Cash Transfers, Behavioral Changes, and Cognitive Development in Early Childhood: Evidence from a Randomized Experiment

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Abstract

Cash transfer programs have become extremely popular in the developing world. A large literature analyzes their effects on schooling, health and nutrition, but relatively little is known about possible impacts on child development. This paper analyzes the impact of a cash transfer program on early childhood cognitive development. Children in households randomly assigned to receive benefits had significantly higher levels of development nine months after the program began. There is no fade-out of program effects two years after the program ended. Additional random variation shows that these impacts are unlikely to result from the cash component of the program alone.

Gender Connection

Gender Focused Intervention

Gender Outcomes

Children’s Nutrition, access to healthcare, cognitive skills, non-cognitive skills, Women’s labor force participation, psychological agency

IE Design

Randomized Control Trial

Intervention

Atencion a Crisis was a one year pilot program implemented between November 2005 and December 2006 by the Ministry of the Family in Nicaragua. It was implemented in the aftermath of a severe drought and had two objectives. First, it aimed to serve as a short-run safety net by reducing the impact of the aggregate shock on human and physical capital investments. Second, it intended to promote long run upward mobility and poverty reduction through asset creation by enhancing households asset base and income diversification capacity. In treatment communities, the primary child caregiver, who was typically a woman, was invited to a registration assembly where the program was explained. Households in Group 1 were offered a cash transfer to the caregiver every two months, conditional on health check-ups (although this condition was not monitored). Households with older children received an additional educational transfer, conditional on the school enrollment and attendance. Households in Group 2 received the same intervention as Group 1 and also received a scholarship eligible at various vocational training programs. Households in Group 3 received the same cash transfer as Group 1, in addition, they received a lump sum payment to start a small nonagricultural activity conditional on the household developing a business plan. The size of the transfer is equal to about 11% of the per capita expenditure of the average recipient household.

Intervention Period

The cash transfer program was implemented from November 2005-December 2006. The vocational training program had not started until after the paper was written.
**Sample population**
The program targeted 6 municipalities in Northwest Nicaragua that had been affected by a drought and had high rates of extreme poverty. 56 intervention and 60 control communities were randomly selected through a lottery. 3000 household participated in the program.

**Comparison conditions**
There were three treatment arms (1) a basic CCT (2) the basic CCT plus a scholarship for occupational training and (3) the basic CCT plus a grant for productive investment. The vocational training was delayed so it was not implemented before the follow up survey was conducted. Additionally, there was a control group received no intervention.

**Unit of analysis**
Child Level

**Evaluation Period**
Baseline data was collected April-May 2005, a first follow up was collected 9 months after households started receiving payments, a second follow up was conducted between August 2008-May 2009, about 2 years after payments stopped.

**Results**
The program improved child development and the effects did not fade out 2 years after the program concluded. The magnitude of the effects are modest. The program effects are comparable to increasing the schooling of the mothers by 1.5 years. Beneficiaries spent more on child inputs such as nutrient-rich foods, preventative health and child stimulation. Beneficiaries had standardized outcomes that were .09 standard deviations above the control group. Cognitive and socio-emotional outcomes improved by .12 standard deviations after one year and .08 std after 2. Mothers assigned a lump sum payment worked 33 days more in 2006, but this effect wore off by 2008. There is no evidence of program impacts on mental health of mothers or quality of the home environment.

**Primary study limitations**
There are some small baseline difference between treatment and control.

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Strengthening Rural Women's Economic Empowerment through Information and Social Capital, Spanish Impact Evaluation Fund

**Reference(s)**

**Link to Studies**
http://www.ingentaconnect.com/content/aea/aejae/2012/00000004/00000002/art00009