RESEARCH INSIGHTS

Does the Method of Delivery Matter for Cash Transfers?

- **Offering conditional cash transfer (CCT) recipients the option of receiving cash transfers in bank accounts, rather than in cash, does not significantly impact total savings or other long-term outcomes such as assets and trust.**
- **However, those with no previous balances experience a significant increase in their savings and transactional account balances after receiving the grants.**
- **This evidence suggests that transferring subsidies to bank accounts can be an effective means of incentivizing savings for people with no prior formal savings.**

CONTEXT

An estimated 51% percent of adults worldwide have not saved in the last year, with major differences across countries. In developing countries only 42% of adults save, compared to 76% in developed countries. In Latin America, although 74% percent of adults have a bank account, only 18% use it to save. This underscores the urgency of improving savings rates and boosting financial inclusion beyond simple access to financial instruments.

PROJECT

The Chilean government's "*Chile Cuenta*" program, part of the "Programa Puente" for vulnerable populations, shifted the delivery of subsidies to bank deposits instead of cash. This intervention was evaluated through an experiment in Santiago, with 3,210 participants divided between a treatment group (2,407) and a control group (803). The study, using survey data, and administrative data from the bank receiving the subsidies and the Ministry of Social Development and Family, analyzed the impact on financial behaviors. Most of the participants were women, and the evaluation was based on pre- and post-intervention data.

RESULTS

The treatment group showed an increase of 12 percentage points (pp.) in the percentage of individuals with CuentaRUT, the transactional account where subsidies were received, compared to the control group, where 75.4% had such an account. At the same time, individuals in the treatment group reported receiving subsidies in their account more frequently than individuals in the control group, with a difference of 31 pp.

Despite this increase in the use of bank accounts to receive subsidies, there was no corresponding increase in savings account balances. This suggests that, although people were using their accounts more to receive subsidies, they were not necessarily saving more. In addition, no significant changes were found in other aspects such as asset holdings, trust in the partner bank, fear of theft, spending on temptations (e.g., alcohol or tobacco) or transportation costs. However, there was a positive impact on financial knowledge related to the subsidy receipt account.

The analysis also differentiated between those with positive balances in their bank accounts before the intervention and those with no balances or no accounts. It was found that both groups experienced a significant increase in their CuentaRUT account balances, as shown in the figure. However, only the group with no prior balance showed an increase of US$60 in the balances in their savings accounts, indicating a trend toward savings beyond the mechanical effect of receiving subsidies in the RUT account. This finding underscores the importance of differentiating between groups in terms of financial inclusion and suggests that banking interventions may have a differentiated effect on savings behavior, depending on individuals' prior level of financial inclusion.

POLICY IMPLICATIONS

Our study shows that there is a high take-up in the receipt of subsidies in bank accounts. However, this does not translate on average into an increase in savings. However, for those people who did not have balances in bank accounts, the program generates significant increases in their level of savings in savings accounts and not only in the transactional account in which they receive the subsidy.

At the same time, the transfer of subsidies to bank accounts generates cost savings for the government. It is therefore a public policy that increases the savings of a group of the population and generates cost savings for the government.

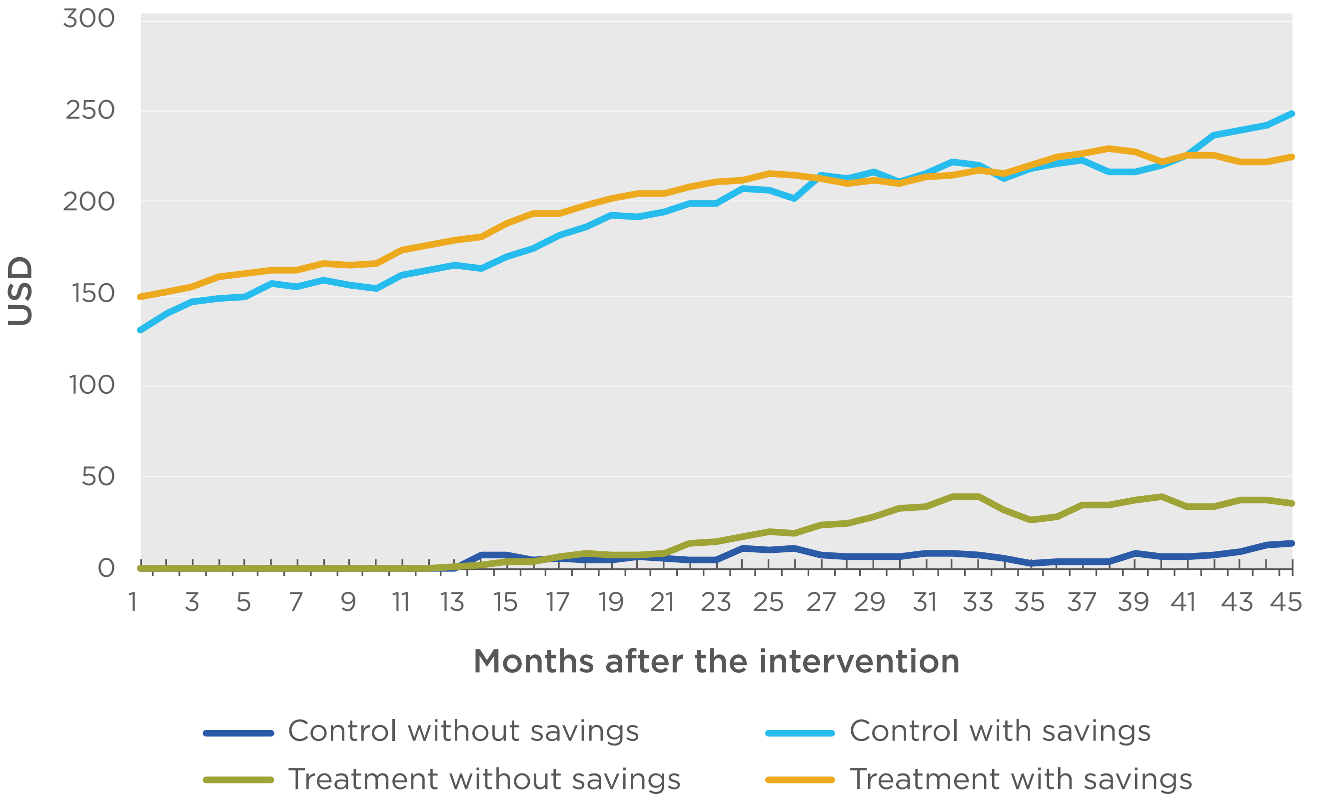
The results also show that the program has no effect on the population that already had balances in bank accounts. This implies that in order to stimulate savings it is necessary to consider a set of strategies that take into account the context in which they are implemented. Different populations have different constraints, reasons, and opportunities to save, and these should be considered when designing public policies and financial instruments.

Key Concept

CONDITIONAL CASH TRANSFERS

Programs aimed to reduce poverty and improve specific outcomes, including monetary transfers provided if the household complies with certain conditions, typically school attendance and bringing children to regular health check-ups.

Figure 1. Evolution of Savings Account Balances, by Savings Holding before Treatment



Note: Variables in this figure are in US dollars, using the January 2015 exchange rate (1US$=620.91 Chilean pesos).

FULL STUDY

Banerjee, Abhijit, Claudia Martínez, and Esteban Puentes. 2023. "The Impact of Subsidy Delivery Method on Savings Behavior: Experimental Evidence." IDB Working Paper No. 1525. Washington, DC: Inter-American Development Bank.

DEPARTMENT OF RESEARCH AND CHIEF ECONOMIST

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