The Impact of Cash Transfers and Psychotherapy on Well-being in Kenya

Researchers:

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Sector(s): Health, Social Protection

Fieldwork: Busara Center for Behavioral Economics

Location: Nakuru County, Central Kenya

Sample: 5,756 households

Target group: Health care providers Rural population Adults Families and households

Outcome of interest: Earnings and income Social service delivery Asset ownership Consumption smoothing Food security Health outcomes Mental health

Intervention type: Health care delivery Social protection Community health workers Unconditional cash transfers Psychosocial support

AEA RCT registration number: AEARCTR-0003928

Poverty and poor mental health may mutually reinforce each other, creating a cycle that is difficult to break. Researchers conducted a randomized evaluation to test the impact of unconditional cash transfers, a psychotherapy program, and their combination on psychological and economic well-being in rural Kenya. One year after the interventions, cash transfers improved both economic outcomes and psychological well-being, while the psychotherapy program had no measurable positive effects on either outcome. The combined intervention produced effects similar to cash transfers alone.

Policy issue

Recent work in economics and psychology indicates that poverty and poor mental health may mutually reinforce each other. Financial hardship often creates stress, which may lead to mental illness over time. In turn, mental health challenges can reduce labor force participation and productivity, deepening poverty. This suggests that while individual poverty or mental health interventions may yield cross-sector benefits, integrated programs addressing both issues simultaneously might be particularly effective in breaking the cycle. Additionally, if mental health and poverty are strongly connected, interventions that address both simultaneously might be particularly effective. Can interventions targeting either poverty or mental health, or both together, improve both economic and psychological well-being?

Context of the evaluation

The evaluation was conducted in Nakuru County in Central Kenya, an area selected due to the implementing NGO already having established a presence there, as well as high levels of people living in poverty and with poor mental health. Before the study, 33 percent of the study participants were classified as experiencing psychological distress, according to the NGO's criteria.

The psychotherapy program evaluated in this study, Problem Management Plus (PM+), was run by a large international NGO that hired and trained clinical supervisors and community health assistants, who in turn trained community health workers (CHWs). The program was developed by the World Health Organization (WHO) specifically for low-resource settings. PM+ had previously shown effectiveness in improving mental health in Kenya in a study with women who had experienced gender-based violence[1].

The cash transfers were delivered by Busara Center for Behavioral Economics through M-Pesa (mobile money transfer system operated by Safaricom that allows people to deposit and withdraw money at various locations throughout Kenya). The majority of respondents had personal M-Pesa accounts, and those who did not were offered phones to set up accounts.

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Details of the intervention

Researchers partnered with a large international NGO and the Busara Center for Behavioral Economics to evaluate the impact of unconditional cash transfers, a psychotherapy program, and their combination on measures of economic and psychological well-being. First, they randomly assigned 233 villages in rural Kenya to one of four following groups and then randomly assigned 5,756 low-income households across these villages:

1. *Cash transfer Group (CT) (540 households in 60 villages):* Households were offered an unconditional cash transfer of US$1,076 purchasing power parity[2] (PPP) (US$485 nominal), corresponding to about 20 months of per capita consumption. Cash transfers were randomly delivered as a lump-sum payment or in five weekly installments.
2. *Problem Management Plus Group (PM+) (525 households in 60 villages):* Households were offered the PM+ psychotherapy intervention, which consisted of five 90-minute one-on-one sessions over five weeks delivered by community health

workers (CHWs). The program taught five strategies: problem-solving, managing stress, managing problems, behavioral activation ("get going, keep doing"), and strengthening social support.

3. *Combined Group (CT&PM+) (493 households in 53 villages):* Households were offered both the cash transfer and the PM+ intervention.
4. *Comparison Group (1,703 households in 60 villages):* Households were not offered any program.

The programs were delivered between May 2017 and January 2018 with two breaks in August and October-November 2017 due to elections. To study the effect of the program, researchers implemented a survey both before the program started (between October 2016 and March 2017) and about a year after the program ended (between August 2018 and May 2019). The surveys included questions on consumption, food security, assets, revenue, profits, labor, education, psychological well-being, and intimate partner violence.

To assess indirect and unintended effects at the village-level (spillovers), researchers also surveyed non-recipient households in areas receiving the CT-only (1,237 households) and PM+-only (1,219 households) interventions. In villages assigned to CT and CT&PM+, half of the cash transfer recipients were randomly given a lump-sum payment, while the other half received five weekly installments, allowing researchers to study how transfer frequency influences outcomes.

Results and policy lessons

One year after the interventions, cash transfers improved both economic and psychological outcomes, while the psychotherapy program had no measurable positive effects on either outcome. The effects of the combined intervention were similar to those of cash transfers alone.

Economic outcomes: The cash transfers improved economic as well as psychological wellbeing. Households who were assigned to receive a cash transfer had a 20 percent increase in monthly consumption (an increase by US$10.51 PPP compared to a comparison group mean of US$52.49 PPP), a 47 percent increase in asset holdings (an increase of US$262.06 PPP compared to a comparison group mean of US$553.16 PPP), and a 26 percent increase in household revenue (an increase by US$35.18 PPP per month compared to the comparison average of US$135.48 PPP) one year after the program ended.

The PM+ intervention did not significantly affect economic outcomes and there was no significant difference between the PM+ Group and the comparison group.

The results between the CT group households and the CT&PM+ group were very similar, with asset holdings increasing by 41 percent, and household revenue by 17 percent. However, the combined program had a measurable, but not significant impact on consumption.

Psychological well-being: Cash transfers improved an index of psychological well-being by 0.23 standard deviations. This improvement was driven by a 0.21 standard deviation increase in life satisfaction, a 0.19 standard deviation increase in happiness, and 0.16 standard deviation decreases in both perceived stress and psychological distress measured by the General Health Questionnaire-12 (a 12-item screener for general psychiatric conditions)[3]. Households who received both programs improved psychological well-being by 0.27 standard deviations, similar to the effect of cash transfers alone. However, the combined program had a larger impact on life satisfaction (0.39 standard deviations) compared to cash transfers alone (0.21 standard deviations).

In contrast, households who received only the PM+ program experienced no effect on psychological well-being. PM+ also had no effects on psychological well-being among participants who had high psychological distress before the evaluation. Since the PM+ program had previously been implemented successfully by the same NGO in Kenya, researchers assume that it may be most effective when used to address a specific problem (previously, survivors of gender-based violence were targeted), rather than

general psychological distress.

Transfer frequency: Weekly cash transfers were more effective than lump-sum transfers in improving economic outcomes. Weekly transfers increased consumption by US$14.98 PPP (28 percent) and monthly household revenue by US$51.71 PPP (39 percent), while the effect on all other outcomes were not statistically significant.

Taken together, the research showed that the PM+ treatment alone did not improve outcomes, but that cash transfers were effective in improving both economic and psychological well-being in this context.

Haushofer, Johannes, Robert Mudida, and Jeremy Shapiro. " The Comparative Impact of Cash Transfers and a Psychotherapy Program on Psychological and Economic Well-being." Working Paper February 2023. https://haushofer.ne.su.se/publications/Haushofer_Mudida_Shapiro_Cash_Therapy_2023.pdf.

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1. Bryant, Richard A, Alison Schafer, Katie S Dawson, Dorothy Anjuri, Caroline Mulili, Lincoln Ndogoni, Phiona Koyiet, Marit Sijbrandij, Jeannette Ulate, Melissa Harper Shehadeh, et al. 2017. “Effectiveness of a Brief Behavioural Intervention on Psychological Distress among Women with a History of Gender Based Violence in Urban Kenya: A Randomized Clinical Trial.” PLoS Medicine 14(8): e10023721.
2. The PPP rate for Kenya at the time of the study was 46.49.
3. Goldberg, David P, and Barry Blackwell. 1970. “Psychiatric Illness in General Practice: A Detailed Study Using a New Method of Case Identification.” British medical journal 2 (5707): 439–443.