



Review

Failure vs. displacement: Why an innovative anti-poverty program showed no net impact in South India

Jonathan Bauchet^a, Jonathan Morduch^{b,*}, Shamika Ravi^c^a Purdue University, USA^b New York University, USA^c Brookings Institution, India

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ABSTRACT

We analyze a randomized trial of an innovative anti-poverty program in South India, part of a series of pilot programs that provide “ultra-poor” households with inputs to create new, sustainable livelihoods (often tending livestock). In contrast with results from other pilots, we find no lasting net impact on income or asset accumulation in South India. We explore concerns with program implementation, data errors, and the existence of compelling employment alternatives. The baseline consumption data contain systematic errors, and income and consumption contain large outliers. Steps to address the problems leave the central findings largely intact: Wages for unskilled labor rose sharply in the area while the study was implemented, blunting the net impact of the intervention and highlighting one way that treatment effects depend on factors external to the intervention itself, such as broader employment opportunities.

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1. Introduction

The poorest of the poor face broad challenges. A common policy response is to create safety nets with publicly-funded income transfers that ensure a basic standard of living. BRAC, a globally-recognized NGO based in Bangladesh, is building on the standard safety net idea by instead giving poor households a larger quantity of resources in a shorter period of time. With an eye on promoting economic advancement rather than just ensuring survival, BRAC couples financial transfers with transfers of assets and training to help recipients build new livelihoods as self-employed, small-scale entrepreneurs (Bandiera et al., 2013). The bet is on the possibility of escape from a life of extreme poverty into a life of economic self-sufficiency, an idea with roots in the economics of poverty traps (Bowles et al., 2006; Sachs, 2005).

BRAC created the “ultra-poor graduation” model in Bangladesh, and donors have supported its replication and evaluation in other sites. Karlan and Goldberg (2014) describe results from randomized trials in India (West Bengal), Pakistan, Ghana, Ethiopia, Peru, and Honduras, carried out under the umbrella of Innovations for Poverty Action. Bandiera et al. (2013) report on RCT results from Bangladesh.¹ While researchers

have been careful not to over-sell their results, the findings have mostly been very encouraging. In Bangladesh, for example, treatment households had 38% higher earnings than control households four years after the program started. In West Bengal, treatment households saw business income increased by 48% relative to control households, and consumption increased by 11% (impacts were measured three to 3.5 years after the program started; Duflo, 2012). Karlan and Goldberg (2014) report on a range of impacts two and three years after baseline surveys; beyond the successes in West Bengal, they show notable impacts on consumption in Ethiopia, promising results in Pakistan, and weaker results in Peru and Honduras.²

We report on a parallel study of a similar “ultra-poor graduation” program in the South Indian state of Andhra Pradesh, implemented by the NGO arm of SKS, a large commercial microfinance institution. Despite expectations that the intervention could be transformative (SKS 2011), three years after the program started in 2007 there were no measured, statistically significant net impacts on the key outcomes: average household income, consumption, asset accumulation, and use

* Corresponding author.

E-mail address: Jonathan.Morduch@NYU.edu (J. Morduch).

¹ Information on all sites (including the SKS NGO pilot evaluated here) is available at <http://graduation.cgap.org/>. BRAC's program is called Targeting Ultra Poor (TUP), and the approach is often simply tagged as “graduation” programs. Information on the Innovation for Poverty Action studies are available at <http://www.poverty-action.org/ultrapoor>.

² A February 14, 2014 blog post by Sue Fleming of the donor consortium, CGAP, reports: “Pressed on how upbeat he was over the findings, [Dean] Karlan said of the 500 or so randomized trials [Innovations for Poverty Action] had done along with MIT's Abdul Latif Jameel Poverty Action Lab over the years, he could count only five or six that had risen to the level where he was confident of advising policymakers to scale up the work. These included projects on deworming, chlorine dispensers, and remedial education. The Graduation Approach is now being added to that list.” Accessed online (5/19/14): <http://graduation.cgap.org/2014/02/21/researchers-highlight-graduation-research-say-time-is-right-to-scale-up/>.

of financial services. Was the program a failure? Was the study compromised? How do these results inform discussions about replicating the intervention elsewhere?

The SKS NGO pilot was funded alongside the other ultra-poor graduation pilots, but was implemented and evaluated independently. Like the other ultra-poor graduation pilots, the SKS program targeted the poorest households, focusing on those with few assets and chronic food insecurity. The SKS NGO intervention provided an asset and basic resources to start a sustainable livelihood. Households also received training, savings accounts, health consultations, and facilitation of access to government services. About 90% of households chose to raise livestock (most often buffaloes), although some households chose trades like tailoring or shop-keeping. After 18 months of weekly meetings and support, the program came to a close, with the hope that the households would then be equipped to “graduate” out of extreme poverty.

We consider four explanations for the lack of net impacts in Andhra Pradesh: (1) data problems in the empirical study, (2) design and implementation problems in the ultra-poor intervention, (3) low take-up and high drop-out rates, and (4) shifts away from wage employment which offset economic gains from program participation.

The data collected for the evaluation are imperfect, and we first describe the nature of errors and tests for robustness of results. The study involved three rounds of data collection: (a) a baseline survey before the intervention was implemented, (b) a midline survey at the end of the intervention, and (c) an endline survey a year after the intervention ended. There are two main data difficulties. First, baseline consumption data are implausibly large relative to income data, relative to data from later years, and relative to prevailing poverty lines. Second, outliers in the income and consumption data substantially diminish the correlations between key data series (consumption, income, and assets) in a given data wave and across time for a given variable. Both are serious issues and cannot be wholly fixed, but we take steps to limit their influence. The main results are robust to analyzing consumption using only the endline (i.e., without the problematic baseline consumption data), and to reducing the influence of outliers by Winsorizing the income and consumption data at the top 5% of observations (Appendix Tables 1 and 2). We also show that patterns of average household income are consistent with other data, including information on time use and the disaggregated composition of income by occupation.

Some observers have questioned the program's design and implementation. Post-intervention auditors, for example, have questioned the program's lack of customization for individual households, lack of consumption support for households, and lack of follow-up after the program ended at 18 months (Jawahar and Sengupta, 2012). These questions should be considered in future designs, but detailed monitoring data show that the intervention was largely implemented as designed, and budget data show that the intervention was comparable in cost to other ultra-poor graduation pilots in India.

The third possible reason for the lack of measured net impact is that program effectiveness was undermined by low take-up and high drop-out rates. The SKS NGO intervention required no fees from eligible participants and provided a substantial asset transfer, so it is not surprising that 70% of eligible households participated. This take-up rate is higher than that in the West Bengal replication where strong positive effects of an ultra-poor intervention were found (52% in the West Bengal study received and kept the assets; Banerjee et al., 2011, Fig. 1). The real worry is high drop-out. By the endline, among the households that participated and chose to raise an animal as their project, only 43% still owned an animal. This asset loss/sale figure is much larger than that found in West Bengal. We implemented a follow-up survey to verify and explore why households no longer owned their animals. Two-thirds reported selling their animals, and many used the proceeds to pay off debt. Compared to households that still had their animals, households that no longer owned animals in the endline survey were 19 percentage points less likely to have outstanding loans, had fewer loans outstanding, and had significantly lower average outstanding

loan amounts. Total income and consumption, however, increased more for households that held on to their animals than for those who chose to sell them. The pattern is consistent with a subsample of households experiencing relatively small gains from the intervention, selling their livestock, and returning to wage labor. The high “drop-out” rate (as captured by the high rate of asset sales/loss after completion of the program) may thus contribute to the lack of measured impact in a statistical sense and also reflect relative program ineffectiveness in a real sense (i.e., “drop-out” can be seen as a form of non-compliance that weakens statistical power, and the drop-out can also reflect low impacts on a subsample exposed to the intervention.).

This third concern is consistent with the fourth. The study took place in a time when the control group (along with members of the treatment group if they chose to) could take advantage of a tight labor market. Just under half of the treatment households still had their livestock at the end of the study. For them, the intervention may have yielded gains, but the gains for the treatment group as a whole did not exceed the gains that the control group received from wage employment.³ While we do not find net impacts on overall household income, consumption, asset accumulation, and use of financial services, we see shifts in the composition of time use and the composition of income for the treatment group (the shifts are away from wage labor and toward livestock-rearing, consistent with program participation). Treatment households, as a group, experienced income gains, but simultaneously faced an offsetting opportunity cost when participating. In other words, the intervention partly displaced wage employment.

The gains experienced by the control group are consistent with evidence on wage growth in the state. Between August 2007 and December 2011 real agricultural wages in Andhra Pradesh rose by 57% (Venkatesh, 2013), placing Andhra Pradesh as the Indian state with the fastest wage increases.⁴ The control group in our study could thus advance quickly through wage labor, while the treatment group diversified into livestock-rearing. The mechanism parallels the findings of Crépon et al. (2014) in evaluating a microcredit program in Morocco, for example. Participants there increased their self-employment income (activities associated with microcredit) but decreased income from wage labor equivalently, leading to no measured net gain in total income or consumption for those with access to microcredit.

In sum: The SKS NGO ultra-poor program was imperfect but implemented largely as designed. Data problems remain a concern, especially for consumption, but the main results are robust to steps to address measurement problems. One important context for the study is that the market for wage labor was strong during the study period, allowing both the treatment and control groups to experience a steady increase in income between the baseline and endline surveys. The strong labor market meant that villagers had competing strategies for economic advancement during this period in Andhra Pradesh. They could join the ultra-poor program and take advantage of its promise to enable self-employment or they could intensify participation in the increasingly attractive wage labor market. Many households tried to do both (and experienced some displacement of one form of income gains by the other),

³ On average, total income per capita increased by 65% in the treatment group between the 2007 baseline survey and the 2010 endline survey, but control group income increased by a similar amount: 57% (Table 2). In data in which the top 5% of observations are removed to limit the role of outliers, we find that, on average, total income per capita increased by 78% in the treatment group between the 2007 baseline survey and the 2010 endline survey, but control group income also increased by 78%. For specific sources of income, households that participated in the ultra-poor program increased monthly per capita income from livestock by 53 Rupees more than control households, but control group households increased monthly per capita income from agricultural wage labor by 51 Rupees more than the treatment group.

⁴ Economists actively debate the role of government programs in contributing to wage growth (e.g., Imbert and Papp, 2015). Our interest, though, is not in the source of wage growth but on how wage-earning opportunities affected relative outcomes for households in the ultra-poor program.

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