

Effects of Cash Transfers Mitigation Impacts in the Face of Socioeconomic External Shocks: Evidence from Egypt

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Abstract : Evidence on cash transfers' effectiveness in mitigating macro and idiosyncratic shocks' impacts has been mixed and is mostly concentrated in Latin America, Sub-Saharan Africa, and South Asia with very limited evidence from the MENA region. Yet conditional cash transfers schemes have been continually used, especially in Egypt, as the main social protection tool in response to the recent socioeconomic crises and macro shocks. We use 2 panel datasets and 1 cross-sectional dataset to estimate the effectiveness of cash transfers as a shock-mitigative mechanism in the Egyptian context. In this paper, the results from the different models (Panel Fixed Effects model and the Regression Discontinuity Design (RDD) model) confirm that micro and macro shocks lead to significant decline in several household-level welfare outcomes and that Takaful cash transfers have a significant positive impact in mitigating the negative shock impacts, especially on households' debt incidence, debt levels, and asset ownership, but not necessarily on food, and non-food expenditure levels. The results indicate large positive significant effects on decreasing household incidence of debt by up to 12.4 percent and lowered the debt size by approximately 18 percent among Takaful beneficiaries compared to non-beneficiaries'. Similar evidence is found on asset ownership levels, as the RDD model shows significant positive effects on total asset ownership and productive asset ownership, but the model failed to detect positive impacts on per capita food and non-food expenditures. Further extensions are still in progress to compare the models' results with the DID model results when using a nationally representative ELMPS panel data (2018/2024) rounds. Finally, our initial analysis suggests that conditional cash transfers are effective in buffering the negative shock impacts on certain welfare indicators even after successive macro-economic shocks in 2022 and 2023 in the Egyptian Context.

Keywords : cash transfers, fixed effects, household welfare, household debt, micro shocks, regression discontinuity design

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