

Thomas Bossuroy
World Bank

Dean Karlan
Northwestern University

William Parienté
Université Catholique de Louvain

Christopher Udry
Northwestern University

Kelsey Wright
Program Manager, Social Protection Program

Tackling psychosocial and capital constraints to alleviate poverty

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Many policies attempt to help extremely poor households build sustainable sources of income. Although economic interventions have predominated in historic efforts, psychosocial support has attracted substantial interest¹⁻³, particularly for its potential to cost-effectiveness. Recent evidence has shown that multi-faceted 'graduation' programmes can see cost in generating sustained changes^{4,5}. Here we show that a multi-faceted intervention can open pathways out of extreme poverty by relaxing capital and psychosocial constraints. We conducted a four-arm randomised evaluation among extremely poor female beneficiaries already enrolled in a national cash transfer/government programme in Niger. The three treatment arms included group savings promotion, coaching and entrepreneurship training, and then added either a lump-sum cash grant, psychosocial interventions, or both: the cash grant and psychosocial interventions. All three arms generated positive effects on economic outcomes and psychosocial wellbeing, but there were notable differences in the pathways and the timing of effects. Overall, the arms with psychosocial interventions were the most cost effective, highlighting the value of including well-designed psychosocial components in government-led multi-faceted interventions for the extreme poor.

We tested the effectiveness of delivering capital and psychosocial constraints in alleviating extreme poverty by conducting a four arm randomized controlled trial (RCT) of a multi-faceted programme implemented by the Government of Niger on behalf of a poverty targeted cash transfer programme for women in Table 1. All study groups received monthly cash transfers. The three treatment arms added a core set of components: savings groups, a teaching and entrepreneurship training, a Capital arm added a lump sum cash grant (and is similar to the graduation programme). A Psychosocial arm adds life skills training and a community socialization on aspirations and social norms. The T4 arm adds both the cash grant and the psychosocial

We contribute to a growing literature on the economic impacts of psychosocial factors in health. Whereas most studies target individuals, we focus on the role of the family as a unit of analysis. We find that, in addition to the well-documented effects of income and education on economic behaviour and well-being outcomes,^{20,21} there is limited evidence on their longer term impacts on poverty and their added effect on economic outcomes.^{22,23} The role of the family unit in stress studies has been both built on the skills of both the individual and on the family unit as a whole, and on the role of the family unit in stress and in managing the mental and/or social support they receive from their household and community. The psychosocial life component is thus included in the skills training for households as a well-known stressor, rather than be commonly perceived – incorrectly – while film viewing and discussion target the social norms and collective aspirations. This side effect builds on the *stress management* and *psychosocial intervention* stress, *social support* and *social and emotional skills*.^{24,25}

Further, early graduation studies found little if impacts on women's empowerment¹¹, although stronger effects were documented when broader measures were considered¹². We analyse how the treatment

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Tackling Psychosocial and Capital Constraints to Alleviate Poverty

Many policies attempt to help extremely poor households build sustainable sources of income. Although economic interventions have predominated historically^{1,2}, psychosocial support has attracted substantial interest^{3,4,5}, particularly for its potential cost-effectiveness. Recent evidence has shown that multi-faceted 'graduation' programmes can succeed in generating sustained changes^{6,7}. Here the researchers show that a multi-faceted intervention can open pathways out of extreme poverty by relaxing capital and psychosocial constraints. The researchers conducted a four-arm randomized evaluation among extremely poor female beneficiaries already enrolled in a national cash transfer government programme in Niger. The three treatment arms included group savings promotion, coaching and entrepreneurship training, and then added either a lump-sum cash grant, psychosocial interventions, or both the cash grant and psychosocial interventions. All three arms generated positive effects on economic outcomes and psychosocial well-being, but there were notable differences in the pathways and the timing of effects. Overall, the arms with psychosocial interventions were the most cost-effective, highlighting the value of including well-designed psychosocial components in government-led multi-faceted interventions for the extreme poor.

¹ Fiszbein, A. et al. *Conditional Cash Transfers: Reducing Present and Future Poverty* (World Bank, 2009).

² Banerjee, A., Karlan, D. & Zinman, J. Six randomized evaluations of microcredit: introduction and further steps. *Am. Econ. J. Appl. Econ.* 7, 1–21 (2015).

³ Ridley, M., Rao, G., Schilbach, F. & Patel, V. Poverty, depression, and anxiety: causal evidence and mechanisms. *Science* 370, eaay0214 (2020).

⁴ Haushofer, J., Mudida, R. & Shapiro J. P. *The Comparative Impact of Cash Transfers and a Psychotherapy Program on Psychological and Economic Well-Being*. Working Paper no. 28106 (NBER, 2020).

⁵ Lund, C. et al. Poverty and mental disorders: breaking the cycle in low-income and middle-income countries. *Lancet* 378, 1502–1514 (2011).

⁶ Banerjee, A. et al. A multifaceted program causes lasting progress for the very poor: evidence from six countries. *Science* 348, 1260799 (2015).

⁷ Bandiera, O. et al. Labor markets and poverty in village economies. *Q. J. Econ.* 132, 811–870 (2017).

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