



## Multiple Borrowing and Beyond

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# How to Target the Poorest?

The whirring sounds from *Pashupati*'s paddy-husking mill drown out the cricket chirps and children's laughter from the surrounding fields. *Pashupati* strolls through his mill, brusquely greeting employees, and proudly points out the new rollers he's installed recently. In addition to the husking mill, *Pashupati*'s "micro" enterprises include a recently constructed 18-foot high brick kiln as well as a large, irrigated plot of land on which locally-hired villagers cultivate paddy, pulses and vegetables an astonishing four times a year. At first glance, *Pashupati* might seem like a middle-class villager who has managed to leave behind the struggles, tyranny and stigmas associated with poverty. But once a week, *Pashupati* never forgets to stand and wait in the long queue with dozens of other villagers to draw his ration quota secured under the Below the Poverty Line (BPL) card.

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Compounding this oddity is that while the relatively well-off *Pashupati* receives government rations, many impoverished members of his community are excluded.

Surprisingly, Pashupati's story is not an exception in rural India. By some metric or measure, many "rich" poor are provided government aid, while the visibly poorer are ignored. This situation raises the issue of how government-run programs target beneficiaries and the larger question of how to conceptualize poverty. Moreover the government spends a huge sum of money on a number of programs to serve the poorest population of the country. The Economic Survey 2007-08 reveals that the volume of food subsidy in India in 2006-07 was to the tune of Rs 23828 crores<sup>1</sup>. Hence it is imperative to make the process of targeting the poor efficient. In India, the BPL census is used to identify beneficiaries for a number of aid-based poverty alleviation programs and financial schemes like health insurance, soft loan etc. Unfortunately, widespread manipulation, corruption and mis-targeting have rendered the BPL census method far from perfect. <sup>2</sup> It is in this context that Bandhan, a Microfinance Institution (MFI) based in Kolkata that wanted to target the ultra poor, resorted to another method. Bandhan's chosen method, inspired by a similar program of BRAC in Bangladesh, was a Participatory Rural Appraisal (PRA) that targets ultra-poor beneficiaries who are then eligible to participate in their Targeting the Hardcore Poor (THP) Program. Under Bandhan's THP program, beneficiaries are given free assets, such as livestock or other inventories, to help them secure a regular source of income and thereby graduate them into future microfinance clients. Social mapping and subsequent wealth ranking are the two key components of the Bandhan's PRA targeting exercise. Social mapping entails identifying every household of a hypothetical hamlet on a map, while wealth ranking stratifies the households into different socioeconomic groups. The households which fall into the ultra poor category based on wealth ranking are identified as potentially eligible program participants. Thus the wealth ranking exercise is crucial for the proper selection of ultra poor beneficiaries. The PRA facilitator has to be efficient to ensure an unbiased ranking of households. Following the PRA, Bandhan administers short surveys and a fol-

low-up visit to the households identified as ultra poor to verify the authenticity of information collected.

In 2007, the Chennai-based Centre for Micro Finance (CMF) at the Institute for Financial Management and Research (IFMR), conducted a study in five villages in the Murshidabad district of West Bengal to examine the efficiency of the Bandhan's targeting process. <sup>3</sup> In each village a detailed economic census was conducted by CMF that classified households on a 1-5 scale based on their land holding, ownership of assets, housing quality, educational status, and livelihood. In total, 605 households were identified as poor out of approximately 1700 households across five villages. Out of these 605 households a random sample of 178 households was selected for a detailed survey similar to the household survey used by Bandhan. Of these 178 households, 8 households were identified as ultra poor by Bandhan and of the remaining 170 households, 121 households appeared in the PRA lists of the respective villages. For the sake of comparison the final dataset contained only these 121 households and 92 households identified as ultra poor by Bandhan across five villages. Since the survey was administered to a systematically selected poorer segment of population, CMF was also interested to see the extent to which beneficiaries received support from various poverty alleviation programs (in particular, BPL and Antodaya programs, Indira Awaas Yojana (IAY) and National Rural Employment Guarantee Scheme (NREGA)) run by the government. The data collected from surveys was mined to see the targeting efficiency of the government run programs. This was done by comparing the households that received support from the aforesaid government programs with those who did not, using several poverty indicators.

The findings of the study suggest that households ranked as poor in the PRA are in fact poorer compared to other households in the same hamlet in terms of land holding and asset ownership. The average landholding of ultra poor households identified by Bandhan is 1.84 katthas which is much lower than that of non ultra poor households (8.49 katthas). These ultra poor households are by and large financially excluded as only 3.26% of the ultra poor beneficiaries had ever obtained a loan from a

formal source (commercial banks, cooperative credit society etc.). The nutritional status and educational attainment of the ultra poor beneficiaries are also pitifully low; close to 40% of the ultra poor households reported not consuming two meals a day.

The results of the study also present a grim picture of the targeting efficiency of government programs. Our results show that the beneficiaries of the BPL rationing and Antodaya schemes are not poorer compared to non beneficiaries with respect to most poverty indicators: per capita monthly food/fuel expenditure, landholding, asset ownership and food sufficiency. However, the NREGA program did a much better targeting since the households which received work under NREGA were poorer than those who did not. Self-selection does play a role however, as employment programs like NREGA look attractive to poor households are unable to get better employment elsewhere.

Identifying and targeting the poor for development interventions is a vexing but crucial task for good programs and maximum impact. Today census and household surveys are still one of the most popular methods of identifying poor but CMF research exposed that surveys often omit or cannot capture certain indicators of poverty (for e.g life expectancy). Identifying the poor through mass participation of a diversity of people, as in case of Participatory Rural Appraisal (PRA), was found to be more effective in targeting the poorer sub-population. Responses of peer members or neighbors often accurately reflect the true socio-economic condition of a household vis-à-vis other households and the socioeconomic hierarchy of a village. It should be noted in that apart from measuring the „endowment,“ or economic resources of a person, PRAs can also capture relative deprivation in terms of „exchange entitlement,“ or what he or she can earn in exchange. However, methods like PRA are costly and hence may not

be applicable in all contexts. Pilot studies are advisable to test the feasibility and cost effectiveness of PRAs. Having said this, it is obvious that any successful targeting process call for a multidimensional poverty assessment measure and hence targeting based on a single indicator of poverty would certainly be myopic

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1 Economic Survey 2007-08, Chapter 75, pp: 180, table 7.27.

2 a) See Mukherjee, N (2003): "Political Corruption in India"s Below the Poverty line (BPL) Exercise: Grassroots" Perspective on BPL: Good Practice in People"s Participation from Bhalki Village, West Bengal", Development Tracks RTC, New Delhi. ([http://www.eldis.org/fulltext/Political Corruption India.pdf](http://www.eldis.org/fulltext/Political%20Corruption%20India.pdf))

b) See Jalan, J and Murgai R (2002): "An Effective "Targeting Shortcut": An Assessment of the 2002 Below Poverty Line Census Method", July (<http://www.ihindia.org/ourcontrol/rinkumurgai.doc>)

3 The study was done by Profs. Abhijit Banerjee (MIT), Esther Duflo (MIT), Raghavendra Chattapadhyay (IIM-Cal) and Jeremy Shapiro (Ph.D candidate at MIT). An e-copy of the paper is available at:

[http://ifmr.ac.in/cmfpublications/wp/2007/21\\_banerjee\\_et\\_al-ultrapoor.pdf](http://ifmr.ac.in/cmfpublications/wp/2007/21_banerjee_et_al-ultrapoor.pdf)

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