STUDY SUMMARY

# Graduating the Ultra Poor in India

More than one fifth of the world's population lives on less than US$1.25 per day. While many credit and training programs have not been successful at raising income levels for these ultra-poor households, recent support for livelihoods programs has spurred interest in evaluating whether comprehensive "big push" interventions may allow for a sustainable transition to self-employment and a higher standard of living. To test this theory, researchers evaluated a globally-implemented "Graduation" approach to measure its impact on the lives of the ultra-poor. They found that the approach had long-lasting economic and self-employment impacts and that the long-run benefits, measured in terms of household expenditures, outweighed their up-front costs. Here we summarize the India site, which had similar effects as the other successful sites.

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**COUNTRY**
India

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**PROGRAM AREA**
Social Protection

**TOPICS**
Cash Transfers, Training & Mentoring, Ultra Poor

**TIMELINE**
2007-2011

## Policy Issue

More than one fifth of the world's population lives on less than US$1.25 per day. Many of these families depend on insecure and fragile livelihoods, including casual farm and domestic labor. Their income is frequently irregular or seasonal, putting laborers and their families at risk of hunger. Self-employment is often the only viable alternative to menial labor for the ultra-poor, yet many lack the necessary cash or skills to start a business that could earn more than casual labor.

In the past, many programs that have provided ultra-poor households with either credit or training to alleviate these constraints have not been successful at raising household income levels on average. However, in recent years, several international and local nongovernmental organizations have renewed their support for programs that foster a transition to more secure livelihoods. Combining complementary approaches—the transfer of a productive asset, training, consumption support, and coaching— into one comprehensive program may help spur a sustainable transition to self-employment. To better understand the effect of these programs on the lives of the ultra-poor, researchers coordinated to conduct six randomized evaluations
in Ethiopia, Ghana, Honduras, India, Pakistan, and Peru.

## Evaluation Context

In India, researchers partnered with Bandhan, a local microfinance institution. The study focused on households with an able-bodied woman that were not associated with any microfinance institution and received below a certain threshold of government aid. Households commonly had little land, no non-land productive assets, and relied on informal labor for income. Bandhan further narrowed eligibility by conducting a participatory rural appraisal to identify the poorest community members. Within the sample, the median total per capita consumption was 2014 PPP US$1.15 per day, with 73 percent of households consuming less than US$1.25 per day. Around 90 percent of households reported that some adults sometimes had to skip meals, and 40 percent reported the same for children.

## Details of the Intervention

In partnership with Bandhan, researchers conducted a randomized evaluation to test the impact of an 18-month comprehensive livelihoods program ("the Graduation approach") on the lives of the ultra-poor. This approach was first developed by Bangladeshi NGO BRAC in 2002 and has since been replicated in several countries. From a sample of 978households, researchers randomly assigned 512 to the treatment group and the remaining 466 to the comparison group, which would not receive the program. Of those offered the Graduation program, around half of all households accepted.

The intervention consisted of six complementary components, each designed to address specific constraints facing ultra-poor households:

1. *Productive asset transfer*: One-time transfer of a productive asset valued at Rs. 4,500 (2014 PPP US$437). A majority of participants chose goats, while 30 percent selected cows and 11 percent opted for nonfarm micro-enterprise inventory.

2. *Technical skills training*: Training on running a business and managing their chosen livelihood. For example, households who selected livestock were taught how to rear the livestock, including vaccinations, feed and treatment of diseases.

3. *Consumption support*: Households received weekly cash transfers of Rs. 90 (2014 PPP US$9) for 13 to 40 weeks, depending on the productive asset chosen

4. *Savings*: Households were required to save Rs. 10 (2014 PPP US$1) per week

5. *Home visits*: Weekly home visits by Bandhan staff to provide accountability, coaching, and encouragement.

6. *Health*: During weekly home visits, Bandhan staff discussed health matters.

The 18-month Graduation program was rolled out in 2007 and 2008 and ended between 2008 and 2010. Researchers surveyed participants immediately after the program concluded and one year later.

## Results and Policy Lessons

Across all six countries, researchers found that the program caused broad and lasting economic impacts. Treatment group households consumed more, had more assets, and increased savings. The program also increased basic entrepreneurial activities, which enabled the poor to work more evenly across the year. While psychosocial well-being improved, these noneconomic impacts sometimes faded over time. In five of the six studies, long-run benefits outweighed their up-front costs. In India, specifically, researchers found similar effects:

*Economic impacts*: One year after the Graduation program ended, average total monthly consumption among treatment households was 2014 PPP US$63.68, a 11 percent increase over households in the comparison group. Food spending was also higher than in the comparison group, and more households reported having enough food every day. Ownership of household and productive assets also increased significantly among Graduation program participants. For treatment group households, measures of financial inclusion also increased. Researchers were unable to collect savings data. However, significantly more Graduation program households reported borrowing from formal sources than those in the comparison group, with no change in borrowing rates from informal sources.

*Self-employment*: One year after the Graduation program ended, treatment group households reported spending 25 minutes more per day on productive activities than the average 3 hours 45 minutes among comparison group households. Graduation households also experienced a nearly four-fold increase in livestock revenue relative to comparison group households.

*Psychosocial wellbeing*: The Graduation program did not affect measures of physical or mental health. There were no changes in illness, happiness, stress, or likelihood of feeling anxious or worried in the last year.

*Political Involvement*: There is some evidence that participation in the Graduation program increased political involvement. One year after the program ended, 55 percent of treatment group households reported voting in the last election (compared to 48 percent of the comparison group) and 49 percent reported voicing concerns with their village leaders in the past year (compared to 44 percent in the comparison group).

*Cost-benefit analysis*: Compared to less comprehensive interventions, the Graduation program had relatively high up-front costs. Researchers calculated total implementation and program costs to be US$330 per household (2014 PPP US$ 1,455). However, estimated benefits from consumption and asset growth amount to 2014 PPP US$6,298 per household, representing an overall 433 percent return.