.



Short-term or immediate measures

Provide higher commissions for cash-outs, especially for agents involved in G2P programs: [The agent commissions for DFS transactions is one of the lowest in Indonesia](#), as shown in the illustration below. These commissions fail to compensate agents adequately for the investment made, especially in terms of the working capital for DFS.



Indonesia has a culture of informal charges, known as “thank you fees.” The agents and customers negotiate this fee between themselves and the charges often range between IDR 3,000–15,000 (USD 0.20-1.0), depending on the nature of the transaction and location. These charges can often be material for G2P beneficiaries, who are forced to look for lower-cost alternatives for cash-outs, such as ATMs. Under the PKH program, agents are only allowed to charge a maximum of IDR 2,000 (USD 0.13) for the first and second withdrawal in every quarter. This is extremely low compared to the operational expenses these agents incur to manage liquidity. To accelerate cash-outs under the G2P program, [banks should optimize the commissions for agents](#) so they can invest in liquidity. The commission-related expenses should be built in the overall distribution budget for G2P programs by the relevant ministries.

Provide affordable loans and overdraft facilities: 30% of active DFS agents cite the [challenge of maintaining the required working capital](#). On average, a typical G2P agent requires IDR 10-20 million (USD 690–1,380) to run the agency business. Partner banks and the government can use programs such as [KUR](#) and [UMi](#) to offer [subsidized loans](#) with flexible terms and conditions, or [overdraft facilities](#) for G2P agents to maintain their float. In 2020, GoI adjusted the [KUR policy](#) to support MSMEs by doubling the loan limit for micro-enterprises, including G2P agents, to IDR 50 million (USD 3,450) per customer. With banks mandated to lend at least

20% from their portfolio to the MSMEs, this can be an excellent opportunity to provide liquidity support to G2P agents. FinTech platforms can also be utilized to [deliver the loan digitally](#) through e-money and P2P lendings.

Notifications of G2P disbursement: G2P agents do not receive regular notifications from banks on the schedule for fund transfers. Most of the time, agents come to know about disbursements from beneficiaries or the field staff of the Ministry of Social Affairs. To help agents deliver cash payouts efficiently, banks should provide consistent information on the disbursement schedule in advance. The government and the banks should communicate the arrangement to the beneficiaries and G2P agents through SMS or WhatsApp. Countries such as [Ecuador](#) and [Colombia](#) are trying to decongest agent points by restricting the cash payouts for beneficiaries to dates that match the last digit of their national ID numbers.

Medium-term measures

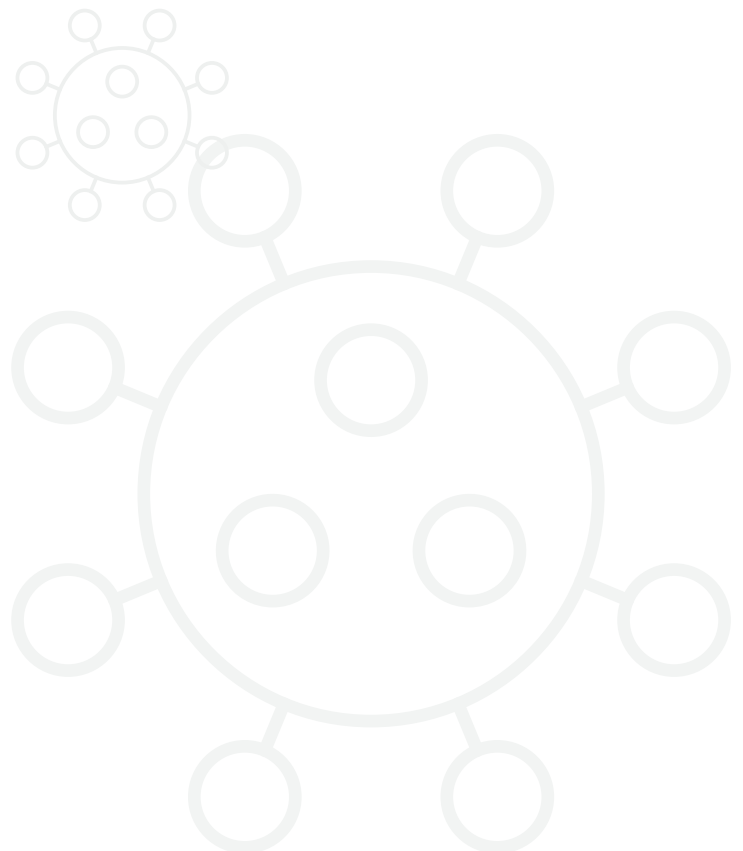
Provide proactive support to agents for liquidity management: Service providers should invest in a liquidity dashboard to track liquidity positions of their agents on a real-time basis. Besides the identification of liquidity needs, [the dashboard](#) would also help connect agents to nearby rebalancing points. This model has been implemented by a service provider in India that deploys [an advanced GIS systems](#) to match agents

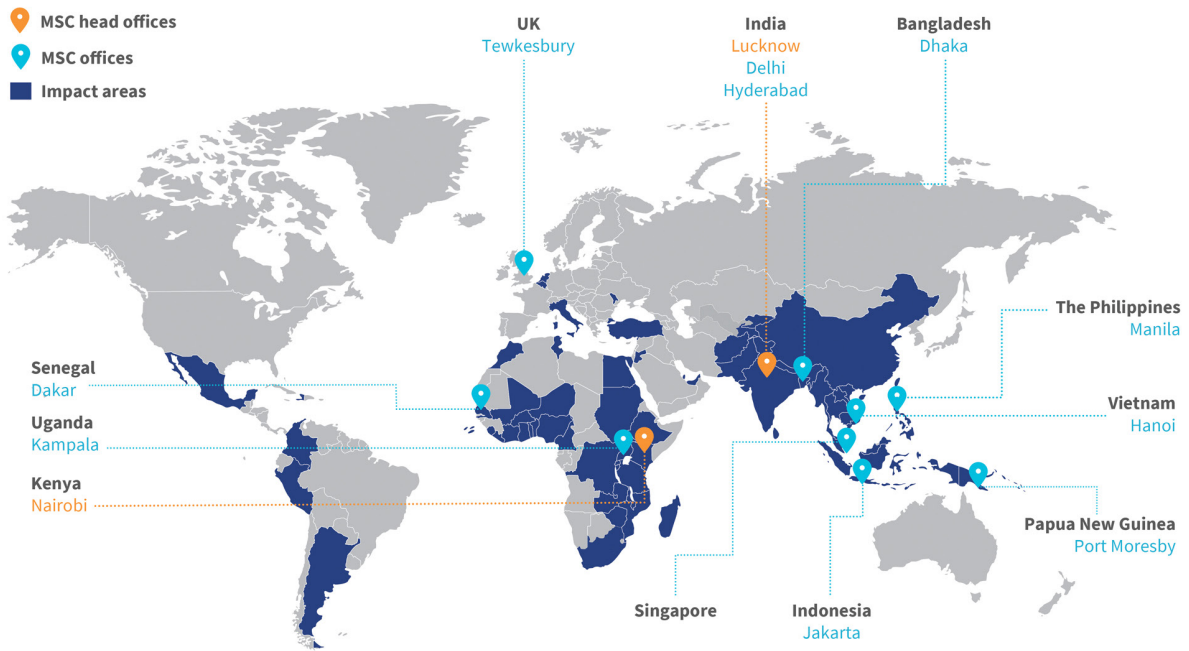
with nearby field officers who can provide top-ups. Also, [Zoono](#) in African sub-continent, uses predictive data analysis to forecast demand for float by individual agents.

Expand the network of rebalancing points: Banks can enter into partnerships with Fast Moving Consumer Goods (FMCG) and e-commerce companies to serve as rebalancing points. With over four million FMCG retailers and e-commerce agents spread across Indonesia, this network offers broader coverage than bank branches. Whenever G2P agents need to rebalance, they can choose between bank branches and ATMs, FMCG retailers, or e-commerce agents nearby. For example, Airtel Money in Uganda has [partnered with FMCG distributors or stockists and successful entrepreneurs](#) with a greater financial capacity to serve as rebalancing points for their agents. When banks provide more options for agents to rebalance, it helps them save time and also reduces real and opportunity costs.

Waive cash-out fees at the bank agents: In the initial phase of G2P digitization in 2016, a fee was charged for the withdrawal of G2P benefits across all ATMs of Himbara or state-owned banks. However, Himbara banks have now consolidated their ATM network into ATM *Merah Putih* and consequently waived the cash-out fees. The absence of inter-bank charges between Himbara banks was further amplified with the implementation of the [National Payment Gateway in 2017](#). Thus, issuer agents who do not have sufficient liquidity should be able to redirect the beneficiaries to the nearest Himbara agents with no charges.

The initiatives to provide liquidity support to G2P agents can help the government and Himbara banks deliver G2P payouts faster and more conveniently during the COVID-19 pandemic. These initiatives would allow beneficiaries to enjoy wider and safer options for cash-outs and enable agents to serve the beneficiaries sustainably.





Asia head office

28/35, Ground Floor, Princeton Business Park, 16 Ashok Marg,
Lucknow, Uttar Pradesh, India 226001

Tel : +91-522-228-8783 | Fax : +91-522-406-3773

Email : manoj@microsave.net

Africa head office

Shelter Afrique House, Mamlaka Road, P.O. Box 76436,
Yaya 00508, Nairobi, Kenya

Tel : +25-420-272-4801 | Fax : +25-420-272-0133

Email : anup@microsave.net

www.microsave.net