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Can Agents Improve Conditional Cash Transfers in Peru?

In Peru, the average recipient of a conditional cash transfer payment has to travel five hours to get to the nearest bank branch or ATM, spending 10% of the payment in transportation costs along the way.

As of the first quarter of 2014, there were 700,000 beneficiaries of the JUNTOS program, a conditional cash transfer program run by the Peruvian government. These beneficiaries were primarily women classified as poor or extremely poor, as determined by the national census, and who have varying levels of literacy. There is no bank or ATM in 80% of the districts where they live. In addition, even though 67% of people receiving benefits through the Peruvian government's JUNTOS program receive their payment through a savings account at the state Banco de la Nación, most do not take advantage of the savings opportunity. Instead, they withdraw their money all at once, we suspect, because they do not trust that the bank will keep it safe.

This story of the high costs of access, a lack of trust in the banking system, and customers' fear of interacting with the technology are barriers to savings that we have heard about all over the world, but are especially relevant in Peru. This is why Innovations for Poverty Action (IPA) is working with the Peruvian Government to test programs that help poor people save more and receive their government payments in more convenient and less expensive ways. Given the large size of the JUNTOS program, any successful solution needs to be nationally scalable.

Researchers affiliated with IPA are conducting a randomized control trial (RCT) testing the introduction of agents to increase accessibility of the JUNTOS payments, as well as workshops aimed at increasing trust in the banking system. The RCT involves 12,000 people in 59 districts, which were selected because they represent the typical situation of a JUNTOS beneficiary: they lack a bank branch or ATM. The researchers aim to answer three questions through its RCT:

- Will the introduction of agents lower the cost of accessing accounts and increase account usage by beneficiaries??
- If agents are combined with confidence and trust-building exercises, will that increase account usage even more??
- Can more frequent use of the accounts lead to an increase in total savings?

In addition to the results from the RCT, the researchers also have access to anonymized, individual-level data provided by the Peruvian government and Banco de la Nación. The researchers will analyze the data to detect changes in individual financial behavior to help evaluate the impact of the various arms of the RCT.

CGAP's Clients at the Center Financial Inclusion Research Fund began funding this RCT in November 2013, just two months after work officially began, and already there is progress. Thus far, 29 agents have been established in 30 districts. JUNTOS payment days have been officially relocated to the newly installed agents for all beneficiaries with bank cards and will continue throughout the coming year in eight of these districts. Within a subset of 140 randomly selected villages within these 30 districts, our partners the Institute of Peruvian Studies (IEP) will be providing workshops to build the confidence of beneficiaries in the banking system and their own ability to interact with it in 70 of them. The remaining 70 will be control comparisons.



There were a number of obstacles the researchers identified in districts where JUNTOS payments have not yet been distributed. The most prominent challenge is a lack of liquidity on the part of municipal agents, which need to provide the cash for the transfer to the beneficiary first from their own funds, before being reimbursed by JUNTOS from the beneficiaries' savings account. When the municipality lacks liquidity, this can prevent a beneficiary from receiving her entire payment in one visit. This is a tricky challenge to solve because the end goal of this exercise is for beneficiaries to keep some money in their savings accounts, which would reduce liquidity pressure on agents. The researchers are working with JUNTOS and Banco de la Nación to find a mechanism to transfer JUNTOS funds to municipalities in advance or to pay out JUNTOS beneficiaries over various days through the revolving fund associated with the agent account.

Another challenge the researchers have had to overcome has been local politics. Some mayors not running for reelection were disinterested in taking on a new project near the end of their term. However, local elections are now over and new mayors take office in January 2015, so the researchers plan to conduct a second round of informative visits to

communicate the project to new authorities. New mayors are more likely to want to adopt the project to kick off their term with a strong first impression.

Finally, security is also a concern, especially around transporting money on payment days. The researchers are looking at other conditional cash transfer programs in other countries to determine how best to deal with this issue. We believe the ideal solution is to transport smaller amounts on a weekly basis, and promote the involvement of local authorities (municipal use of their own vehicle, police accompaniment to the bank) to alleviate potential dangers.

The researchers will assess the agent intervention through a data analysis and an endline survey after each district has had an agent for at least a year, and received the workshop at least six months beforehand. Results will be available in early 2016, and if all goes well, they will help answer two critical questions:

- Whether and to what extent were transaction costs the main barrier to active use of bank accounts by conditional cash transfer beneficiaries??
- Can workshops to empower beneficiaries and increase trust in the banking system work?

Answering these questions will contribute to our understanding of whether this practice should be scaled up in Peru, as well as the body of international research on financial inclusion. The research also provides an effective vehicle for funneling findings from the field into policy decisions. You can read more about the study details [here](#).

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Editors note: this cross-posting originally appeared on CGAP's site, [here](#).

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