

New Study Finds Cash Alone Effective Way to Fight Poverty

FOR IMMEDIATE RELEASE

New Haven, CT - Researchers today released the results of a long-awaited study (details [here](#)), which may reveal a promising new direction in alleviating poverty, one much simpler than many popular aid methods. While traditional charities and aid programs often have infrastructures designed to deliver specific types of aid to the poor, such as food or livestock, the researchers studied a new group, GiveDirectly, which simply gives money directly to poor people in Kenya. The study found that poor recipients spent the money on a broad variety of items, including food, shelter, and productive assets, leading to significant improvements in income, food security, and psychological well-being.

The study, conducted with the nonprofit Innovations for Poverty Action and funded by the National Institutes of Health Common Fund, focused on households in rural Western Kenya, where per capita income is the equivalent of \$1 a day and 64 percent of people reported not having enough food in their house for the next day. Researchers tracked GiveDirectly recipients who were randomly selected to receive the equivalent of \$720 US dollars on average. The money was transferred through a mobile phone-based banking system called M-PESA, and recipients were free to spend it any way they wished.

Households who received transfers experienced on average a 33 percent increase in incomes coming from sources such as livestock and non-agricultural businesses and increased the value of their household assets by 53 percent, largely in the forms of livestock and improvements to their homes. The money also reduced the number of days children went without food by 42 percent.

According to economist Jeremy Shapiro, one of the study's authors, "These findings are significant because they question the assumptions many aid programs are based on - that the poor might spend cash on things like alcohol or tobacco, or that they don't have opportunities to help themselves. We find that if you just give the poor cash, they use it to build assets, buy food and make investments in their livelihoods."

Johannes Haushofer, the study's other author, a Harvard Prize Fellow in Economics and Postdoctoral Fellow at MIT's Abdul Latif Jameel Poverty Action Lab, pointed out that the study looked at not only financial outcomes, but also psychological well-being and biological markers of stress. Haushofer, who holds Ph.D.s in both neuroscience and economics, said

that larger transfers led to greater improvements in mental health: “The transfers improved psychological well-being, and saliva samples showed lower levels of the stress hormone cortisol for recipients of larger transfers, especially when transfers were sent to women rather than men,” one of several insights which may guide policy-makers interested in improving the welfare of the poor.

Annie Duflo, Executive Director of Innovations for Poverty Action, said she is looking forward to bringing the results to the aid community and government officials. “The finding that you can have these effects without expensive programs to administer it is a powerful lesson that merits deeper exploration - the most complicated aid may not be the most cost-effective.”

A summary of the project and findings can be found [here](#), and a full policy brief with results [here](#).

About Innovations for Poverty Action

Innovations for Poverty Action (IPA) is a non-profit organization dedicated to discovering and promoting effective solutions to global poverty problems. Established in 2002, IPA partners with researchers at top universities and implementing organizations around the world to ensure that poverty-fighting activities are supported by rigorous evaluation, and works closely with local decisionmakers in key countries to ensure that the high-quality evidence is applied at scale. IPA has completed more than 100 studies, and has more than 200 in progress around the world, covering education, health, agriculture, financial services, governance, water and sanitation, and post-conflict recovery. Within a decade, IPA has grown to over 900 staff working on building and promoting evidence in 51 countries. For more information, visit www.poverty-action.org.

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