

FE Inside

- [Home](#)
- [First page](#)
- [Last page](#)
- [Politics & policies](#)
- [Views & reviews](#)
- [Editorial](#)
- [Letter to editor](#)
- [Sports](#)
- [World](#)
- [Country](#)
- [Stock & corporate](#)
- [Metro/news](#)
- [Trade & market](#)
- [Views & analysis](#)
- [Detailed DSE Trading](#)

**EDITORIAL**

Like

Tweet

Share 0

Not by asset alone

Abdul Bayes

Development requires increase in productivity, for a given occupational structure/set of activities, through changes in the composition of economic activity. On the surface, the difference between a rich and a poor country, or between a rich and poor person within the same society, lies in productivity.

Paralegal Master's Degree

George Washington University! 100% Online, Top-ranked.
Paralegal.OnlineGWU.com

American Express—Savings

A High Yield Savings Account With 1.15% APY—Learn More Now.
americanexpress.com/PersonalSavings

Translucent Envelopes Now

Manufacturer Direct Translucents Clear & Colors Compare \$ Save!
www.envelopemall.com

Poverty is the lack of productivity. The poor everywhere are mostly engaged in the low productive end of economic activities due to lack of natural, social, human and physical capital. In fact, lack of skills and assets make the poorest unresponsive to a large array of existing programmes - e.g. microfinance and technology transfer - even to market signals.



Ads by Google

The poorest of the poor that we call "Ultra Poor" (UP) are the most disadvantaged on this score. The core questions are: can entrepreneurship be taught to the very poor people, and can it transform their lives in the long run?

The answer to these questions was given by Imran Rasul who presented the results of a joint research work on entrepreneurship and lives of the poor. The researchers based their arguments drawing upon empiricals from Bangladesh. It is by now widely known that Brac, the largest NGO in the world, has taken up programmes for the Specially Targeted Ultra Poor (STUP). The raison d'etre is provided by the criticism that traditional microfinance programmes of the NGOs tend to bypass this group. In other words, and allegedly, the NGOs pick-up only the 'richer' segment of the poor -- generally called functionally landless households. Roughly, one-third of rural households have only homestead land and fail to access credit from NGOs. Who are then the UP? According to this programme, the UP households are those with: (a) owned land including homestead not more than 10 decimals; (b) no adult male income earner in the household; (c) adult women in the household work outside the home; (d) school age children also work in eking out a living, and (e) no productive assets. Given this structural features, the UP households have low human capital - literacy rate 7.0 per cent and average Body Mass Index (BMI) 18.3; they have only one-third of the per capita expenditure of the top class and two-third of the middle class; most of them are engaged in wage work (maid or agricultural labourer and high incidence of self employment livestock and land). Here again, poor women work for more hours.

The conference, recently organised by Brac and International Growth Centre (IGC) on Entrepreneurship and Development, sheds interesting insights on the lives of the poor through productive pursuits. There are three key components of Brac's STUP: (a) asset transfer (livestock) of an average value of Tk 9,000 (US\$130). This is followed by enterprise training and lessons in microfinance. Since the very poor could sell out the asset on the heels of heightened hunger or health hazards, the complimentary component includes a subsistence allowance (Tk 15 per day) for the first 40 weeks, and monthly health visit and access to Brac's legal services.

By and large, the programme aims to reach 870 thousands households in 40 districts by 2011 at a cost of Tk 20,700 (\$300) per household. The receipt of the assets removes two binding constraints of the treated households: lack of productive assets and lack of skills to pave the way to increased return from self employment.

FE Archive**Ads by Google**

- [Bank](#)
- [Bangladesh Dhaka](#)
- [For Bangladesh](#)
- [Bangla TV News](#)
- [Call Bangladesh](#)
- [Daily Sun](#)
- [News Today](#)
- [Sheersha News](#)

It is quite obvious that such interventions would inject impacts at household levels. But the most important general equilibrium effects also draw attention. First, the programme potentially affects the occupational choice of 10 to 15 per cent of the population in each community. This is likely to reduce the supply of casual labour and possibly raise the casual wage. Second, the programme injects wealth in the community in the form of livestock, generating the demand for livestock labour. Third, as spill-over effects, others in the community are also on the fringe of changing their occupational choice.

The survey results show that there is a discernible change in occupational structure. The asset transfer and the complementary inputs helped STUP women double the time to self-employment (husbandry and land cultivation), thus closing the gap with the top classes. They also reduced the time given to wage employment. The increase in self-employment by 550 hours is much larger than the drop in wage employment by 100 hours - causing the overall working hours to go up. This has resulted in an increase in overall labour supply and labour income. Second, the value of livestock owned has increased by 14 times along with complementary asset increase e.g., animal sheds and shops. The STUP households also increased the size of cultivated land through ownership and rental. Third, household savings increased four-fold. The likelihood of borrowing and lending has gone up. Fourth, food, non-food and total per capita expenditure increased by 7.0, 21 and 10 per cent respectively. Food security has increased by one-third; rice per calorie (a proxy for quality) has increased by 5.0 per cent. Fifth, the programme costs Tk 20,700 per household, but yearly income of female respondent increased by Tk 1,918 (10 per cent of initial cost). Notably, an equivalent cash transfer at going interest rate (6.0 per cent) would have yielded Tk 1,081 per year. Thus, rate of return is twice that of cash transfer.

As the programme exogenously reduces the supply of casual labour, there was an impact on wages. In both maid and agricultural markets, the labour supply of non-STUP women increased. In both markets, maid wages increased by 35 per cent and 25 per cent respectively; agricultural wages increased by 11 per cent and 7.0 per cent respectively. The programme also benefits other poor women via increase in wage. Suppose the average community has 84 households, of which five STUPs and six "other poor." Total income effect on STUPs is Tk 9,590 (5X Tk 1,918), Tk 3,630 for "other poor", giving a total income effect of Tk 13,220 at community level. An equivalent cash transfer would yield Tk 5,400 at going interest rate.

There are a few lessons to be derived from the experience. First, only asset transfer cannot help the poor unless backed by complementary inputs such as consumption allowance, health care and skill training. Second, asset transfer is preferable to cash transfer when properly monitored. Third, the poor may develop entrepreneurship if windows of opportunities are matched with provisions of income generating activities. For example, transfer of livestock asset could hardly hold the life-line if milk or meat market does not work well. And finally, the macro impacts of micro level interventions could generate huge spill-over effects on the poor who failed to get access to the intervention.

The writer is a Professor of Economics at Jahangirnagar University. He can be reached at

e-mail:abdulbayes@yahoo.com

Call Bangladesh-2.3c/min

No Pins,1 Min Rounding,No Fees
Excellent Quality,100% Guaranteed
www.amantel.com

Are you Pregnant? Act Now

Free Cord Blood info kits for all
expecting parents. Get yours today.
www.CordBlood.com

Ads by Google

Space For Online Ad

- More
- News Watch
- Most Viewed

- [Making the most of a bumper harvest](#)
- ['Digital Bangladesh': Huge tasks ahead](#)

[Detailed DSE Trading](#)


[Share / Save](#) [f](#) [t](#) [g+](#) [d](#)

[Print](#) 

A Travel Guard travel insurance plan is your answer.

Travel more. Worry less.

TRAVEL GUARD
CHARTIS 
[Learn More](#)

- [Home](#)
- [About Us](#)
- [Contact Us](#)
- [Editor's Panel](#)
- [Web Mail](#)
- [Feedback](#)
- [Print Version Ad Price](#)
- [RSS feed](#) 

© The Financial Express 2009 Online Partner [Orangebd Ltd.](#)

Today's Total Visit 11502