

The impact of unconditional cash transfers on fuel choices among ultra-poor: the quasi-experimental evidence from BISP, Pakistan

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This study investigates the impact of unconditional cash transfers program, namely the Benazir Income Support Program (BISP) on the fuel consumption patterns among the deprived segments of the society in Pakistan. Regression Discontinuity Design is used to perform empirical analysis based on cross section as well as panel data. The analysis shows that BISP cash transfers has a positive and significant impact on overall fuel consumption and share of fuel consumption to total consumption among beneficiaries. Further analysis documented a shift towards better fuels option including gas, electricity and kerosene oil and corresponding decrease in dirty fuels such as wood. BISP cash transfer has a positive and statistically significant impact on the use of electricity. This implies that cash transfers not only increase the overall fuel consumption but also change the preferences over the use of different fuel components. At provincial level, the analysis shows that BISP cash transfers have a positive and significant impact on overall fuel consumption in Sindh and Balochistan while it has a negative and significant impact on overall fuel consumption in KPK and no impact in Punjab. There is evidence of substitution from cheap and dirty fuel types to expensive and clean fuel types at provincial levels. However, the substitution between different components vary across provinces. The analysis further reveals that income shock (BISP cash transfer) has income effect that leads to higher use of dirty fuels also. In nutshell, the net effect on fuel consumption and choices depends on availability of different fuel components and their prices. The significance association between economic well-being and fuel consumption among the poorest segments of the society demands inclusive economic and energy policies for sustainable development. Therefore, this group should not be excluded in energy policy design.

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