Briefing

Understanding the impact of cash transfers: the evidence

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This policy brief summarises the findings of a rigorous review of the evidence on the impacts of cash transfers on individuals and households, covering literature spanning 15 years (2000–2015) (Bastagli et al., 2016). This review is distinct from other cash transfer reviews in terms of the methods used, the breadth of the evidence synthesised, and a focus on programme design and implementation features.

Key Findings

The impacts of cash transfers on individual- and household-level outcomes:

- Monetary poverty: Cash transfers reduce monetary poverty.
- Education: Cash transfers raise school attendance, but do not always lead to improved learning.
- Health and nutrition: Cash transfers stimulate health service use and improve dietary diversity, but there is less evidence that they affect the height and weight of children.
- Savings and investment: Cash transfers can help foster beneficiaries' economic autonomy.
- Employment: Cash transfers are associated with a reduction in child labour. Most show either no effect or a positive effect on adults working.
- Empowerment: Cash transfers increase women's decision-making power and choices, but do not always reduce emotional abuse.

The role of cash transfer design and implementation features:

- Core design features: There is a strong evidence base showing that the size of the transfer and duration of its receipt play a role in supporting progress towards intended outcomes.
- Conditionality: Including an element of conditionality (in terms of health and education service use) can, but does not necessarily, lead to greater impacts in these areas; clear communication about the importance of using services is an element of conditionality clearly associated with greater service uptake.
- Payment mechanisms: A limited evidence base shows that different payment mechanisms can be linked to different outcomes.
- Complementary interventions and supply-side services: Complementary interventions and supply-side services can strengthen the impacts of cash transfers.

The review

In recent years, cash transfers have been increasingly adopted as key elements of national poverty reduction and social protection strategies. Today, 130 low- and middle-income countries implement at least one non-contributory unconditional cash transfer (UCT) programme, including poverty-targeted transfers and old-age pensions. Such schemes are increasingly popular in sub-Saharan Africa, where 40 out of 48 countries now have a UCT programme – double the number in 2010. In addition, 63 countries globally have at least one conditional cash transfer (CCT) programme – up from 2 countries in 1997 and 27 countries in 2008 (Honorati et al., 2015).

The review focused on tax- or donor-financed non-contributory monetary transfers to individuals and households, including social assistance UCTs, CCTs, social pensions and enterprise grants. Contributory cash transfers such as contributory old-age pensions and unemployment benefits were not included, nor were private transfers. The review retrieved, assessed and synthesised evidence on the following.

i. The impacts of cash transfers on: monetary poverty; education; health and nutrition; savings; investment and production; employment and empowerment.

ii. Links between variations in design and implementation features and programme outcomes, taking into account: core design parameters (main recipient, timing, frequency and duration of transfer, and transfer value); conditionality; targeting; payment mechanism; grievance mechanisms and programme governance; and complementary interventions and supply-side services.[1]

Evidence was extracted from 165 studies, covering 56 cash transfer programmes in low- and middle-income countries, for selected indicators in each outcome area (see Table 1).[2] The studies reported findings on outcomes at the individual or household level. They also met other requirements of the review, including on methodological rigour. For studies employing counterfactual analysis,[3] the information extracted included the following:

- whether cash transfer receipt was associated with an increase or decrease in the relevant outcome indicator for beneficiaries
- the size of the effect
- whether the finding was statistically significant.

An accompanying document, the annotated bibliography (Harman et al., 2016), provides detailed information on the studies reviewed.

Table 1. Cash transfers review: outcomes and the indicators included in this review

Outcomes	Indicators covered by the review						
Monetary poverty	Total household expenditure	Food expenditure	Poverty headcount	Poverty gap	Squared poverty gap		
Education	Attendance	Maths test scores	Language test scores	Composite test scores	Cognitive development		
Health and nutrition	Use of health services	Dietary diversity	Child stunting	Child wasting	Child underweight		
Savings, investment and production	Household savings	Borrowing	Agricultural productive assets	Agricultural input expenditure	Livestock ownership	Involvement in business and enterprise	
Employment	Adult labour force participation	Child labour participation	Adult labour intensity	Child labour intensity	Adult labour participation and intensity by sector	Child labour participation and intensity by sector	Migration
Empowerment	Sexual abuse by male partner	Non-sexual abuse by male partner	Women's decision-making power	Marriage	Fertility	Use of contraception	Multiple sexual partners

Research findings

1. Monetary poverty

There is strong evidence that cash transfers are associated with reductions in monetary poverty. The evidence consistently showed an increase in total expenditure and food expenditure and a reduction in poverty measures.

About three-quarters of studies for this outcome area reported statistically significant effects. The vast majority of studies with statistically significant findings reported increases in total expenditure (25/26 studies), increases in food expenditure (22/24) and reductions in poverty indicators (5/6). However, while cash transfers were shown to mostly increase total expenditure and food expenditure, this did not translate into reduced poverty rates in all cases. While almost all statistically significant studies considering poverty indicators pointed to a reduction in poverty, about a third did not find a statistically significant impact (3/9). This was possibly because transfer levels were not high enough and / or the transfer was not received for a long enough period of time.

2. Education

Cash transfers lead to an increase in school attendance, but do not always lead to improved learning outcomes.

The review found 20 studies on school attendance, of which 13 reported significant impacts, consistently pointing to increases in attendance and a reduction in absence (12/13 studies). However, more regular school attendance does not guarantee better long-term learning outcomes, as measured through test scores. Of five studies looking at the impact of cash transfers on test scores, no significant results were found on maths and composite test scores (0/5), while mixed results were reported on language test scores (one increase, one decrease). At the same time, however, the evidence suggests that cash transfers have statistically significant and positive effects on cognitive development test scores (3/5). The evidence on learning outcomes points to the role of quality of services in mediating cash transfer impacts. This underscores how important it is to invest in the quality of schooling in order to achieve longer-term education impacts.

3. Health and nutrition

Cash transfers play an important role in improving the use of health services and increasing dietary diversity, but there is less evidence showing that they affect the height and weight of children.

Evidence of the effects of cash transfers on the three health and nutrition indicators – health service use, dietary diversity and anthropometric measures (child height and weight) – consistently showed improvements. The review highlighted the greater proportion of significant results for health service use (10/15 studies) and dietary diversity (7/12) and a much lower proportion for anthropometric measures (e.g. 1/8 studies for underweight). The limited evidence on improvements in anthropometric measures probably reflects the fact that achieving optimal child growth depends on a wider range of variables than simply increasing attendance at health clinics or increasing the range of foods eaten.

The evidence indicates that cash transfers played an important role in improving health and intermediary nutrition outcomes. However, changes in design or implementation features (including complementary actions to support the provision and quality of supply-side services) may be required to achieve greater and more consistent impacts on longer-term health measures and to prevent malnutrition.

4. Savings, investment and production

Cash transfers can play a role in fostering beneficiaries' economic autonomy and self-sufficiency.

There is robust evidence that cash transfers increase beneficiaries' savings, investment in livestock and, to a lesser extent, agricultural assets.

Overall, the impacts of cash transfers on livestock ownership/purchase (12/12 studies), agricultural productive assets (3/4), purchase/use of agricultural inputs (6/7) and savings (5/5) were consistent; almost all statistically significant findings showed an increase, although not for all programmes or for all types of livestock, assets and inputs. Impacts were particularly strong for fertiliser, seeds and small livestock. On the other hand, impacts on borrowing and involvement in business/enterprise were less clear-cut, showing increases and decreases.

5. Employment

5.1 Adults' work

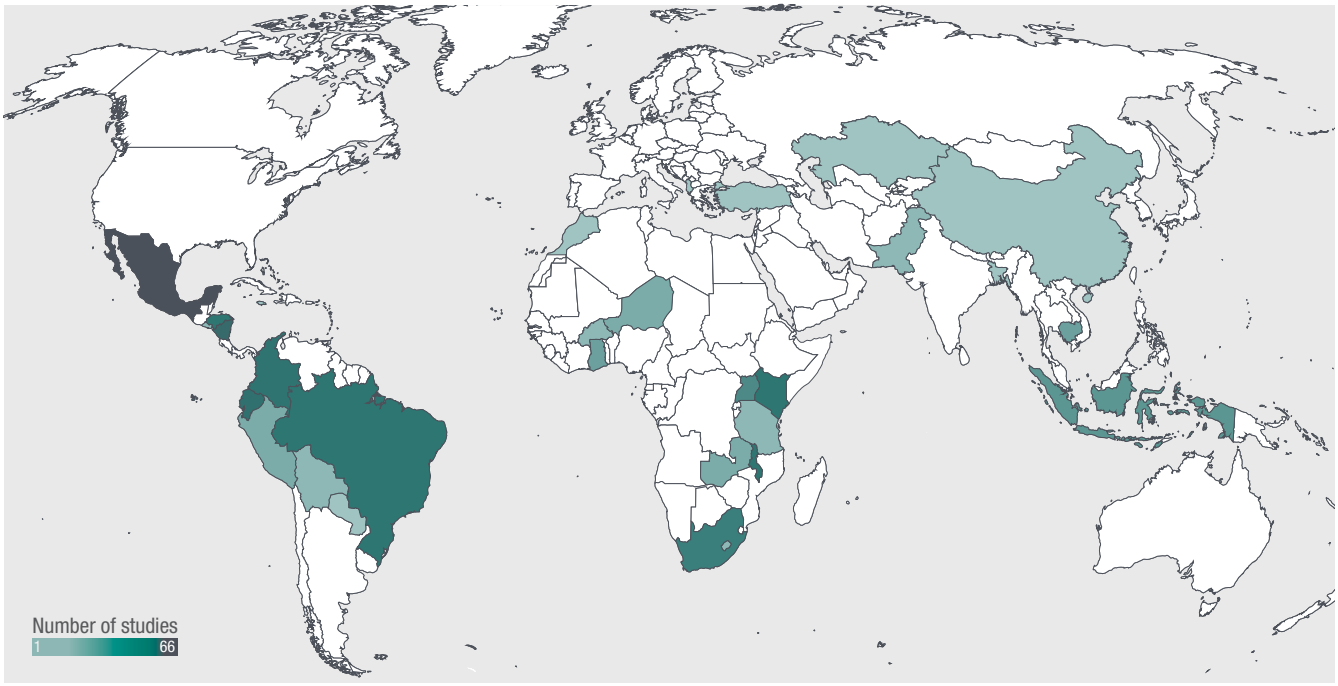
There is limited evidence that cash transfers lead to adults working less.

The evidence does not suggest that cash transfers generate work disincentives. For more than half of the indicators measured in this outcome area, employment outcomes were not affected by receipt of the transfer (e.g. 9/14 studies for adults' work participation find statistically non-significant results). Most of the studies reporting a significant effect on adults of working age found an increase in work participation (3/4 studies) and intensity (3/5). Where a reduction in work participation or work intensity was reported, this tended to involve the elderly and those caring for dependents, or reflected reductions in casual work.

5.2 Children's work

There is strong evidence that cash transfers are associated with a decrease in child labour.

Geographical focus of cash transfer programmes: where does the evidence come from?



All studies with significant findings showed that cash transfers reduce the prevalence of child labour as well as the hours worked by children who were employed, though a greater proportion of significant effects are found for hours worked (5/5 studies) than for prevalence (8/19). This overall finding is consistent with findings on education, which showed increases in school attendance. However, it should be noted that most of this evidence is drawn from Latin America; none of the studies of programmes in sub-Saharan Africa found a statistically significant impact on child labour.

6. Empowerment

Cash transfers increase women's decision-making power and choices, but do not always reduce emotional abuse.

The evidence shows that cash transfers reduce physical abuse of women (6/6 studies with significant findings) and increase their decision-making power (5/6 studies with significant findings). However, two studies show that in some instances, cash transfers can increase emotional abuse or controlling behaviour (2/6 with significant findings).

Generally, there is an improvement in other empowerment indicators, particularly on women's choices as to marriage, lower fertility and engagement in sexual activity. This suggests that the cash transfers help ease the constraints that drive these behaviours. As such, there is little evidence for concerns that cash transfers incentivise higher fertility. In the case of men and boys, some of the evidence suggests that cash transfers do not always have the same effect of reducing risky sexual activity and may actually lead to an increase in this type of behaviour.

* * *

The review also considered the role that design and implementation features play in mediating impacts on the six outcome areas. No relevant studies were found on grievance mechanisms and only one was found on targeting mechanisms, which is not discussed here.

7. Core design features

The design of core transfer features – particularly the size of the transfer and the duration of its receipt – is crucial to achieving greater impacts.

The evidence highlights how variations in the size of the transfer have significant impacts on outcomes. For most outcome areas, higher transfer levels are associated with achieving intended effects (e.g. supporting savings and investments in productive assets or incentivising safe sex among women). However, one study found unintended impacts around the empowerment outcome: the higher transfer levels of Mexico's Oportunidades programme were, under certain circumstances, associated with increased likelihood of physical abuse. The study's author attributed this to male resentment of their wife's increased contribution to household income (Angelucci, 2008).

While drawing on just three studies, the evidence suggests that the timing and frequency of transfers can also have an important influence on outcomes. For example, one study of Kenya's GiveDirectly cash transfer experiment showed that beneficiaries receiving lump sum transfers bought larger assets than those receiving smaller monthly payments (Haushofer and Shapiro, 2013).

There is also strong evidence showing improvements in outcomes arising from the longer duration of receipt of cash transfers, including in health, nutrition and child growth outcomes, decreased likelihood of early marriage and pregnancy, and greater likelihood of contraceptive use. However, the evidence on impacts on work participation and intensity is mixed.

Finally, one might expect differences in outcomes depending on the sex of the main recipient. However, of the five studies that considered this, for most of the indicators there were no statistically significant differences when the main recipient was a woman (4/5 studies).

8. Conditionality

Including an element of conditionality (in terms of health and education service use) can, but does not necessarily, lead to greater impacts in these areas; clear communication about the importance of using services and related support is associated with greater service uptake.

Of the eight studies directly comparing a CCT to a UCT, six found greater impacts for education and health and nutrition outcomes for CCTs and/or significant impacts for CCTs where they are not significant for UCTs (four of these differences are statistically significant). As such, there is some evidence that making transfers conditional on certain behaviours or actions can improve outcomes relating to those conditions. It was not always possible to disentangle which aspect of the conditionality was driving results; however, some studies highlight how 'labelling' transfers by encouraging certain behaviours, beneficiaries' perceptions of intended objectives of the transfer and supporting service use are associated with intended outcomes in terms of increased service use.

9. Payment mechanisms

The payment mechanism can affect outcomes, though not necessarily those intended by policy-makers.

Paying transfers electronically has obvious advantages in terms of cost and convenience. Policy-makers may also opt for this delivery mechanism to incentivise saving behaviour. Two studies of the same programme found that the payment mechanism did not affect selected indicators for savings. However, one study highlighted how beneficiaries of the Zap Mobile Cash Transfer Programme in Niger that received electronic payment had statistically significant higher levels of dietary diversity and grew different kinds of crops than those receiving cash payments (Aker et al., 2014).

10. Complementary interventions and supply-side services

Complementary interventions and supply-side services can strengthen the impacts of cash transfers.

Nine studies showed that supplementing cash transfers with appropriate training, grants or products can strengthen the intended impacts of the programme. This is seen most clearly for the savings, investment and production outcome area, but also for health. For example, beneficiaries receiving a productive business grant in addition to a CCT in Nicaragua saw a considerably higher significant effect on non-agricultural self-employment (Macours et al., 2012). At the same time, supply-side barriers such as low-quality schooling and inadequate health services were among the most widely cited reasons for lack of impacts on the health and education indicators reviewed.

The evidence also reveals unanticipated negative impacts from complementary interventions. Examples include the increase in work outside the agricultural sector among children in households that received a productive investment grant in addition to a basic cash transfer (Del Carpio, 2008), and the rise in controlling behaviour by a male partner who participated in group training provided by the programme but was not the main beneficiary (Blattman et al., 2015).

Conclusions

Overall, the evidence confirms that cash transfers can be a powerful policy instrument and highlights the range of potential benefits for beneficiaries. The vast majority of studies reporting statistically significant results showed that cash transfers contribute to delivering the outcomes that policy-makers intend to achieve. This finding is particularly impressive given its consistency across the critical outcome areas and high number of indicators covered by this review.

The review also uncovered a number of studies that find no statistically significant effect of transfers on the indicators reviewed, as well as some studies that flag unintended effects. The review highlights how these effects vary depending on the underlying indicator and on factors linked to programme design and implementation features.

Clear and significant impacts are especially well-documented for intended first and second order outcomes that one might expect to see in the short or medium term, such as expenditure on food and other household items, access to schooling or use of health services. Furthermore, cash transfers are shown to impact on a range of outcomes simultaneously – for instance, higher rates of school attendance are consistently accompanied by a reduction in child labour.

There is also robust evidence that cash transfers can impact on first-order indicators that are generally not the immediate focus of a programme, such as savings and productive investments. Positive impacts on investment in livestock and agricultural inputs are consistently found across CCTs in Latin America and UCTs in sub-Saharan Africa. This suggests that cash transfers not only play a role in reducing poverty by redistributing resources to the poor, but can also foster greater economic autonomy and self-sufficiency.

The review has highlighted that the evidence on cash transfer impacts is less strong regarding third-order outcomes (in direct, long-term outcomes). This is particularly evident for human development outcomes – i.e. health and nutrition, and education. This is partly due to the nature of these indicators; they may require longer periods for impacts to become manifest, which can make it difficult for evaluations to capture such effects. Crucially, however, these outcomes also depend on a variety of mediating factors, including service quality and availability, prevailing social norms, and parents' human capital.

The review also investigated the potential unintended effects of cash transfers, as reflected in the summary findings in the previous section. Two results are worth mentioning here: (1) the potential for cash transfers to generate work disincentives and be associated with a reduction in labour supply and work effort among working-age adults, and (2) the potential for cash transfers (especially those targeting households with children) to be associated with an increase in fertility. Interestingly, as already discussed, the evidence does not support these concerns.

By retrieving, assessing and synthesising the literature on cash transfers over the past 15 years, this review contributes to the growing evidence base on the impacts of cash transfers and provides additional insights into how they work. It is hoped that policy analysts and policy-makers will find this report and the accompanying bibliography useful for informing discussions and further policy analysis.

Notes

1. This review found no studies considering the role played by grievance mechanisms and programme governance in shaping outcomes. While there is a large evidence base considering the effectiveness of targeting, we only found one study considering the impacts of different targeting mechanisms on outcomes, which is discussed in the full report.

2. This briefing reports the results at the highest level of aggregation reported by studies. A separate briefing examines the evidence of the effects of cash transfers disaggregated by gender, with a focus on results reported for women and girls.

3. Such studies use rigorous methods to estimate the effects of a transfer on beneficiary outcomes.

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