



BEYOND MEETING IMMEDIATE NEEDS: The Impact of Electronic Cash Transfer Approaches on Disaster Recovery and Financial Inclusion | May 2015

TABANGKO IN THE PHILIPPINES

In January 2014, Mercy Corps launched the TabangKO ('my help') program to deliver emergency cash assistance to households affected by Typhoon Haiyan. Utilizing a mobile banking platform, these cash transfers were intended to help households meet their immediate needs and reestablish their livelihood. Additionally, the program aimed to familiarize beneficiaries with secure and formal means of storing and accessing funds. Through introductory financial literacy trainings via face-to-face and voice messages, the program sought to increase the use of formal and informal financial products, such as savings accounts. These forms of financial inclusion have been linked to better recovery outcomes among households affected by Typhoon Haiyan.¹

BACKGROUND

Context

Unconditional cash transfers (UCTs) are becoming a common means of addressing the needs of populations after natural disasters and emergencies.

Key Findings

- How cash transfer payments were structured changed the ability for households to invest in income-generating assets
- One time financial literacy trainings did not further increase savings behavior for beneficiaries
- Financial literacy through voice messages that encouraged savings practices had a positive effect on savings behavior; in particular for households where women were the financial decision makers

These events interrupt economic growth and strike blows at existing assets and infrastructure. Given the large cumulative economic and social toll, efforts that go beyond immediate needs and concerns are vital to achieving strong and sustainable recovery. Humanitarian actors in the Philippines, and other disaster prone countries, are searching for intervention models that help households recover while

simultaneously strengthening their long-term resilience to these devastating shocks.

Methodology

This evaluation of the TabangKO program employed a randomized controlled trial to explore how different cash transfer amounts would affect the use of financial resources and promote economic recovery after a natural disaster. It also examined how combining UCTs with an overview of financial concepts and a series of savings-encouraging voice messages would impact savings behavior. Overall the TabangKO program delivered cash transfers to 25,480 households. **The study, however, was limited only to the Western Leyte region.** Within this area, households were randomly assigned to receive one of four different versions of the TabangKO program. From this sample, 1,659 households were randomly surveyed. The impact estimates of this study were based on data collected in January and February of 2015, 14 months after the original typhoon. The table to the right details the treatment components tested by the study.







Research Questions

Through the evaluation, Mercy Corps was able to focus on specific design features of the program and measure their additional impact. The following research questions are addressed by directly comparing households that received different versions of the TabangKO program:

Program Components

The TabangKO program explored different delivery methods in order to improve future design and promote recovery. The following components were tested for impact:

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• **Distribution structure: single payment (\$89)**
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• **Distribution structure: three payments (\$45 + \$27 + \$17 = \$89)**
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• **One-hour introductory financial literacy review**
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• **12-part financial literacy series in 'soap-opera' style voice messages promoting savings**



What difference does the frequency of cash transfers make to a household's recovery and livelihood?



What difference does a generic introductory overview of financial literacy concepts have on the savings behavior of beneficiaries?



What difference do targeted savings messages have on the savings behavior of beneficiaries?

KEY FINDINGS

Within the context of disaster response and humanitarian aid, the TabangKO program was highly successful in delivering emergency funds to extremely vulnerable households in the wake of one of the most damaging natural disasters in Philippines history. Focus group and household interviews demonstrated the cash assistance distributed through TabangKO had a clear positive impact on communities as they continued the rebuilding process. However, ensuring these benefits extend beyond the immediate effects of an influx of cash is not a straightforward task.

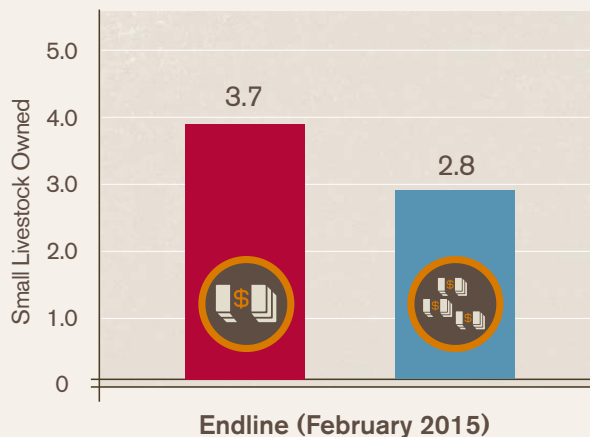


Single sum transfers, when compared to three payments of the same amount, resulted in

increased ownership of small productive assets.

Furthermore, potential disadvantages of receiving a lump sum – such as spending less cash on food and other goods, and the use of more negative coping strategies to offset money spent on larger investments – did not materialize within the study. These findings demonstrate that recovery programs that seek to promote investments in productive assets should strongly consider delivering cash transfers in the form of a lump sum.

Figure 1. Average Number of Small Livestock Owned



The introductory, one-hour financial literacy overview given during registration events did not have any effect on the savings behavior of beneficiaries.

Changing the behavior of beneficiaries, such as increasing cash savings, financial investment, and the use of more sophisticated financial products, will likely require more adapted and actionable engagement than a one-time overview. However, as communities move forward with recovery, ensuring that households have access to the benefits of financial products will likely play a role in speeding recovery and reducing vulnerability. As designed, the financial training program did not deliver these benefits.



Financial messages delivered over the course of a cash transfer program have the potential to overcome other factors that restrict savings behavior.

Mobile-based savings encouragement led to changes in usage of both informal and formal savings products for *beneficiaries who reported receiving the series of voice messages*. However, there is strong concern that these results overestimate impact as the individuals who remember the voice messages are likely to also be more predisposed to savings behavior. When looking across gender differences an almost equal number of men and women report receiving the voice messages. Yet, households where women identified as the financial decision makers showed higher savings rates as a result of the voice messages. This suggests that some aspect of the message content, and not the mode of delivery, was

more effective at encouraging savings behavior among women. As a result, how the information is presented will likely also play a large role in the overall effectiveness of a mobile-based savings encouragement program.

RECOMMENDATIONS

This experiment provides valuable insights for international development donors and practitioners. Specifically, post-disaster cash transfer programs should be intentional about design elements as small variations can create an added impact on the long-run wellbeing of beneficiaries. We find that single payments are more effective than routine smaller transfers in building productive assets important for household level resilience. Additionally, there is evidence that financial literacy through routine voice messages can help

push households toward financial behaviors, like saving, that may contribute to their resilience to and recovery from future natural disasters.

Moving forward, efforts should hone in on these design elements further to ensure that resources are being utilized to the fullest extent. Different delivery mechanisms for reminders (SMS, voice messages, etc.) should be compared to better understand trade-offs in implementation. For programs looking to promote savings behavior, future research could explore how a significant increase in the number of smaller transfers might encourage more engagement with formal savings products. This study and future analysis will improve not only how immediate response is delivered to vulnerable communities, but ensure these efforts contribute to a more robust and sustainable recovery for those who need it most.

Endnotes

1 Hudner, D. and Kurtz, J. (2014). "Do Financial Services Build Disaster Resilience? Examining the Determinants of Recovery from Typhoon Yolanda in the Philippines." Mercy Corps Working Paper.

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With a network of experienced professionals in more than 40 countries, we partner with local communities to put bold ideas into action to help people recover, overcome hardship and build better lives. Now, and for the future.



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