SOCIAL SECURITIES SCHEME, FINANCIAL INCLUSION, AND ITS IMPACT ON POVERTY ALLEVIATION IN INDONESIA: CASE OF ZAKAT RECIPIENTS

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ABSTRACT

This study examines the impact of social security programs and financial inclusion on poverty alleviation and household consumption in Indonesia. The samples of this study are 2835 zakat recipients from 25 provinces in Indonesia. The research explores key variables, including the Family Welfare Program *(Kartu Keluarga Sejahtera,* KKS*)*, Family Hope Program (*Program Keluarga Harapan*, PKH), Non-Cash Food Assistance (*Bantuan Pangan Non-Tunai*, BPNT), Social Health Insurance (ASKES), and also financial inclusion indicators such as bank account ownership, mobile phone usage, and digital payment adoption. Using ordinary least squares and probit regression analysis methods, the study revealed that PKH and BPNT have negative effects on poverty, thus, it significantly reduce poverty and enhance household consumption. In addition, financial inclusion variables, particularly mobile phone usage and digital payments, show a positive effects on consumption, suggesting the need for broader accessibility and digital literacy. The study recommends enhancing digital financial services, expanding the coverage of social protection programs as sustainable strategies to strengthen their impact on poverty alleviation and economic development.

Keywords: Social Security Scheme, Poverty Alleviation, Financial Inclusion, Zakat Recipients

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1. INTRODUCTION

The social security program currently has a pivotal role in modern welfare states, for reducing poverty and mitigating socio-economic inequalities. These programs encompass a range of intervention models from the government for society, such as social insurance, cash transfers, and public health program (Esping-Andersen, 1990; Behrendt et al., 2018). By providing a social security program as a safety net, it is expected can foster economic stability and promote human development and social welfare, especially in low and middle-income countries where poverty is still pervasive (Barrientos, 2013).

In developing countries, social security programs have also demonstrated the significant impact in reducing income inequality, improving educational outcomes, and enhancing access to healthcare (Barrientos, 2013; Fiszbein & Schady, 2009). Similarly, in some countries, social security programs such as pension systems has not only alleviated poverty among the elderly but also supported intergenerational transfers that benefit entire households (Barrientos et al., 2003; Case & Deaton, 1998).

In Indonesia, the fight against poverty has seen from the implementation of some social security programs such as the Family Hope Program (*Program Keluarga Harapan*, PKH), Village Fund (*Dana Desa*), and the National Health Insurance (*Jaminan Kesehatan Nasional*, JKN), etc. These initiatives aim to address socio-economic vulnerabilities, while simultaneously promoting sustainable development (TNP2K, 2015; Suryahadi et al., 2012). For instance, the PKH, in which modelled after cash transfer programs, has shown a significant positive impacts on poverty reduction, improving education access, and maternal health (Cameron et al., 2014). Similarly, the Village Fund (*Dana Desa*) program has empowered rural communities by providing financial resources for infrastructure and basic services (World Bank, 2021). Nevertheless, many challenges still persist in extending these benefits to informal workers, addressing funding gaps, and ensuring administrative efficiency (Behrendt et al., 2018).

Nevertheless, many social security programs in Indonesia have shown a significant contribution on poverty alleviation, critics remain exist. Inaccurate data recipients, inappropriate use of funds, poor governance, and corruption issues are some problems in the implementation of social security program in Indonesia (Santoso et al., 2024; Zailani et al., 2024). Some experts propose that combining social security program with another financial program such as financial inclusion, financial planning training are still relevant to alleviate poverty, especially extreme poverty.

Some expert also opined that Zakat Fund can be integrated with the social security program to optimize the impact of the program. This is very reasonable, since Indonesia has huge potential in Zakat, Infaq, and Shadaqoh collection, which can be used for poverty alleviation programs, and improving welfare. According to the study from National Zakat Board/BAZNAS (2020), the potential of Zakat Fund in Indonesia is around Rp. 327,6 trillion annually. However, unfortunately, Indonesia's total collection of Zakat in 2024 only reached around 42 trillion. (BAZNAS, 2024). This fact indicates that the optimization of collection and distribution of Zakat fund has become a big challenge to improve the welfare of society.

Financial inclusion and social security programs are instrumental in reducing poverty, as they enhance access to financial services and social safety nets for marginalized populations. Social protection measures, such as cash transfer programs, have been shown to improve household consumption and contribute significantly to poverty alleviation. These initiatives help vulnerable groups manage economic risks and ensure a basic level of income security (Carraro & Marzi, 2021; Osabohien, 2024). Moreover, financial inclusion has a positive effect on asset accumulation, especially among low-income households, indicating that policies promoting asset-building can serve as a sustainable approach to lifting people out of poverty (Fomum & Jesse, 2017).

In doing so, Ministry of Religious Affairs, in collaboration with BAZNAS and LAZ developed a new model in reducing poverty by using a zakat distribution program, with the name of Kampung Zakat. This program is part of the synergy model amongst zakat stakeholders in Indonesia based on the community, particularly for the rural area, focusing on providing capital access, developing economy, social, education, and dakwah (Abdullah et al., 2022). Hence, this program can be seen as a comprehensive model to solve the poverty problem (Barrientos et al., 2003). Moreover, many studies showed that Kampung Zakat model can improve the income level of society up to 30%. This program can also be applied as a benchmarking model of social security. Combining Kampung Zakat model with Government Social Security scheme will have more impact on society, especially in poverty eradication. Empirical research in Indonesia shows that effective zakat distribution, as assessed through the BAZNAS Prosperity Index, will significantly reduce the poverty (Choiriyah et al., 2020; Rini et al., 2020).

This paper aims to examine the impact of social security programs and financial inclusion on poverty alleviation. The combination of the social security scheme and financial inclusion is expected as the most important factor in alleviating poverty. The study also focuses on Zakat recipients, that is valid as poor people, in 25 Provinces of Indonesia.

2. LITERATURE REVIEW

Indonesia's social security programs have been designed to provide a safety net for its citizens, particularly for the poor. For example, The National Health Insurance (*Jaminan Kesehatan Nasional*, JKN) aims to deliver comprehensive protection through various initiatives such as health insurance and cash transfers (TNP2K, 2015). The government has implemented several schemes aimed at assisting low-income and vulnerable populations, including food assistance, education support, and conditional cash transfers through programs like Family Welfare Deposit *(Kartu Keluarga Sejahtera,* KKS), Family Hope Program (*Program Keluarga Harapan*, PKH), Non-Cash Food Assistance (*Bantuan Pangan Non-Tunai*, BPNT), and Health Insurance (BPJS Kesehatan). However, a significant portion of the population, particularly those in the informal sector, remains underserved by these programs (Sinaga & Abdurrahman, 2024).

Several studies such as from Herianingrum et al. (2024) and Ruhana (2019) propose the integration of Islamic social finance instruments as a complementary tool to strengthen the national social protection framework. Zakat, an obligatory form of almsgiving in Islam, is not only a religious obligation but also functions as an informal social security mechanism. It redistributes wealth from the affluent to the poor and marginalized through a systematic transfer based on a fixed proportion (typically 2.5% of qualifying assets) (Faizin et al., 2023).

Zakat institutions in Indonesia, such as BAZNAS and LAZ (zakat collection agencies), have increasingly adopted professional and transparent management systems. These institutions implement targeted programs for healthcare, education, livelihood development, and humanitarian relief (Azizah et al., 2022; Choiriyah et al., 2020; Farisi & Ibadurrahman, 2024). Evidence suggests that zakat enhances the purchasing power of mustahik (zakat recipients), thereby contributing to poverty alleviation and promoting economic empowerment (Mawardi et al., 2023; Sarib et al., 2024). However, these studies often emphasize outcomes without fully addressing implementation challenges, such as inconsistent targeting, overlapping beneficiaries with government programs, and regional disparities.

The integration of zakat into national development strategies has also been explored in other Muslim-majority countries. Muhamat et al. (2013) state that the Zakat recipients *(Mustahik)* empowerment programs in Malaysia can significantly help Mustahik develop their business and ultimately encourage an increase in the quality of life of Mustahik. Another study by Abdullah et al. (2015) show that the Zakat distribution is the most appropriate way to reduce poverty. Miah (2021) demonstrates that Zakat has enhanced living standards among impoverished communities by offering startup capital, healthcare, education, clean water, sanitation, religious reinforcement, and social awareness programs. Additionally, countries like Pakistan and Saudi Arabia have integrated Zakat into their national financial systems, though effectiveness and transparency levels differ (Ahmed, 2023). Studies suggest that the most successful Zakat systems are those with robust legal structures, digital platforms, and partnerships with formal financial institutions.

Nowadays, financial inclusion plays a crucial mediating role in maximizing the impact of social protection and zakat-based interventions. Recent literature emphasizes the transformative role of digital financial services, including mobile banking, e-wallets, and fintech platforms, in reaching underserved populations (Rizqi & Mahendra, 2023; Nasution & Hanifa, 2024). In Indonesia, platforms like LinkAja and QRIS payments are expanding rural access, enable zakat payments and disbursement tracking, improving transparency and outreach (Arifin et al., 2023).

However, the digital divide, low digital literacy, and uneven fintech adoption across rural areas remain significant barriers. These concerns are echoed in studies (Tri et al., 2024; Dirie et al., 2023), which highlight the need for digital upskilling and inclusive infrastructure to ensure that technological solutions benefit the intended poor and marginalized groups. Thus, while digital financial inclusion offers promising pathways to enhance zakat and social security effectiveness, its implementation requires systemic support. In summary, existing literature affirms the potential synergy between formal social protection systems, zakat institutions, and digital financial tools in addressing poverty. Nevertheless, gaps remain in harmonizing these components into a cohesive national framework. Future research should explore practical models for policy integration, especially those that ensure inclusion, efficiency, and accountability.

3. METHODOLOGY

To analyze the impact of social welfare on poverty, we obtain cross sectional data of 2835 Zakat Recipient (mustahik) in 25 of 34 province in Indonesia. The Statistics Indonesia (Badan Pusat Statistik, BPS) reports the poverty profile of Indonesia in March 2024. In their publication, The Poverty Line in March 2024 was recorded at Rp582,932/capita/month with a composition of the Food Poverty Line of Rp433,906 (74.44 percent) and the Non-Food Poverty Line of Rp149,026 (25.56 percent). In this study, to measure poverty status among respondents, we adopt the official poverty thresholds established by Indonesia's Central Statistics Agency (Badan Pusat Statistik/BPS).

Specifically, the poverty line is divided into two components: Rp433,906 for food poverty and Rp149,026 for non-food poverty. These figures are not arbitrarily chosen; rather, they reflect a deliberate and methodologically grounded calculation. The food poverty line captures the minimum cost required to obtain 2,100 kilocalories per person per day—an internationally recognized benchmark for basic nutritional needs. Meanwhile, the non-food poverty line represents the minimum expenditure needed to fulfill essential non-food requirements such as shelter, clothing, healthcare, education, and transportation. By employing this dual-component approach, the study aligns with the national standard of poverty measurement while also recognizing that poverty is multidimensional. It is not only about the absence of income, but also about the lack of access to fundamental services and opportunities necessary for human dignity and well-being.

This framework is particularly critical when assessing the effectiveness of social security programs and financial inclusion interventions among zakat recipients, who often face layered vulnerabilities beyond income deprivation. we follow BPS reports and use a dummy to separate under and over the poverty line, there are food poverty variable which equals 1 for the food consumptions of Zakat Recipient under the food poverty line and zero for otherwise, and non-food poverty variable which equals 1 for the non-food consumptions of Zakat Recipient under the non-food poverty line and zero otherwise. We also use natural log of total consumption to analyse the poverty based on the capability of total consumption/ capita/ month. Further, we summary the measurement of poverty in Table 1.

3.1 Social Welfare indicators

The core of social welfare development lies in enhancing the quality of life and well-being of individuals, families, groups, and communities in a manner that upholds their dignity. This approach ensures that all members of society are empowered to actively participate and fulfil their roles in life. Social welfare development refers to programs and initiatives organized by the government to offer financial, material, or social support to individuals and families facing poverty or economic difficulties (Barrientos, 2019; Becot & Inwood, 2020).

This study adopts a quantitative approach to evaluate the effectiveness of Indonesia's social welfare programs in reducing poverty and improving household welfare. The selection of variables and model design is grounded in the historical development and structural components of Indonesia's social protection system. Based on prior research and policy evolution (Sumarto et al., 2008; Croissant, 2004), key programs such as cash transfers (e.g., PKH/ Family of Hope Program), food assistance (e.g., BPNT/ Non-Cash Food Assistance), and health services (e.g., ASKES/ Social Health Insurance) were identified as core components of the national social assistance framework. Therefore, variables such as KKS, PKH, BPNT, and ASKES were selected to represent key dimensions of social protection. Moreover, this study integrates financial inclusion indicators to examine households' capability to access and utilize formal financial services. These indicators are proxied by three variables: ownership of a bank account, mobile phone usage, and access to digital payment systems. Including these proxies allows the analysis to account for the enabling factors that may enhance or constrain the impact of social assistance programs, especially in the context of digital transformation and financial access in rural and urban areas.

3.2 Individual characteristics

In addition to the poverty indicators measured by Ln total consumptions, food poverty and non-food poverty, we have included several individual-specific control variables in our model to address the potential omitted variables problem. Control variables including gender, education level, age, family firm, and employment status were included based on their established influence on access to and outcomes of social assistance programs, as highlighted in previous empirical studies (Nugroho et al., 2021). These socio-demographic characteristics are essential for capturing variation in how different population groups benefit from assistance. Further details on all variables and sources can be found in Table 1.

Table 1: Definition of Variables

Variables	Definition
Outcome variables of poverty	
Ln Total Consumption	The natural logarithm of total consumptions
Food Poverty	The dummy variable equal to 1 if the food consumption of respondents under the food poverty line, Rp433.906 and zero otherwise.
Non-Food Poverty	The dummy variable equal to 1 if the non-food consumption of respondents under the non-food poverty line, Rp149.026 and zero otherwise.
Main independent variables	
KKS	Family Welfare Deposit (*Kartu Keluarga Sejahtera,* KKS): This is a social welfare card that serves as proof for families to receive various government assistance programs. It includes features like electronic money and savings, which can be used to distribute different social aids. KKS is dummy variable equal to 1 if the respondents accepted the KKS, and zero otherwise.
PKH	Family Hope Program (*Program Keluarga Harapan,* PKH): This is a conditional cash transfer program aimed at helping poor and vulnerable families. The assistance is provided in cash and is intended to improve the well-being of families by supporting their basic needs, education, and health. PKH is dummy variable equal to 1 if the respondents accepted the PKH, and zero otherwise.
BPNT	Non-Cash Food Assistance (*Bantuan Pangan Non-Tunai,* BPNT): This program provides non-cash food assistance to eligible families. The aid is usually distributed through electronic cards that can be used to purchase food items. BPNT is dummy variable equal to 1 if the respondents accepted the BPNT, and zero otherwise.
ASKES	Social Health Insurance (ASKES) was a health insurance program in Indonesia specifically for government employees, including civil servants, state officials, retired civil servants, military personnel, and their families. However, ASKES has since been transformed into BPJS Kesehatan (Badan Penyelenggara Jaminan Sosial Kesehatan), which now provides national health insurance for all Indonesian citizens. ASKES is dummy variable equal to 1 if the respondents accepted the ASKES, and zero otherwise.
Bank Account	The ownership Bank Account equal to 1 if respondents have bank account, and zero otherwise.
Use of phone	Use of Phone by Mustahik Zakat. This is the dummy variable equals to 1 if Mustahik using a phone, and zero otherwise.
Digital payment	The use of Digital Payment variable measures the conducting digital-based payment activities such as mobile banking, QRIS, internet banking, e-wallets, and so on. The digital payment variable equal to 1 if the respondents using digital payment, and zero otherwise.
Control variables: Individual characteristics	
Gender	Dummy variable equal to 1 if Mustahik is male and zero for female Mustahik.
Marriage	The categorical variable that measures of marriage status. It is equal to 1 if marriage status is not marriage; 2 for marriage; 3 for divorce; and 4 for widowed.
Educ	The level education also included to the model, start from 1: uneducated; 2: elementary school; 3: junior high school; 4: senior high school; 5: diploma; 6: undergraduate; and 7: otherwise.
Work	Work measures the dummy variable of work status, equal to 1 for worker individual, and zero otherwise.
Farmer	The variable of Farmer indicates that the Mustahik is a farmer will be denoted 1 and zero otherwise.
Family Firm	The Family firm measure the firm of family for each Mustahik. A bigger forming family by family firm, a higher total consuptions.
Age	We also included age as individual characteristics that might be correlated to the poverty level or status of Mustahik.

3.3 Empirical Framework

Following Du and Palia (2018), we conduct an empirical analysis of the relationship between the social securities program and poverty alleviation. The model is specified as follow:

$$POVER_i=\beta_0+ \sum_{k=1}^{7} \beta_k \, SOCIALWFR_i + \sum_{b=1}^{7} \delta_b IC_{b,it} + \mu_i \qquad (1)$$

The specified model aims to capture the effect of social welfare on poverty levels. The dependent variable, POVERi, represents poverty for individual *i*. the POVER variable proxied by natural logarithm of total consumptions (LnTCONS), food poverty, and non-food poverty. $SOCIALWFR_i$ measure the Summation term indicating the impact of various social welfare indicators (KKS, PKH, BPNT, ASKES, Bank Account, Use of Phone and Digital Payment) for individual *i*. To mitigate the potential of omitted variable bias, we included the individual characteristics (IC) each of *i*. As the control variable, IC indexed by dummy variable of gender, marriage status, education level, work status, farmer, family firm, and age. The model includes β_0 is the intercept term.β_1 in equation (1) is expected to be negatively significant so as social welfare is associated to decreasing the poverty. The error term, μ_i, capturing unobserved factors affecting poverty for individual *i*.

These study employs a combination of OLS and Probit regression methods to analyse how social welfare indicators influence poverty. The Ordinary Least Square (OLS) method is used to estimate the relationships when dealing with continuous dependent variables. However, given that the dependent variables in this study (Food Poverty and Non-food Poverty) are categorical, OLS might be complemented by or replaced with Probit Regressions to handle the binary or categorical nature of the dependent variables. Probit models estimate the probability that an observation falls into one of the categories based on the explanatory variables. The specified model includes multiple social welfare and control variables to provide a comprehensive understanding of these relationships.

4. FINDINGS AND DISCUSSION

Table 2 shows the descriptive statistics of each variable which are used in this study. The table offers valuable insights on the characteristic of household consumption, poverty indicators, social welfare programs and also socio-demographic characteristics. The data showed that total consumption of the households surveyed on an average are around Rp.1,516,809.06 whereby the standard deviation is Rp.918,218. The consumption for food is around Rp.534,244.09 (35.2%) of total consumption, while non-food consumption is higher at Rp.982,565, or 64.8% of total consumption expenditure. This finding is very interesting, since the majority of Indonesian consumption, in case of Zakat recipients, is not for food. For poverty indicators, show a worrying scenario, with 55.2% of households falling below the food poverty limit, while only 5.6% are below the poverty limit without food. These numbers suggest that the uncertainty of food is a more urgent problem than access to other basic needs.

Table 2. Summary Statistics

	N	Mean	SD	Min	Max
Total Consumption	2835	1,516,809.06	918,218.20	210,000	4,000,000
Food Cons.	2835	534,244.09	403,082.97	100,000	3,000,000
Non-Food Cons.	2835	982,564.974	725,953.36	100,021	3,720,000
Food poverty	2835	0.552	0.497	0.000	1.000
Non-food poverty	2835	0.056	0.230	0.000	1.000
KKS	2835	0.177	0.382	0.000	1.000
PKH	2835	0.210	0.407	0.000	1.000
BPNT	2835	0.456	0.498	0.000	1.000
ASKES/BPJS	2835	0.530	0.499	0.000	1.000
Bank Account	2835	0.261	0.439	0.000	1.000
Use of Phone	2835	0.630	0.483	0.000	1.000
Digital Payment	2835	0.064	0.245	0.000	1.000
Gender	2835	0.655	0.475	0.000	1.000
Marriage	2835	2.488	0.881	1.000	4.000
Educ	2835	2.394	1.127	1.000	7.000
Work	2835	0.741	0.438	0.000	1.000
Farm	2835	0.400	0.490	0.000	1.000
Family Firm	2835	3.031	1.773	0.000	40.000
Age	2835	51.116	14.071	20.000	99.000

Note: Food poverty is the dummy variable equals to 1 if the Food Consumptions under the Food Poverty Line (Rp 433.906) and 0 otherwise. Non-Food poverty is the dummy variable equals to 1 if the Non-Food Consumptions under the Non-Food Poverty Line (Rp 149.026) and 0 otherwise.

Social protection programs show different reports namely, 45.6% of households benefit from Non-Cash Food Assistance (*Bantuan Pangan Non-Tunai*/BPNT), 21.00% receive support in the Family Hope Program (*Program Keluarga Harapan*/PKH) and 17.7% are recipients of the *Family Welfare Deposit (Kartu Keluarga Sejahtera, KKS)*. Despite these efforts, only 53.0% of households have Social Health Insurance (ASKES/BPJS) coverage, and formal financial inclusion remains limited, with only 26.1% having a bank account. The use of digital payments is notably low at 6.4%, indicating significant barriers to financial and technological adoption.

The socio-demographic profile shows that 65.5 % of the respondents are male and that the average age is 51 years, which indicates a population of mostly middle-aged. The level of education is low to mediocre, whereby the average level of the middle or high school corresponds. Most of the respondents (74.1 %) are employed in the agricultural sector, which reflects a strong rural and agricultural basis. The household sizes are relatively small with an average of 3 members. Overall, the data underline the challenges in combating food poverty, the expansion of social assistance and improving financial and digital inclusion.

The correlation analysis underlines several important relationships between household consumption, poverty indicators, social welfare programs and digital or financial inclusion (see Table 3). The total consumption (lntcons) shows a strong negative correlation with food poverty (-0.565) and a moderate negative correlation with non-food poverty (-0.342). Food poverty is moderately related to non-food poverty (0.220), which indicates that households with nutritional uncertainty probably also relates with non-food poverty. Social welfare programs, including KKS, PKH and BPNT, show weak negative correlations with food poverty such as KKS (-0.0835) and PKH (-0.0753), suggesting these programs may provide some relief but are not significantly reducing food poverty levels. Similarly, correlations between these programs and non-food poverty are negligible, implying limited direct impact on broader poverty alleviation. On the other hand, Table 3 also reports the multicollinearity check to ensure robust regression estimates. The correlation coefficient value between the dependent-independent variables and between different independent variables is less than 0.80. It shows that there is no multicollinearity in this study (Gujarati, 2004).

Table 3. Matrix Correlation

	lntcons	foodpover	nfoodpover	KKS	PKH	BPNT	BPJS	REK	HP	DIGPAY
lntcons	1									
foodpover	-0.565***	1								
nfoodpover	-0.342***	0.220***	1							
KKS	0.0814***	-0.0835***	-0.0327	1						
PKH	0.144***	-0.0753***	-0.0390*	0.435***	1					
BPNT	0.133***	-0.0603**	0.00456	0.293***	0.262***	1				
ASKES	-0.0460*	0.0247	0.00848	0.169***	0.0846***	0.0851***	1			
Bank account	0.255***	-0.0674***	-0.0120	0.0382*	0.0866***	0.0193	0.130***	1		
Use of phone	0.398***	-0.186***	-0.0448*	0.0515**	0.0634***	0.0776***	0.0531**	0.352***	1	
Digital payment	0.185***	-0.0735***	-0.0326	0.0255	0.0205	-0.00869	0.0190	0.336***	0.195***	1

note: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Social assistance programs have a strong correlation (e.g. KKS and PKH: 0.435), which reflects a significant relationship amongst the recipients. These programs also correlate weakly positive with the total consumption (e.g. PKH: 0.144, BPNT: 0.133), which indicates that they can contribute to increase in household expenses. Meanwhile, financial and digital inclusion variables such as possession of a bank account and phone use have a strong interrelationship. In addition, possessing a bank account with phone use (0.352) and the acceptance of digital payments (0.336) correlates, which highlights the interaction between access to financial services and technology. Meanwhile, ASKES shows weak correlations with poverty indicators and other variables, which is illustrated by its limited integration with broader socio-economic factors.

Table 4. Social Protection Program and Poverty

	Ln-Total Consumptions		Food Poverty		Non-Food Poverty	
	(1)	(2)	(3)	(4)	(5)	(6)
Panel A. Social Protection						
KKS	0.019	-0.013	**-0.203*****	**-0.169****	-0.154	-0.115
	(0.569)	(-0.412)	(-2.872)	(-2.315)	(-1.196)	(-0.883)
PKH	**0.191*****	**0.139*****	**-0.133****	-0.088	-0.189	-0.149
	(5.943)	(4.701)	(-2.038)	(-1.297)	(-1.593)	(-1.243)
BPNT	**0.139*****	**0.144*****	**-0.088***	**-0.108****	0.077	0.067
	(5.354)	(5.871)	(-1.746)	(-2.049)	(0.914)	(0.760)
ASKES	**-0.089*****	**-0.069*****	**0.106****	**0.100****	0.060	0.055
	(-3.526)	(-3.054)	(2.209)	(2.017)	(0.772)	(0.659)
Control Var.	No	Yes	No	Yes	No	Yes
Constanta	13.971***	13.791***	0.178***	0.200	-1.598***	-1.930***
	(685.979)	(127.325)	(4.433)	(0.981)	(-25.457)	(-6.150)
N Obs.	2835	2835	2835	2835	2835	2835
R-square	0.035	0.233	0.008	0.061	0.006	0.056
Panel B. Financial Inclusion						
Bank Account	**0.160*****	**0.108*****	0.031	**0.120***	0.067	0.138
	(5.435)	(3.839)	(0.506)	(1.949)	(0.699)	(1.386)
Use of Phone	**0.474*****	**0.308*****	**-0.484*****	**-0.279*****	**-0.180****	0.039
	(18.430)	(11.149)	(-9.057)	(-4.763)	(-2.177)	(0.418)
Digital Payment	**0.223*****	**0.174*****	**-0.214****	-0.152	-0.316	-0.217
	(5.179)	(4.024)	(-2.067)	(-1.431)	(-1.569)	(-1.033)
Control Var.	No	Yes	No	Yes	No	Yes
Constanta	13.677***	13.558***	0.445***	0.393*	-1.483***	-1.900***
	(707.253)	(129.747)	(11.054)	(1.917)	(-25.029)	(-6.058)
N Obs.	2835	2835	2835	2835	2835	2835
R-square	0.180	0.272	0.027	0.062	0.007	0.055

Note: Ln-Total Consumption measure the natural log of total consumptions. KKS is Family Welfare Deposit (*Kartu Keluarga Sejahtera*), PKH is Family Hope Program (*Program Keluarga Harapan*), BPNT is Non-Cash Food Assistance (*Bantuan Pangan Non-Tunai*), and ASKES is Social Health Insurance. Control variable in this study including to the regression model, represent in column (2), (4), and (6). Control variables are the average value of each control variables, there are Gender equal to 1 if sample is male, 0 otherwise; Marriage status (1: not marriage; 2: marriage; 3: divorce; 4: widowed); Education level (1: uneducated; 2: elementary school; 3: junior high school; 4: senior high school; 5: diploma; 6: undergraduate; 7: otherwise); Work status (1: working; 0:unemployment); Farmer equal to 1 if sample is farmer, 0 otherwise; Family firm and Age. t statistics in parentheses; * *p<0.1*, ** *p<0.05*, *** *p<0.01*.

Table 4 illustrates the regression results, showing the impact of social protection programs and financial inclusion on poverty, as measured by total consumption, food poverty, and non-food poverty. The result evidenced that social protection programs show mixed impacts. KKS has an insignificant impact on total consumption, but significantly reduces food poverty (-0.203), suggesting that KKS plays a role in mitigating food poverty, despite its limited effect on overall household expenditure. However, its impact on non-food poverty is very small, reflecting the narrow focus of the program. This finding indicated that KKS program is an effective program to reduce poverty, specifically in food indicators. This finding is relatively new, since there is no previous studies evidenced this issue.

Similarly, PKH significantly increases total consumption (0.191), consistent with previous research (Biringkanae and Tammu, 2023; Djulius et al, 2022) showing that PKH program improves household welfare. PKH also reduces food poverty (-0.133) but has no significant effect on non-food poverty, indicating that PKH's focus on education and health outcomes may not directly address broader consumption needs. Meanwhile, BPNT showed a significant positive effect on total consumption (0.139) and reduced food poverty (-0.088), underscoring the effectiveness of in-kind transfers in addressing food insecurity. ASKES has a negative impact on total consumption (-0.089) and is associated with an increase in food poverty (0.106), suggesting that health costs can strain household finances, limiting their ability to meet food and other needs.

Table 4 also reveals that the financial inclusion variable shows a significant positive impact, especially on total consumption. Bank account ownership increases household consumption (0.160), reflecting the benefits of access to formal financial services in enabling better resource management and consumption smoothing. However, the impact on food and non-food poverty is weak or insignificant, suggesting that financial inclusion alone cannot directly reduce poverty without complementary interventions. Mobile phone use shows a strong positive association with total consumption (0.474) and a significant negative effect on food poverty (-0.484), suggesting that digital inclusion facilitates access to information and economic opportunities, thereby reducing food insecurity. However, its impact on non-food poverty is inconsistent, reflecting a less prominent role in addressing broader poverty. Similarly, the adoption of digital payments significantly increases total consumption (0.223) and reduces food poverty (-0.214), in line with global evidence on the transformative impact of digital finance for low-income households. However, the impact on non-food poverty remains insignificant, suggesting that the benefits are more focused on direct consumption needs.

Comparing these findings with previous research highlights consistencies and gaps. The positive impact of social protection programs on consumption is in line with previous studies, such as study from Soares et al. (2008), Meyer and Wu (2018), Wang et al. (2024), Flores-Contró et al. (2021), Meyer and Mok (2019), Iiboshi and Ozaki (2022), Baylan (2019). The analysis reveals that social protection programs such as PKH, BPNT, and KKS have varying degrees of impact on household welfare. PKH significantly increases total consumption and reduces food poverty, echoing global evidence from conditional cash transfer programs, such as Progresa in Mexico and Bolsa Família in Brazil, which show positive impacts on household spending and food security (Barrientos, 2013). These studies highlight that conditionality linked to education and health care often leads to broader social benefits, such as improved school attendance and health outcomes, which can indirectly support poverty alleviation.

However, this study found that PKH's impact on non-food poverty was insignificant, which is consistent with some critics that cash transfer programs often focus narrowly on immediate consumption needs and fail to address broader dimensions of poverty. Similar limitations are seen with KKS and BPNT, where the impact is more pronounced on food poverty but negligible on non-food poverty. This is in line with previous research, such as Fiszbein and Schady (2009) who argue that while cash and in-kind transfers provide important short-term relief, their impact on long-term poverty reduction requires complementary policies such as job creation and skills development.

In contrast, ASKES shows mixed results, with a negative impact on total consumption and a positive relationship with food poverty. These findings support studies such as those by Wagstaff, (2010) and Xu et al. (2003) which highlight how health care costs can be financially burdensome, particularly in low-income households, even though health insurance is intended to provide protective benefits. The financial strain of health care costs can limit the ability of households to allocate resources to other essential needs, thereby exacerbating poverty (Tedong et al., 2022).

While, for the financial inclusion, the findings are consistent with studies on mobile money in Kenya (Jack & Suri, 2014), which emphasize its role in improving household welfare. However, the limited impact on non-food poverty and low R-squared values at 0.233 for total consumption suggest that while these financial programs and tools are important, broader socio-economic factors such as employment, education, and healthcare accessibility are also important. This underscores the need for integrated policies that address the structural determinants of poverty. Overall, these findings highlight the importance of a multi-dimensional approach to poverty alleviation that combines social protection, financial inclusion, and systemic reforms to achieve sustainable impact. Financial inclusion, measured through bank account ownership, mobile phone usage, and digital payment adoption, has a significant impact on household consumption, consistent with findings from studies such as Demirguc-Kunt et al. (2018) and Jack and Suri (2014). These studies emphasize the role of financial inclusion in improving economic stability and resource management. For example, mobile money platforms such as M-Pesa in Kenya have been shown to increase household savings, reduce transaction costs and provide a safety net during economic shocks.

The positive relationship between mobile phone use and consumption is in line with Aker and Mbiti (2010), who found that mobile phones facilitate access to market information, reduce transaction costs, and increase productivity, particularly in developing countries. Similarly, the adoption of digital payments supports the study by Suri and Jack (2016), which highlights how digital financial services can increase economic inclusion and empower low-income households. However, the limited impact of financial inclusion on non-food poverty in this study suggests that digital and financial tools primarily address liquidity constraints rather than structural poverty drivers (Ab-Rahim & Shah, 2019; Kasali et al., 2016). Despite the positive findings, the results underscore the limitations of social protection programs and financial inclusion in addressing non-food poverty. This limitation findings from Alkire and Foster (2011), who argue that poverty alleviation requires addressing multiple dimensions, including education, healthcare, housing, and employment.

While social protection and financial inclusion provide important safety nets and economic opportunities, their impact remains partial without broader systemic reforms. This study supports the conclusion that social protection and financial inclusion play complementary roles in alleviating poverty, but their effectiveness depends on integration with broader socio-economic policies. Consistent with studies such as Banerjee and Duflo (2011), these findings highlight the need for a holistic approach that combines financial support, capacity building, and access to quality public services to achieve sustainable poverty reduction. These policies should focus not only on immediate consumption but also on long-term economic mobility and resilience.

5. CONCLUSION

This study has explored the impact of social protection programs and financial inclusion on household consumption and poverty alleviation in Indonesia. The findings reveal that conditional cash transfer programs like PKH significantly increase total consumption and reduce food poverty, consistent with global evidence from similar programs worldwide. In contrast, other programs like KKS and BPNT show a more limited effect, primarily benefiting food security rather than addressing broader dimensions of poverty. Health insurance programs, such as ASKES, while designed to protect against healthcare costs, have a negative impact on total consumption and a positive association with food poverty, underscoring the financial strain health-related expenses can impose on low-income households. While, Financial inclusion, particularly through mobile phones, bank accounts, and digital payments, has a positive effect on total consumption, suggesting that access to financial services can enhance economic stability and enable better resource management.

To strengthen these efforts, the government should integrate zakat institutions into national welfare strategies, enhance digital infrastructure. Financial institutions are encouraged to develop inclusive financial products and literacy programs for the poor. Zakat agencies must improve targeting, transparency, and focus on long-term empowerment programs like Kampung Zakat. Moreover, key challenges include data fragmentation, weak coordination, and community mistrust. These can be addressed through unified data systems, inter-agency collaboration, and stronger community engagement. A coordinated, multidimensional strategy combining financial, governmental, and religious instruments is essential for sustainable poverty alleviation.

The study highlights the importance of considering multiple dimensions of poverty. While social protection and financial inclusion improve food security and consumption, they do not sufficiently address non-food poverty. Further research suggested to do more comprehensive approach that includes not only cash and financial access but also investments in education, healthcare, and housing. On the other hand, these factors have limited effects on non-food poverty, indicating that while financial tools help households manage short-term financial shocks, they are not sufficient to address structural poverty issues such as access to education, employment, and housing. Moreover, this study relies on cross-sectional data, which constrains the ability to establish causal inferences or observe the long-term impacts of social assistance programs on household welfare. The snapshot nature of cross-sectional analysis limits the understanding of dynamic changes in household conditions over time and the sustained effectiveness of interventions. Therefore, future research is encouraged to employ panel or longitudinal data, which would enable the tracking of individual or household trajectories and provide a more robust basis for identifying causal relationships and evaluating the persistence of program outcomes.

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