

# Helping Cash Transfer Recipients Reach Financial Goals in Kenya

ideas **42**



Using Behavioral Design to Increase Cash Transfer Program Effectiveness

**Poverty rates in Kenya have significantly declined since 2005 thanks to a variety of initiatives by the Kenyan government, including an unconditional cash transfer program. Despite its successes, many recipients of Kenya's cash transfer program have difficulty reaching longer-term financial goals, such as starting a new business or purchasing livestock. To support recipients in reaching these goals, ideas42 worked with the World Bank and the Government of Kenya's Directorate for Social Assistance to increase the effectiveness of the program through light-touch, behaviorally informed interventions.**

## Problem

The Government of Kenya has made significant strides in decreasing poverty over the last two decades, with the percent of Kenyans living under the international poverty line declining from 43.6% to 35.6% between 2005 and 2016.<sup>1</sup> Throughout this period, Kenya's government built a suite of social safety net programs to support people experiencing poverty throughout the country. One of the primary tools in the government's ongoing efforts to alleviate poverty is the National Safety Net Program (NSNP), which includes an unconditional cash transfer program to support the well-being and resilience of people that are disproportionately impacted by poverty—such as households in rural or informal urban settings, or those caring for orphans and children vulnerable to abuse or neglect, people with severe disabilities, and elderly people.

Many cash transfer recipients in Kenya have financial goals they're working towards to improve their livelihoods in the long term, such as establishing businesses, saving money, and buying livestock—but they report finding it difficult to manage their money in a way that both covers their basic needs and allows them to save or invest towards their goals. Budgeting can be difficult for anyone, but for people experiencing poverty and the associated chronic scarcity, it can be extremely challenging to decide how much to save and what to save for due to the variety of trade-offs required.

## Highlights

- ▶ Cash transfer recipients that received goal-setting and plan-making tools as well as text message reminders at the moment of transfer were 7% more likely to set a financial goal, providing a path to building a savings cushion against emergencies and improving livelihoods.
- ▶ Adding physical money pouches to the delivery of cash transfers allowed cash transfer recipients to separate money into different 'accounts' for immediate needs and savings. Combined with other behavioral supports for setting financial goals, this intervention helped recipients save 41% more money.

<sup>1</sup> <https://www.worldbank.org/en/country/kenya/publication/kenya-economic-update-poverty-incidence-in-kenya-declined-significantly-but-unlikely-to-be-eradicated-by-2030>

## Solution

Temporarily relieving the state of scarcity may make it easier for people experiencing poverty to identify and act upon their long-term goals. To this end, ideas42 worked with the World Bank and the Government of Kenya's Directorate for Social Assistance (DSA, formerly the Social Assistance Unit, SAU) to design and test a package of behavioral interventions for recipients of Kenya's NSNP.

These interventions were designed to address behavioral barriers that participants face that make it challenging to set specific, achievable goals, plan for how they will reach them, and act on their intentions to accomplish their goals. By designing behaviorally informed programs that account for the context in which people receiving cash transfers live, we can strengthen the impact of these programs and better support recipients.

To design these solutions, our team reviewed program data and documentation and spoke to program stakeholders to identify the specific challenges recipients faced when using their cash transfer funds. In addition to scarcity, we identified several other important barriers that were influencing recipients' ability to achieve their goals. Descriptions of the key behavioral barriers and associated solutions designed to address them are shown in Figure 1.

## Results

In 2019, we tested the effectiveness of these behavioral interventions using a randomized controlled trial (RCT) involving 900 NSNP recipients across 6 villages in Kenya over a one-month period. In the week before their next cash transfer, approximately half of the participants received the behaviorally designed interventions, while the other half were simply provided with an informational flyer about saving and productive investments. The original cash transfer program design did not include any additional component to help people save.

Evidence from the evaluation suggests that the intervention significantly increased the incidence of recipients having a specified productive goal. We found that recipients that received the behavioral interventions were on average 7% more likely to have set a financial goal in comparison to the control group.<sup>2</sup> These recipients were also more likely to report planning for and taking steps toward their goals. While the control group reportedly saved on average 1440 Kenyan Shillings (KSH) or about 14 USD, the treatment group was able to save about 600 KSH, or approximately 6 USD, more. This is equivalent to a 41% increase in savings.<sup>3</sup>

---

<sup>2</sup> A significant difference at the  $p < 0.05$  level

<sup>3</sup> This difference was not significant after including demographic controls

Figure 1: BEHAVIORAL BARRIERS AND SOLUTIONS

**BEHAVIORAL BARRIER IDENTIFIED**

**Social norms:**

The visible behavior of peers is a potent influence on people’s decisions and actions. In rural villages, spending is a highly visible, public act, while saving typically takes place at home. This may lead to the belief that saving is not “the norm.”

**SOLUTION**



**Visual of descriptive norms:**

To make social norms around savings more visible, we designed posters aimed at changing recipients’ notions of how they could spend their cash. These posters made the true norms, that many recipients do use some of their cash for their future, visible.

**BEHAVIORAL BARRIERS IDENTIFIED**

**Total earnings not salient:**

Recipients get their cash transfer in installments, once every two months. Without a comprehensive overview of total earnings over the course of months or a year, recipients tend to consider only the purchases and investments made possible by each individual payment, overlooking options available if money from several payments were accumulated.

**SOLUTION**



**No decision support:**

The program did not usually offer any decision-making tools or orientation towards financial goals, leaving recipients to pursue an unfamiliar and potentially challenging financial planning exercise on their own.

**Goal setting & planning:**

Activities that first help people set a realistic goal, then identify how much they will save from each transfer, and finally calculate how many cash payments it will take to reach their goal, can help people achieve those goals. These activities help participants consider and identify a goal they can work toward over multiple transfers, and also provide a chance to mentally allocate money into saving and spending “accounts” which makes it more likely that they will stick to their plan.

**BEHAVIORAL BARRIER IDENTIFIED**

**No way to separate cash for different purposes:**

Payments are often received as a single stack of paper bills. This format fosters a perception that the payment is meant for a single, immediate purpose rather than encouraging people to allocate the money to multiple purposes, including savings.

**SOLUTION**



**Money pouch:**

A pouch was designed that participants could use to separate the cash they planned to save from the cash they planned to spend on consumption needs immediately upon cash receipt.

**BEHAVIORAL BARRIER IDENTIFIED**

**Salience and ease of making consumption purchases:**

Even when recipients have savings goals, they face many immediate needs (debt repayment, medical expenses, food, and transportation expenditures) that may be more salient than future productive goals. Furthermore, at the time that recipients receive their cash, the presence of a plethora of market vendors makes it easy and tempting to spend on instant purchases.

**SOLUTION**

**Text message reminders:**

Messages sent at opportune times, such as when recipients are able to pick up their cash, can ensure that their goals and plans stay top-of-mind if they completed the goal-setting and planning activity some time before cash disbursement. These texts also reinforced the norms and habits they were introduced to through the other designs, which were delivered in person.

We planned to complete a larger-scale evaluation in 2020; however, this larger trial was interrupted by the COVID pandemic. We did deliver the interventions as intended to about half of the planned sample before it was paused. Because we could not conduct the evaluation as planned, we instead conducted a short phone survey in order to gain a deeper understanding of the impacts of our interventions. By surveying a random subset of the participants, we found that many of those that received the behavioral designs used their savings to provide a cushion against uncertainties as well as price increases during the pandemic. These factors caused delays in making purchases in line with their pre-pandemic goals. However, they were optimistic that they would be back on track to achieve these goals in the coming months. Further details from this qualitative investigation can be found in our [policy brief](#).

## Takeaway

Providing cash transfer recipients with behaviorally informed supports is a promising way to help them take meaningful steps aligned with their self-identified financial goals, ultimately improving their lives and the lives of their families. Even during the COVID-19 pandemic, which reversed progress on poverty alleviation for the first time in a generation and disproportionately affected those already experiencing poverty, there is evidence that recipients found our tools helpful for taking steps toward their goals. Given the encouraging results of this work, along with similar results from experiments in other countries, the Government of Kenya plans to scale these behavioral interventions to reach more recipients nationwide under their new Kenya Social and Economic Inclusion Programme.