

Do the ultra-poor benefit from receiving income-generating assets as grants?

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ABSTRACT

While increasing access to credit was always considered important by development theorists, the perceived success of Grameen Bank and other microfinance institutions has generated a lot of activity and hope among practitioners as well. However, even the most ardent supporters of microfinance increasingly accept that microfinance or microcredit might not be able to touch the lives of the ultra-poor i.e. the households at the absolute bottom of the economic ladder with little or no social and economic security. Instead, they argue that the ultra-poor need to be ‘graduated up’ from receiving grants to a status where they might be able to borrow from micro-lenders along with significant hand holding.

In this paper, I report findings from the baseline and first follow-up (a year after baseline) of a study that uses quasi-experimental design to examine the effect on the lives of beneficiaries of providing grants in the forms of income generating assets to the ultra-poor in one of the poorer states in India. In particular, I compare the experiences over time between a random sample of program participants and women who were eligible, selected and interested in participating in the program but could not. The reason for exclusion was that lack of a suitable place to build an office compelled the implementing agency to relocate their office in a different village than they had originally intended. The new office was considered too far from the villages in which the comparison group women lived and hence it was decided to drop them from the program. To the extent that the choice of office location is not correlated with a woman’s ability to benefit from the program, the event can be thought of as an exogenous shock that determined program participation between the intervention and comparison groups. The study therefore takes advantage of this “natural” experiment to evaluate the impact of such programs that seek to provide income generating assets to the poorest of the poor.