To fight extreme poverty, empower women with more than cash

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Researchers designed social program components to benefit families in Niger. Credit: Northwestern University

To combat global poverty, social programs that not only provide cash to families—but also address psychological and social obstacles to seizing economic opportunities—can have a beneficial impact on people's lives, according to new research from Northwestern University economists.

"We need to take psychosocial aspects of social programs to fight poverty more seriously, and figure out how to integrate them effectively," said Dean Karlan, a professor of economics and finance at the Kellogg School of Management at Northwestern and coauthor on the paper, which was published today (April 27) in *Nature*.

Karlan and fellow study coauthor Chris Udry—a professor of economics at Kellogg—together direct the Global Poverty Research Lab at Northwestern. Along with collaborators from the World Bank and other institutions, they worked with the government of Niger to conduct a randomized, controlled study that compared the effectiveness of several different social programs for thousands of households in Niger, which is one of the world's poorest countries.

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.

More information: Thomas Bossuroy et al, Tackling psychosocial and capital constraints to alleviate poverty, *Nature* (2022). DOI: 10.1038/s41586-022-04647-8

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