

Targeting the Hard-Core Poor: An Impact Assessment

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Introduction

The difficulty in effectively identifying and providing assistance to the *poorest of the poor*, who are often underserved by public and private development programs, poses a challenge for development practitioners and policy makers. This illustrated the need for targeted programs which can successfully reach this target population, enabling them to elevate to and maintain higher levels of income. One such program, which has been cited as a success, is the "Challenging the Frontiers of Poverty Reduction-Targeting the Ultra Poor" (CFPR-TUP) program pioneered by BRAC, a Bangladeshi development organization. This program targets the most disadvantaged households living in an area, provides them direct asset transfers and livelihood training with the goal of improving welfare and *graduating* them into standard microfinance borrowing programs.

The study discussed below provides results from an impact evaluation of a program modeled on CFPR-TUP. The program, known as the *Targeting the Hard-core Poor* (THP) program was launched by Bandhan, a Kolkata based MFI, in Murshidabad district of West Bengal. Concurrent with the roll out of the program researchers at the Centre for Microfinance (CMF) conducted baseline and post-program surveys with nearly 1,000 households, half of whom were randomly offered to participate in the THP program. The program begins with asset transfers, after which, over the following 18 months, recipients of assets are visited regularly by Bandhan THP staff, who train and teach them to manage their income-generating assets and household enterprises. Depending on the asset chosen, selected beneficiaries receive a weekly allowance for a fixed number of weeks. Asset recipients are not allowed to sell their assets, and Bandhan closely monitors progress. All program beneficiaries are women. After 18 months, beneficiaries attend graduation training on microfinance and are invited to join microfinance groups. The post-program survey conducted by CMF occurred approximately 18 months after initial transfer of an asset.

Research Findings

One of the most significant findings of the study is that the program substantially increases the food consumption of participant households relative to the randomly

selected control group. Due to the difficulty of measuring income for such households, measuring growth in consumption provides a useful measure of economic well-being.

This increase in food consumption (15 per cent) is especially meaningful in light of the prevalent food insecurity among the target population. Prior to being offered the program, a considerable proportion of the selected households reported high incidences of skipping meals or reported receiving assistance from other households in the form of free meals. The program reduced food insecurity, and researchers observed additional cases of treated households providing more meals to other households within their village.

The study finds that a number of additional benefits accrue to members of households randomly selected to participate in the program. In particular, they report being happier and in better health. In spite of these latter results, we do not detect program effects in terms of more objective measures of physical health, but such effects may take time to become apparent.

The program demonstrates broader social benefits of microfinance integration beyond the traditional scope of microcredit and financial access

Research Implications

The results of this wave of data collection demonstrate a short-term improvement in economic and social well-being for those invited to participate in the program. To assess long-term impacts of the program a second follow up study, conducted 30 months after the initiation of the program, was conducted and is currently being analyzed.

One of the drawbacks of the program, however, was the low take-up rate (~57%) of participants in Bandhan's THP program. There could be several reasons for low participation, including unwillingness to bear risks associated with retaining assets, politically disturbed neighbourhoods in the associated blocks where the research was conducted, or a lack of understanding of the program.

Summary of positive findings in households offered THP Program

- Increased productivity of adult members
- Statistically significant increase in household food consumption
- Larger asset base
- Reduced food insecurity
- Reported higher on an index measuring financial

A independent cost-analysis of the program conducted by M-CRIL shows that the entire cost for the implementing agency were close to Rs. 13,000 per client for the 18-month period, this cost could potentially be reduced upon scaling up.

Policy Recommendations

Much has already been written about the inability of current microfinance programs to target ultra poor communities. Bandhan's program proved successful at reducing food insecurity and boosting food consumption for ultra-poor households, suggesting that similar programs might also help improve household welfare. By providing the ultra-poor income-generating assets along with the right forms of livelihood training, policymakers could help them find regular and stable income sources

The task of identifying the *poorest of the poor* in this program was successfully completed using Participatory Rural Appraisals (PRA), a technique proven to be a better alternative to traditional means of generating BPL lists for Public distribution systems and targeting households for receiving subsidies.

By integrating those who were formerly seen as being at the absolute bottom of the social ladder with those above them through joint liability groups, the program looks to provide broader social benefits of microfinance integration beyond the scope of traditional microcredit. The initial success of Bandhan's program has led them to scale this up very quickly in other districts of West Bengal. Moreover, alternate variations of such livelihood generation programs coupled with microfinance are already being implemented by the Consultative Group to Assist the Poor (CGAP), the financial services arm of the World Bank.