

Su Ning Goh

ECON 406 - Policy Brief

Trade-Offs in Cash Transfer Programs: Lessons from Malawi

This policy brief draws on key findings of “Cash or Condition? Evidence from a Cash Transfer Experiment” by Baird et al. (2011).

Key Result Highlights

Conditional cash transfers (CCTs) and unconditional cash transfers (UCT) face a trade-off in socio-economic outcomes. A successful CCT program (conditioned on schooling) leads to lower school dropout rates and higher test scores, but it also implies that recipients who do not meet the conditions are cut off from financial assistance. School dropouts are more vulnerable to teenage marriage and pregnancy, which are correlated to poverty. UCTs are more effective than CCTs in reducing these rates among school dropouts.

Abstract

The research aims to determine the impact of cash transfers on the defined condition (i.e. school enrolment and attendance) and on other socio-economic outcomes (i.e. cognitive ability, marriage and pregnancy) among teenage girls in Malawi. Households were offered CCTs, UCTs or nothing, and researchers observed the girls for two years.

What's at Stake?

Young girls in Malawi face a crucial choice between staying in school and dropping out. School dropouts face socio-economic pressures to marry young and unprotected sexual activity may lead to early pregnancies. Staying in school is beneficial for these girls: with education, they have greater earning potential and understand how to better take care of their health. Later fertility is better for mother and child, and later marriage empowers women. Furthermore, having women in the workforce leads to economic growth.

Hence, for Malawi to develop, policymakers want to keep young girls in school, preventing them from early marriage and pregnancy. The question is how to achieve this: cash transfers conditional upon schooling, or with no strings attached? CCTs are widely recognized as effective in achieving changes in the condition prescribed, especially schooling in developing countries, thus becoming increasingly implemented. On the other hand, UCTs have been studied and found to be capable in achieving the same outcomes of CCTs. Hence, comparative research between these two would distinguish their effectiveness and applications, allowing policymakers to make informed decisions. Developing countries have limited resources to implement critical long-term policies. Thus, they need to determine which policy will best achieve the desired outcomes.

Research Approach

To determine the effects of conditions in cash transfers, researchers carried out a two-year long experiment in the Zomba District, covering a total of 176 subdistricts. Researchers selected these subdistricts at varying distances from city, such that they were either urban, near rural or far rural. In these subdistricts, households with girls still attending school were identified. These 2,284

schoolgirls were then divided into three groups, two treatment groups (a CCT arm and a UCT arm) and a control group (no transfers).

In the treatment groups, schoolgirls and their parents were both made offers of transfer amounts. For parents, the amount varied, but was standardized within each subdistrict. For schoolgirls, a lottery was held to determine the amount they would receive. In the CCT group, schoolgirls and their parents were briefed that transfers would be paused if monthly school attendance fell below 80%, resuming only when it passed the threshold. For the UCT group, it was made clear that households did not have to fulfill any criteria to receive transfers. The understanding of requirements in both groups was confirmed through interviews. The only difference between the two groups is the schooling condition.

Data was collected through three rounds of surveying and interviews. The aim of the first round was to gather baseline data, done through household surveys, with the information gained being used to select the participants for the experiment. Round 2 was carried out a year after the experiment began, and Round 3 at the end of the two-year intervention. Researchers used household surveys, school surveys, school ledgers, cognitive tests and interviews to collect data.

To measure schooling, researchers used surveys on households and teachers, and attendance records. Self-reporting has the potential to be unreliable, so researchers verified that schoolgirls and teachers were truthful by doing random roll calls at schools and checking school records. To ascertain if the girls were productively spending time at school, cognitive ability was measured through standardized testing of mathematics and English reading comprehension based on the Malawian school curricula, and with an adapted version of a cognitive skills test used in Indonesia.

Information about the marriage and pregnancy were obtained from the surveys. Researchers also used qualitative interviews to find out more about the participants, discussing schooling decisions, dating, and future aspirations among other topics.

Conclusions were drawn using a regression model, which identifies the strength of variables in contributing to an outcome.

Key Findings

Overall, CCTs were found to be effective in improving schooling outcomes, while UCTs were better for improving the quality of life for girls who had dropped out of school.

Under both UCTs and CCTs, dropout rates were lower compared to the control. However, girls under the CCT program were significantly less likely than their peers in the UCT program to drop out. A year after the conclusion of the program, girls who had received CCTs were still less likely to dropout, while the UCT program group was indistinguishable from the control. Researchers also found that the schooling condition was particularly effective at keeping girls in school during the toughest times (e.g. during malaria season, food droughts) in Malawi, when households were most vulnerable and needed financial assistance. Schoolgirls receiving CCTs also performed better than their peers in the UCT and control group in the standardized tests. Thus, in line with findings from previous literature, CCTs were found to be effective in improving schooling outcomes, significantly more so than UCTs.

Examination of marriage and pregnancy rates reveal the trade-off between CCTs and UCTs mentioned earlier. Marriage rates were far lower with UCTs compared to CCTs. By the end of the experiment, there was a substantial fall in pregnancy rates under UCTs. Meanwhile, CCTs demonstrated little change compared to the control group. This shows that it cannot be taken for

granted that reducing school dropout rates will automatically lead to later marriages and pregnancies – the policies to address them are distinct and mutually exclusive. Researchers found that UCTs provided dropout girls with more income, reducing the need to leave their families to find a providing husband, or making extra money through prostitution. On the other hand, CCTs do nothing to influence marriage rates. For girls who choose to stay in school, marriage is already an extremely unlikely option for their futures. For girls who intend to drop out, CCTs will no longer affect their lives since they no longer meet the condition.

The effectiveness of CCTs and UCTs ultimately depend on the composition of its recipient society. The researchers identify three types of schoolgirls: girls who would stay in school regardless of program, girls who only stay in school because of CCTs, and girls who would drop out regardless of program. It would be ideal to focus on improving school outcomes when there are many girls who would choose to stay in school. However, in a society with a high proportion of dropout-inclined girls, UCTs may be the preferable policy.

The impact of age on the transfer programs is also considered. For younger teenagers, the comparison between CCTs and UCTs largely hold. However, among schoolgirls over 16 years of age, UCTs become significantly more effective in preventing marriages and teenaged pregnancies.

The amount of cash transferred does not significantly change behavior under CCTs. However, for UCTs, school enrollment rises and marriage rates fall as the transfer amount to parents increases. Unfortunately, test scores also decline. CCTs are more cost-effective than UCTs in achieving attendance goals: the same enrolment rate would be achieved in a \$5/month CCT program and an at least \$10/month UCT program. Researchers also did not find any significant change if more money was transferred to the girl over the parents.

Policy insights or recommendations

It appears that the two main groups of outcomes critical to schoolgirls – education, and marriage and fertility – are targeted separately by CCTs and UCTs. This implies that policymakers deciding between the two need to prioritize an objective and not conflate them. The trade-off is such that choosing one policy would forgo the betterment of some group of girls, be it the eager schoolgirls, or the vulnerable dropouts. maximize the positive effect from the transfers, the policy helping the larger group should be chosen.

From a cost perspective, if the goal is to increase enrollment, CCTs are cheaper to run than UCTs, even after accounting for administrative costs. However, it should be noted that if UCTs are chosen, there is little variation in participant’s behavior as the transfer amount increases from the minimum. It also does not matter whether the transfer is made to parent or schoolgirl.

The unique context of the country should be considered when applying these policies. For instance, in Bangladesh, marriage customs dictate that the bride’s family pays a dowry to the groom’s family. Hence, while UCTs prevent Malawian girls from marrying by making them more well-off, in Bangladesh it may conversely encourage marriage.

References

Baird, S., C. McIntosh, and B. Ozler. 2011. “Cash or Condition? Evidence from a Cash Transfer Experiment.” *The Quarterly Journal of Economics* 126 (4): 1709–53.
<https://doi.org/10.1093/qje/qjr032>.