



## Innovation Lab for Assets and Market Access Success Story

# HOW CONSIDERING ASPIRATIONS CAN SHAPE BETTER DEVELOPMENT INTERVENTIONS AND POLICY

For the poor, the contradiction between gloomy prospects and daily concern for their future welfare can create a difficult conflict. Why plan for the future if you see no hope for improvement? The poor could reduce this psychological distress and increase their day-to-day happiness by closing their eyes on the future. Unfortunately, under these conditions people rarely develop strong aspirations to increase their assets or income, or to save money.

A deeper understanding of what causes the poor to be reluctant to plan, save and invest in their future may provide valuable insights into designing interventions that address the source of the problem, not just the symptoms, to create lasting change. Two AMA Innovation Lab projects have considered the impact of hope and aspirations on behavior and wellbeing in the developing world and have discovered valuable information about aspirations and behavior.

The first is a recent project in Mozambique that sought to examine how poor farmers plan for the future. Researchers considered the “time horizon” of study participants, based on responses to the question, “How much time ahead do you plan your future expenditures?” Previous research found that this question has a strong impact on actual savings. Small-scale farmers who received an agro-input subsidy and/or a matched savings account through the study increased their time horizon by 29 percent.

The second project was coupled with an impact evaluation of an asset-transfer program in Nepal. The researchers tested a theory about aspirations failure, which is an individual’s failure to aspire to their potential. Their results suggest that the readily observable assets or wealth of peers are very important for an individual’s own aspirations for wealth. Income, which is not as easily observable by outside peers, is not important for an individual’s income aspirations. They also found support for the idea that an “aspirations gap” may drive future-oriented behavior.

This AMA Innovation Lab research is making important contributions to a growing body of literature that recognizes the potential significance of psychology in economic decision-making. A development intervention can try to create an economic impact,

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but significant changes can also be made through behavioral impact, including changing attitudes and aspirations.

Understanding how aspirations are developed could be key to designing interventions that are meant to encourage future-oriented behavior, such as savings and investments, which have a multiplier effect. As research continues, the AMA Innovation Lab is optimistic that incorporating these new findings about hope and aspirations can influence policy and program design that promotes lasting change.

## PROJECTS FEATURED

### Savings, Subsidies and Sustainable Food Security: A Field Experiment in Mozambique

This project in Mozambique explored why poor farmers have a difficult time planning for the future. It included randomly assigned vouchers for a seed and fertilizer subsidy package with an additional matched savings intervention. This financial intervention aimed to help small farmers develop a savings habit in order to carry forward the benefits of the agro-input subsidy from year to year.



#### Results

- The results suggest that the temporary voucher subsidy not only improved maize productivity, but that it also put voucher users on a transformational path, shifting them from near-subsistence farmers to farmers selling more of their output on markets.
- The treatment effect on per capita daily household consumption amounts to a 36 percent increase over the control group mean, indicating that the vouchers had an impact on poverty's incidence and its depth.

### Evaluation of the Welfare Impacts of A Livestock Transfer Program in Nepal

This project disentangled the importance of physical assets relative to human and social capital in the provision of social a protection program designed to improve nutritional and economic outcomes for the chronically poor by evaluating the welfare impacts of a social protection program in Nepal.



A qualitative research component complemented the quantitative component to provide a deeper understanding of the impacts of the program on welfare indicators, especially female empowerment and aspirations. This component of the study focused on farmers' perceptions – both beneficiaries and non-beneficiaries – of the impacts of the program on individual, household, and community welfare, and on the control of assets within households.

#### Results

- Targeted beneficiaries of the program experienced 0.31 standard deviation greater financial inclusion and 0.24 standard deviation greater overall empowerment compared to women in the control group who did not participate in the program.
- Women who were brought into the program through the “pay it forward” mechanism experienced similar impacts in women's empowerment and financial inclusion.

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## ABOUT THE FEED THE FUTURE INNOVATION LAB FOR ASSETS & MARKET ACCESS

The AMA Innovation Lab at UC Davis mission is to conduct and support research on policies and programs designed to help poor and smallholder farmers worldwide to manage risk, adopt productive technologies and take an active part in economic growth.

With core funding from the USAID Bureau for Food Security to support the U.S. Government's Global Hunger and Food Security Initiative, our research agenda focuses on:

- Financial innovations and risk management
- Adoption of more productive agricultural technologies
- Synergies possible by bundling financial and technological innovations

Online at: <http://basis.ucdavis.edu>.



B A S I S

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