

Cash remains a most effective gift

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Revisiting an episode from 2022, in which two country directors of the charity Give Directly told me how cash transfers in Rwanda and Malawi make a real difference to the lives of poor people there. The reason is Give Directly's Pods Fight Poverty campaign, which aims to raise \$1,000,000 for families in Rwanda. They're more than 10% of the way there, and I hope this podcast can add to the total.

I introduced that episode like this: "You hear a lot these days about food poverty, as if it's somehow different from poverty, pure and simple. But what if food poverty is just one aspect of more general poverty?"

It showed how the simple gift of cash can reshape nutrition and human dignity.

Miriam Laker Oketta: So we give cash to people living in poverty, and the cash we give is unconditional.

Jeremy: Miriam Laker Oketta is the research director at Give Directly, and she spoke to me from her base in Uganda.

Miriam: We believe that people of every level know what is best for them, and that's the reason why we give them unconditional cash, because we believe that people should be able to choose for themselves how best to improve their lives.

Jeremy: Now, I should note that although Give Directly does also operate in the US, I'll be focusing on its work in East Africa, where I want to know whether these unconditional cash transfers, which are done via mobile phones, whether they do improve food security and nutrition, and we will get to that. But first, the whole idea of giving people cash is actually slightly controversial. A lot of people will tell you that if you give poor people money, they'll spend it on alcohol or drugs.

Miriam: We found that people actually use their money positively. You know, most people ask us, don't people spend this money on what we're calling temptation goods, alcohol, drugs and the like? The evidence so far shows that 1% and less actually do spend their money on this temptation.

Jeremy: That's crucial for two reasons. First, it's good to know that people don't squander the cash. But more importantly, Give Directly has evidence on that. Gathering evidence is another fundamental aspect of the way they work. For example, when they go to a community, they give a lump sum of about \$1,000 to absolutely everybody. They call that saturation giving.

Miriam: A question that we frequently get is why do we do saturation? So we learned this from our early experiences, that when we go to a community and target the poorer in the poor community, first of all, it costs a lot of money to do targeting. And so money that would have ended up in the pocket of recipients ends up being spent on targeting. The second thing, reason why we do saturation is because we found that giving cash to some members of the community, and not to others, leads to a lot of conflict within the community. And so we decided to go with the targeting? I mean, the saturation approach.

Jeremy: Okay. So everyone in the village gets a lump sum and everyone decides for themselves what to do with it. Well, then how does Give Directly work out what happens? Do they track every family?

Miriam: We don't track them in a way that we are in their faces all the time, asking them what they're spending their money on. But we have what we call a recipient advocacy team. And it's very interesting, Jeremy, because most staff of Give Directly have never met these people, and they even use code names. So the Give Directly team do not know who these people are, and their role is to be present in the community to make sure that we are respecting recipients. But also one of the things they do is to have an ear on the ground to find out how people are spending their cash. Then we also have a system where we ask random participants, how did you spend your money? And this question is not to make them spend their money according to the way we want to spend it but for us to generate information.

How do people actually spend money? What are their priorities out there?

Jeremy: Precisely because every recipient is free to decide how to spend their cash, getting an overall picture of the outcome is difficult, but Miriam Laker Oketta told me that very often people do spend to improve their food security.

Miriam: So one of the things that we've seen people do is, they increase their production so they get more agricultural output or input, and so they increase their food production. Also, they're able to purchase more food. They're able to purchase more food for the family, both in terms of quantity but also the quality of food that they're interested in. The other thing that a number of people we've seen do is purchase livestock. It may be cattle, it may be sheep, maybe goat, but they're able to get meat from that, but also they're able to get milk. So that is an improvement both in quantity and in quality of food. Another very common agricultural activity that we've seen recipients move into is poultry farming. So they have both meat from chicken and then they have the eggs. A lot of people have also taken up piggery and rabbit rearing.

Jeremy: Right, right. And of course, those are also the kinds of things that conventional aid tries to do to give people seeds and fertilizers or encourage them to manage their livestock. The big question is, does it actually make a difference? Miriam told me about a study that Give Directly did with USAID in Rwanda. USAID was giving people training about water and hygiene, along with nutritional information, and in some communities, Give Directly was also giving them cash.

Miriam: For both of them, we found no difference. They both improved, they both improved nutrition, quantity and quality of nutrition. However, in another group in the same place where we gave a little more money, of about a little bit over \$400, that is where we were able to see a measurable change in childhood stunting. What does that mean again? We do things like height for age, and then we also do weight for age for the children. So in a scenario where people receive up to about \$400 per household per annum, we actually saw a change, a measurable change in the children. We know that the impacts of stunting on the child's brain development and the like can be adverse. And so if we can actually prove that cash reduces stunting, I mean, that is a huge thing. I mean, a huge, huge thing.

Jeremy: That is pretty impressive, that when you give people cash, you get a measurable improvement in child stunting and nutrition. Given their reliance on evidence, there are plans to extend that study to other places where Give Directly is working. Miriam passed me on to Esnatt Gondwe Matekesa, who's based in Balaka in the south of Malawi.

Esnatt Gondwe Matekesa: Malawi is one of the poorest countries in the world, but I feel it's also one of the richest in terms of its potential. And I think interventions that continue to allow Malawians to tap into that innate ability are what's going to take us out of poverty. Most people in Malawi are farmers. They farm on a consumption level, like, you know, they'll farm enough for their family for that year, and very few of those are able to produce enough to consume and then to also sell.

Jeremy: Esnatt is the country manager for Give Directly in Malawi. And over the years, there's been no shortage of Western aid agencies coming in to improve farming and food security in Malawi. So why should cash transfers make any difference?

Esnatt: Maybe let me just take a step back. There are so many programmes that give people agriculture inputs. They give them fertiliser subsidies. All of these things have been done for years upon years upon years, but we still find ourselves in the same position and we need to begin to ask ourselves, why? Are we giving people the space to identify what they need for themselves? And I think Give Directly programming does that. It gives them a cash grant, and then they're then able to identify as a family. What do we want to spend this on? How can we make this go a long way.

Jeremy: And perhaps not surprisingly, Esnatt Gondwe Matekesa sees people do the same sorts of things in Malawi that they do in Uganda and Rwanda.

Esnatt: People spend it on food. People spend it on, you know, improvements to their homes. And these are all things that are tied in with agriculture because in the area where we're working, you know, this was a year where food has been scarce because of Covid again, but also where natural disasters can topple down houses. So people are spending it on things that they, that are necessary for them and for their lives. People do also spend it on farming inputs as well.

Jeremy: Farming inputs covers all sorts of technologies, from better seeds to fertilisers and pesticides. But the big question is how do they find out about their options and how they can take advantage of these new technologies? Give Directly gives cash, no strings attached. They're not into offering advice.

Esnatt: One of our field managers was talking about that, saying that he saw it as a part where we can further our interaction with them to see how can we then help build their financial literacy, to see how they can make their money go further and how they can enhance the impact of the transfer. And as much as Give Directly core programming doesn't do that, this year the exciting thing for us is we're partnering with other organisations that do do that. This year, we're doing a lot of cash plus programming, meaning we have the cash component that we run, and the plus is the other interventions run by other organisations. In one area in particular, in Balaka, where we're working in partnership with United Purpose, and we're doing a randomised controlled trial. And I'm excited about this because they're doing a whole lot of, you know, trainings in how to have resilient farming practices. And we're coming in with a cash component. They're very separate as it's a study, so it's blind, we're not going to be working together in the community, but then just the opportunity to work with a group of people that have had these interventions excites me, because I think it's an important component.

Jeremy: It'll be a while before that cash plus partnership produces the kind of concrete evidence, one way or the other, that Give Directly looks for. But in the meantime, I wondered whether everybody's happy with a single lump sum payment. I can imagine that a regular, smaller payment might help me to budget and maybe to save.

Esnatt: So the interesting thing is, when we look at our body of evidence, the lump sums have more of an impact and people prefer them because they would want to have, you know ... Finding capital is difficult. So they they want to do a lot of things, but they don't have the money to start that up. And the smaller transfers that they like, the smaller monthly transfers that you're referring to are more effective in times where maybe ... So, for example, Covid. Covid, really ... We had programmes that we were doing that small lump sum, like we're giving people money over three months each month. And

from our evidence, most of that was going towards, you know, buying food, purchasing like school fees for children, things that are like everyday needs. Whereas the lump sum that we do in other districts that we see that people use that to, you know, invest.

Jeremy: There's one last point that's especially relevant to Malawi. For a long time, it was a poster child for the kind of development that involves subsidising fertilisers. In fact, even today, fertiliser subsidies take up almost half the entire agricultural budget. And that leaves almost nothing for things like extension services that could help subsistence farmers to become more resilient in the face of climate change. So what's the difference between giving farmers a fertiliser subsidy and giving them cash?

Esnatt: I think that the core difference is who you're giving the power to. I think with Give Directly, we're giving the power directly to the recipients. Whereas fertiliser subsidy, as much as it does help to a degree, the power still remains in the hands of the people that are, you know, distributing the fertiliser subsidy. You know, the people in positions of power that sometimes may use that to their advantage to take advantage of people that really want that. Right. So I think the core difference, though, both programmes, I think if they work together can be really like ... can benefit each other. But I think the difference is who the power is given to.

Jeremy: Esnatt Gondwe Matekesa being extremely diplomatic. And will individuals exercising their power to make investment choices in Malawi, will that flow through to measurable changes in child stunting and nutrition like it did in Rwanda? Give Directly won't know for a few years, but in the meantime, there are some other things that they're looking at. One is whether what women choose to spend on has a different impact. Back to Miriam Laker Oketta.

Miriam: So in the beginning we were not sure about that. And so, we had one of the projects that we did, we decided to look at that. Is there a difference in outcome when the mother receives or woman in the household receives cash versus where the husband receives cash? And Jeremy, you'll be very surprised. We found no difference. And that has informed the way Give Directly does cash. Now, when we go to a household, we let a house, every household, decide on who should be the primary recipient, because so far the evidence shows us that there is no difference. That's a beautiful thing about

research. Then you do have, then you are able to generate evidence that will tell you whether what common knowledge, whether common knowledge is actually the truth or it is not the truth. So far, I know one of the studies that we looked at, it looked like women were spending more money on, like the daily consumption expenses, like food and clothing, while men were spending more on investments. But at the end of the day, when you look at the impact on nutrition, the kind of food they eat, the quantity, quality, there's just no difference between whether the primary recipient was the man in the house or a woman.

Jeremy: Another wider question is the impact of cash on economic activity in the community as a whole. I asked Esnatt Gondwe Matekesa whether she saw changes among entrepreneurs.

Esnatt: Oh yeah. Um, and I don't know if this is such a good example, but, you know, potatoes are ... My favourite food is French fries. Like, I can eat it for breakfast, lunch and dinner. But that aside, we found that in one of the areas where we did one of these lump sums, somebody very enterprising took that and expanded his ... In Malawi, in the vernacular, we call it ??? So it's just basically fried, um, French fries. So he had a little stall, and then with the transfer, he was able to get a bigger stall and do more things. So I think it gives the opportunity for people to really branch into areas where they might not have previously been able to branch into. So giving our funds to everyone who is eligible in the community and giving the lump sums, we've seen that it's helped over time to boost the economy of that particular village or that particular area, because you have more people that have access to opportunity, that can then translate that into reinvesting it back into their community, reinvesting it back into into their country.

French fries as a way to improve food security and nutrition? I'm not going to get into that.

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