

# Does Labelling Work as well as Strict Conditionality in Cash Transfers?

SAMBIT RATH

IDF is engaged in an experimental programme in Odisha incentivising school attendance through a cash transfer. In the first year, students were told that the stipend is contingent on 70 per cent monthly attendance. But, it was not imposed. This creates the setting for testing whether “labelling” a cash transfer as conditional is as effective as strict conditionality. Initial results show that labelling caused improvement in attendance. Perhaps effective alternatives to expensive conditionality compliance monitoring systems should exist.

**Keywords:** *cash transfers; education; impact evaluation; odisha, ogip; rayagada*

“A lot of our policy models traditionally are based on a rather naïve understanding of what drives behaviour. But if you have a more intelligent, nuanced account of how people make decisions, you can design policy that is more effective, less costly, and makes life easier for most citizens.”<sup>1</sup>

## THE CONTEXT

Odisha Girls Incentive Programme (OGIP) is a unique example in policy experiment whereby cash incentives are provided to socially marginalised students in secondary classes. The programme is being implemented in the state of Odisha. The programme seeks to incentivise class attendance and enrolment through direct transfer of cash scholarships to Scheduled Caste (SC) and Scheduled Tribe (ST) students enrolling in classes 9 and 10. Started in 2013, the programme will be in operation till 2016. DFID UK Govt. is working with the Government of Odisha to implement the programme. The programme focuses on SC/ST girls, through an additional top-off amount over the cash stipend provided to them through a Government of India (GoI) sponsored secondary school incentive programme. It is hoped that this additional incentive will go a long way in bringing girls from these disadvantaged communities to school.

Odisha is one of the poorest states in India with about 36 per cent of its population below the poverty line in rural areas (about 33 per cent overall).<sup>2</sup> The poverty figures for the target group for OGIP, i.e. SC and ST are significantly worse. According to the recent data from the NSS (National Sample Survey), 63.5 per cent of ST households and 41 per cent of SC households were below the poverty line.<sup>3</sup> The education landscape has seen gradual improvement in the primary classes (classes 1 to 5) and subsequently in the

<sup>1</sup> David Halpern quoted in Mandrian, Brigitte C., (2014), “Applying Insights from Behavioral Economics to Policy Design”, *Annu Rev Econom.*, August, p. 663

<sup>2</sup> Among major states, Odisha ranks the fourth in rural poverty after Chhattisgarh, Jharkhand and Madhya Pradesh.

<sup>3</sup> Panagariya, A. and More, V. (2013), "Poverty by Social, Religious and Economic Groups in India and its Largest States 1993-94 to 2011-12", *SIPA-ISERP Working Paper No. 2013-02*, Columbia University (accessed from [http://indianeconomy.columbia.edu/sites/default/files/working\\_papers/working\\_paper\\_2013-02-final.pdf](http://indianeconomy.columbia.edu/sites/default/files/working_papers/working_paper_2013-02-final.pdf))

upper-primary classes (classes 6 to 8) due to Sarva Shiksha Abhiyan (SSA) along with parallel improvement in schooling infrastructure in the state. The Gross Enrolment Ratio (GER) for classes 1 to 8 (in the age group of 6 to 13 years), stood in the mid-nineties (94 per cent) with parity among girls and boys. However, when we come to the secondary classes, the GER reduces to about 77 per cent. For ST girls, the Net Enrolment Rate (NER) figures are about 51 per cent, implying that about 50 per cent of the ST girls in the eligible age-group (i.e. 14 to 15 years) are out of school.

It is in this context that OGIP was mooted as a programme that will improve demand for schooling in the secondary classes. The design of the programme was based on evidence coming from a small scale pilot study conducted in one district of Odisha (Rayagada), where a conditional cash transfer (CCT) was implemented in 2012-13. An impact evaluation conducted for the pilot pointed to improved attendance (by about 5 per cent) and reduction of drop-out rates (by about 30 per cent).

This analysis envisages bringing out an important element of conditional cash transfers, namely, the role conditionalities play in bringing out the desired human capital investment. It is to be noted that the manner of implementation of OGIP allows us to see if “labelling” works in the same manner as hard conditionalities. The first year of operation of OGIP, 2013-14, was one of setting up of systems and the state government waived off the rigid conditionality (70 per cent class attendance) requirement. However, the enrolment process was still school-based and the teachers and the personnel of the technical assistance agency conveyed the importance of regular class attendance to the students. However, from the academic year 2014-15, OGIP is closely monitoring students falling below the attendance norm of 70 per cent and withholding the scholarship for these students.

This creates a setting for testing and listing out implications of “labelling” vis-a-vis strict conditionality. For this discussion, we will be utilising attendance data collected for a cohort of about 5000 students from students in class 9 and class 10 for years 2012-13 and 2013-14, respectively.

## **POLICY INFORMING THROUGH BEHAVIOUR STUDY**

A significant portion of the budget in any CCT programme goes in the creation and maintenance of conditionality monitoring system. In the recent years, some evidence is emerging in the form of a study of the behaviour of participants of different cash transfer programmes. In a recent work by Benhassine et al (2013)<sup>4</sup>, in a study of a ‘labelled cash transfer’, it was shown that a cash transfer explicitly labelled as an education support programme improved parental belief in the efficacy of investment in education. In addition, imposition of further conditionalities did not alter the impacts significantly. These types of studies highlight an alternative pathway to the creation of demand for human capital.

We highlight some of the results of OGIP in the first year of the programme, when the only direct intervention was an explicitly labelled cash transfer. The IEC (Information Education Communication) campaign before the implementation of the programme laid stress on bringing students to secondary classes through reduction of dropout rates and improvement of school attendance rates.

## **CONDITIONALITY AND IMPACTS: WHAT DOES THE LITERATURE SAY?**

A perusal of meta-analysis of different CCT programmes shows that conditionality has, and has not, worked in the following scenarios:

<sup>4</sup> Benhassine et al (2013), "TURNING A SHOVE INTO A NUDGE? A 'LABELED CASH TRANSFER' FOR EDUCATION", *NBER Working Paper No. 19227*, <http://www.nber.org/papers/w19227>

**Table 1: Evidence on when conditionality works and when it does not<sup>5</sup>**

Characteristic	When Conditionality works	When Conditionality does not work
Current demand for human capital (for example, school attendance rates)	If demand for human capital is low, there is greater room for conditionalities to improve. For example, CCT programmes have led to significant secondary school attendance rates in Mexico — in large part because these were initially relatively low. Properly designed conditionalities may compensate for the loss of income households face when children attend school.	If demand for human capital is already high, the need for conditionalities is less — and they are less likely to improve social protection.
Government’s delivery of education infrastructure (schools, quality education)	If government is currently able to deliver the necessary education services, conditionalities are more likely to show results.	In regions where school density and quality of education provided are low, conditionalities do not show adequate results.
Capacity for administration	The administrative capacity to implement/maintain systems required for monitoring conditionalities are important for conditionality to work.	Capacity constraints in effective monitoring affects the impacts of conditionality adversely.
Bottlenecks facing the poor	If the poor have the resources and circumstances to respond effectively to the incentives created by cash transfers, the conditionalities are more likely to improve impacts.	If the poor do not have the resources and circumstances to respond to incentives, conditionalities may screen out the poorest.
Programme design	Soft conditionalities with adequate monitoring seems to better the programme impacts. This was evident in Bolsa Familia <sup>6</sup> in Brazil; and is also evident from the impacts seen from the pilot phase of OGIP. In the Pilot phase, households were not penalised but rather counselled in achieving the human capital investment, thus increasing the likelihood positive impact.	Rigidly imposed conditionalities are more likely to exclude the poorest and reduce social protection.

<sup>5</sup> This table is adapted from EPRI book on “Designing and Implementing Social Transfer Programmes: a policy manual”, <http://epri.org.za/resources/book/>

<sup>6</sup> Bolsa Familia is one of the largest conditional cash transfer programme meant for the poor in Brazil. <http://www.mds.gov.br/bolsafamilia>

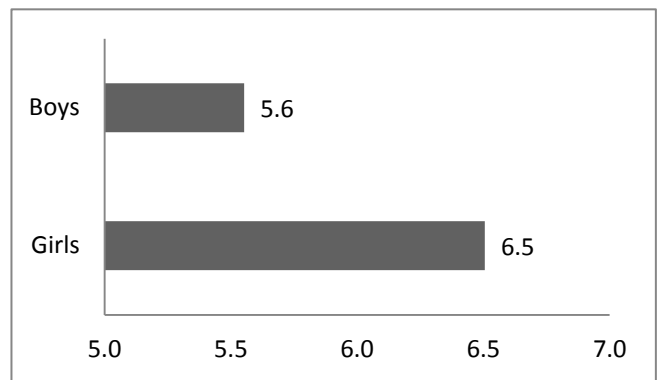
## EVIDENCE FROM OGIP: INITIAL FINDINGS ON EFFECTS OF “LABELLING”

As explained earlier, the first year of implementation of OGIP did not involve any explicit imposition of attendance conditionality. However, attendance data was collected for a baseline and end-line (at the end of the year). Using this data one can infer the putative impact of the programme in the presence of a ‘labelling’ of the intention of programme to foster improved attendance.

The data on the attendance levels of 4,790 students of Odisha were taken for the study. The data set consists of data of 4,790 students who were enrolled in class 9 in the academic year 2012-13 (baseline), out of which 397 student repeated/failed class 9 and the rest of them subsequently got promoted to class 10 in the academic year 2013-14 (end-line). Apart from the data on the student’s attendance, we had the access to information like their gender, district, block, social category and type of their schools i.e. residential type and the management type. We have some results from the analysis below. Note that the results given below are initial estimates only. In all the estimates below, we have used a simple pre-post estimator.

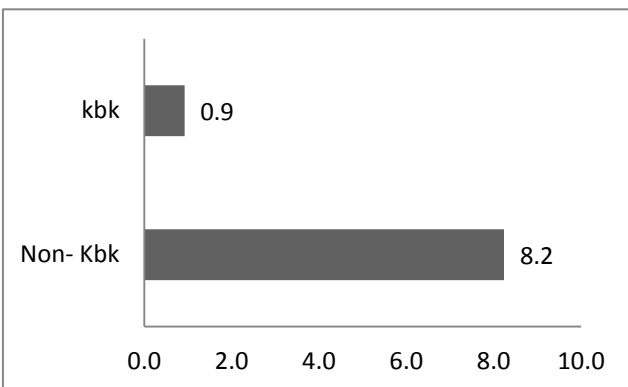
### a. Overall increase in attendance from baseline to end-line

We see an overall change of about 6 per cent from 74 per cent to 80 per cent in the programme year. Note that this increase came about without any explicit monitoring of attendance conditionality. Also, there were regional and gender-based differences in the change seen.



### b. Girls show a higher leap than boys

OGIP entailed higher cash transfers for SC/ST girls when compared with boys. An analysis shows that the leap for girls was about 6.5 per cent, whereas it was 5.6 per cent for the boys.



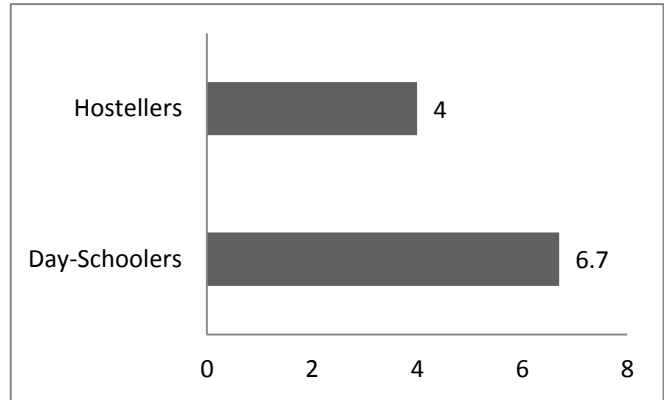
### c. Regions in Odisha with better infrastructure and lower poverty rates fare better

The attendance rates in poorer districts in Odisha (KBK districts) remained almost constant (a change of about 0.9 per cent). However, the cash incentive seems to have resulted in a higher leap in attendance for the relatively better off districts (8.2 per cent). This is in line with the literature whereby government’s delivery of education infrastructure and relative poverty rates

has an impact on school participation rates (like attendance).

**d. Day scholars seem to have fared better than hostellers**

We see that in groups where the demand for schooling among hostellers is already quite high. Therefore, conditionality seems to work better for day-scholars, for whom the base was low to start with.



**FINALLY**

Conditionality monitoring and design is one of the most crucial aspects of a cash transfer design. It also has great cost implications. However, rational households tend to invest in education in the presence of cash transfer labelled as education support. This note brings out some of early evidence on the impact of an experiment in a Labelled Cash Transfer. We sum up some of the possible connotations below:

Households invest more in education in the presence of a cash transfer that is labelled as “for education transfer”;

The impact is heterogeneous with groups starting with lower bases (girls, day-scholars etc.) showing higher response rates to the incentive;

All other things remaining constant, regions with better school infrastructure fare better. In poorer areas, conditionality (imposed as a soft conditionality or just as a label) may work better;

Capacity is a crucial issue. OGIP may have worked because of able technical assistance on the ground. The OGIP Technical Assistance (TA) agency worked with the schools and line departments to ensure that the key message on improvement in school enrolment and attendance got to the beneficiaries. In addition, an able TA agency was influential in achieving near 100 per cent targeting.