GENDER INNOVATION LAB

Policy Brief Issue 21

# ARE CASH TRANSFERS BETTER CHUNKY OR SMOOTH?

## EVIDENCE FROM AN IMPACT EVALUATION OF A CASH TRANSFER PROGRAM IN NORTHERN NIGERIA

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## KEY MESSAGES

- **Women receiving unconditional cash transfers in northern Nigeria worked more, particularly, in their own businesses, spent more on consumption, were more food secure, saved more, bought more animals and improved their housing compared to the women in the control group.** For example, females in the treatment group that received cash transfers were 14% more likely to participate in the labor force than the control group measured a few months after the last payments were made.
- **Quarterly transfers cost half as much as monthly transfers to administer, but there is no difference in outcomes.** Women were randomly assigned to receive the same total cash amount in 15 monthly installments or 5 quarterly installments. There is no statistical difference in consumption, investment, labor force participation or other key outcomes between women receiving monthly or quarterly installments.
- **Women's ability to control the cash transfers is the same under a quarterly payment scheme and monthly payment scheme.** The proportion of the cash retained by the female recipient herself wasn't affected by the structure of the transfer, except for a small proportion of households where the quarterly recipients transferred slightly more to their husbands in the event that he temporarily migrated for work.
- **Women use cash transfers to increase investment in their own business activities.** Cash transfer recipients were not only more likely to be involved in their own non-farm business but they also spent more on business inputs and increased their business profits. Their husbands remained active farmers and didn't change their business activities.

### GENDER INNOVATION LAB

The Gender Innovation Lab (GIL) conducts impact evaluations of development interventions in Sub-Saharan Africa, seeking to generate evidence on how to close the gender gap in earnings, productivity, assets and agency. The GIL team is currently working on over 50 impact evaluations in 21 countries with the aim of building an evidence base with lessons for the region.

The impact objective of GIL is increasing take-up of effective policies by governments, development organizations and the private sector in order to address the underlying causes of gender inequality in Africa, particularly in terms of women's economic and social empowerment. The lab aims to do this by producing and delivering a new body of evidence and developing a compelling narrative, geared towards policymakers, on what works and what does not work in promoting gender equality.

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Unconditional cash transfers are gaining popularity as an effective tool to foster economic development. A substantial body of research has emerged to provide evidence-based guidance to policymakers on how to optimally design cash transfer features such as transfer size, timing, frequency and the choice of the main recipient.[1]

One common empirical finding is that women recipients are more likely to favor food and child-oriented expenditures compared to men.[2] However, a woman's ability to control and handle the money may depend on how large the payment is or when the payment is made.[3] The structure of the transfers may matter: for example, smaller and more regular transfers may help smooth consumption and may be easier to hide from others while larger and less frequent transfers may encourage investment and may be more visible to others. Larger and less frequent transfers would have lower administrative overhead for the implementer, but might be ineffective if households have highly irregular incomes or face serious food insecurity.

We set out to test these assumptions with an impact evaluation of a cash transfer program in northern Nigeria that varied disbursement structure.

## SO WHAT TO DO ABOUT IT?

The World Bank's Africa Gender Innovation Lab, in collaboration with Catholic Relief Services (CRS), conducted an experiment that varied the size and frequency of unconditional cash transfers delivered to approximately 1,200 ultra-poor households in two local government areas of Kebbi state in northwest Nigeria bordering Niger and Benin. A total of 75,000 Nigerian Naira (roughly USD 693 PPP)[4] were transferred over fifteen months to the female primary decision maker in selected households by CRS through the USAID-funded Feed the Future Nigeria Livelihoods Project (FtFNLP).[5]

## HERE'S WHAT WE DID

Baseline data was collected from 2,500 ultra-poor households between April and June 2015. The households were identified through a community-based poverty assessment validated by a Progress Out of Poverty Index (PPI) survey. In public lottery ceremonies, about ¼ of these ultra-poor households were randomly assigned to receive 5,000 Naira cash every month for 15 months, another ¼ were assigned to receive 15,000 Naira cash every quarter (5 installments over 15 months). The remaining ½ of the households received no cash transfers. Disbursement started in September 2015 to both monthly and quarterly treatment households and by March 2017 all recipient households had received 71,500 Naira in total.[6]

## CASH TRANSFER PROGRAM TIMELIME

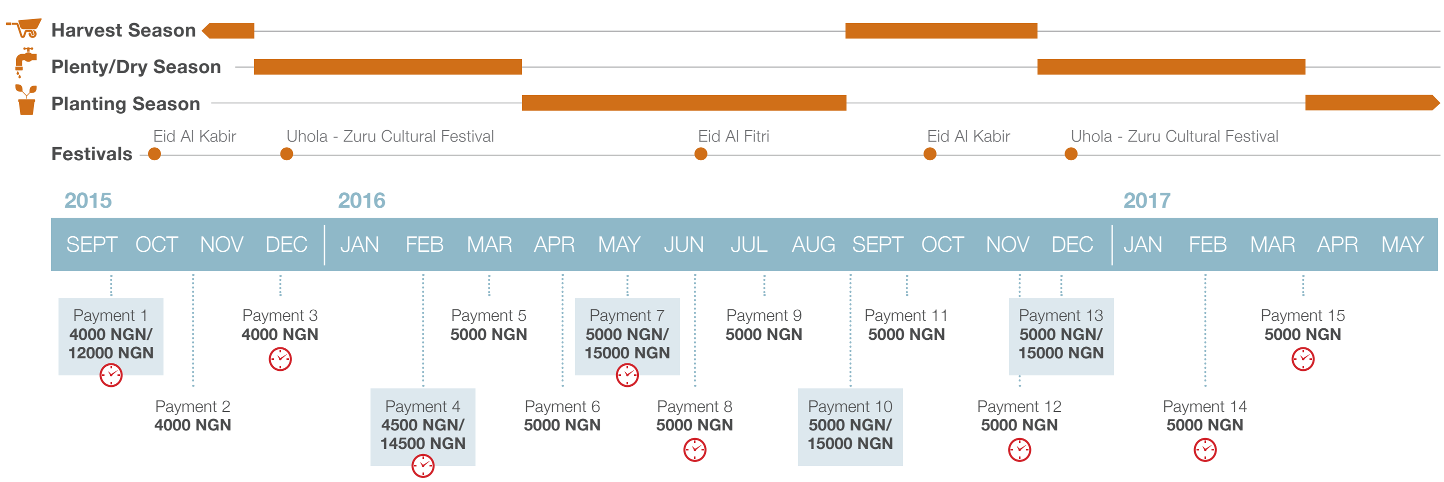


**Figure 1** = quarterly payments were made = delays to payments

1 See ODI report: "Cash transfers: what does the evidence say?" (2016) for a good analysis of the cash transfers literature and how it fits with program design.
2 For a systematic review of the evidence see Yoong et al. (2012).
3 In the Philippines, Ashraf (2009) find that people allocate resources differently when they are more visible to others.
4 1 USD = 108.23 Naira at 2015 purchasing power parity for private consumption. Source: World Bank.
5 FtFNLP is an agriculture-led project in rural communities of northern Nigeria's Sokoto and Kebbi states, and the Federal Capital Territory. It aims to help 42,000 poor households improve agriculture production, income, and child nutrition.
6 3,500 Naira were deducted over the first few payments to recover the cost of a mobile phone provided to cash transfer recipient households to facilitate mobile payments.

We collected two rounds of follow-up data: in November 2016 (about 12 months into the program) and again in April 2017 (shortly after the last transfers were completed). The follow-up surveys were collected from both female and male decision makers in the household. In this policy note we discuss the immediate impacts on households that were offered cash transfers compared to the households who did not receive cash transfers.

## HERE'S WHAT WE FOUND

Households in the study were in rural farming communities, with 90% of men engaged in agriculture or animal production. At baseline, women were primarily engaged in household work or childcare, with only 36% engaged in farming, 10% in business and 5% employed in wage labor. In-line with the program's targeting criteria, 92% of the households earned less than the USD 1.90/day poverty line and the remaining households only slightly more. Approximately one fourth of the households were in polygamous marriages and most households practiced Islam.

### SHARING OF THE CASH TRANSFER

The primary female decision maker in the household collected the cash transfer, usually at the village chief's palace, using an identification card. The cash transfers in FtFNLP did not come with conditions but since households were told by traditional leaders that the money was for the female, the content during the sensitization campaign could have influenced the female's ability to keep more of the cash. Since the payments were made in a common area in each village, the amount and timing of the cash transfer were likely to be known by the woman's household and to others in the village. Figure 2 shows the average proportion of the cash transfer that the female recipient kept herself (54%) and the proportion transferred to other people in and out of her home.

Receiving transfers monthly or quarterly made no significant difference in the proportion of the transfer retained by the women recipients. However, in the 5% of households where the husband temporarily migrated for work, women receiving quarterly transfers shared a slightly higher proportion of the cash transfer with her husband. A larger quarterly payment could make the female feel more obligated to share a higher proportion with others to deal with one-off shocks since she has a higher capacity to help.

### SHARING OF THE CASH TRANSFER BY THE FEMALE RECIPIENT

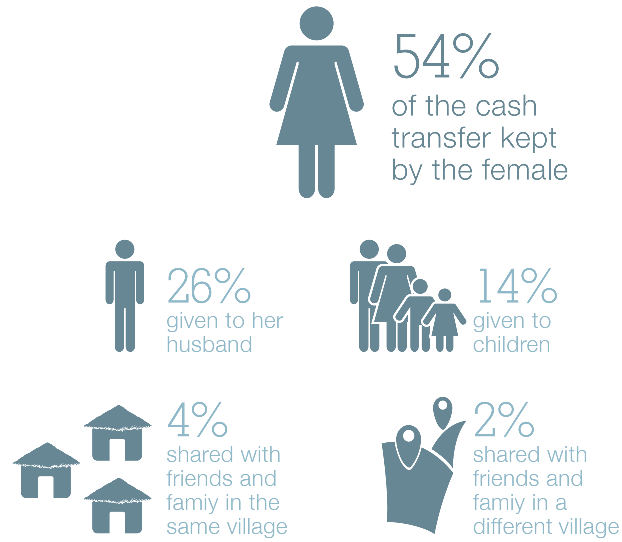


**Figure 2**

### IMPACTS OF THE CASH TRANSFER

The impacts of receiving a cash transfer on consumption, investment, well-being and production outcomes are presented below. These impacts are based on data reported by the primary female decision maker in the household[7].

**CONSUMPTION AND INVESTMENT:** Daily per capita adult-equivalent consumption is approximately 25% higher for households that received cash transfers.[8] Food security and dietary diversity of cash transfer households also increased significantly. The consumption and nutrition impacts did not change substantially between the two rounds of follow-up data collection. After all the cash transfers were received, the value of animal stock owned by recipients was one and a half times the non-recipients and the value of household assets was about 30% higher. Women recipients most often purchased small animals like goats, sheep and chicken. This may be because these were all that she could afford with the amount of the cash transfer. However, it is also possible that the purchase of small animals offers an easy way to liquidate cash transfers that could eventually be used as a savings mechanism in times of need. Only 30% of women reported being involved in farming at follow-up,

7 The impacts on food and total expenditure outcomes reported by the primary male decision maker in dual-adult households do not statistically differ from the impact reported by the female.

8 The impacts on consumption and investment are calculated using ANCOVA estimation with single baseline and 2 follow-up surveys.

and there is no change in expenditures on farming assets by women nor by their husbands who were much more active in farming. Cash transfer recipient households spent more on children's clothing and health care than non-recipient households did but there were no differences in spending on school fees. Cash transfers were not spent on "temptation goods" like cigarettes and alcohol.

**FEMALE WELL-BEING AND BARGAINING POWER:** Receiving cash transfers boosted recipients self-reported happiness and life satisfaction. However, once the cash transfers ceased, the differences in happiness between recipients and non-recipients disappeared. Cash recipients also spent a significantly higher amount on festivals and celebrations, which may help bolster their position in the community and grow their social capital. However, we found no conclusive evidence that a female's bargaining power changed from receiving a cash transfer. We measured this by comparing the amount she could give a close relative with and without consulting her husband.

**PRODUCTION:** Cash transfers significantly impact female employment, increasing the likelihood of being economically active by 14%. Women receiving cash transfers are 11% more likely to work in a nonfarm business, they purchase twice as much raw material for their businesses and their business profits are 80% higher. These women are most commonly engaged in petty trading, rice crop-processing and frying cakes for sale. Men largely continue to work in farming activity whether the household received a cash transfer or not.

**SMOOTH-MONTHLY VS. CHUNKY-QUARTERLY:** Receiving cash transfers monthly or quarterly made no statistically significant difference on the impacts of the cash transfer.[9] The only potential difference is the timing of acquiring animals: quarterly recipients owned a higher number of animals than monthly recipients at the time of the first follow-up survey but exhibited no difference in the second follow-up survey. During focus group discussions with female cash transfer recipients, the monthly recipients alluded to needing more time to save enough to afford to buy assets whereas the quarterly recipients had more liquidity to purchase assets right away.

## POLICY IMPLICATIONS

Cash transfers offered to ultra-poor households in northwest Nigeria have an immediate positive impact on household consumption, female employment and well-being. Monthly cash transfer payments cost twice as much to deliver as quarterly payments, once all the fixed and variable costs of delivery are accounted for. Since less-frequent and larger-value transfers are just as effective as more frequent transfers, program implementers could significantly lower the cost of delivering cash transfers by transitioning to less-frequent transfers. This could potentially free up resources to increase the number of recipients or the size of the transfers.

### FOR MORE INFORMATION, PLEASE CONTACT

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9 The average length between "monthly" payments was 39 days, and "quarterly" payments was 109 days.

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