Cash Transfers and Market Access to Increase Household Welfare in Rural Liberia and Malawi

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Sector(s): Agriculture, Finance, Social Protection

Fieldwork: Innovations for Poverty Action (IPA)

Location: Malawi and Liberia

Sample: 600 rural villages (300 in Liberia and 300 in Malawi)

Target group: Farmers

Outcome of interest: Earnings and income Market access Asset ownership Food security Gender-based violence Mental health Profits/revenues

Intervention type: Cash transfers Transportation COVID-19 response Unconditional cash transfers Vouchers

AEA RCT registration number: AEARCTR-0004869

Partner organization(s): GiveDirectly, United States Agency for International Development (USAID)

A body of research supports cash transfers as a way to improve the lives of low-income populations, but few studies have examined whether or how long their impacts last. In Liberia and Malawi, researchers partnered with Innovations for Poverty Action, GiveDirectly, and USAID to evaluate the impact of an unconditional cash transfer and market access program on food security, spending, income, resilience to health shocks, intimate partner violence, and psychological well-being. In both countries, cash transfers led to long-term increases in food security, psychological well-being, and resilience.

A growing body of evidence suggests that cash transfers can substantially improve the lives of low-income populations. However, it is unclear how long the impacts of cash transfers last, or if impacts last at all. Unconditional cash transfers are often delivered as one-time payments, which requires recipients to make productive investments in order to fully benefit from and make long-lasting use of these payments. Cash transfer recipients may instead spend the money on immediate expenses, or they may lack opportunities to make productive investments. Can unconditional cash transfers have persisting effects on various dimensions of household welfare, including food security, spending, income, and intimate partner violence?

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Both Liberia and Malawi are low-income countries with high rates of poverty. In 2016, 50.9 percent of Liberia’s population lived below the national poverty line,[1] while 50.7 percent of the population of Malawi lived below the national poverty line in 2019.[2] The unconditional cash transfer program was implemented in rural Liberian villages with fewer than 125 households and Malawian villages with fewer than 100 households. Researchers contacted individuals in households with an average education level of less than five years, and the average household size was around four to five members.

Market transaction in rural Malawi

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Researchers partnered with Innovations for Poverty Action, GiveDirectly, and USAID to conduct a randomized evaluation to measure the impact of an unconditional cash transfer and market access program on a set of outcomes including food security, spending, income, resilience to health shocks, intimate partner violence against women, and psychological well-being. In both Malawi and Liberia, GiveDirectly provided an unconditional cash transfer to households through mobile money.

The 600 villages in the study (300 in Liberia and 300 in Malawi) were randomly assigned to one of two groups:

1. *Cash recipient group* (150 villages each in Liberia and Malawi): These households received cash transfers via a mobile money platform. Researchers randomly sorted these villages into three groups to receive varying amounts of cash—US$250, US$500, or US$750—to examine the effects of different transfer amounts on a set of outcomes. Each

household chose one member to receive the payment. This member had to be home when researchers were enrolling households, so a majority of recipients were women.

2. *Comparison group* (150 villages each in Liberia and Malawi): Households in this group were not offered cash transfers.

Researchers conducted an initial survey between November and December 2018 (for phase 1) and November to December 2019 (for phase 2) in Liberia, and April to July 2019 in Malawi. In addition, 600 households in each country were enrolled in a high-frequency phone survey to allow researchers to better assess the dynamic impacts of the cash transfers over time.

In addition, researchers collected data on the prices of food items in 95 markets in Malawi and eighty markets in Liberia, divided between areas that received cash transfers and those that did not, to estimate the effect of cash transfers on the prices of goods in different localities.

In both Liberia and Malawi, households that received cash transfers experienced lasting increases in food security, psychological well-being, and resilience to health shocks. Food security persisted despite no lasting increases in food expenditures.

Food security: Among households that received cash transfers of any size, food security increased, with higher levels of food security linked to higher amounts of cash transferred. Researchers used information on dietary diversity, food consumption, and hunger to construct a food security index (FSI) for individual households. In Malawi, FSI scores rose by 0.5 standard deviations in the first six months, before eventually falling to 0.12 after about two years. In Liberia, FSI scores rose by 0.25-0.4 standard deviations in the first six months, with impacts persisting over two years. In both countries, increases in food security for households lasted despite their not spending additional money on food or making more non-agricultural income after two years. These results suggest that in Malawi and Liberia, cash transfers may lead to long-term increases in food security, possibly due to increases in agricultural output or investments in productive assets.

Agricultural output and investments: Because there were no lasting impacts of the cash transfers on food expenditures and no impacts on income, increases in food security might have come from households increasing agricultural output or investing in productive assets instead. Indeed, households in the cash recipient group in both Malawi and Liberia purchased more farm tools and increased the value and output of their crops. In Malawi only, households also increased ownership of livestock by US$11, or 22 percent more than the comparison group average of US$49.

Intimate partner violence (IPV): In Liberia, women in the cash recipient group experienced an 8 percentage point reduction in IPV, or a 21 percent reduction relative to an incidence rate of 38 percent in the comparison group. However, women in Malawi did not see similar effects of the cash transfer. This difference is possibly because IPV was more common in Liberia at the onset of the intervention.

Psychological well-being and resilience: In both Liberia and Malawi, psychological well-being and self-reported resilience to health shocks improved on average in households that received cash transfers. However, impacts generally increased as the size of the transfer grew. Some groups of households in both Malawi and Liberia did not experience improved well-being or resilience, and there was no clear relationship between the amount of cash transferred and the size of these impacts.

Local prices of goods: Cash transfers did not lead to increases in prices of staple grains and vegetables in nearby or more distant markets. However, researchers designed the intervention to have minimal impact on demand and prices. No more than 7-13 percent of the population in any market area received cash transfers.

Transfers to non-recipients: The intervention did not lead households in the cash recipient group to share their transfers with non-recipients, even immediately after transfers were made to households in the cash recipient group.

1. World Bank Poverty and Inequality Platform: Liberia. https://pip.worldbank.org/country-profiles/LBR
2. World Bank Poverty and Inequality Platform: Malawi. https://pip.worldbank.org/country-profiles/MWI