

When you give cash to those in need, you're giving the whole community a boost



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December 2, 2019, 1:36 p.m.



When people were given cash in Kenyan households, they were able to spread the wealth to others in the community. (Photo: GiveDirectly)

On the surface, it seems simple: When you give cash to someone in need, that person or family benefits the most. But a new study finds the true impact is much broader. When poor families receive financial aid, they also lift up the communities around them.

Researchers teamed up with the charity [GiveDirectly](#), which has been delivering cash since 2009 straight to poor residents of African countries. The group has given more than \$140 million to impoverished families in Kenya, Uganda, Rwanda, Liberia, Malawi, the Democratic Republic of the Congo and Morocco.

Until now, research has focused on the impact of cash aid directly on the people who receive it. But this time, researchers looked at the ripple effect such a financial infusion had on the wider community.

Researchers followed 10,500 households across 328 villages in Siaya, Kenya, each of which received about \$1,000 in cash. That was the equivalent to about 15% of the local gross domestic product (GDP) or total local income for the area. That much money didn't just affect the households, it ended up affecting the communities, the researchers found.

Of course, the families used the cash to buy food and other necessities. And by doing so, the money had a domino effect, spreading out into the community.

"That money goes to local businesses," study co-author Edward Miguel, an economist at the University of California, Berkeley, [tells NPR](#). "They sell more. They generate more revenue. And then eventually that gets passed on into labor earnings for their workers."

The greater value of a dollar



For every dollar GiveDirectly gave to a household, it had an economic impact of more than double that amount in the community. (Photo: GiveDirectly)

The researchers estimated that every dollar in cash aid increased economic activity by about \$2.60 in the community.

"We find large impacts on consumption and assets for recipients. Importantly, we document large positive spillovers on non-recipient households and firms, and minimal price inflation. We estimate a local fiscal multiplier of 2.6. We interpret welfare implications through the lens of a simple household optimization framework," the researchers [write in their findings](#).

And researchers found that, despite some concerns, there were few effects from inflation. Local shopkeepers didn't have to hire more workers because of the new influx of cash so they didn't have to increase prices to cover any new salaries. Also, there were reportedly no problems with jealousy from those in the community who didn't receive money, possibly because so many people benefited when neighbors received newfound funds.

This is just one of more than [165 studies](#) on the effects of cash transfers, GiveDirectly points out. [Research has found](#) that an influx of cash lowers poverty, increases school attendance, improves health and overall well-being including empowerment and self-sufficiency. This is the first study, researchers say, that shows giving money can benefit more than just the recipients, with a ripple effect that benefits other community members in need.



Mary Jo DiLonardo writes about everything from health to parenting — and anything that helps explain why her dog does what he does.
