

## Effect of Financial products and services Cash and in-kind transfers on Government Performances

Financial products, cash, and in-kind transfers show a harmful effect on government performance, as immediate monetary solutions can sometimes undermine perceptions of efficiency and trust.

Geographic Area: Sub-Saharan Africa and South Asia

Effect: Harmful effect (g= -0.028)

Confidence in study findings: Low (4 studies with 46 effect sizes)

### Short Summary:

Financial products and cash or in-kind transfers can influence government performance, with outcomes dependent on program design and implementation. While cash transfers provide immediate relief and financial products aim to build resilience, their effects on perceptions of government efficiency are mixed. Ghorpade notes that clientelist dynamics can erode trust, while Friedman's conditional cash transfer (CCT) study found that scholarship recipients were less satisfied with the government, suggesting that increased access to services does not always improve institutional trust. Conversely, Kurtz shows that well-designed, context-aware interventions can improve both economic stability and perceptions of governance, highlighting the importance of careful implementation. Overall, cash and in-kind transfers have a small harmful effect on government performance.

### Long Summary

#### *The Intervention:*

This intervention category includes microcredit, microinsurance, microsavings programs (including village savings and loan associations), and financial literacy support. It encompasses cash and in-kind transfers, including direct provision of goods, food assistance, and social safety nets, which may be conditional or unconditional. Short-term cash-for-work programs, as well as interventions combining transfers with skills training or health support, are also included.

#### *How the Intervention is expected to work:*

Financial products, cash, and in-kind transfers aim to improve economic stability, reduce poverty, and enhance government performance. Financial products provide tools for financial resilience, while cash transfers supply direct aid and in-kind transfers provide goods or services such as food or healthcare. These programs are designed to increase consumption, encourage investment in education and health, and strengthen trust in government. The effectiveness of these interventions depends on proper targeting, transparency, and alignment with local needs. Poor implementation, mismanagement, or clientelist practices can reduce public confidence and undermine government performance.

### *Evidence Base:*

The cell contains 4 studies: 3 RCT based impact evaluations and 1 quasi-experimental impact evaluations. There is a moderate degree of consistency in the review findings.

The studies are based in Uganda (1 study), Kenya (1 study), Pakistan (1 study) and Afghanistan (1 study).

### *Evidence Findings:*

The evidence indicates that financial products and cash or in-kind transfers can improve economic stability and provide public benefits, but increased awareness of government provision does not always translate to positive perceptions. Some programs unintentionally reduced trust in government and highlighted gaps in effective implementation, resulting in a small harmful effect on government performance.

### *Included Studies:*

**Baseler (2021):** The study examines the impact of financial products, specifically cash and in-kind transfers, on government performance through their influence on social cohesion and policy support. The research, conducted in Uganda, explores how business grants and mentorship programs for host microentrepreneurs affect their attitudes toward inclusive refugee policies. The study finds that cash grants combined with information about Uganda's aid-sharing policy increased support for inclusive policies, such as refugees' right to work and freedom of movement, with treated individuals being "15 percentage points more likely to support allowing more refugees into Uganda" and "13 percentage points more likely to support refugees' right to work". These findings suggest that financial aid tied to policy narratives can enhance public perception and support for government initiatives, reinforcing the role of aid-sharing in improving governance outcomes. However, the study does not find direct economic benefits from the interventions, highlighting that financial products can shape political attitudes even in the absence of economic gains. The study is rated as medium confidence.

**Friedman (2011) :** The study assessed the political and social impacts of a randomized girls' merit scholarship incentive program coinciding with this the study measured respondents' satisfaction with government performance, including their views on the economy and democracy. The results indicate that participants in the scholarship program expressed lower satisfaction with the government and its performance, suggesting a potential disconnect between increased educational attainment and trust in government institutions as people become more aware of the government's poor performance and become more critical of the existing political standards. The study is rated as low confidence as there was partial description of interventions and outcomes.

**Ghorpade (2019) :** The study infers that while cash transfers can improve perceptions of government among beneficiaries, this effect is likely driven by clientelist dynamics rather than genuine improvements in government performance or state capacity. The findings highlight the complexity of the relationship between welfare programs and political attitudes, suggesting that cash transfers may not inherently strengthen the social contract between citizens and the state without accompanying institutional reforms. The study is rated as low confidence due to non-experimental study design and no mention of power calculations.

**Kurtz (2018) :** This study examines the effect of financial interventions on government performance by investigating their potential to reduce youth support for political violence in

fragile contexts like Afghanistan. It focuses on a youth employability program, INVEST, which combines vocational training and unconditional cash transfers to assess their impact on attitudes toward armed opposition groups (AOGs). Key findings highlight that combining vocational training with cash transfers not only improved economic outcomes but also positively influenced psychosocial well-being and perceptions of the government. This suggests that such interventions can enhance government legitimacy and reduce the appeal of violent groups, demonstrating that well-designed economic programs can address the socio-political factors underlying instability. This approach underscores the importance of coupling financial initiatives with broader strategies aimed at improving governance and fostering trust in state institutions. The study is rated low confidence because of its lack of power calculations.

#### *Confidence assessment*

Overall Low: The overall confidence is low because most of the studies are rated as low confidence.

#### **Other outcomes in this study:**

Community and state governance / Feelings of trust and acceptance of diversity

Human security / Economic security.

Community and state governance / Civic Participation