To fight extreme poverty, empower women with more than cash
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The goal of the study was understanding how psychosocial constraints—such as a lack of role models or peer support for business efforts—might create barriers to seizing economic opportunities, and whether social program components designed to address these challenges could improve overall outcomes for people living in poverty.

"The literature suggests mental health, aspirations and hope enable people to benefit from economic interventions and run with opportunities," Karlan said.

There were four groups in the study: a control group and three trial groups. Households in all four groups received a baseline monthly cash transfer, while the three trial groups also received an extra package of benefits that included several new components intended to improve women's income-earning potential: these included entrepreneurship training and a group-based savings fund in which participants could buy shares.

Additionally, households in one of the trial groups received an extra lump-sum cash grant, while those in another took part in a week-long, life-skills training with role-playing, games, case studies and video viewings led by people in their communities. A third group received both the extra cash grant and the trainings.

The extra cash grant and trainings together were the most effective at improving families' economic situations after six and 18 months—but the training alone was still impactful.

Overall, the results show that government-run programs that take a multifaceted approach to combating poverty yield significant improvements in economic and psychosocial well-being in extremely poor communities, while also improving the cost-effectiveness of such programs.

"It's about working on multiple fronts," Karlan said.
"Not just saying, 'Here's cash' or 'Here's training.'"

In addition to Karlan and Udry, co-authors of the study, "Tackling Psychosocial and Capital Constraints Opens Pathways out of Poverty," include Thomas Bossuroy, Markus Goldstein, Harounan Kazianga, William Parienté, Patrick Premand, Catherine Thomas, Julia Vaillant and Kelsey Wright.


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