

# Is the BDP Ultra Poor Approach Working? Survey of Some Key Issues

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## FOREWORD

Over a quarter of Bangladesh's people live in extreme poverty, not being able to meet even the barest of the basic needs. They spend most of their meagre, unreliable earnings on food and yet fail to fulfil the minimum calorie intake needed to stave off malnutrition. They are consequently in frequent poor health causing further drain on their meagre resources due to loss of income and health expenses. More often than not, the extreme poor are invisible even in their own communities, living on other peoples' land, having no one to speak up for them or assist them in ensuring their rights. Extreme poverty also has a clear gendered face – they are mostly women who are dispossessed widows, and abandoned.

The extreme poor are thus caught in a vicious trap and the story of denial and injustices tend to continue over generations for a large majority of them. Thus, a vast majority of the extreme poor in Bangladesh are chronically so. The constraints they face in escaping extreme poverty are interlocked in ways that are different from those who are moderately poor. This challenges us to rethink our existing development strategies and interventions for the extreme poor, and come up with better ones that work for them. This is the challenge that drove BRAC to initiate an experimental programme since 2002 called, 'Challenging the Frontiers of Poverty Reduction: Targeting the ultra poor programme.' The idea to address the constraints that they face in asset building, in improving their health, in educating their children, in getting their voices heard, in a comprehensive manner so that they too can aspire, plan, and inch their way out of poverty.

The extreme poor have not only been bypassed by most development programmes, but also by mainstream development research. We need to know much more about their lives, struggles, and lived experiences. We need to understand better why such extreme poverty persists for so many of them for so long, often over generations. Without such knowledge, we cannot stand by their side and help in their struggles to overcome their state.

I am pleased that BRAC's Research and Evaluation Division has taken up the challenge of beginning to address some of these development knowledge gaps through serious research and reflection. In order to share the findings from research on extreme poverty, the 'CFPR Working Paper Series' has been initiated. This is being funded by CIDA through the 'BRAC-Aga Khan Foundation Canada Learning Partnership for CFPR' project. I thank CIDA and AKFC for supporting the dissemination of our research on extreme poverty.

I hope this working paper series will benefit development academics, researchers, and practitioners in not only gaining more knowledge but also in inspiring actions against extreme poverty in Bangladesh and elsewhere.

**Fazle Hasan Abed**  
Chairperson, BRAC



## **Is the BDP Ultra Poor Approach Working? Survey of Some Key Issues**

*Proloy Barua and Munshi Sulaiman*

### **ABSTRACT**

Though BRAC's CFPR/TUP is the specialized programme for the ultra poor, it is observed that a good portion of its microfinance clients are also very poor and require special attention. Moreover, some of the poorer households from the community can be served through the mainstream BRAC Development Programme (BDP) of which microfinance is the major part. To serve this specific group of microfinance participants and equally poor non-participants, CFPR/ TUP includes a model called 'BDP ultra poor'. The key components of the BDP ultra poor programme are training on income generating activities (IGA) and provision of microcredit along with some other non-financial services. The objectives of this paper are to assess the knowledge retention on IGA training, and to explore the quality of participation in financial and non-financial services by the BDP ultra poor. We found that participants' engagement in the IGA, their self-interest, training settings and number of training participants have strong association with the level of knowledge retention. The quality of microfinance participation of BDP ultra poor is encouraging in terms of increasing their regularity of microfinance involvement. The borrower member ratio of the BDP ultra poor who were recruited in 2003 is now over 85%, which is the industry standard. Such high borrower member ratio results from regular borrowing of the members, a reflection of their quality of participation.

## INTRODUCTION

### Background of the study

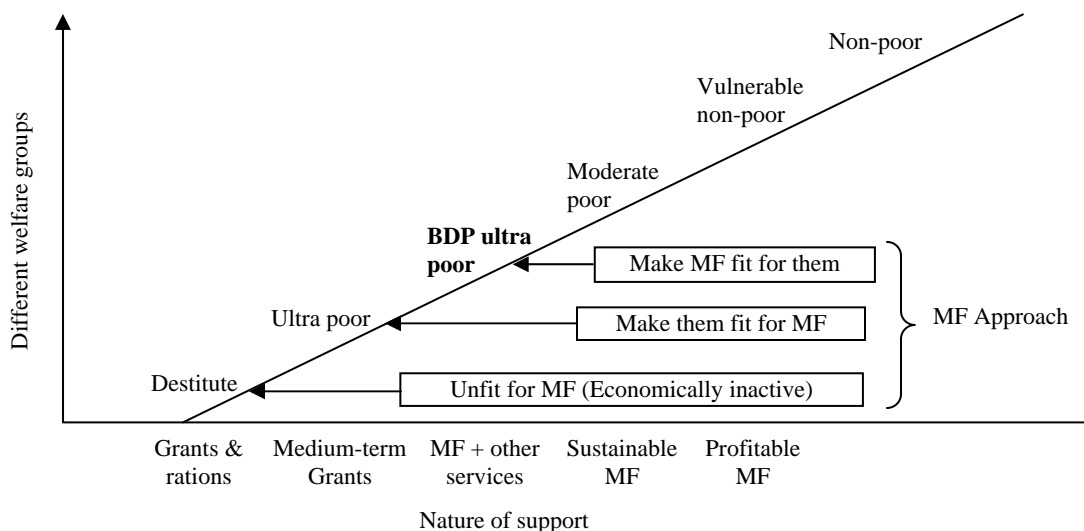
Paying special attention to the heterogeneity among the extreme poor, the Challenging the Frontiers of Poverty Reduction – Targeting the Ultra Poor (CFPR-TUP) programme has developed differentiated approaches. Broadly, the Special Investment Programme (SIP) consisting of asset transfer and intensive support covering a wide range of constraints is designed for the poorest and the most vulnerable among the extreme poor. The Income Generation for Vulnerable Group Development (IGVGD) would also conceptually fall within this category of the Specially Targeted Ultra Poor (STUP) involving food instead of an asset transfer approach. However, empirical studies found significant differences between these two groups, mostly due to the differences in implementation of targeting on the ground (Matin 2004). IGVGD targeting is carried out by local government bodies and has been reported to suffer from various socio-political constraints (IFPRI 2003).

Basic reason for the differentiated approaches is that conventional microfinance fails to make the desired changes at the bottom and any unified approach is unlikely to fit them all. The ultra poor often lack the human, physical and social capital required to

participate effectively in microfinance. Therefore, the principal entry point has to be ‘making them fit for microfinance’ by building an asset base. Once they have a certain level of well-being to maintain an enterprise of their own, they can start participating in microfinance to expand it further (Fig.1). Those who cannot participate in income generating activity would require long-term grants or handouts such as old age allowance.

However, there are also many extreme poor households who are characteristically distinct from those targeted through the asset or food transfer approach. This group of extreme poor can participate in microfinance but often fails to extract any benefit from their participation, and subsequently shy away from further participation because of faulty product design. The needs of such households could be addressed by combining microfinance with some additional support in terms of social awareness raising, skills development and health support, instead of transfer of assets or food. Some of such households are already within existing microfinance membership of BRAC, while others have been in the past. Nearly 15% of existing microfinance members in Bangladesh consists of extreme poor households (Matin 2005). However, the quality of their microfinance participation in terms of

**Figure 1. Conceptual placement of BDP ultra poor**





repayment performance and loan taking is significantly poorer than other members who are not extreme poor. This is the group that BDP (BRAC Development Programme) ultra poor programme targets with the overall aim of livelihoods improvement by ensuring the quality of their participation in BRAC's village organizations and other support structures.

Though the BDP ultra poor programme has been operating since 2002, little has been discussed on the efficacy of the BDP ultra poor programme. This study intends to explore some basic questions such as:

1. What is the level of knowledge retention from the social development and income generating activity training?
2. What is the quality of microfinance participation of the BDP ultra poor?
3. Whether there is any influence of microfinance engagement on awareness about services available from BRAC?

After this introduction, the next section discusses about the conceptual justification of the BDP ultra poor programme. The subsequent sections discuss income generating activity (IGA) training and knowledge retention of the BDP ultra poor, the quality of microfinance participation of the BDP ultra poor, and the final section concerns with the quality of engagement of BDP ultra poor with BRAC.

### Why a different approach?

As it has been argued, the differences within the poorest drive the need for differentiated approaches. In this section, we present the profile of the BDP ultra poor and STUP to have a feeling about the differences that exists (Table 1). Overall profile of BDP ultra poor households shows that they are relatively better

endowed than STUP in terms of demographic characteristics and asset ownerships. Female headship, lower number of adult male income earner and weaker asset base in terms of asset value and small amount of land ownership of STUP households compared to BDP ultra poor households draws special attention of the CFPR programme to develop a separate approach for the heterogeneous extreme poor households. The participation of STUP households in the microfinance programme is also lower than that of BDP ultra poor households.

Over time the modality of targeting in microfinance have generally shifted from indicators of poverty to self-selection. However, it is possible to accommodate a group of clients within the regular microfinance by active targeting. Since the target group of BDP ultra poor programme tends to avoid microfinance because of lack of confidence and fear of default, mere targeting and extra cooperative attitude can ease their shyness and build confidence. Moreover, designing a microfinance package with some basic additional services can make it attractive and effective for them. BDP ultra poor programme has basically been organized by this line of thinking. Here we give a brief outline of the BDP ultra poor programme composition.

### BDP ultra poor selection process

Village organizations (VO) spread throughout the country are the grassroots level institution of BDP to serve the vulnerable poor people through microfinance. A woman becomes a member of a VO to take microcredit service from BRAC. However, the BDP ultra poor programme selects their beneficiaries through a special process. First step in the selection process is to collect 5-10 names of vulnerable women from each VO operating across Bangladesh. After BRAC receives the names from all the VOs, a simple

**Table 1. How does BDP ultra poor differ from STUP?**

Variable	BDP ultra poor	STUP
Female headed household (%)	23	47
Average household size	4.30	3.41
Number of adult male earner per household	1.19	0.68
Number of adult earner per household	1.98	1.83
Average size of the main living room (square feet)	195	136
Household owning the land of residence (%)	67	47
Amount of land owned per households (decimal)	22	4.8
Average value of household asset (Tk.)	7,529	706
Household ever participated in MFI (%)	25*	19

\* Considers only those who are taken into the programme from outside the VOs (Entrants)

Source: Barua and Sulaiman 2006, Sulaiman and Matin 2005

survey is carried out through a semi structured questionnaire. After collection of information, the ultra poor women are screened by the selection criteria. There are five criteria of which at least four have to be met by a woman to be selected. These criteria are i) households with less than 30 decimal of land, ii) female headed households, iii) women with disabled husband, iv) widow, deserted/abandoned, separated or divorced women, and v) households depend on seasonal wage employment (BRAC 2001). Then the senior management of the programme verify the selection process and finalize the list of the BDP ultra poor beneficiaries.

Following the finalization of the list of the BDP ultra poor households, the enterprise selection process is undertaken. Through discussion with the members in the household visits, enterprise selection is completed.

However, batches of 25 participants are formed to provide 3-day IGA training in groups. From 2002 to 2005 training was conducted at BRAC area office (in-house training) and each beneficiary received Tk. 45 as travelling allowance (TA) for three days. There have been brought some changes in training management in 2006. Now training is arranged both at VO leader's

house and BRAC office depending on the distance between VO and BRAC office. If VO is closer to BRAC office, then training is organized at BRAC office. Otherwise training is organized at BRAC school or VO leader's house so that the beneficiaries could participate in the training easily. That is why no TA is given to the participants. This policy could ensure more participation of the beneficiaries and reduce training cost. After the successful completion of three-day training the members become eligible to apply for micro credit like mainstream VO members. The usual loan size is Tk. 4,000 for the new beneficiaries while this amount could be higher for existing or old VO members. From 2006 onwards the BDP ultra poor beneficiary will also receive medical consultations and free medicine up to Tk. 200. There is a provision to spend Tk. 2,000-4,000 for some minor operation of the beneficiary.

Table 2 shows scaling up of the BDP ultra poor programme over the years. It was expected that 605,000 beneficiaries would be trained during 2002-2006 of which 76% already fulfilled by August 2006. The programme scaled up in 2006, as 58% of the total target would be covered from 40 districts of Bangladesh.

**Table 2. Number of beneficiaries trained over the years**

Year	2002	2003	2004	2005	2006
No. beneficiary trained	10,000	25,000	60,000	160,000	350,000
Cumulative	10,000	35,000	95,000	255,000	605,000

Source: Primary data, BDP ultra poor programme

## METHODOLOGY

Since the 'graduation' period in this programme is one year, this study concentrates on the beneficiaries selected in 2003 and 2006, and considered the 2006 cohort of BDP ultra poor members as the proxy for control group. Data were collected from 20 randomly selected BRAC area offices where BDP ultra poor households were selected both in 2003 and 2006. Thirty households were randomly selected from each area office, 15 households each from 2003 and 2006 cohort. Thus, 600 beneficiaries were interviewed comprised of 300 each from 2003 and 2006 cohort. Data were collected in mid July of 2006.

According to programme policy, a portion of the beneficiaries was selected from the existing VO members ('existing' for short hereafter) while the rest were selected from the villagers who do not belong to BRAC VO ('entrant' for short hereafter). Membership length of 'existing' and 'entrant' members of 2003 are at least three years and exactly three years respectively in 2006. Existing members could be engaged with BRAC from before 2003 unlike entrant members selected in 2003. Therefore, we have made comparison among both 'existing' and 'entrant' members of 2003 and 2006 to get clear picture in different aspects.

## IGA TRAINING AND KNOWLEDGE RETENTION

Before discussing the key findings on training component of the BDP ultra poor package, we present the profile of the beneficiaries of the two periods to have an idea about their similarities and dissimilarities. Beneficiary households of 2006 seem to be relatively better-off than beneficiaries of 2003 cohort (Table 3). The focus of the argument made in this paper is on relative targeting effectiveness overtime and not an absolute one. The relative decline in the targeting effectiveness over time could be due to the significant scaling up of the programme in 2006. An earlier study on targeting effectiveness of BDP ultra poor recruited in 2006 using relative poverty assessment, however, found the BDP ultra poor significantly poorer than other VO members (Barua and Sulaiman 2006). Though the general conclusion is that of an effective pro-poorest targeting in BDP ultra poor programme, the relative decline in its effectiveness needs to be taken up seriously by the programme.

### IGA training offered over time

Training is one of the key components of the programme for developing required skills of the participants on different IGAs. Some social development trainings are also provided to enhance their awareness on different social and legal issues. With the IGA training and the BRAC loan, the BDP ultra poor women can be self-employed in different economic activities. Figure 2a and 2b show the distribution of IGA training received by the beneficiaries of 2003 and 2006 respectively. Training has become more diversified in 2006 compared to 2003

though cow rearing is still the predominant sector. While more than two-third of the beneficiaries were trained in cow rearing in 2003, the share reduced to just over 50% in 2006. Both petty trading and goat rearing seem to be expanding which can yield regular income for the BDP ultra poor households. Short and medium-term IGAs (i.e. petty trading, poultry, goat) are more suitable for the BDP ultra poor households to participate in microfinance. As they require regular cash flow to repay the loan instalments, investment for longer durations is not the best strategy when they depend largely on the supported enterprise. Moreover, long-term IGA (i.e. cow rearing) may require relatively larger initial investment, which might be beyond the credit they receive.

All the BDP ultra poor received IGA training on at least one enterprise and 57% of them are presently engaged in the activity on which they received training. In response to the question ‘Why was training not implemented?’ about 30% of those who were not engaged reported that they were planning to start their respective IGA soon (Fig. 3). However, most frequently reported obstacle for getting involved in the IGA in which they received training is lack of finance. Comparing prevalence of this obstacle in different IGAs shows that this barrier is more prevalent among those who received training on cow rearing compared to the other IGAs. Larger increments in loan size would be required for them to start the activity. Social barrier even at family level (permission of the family member) deters the ultra poor women to engage themselves with economic activities. A little fraction

**Table 3. Household profile of BDP ultra poor over time**

Variable	2003	2006	Difference
Female headed household (%)	31	16	***
No. of adult income earner (average)	2.01	1.95	-
No. of adult male income earner (average)	1.15	1.23	-
No. of income sources (average)	2.62	2.42	**
Per capita income (average in taka.)	7,923	8,479	-
Household size (average)	4.21	4.40	-
Years of schooling of household head (average)	1.50	2.31	***
Years of schooling of the beneficiary (average)	1.16	2.44	***
Household head engaged with IGA (%)	93	96	***
The BDP ultra poor women engaged with IGA (%)	74	67	*
N	300	300	-

of those who did not implement training reported insufficient training.

**Engagement in trained IGA**

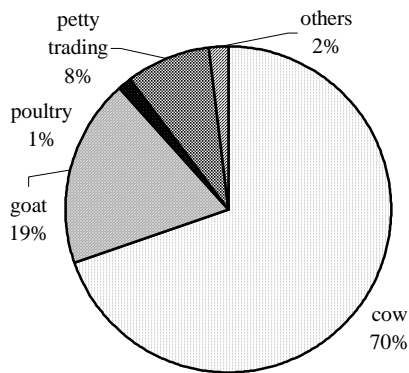
Overall implementation of training in terms of being involved in the IGA is lower in 2006 compared to 2003 (Fig. 4). Lower level of training utilization in 2006 is most likely reflecting the fact that the BDP ultra poor households are yet to start the ventures. The rate of training implementation was the lowest in petty trading. Since non-farm business or petty trading requires human capital (working age, education, accounting skill), regular working capital and risk bearing capacity, it has lesser chance of implementation (Fig. 4). It is not surprising that implementation of training on petty trading is lower by the financially weak and risk averse ultra poor households. On the other hand, implementation rate of farm ventures (livestock and poultry) is quite encouraging that require relatively lower operating capital and that are also the

secondary sources of income of the households to some extent. It was observed that the BDP ultra poor beneficiaries raise indigenous poultry and livestock at subsistence level.

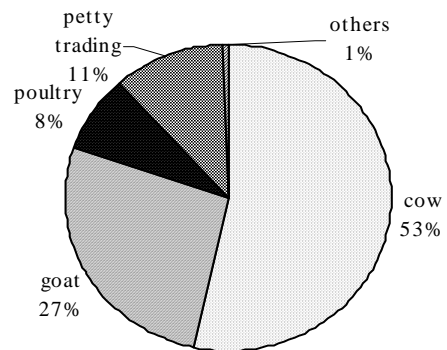
**Sources of income of BDP ultra poor households**

Diversification of the source of income is crucial for achieving a sustainable livelihood. In other words, sustainable income sources allow the ultra poor household to lead more secure livelihood. We divided all the sources of income into two categories – primary and secondary on the basis of annual income. For instance, if a household income from daily labour, cow rearing and poultry rearing are Tk. 30,000, Tk. 10,000 and Tk. 6,000 per annum; then daily labour would be the primary source and rests would be considered as secondary sources. Thus, we would be able to know the position of BRAC supported IGAs among the income sources of the households.

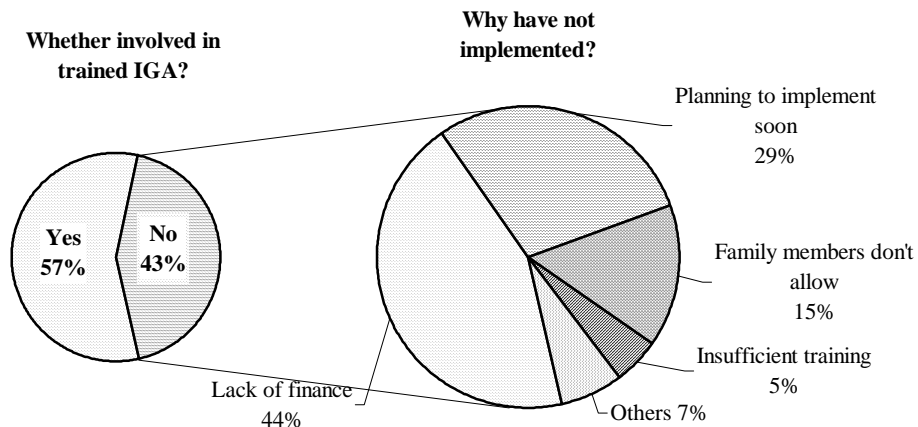
**Figure 2a. IGA training offered in 2003**



**Figure 2b. IGA training offered in 2006**



**Figure 3. Engagement in trained activity**



Daily labour, petty trading and rickshaw/van pulling were found to be frequently reported primary sources of income irrespective of year and whether beneficiary engagement with trained IGA. On the other hand, farm enterprises like poultry, livestock, and agriculture (crop) were frequently reported as secondary sources of income irrespective of year and whether beneficiary engaged with trained IGAs (Annex 1 and 2). It implies that poor people depends mostly on non-farm enterprises rather farm enterprises to sustain their livelihoods. Regular income from non-farm activities influences functionally landless ultra poor households to be involved in that sector rather farm sector. Because most ultra poor households have to live on hand to mouth. BRAC supported IGAs i.e. poultry and livestock have been ranked as secondary income sources based on net income per annum. Thus, training and credit are useful to generate employment for the trained women. These could be extra sources of income. Asset such as cattle play an insurance role in the event of adverse shocks such as drought or the loss of a wage worker. Studies on crisis and shocks show that after the debilitating effects of shocks, households deplete their livestock herds and consume their seed stocks (asset de-accumulation) to try and postpone malnutrition and disease (Little 2001).

#### Determinants of getting involved in trained IGA

What are the factors affecting beneficiaries' decisions in getting involved in trained IGA? To get some indication about this question we run logistic regression taking some demographic and occupational variables. Households with one additional members have seven percentage points lesser chance of getting

involved in trained IGA (Table 4). Households with larger number of members move into alternate sources of income instead of concentrating in trained IGAs. In addition, household size is strongly associated (0.339) with number of income source. The BDP ultra poor members of 2006 were less likely to get involved in trained IGAs than 2003 members. It is insignificant though, but we get an indication that most beneficiaries of 2006 were yet to start their ventures. Number of alternative sources of income seemed to be a key incentive for the beneficiaries to get themselves involved in the trained IGAs. In other words, assurance of income from primary sources may encourage the beneficiaries in getting involved in the secondary sources like livestock and poultry rearing. Borrowing from BRAC does not influence the members to be involved in trained IGAs. It reminds us once again about the alternative sources of income of households to be repaid loan. Training on cow and goat rearing had higher chance of implementation. Prevalence of indigenous cattle could be the reason for that.

In the equation 2, we find that households having income sources like rickshaw/van pulling and agricultural labour are de-motivated in getting involved in trained IGA. In the third equation, we find that one additional adult male income earner reduces the chance of getting involved in trained IGAs by 12 percentage points. The effect of having rickshaw pulling and agriculture day labour as primary income source become insignificant once we add the male earner variable in the third equation. Therefore, it is not merely the engagement in those activities rather the male being the principal breadwinner hinders the involvement of the women in the IGAs (Table 4).

**Figure 4. Extent of training implementation by trained IGA**



### Extent of knowledge retention of IGA training

Receiving training and being involved in that activity do not necessarily ensure that the beneficiary have retained the taught things or translating the knowledge into practice. To assess the level of knowledge retention four modules were used. Three modules were for IGAs – cow rearing, goat rearing, and poultry rearing; and one module for social development (SD) training. Each module contains 10 questions on different aspects that were randomly selected from original module.

For calculating knowledge score each and every question is allocated one mark and one mark is allocated among the answers of each question. For instance, question one and two have five and four answers respectively then each answer of question four and five will get 0.20 and 0.25 respectively. By multiplying the summation of the points of answers of each question we found the score of one question. By summing up the score of ten questions we found the total knowledge score of a beneficiary. However, on

average, the BDP ultra poor women could recall about 50 per cent of the issues discussed in social development trainings (Table 5). Retention of enterprise management related knowledge is consistently above 50%. The retention on goat management related knowledge was found to be the highest. Overall knowledge retention score on enterprise management training is slightly lower for beneficiaries of 2003, which shows the extent of atrophy.

### Determinants of knowledge retention

It is important to know what are the factors affecting knowledge retention to improve the design of the module and process of training delivery. To examine this, we carried out a regression analysis with level of knowledge retention as the dependent variable. Table 6 shows the variables that may have association with the level of knowledge retention. The members of 2006 showed higher level of knowledge retention than the members of 2003. It is clearly a knowledge depletion of the beneficiaries trained over time. The programme

**Table 4. Determinants of getting involved in trained IGA**

Independent variable	Marginal effect		
	Equ.1	Equ.2	Equ.3
Household size	-0.073*** (-4.99)	-0.073** (-4.90)	-0.041** (2.54)
TUP members selection year (1 if 2006, 0 otherwise)	-0.013 (-0.28)	-0.013 (-0.29)	-0.005 (-0.10)
Type of TUP member (1 if existing, 0 if entrant)	0.006 (0.14)	0.008 (0.17)	0.004 (0.09)
Number of income sources	0.169*** (5.54)	0.180*** (5.76)	0.245*** (8.68)
Number of adult income earner	0.078 (1.88)	0.089* (1.89)	
TUP member is a borrower (1 if yes, 0 otherwise)	0.045 (0.78)	0.052 (0.89)	0.056 (0.94)
TUP received IGA training on (1 if cow, 0 otherwise)	0.152** (2.38)	0.167*** (2.57)	0.143** (2.22)
TUP received training on (1 if goat, 0 otherwise)	0.167** (2.53)	0.173*** (2.60)	0.153** (2.27)
Household income source (1 if rickshaw/van pulling, 0 otherwise)		-0.042** (-0.70)	-0.029 (-0.48)
Household income source (1 if agriculture day labourer, 0 otherwise)		-0.109* (-1.94)	-0.010 (1.72)
Household income source (1 if non-agriculture day labourer, 0 otherwise)		-0.019 (-0.34)	-0.000 (-0.01)
Number of adult male income earner			-0.118*** (-2.71)
Number of observation	595	595	595
Pseudo R <sup>2</sup>	0.1359	0.1408	1455

Note: Marginal effects of dummy variables are from 0 to 1. \*, \*\*, \*\*\* Indicates significant at 10, 5 and 1 per cent level respectively. Figures in the parentheses are z values.

may arrange refreshers periodically to address this problem. It is expected that members who involve themselves in the trained IGAs could use the training lessons properly and therefore retain more knowledge through practice. Regression results also supports such expectation. For instance, those beneficiaries who engaged themselves in the trained IGAs showed higher level of knowledge retention. Perception on usefulness of IGA training has also positive influence on knowledge retention. Self-motivation to receive the training was found to be another factor to improve the level of knowledge retention. For instance, those members who chose the sector of IGA training themselves had higher level of knowledge retention. Therefore, members' involvement in deciding IGA training sector is important. Those members who received training on goat rearing had higher level of knowledge retention. This may be due to predominant knowledge of the members on goat rearing. Place of training or the training environment is also important factor of knowledge retention. For example, those members who received training at BRAC area office premises (in-house training) showed higher level of knowledge retention compared to those who were trained at some other places. So, programme should rethink about the training environment. Number of participants in particular training course influence the knowledge retention. For this, we measured the suitable number of participants. Level of knowledge retention increases with an increase in the number of participants in the training sessions. However, after a

certain level it becomes too crowded and unsuitable to deliver proper training. Regression estimates suggest that 20 is the optimum number of participants to have high level of knowledge retention.

### Does training make any difference in return from IGA?

Given that involvement in the trained IGA has a positive association with knowledge retention, we need to investigate whether the level of knowledge increases profitability of the enterprises. Systematic evaluation of training impact on the profitability of the enterprises was beyond the scope of this study. However, estimates of net return from different IGA were collected after considering only the tangible costs. Our estimate of net return from the enterprise does not deduct the opportunity costs of labour. Table 7 shows the determinants of yearly net return from cow rearing enterprise of the 2003 beneficiaries who were trained in that particular IGA. Knowledge retention shows significant association with net return. For example, yearly net return from cow rearing was Tk. 415 higher for a BDP ultra poor who could remember 60% of the training issues compared to a member who recalls 50%. While the causality may go either way, this shows the significance of knowledge on enterprise return. Future research on impact assessment on IGA training can focus on the changes in profitability of the enterprises.

**Table 5. Knowledge retention score (%)**

Variable	2003		2006		All
	Existing	Entrant	Existing	Entrant	
Social development	44	55	54	50	51
Enterprise training overall	54	54	63	57	57
Cow rearing	51	52	61	54	54
Goat rearing	66	62	63	69	65
Poultry rearing	38	42	75	50	56



**Table 6. Determinants of knowledge retention**

<b>Independent variable</b>	<b>Score on knowledge from IGA training</b>
Year (2006=1, 2003=0)	10.223*** (4.91)
Engaged in trained IGA (1 yes, 0 otherwise)	7.952*** (4.06)
Perception on usefulness of training (1 useless, ..., 4 highly useful)	5.474*** (4.25)
Received training from own interest	4.389** (2.43)
Member type (1 if 'existing', 0 otherwise)	1.021 (0.56)
Received goat training (1 if yes, 0 otherwise)	10.478*** (4.90)
Received poultry training (1 if yes, 0 otherwise)	2.407 (0.59)
Place of training (1 if in BRAC premises, 0 otherwise)	11.977*** (5.59)
Number of participants in the training session	1.042** (2.41)
Square of (Number of participants in the training session)	-0.030*** (2.98)
Constant	22.586*** (3.48)
Observations	524
R-squared	0.24

Note: \*\*, \*\*\* indicates 5 and 1 per cent level of significance respectively.

**Table 7. Determinants of net return from cow rearing enterprises**

<b>Variable</b>	<b>Association with net return</b>
Knowledge retained	41.47* (1.88)
Household size	854.58** (2.49)
Number of earners	-508.45 (0.78)
Number of IGA	-654.71 (1.39)
Age of the beneficiary	-485.33** (2.14)
Age <sup>2</sup> of the beneficiary	7.04*** (2.75)
Member herself manages the enterprise	-1,993.86 (1.56)
Constant	10,902.59** (2.15)
Observations	113
R-squared	0.24

t value in parenthesis; \*, \*\*, \*\*\* significant at less than 10, 5 and 1 per cent level respectively

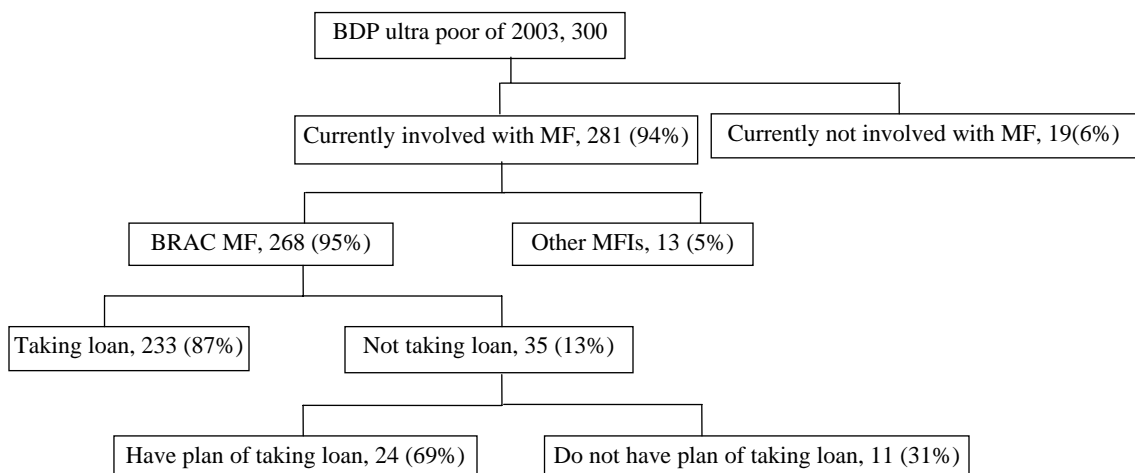
### QUALITY OF MICROFINANCE PARTICIPATION

Engagement in microfinance programme through BDP ultra poor approach can be a gateway to more effective participation in microfinance by the beneficiaries. Here we tried to look at the quality of microfinance participation of the beneficiaries over time. Figure 5 shows the microfinance participation of the BDP ultra poor of 2003 who engaged with BRAC at least for three years. Almost all the members who were involved with MFI (Microfinance Institution) at the time of survey were BRAC microfinance (MF) members. Over 87% of BRAC MF members took loan. Around two-third of those who did not take loan planned to take loan sometime.

In the sample, 49% of 2003 and 41% of 2006 cohorts represent 'existing' members (Table 8). The drop in the proportion of existing to total BDP ultra poor members is expected as scaling up happens. What has been the extent and nature of microfinance participation of the 'entrants'? We found that about 14% of the 'entrants' BDP ultra poor had prior history of microfinance participation with BRAC and of those who did not, almost three quarters reported that they could join existing microfinance programmes if they wanted to. This suggests that due to rapid expansion of

microfinance in Bangladesh, the entry barriers for a group of the poorest have been reduced. However, this does not necessarily mean that the demand side constraints, especially those pertaining to economic opportunities through which this group of the poorest could repay and improve their livelihoods, have been removed. This becomes clear when we look at the reasons for which these households did not join any microfinance programme. Over 60% of these households reported lack of demand for credit as the main reason for not joining any microfinance programmes. Therefore, limited microfinance engagement of the poorest group is marked by self-selection. Hashemi (1997) found that nearly half of the non-participants in the MFIs do not borrow due to fear that they would not generate high return to be able to repay loan. Thus, the binding constraint for this group of the extreme poor seems to be much more economic than one of social isolation and lack of confidence which we found to be the case among the ultra poor targeted by the SIP (Special Investment Programme) package. Given this, the focus of the BDP ultra poor approach on skills development, more focused health support combined with microfinance thus seems to make analytical sense.

**Figure 5. Microfinance participation of BDP ultra poor of 2003**



This is in sharp contrast to what we found in earlier studies on the ultra poor households selected for asset transfer approach where most of them did not have any prior experience in microfinance programmes, and almost all reported that they would not be considered eligible by existing MFIs for membership. Those who had prior microfinance experience were quite bitter about it reflected in their desire to form separate groups rather than being merged with existing ones. This suggests a fundamental difference between the two groups of the extreme poor both in terms of livelihood structures but also in terms of confidence in being able to participate in mainstream development programmes such as microfinance. However, the BDP ultra poor programme could be an effective tool both for reducing future dropout of the vulnerable clientele of the regular MF and for making easier entry of the earlier dropouts.

Borrowers of 2006 are repaying more comfortably than 2003 borrowers irrespective of membership type. Smaller amount of loan may allow them to perform so. In addition, MF officer usually approves repeat (larger) loan considering earlier performance and credit-worthiness of the borrowers. New borrowers usually tend to take repeat (larger) loan by repaying their first (smaller) loan successfully. Amount of weekly savings of 2006 borrowers are also

higher than their counterpart of 2003. At the time of survey, average amount of expected loan of the entrant non-borrower of 2006 is much higher than that of their counterpart of 2003. Lack of previous experience and ambitious financial need of the potential entrant borrower could be the reason of higher demand for credit. It is interesting to note that expected loan of entrant members are higher than existing members over time (Table 8). Credit-worthiness of entrant members could be higher than existing members regardless of 2003 and 2006 cohorts.

Annual dropout rate (estimated by self-report of the beneficiaries) of the 2003 beneficiaries is around 3.5% which is a bit higher among entrants. The borrower-member ratio of the BDP ultra poor households is over 85%, which is the industry average (Table 8). Such high borrower-member ratio results from frequent borrowing of the members. Average number of loans for the 'entrant' members of 2003 is 2.90, which is an impressive figure for 3 years time span. Frequency of borrowing and average loan size of over Tk. 8,000 for the 2003 beneficiaries give strong indication of the possibility of making financial services to this group sustainable.

Not surprisingly, when entrant BDP ultra poor beneficiaries were asked 'why have you decided to join

**Table 8. Microfinance participation of BDP ultra poor over time**

Variable	2003	2006
Proportion selected from within VO	49.67	41.33
Proportion previously dropped out	10.82	9.09
Existing (%)	13.74	15.70
Entrant (%)	8.02	4.54
Annual drop out rate	3.56	-
Existing (%)	3.43	-
Entrant (%)	3.68	-
Borrower member ratio	86.94	86.53
Existing (%)	85.50	89.26
Entrant (%)	88.32	84.66
Average number of loans	3.97	1.26
Existing	4.35	1.81
Entrant	2.90	0.88
Average loan size (current borrower)	8,052	5,681
Existing	8,098	6,120
Entrant	8,008	5,362
Repaying comfortably	59.66	65.76
Existing (%)	57.14	60.19
Entrant (%)	61.98	69.80
Average weekly savings (current borrower)	13.82	15.74
Existing	13.88	15.42
Entrant	13.76	15.97
Average expected loan size (non borrower)	8,943	9,500
Existing	8,840	6,857
Entrant	9,200	11,041
N	300	300

BRAC', credit requirement was the answer of less than half of them (Table 9). Predominance of the intention to receive future benefits of some sorts and training shows that the present form of microfinance does not attract them that much. Including additional services in the microfinance service package is required to make

microfinance attractive to the entrant BDP ultra poor. It would be useful to experiment whether such packaging can make use of self-selection effectively. It is interesting to note that BRAC staff has least contribution in member recruitment.

**Table 9. Involvement in microfinance of the 'entrant' members**

<b>Among the 'entrant' BDP ultra poor</b>	<b>2003</b>	<b>2006</b>
Was involved in other MFI at the time of joining BRAC (%)	9.09	18.75
Among the outsiders of MF, % reported could join MF	70.00	87.41
Why joined BRAC (multiple response)		
- To get future benefit	47.4	42.6
- To take loan	45.5	42.6
- To get enterprise training	22.1	34.1
- Motivated by group members	8.4	5.7
- Motivated by BRAC officer	13.0	4.0

## QUALITY OF ENGAGEMENT WITH BRAC: NON-FINANCIAL SERVICES

One of the objectives of the BDP ultra poor programme is to enhance their participation in different social activities. Moreover, getting within the BRAC group can increase their awareness about different services that BRAC provides so that they can avail those whenever needed. We take a stock of services offered by BRAC in the areas where the survey was conducted and look at the extent of services reaches to the poor people.

### Service available at area office

BRAC provides a wide range of non-financial services not only to its members but also for other poor households in the community. For BRAC, membership of the poor in village organizations (VO) is much more than participating in microfinance. VO is the gateway of these BRAC development programmes. Table 10 gives a stock of such services in the area offices where the survey was conducted. Average number of VO is quite higher in the sampled Area Offices (AO) than that of BRAC average i.e. 95.64 including branch offices (BRAC 2005). On the other hand, our study area includes no branch offices that capture smaller number of VOs. So, higher number of VOs per area office in our study area is mainly due to random exclusion of branch office. Average number of *Shasthya shebika* (SS) is also higher than BRAC average i.e. 50 except STUP programme areas. This may be due to the provision of TB treatment programme in the sampled AOs. It should be

mentioned that area office with TB programme has more SSs than AOs without TB programme. The SSs are the members of BRAC VOs and each SS is responsible for approximately 300 households (BRAC 2005). Since 2006, the beneficiaries have been receiving free treatment and medicines. Health subsidy is Tk. 200 per beneficiary. Panel doctor should be ensured in all programme operating areas to provide health services to the beneficiaries. We found that 45% of the AOs had panel doctor and the rests were in the process of recruiting. *Palli Samaj* is a ward level social organization consisting of 15-25 representatives from various BRAC VOs. Its basic functions are fund mobilization, VDG card allocation among poor community, conducting bimonthly and quarterly meetings with committee members, and taking part in the union parishad election (Rashid and Alim 2005). The density of *Palli Samaj* is lower in our sampled AOs than BRAC average i.e. 26 (ibid).

But the presence of *Palli Samaj* is quite higher (85%) in our sampled AOs compared to its countrywide prevalence (73%). Presence of other services like legal aid clinic, agriculture, poultry and livestock programme were quite higher in sampled area that may ensure the services available to the beneficiaries. Though these services are open to all the poor in the community, studies showed that access was higher among the VO members than the non-members because of their conversance with BRAC.

**Table 10. Stock of activities in the Area Offices**

Number of VO per AO	144
Number of <i>Shasthya Shebika</i> per AO	75.85
Number of <i>Palli Samaj</i> per AO	22.25
Number of ring slab distributed among the BDP ultra poor per AO	53.95
Legal aid clinic (% of AOs have)	90
Panel doctor (% of AOs have)	45
TB treatment facilities (% of AOs have)	65
Vegetable seed programme (% of AOs have)	80
Nursery plant programme (% of AOs have)	80
Livestock artificial insemination programme (% of AOs have)	90
Poultry feed programme (% of AOs have)	35
Poultry extension worker (% of AOs have)	95
N	20

### Participation in non-financial services

What is the quality of participation in the non-financial spaces? One basic indicator to examine this question is to assess the extent of awareness of the various services that BRAC offers among the participants. Comparing the extent of awareness about these services among the 2003 and 2006 'entrant' BDP ultra poor, we can get a sense whether participating in the programme had any influence on that. Table 11 shows that the 'entrant' BDP ultra poor of 2003 are generally more aware about different services of BRAC than the 'entrant' BDP ultra poor of 2006. The 'entrant' BDP ultra poor of 2003 have become more aware about BRAC activities such as SSs, legal aid clinic, *Palli Samaj*, by being associated with BRAC for three years. So, it is expected that 'entrant' BDP ultra poor of 2006 would have increased awareness as their length of participation in BRAC increases. However, there are a number of services in which the extent of awareness is still low. Particularly striking is the low level of awareness of BRAC's artificial insemination (AI) programme, which one would have expected to be critical given that over 50% of the IGA training is on cow rearing in 2006. This may be due to lack of promotional activities to make the beneficiaries aware about the benefit of AI though 90% AOs have AI programme (Table 10).

Since the BDP ultra poor do not receive any direct or indirect enterprise management support other than training, their access to other services needs to be made easier. For example, programme could sell vegetable seeds, poultry feed, nursery plants, AI service at subsidized rate to the beneficiaries during one year programme period. The extent of awareness about *Palli Samaj* seems quite low though 85% AOs belong this programme. The activities of *Palli Samaj* may not become popular among the BDP ultra poor women. Ultra poor women may not represent themselves to the *Palli Samaj* committee. Are BDP

ultra poor members excluded from the *Palli Samaj*? If so, policy should be taken to include at least one BDP ultra poor member from a VO to represent in the *Palli Samaj* member committee. Thus, they can raise their problem and resolve it through open forum.

### Group dynamism of BDP ultra poor members over time

What changes have been made among the group members in terms of various aspects over three year time span? To get some idea about the group dynamism of the BDP ultra poor members, we compared the 'entrant' BDP ultra poor members of 2003 with their counterparts of 2006. The results show that number of members per VO increased over time. This may be due to scale up of the BDP ultra poor programme in 2006. By a closer look, the number of entrant members per VO has increased over one and half times in 2006. To some extent it was observed that weak VOs were merged to form new VO with entrant members in 2006. That could be another reason for higher proportion of 'entrant' members in 2006 (Table 12).

What about the intention of taking joint liabilities among group members? We asked question about cooperation among the group members to have some hints of the questions. 'Willingness to help' at the time of financial need among the group members increased over time. In other words, entrants of 2006 expected more support from their old fellow members. It indicates that group members tend to take joint liabilities to minimize financial risks i.e. shortfall of loan instalment. Tendency of solving social problems by members unitedly increased over the years that reflect the group cohesion and social harmony among members. This may imply the sustainability of a grassroots level institution to eradicate extreme poverty. We asked the group members about their economic condition under three categories to know the

**Table 11. Awareness about BRAC programme activities among 'entrant' BDP ultra poor**

Variable	2003	2006
Know about BRAC's artificial insemination programme (%)	24	29
Heard about <i>palli samaj</i> (%)	43	32
Know about BRAC's poultry feed programme (%)	48	42
Know <i>Shasthyo Shebika</i> (%)	77	69
Know TB treatment is available at BRAC (%)	67	61
Know free legal aid service is available at BRAC (%)	62	53
Know BRAC legal aid service could help in collecting denmohorana (%)	69	57
Know about BRAC's nursery programme (%)	68	67
Know about BRAC's vegetable seeds programme (%)	70	65
N	154	176

fluctuation over time. Three groups belong to VOs like better-off, same as and worse-off regarding socio-economic background. These groups are almost represented more or less equally in 2003 cohort while representation of these groups is quite uneven in 2006 cohort. Over representation of better off members in the scale up period reflects the inclusion of relatively better-off households. So, programme should be more careful about the selection process to minimize the

leakage problem. Representation of members with similar economic background is almost equal over time. It may be useful to form peer groups among the VO members. Some sorts of peer pressures are observed in the form of 'psychological punishment', 'fear of not getting further loan', 'cancellation of VO membership', 'selling household asset', and 'closure of VO' etc. when fellow borrowers delay to repay their weekly loan instalment.

**Table 12. Group dynamism of 'entrant' BDP ultra poor members overtime**

Variable	2003	2006
Proportion of entrant BDP ultra poor members in the sample (%)	51	59
Number of members per VO	44	51
Number of entrant BDP ultra poor members per VO	8	14
Number of existing BDP ultra poor members per VO	9	11
Helping mode among group members at the time of financial need		
- want to help willingly (%)	67	80
- want to help reluctantly (%)	26	13
- do not want to help (%)	7	7
Helping mode among group members in solving social problem		
- want to help unitedly (%)	80	85
- want to help reluctantly (%)	16	8
- do not want to help (%)	5	7
Self-reported economic condition compared to many other members of VO		
- Better off than many other members of VO (%)	32	40
- Same as many other members of VO (%)	35	36
- Worse off than many other members of VO (%)	34	23
Peer pressure for repaying loan instalments (%)	13	10
N	154	176

## CONCLUSION

Diversification of IGA training over time is a punitive measure taken by the programme that creates more options for the beneficiaries to be trained. Refresher training and environment of premises are important factors for knowledge retention that should be paid attention by the programme. So, quarterly training of refreshers at BRAC area office instead of VO members' house may be recommended to increase the level of knowledge retention. The members' involvement in deciding IGA training is important for knowledge retention.

BDP ultra poor programme addresses the financial need of the poorest group of the community by bringing them under BRAC microfinance. Though BDP ultra poor package could be an effective tool both for reducing future dropout of the vulnerable clientele

of regular MF and for making easier entry of the earlier dropouts; it does not attract the 'entrant' BDP ultra poor since more than 50% joined BRAC due to get future benefits of some sorts and training. In addition, rapid expansion of microfinance market in Bangladesh reduces the entry barrier for a group of the poorest who did not ever participate in MF.

Access into non-financial services available at BRAC area offices should be easier for the BDP ultra poor as they get no other subsidy like IGVDG and STUP households. Though almost AOs have AI programme; it is still unpopular among the BDP ultra poor while over 50% members are trained on cow rearing. So, programme should try to popularize AI programme by explaining more about that during training.



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## ANNEX

**Table 1. Primary and secondary income source by 2003 and 2006 households (%)**

Income source	2003		2006	
	Primary	Secondary	Primary	Secondary
Daily labour	<b>38</b>	<b>19</b>	<b>32</b>	<b>15</b>
- Non-agriculture	19	10	17	8
- Agriculture	19	9	15	7
Small trading	18	5	18	4
Rickshaw/van driving	12	3	18	3
Agriculture (cereal, vegetable and fishery)	7	10	9	12
Technical	8	4	8	9
BRAC supported IGA	<b>9</b>	<b>52</b>	<b>5.3</b>	<b>52</b>
- Cow rearing	6	24	5	18
- Goat rearing	2	13	0	16
- Poultry rearing	1	15	0.3	18
Others	9	7	9	5
Total	100	100	100	100

Note: total may not exactly be 100 per cent due to rounding up

**Table 2. Primary and secondary income source by households engagement in trained IGAs (%)**

Income source	Engaged in trained IGA		Not engaged in trained IGA	
	Primary	Secondary	Primary	Secondary
Day labour	<b>38</b>	<b>14</b>	<b>31</b>	<b>22</b>
- Non-agriculture	19	7	17	8
- Agriculture	19	7	14	14
Small trading	17	5	20	5
Rickshaw/van driving	13	2	17	5
Agriculture (cereal, vegetable and fishery)	8	10	8	13
Technical	8	4	7	10
BRAC supported IGA	<b>10</b>	<b>60</b>	<b>4.4</b>	<b>36</b>
- Cow rearing	8	28	3	8
- Goat rearing	1	17	1	8
- Poultry rearing	1	15	0.4	20
Others	7	4	11	10
Total	100	100	100	100

Note: total may not exactly be 100 per cent due to rounding up