

Effect of Financial products, services and Cash and in-kind transfers on Feelings of trust and Acceptance of diversity

Financial interventions can foster trust and acceptance of diversity by improving economic stability and confidence in institutions. The overall impact is small and depends on context and program design.

Geographic Location: Global, South Asia, Sub Saharan Africa, Latin America & Caribbean and Middle East & North Africa

Effect: Small effect ($g=0.05$)

Confidence in study findings: Low (7 studies with 101 effect sizes)

Short Summary:

The studies in this cell examine the impact of financial interventions, including cash transfers, in-kind support, and financial services, on trust and social cohesion. Results indicate a **small positive effect** overall, suggesting that financial aid can modestly build trust and foster acceptance of diversity. Blattman, Hidrobo, and others show that financial support can improve social interactions, psychological well-being, and perceptions of fairness, particularly when paired with community engagement or inclusive programming. However, effectiveness varies depending on program delivery, unmet expectations, and local socio-economic and political contexts.

Long Summary

The Intervention:

These interventions include microcredit, microinsurance, and microsavings programs, often supported by village savings and loan associations and financial literacy initiatives. They cover cash and in-kind transfers, food assistance, and social safety nets, both conditional and unconditional. Short-term cash-for-work programs provide cash in exchange for labor, and some interventions combine transfers with skills training, health support, or other complementary programs to enhance community development and social cohesion.

How the Intervention is expected to work:

Financial interventions aim to alleviate poverty, improve livelihoods, and reduce economic stress, creating conditions for positive social interactions and trust in institutions. Programs that integrate inclusive narratives or frameworks, such as refugee support in Uganda, can foster acceptance of marginalized groups by highlighting shared benefits. Cash transfers may also improve beneficiaries' psychological well-being, confidence, and perceptions of fairness, supporting trust within communities. Face-to-face aid delivery, as seen in Pakistan, can humanize providers and reduce stereotypes, while community-based interventions, such as cash-for-work in Côte d'Ivoire, promote social networks and collaborative attitudes.

The Evidence Base:

The cell contains 9 studies, examining the impact of financial products and services, including cash and in-kind transfers, measuring outcomes on different factors contributing to feelings of trust and acceptance of diversity. These studies predominantly use randomized controlled trials (RCTs) and quasi-experimental designs (QEDs).

The primary studies are from Kenya (1 study), South Sudan (1 study), Pakistan (1 study), Uganda (2 studies), Côte Ivoire (1 study), 1 (Lebanon) and Ecuador (1 study). Finally there is one systematic study with a Global focus.

Evidence Findings:

Across the studies, financial interventions had a small effect on trust and acceptance of diversity. Positive outcomes were observed where interventions were well-designed, consistently implemented, and paired with engagement strategies. The findings highlight the context-dependent and nuanced impacts of financial aid on social cohesion, emphasizing the importance of complementary programming and careful implementation to achieve desired outcomes.

The review evidence:

The systematic review of Lwamba et al. is entitled 'Strengthening women's empowerment and gender equality in fragile contexts towards peaceful and inclusive societies: A systematic review and meta-analysis'. The review is rated as high confidence in review findings.

The impact evaluation evidence:

Andrabi & Das (2017): In this study, Andrabi examined the impact of global aid, including cash and in-kind transfers, on feelings of trust and acceptance of diversity - measured by the attitudinal changes towards Westerners. It finds that exposure to a natural disaster, specifically proximity to the earthquake fault line, significantly increased trust in Westerners among affected populations in Pakistan—a notable shift from one of the world's lowest levels of trust to levels comparable to those in Sweden, one of the highest. The data indicates that this durable attitudinal change suggests a significant malleability in trust toward Westerners within a large Muslim population. The researchers attribute this shift to foreign aid, particularly direct, face-to-face interactions with Westerners acting as aid providers. However, the causal link between the earthquake and increased trust relies on the assumption that pre-earthquake levels of trust were not correlated with the household's distance from the fault line. The study is rated as medium confidence as it is a non-experimental study with only partial reporting of interventions and outcomes.

Baseler (2021): This study investigates how aid for refugees can be allocated to assist refugees while fostering support from host communities. It highlights the potential of aid to reduce tension and promote positive relations. A randomized controlled trial in Uganda compared two interventions targeting host microentrepreneurs: (1) cash grants accompanied by information linking the grants to Uganda's inclusive refugee policies and aid-sharing initiatives, and (2) mentorship programs led by either an experienced refugee or a Ugandan mentor. The results show that cash grants tagged with information about aid-sharing policies had the most significant impact, substantially increasing support for inclusive policies, such as refugees' right to work and hosting additional refugees. While cash grants or mentorship programs independently improved support for inclusion, their effects were smaller compared to the combined cash and information intervention. Interaction with a refugee-led organization was a key driver of these outcomes. Although no significant effects on business

profits were observed through any treatments by the first endline, mentorship by a Ugandan did result in other positive economic effects. The findings show that cash transfers, particularly when contextualised with relevant policy information, are more effective at bolstering social adhesion than other social interventions. The study is rated as medium confidence.

Hidrobo (2012): This study evaluated the success of the World Food Programme's Food, Cash and Voucher Intervention intervention on outcomes including food security, social capital and anemia. In this study Hidrobo found, cash transfers significantly reduce discrimination across poor Colombian refugees and Ecuadorians however, there was no variation in impact across treatment arms. The interventions also increased trust in institutions and decreased trust in individuals ($p < 0.01$). The rise in institutional trust is significantly greater than with vouchers, while the decline in individual trust is significantly larger than with food aid. Conversely, only vouchers significantly boost group participation, with a markedly greater effect than cash transfers. This study is rated as high confidence.

Kimou (2019): This study evaluates the effects of a cash-for-work program for unskilled youth in post-conflict Côte d'Ivoire, paying close attention to how it influences feelings of trust and social cohesion. The intervention involved providing financial opportunities through paid employment, with outcomes assessed over the short and mid-term. In the short term, program participation reduced trust in out-community peers by 29% and trust in colleagues by 16%. However, in the midterm, having a paid job increased trust in family members (17%) and colleagues (25%) and improved community engagement, as seen in a 20% rise in attendance at community meetings. Additionally, the program significantly predicted pro-peace behaviors among participants. The findings indicate that while short-term impacts may challenge trust dynamics, cash-based employment opportunities have a positive influence on building trust, social cohesion, and peace-oriented attitudes over time. However, entrepreneurship training was found to negatively affect social cohesion compared to job training, which positively predicted peace-promoting attitudes. The study is rated as medium confidence due to experimental study design, partial description of outcomes and no mention of power calculations.

Muller et al. (2019): This study assesses the effects of a disrupted financial intervention, the South Sudan Youth Business Start-Up Grant Program, on trust and related outcomes. The program, designed to provide unconditional cash grants and business/life skills training, was terminated prematurely due to escalating violence, leaving many beneficiaries without the expected support. Participants who received the grant as planned experienced significant improvements in consumption, savings, and psychological well-being. However, those who anticipated but did not receive the grant faced negative outcomes, including reduced consumption levels. Among women in this subgroup, trust levels significantly declined, reflecting the detrimental impact of unmet expectations. The findings highlight that while cash grants can positively influence financial and psychological stability, their disruption can undermine trust, particularly among vulnerable groups, in fragile and insecure contexts. The study is rated medium confidence because of moderate levels of attrition and incomplete description of the intervention.

Friedman (2011): This study highlights that financial interventions can have nuanced effects on social cohesion. In particular, the findings suggest that financial aid—whether through direct cash transfers, merit-based scholarships, or in-kind benefits—does not uniformly increase trust or social integration but rather interacts with contextual and implementation factors to shape outcomes. One of the key insights is that financial aid programs, such as

merit scholarships, can enhance political awareness and knowledge, but they do not necessarily translate into greater political participation or community engagement. Instead, these programs sometimes lead to increased ethnic identification, which may, paradoxically, weaken trust between different groups rather than fostering a broader sense of cohesion. Additionally, while recipients of financial aid express reduced deference to authority and traditional structures, this does not necessarily equate to higher acceptance of diversity. In some cases, education-based financial assistance strengthens ethnic attachment rather than promoting national identity. The study further suggests that financial interventions can challenge traditional power structures, particularly in the household, by increasing autonomy and reducing the acceptance of domestic violence. However, in the broader social and political realm, increased financial support does not consistently lead to stronger trust across ethnic or religious lines. Rather, in some cases, the interventions heighten dissatisfaction with existing structures without providing effective channels for democratic engagement, leading to an increase in the perceived legitimacy of political violence. The study is rated as low confidence as there was partial description of interventions and outcomes.

Lehmann (2014): The Winter Cash Assistance Program for Syrian refugees in Lebanon had a positive effect on feelings of trust and acceptance of diversity within communities. The study found that cash assistance improved relationships between beneficiaries and Lebanese community members. Specifically, 31% of households in the treatment group received help from Lebanese neighbors, compared to 26% in the control group. This help included childcare, assistance during illness, housework, or financial aid, suggesting that cash assistance fostered mutual support within communities. Moreover, beneficiaries were also more likely to provide help to Lebanese community members, reinforcing social ties and trust. This aligns with prior research, which indicates that recipients of cash transfers often share resources with others in their community, creating a reciprocal support network (Angelucci & DeGiorgi, 2009). The study suggests that as economic pressures were reduced, beneficiaries had more time and emotional energy to build relationships, which likely contributed to increased social cohesion. Another significant finding was that cash assistance reduced negative interactions between refugees and Lebanese hosts. The study noted that 90% of the control group reported never being insulted by Lebanese community members, compared to 94% in the treatment group. While seemingly small, this difference is statistically significant, indicating a modest but meaningful reduction in hostility towards refugees. However, the study did not find significant changes in relationships among Syrian refugees themselves, suggesting that the effect was more prominent in refugee-host interactions rather than within refugee communities. The study is rated medium confidence because of moderate levels of attrition and incomplete description of the intervention.

Blattman (2013): The study examines the effects of financial products on feelings of trust and acceptance of diversity, particularly within the context of the WINGS program. It finds that participation in financial interventions, particularly those involving grants and skills training, leads to an increase in social capital. Beneficiaries of the program reported an 8% increase in their perceived trustworthiness compared to non-participants, suggesting that financial support enhanced their confidence and social positioning within their communities. Additionally, program participants engaged in nearly 50% more group activities, fostering greater social interaction and resource sharing. However, while financial assistance improved trust among beneficiaries, it also resulted in a slight increase in perceived hostility from community members, possibly due to envy or competition effects. The findings suggest that while financial interventions can strengthen trust and cooperation among direct beneficiaries, they may also introduce social tensions that require careful management.

Though this cell has a high confidence rating, effect size data could not be extracted from this study due to insufficient data pertaining to the specific outcome category.

Confidence Assessment:

Overall, the confidence level is low due to inconsistency in findings across the studies.

Other outcomes in the study:

Violence / social norms regarding violence

Community and state governance / government performance

Human security / economic security.

Link to review summaries:

Lwamba (2022)