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THE IMPACT OF RASKIN PROGRAM ON HOUSEHOLD CONSUMPTION EXPENDITURE
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ABSTRACT

This study focused on the impact of Raskin program on poor household expenditure. The effect of the rice subsidy program or better known Raskin on the total expenditure for consumption and the impact on changes in consumption behavior carried out by poor households who received the Raskin program using the Slutsky Equation theory. Poor households will be grouped based on acceptance of Raskin in 2014. The study used Indonesia Family Life Survey (IFLS) data in 2007 and 2014. Regression across the covered areas showed positive and significant results on the total expenditure of poor households. Other regression results show: 1) Raskin has a positive effect on rice expenditure; 2) Raskin lowers spending on animal protein-based food commodities and increases spending on plant-based protein-based food commodities; 3) Expenditures for cooking ingredients follow the positive flow of total expenditures as the total food purchased increases.

Keywords: Raskin, Subsidy, Expenditure, Poor Household

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CHAPTER I: INTRODUCTION

1.1 Background

Rice is one of the most important commodities in Asia including Indonesia. With the average rice consumption 113.7kg/capita, Indonesia is a country with a high amount of rice consumption. This number is much higher than world's average consumption level per year of only 60kg/capita (Djamaluddin, 2015). Compared to one of the closest country to Indonesia with average consumption level per year 81.5kg/capita (Wahab, 2017) - Malaysia - Indonesia's average consumption level is still higher. This indicates that rice commodities have become a primary consumption for Indonesian people. Most of household expenditure are spent for rice, it contributes approximately 30 percent of household expenditure (Satriawan & Shrestha, 2018). As rice plays a huge role in household expenditure especially poor household, the price of rice became one of the keys to keep away famine for those who are not wealthy enough (Dawe, 2001).

During the past decades, Indonesian government has subsidized the consumption of rice for poor household through Raskin program. Raskin (Beras untuk Keluarga Miskin) program is a national transfer program aimed to alleviating poverty by providing subsidies in the form of low prices rice. The birth of the Raskin program started from the crisis that hit the world. When the crisis hit the nation in 1997 – 1998, the price of goods soared too high and caused the inflation. The inflation brings difficulty to fulfill needs especially staple foods such as rice. With a very high price and a low income, it becomes a new disaster for poor households. In response to the

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situation, the government launched Operasi Pasar Khusus *(*OPK*)* program as an emergency program. Through the Operasi Pasar Khusus *(*OPK*)* program, Indonesian government supplies access for cheap rice to help poor household for surviving in the crisis. This program provides a cheaper price for about 75 to 80 percent below the market price. The price varied between 1000 rupiah per kg to 1600 rupiah per kg. This price was still lower than the market price, which at that time averaged around IDR 5,000 - 5,500 / kg. With a very low prices, this program is expected to fulfill the needs for rice for poor households. Three years after the program was launched, the government changed the name of Operasi Pasar Khusus to Raskin and its function is expanded to no longer be an emergency program but as a part of social protection program. With numerous amount of participants, approximately half of the household population in Indonesia, Raskin is the largest transfer program that ever done by the government in term of government spending (Satriawan & Shrestha, 2018).

Similar things or with the same concept have also been done in India through the Targeted Public Distribution System (TPDS) program to overcome the food problems that haunt poor households in India. The Government of India provides ration cards that they call BPL cards for households below the poverty line, these cards can be used to buy rice at a cheaper price on the market. This program proved to be able to smoothing consumption in line with revenues that rose indirectly due to the BPL card (Kaushal & Muchomba, 2015). In addition to India, programs like this also occur in even large countries such as the United States. This program is called the Food Stamp

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Program. Actually, this program has run earlier than the Raskin program in Indonesia. This program has the same goal as Raskin program that eradicates poverty and hunger. The program provides food stamps that will be distributed to poor households in need to help them survive. This program is proven to increase household spending on food commodities which means households that receive coupons reallocate their budgets in response to the existence of food stamps. With the increase in spending on food means that the household is investing in food to add nutrients that enter the body and to be eaten in the future. This indicates that the food stamp program succeeds in helping poor households (Hoynes &Schanzenbach, 2009).

The program that being carried out both in Indonesia and other countries are based on the Slutsky Equation theory which has an impact on substitution effect and income effect. Price changes that occur will change demand because of income changes that occur indirectly. Changes in demand that occur cannot be determined, the changes that occur will depend on the type of goods that experience price changes, whether the goods are normal goods or inferior goods. When consumers consume, they will consider the price, income, priorities and quality of the goods. In addition, this program also has advantages with avoidance of fraud that is easier to occur if this program is in the form of cash assistance and the government can also control the rate of turnover of money that can cause inflation (Djamaluddin, 2015).

Some previous research conducted by (Pangaribowo, 2012; Sasongko, 2009) focuses more on the implementation of the program at the beginning of the launch and

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does not cover all regions in Indonesia. Evaluation of the program in the early stages of implementation alone can produce biased conclusions and fail to capture the real results. Therefore, the evaluation of the program is needed in the following years. This study will focus on evaluating the impact of the Raskin program on poor household expenditure using Indonesian Family Life Survey (IFLS) data. The impact evaluated will also include changes in the behavior of poor households in consumption expenditure such as complementary foods for rice itself. Moreover, considering that the allocation of government funds used is very large, an evaluation of the impact of sustainable programs is needed to determine whether the funds used are effective. Evaluating the impact of such programs is also very important to understand whether the program can help affected households efficiently. Therefore, the findings of this study can be a reference for the government in running effective programs in the future.

1.2 Research Problem Formulation

In Indonesia, the problem of consumption is still becoming a burden, especially for poor households. (Djamaluddin, 2015) shows that most of the expenditure of poor households is used for consumption. This is demonstrated through the role of food commodities that dominate when compared to other commodities against the poverty line. About 73 percent of the total expenditure of poor households is allocated to buy food commodities. Among other food commodities, rice became the food with the largest consumption of about 29 percent. With rice as a strategic commodity in Indonesia, especially for poor households, the price level of rice will be the main

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determinant of poverty rate in Indonesia (Sasongko, 2009). Especially if faced with an era of crisis or pandemic era as it happens now, rice becomes one of the most crucial items for poor households.

One way to avoid poor households with hunger problems is to provide assistance to poor households. Such assistance can be in the form of money assistance or in-kind subsidy transfer. In Indonesia, subsidies like this have been started since 1998 when the monetary crisis lasted until now, this subsidy is named Raskin program. Subsidies provided in the form of food subsidies aimed at poor households. These subsidies aim to help poor households ease their expenditure burden so that they can allocate funds that should be used to buy food to be another source of spending that is no less important. In general, with a price lower than the price of rice available in the market, Raskin is expected to help poor households to meet their basic needs such as rice but in its implementation Raskin cannot be separated from various problems and obstacles.

So far, studies related to the Raskin program still focus on the implementation of the program itself (Hastuti et al., 2008; Satriawan & Shrestha, 2018). The study found several weaknesses of the program ranging from the inappropriateness of aid recipients to poor distribution systems. Studies evaluating the impact of the program itself are still relatively rare. (Sasongko, 2009) conducted research on the relationship between Raskin program and household consumption. But this study only focuses on a portion of the area in East Java. (Pangaribowo, 2012) conducted a study on the impact

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of Raskin program and found that Raskin program can have a positive impact on poor households. The program succeeds in making beneficiaries able to increase spending on eating foods with better nutrients such as meat and dairy products. Although successful, in fact the study only focused on the early stages of Raskin implementation.

Therefore, this study aims to fill the void by investigating the impact of Raskin programs on poor households. The study will also expand the scope of previous research using the latest IFLS data so that it can cover most of Indonesia. The results can be used to check if the program is still effective after more than a decade since its launch.

1.3 Research Question

This research has the purpose to examine the effect of Raskin program through the expenditure spent by the household after receiving the program. Specifically, this study addresses the changes in type of food consumption. In particular, the research question in this study is:

- What is the impact of Raskin program to the poor households' total expenditure and pattern of poor households' consumption expenditure?

1.4 Research Objectives

The study aims to evaluate the impact of Raskin program on the expenditure of poor households. This is intended to check whether this program succeeds in lowering the burden of poor household spending. Not only evaluate the impact of this program on

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total household spending but also the relationship of this program to changes in consumption behavior made by households receiving this assistance. A good program is one that successfully completes the mission of the program itself. Therefore, with a very large allocation of funds, this program must achieve the goals of the program itself so that the funds issued by the government become effective and useful.

1.5 Research Advantage

In a practical sense, this study can be one of the main references to evaluating the impact of Raskin program on the expenditure of poor households. The evaluation can be a benchmark for the government to change and improve the Raskin program for the better in order to create the desired impact.

1.6 Paper Proceedings

This paper is organized as follows. Section II provides a brief literature review. Section III describes an overview of the theoretical framework. Section IV describes the data, methodology, and regression result. Section V presents the conclusion and policy recommendation.

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CHAPTER II: LITERATURE REVIEW

Basically, the occurrence of price subsidies on an item will greatly affect household expenditure. Price changes that occur will make affected households rearrange the allocation of funds owned because the funds they have are limited. The resulting effect can certainly produce positive effects as well as negative effects. As well as subsidies on rice prices in Indonesia or better known as the Raskin program also brings its own benefits to household expenditures affected by the program.

Stated by Djamaluddin (2015), the government can improve household welfare by providing price subsidies for goods. By subsidizing an item such as rice, households can reduce the burden of expenditure because the household buys rice at a subsidized price which is cheaper than the price available in the market. This does not happen if the subsidy provided in the form of cash, which is the burden of the household will increase due to buying rice at market prices although at the same time the income obtained by the household also increases.

Pangaribowo (2012) conducted a study on the impact of the Raskin program on household consumption. It was revealed that Raskin program can increase the consumption of poor households in foods rich in nutrients such as animal-sourced foods. This is because households that receive the Raskin program have additional resources in this case income that gives the household the opportunity to allocate it to

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things that have high investment value for them such as foods rich in nutrition and spending on health and education.

The same was also found by Muslimah & Sastiono (2019) who conducted a study on the impact of rice price subsidies on the Raskin program on household nutrition intake. The results found showed that with the occurrence of discounts or subsidies on the price of rice will increase the calorie consumption of some food commodities which will increase the nutrients consumed by the household. In another study, Tabor & Sawit (2001) which discussed the impact of rice subsidies in Indonesia, through the macroeconomic point of view of the Raskin program run in Indonesia provides access to poor households who are recipients of assistance to increase their consumption, either by increasing the consumption of rice itself or other foods. Both results above support the results found by Pangaribowo (2012) where funds that should be spent on rice consumption will previously be allocated to consume other foods.

Another study conducted by Sasongko (2009) on the relationship between Raskin program and expenditure for household consumption showed that the Raskin program that subsidizes rice prices will have a negative impact on household spending in the Madura cultural region sample. This negative effect shows that the more rice a poor family receives, the smaller the consumption expenditure of a poor family. Although it got results that are different from the study conducted (Muslimah & Sastiono, 2019; Pangaribowo, 2012), but the purpose of the Raskin program itself has