



Philippine Institute for Development Studies

Impacts of the Sustainable Livelihood Program's microenterprise development with seed capital on poor households in the Philippines

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Sustainable Livelihood Program and the intervention of interest

- The Department of Social Welfare and Development's (DSWD) Sustainable Livelihood Program (SLP) runs the country's largest microenterprise program, reaching over 2 million households by the end of 2019.
- SLP targets working-age individuals from poor households, prioritizing beneficiaries of *Pantawid Pamilya*, DSWD's conditional cash transfers (CCT) program.
- To access microenterprise funding, participants undergo a capacity-building session and form an SLP Association (SLPA) with 5-30 members. They submit a business plan which undergoes a review process.
- The business may be new or preexisting, and may be run individually or as a group.
- The evaluation focuses on recipients of the Seed Capital Fund (SCF) -- a grant worth a maximum of PhP10,000 per beneficiary (approx. USD 208).
- Each SLPA builds up a group fund by recouping the grant received through member contributions or group business earnings.

Research question

What are the impacts of SLP's microenterprise assistance with seed capital on CCT beneficiary households for the following outcomes of interest?

Dimension	Variable
Labor supply	<ul style="list-style-type: none">• Number of hours worked• Labor force participation
Household income	<ul style="list-style-type: none">• Total income• Entrepreneurial income• Wage income• Dividends income
Household expenditure	<ul style="list-style-type: none">• Total expenditure• Food expenditure• Clothing expenditure• Education expenditure• Health expenditure• Furnishings and durables expenditure
Household savings and investment	<ul style="list-style-type: none">• Total savings• Capital investment

Methodology

Quantitative component

- Matching of SCF-recipient CCT households (Jan-Jun 2018) with non-recipient CCT households.
- 2,592 treated and matched comparison households in 39 municipalities/cities were surveyed.
- Impacts were estimated using regression analysis.
- Limitations:
 - Power sufficient to detect observed differences only in labor outcomes
 - Possible sources of bias:
 - Imbalance on pre-intervention outcomes
 - Program self-selection
 - Non-random selection of program areas
 - Spillover effects

Qualitative component

- Sample treated households were surveyed on their program participation and status of business projects using a supplementary questionnaire.
- Focus group discussions with CCT households (both recipients and non-recipients of SCF).

Qualitative findings

- **Most participants are middle-aged female spouses.**
92% are female, 83% are spouses of the household head and with an average age of 45 years. They tend to have low education levels (65% did not finish high school) and majority do not participate in the labor force (57%).
- **Business projects are mostly group- and retail trade-based.**
91% of treated households were part of a group business. Retail trade-related business make up nearly half of individual projects and nearly nine in 10 group projects.
- **Many business projects have closed.**
50% of individual projects and 27% of group projects had already closed. Failure to make money and, for group projects, lack of participation from members to run the business, are the common reasons for closure.

Qualitative findings

- **Grant recovery is a challenge.**
37% of business projects had not recouped any amount of the grant they received.
- **Members of group projects lack opportunities to earn income from the business.**
Of group business members, just 1/3 worked for the business, and just 3% of received wage compensation. Only 6% received dividend income from the group business.
- **Focus group respondents reported cash flow problems, poor sales, and lack of member participation to operate the group business.**

Quantitative findings

- **Spouses that set up an individual business increased their labor supply.**

CCT spouses are more likely to be in the labor force (23 percentage points) and be employed (21 percentage points). Those with an individual business work 9.9 hours more per week. The impacts on CCT spouses in a group business are smaller.

- **The study has insufficient power to detect significant effects on household income, expenditure, savings, and capital investment.**

Significant positive impacts were found on components of household income such as the sum of entrepreneurial and sustenance income (PhP432-444 per person), and on dividend income (PhP6-10 per person). However, confidence is low that these impacts represent program effects.

Cost-benefit analysis

- **Program costs are estimated to outweigh benefits.**
The cost of delivering microenterprise assistance with the SCF grant component is estimated to be about PhP1.74 billion, while the projected five-year benefits are calculated to be about PhP932 million.
- **Cost efficiency can be improved.**
To disburse one peso of seed capital, SLP incurs an administrative cost of PhP0.42 centavos. This is less efficient than other microcredit or livelihood programs.

Recommendations

- **Consider organizing interventions into a coherent graduation strategy for CCT households.**

Livelihood assistance to the poor requires more than just capital transfer or credit. Combining capital with other interventions that address other risks faced by the poor may deliver more significant impacts on their well-being.

- **Understand the relative merits of group-based vs. individual projects.**

Labor and income benefits from group businesses are less direct and take longer to realize compared to those from individual projects. Organizational problems and lack of direct and immediate material benefits may cause beneficiaries to lose interest. Group projects require motivated and committed members. Interventions that improve commitment and teamwork are needed.

Recommendations

- **Improve project development and selection to improve commercial viability.**

Participants may be pursuing projects that match their skills or interest but are not commercially viable. The program needs to review its effectiveness in guiding participants in developing business ideas, as well as its criteria for approving business plans.

- **Strengthen supporting interventions pre- and post-implementation.**

SLP should strengthen its capacity-building for entrepreneurial skills, business mentoring, and organization-building. It should also consider other delivery mechanisms that can provide interventions to its target clientele more efficiently.



Thank you!

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