

EFFECTIVENESS OF SOCIAL ASSISTANCE PROGRAMS IN INFLATION CONTROL

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Abstract

The social assistance (bansos) budget 2024 is projected to be IDR496.8 trillion, slightly lower than the similar budget during the COVID-19 pandemic in 2020, which reached IDR497.9 trillion. As a critical component of government spending, an extensive social assistance budget, if not balanced with appropriate economic growth, may contribute to inflation. This article delves into the types of social assistance planned for 2024 and assesses their effectiveness in controlling inflation. The two primary forms of social assistance include 10 kilograms rice and direct cash assistance. Maintaining a balance between social assistance and inflation control necessitates coordinating fiscal and monetary policies, regular program evaluations, and strategic adjustments based on evolving economic conditions. Commission XI and the DPR RI Budget Committee are pivotal in ensuring proper utilization and overseeing the social assistance budget to guarantee targeted distribution. This oversight is essential for maximizing the benefits of social assistance without compromising overall economic stability.

Introduction

Minister of Finance Sri Mulyani announced that the budget allocation for social assistance (bansos) in the 2024 State Revenue and Expenditure Budget (APBN) has reached IDR496.8 trillion (Theodora, 2024). One type of social assistance in 2024 is direct cash assistance (BLT). This amount reflects a 12.5 percent increase, equivalent to IDR20.5 trillion, compared to a similar al-

location from the previous year, distributed during the COVID-19 pandemic. The budget increase has been discussed, and approval has been obtained from the DPR RI.

BLT is provided at IDR200,000 per month from January to March. Sri Mulyani stated that the funding for the BLT social assistance, totaling IDR11.25 trillion, is sourced from the APBN. The disbursement of cash social assistance for three months will



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be in advance, specifically in February. Additionally, the 10 kilograms rice assistance for 22 million beneficiary families (KPM) has been extended until June 2024, initially slated to conclude in March (Tim CNN Indonesia, 2024).

Indonesian Center for Reform on Economics (CORE) researcher Eliza Mardian assesses that the BLT of IDR200,000 per month for the first three months of 2024 can bolster the purchasing power of lower-class individuals affected by inflation. However, Eliza emphasized that BLT is not a solution to prevent inflation but rather serves as a social cushion, preventing poor people from further loss of purchasing power amid rising food prices (Harianto, 2024). This article aims to analyze the types of social assistance provided in 2024 and evaluate the effectiveness of delivering social assistance in controlling inflation based on the identified issues.

Types of Social Assistance That Will Be Disbursed in 2024

The Indonesian Government is committed to providing social assistance to KPM in 2024. Several social assistance programs will be implemented throughout the year, with the first stage commencing in January 2024. One such program is the Family Hope Program (PKH), which distributes social assistance to low-income families (KSM). PKH is provided to residents who meet the criteria obtained from the integrated database. PKH participants' entitlements include receiving cash assistance, health services (for mothers and children), basic education services, and social welfare services. Following the pattern of the previ-

ous year, PKH will be disbursed in four stages. The 2024 PKH social assistance phase 1 is scheduled to be disbursed in January–March 2024. Meanwhile, the 2024 PKH social assistance phase 2 will be disbursed in April–June 2024. The third phase will be in July–September 2024, and the final phase will be in October–December 2024.

The second social assistance program is non-cash food assistance (BPNT). KPMs entitled to receive BPNT are those with the lowest 25 percent socio-economic conditions in the implementation area. The aim is to fulfill society's basic needs, such as food. Even though the name is BPNT, people still receive it as money. The amount received is IDR200,000 per month and distributed every two months, resulting in six distribution stages in one year, with KPM receiving IDR400,000 in one disbursement (Kholida, 2024). Previously, this social assistance was the rice program for low-income families (Raskin). Then, Raskin was distributed and replaced with electronic cards. This card can purchase rice, eggs, and other basic commodities. The hope is that people can get balanced nutrition, not just carbohydrates but also protein. BPNT Phase 1 2024 is scheduled to be disbursed in January 2024.

The government also provided social assistance with 10 kilograms of rice. The distribution of 10 kilograms of rice food aid began in April 2023. The government distributes rice food aid to assist low-income individuals while maintaining volatile inflation levels, as rice contributes to more than 0.5 percent of national inflation. Therefore, this rice food aid is one of the government's interven-

tions to reduce inflation. President Jokowi and the government will continue distributing it to KPM until March 2024. However, this distribution will be extended until June 2024.

Another social assistance is BLT. The government distributed funds through BLT due to the prolonged dry season. This BLT was distributed to 18.8 million KPM (Harianto, 2024). President Jokowi emphasized that the distribution of BLT aims to increase people's purchasing power due to the increase in prices of several necessities. The value reaches IDR400,000 per KPM.

The government also provides social assistance in the education sector, namely the Smart Indonesia Program (PIP). The Ministry of Education, Culture, Research, and Technology (Kemendikbudristek) revealed that PIP will still exist in 2024. According to the Ministry of Education and Culture's records, the 2024 PIP allocation aims to reach 18.59 million elementary, middle, and high school/vocational students. PIP funding assistance for SMA/SMK students will increase from IDR1 million in 2023 to IDR1.8 million in 2024.

The main objective of social assistance programs, both cash and non-cash, is to reduce social inequality by fulfilling basic needs for very poor and low-income families. Social assistance can be implemented by the central government, sub-national government, or non-governmental organizations (NGOs) to overcome poverty and inequality. Regular evaluation and monitoring need to be carried out to ensure the effectiveness of the social assistance program and so that the recipients can truly feel the benefits of the as-

sistance.

Effectiveness of Providing Social Assistance in Controlling Inflation

The impact of social assistance programs on inflation can vary, depending on various factors, including program design, scale of implementation, and economic conditions. If the social assistance program causes an increase in the purchasing power of people receiving assistance, this can elevate aggregate demand in the economy. If increased demand surpasses production capacity, it can increase the prices of goods and services, contributing to inflation (Asep & Bakhtiar, 2018, p. 7).

Several ways to increase the effectiveness of social assistance include updating and improving the data collection system to identify community groups in need accurately. Utilizing information technology is crucial for facilitating data updating and monitoring. Secondly, designing a social assistance program requires careful planning, including a needs analysis and clear goals. Involving the community in the planning process ensures a better understanding of their needs. Thirdly, regularly evaluating and monitoring the social assistance program is essential to assess effectiveness and identify areas for improvement. The results of the evaluation can be used to make continuous policy adjustments. Finally, improving coordination between government institutions, non-governmental institutions, and the private sector in distributing and implementing social assistance programs can avoid overlap and maximize resource ef-

iciency.

According to Eliza Mardian, a CORE researcher, it is crucial to pay attention to the role of the APBN in creating jobs that suit the capacity of poor people. Unfortunately, the budget allocation tends to be greater for social assistance than for efforts to encourage a productive economy (Harianto, 2024). In controlling inflation, the government must maintain an adequate supply and ensure smooth distribution. The government must find a solution so that people do not continue to depend solely on social assistance.

The government must consider the APBN balance when implementing the social assistance program. On the other hand, social assistance programs that succeed in increasing the efficiency and productivity of communities receiving assistance can have an impact that inhibits inflation. Enhancing families' skills and productive capacity will indirectly encourage balanced economic growth. If spending on social assistance is not balanced with fiscal capacity and economic growth, this can create inflationary pressure. The central bank can respond to the influence of the social assistance program on inflation by adjusting monetary policy. If increased purchasing power from social assistance leads to a potential risk of high inflation, the central bank can increase interest rates to control demand (Asep & Bakhtiar, 2018, p. 7).

Good coordination between fiscal policy (related to the social assistance program) and monetary policy can help prevent the detrimental impact of inflation. Effective synergy between the government and Bank Indonesia is important to

achieve this balance. A balance between social assistance and controlling inflation is crucial to maintain economic stability. High or uncontrolled inflation can cause uncertainty, harm people's purchasing power, and disrupt economic growth.

Conclusion

Providing social assistance aims to increase the purchasing power of people in need. However, if it is not balanced with controlling inflation, this increase in purchasing power can encourage demand to exceed supply, causing prices to rise and reducing the benefits obtained by society. To achieve a balance between social assistance and inflation control, apart from involving coordination of fiscal and monetary policies, it is also necessary to periodically evaluate programs and adjust strategies based on constantly changing economic conditions. Commission XI and the DPR RI Budget Committee need to ensure and oversee the provision of social assistance so that its distribution is on target. This effort is important so that social assistance can provide maximum benefits without sacrificing overall economic stability.

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