



EVALUATION OF THE EFFECT OF DIRECT CASH TRANSFER ON THE WELFARE OF CITIZENS: LESSONS FROM SELECTED DEVELOPING COUNTRIES

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Abstract:

Government direct cash transfer programmes have emerged as critical policy instruments for mitigating economic shocks and poverty in developing countries. This paper evaluates the effect of direct cash transfers on citizen welfare, drawing lessons from Brazil, India, Kenya, and Nigeria using a theory of change framework and empirical evidence. Findings reveal significant welfare improvements across all contexts. Brazil's Bolsa Família reduced poverty and child mortality while increasing school attendance for over 50 million beneficiaries. India's Direct Benefit Transfer scheme, leveraging the JAM trinity, reduced leakage and delivered welfare to 446 million account holders. Kenya's programmes generated 40% increases in household assets, 25% higher consumption, and improved food security. Nigeria's National Social Investment Programme enhanced household consumption, school enrolment, and women's financial independence. However, persistent challenges include irregular disbursement, inadequate transfer amounts, weak monitoring, political interference, and supply-side constraints in education and healthcare. The effectiveness of cash transfers is further limited by insufficient budgets and structural barriers. The paper concludes that while direct cash transfers are powerful poverty alleviation tools, they require complementary interventions addressing structural constraints, shock-responsive designs, and robust institutional frameworks. Recommendations include increased budgetary provisions, institutionalization of home-grown policies, adoption of diverse transfer modalities, and comprehensive evaluation frameworks balancing immediate impacts with long-term transformation.

Keywords: Direct cash transfers, poverty reduction, social protection, developing countries

INTRODUCTION

Cash transfers are an important policy tool in both advanced and developing countries: more than 130 countries use direct cash payments for counter-cyclical stimulus, income stabilization, anti-poverty and social infrastructure programs (World Bank, 2015). The number of recipients increased from around 500 million before the COVID-19 pandemic to 1.4 billion in 2020–21

(Gentilini (2022); World Bank (2018)). Therefore, understanding the aggregate impact of government direct cash transfers on the economy is a long-standing and important topic in both academic and policy spheres. In developing countries, disparities exist within and between countries. Pro-poor strategies focused on poverty reduction, improved education, living conditions, employment, social cohesion and access to health services are key to improving the welfare of citizens (Munodawafa et al. 2013). A promising and widely used intervention that could help in this direction is direct cash transfers.

Direct cash transfers were implemented in Latin America in the 1990s, and are quite successful in some countries in terms of poverty reduction, increasing consumption, school enrolment, accession to health care and improved nutrition, their establishment is complex, costly and needs strong institutions to support them. The direct cash transfers policy aims to reduce poverty, improve human capital formation, and help prevent the intergenerational transmission of poverty (Adoto and Hoddinot, 2017). Similarly, Bastagli, et. al., (2016) buttress on some evidence that suggests direct cash transfers programme supports household investments in small businesses and self-employment activities, building skills through entrepreneurship and labour market participation. Direct cash transfers in Brazil, have significantly improved citizens' welfare by reducing poverty, decreasing child mortality, and increasing school attendance and health checkups. In 2024, Brazil celebrated the 20th anniversary of the Bolsa Família Program (BFP), one of the world's oldest and largest conditional cash transfer (CCT) programmes, covering more than 50 million Brazilians. They have also led to higher food consumption, increased female employment, and stimulated local economies, although some studies noted the nutritional quality of food purchases remained a concern.

Similarly, direct cash transfers in India were seen at the beginning of the 2000s with a variety of social protection schemes aimed at eradicating poverty and welfare development among deprived groups. Under the scheme, those living below the poverty line will receive between 30,000 rupees (\$542; £338) and 40,000 rupees (\$723; £450) per year in lieu of nearly 30 welfare programmes, including scholarships and pensions. India's version of direct cash transfers the DBT is the confluence of the Jan-Dhan, Aadhaar, and Mobile (JAM) trinity. The Pradhan Mantri Jan Dhan Yojna (PMJDY) was launched in 2014 to improve financial inclusion in the country through "Jan Dhan" accounts for the unbanked population. The Global Findex Database estimated that 80% of adults in India had bank accounts, virtually double the levels observed in 2011 (Demirguc-Kunt et al., 2018). There were approximately 446.3 million Jan Dhan accounts created as of February 2022 (pmjdy.gov.in/account)

Several direct cash transfers programme implemented across African countries target the poor as primary recipients, thus increasing their decision-making power within households (Molyneux, 2006). In Kenya, Garcia and Moore (2012) affirm cash transfer for Orphans and Vulnerable Children have improved food security and household stability. Also, direct cash transfers in Kenya have a positive effect on citizen welfare by increasing assets, improving food security and psychological well-being, and reducing poverty. They can lead to improved children's outcomes, including better school attendance, health, and social development, by providing resources for food, education, and other essential investments. 40 percent increase in asset holdings (USD 416 PPP) among recipient households, a 25 percent increase in consumption (USD 47 PPP), and a concomitant reduction in hunger. There were also increases in education expenditure and psychological well-being, suggesting that cash transfers may have sustained effects that persist for all recipients of cash transfers and have 40% more assets than control households post transfer.

Similarly, direct cash transfers programme was launched in Nigeria in 2016 as part of its National Social Investment Programme to provide financial assistance to the most vulnerable

households, provide N5, 000 per month to eligible beneficiaries (National Social Safety Nets Coordinating Office, 2018). In addition, direct cash transfers in Nigeria have shown positive effects on the welfare of citizens by improving household consumption, increasing school enrollment, and boosting healthcare utilization. While cash transfers have led to increases in food expenditure and some savings and investment. Direct cash transfers programme has according to Adelaja, (2020), Agba, Ocheni, and Ijomah, (2022); has improved household consumption and reduced financial vulnerability, enhanced role of women in household financial decisions and supported some beneficiaries to invest in small businesses thereby promoting their financial independence.

However, challenges like implementation issues, such as irregular disbursement and weak monitoring, limit their full potential and effectiveness in these selected countries. This study focuses on the evaluation of direct cash transfers on the welfare of citizens and lessons from selected developing countries. The study is important for policy makers in developing social protection packages to mitigate the negative impact of external shocks, and reduce poverty.

LITERATURE REVIEW

Direct cash transfer programs are one of the most widely used and evidence-based interventions for people in poverty across the world. Evaluations have demonstrated their effectiveness as a flexible safety net in both crisis and non-crisis contexts. Direct cash transfer provides cash to eligible recipients with certain conditions (Lagarde et al., 2019). Direct cash transfers also aim to eradicate poverty for future generations through human capital development (Behrman et al., 2017). Direct cash transfers assist households, while the conditions-imposed help to shape a better future. The transfers are useful, but it is the health and education benefits that are lasting and empowering (ADB, 2013).

Cash transfer may be defined as a payment given by the government or non-government organisations to the citizens as a financial aid to improve the citizen's wellbeing. As opposed to the cash transfer, in-kind transfer, which also involves government spending takes the form of specific goods or services. Cash transfer can be categorised into conditional cash transfer (CCT) and unconditional cash transfer (UCT) (Haushofer & Shapiro, 2016). Cash transfer programmes are a form of social protection programmes that are non-contributory but provide monetary transfers to low-income households and seek to promote health and welfare decisions and outcomes through an 'income effect', thereby breaking the intergenerational cycle of poverty (Floate et al., 2019). There is evidence that cash transfer programmes have significant impact on both poverty and vulnerability, especially through social transfers that can reach the very poor household by bridging inequality gaps (Leroy, 2009). Cash transfer programmes are categorised into two groups: conditional cash transfers (beneficiaries are required to meet certain behavioural conditions) and unconditional cash transfers (no conditions are required to benefit from the programme) (Owusu-Addo et al., 2019). Cash transfer programmes typically involve numerous pathways and systems of implementation, some of which may be heterogenous and combine in-kind assistance, e.g. food vouchers. In addition, they are provided in a diverse range of settings to a diverse group of beneficiaries, thus the impact of CTPs is nuanced and complex. de Groot et al. (2017) proposed a framework that suggests additional finances from CTP can influence the underlying determinants of nutrition through the three pathways of food security, health, and care while Leroy et al. 2009 proposed a number of pathways that suggest additional financial resources can make it easier for a household to purchase higher quantities and quality of food (household food security).

Theory of Change (TOC) by Carol Weiss in 1995 underpinned this study. According to Weiss (1995), theory of change is an explicit process of thinking through and documenting how a

programme intervention is supposed to work, why it will work, who it will benefit, in what way and the conditions required for success. It is a method that explains how a given intervention is expected to lead to specific development change. Each intervention is tied to an outcome in the causal framework, revealing the often-complex web of activity required to bring about change. It lays out the causal pathways, assumptions, and conditions necessary for success. It explicitly identifies the causal relationships between inputs, activities, outputs, outcomes, and impacts. It also clarifies the assumptions underpinning these relationships, allowing for a more nuanced understanding of what is needed for success. Moreso, the theory of change can be tailored to various contexts and interventions, making it highly adaptable to different programme designs and implementation environments. It allows for the incorporation of multiple dimensions of poverty and diverse intervention strategies.

Effects of Direct Cash Transfers in the selected Countries

The government of India transfers subsidies and welfare payments directly into the bank accounts of beneficiaries to reduce leakages and corruption. Pradhan Mantri Kisan Samman Nidhi (PM-KISAN): Under this scheme, eligible farmers receive a fixed income support amount in their bank accounts. Emergency cash assistance: During the pandemic, the government transferred cash directly to women with Jan Dhan bank accounts to provide relief. Pension and insurance schemes: DBT is used for programs like the National Social Assistance Programme (NSAP) for the elderly, widows, and disabled, as well as insurance schemes like the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY). For instance, the PM-KISAN scheme, which had started with an annual transfer of Rs. 6000 to farmers, was expanded to cover around 10 crore households, at an estimated annual cost of Rs. 75,000 crores, or roughly 0.4% of GDP, for FY 2020-2021 (Bansal & Prasad, 2020).

Governments often utilize technological advancements to fine-tune cash transfer systems, thus reducing leakage and inefficiency arising from traditional delivery modes. DBT has made possible quick, efficient, and more transparent transfers, so the funds are delivered straight into the hands of beneficiaries free from intermediaries' holdups. The DCTs result in better health and educational outcomes, especially for women and children, according to research findings. The provision of cash allows families to meet essential needs and, therefore provides children with the opportunity of consistent attendance at school and empowers parents to invest in their health. In addition, such programs help the recipients alter their behavioral tendencies to yield more productive investments in human and physical capitals. The cash transfers were evidenced to promote socio-economic improvement when there was an expenditure of transferred money to education, nutrition, and health enhancement by recipient households. Implementation of cash transfer also brings about political dividends where civic engagement is transformed into a political outcome.

The Government of Brazil Direct Cash transfers have been a major factor in reducing extreme poverty and child mortality. The programs have contributed to reducing morbidity and mortality from various illnesses, including AIDS, potentially by enabling spending on medication and better nutrition. Families use the funds to purchase more food, leading to higher caloric consumption. The program has increased the bargaining power of women and led to a rise in formal employment for women recipients. The transfers increase recipients' household income, with one study finding an average increase of around 40%. The funds are often spent locally, increasing local incomes and stimulating economic activity through a multiplier effect. Some evidence shows that recipients, particularly women, have increased their formal employment after receiving benefits.

The Government of Kenya Direct Cash transfers lead to a significant increase in household assets, such as a 40% increase in asset holdings in poverty and hunger reduction: These transfers are linked to reduced poverty and hunger, with some studies showing that households receiving cash are less likely to experience food scarcity or poverty. Recipients show an increase in consumption and nondurable expenditure. There were decrease in likelihood of engaging in negative coping mechanisms, such as selling productive assets, especially during crises like the COVID-19 pandemic. Direct Cash transfers have significantly benefited children, leading to improved dietary diversity, increased access to education, and better psychosocial status. There are potential benefits for children's health, especially for younger children who may benefit from more nutritious food purchased with the cash transfers, (National Institutes of Health, 2018).

The Government of Nigeria direct cash transfers provide disposable income that helps households meet basic needs, smoothing consumption and preventing the need to sell assets during distress. The transfers have contributed to higher school enrollment rates by helping families cover costs like fees and schoolbooks. The programs have helped beneficiaries invest in small businesses or expand existing ones, leading to new income generation. Direct cash transfers have improved household food security by increasing food expenditure and enhancing access to food and have opened doors to financial services for many beneficiaries who were previously excluded.

Challenges of Direct Cash Transfers in the selected Countries

The cash transfers schemes have of course had their limitations, (Paiva, 2019) believes it is important to maintain realistic expectations. While one key ambition behind the use of CCTs is to break the poverty cycle by developing the human capital of the next generation, the impact of direct cash transfers on outcomes such as levels of educational achievement is mixed. They affected the demand for services, not the supply side. In other words, the government still has considerable work to do to improve the quality of education and of healthcare services. Cash transfers are not a panacea; they are not going to solve everything.”

The limitations of direct cash transfers tend to be determined by overall spending limits on social services, and an expansion in coverage has not necessary been accompanied by significant increases in budgets. While the schemes have sharpened their focus on strengthening recipients' employment prospects, evidence suggests that broader structural factors limiting labour mobility trap many beneficiaries in the informal sector. There have also been concerns that direct cash transfers may perpetuate society's organisation of care around women's unpaid work – a key cause of gender inequality.

Implementation issues: Problems like irregular disbursement, limited coverage, and weak monitoring mechanisms have undermined the effectiveness of the programs. Insufficient amount: Some argue that the current transfer amounts, particularly in light of the naira's devaluation, are too low to make a substantial impact. Political interference: There are concerns that political interference and a lack of transparency can lead to cash being misdirected or not reaching the intended recipients. Limited impact on women's empowerment: While women are often the primary recipients, studies have shown that men often control the expenditure decisions, and the transfers may reinforce existing gender roles rather than promote women's empowerment.

Future directions of Direct Cash Transfers in the selected countries

As the cash transfer landscape evolves in the selected countries, new policy considerations must be undertaken to maximize efficacy while ensuring inclusivity. Policymakers should embrace

comprehensive evaluation frameworks that consider both immediate human impacts and long-term socioeconomic outcomes. The focus on targeting direct cash transfers needs to be revisited in light of universal approaches so that all those who require support have access to support regardless of their socio-economic status. Such shifting political ground needs transparent accountable delivery mechanisms withstanding any scrutiny and enhancing public confidence in cash transfers. A persistent investment in technological support ensures increased efficiency of schemes of direct cash transfers. Connecting these areas, providing digital infrastructure improves access in remote locations which brings people closer to initiatives taken by the government or enhances connectivity in a neglected section.

Direct cash transfer politics in selected countries is a perfect representation of the dynamic relationship of welfare policies with electoral strategies. The historical evolution of cash transfers has led to increased levels of electoral participation and reshapes priorities in public budgeting along changing citizen needs in uncertainty surrounding the economy. While cash transfer programs hold significant promise for alleviating poverty and enhancing civic engagement, they present challenges relating to equity and sustainable financing. The crisis experienced during COVID-19 has highlighted the potential of direct cash transfers to deliver immediate economic relief while framing a pathway toward structural change in poverty alleviation efforts.

CONCLUSION

To achieve their full potential, cash transfers need to be complemented by other development interventions, particularly in economically disadvantaged areas. To address long-term structural constraints, direct cash transfers are most effective when they are linked with other interventions, such as agricultural support, to improve access to resources, inputs, and markets. During crises, shock-responsive cash transfer schemes that have pooled payment cycles and vertically scaled transfers show greater positive impacts.

Going forward, embracing a more inclusive approach while ensuring the responsible allocation of resources can empower all stakeholders involved in the governance process. The commitment to improving cash transfer programs ultimately amplifies the broader dynamism of the selected counties democratic fabric transforming welfare into a pillar of empowerment rather than a mere exchange of electoral favors. As the selected countries deals with the complexities inherent in cash transfer politics, it increasingly becomes the need of the hour that these mechanisms would be used as vehicles of social equity, economic opportunity, and political engagement for all citizens, thereby reshaping the contours of modern democracy in the selected counties. This comprehensive analysis reinforces the notion that cash transfer programs are multifaceted instruments capable of influencing democratic engagement and fiscal accountability, illuminating the path forward for equitable governance in the selected countries.

RECOMMENDATIONS

Based on the findings of this paper, the following recommendations were suggested:

- i. Adequate resources be made available through more budgetary provisions and releases for the scaling-up of the direct cash transfer programme where it has been implemented in the selected countries
- ii. There is need for institutionalization of direct cash transfer he selected countries for effective service delivery by developing home driven policies and programmes that suit the peculiarities of the issue of hunger; wealth creation, women empowerment and financial literacy and inclusion.

- iii. Countries should adopt different kinds of direct cash transfer policies to the poor, ranging from one-off asset transfers to regular transfers.
- iv. Identified a few critical dimensions that are important for evaluating their relative strengths and weaknesses, ranging from what specific constraints the poor face, the time horizon, and the social objective.

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