

POLICY BRIEF

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DO THE POOR WASTE CASH TRANSFERS?

EVIDENCE FROM 11 COUNTRIES SUGGESTS NO.

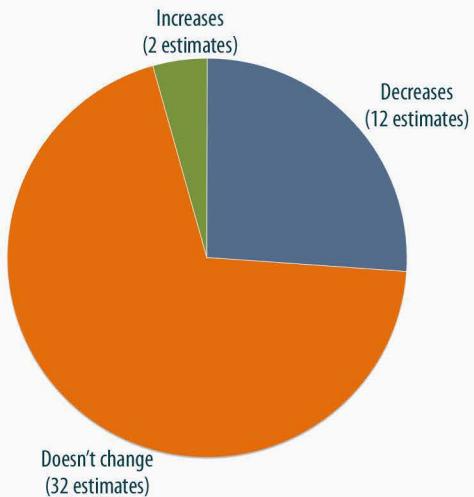
Dozens of countries have implemented cash transfer programs. In at least 20 studies, researchers have measured how people who receive the transfers spend their money. They compare that to how people who do not receive cash transfers spend their money.

Almost every study shows spending on alcohol and tobacco either decreases or doesn't change at all.

The studies include countries in Africa (Kenya, Tanzania, and Uganda), Asia (India and Indonesia), and Latin America (Brazil, Colombia, Honduras, Mexico, Nicaragua, Peru).

Of course, not all studies are equally good. Randomized trials - in which the people who receive the transfers are randomly selected so they look the same as those who are not receiving the transfers – are considered the most reliable. **When we only look at randomized trials, there is no evidence in any country that people spend more on alcohol and tobacco when they receive cash transfers.**

What happens to people's spending on alcohol and tobacco when they receive cash transfers?



* Estimates are tests of the impact of cash transfers on consumption. One study may have multiple estimates, as in for rural and for urban populations or for men and for women.

If people like alcohol and tobacco, then why aren't they buying more when they have more money? First, **the poor spend very little on alcohol and tobacco whether they receive transfers or not.** In data across 11 countries, households living on under \$1 a day tend to spend less than 3% of their income on these items.

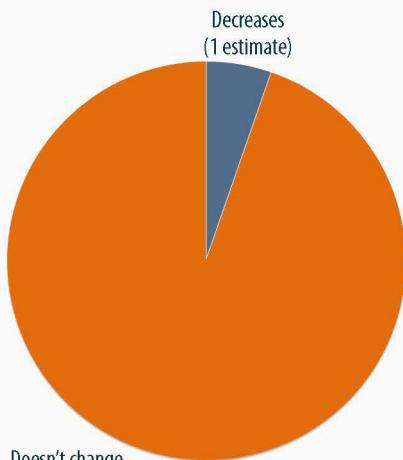
Second, **cash transfer programs tend to come with strong labeling:** Households are informed clearly that this money is intended for investments in a better life, and this likely affects spending choices.

What are the poor spending their transfers on? **Evidence shows they are spending more on health and education, and increasing general consumption.** Transfer programs in Kenya and Tanzania lead to increased livestock holdings. If the concern is that the money will be wasted, evidence from across the world demonstrates that this is not so.

This Radically Brief Policy Brief is based on the research paper "Cash Transfers and Temptation Goods: A Review of Global Evidence," Policy Research Working Paper 6886, World Bank, 2014, by David Evans and Anna Popova.

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What happens to spending on alcohol and tobacco if we only look at the best studies?



Decreases
(1 estimate)

Doesn't change
(18 estimates)

