

The Eurasia Proceedings of Educational & Social Sciences (EPESS), 2023

Volume 33, Pages 104-111

IconSE 2023: International Conference on Science and Education

Impact of Conditional Economic Transfers on Poverty: The case of Equator

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Abstract: This paper analyzes the impact of conditional cash transfers on poverty in the canton of Milagro, Ecuador. Several dimensions were postulated as possible factors influencing poverty rates and their reduction through the allocation of resources to beneficiaries, whose purpose is to improve their quality of life. The dimensions are framed within the scope of coverage, budget allocation, investment, economic characterization, poverty indices, level of improvement in the quality of life and allocation of the items received. The analysis is based on a review of the impact on the poverty of citizens, by conducting a focus group with personnel who work directly with beneficiary families. The study had a mixed approach and a descriptive-diagnostic and non-experimental cross-sectional or sectional design, since the data collection was determined in the period two thousand twenty-two. The findings found in the analysis suggest that poverty rates in the canton of Milagro have no relationship between access to the human development bond and the improvement in the quality of life of the beneficiaries.

Keywords: Cash transfers, Poverty, Quality of life

Introduction

Ecuador is one of the countries with abundant inequality in Latin America, ranking sixth in the region (Ruiz, 2023), these are due to a lack of opportunities and the high index of social injustice that is registered, hence poverty is the extreme level of inequality, which prevents families from not being able to meet their basic needs. A large number of inhabitants lack the necessary resources to guarantee their minimally dignified quality of life, while a small fragment of the population is evident on the opposite side.

In 2014, when all the oil bonanza came to an end, the reduction of inequity and inequality in Ecuador stagnated significantly and, with the pandemic, the gaps deepened. Based on the GINI coefficient that measures economic inequalities, where zero is perfect equality and one is complete inequality, in 2022 Ecuador placed 0.453 in the GINI Coefficient (Instituto Nacional de Estadística y Censos, 2022), results of the South American coefficient that places the country in fourth with the highest inequality in the region, behind Colombia, which has a coefficient of 0.51 and Brazil of 0.52 (Datos Macro, 2023)

At present, the allocation of Bonds and Pensions by the Ecuadorian government contemplates a coverage of 1,459,630 as of December 2022 (Ministerio de Inclusión Económica y Social, 2023), and implies a year-on-year increase of 0.22%. With regard to the users of the Human Development Bonus (BDH), this monetary transfer, in this same period, there is a year-on-year decrease of 710,812 users, which represented a 3.56% year-on-year drop in coverage, cases that may be due to the supposed overcoming of poverty based on the social registry (social survey) (Ministerio de Inclusion Económica y Social, 2023)

In this context, the Ministry of Economic and Social Inclusion (MIES), the governing body of cash transfers, aims to establish and systematically implement policies, regulations, strategies, programs and services aimed at attention during the life cycle, making the latter one of the most significant innovations in social policy in the last two decades. For this reason, Ecuador has been part of this trend with the creation of bonds and pensions

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- Selection and peer-review under responsibility of the Organizing Committee of the Conference

since 1998 and their subsequent transformation into a Human Development Bond in 2003 (Rosero Valencia & Ramos Aguilar, 2016)

With this background, cash transfers emerged as an instrument of social compensation that were part of a package of economic measures of social adjustment that included adjustment to fuel prices, seeking to reward through monetary retribution the most vulnerable groups in society as part of the neoliberal guidelines in which the elimination of subsidies for gas for domestic use were included. electricity and fuel. This article covers the basic dimensions such as: Scope of coverage, Budget allocation, investment, economic characterization, poverty indices, and level of improvement in quality of life.

The methodology to be used is based on a quantitative and qualitative approach, with an exploratory scope, with a non-experimental cross-sectional or sectional design, it is necessary to mention that the study is based on the year 2022. This paper aims to study the impact of conditional economic transfers on poverty in Ecuador. To this end, it proposes a documentary study in which primary source information is collected that reveals figures that are binding to the evolutionary process of this social compensation instrument, the results of which would allow the execution of future lines of research, as well as to rethink the change in the basis of the monetary transfer program in Ecuador. possibly making this a program that promotes sustainable development for vulnerable families in Ecuador.

Human Development Bond

The Human Development Bonus is a conditional cash transfer program (CCTP) aimed at families throughout Ecuador living in extreme poverty. The purpose is to encourage the accumulation of human capital and minimize the persistence of poverty. It consists of the delivery of a monetary incentive to guarantee a minimum level of consumption in families and encourage them to invest in the education and health of children under 18 years of age.

State Subsidies

Subsidies are considered as a series of actions carried out by the State to contribute to the well-being and improvement of the economic situation of social groups, especially those who are in vulnerable situations in a country. In this sense, the central government projects itself as a regulatory agent of the economy at the national level, in charge of focusing the application of these benefits and contributing to the improvement of the quality of life of the people with an equitable distribution of the resources that the nation possesses.

Subsidies in the economy and social welfare are justified by their scope, which implies obtaining a measure regarding the effectiveness of their application, considering that the poverty and unemployment rate in the country is significant. Therefore, if the subsidy on fuels and gas for domestic use was not effectively targeted from the outset, its reduction or elimination would lead to inequality in society. To this end, the Government must seek the necessary mechanisms and strategies to compensate citizens, because rural areas are not economically equal to urban areas, so any element that represents an increase in the cost of living affects the quality of living for those who have the least.

Social Protection in Ecuador

The Ecuadorian government has been promoting a series of in-depth processes in terms of social and economic inclusion policy in recent years. In this sense, the Social Protection system in Ecuador integrates a contributory and non-contributory scheme, where the first consists of the presence of three social security programs: the Ecuadorian Institute of Social Security (IESS), the Social Security Institute of the Armed Forces (ISSFA) and the Social Security Institute of the Police (ISPOL), in charge of covering workers in the formal market. using mandatory savings mechanisms. Despite the actions taken, coverage only reaches 40% of the country's population.

On the other hand, the majority of the population living in poverty and extreme poverty is covered by a non-contributory scheme: the Social Protection Network, which consists of a system of cash transfers implemented by the Ministry of Economic and Social Inclusion.

Given that consumer prices in the Ecuadorian economy have not undergone significant variations over time, the poverty and extreme poverty lines, since 2017, have remained almost constant. The June 2022 results showed an increase compared to the same month in 2021. In June 2022, considers a person to be income poor if he or she has a per capita household income of less than USD 87.6 per month and extremely poor if you earn less than USD 49.4 (Banco Central del Ecuador, 2022). (see Figure 1)

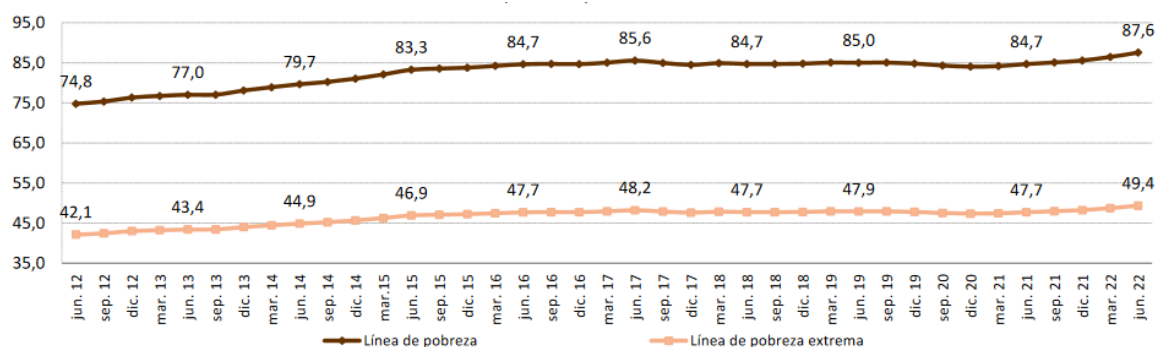


Figure 1. Poverty and extreme poverty lines in Ecuador (Author: Central Bank of Ecuador, Source: INEC, National survey of employment, unemployment and underemployment, ENEMDU)

Inequalities and Poverty in Ecuador

Social inequality has to do with the treatment they receive, as well as the benefits and opportunities that an individual has access to depending on their social, economic, ideological position, etc. Thus, in Ecuador, when analyzing from income, poverty rates have increased since 2017, reaching 30%, a reality that contrasts with the levels of economic inequality between households in the urban and rural sectors, whose gap is significant: determining a rural poverty index.

The analysis of poverty and income by household members by area showed that, in June 2022, households with more than six members in urban areas reached a poverty incidence percentage of 23.7%, a figure 11.9 points lower than that recorded in June 2021, which was 35.7%: while the average income figure was USD 61.1 in the reference month, i.e. USD 4.4 higher than in June 2021. In rural areas, the poverty rate in households with more than six members was 60.1%, considering it 8.4 points lower compared to the same month in 2021. Similarly, the average income was USD 48.7 higher by USD 8.7 compared to June 2021. (see Figure 4)

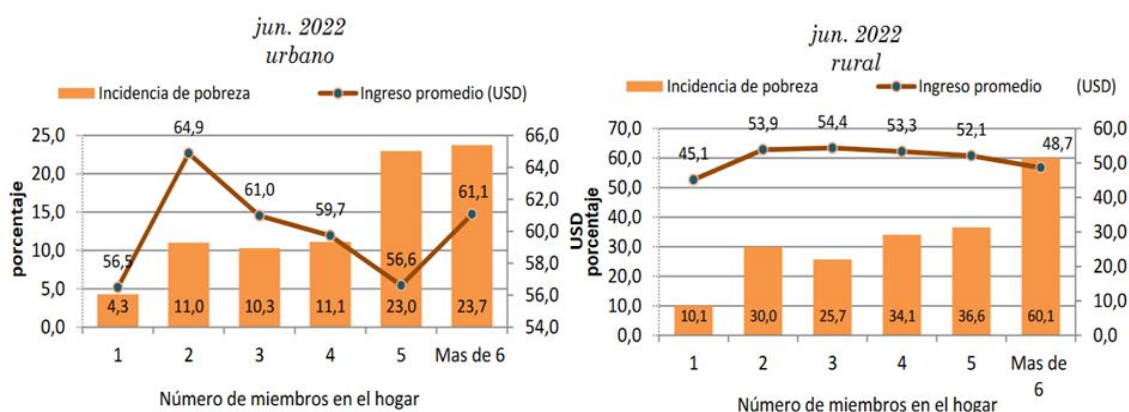


Figure 2. Poverty and income by household members. Author: Central Bank of Ecuador Source: ENEMDU

Conditional Cash Transfer Program in Latin America

According to CEPAL, conditional cash transfer programs have been the basis for innovation in social policy in Latin America. These programs are aimed at overcoming poverty and providing protection to people living in situations of exclusion, based on clear dimensions such as education, health and nutrition. Most of the countries in this region have opted for the use of this program. (See Figure 3)

Programas en operación		
País	Nombre del programa	Año de inicio
Argentina	Asignación Universal por Hijo para Protección Social	2009
	Programa de Ciudadanía Porteña	2005
Belice	<i>Building Opportunities for Our Social Transformation</i>	2011
Bolivia (Est. Plur. de)	Bono Juancito Pinto	2006
	Bono Madre Niño-Niña Juana Azurduy	2009
Brasil	<i>Programa Bolsa Família</i>	2003
	<i>Programa Bolsa Verde</i>	2011
	<i>Programa de Erradicação do Trabalho Infantil</i>	1996
Chile	Chile Solidario ^a	2002
	Subsistema de Seguridades y Oportunidades (Ingreso Ético Familiar)	2012
Colombia	Más Familias en Acción	2001
	Red Unidos	2007
Costa Rica	Avancemos	2006
Ecuador	Bono de Desarrollo Humano	2003
	Desnutrición Cero	2011
El Salvador	Programa de Apoyo a Comunidades Solidarias en El Salvador	2005
Guatemala	Mi Bono Seguro	2012
Haití	<i>Ti Manman Cheri tou nef</i>	2012
Honduras	Bono Vida Mejor	2010
Jamaica	<i>Programme of Advancement through Health and Education</i>	2001
México	Prospera	2014
Panamá	Red de Oportunidades	2006
	Bonos Familiares para la Compra de Alimentos	2005
Paraguay	<i>Tekoporã</i>	2005
	Abrazo	2005
Perú	Juntos	2005
República Dominicana	Progresando con Solidaridad	2012
Trinidad y Tabago	<i>Targeted Conditional Cash Transfer Program</i>	2006
Uruguay	Asignaciones Familiares – Plan de Equidad	2008

Figure 3. Conditional cash transfer programs in Latin America and the Caribbean. (Author: CEPAL)

Despite the programs that countries in Latin America place, it seems that they do not give successful results, being that it must be considered that COVID 19 is a point that has not allowed the fall of inequality in Latin American countries. (see Figure 4)

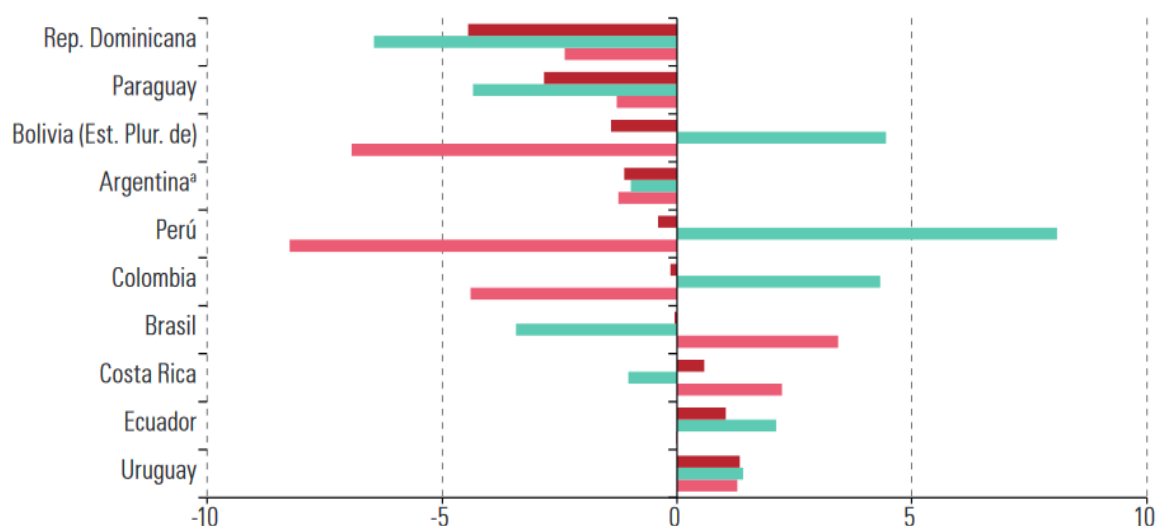


Figure 4. Annualized rates of change of inequality indicators, 2019-2021 (Author: CEPAL)

Method

Methodological Design

Next, the methodology used in the study is described, detailing its scope, approach, design, categorization of variables, categories, definition of the population and observed sample. For this, the presence of quantitative and qualitative phases is determined.

Scope

The research is exploratory, because it determines the possibility of investigating statistical figures that determine the presence of a problem in the social and economic field in the locality subject to study.

Design

It is non-experimental, cross-sectional or cross-sectional, since data collection was determined in the 2022 period, considered as a single time and space without generating manipulation or systematic intervention by the researcher. It should be noted that the study also gathers individual and collective experiences of the impact generated by conditional cash transfers.

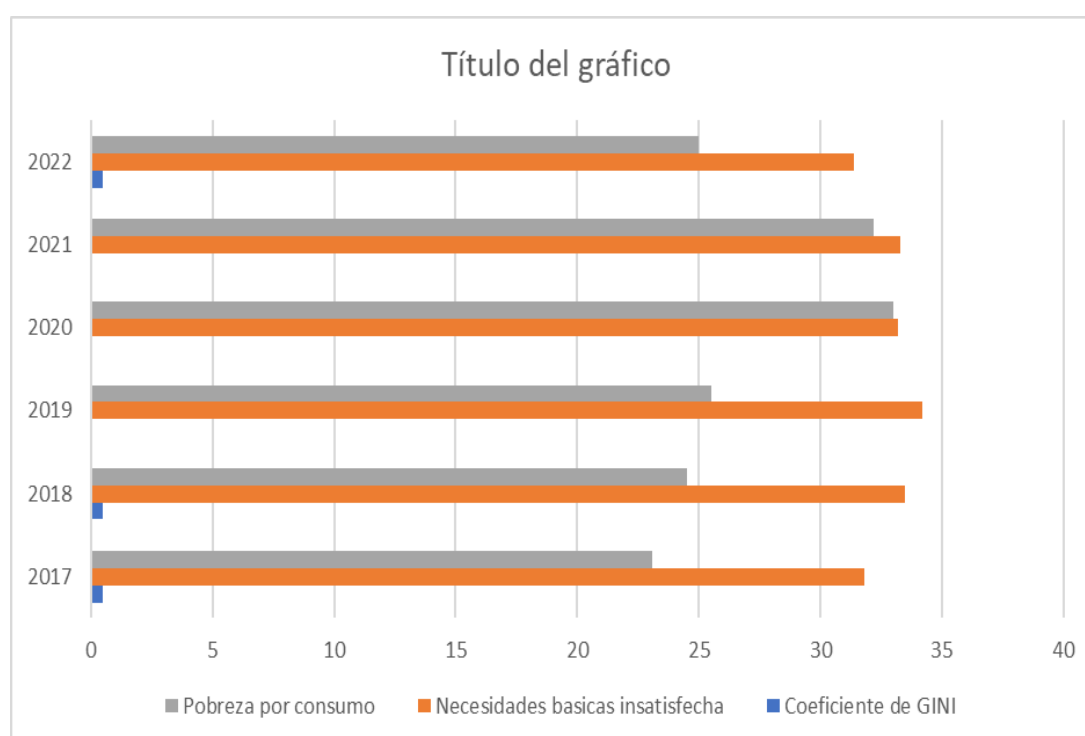
Data Analysis Techniques

Quantitative data collection was carried out through the review of reports provided by the Ministry of Economic and Social Inclusion, as well as the Ministry of Economy and Finance, statistical data from the National Institute of Statistics and Censuses, reports from the Central Bank of Ecuador and reports from the Economic Commission for Latin America and the Caribbean. whose analysis determined the impact of the Human Development Bond on the level of poverty. For the qualitative part, focus groups were developed, since no other type of data collection was allowed because it is a population considered vulnerable.

Results and Discussion

Poverty Indicators

Within the data analysis, the following can be reflected: the Gini Coefficient, which denotes the degree of inequality has increased in 2019, and the rest we can say that it has been maintained, taking into consideration all the programs and public policies that are implemented. Among the unsatisfied basic needs, it can be seen that from the period considered 2017 to 2022, it has been maintained, supplying their basic needs such as: health, housing, education and employment. Within consumption poverty, there has not been a great variation from 2021 to 2022, assuming that people in vulnerable situations have not shown significant changes. (see Figure 5)



Author :own Source: INEC

Users of the Human Development Bond

It is necessary to indicate that the Government carries out the program and serves as follows: 710,812 users receive this benefit, and the resource used is 1,459,630. (see Table 1)

Table 1. User and investment of human development bond (Ministry of economic and social inclusion)

	Users	Investment
Human Development Bond	710,812	1459,63

From part of the information taken in the focus group, it has been analyzed that 56.02% consider that since they are beneficiaries of the Human Development Bonus, their improvement in quality of life is low and that this resource is enough to cover somewhat the products of the basic family basket, while 43.69% state that their improvement is medium since they have managed to generate additional income to the subsidy (see figure 5).

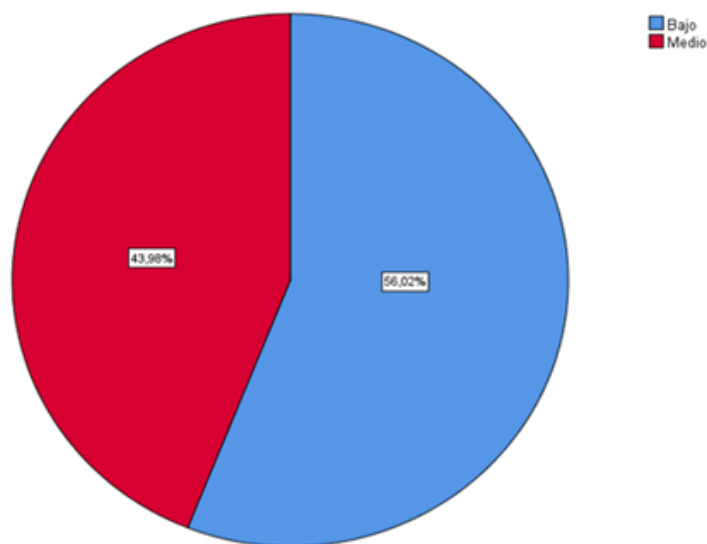


Figure 5. Quality of life of the beneficiaries of the Human Development Bond (Focus Group, 2023)

Overview of the Human Development Bonus

With regard to the perspectives that BDH beneficiaries have on access to the subsidy, 79.87% of the users consider that it is limited considering the number of children in the family nucleus; In other words, not all households can receive the USD 150 caps provided by the government. On the other hand, 20.13% consider it sufficient (see figure 6).

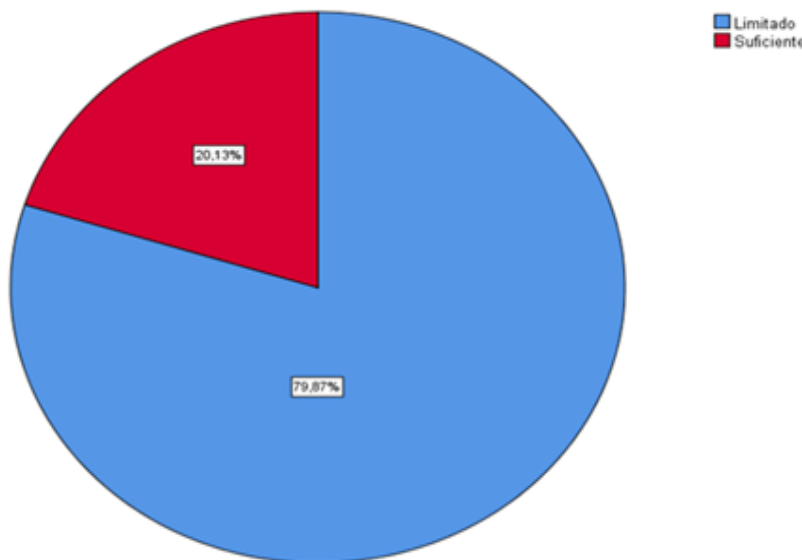


Figure 6. Overview of the human development bonus (Focus Group, 2023)

Taking into consideration the data previously analyzed, the causes were identified why the beneficiaries of the Human Development Bond did not generate some type of entrepreneurship, considering that the limited amounts granted by the government through this subsidy have prevented the generation of entrepreneurship initiatives; while another group claim that the lack of technical assistance from the agencies in charge has prevented the channeling of the funds from these cash transfers into improvements in the quality of life; and finally, there are certain cases in which the suspension of the BDH limits the process of reducing poverty rates in the families of the Milagro canton, especially during the pandemic when families had to access internet service and purchase mobile equipment, generating factors that disqualified them as beneficiaries. Within the whole study, it can be reflected that one of the situations that could be limiting for the collection of data is the situation of vulnerability of the population that receives the Human Development Bonus, this means that surveys cannot be applied directly due to this condition, since this could generate false expectations in the citizenry.

Conclusion

The Human Development Bond represents the Ecuadorian State's approach to programs based on the focus on social development and welfare in favor of disadvantaged groups at the national level. Thus, the literature review determines a series of changes and transformations since its inception in 1998, both in its form and substance, since over the years it has altered the transfer as conditional and unconditioned; In addition, it records the increase in the amount of subsidy and the number of beneficiaries, which calls into question its effectiveness, since the goal is the progressive reduction of poverty rates. The findings found in the evaluation suggest that poverty rates have no relationship between access to the Human Development Bond or the improvement of the quality of life of the beneficiaries.

This implies a zero incidence of the perceived value on the levels of perception of well-being possessed by the people who receive it, demonstrating the presence of very marked inequalities in the social group studied. In practice, there is no pertinent information to ensure that the Human Development Bond is projected as a factor in improving the quality of life of the beneficiaries, much less in reducing poverty rates. This, in turn, raises a series of questions about the impact and effectiveness of the application of this monetary transfer. What was evaluated through the intervention of people in the focus group carried out by the Technical Analysts of the Ministry of Economic and Social Inclusion, shows that there is no truthful information on what the items received are used for, which demonstrates a poor targeting of the subsidy in the monetary transfer system, bearing in mind that people with limited resources are the ones who have a higher level of priority for the usefulness of the amount assigned.

The results obtained from the research show the need to promote new lines of research, which should be aimed at improving the targeting of the Human Development Bond, in addition to promoting technical assistance to achieve access to ventures that replace the allocation of the resource and continue in a systematic cycle of false citizen comfort

Recommendations

According to the findings of this study, I can define that it is of great importance to reprogram the monetary transfer in Ecuador, in order to empower the citizenry and can give way to the reduction of poverty rates, as well as provide the quality of life of the citizens, for which it is recommended to strengthen the monitoring carried out by the Family Accompaniment technicians of the governing body Ministry of Economic Inclusion and Social, as well as strengthening the Human Development Credit, for the latter, reviewing the lines of financing, focusing correctly through the Social Registry and based on unsatisfied basic needs, carrying out the respective follow-up of the credits disbursed that corresponds solely and exclusively to the enterprises, in which compliance with it must be verified, they must carry out training on financial and administrative issues for the beneficiaries of the Human Development Credit, providing the respective accompaniment with frequent visits and advice.

Scientific Ethics Declaration

The author declares that the scientific ethical and legal responsibility of this article published in EPESS journal belongs to the author.

Acknowledgements or Notes

* This article was presented as an oral presentation at the International Conference on Science and Education (www.iconse.net) held in Antalya/Turkey on November 16-19, 2023

* I am deeply grateful for the opportunity that this scientific article has allowed me to produce

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To cite this article:

Mayanza-Paucar, O.A. (2023). Impact of conditional economic transfers on poverty. The case of Equator. *The Eurasia Proceedings of Educational & Social Sciences (EPESS)*, 33, 104-111.