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Cash Transfers and Inflation

An Overview of the Evidence

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Introduction

Cash transfer programs are a leading form of social assistance, reaching up to 21 percent of the population in at least 68 low- and middle-income countries (World Bank 2025). Between 1980 and 2023, a total of 1.4 million papers were produced on the matter (Gentilini 2024) and more have been published since. While the design and impact of these and related programs have been closely studied (Banerjee et al. 2024), much less is known about whether or not cash transfer programs cause increases in the market price of good and services—that is, inflation. By reducing the purchasing power of money, program-driven inflation can diminish the positive impacts of cash transfers for recipients and create a negative spillover for nonrecipients, thus undermining program aims of improving social welfare.

Recent literature on cash transfers and inflation is limited and often described as dichotomous: on one side, Egger et al. (2022) and other studies find little to no effect, while, on the other side, Filmer et al. (2023) find sizable and alarming inflationary effects on selected commodities. However, a closer look at these and other papers reveals that their results are less contradictory than they first appear. Rather, the whole body of the current literature is congruous with the hypothesis that cash transfers have minimal average effects on prices for most market goods; but these transfers can cause inflation where they significantly increase market demand for goods for which supply is relatively inelastic.

This review proceeds as follows. We first present a simple conceptual model that illustrates the theoretical basis for this hypothesis, followed by an overview of the studies included in the review and their key differences. The next section presents a synthesis of the main findings in the existing empirical evidence. We then look at related research just outside the purview of this review. The conclusion discusses key takeaways.

Framework

A standard supply-and-demand model, presented in Figure 1, is useful to illustrate the conditions under which cash transfers can cause consequential inflation in a local market for a given product. First, cash transfers must significantly increase market demand for the product, represented by the demand curve shifting from D_0 out to D_1. Second, market supply of the product must not be perfectly elastic (that is, capable of satisfying increases in demand while holding prices fixed) and, indeed, inflation will be greater for those markets where supply is relatively *inelastic*. In Figure 1, for a good with relatively elastic supply ($S_{elastic)}$, the increase in demand yields a large increase in the quantity supplied (on the horizontal axis) but only raises prices from P_1 to P_2. But for a good with relatively inelastic supply ($S_{inelastic)}$, the increase in demand raises prices from P_3 to P_4—a much larger jump. The remainder of this section briefly describes the circumstances under which these conditions might be met.

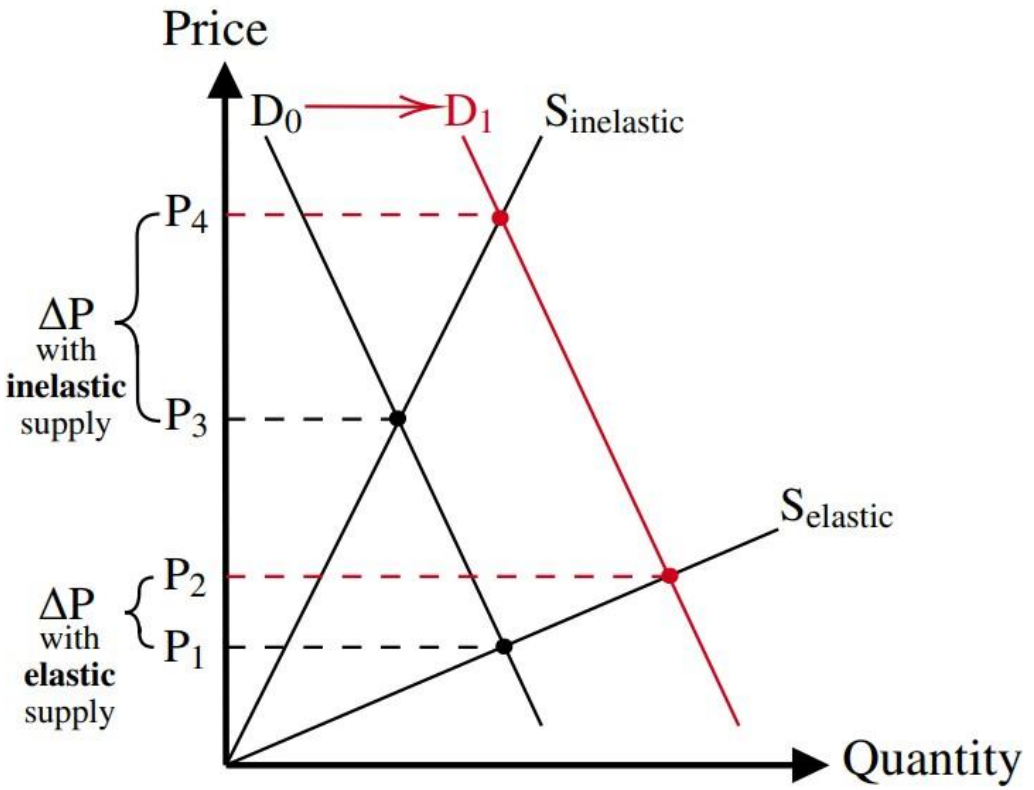
First, cash transfers can increase market demand in a few ways. Most obviously, cash transfers increase recipients' income, which consequently increases recipient households' demand for most consumer goods.[1] These smaller household increases aggregate within a market catchment area to define changes in market demand. Therefore, cash transfers that make up a larger share of community income, through a combination of the transfer size per household and share of recipient households in the community (program concentration), are more likely to lead to significant increases in market demand. Moreover, increased income might affect household demand for some goods more than others—a concept economists call having a higher income elasticity of demand; for example, using data from randomized unconditional cash transfers in Kenya, Almås, Haushofer, and Kjelsrud (2019) find that the income elasticity for demand is higher for meat, fish and dairy products, relative to other foods. Transfers themselves might also change household demand by changing preferences for certain goods or services; for instance, conditional cash transfers may increase demand for goods or services promoted or required by the program. Thus, the size of the transfers, local program concentration, and how product demand is influenced by additional income or the program itself all contribute to the impact of cash transfers on market demand for a product.

Second, the extent to which a product's market supply is inelastic—that is, when prices are sensitive to changes in demand—is also influenced by several factors. Product supply may be inelastic because production levels are difficult to change in the short term. This may be because production is already occurring at full capacity, has high fixed costs (for example, large equipment), or faces scarce inputs (for example, skilled labor), all of which contribute to a high marginal cost of production that makes it difficult to expand production quickly. In addition, and very relevant to this review, the supply of products that are perishable or otherwise cannot be easily stored or traded is also relatively inelastic, because suppliers cannot hold back their inventory or trade products across markets to satisfy fluctuations in demand. Many food items have relatively inelastic supply curves: fresh meat spoils quickly, eggs are fragile and difficult to trade, and

[1] Technically speaking, for "normal goods" are defined in economics as consumer products that households demand *more of* as their incomes increase, including most goods (e.g., food, clothing, appliances) and services. Conversely, "inferior goods" are consumer products that households demand *less of* as their incomes increase, with common examples being low-quality or undesirable goods or services.

many vegetables and fruits not only spoil quickly but also require months (or even years) of investment to expand production. In contrast, food items that have a low marginal cost and relatively elastic supply include those that are easier to produce, store, or trade, such as grains and processed foods. Finally, when suppliers lack competition—such as in a monopoly or oligopoly—they may manipulate their supply to maximize profits, resulting in artificial inelasticity. Thus, the same increase in demand may result in a significant price increase for perishable foods characterized by inelastic supply compared with those that are easy to store, trade, or expand production, especially in noncompetitive markets.

Figure 1: Demand increases lead to higher Inflation with relatively inelastic supply



Note: Figure shows how the impact of an increase in market demand on prices depends on the shape of the supply curve. For elastic supply curve $S_{elastic}$, the increase in demand raises prices from P_1 to P_2, but for an inelastic supply curve $S_{inelastic}$, the increase in demand results in a larger price increase from P_3 to P_4.

In sum, this simple conceptual framework describes two conditions that must both hold for cash transfers to cause inflation in the price of a market good or service: 1) an increase in market demand for the product, such as can be caused by a large market-area increase in income or a sizable shift in preferences for the product, *and* 2) the product has a relatively inelastic supply, such as can be caused by the product's high marginal production costs, high cost of trade, or its perishability.

Overview of empirical evidence

This review includes journal articles and recent working papers that explicitly test for the impact of cash transfers on price changes in a developing country against a credible counterfactual. Twelve studies met this inclusion criteria. Table 1 provides an overview of these 12 studies, listed in chronological order by publication date. Columns 1–3 provide basic information about the study setting and design. Columns 4–5 describe the studied transfer program. Columns 6–7 describe the estimated impact of the transfers on market-level demand. Columns 8–10 summarize the prices analyzed and how they are measured. Abbreviations are defined in the table notes.

Regarding study settings, four studies are in Mexico and three of these examine the national transfer program, Progresa; these are listed separately because they have different authors and estimation strategies. Other evidence largely comes from Southern and Eastern Africa and Southeast Asia. On study designs, the vast majority are randomized controlled trials (RCTs)—the "gold standard" in estimating causal impacts—except for a few recent studies that use secondary price data and make additional assumptions to claim causal inference. On transfer type, the studies are evenly divided between studying unconditional cash transfers (UCTs) and conditional cash transfers (CCTs).

Notably, the transfers' impact on market demand is measured differently across the studies, when measured at all. Cunha, De Giorgi, and Jayachandran (2019) and Filmer et al. (2023) account for average household incomes for both recipient and nonrecipient households, reporting that transfers increase "community income" by 7 percent and 15 percent, respectively. Egger et al. (2022) use a different measure but similarly account for all community members, including nonrecipients, in reporting transfers as a 15 percent increase in "local GDP." The Progresa studies and Aggarwal et al. (2024) only report the share of recipient households in a community and how much a transfer contributes to recipient households' income or expenditure. Assuming nonrecipients have greater income or expenditure than recipients prior to the transfer, we estimate that the cash transfers studied by Aggarwal et al. (2024) increased average community expenditure by *no more than* 11.2 percent in Liberia and 8.8 percent in Malawi,[2] and Progresa increased average community income and consumption by *no more than* of 19.5 percent.[3] The two studies at a national level report transfer amounts as 3.5 percent of national GDP in South Africa (Allison and Pillay 2024) and 12 percent of total gross national income in Brazil (Divino and Silva 2024). Finally, Triyana (2016)'s study of a conditional cash transfer requiring use of a midwife or doctor for birthing services and Progresa's supplemental health and nutrition lectures aimed at increasing consumption of certain types of foods (such as protein-rich foods to better support child development) both represent ways in which transfer programs might increase demand for specific goods beyond increasing community income. We conduct our review to the best of our ability keeping these differences in mind.

[2] Calculation: Aggarwal et al. (2024) report cash transfers were equivalent to 86 percent and 126 percent of annual household average expenditure in Liberia and Malawi, respectively, and that transfers were given to no more than 13 percent of the population in any market catchment area in Liberia and 7 percent in Malawi, multiplying to 11.2 percent in Liberia and 8.8 percent in Malawi.

[3] Calculation: Progresa classified an average of 78 percent of households per community as eligible (Hoddinott, Skoufias, and Washburn 2000), and transfers amounted to about 25 percent of household income and consumption (Attanasio and Pastorino 2020), which multiplies to 19.5 percent.

Table 1: Summary of studies analyzed

Study Information			Transfer Program		Impact on Market Demand		Price Measurement and Outcome		
Paper	Setting	Design	Name	Type	Reported	Details	What?	How?	Outcome
Hoddinott et al. (2000)	Mexico	RCT	Progresa	CCT	No	Likely <20% increase in community income	35 food commodities	Household survey	Median unit price reported in village
Angelucci and De Giorgi (2009)	Mexico	RCT	Progresa	CCT	No	Likely <20% increase in community income	36 food commodities	Household survey	Median unit price reported in village
Triyana (2016)	Indonesia	RCT	Keluarga Harapan	CCT	No	15–20% of consumption in poor households but no community-level statistic	Price of normal delivery	Midwife survey	Reported price in levels
Cunha et al. (2019)	Mexico	RCT	Programa de Apoyo Alimentario	UCT	Yes	7% increase in total community income	66 food items but focuses on 9 goods.	Market survey	Normalized in levels. Logs and expenditure-weighted indices in appendix
Handa et al. (2018)	Lesotho, Malawi, Zambia, and Zimbabwe	RCT	Transfer Project	UCT	No	Reports small increase in community cash flow but statistic not reported	10 food items across all samples	Market surveys	Standardized unit prices
Attanasio and Pastorino (2019)	Mexico	RCT	Progresa	CCT	No	Likely <20% increase in community income	3 food items	Household survey	Log prices of rice, kidney beans and sugar
Egger et al. (2022) & Walker et al. (2024)	Kenya	RCT	GiveDirectly	UCT	Yes	15% increase in local GDP	70 products: 40 food and 30 non-food items	Monthly market survey	Expenditure-weighted log index
Aggarwal et al. (2022)	Liberia and Malawi	RCT	GiveDirectly	UCT	No	Likely <11% increase in community expenditure	7 food items in Liberia and 10 in Malawi	Monthly market survey	Expenditure-weighted index
Filmer et al. (2023)	Philippines	RCT	Pantawid	CCT	Yes	15% increase in community income	3 food items	Household reports	Log prices of eggs, rice and sugar in main analysis
Allison and Pillay (2024)	South Africa	TWFE	Welfare Programs	CCT	Yes	3.5% of national GDP but widespread	Food, clothing, housing, and health and subcategories	Government CPI	Change in log prices by category
Divino and da Silva (2024)	Brazil	GMM/OLS	COVID-19 Stimulus	UCT	Yes	12% of total gross national income	Aggregated CPI	Government CPI	Percent change in CPI over last 12 months

Note: Table presents a summary of studies included in the primary review. Under "Study," RCT = randomized controlled trial, TWFE = two-way fixed effects and GMM/OLS = linear model estimated by generalized method of moments and ordinary least squares. Under "Modality," CCT = conditional cash transfer and UCT = unconditional cash transfer. CPI = consumer price index.

The studies also differ in which prices are examined, how prices are measured, and how outcomes are estimated using these data. Most collect price data on food items, with only Triyana (2016) collecting prices for a service and Egger et al. (2022) collecting prices of nonfood items. In terms of the number and types of products included, the studies range from analyzing only three items (Attanasio and Pastorino 2020; Filmer et al. 2023) to those that use indexes comprising more than 60 items (Cunha, De Giorgi, and Jayachandran 2019; Egger et al. 2022). Moreover, different methods are used to collect price data. Five studies use market surveys in which vendors were asked about their prices directly (Triyana 2016; Cunha, De Giorgi, and Jayachandran 2019; Handa et al. 2018; Egger et al. 2022; Aggarwal et al. 2024), four studies (including the three Progresa studies) use household reports of prices paid (Hoddinott, Skoufias, and Washburn 2000; Angelucci and De Giorgi 2009; Attanasio and Pastorino 2020; Filmer et al. 2023), and two studies use official consumer price indexes at subnational levels (Allison and Pillay 2024; Divino and Silva 2024). Finally, the studies differ in their methods for transforming prices into outcomes. Earlier studies reported prices in levels, perhaps after taking the community median or normalizing (Hoddinott, Skoufias, and Washburn 2000; Angelucci and De Giorgi 2009; Cunha, De Giorgi, and Jayachandran 2015; Handa et al. 2018), while later studies either took log prices for select items (Attanasio and Pastorino 2020; Filmer et al. 2023) or estimated a price index that weights products based on pre-intervention consumption or expenditures (Egger et al. 2022; Aggarwal et al. 2024). Attempting to harmonize different price measurements is beyond the scope of this review, though we bear these differences in mind in interpreting the main findings from the literature.

Lessons from empirical evidence

In this section, we synthesize the 12 existing empirical studies included in this review into key takeaways. The evidence shows that cash transfers have little to negligible impact on inflation under most circumstances, but, consistent with economic theory, that consequential effects are most likely when the transfers greatly increase market-level demand for a product that has a relatively inelastic supply.

Evidence of cash transfers having minimal effects on inflation on average

The existing literature finds that, on average, cash transfers have minimal or negligible inflationary effects on the prices of most goods, including food staples. First, Egger et al. (2022) provide robust evidence that cash transfers have a negligible impact on price inflation, estimating precise effects that are positive but very small in magnitude. The paper shows that cash transfers increase local prices by an average of 0.10 percent. Even at the upper bound of the 95 percent confidence interval for their estimates, the paper finds that average price inflation is at most 0.22 percent across the 70 products they examine and less than 1.2 percent for any of the individual products. Moreover, despite program-induced inflation, they actually identify positive spillovers for nonrecipients in terms of increased consumption. Notably, in a new working paper by several of the same authors, Walker et al. (2024) revise their Egger et al. (2022) estimates to account for the fact that higher prices likely spilled over to control communities due to market integration across the larger geographic area, but their estimate of average inflation remains at a modest rate of 1.3 percent.

The remaining papers in this literature either weakly support or do not convincingly contradict this conclusion. Both Cunha, De Giorgi, and Jayachandran (2019) and Aggarwal et al. (2024) fail to detect significant inflationary effects of cash transfers. Similarly, Handa et al. (2018) find only one significant effect after evaluating the impacts of five cash transfer programs on nine commodities. In their analysis of Progressa, Hoddinott, Skoufias, and Washburn (2000) examine prices on 14 food items and Angelucci and De Giorgi (2009) examine prices on 36 food items, either only finding small positive effects for about 14 percent of goods and both concluding that cash transfers did not lead to widespread food inflation. Additionally, Aggarwal et al. (2024) detect no significant differences in an expenditure-weighted price index across markets in treated communities, and Allison and Pillay (2024) find no significant effect of social welfare transfers on inflation overall or in any product subcategory. Finally, Divino and Silva (2024) estimate that a 1 percent increase in a COVID-19 stimulus grant increased consumer inflation by only 0.013 percent, which extrapolates to a modest 0.156 percent, given that the transfers amounted to 12 percent of total gross national income.

Even the study by Filmer et al. (2023), which is often characterized as identifying inflationary effects, does not detect significant price increases for rice and sugar when their sample includes all study communities, obtaining point estimates equivalent to 0.0 percent on both commodities. Nor do price effects appear for rice and sugar even among communities where treatment intensity is highest—that is, those where the effect of cash transfers on market demand are likely to be greater. Moreover, while the paper focuses its attention on price changes in eggs found in a subset of communities (discussed in the next subsection), it does not detect a significant price increase for eggs across all study communities, on average, obtaining a point estimate equivalent to a 1.7 percent price increase, which the 95 percent confidence interval suggests could range between −1.0 percent and 4.4 percent. Thus, their findings actually support the view that cash transfers have mostly minimal inflationary effects *on average* across food items.

Conditions for cash transfers having consequential effects on inflation

Despite strong evidence that cash transfers have minimal effect on inflation *on average*, the existing empirical evidence also supports the idea that cash transfers can lead to inflation for a specific good when 1) they significantly increase its market demand, as can be caused by high program intensity, and 2) the good has inelastic supply, as can be caused if the product is perishable or nontradable. These factors are closely examined by Filmer et al. (2023), who find a positive interaction between cash transfers and program intensity on the price of eggs, which they describe as a perishable and nontradable good. Specifically, they show that in communities with above-median treatment intensity (that is, more than 65 percent of households are eligible for cash transfers), the program increases the reported price of eggs by a statistically significant 6.0 percent. They also document a similar pattern using non-experimental data from an out-of-sample national survey, finding that communities with a higher share of program-eligible households (above the median) also report paying more for eggs as well as across an index of perishable goods, but not for an index of non-perishable goods. That is, consistent with economic theory, the authors only identify inflationary effects where program intensity was high, likely causing

a greater increase to market demand, and for a perishable and nontradable good with an inelastic supply. However, they also find that these effects are consequential, leading to an 11 percentage point increase in stunting among nonbeneficiary children in these communities.

The papers analyzing Progresa also provide suggestive evidence that certain perishable goods may be more susceptible to inflationary effects. Hoddinott, Skoufias, and Washburn (2000) document higher prices for chicken in treatment communities and also highlight a large increase in chicken consumption (which is evidence of a large increase in demand). Angelucci and De Giorgi (2009) find small positive effects in prices for only 4 out of 36 foods, which are perishable foods, namely onions, lemons, coffee, and—like Filmer et al. (2023)—eggs. Finally, in Aggarwal et al. (2024), a price index consisting of staples plus perishable items such as chicken, eggs, and tomatoes appears to increase more in treated markets than elsewhere, though this is not true for staples alone.[4] Allison and Pillay (2024) and Handa et al. (2018) also find inflationary effects for meat in selected subsamples.

Other studies do not provide robust evidence to contradict this pattern. Cunha, De Giorgi, and Jayachandran (2019) do not detect significant inflationary impacts when testing for heterogeneous effects by level of community development, market integration, and supply-side competition; however, it is worth noting that program intensity is low and the analysis mostly focuses on a price index of only nine goods, all of which could be considered non-perishable.[5] The paper's analysis of a price index for the remaining 51 food items for which it has pricing data also does not find significant effects, but the index aggregates a wide variety of perishable and non-perishable food items. Aggarwal et al. (2024) also find no evidence of inflationary effects when testing for heterogeneous effects, but are likewise looking at a low-intensity program. Even Egger et al. (2022) present evidence showing significant inflation for less-tradable goods.[6] The estimated effect is small at 0.2 to 0.3 percent, on average, though their definition of "less-tradable" goods as including all food and livestock items is more general than other studies. Still, their analysis does not contradict and even provides tepid support of inflationary effects in food markets with inelastic supply.

Finally, Allison and Pillay (2024) provide complementary evidence in the unique case where the market studied is directly impacted by a requirement of the program. The study finds that a conditional cash transfer to pregnant women requiring that a doctor or midwife perform the delivery leads to a 10 percent increase in the price that midwives charge for a baby delivery. Supply is likely inelastic for such delivery services in the short term, since midwives are trained health professionals and can only perform so many deliveries. The paper provides a good example of how requirements of conditional cash transfers can inadvertently cause inflation if they increase demand for a targeted good or service without making adjustments to supply, consistent with the theoretical model above.

[4] See Appendix Figure C3 upper and lower panels comparing "select items" and "staples", respectively.
[5] The food items included are corn flour, dry pasta soup, rice, breakfast cereal, beans, lentils, canned tuna/sardines, fortified powered milk and vegetable oil.

[6] See their Appendix Figure B.3.

Mixed evidence on mediating effect of market size and isolation

Are cash transfers more likely to cause inflation in remote rural markets or integrated urban markets? Until recently, the consensus was largely that inflationary effects are more likely in small and remote markets. Conceptually, this could be because a fixed amount of cash transfers will raise community income more, in relative terms, in a small market area than in a large one, and also because isolated markets have higher trade costs, which make supply relatively inelastic. First, Egger et al. (2022) present evidence that finds significant inflation for food items in the most remote markets (that is, the bottom quartile of market access). Additionally, Allison and Pillay (2024) find that effects on the cost of midwife services in Indonesia were higher off in more remote islands compared with Java, likely due to supply-side constraints. In an earlier version of Cunha, De Giorgi, and Jayachandran (2015), results show a significant 6.2 percent price increase due to cash transfers in more remote communities (above the median) and also a negative interaction effect between cash transfers and the number of stores, suggesting inflationary effects are more likely in communities with fewer stores where a lack of competition leads to predatory price increases. Aggarwal et al. (2024) also study how concentrated supplier power in isolated markets can lead to noncompetitive and distorted market behavior. Thus, much of the existing evidence suggests that cash transfers may be more likely to cause inflation in remote areas serving smaller populations.

However, a new working paper provides theoretical and empirical support for an alternate prediction: that inflationary effects are less likely in remote markets and more likely where markets are active. Walker et al. (2024) argues that rural markets are characterized by a greater degree of economic slack, which is often defined as the underutilization of production inputs but can be thought of as a situation where suppliers are not producing at their full potential with given inputs. When demand increases in slack markets, supply can respond by more fully utilizing existing inputs to meet demand without raising prices (that is, they are more elastic). However, when demand increases in markets already operating at full capacity, supply can only meet demand by buying more inputs for production, costs that are passed on to consumers through higher prices. Using data from Egger et al. (2022), Walker et al. (2024) estimate a structural model that indeed finds higher inflation in settings with less slack, such as urban markets. Therefore, it seems that there is no longer consensus on whether remote or integrated markets are most likely to experience inflationary effects from cash transfers.

Other evidence

This section briefly reviews related evidence not considered in the main analysis, including evidence from developing countries that did not meet the inclusion criteria as well as evidence from developed countries. These related findings generally support, or at least do not contradict, the hypothesis that the effect of cash transfers on inflation is low on average but possible where product supply is inelastic.

First, three randomized trials in developing countries have related findings but were not included because they did not meet the inclusion criteria. A study by Aker et al. (2016) in Niger was excluded because it lacks a control group. It randomized delivery of unconditional cash transfers

by physical payment and by electronic payment. With market survey data for six products, the authors do not find that the two transfer modalities lead to differential inflationary effects. Two other studies in Africa evaluate other income-increasing interventions (not cash transfers) and test for inflationary impacts using RCTs. In Malawi, Beegle, Galasso, and Goldberg (2017) find that a large-scale public-works and cash-for-work program worsened food security for nonbeneficiary households in treated communities, but they test for and do not detect price inflation. In Kenya, Burke, Bergquist, and Miguel (2019) randomly offer credit at harvest time to maize farmers, who can then postpone selling their crops until later in the season to command higher prices. They find that their intervention does affect seasonal prices in local grain markets, suggesting that the *timing* of credit may play a role in its effect on local inflation.

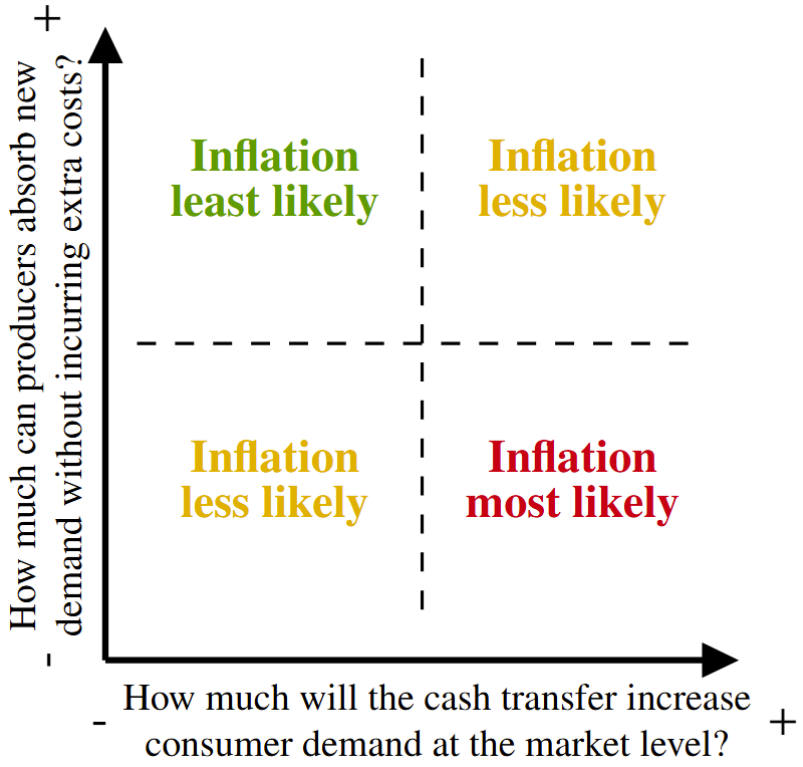
Second, there is some evidence on the effect of transfers on inflation in developed countries. For example, in the United States, Leung and Seo (2023) showed that a 1 percent increase in SNAP benefits (food assistance) from 2006 to 2015 raised grocery prices by 0.08 percent, with inflation higher in areas with greater SNAP participation or higher grocery store concentration. However, Jones and Marinescu (2022) found that universal annual cash payments in Alaska from 1982 to 2015 did not cause statistically significant price increases. Finally, in remote communities in Canada, a new working paper finds that expanded child benefits are associated with higher food prices and argues that retail oligopolies and monopolies in remote areas raise prices to capture government transfers to households (Daley, Li, and Watson 2024). Overall, the related evidence supports the main findings of this review.

Policy implications

While this review finds that cash transfers, on average, have minimal to negligible effect on market prices, it also identifies circumstances under which consequential inflationary effects are most likely: 1) when cash transfer programs significantly increase demand for a product at the market level, and 2) for products that have relatively inelastic supply in that market, such that producers cannot meet new demand without incurring extra costs. This is summarized in Figure 2, which shows that inflation is most likely when these two factors are combined, as supported by economic theory and the existing empirical evidence.

Even if possible inflationary cases induced by cash transfers are the exception (and not the rule), they should not be dismissed as mere outliers. Filmer et al. (2023) importantly highlights how even limited inflation can have dire consequences, showing that the egg price increases they identify correspond with a significant worsening of children's weight-for-age measures in nonrecipient households. The lesson here is that while cash transfers may have minimal effects on inflation in most circumstances, the exceptions to the rule matter and can have negative repercussions even for nonrecipient households.

Figure 2: When to worry about inflationary effects?



Given this, how can policymakers design cash transfer programs to prevent any unintended effects of inflation? The existing literature suggests some potential considerations. First, Aggarwal et al. (2024) designed their cash transfer program to have low treatment intensity by only granting cash transfers to a small share of households per community, thereby limiting the program's potential impact on market demand. Second, some studies suggest benefits to designing cash transfer programs differently for particularly remote communities, as was the justification for Mexico piloting distribution of in-kind food boxes in communities considered too poor to participate in Progresa (Cunha, De Giorgi, and Jayachandran 2019). Third, Allison and Pillay (2024) provide an important lesson in thinking about how cash transfers might directly affect certain markets through program requirements or encouragement, and how complementary supply-side investments must be made ahead of time to accommodate the expected increase in demand. In short, policymakers can design cash transfer programs that avoid causing inflation by assessing whether the expected market-level increases in demand for certain goods and services can be satisfied by current market supply and, if not, make adjustments accordingly.

While cash transfers are being implemented, we stress the need for "price monitoring" as a standard activity, which should possibly be conducted in the context of a preparedness framework that includes indexation of cash assistance. Indexation itself should be managed carefully and in a contextual manner as outlined by Gentilini et al. (2024), so as to carefully balance trade-offs and mitigating effects depending on the root causes of inflation.

That said, it is important to reiterate that cash transfers are not likely to cause damaging inflation in most cases. The most comprehensive evidence to date from Eggers et al. (2022) and their follow-up paper (Walker et al. 2024) estimates that large-scale unconditional cash transfers in Kenya only increased local prices by an average of 0.10 percent or 1.3 percent, respectively, in the first and second papers. Moreover, despite this detected inflation, Eggers et al. (2022) as well as Angelucci and De Giorgi (2009) identify positive spillovers for nonrecipients in terms of increased consumption that outweigh any potential negative effects of inflation. And related work by Taylor, Thome, and Filipski (2016)—estimating local economywide impacts of cash transfer programs through structural modeling in seven African countries—also finds positive income spillovers for program nonrecipients even after accounting for estimated inflation. Thus, future studies on this topic should test for overall welfare effects to nonrecipients inclusive of potential positive spillovers. Similarly, policy discussions should also consider net spillovers to nonrecipients, rather than just unintended negative spillovers, as nonrecipients may still stand to benefit from local cash transfers overall even if the transfers cause some local price inflation.

This review identifies promising areas for future research. First, there is a need for research on the interaction between food markets and different transfer modalities (cash, in-kind or vouchers) and tools that can help measure, monitor, and inform policy actions (Leight and Gentilini 2025; Alderman et al 2017). Second, future studies could do more to explicitly test for conditions that lead to cash transfer-induced inflationary impacts, as those hypothesized here are only based on suggestive evidence from heterogeneity analyses in the existing literature. For example, the mediating role of market remoteness is of particular interest, given new conflicting evidence (Walker et al. 2024), as is the question of how the timing of cash transfers relative to seasonal variation in food availability might affect local markets, as suggested by Burke, Bergquist, and Miguel (2019).[7] Finally, there is an opportunity to connect the literature and action on inflation with the growing need for index-linking cash transfers to price dynamics (Gentilini et al 2024). Such research would help inform policymakers on designing cash transfer programs to better mitigate and adapt to potential price inflation so as to maximize their benefit for all.

[7] There is also a related question on whether market surveys or household surveys are best for measuring market prices as experienced by poor households.

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