

Positive effects of conditional cash transfer programs on consumption

[Business](#), [Management](#)



The significant conclusion of the paper is that Conditional Cash Transfer (CCT) programs have positive effects on consumption more so when the transfer amount are huge. In other words, the transfers are generous; for instance, the program in Nicaragua is beneficial. These favorable impacts of consumption are indirect evidence that the behavioral responses are more likely to be small. On the same note, marginal propensity to consume is directly linked to higher amounts of transfer incomes. Consequently, because the cash transfers target the poor households or individuals, the impacts of consumption have translated into the effects on the poverty levels. In the subsequent bulletin, I will explain why to agree with this finding.

Explanation

The impact of CCTs programs on immediate consumption is a critical component in determining the levels of poverty alleviation with the shortest time, primarily due to the fact that the majority of the beneficiaries belong to the most impoverished population (Fiszbein and Schady 46). Still, on the argument, we can note that the per capita consumption varied depending on the countries that implement CCT transfers; for example, per capita consumption of Nicaragua is approximately \$0. 52, whereas that of Colombia stands to about \$1. 19. Therefore, it is worth noting that the size or the volume of cash transfer affects the ratio of transmission to median consumption. Moreover, countries that had substantial cash transfers experienced higher per capita consumption. Mexico, Colombia, and Honduras are some of the countries with relatively more enormous per

capita consumption rate that range from 7-10%, hence giving a clear indication of the purchasing power as far as CCT program is concerned.

Fiszbein and Schady noted that the CCT programs act as a source of income to the majority of the poor households (52). Moreover, they further indicated that the RPS program in Nicaragua is responsible for approximately 17% of the annual expenditures by the beneficiary households (55). Additionally, the transfer program aims to change the behavior of the poor population, which in the end affects their standards of living as well as improvement of health standards. A common feature of the literature on the impacts of CCT is its focus on the social effects, regarding healthcare and enhancement of education. The opportunity program in the United States saw a decrease in nutritional deficiency and equally increase in some initial enrollments. This case clearly shows that individuals consumed a balanced diet that led to the improvement of their health standards.

Concerning health, cash transfer in Mexico popularly known as Progessa led to an increase in the rate of health center visits. Cash transfers can also lead to a shift in the consumption priorities and beneficiaries of these programs tend to prioritize foodstuffs than non-essential products. According to Fiszbein, Ariel, and Norbert Schady, transfer programs in Mexico increased the general household expenditure by about 13%, whereas the expenditure in food items was higher by approximately 11% (72). Among the foodstuffs purchased by the households under the CCT included fruits, vegetables, legumes, and animal proteins among others. These statistics conform to the fact that cash transfers have a direct impact on the consumption trends of

the participating households. Nevertheless, to the best of my knowledge, there is insufficient evidence on the way the CCT program affects consumption behavior beyond food. Despite the huge amounts of funds allocated to these programs, for instance, Bolsa Familia in Brazil injected a total of R\$24 billion to the beneficiaries in the year 2013.

Major Finding or Conclusion

The major finding that I totally disagree with is that CCT has contributed heavily to the drastic reductions in disparities in accessing education and better healthcare services. This fact-finding is attributed to the idea that the CCT program is concentrated on participating household that is less likely to utilize the program in the absence of effective interventions. On this note, countries such as Bangladesh, Pakistan, and Turkey have a considerably higher girl school enrollment as compared to boys and that the CCT program has helped bridge the gender gaps. This conclusion is further supported by the concept that poverty has or rather takes different forms, and comprising of inability to enhance basic capabilities as well as health in general.

Explanation

The question that lingers in my mind when I hear that CCT programs limits disparities in the provision of healthcare services among the citizens is: Will cash transfer lead to the improvement of the condition of the hospital? This question is no mean rhetoric. I strongly feel that it is untrue and unjustified. The first reduction of poverty levels and equality in resource distribution is a concept or an idea that needs a change in the central policies and objective of any country. That notwithstanding, it is not effective for countries whose

resources scarce; in this case, should a country like Indonesia spend its scarce resource to directly send cash to poor people, the answer is definitely no. On this note, reduction of disparities is best done through economic growth.

According to Banerjee et al., a country's economic growth is achieved by developing some areas such as roads, ports, schools, and clinics among others (33). With such development, healthcare services will be at the doorstep of those living upcountry. Equally, this will make the poor population feel part of the government, thus offering a sustainable solution. Consequently, in this view, cash transfer limit future growth as economists see it as having a relatively lower future payoff, and this can affect the public capital altogether. The second argument against this particular finding is that I feel CCT programs are wrong incentives as far as a school enrollment is concerned.

This means that the funds can be used to support school projects and increase child-to-teacher ratio; thus, a creation of an enabling environment for studies. In a bid to improve the number of student enrollments in various schools, the government needs to put in place monetary incentive to the student. Such incentives will motivate both the girls and boys to study. According to Roth, the US opportunity NYC and Spark programs make payments to both parents and students if they comply with conditions put in place including class attendance, performances, meeting, and performance on exams among other relevant issues (42). Therefore, with such incentives

in place, countries like Bangladesh and Pakistan can improve on school enrollments.

Works Cited:

1. Banerjee, Abhijit, et al. “ The Miracle of Microfinance? Evidence From a Randomized Evaluation.” *American Economic Journal: Applied Economics*, vol. 7, no. 1, 2015, pp. 22-53.
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