

TCR '25 Track 2 Proposal

Exploring Fresh Starts in A Climate of Resource Scarcity: Examining Microcredits

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“Association managé nooma pour la protection des orphelins- A.M.P.O.” i.e., “The good is *never* lost” - Katrin Rohde (AMPO International Founder and Ashoka Fellow)

This track 2 proposal explores microcredits as a fresh start intervention in a climate of consumer poverty and resource scarcity. Our objective is to build upon the limited literature at the intersection between consumer poverty and resource scarcity (see Blocker et al. 2022) to better understand the role of microcredits in consumer financial well-being. Our focus is on subsistence marketplaces, where consumers often make impossible trade-offs between making, buying, and foregoing. As one specific example of the many resource deficient marketplaces, individuals here, in Burkina Faso, live with multiple constraints such as no or low income often compounded with low literacy. Research shows that low literacy and low income limit individuals living in subsistence marketplaces not only objectively, but also psychologically, to focus on the present moment. As such, some of the otherwise established tools and strategies for sustaining oneself and climbing the social-economic ladder may be less effective in lifting individuals out of their current circumstances. For instance, does the concept of a “*fresh start*”, a belief that one can make a new start, attain a new beginning, and chart a new course in life regardless of past or present circumstances (Price et al. 2018), serve to help or hinder? Specifically, may micro-credits, as a means toward a *fresh start*, *create too much pressure for the borrower and negatively impact individual well-being, and/or may microcredits fail to help their recipients develop the necessary skillsets to succeed, and/or could they have other unanticipated consequences to one’s communal well-being (Prilleltensky & Prilleltensky (2007))*? Importantly, the answers to these research questions promise to inform what it may take for individuals to change their current circumstances, thrive, and experience financial well-being even in the presence of additional constraints which may be associated with low self-efficacy.

Our work centers around an area of the world marked as only 7th from the very *bottom* of the 191 countries listed in the United Nations Human Development Index (United Nations Development Programme 2024). The country of Burkina Faso has a large population (40%) that live below the poverty line based on a number of external factors that include limited resources, political turmoil, and terrorism. Many of these reasons are also cited in the country’s decision to leave the Economic Community of West African States (ECOWAS) this past year. Leaving ECOWAS, though, has significantly affected their economic outlook. One nonprofit, *AMPO International*, has responded to the country’s urgent need by providing housing for children for more than 25 years. Since AMPO began working in Burkina Faso, additional facilities have been created including a counseling

center for women, refuges for abandoned girls, social services, healthcare clinics, farming projects, and financial support for the community and surrounding areas (AMPO 2024). Ending poverty is the UN's first, and most important, of its 17 Sustainable Development Goals (SDGs) and their 2030 agenda for sustainable development calls for global action- including academic research (United Nations 2024). In response, our track is designed to work alongside AMPO as it relaunches its lending programs and training programs. Important outcomes for AMPO include member's poverty reduction, improved well-being (e.g., financial, health), and reduced vulnerability- perfectly aligned with TCR values. While previous TCR work has focused on decentralized finance in developing countries, the focus has included cryptocurrency and consumer protection. Our research will build upon prior work by including interventions (e.g., microcredits, education) for comparison at the micro (per person) and meso (per household) levels. Recent studies on microcredits in *other* rural areas have shown promising ways they may reduce household vulnerability to poverty, albeit somewhat unevenly across different segments such as income, education, and gender (Phan, Vo, and Vo 2023). Importantly, we also recognize the favorable opportunity for downstream effects of "fresh start interventions" on minors. Empirical research on the financial well-being of minors- especially in developing countries, presents another opportunity for our track to contribute to this area.

Track Goals

The overarching objective of the track is to explore the potential of microcredits in reducing consumer financial vulnerability. In particular, we intend to explore how a fresh start mindset could impact the role played by microcredits in transforming consumer financial well-being. The results will have clear implications for various organizations' strategies and policies surrounding lending and training procedures.

We expect this research to have several outcomes. First, we hope to identify the behavioral and policy elements between the fresh start mindset and microcredits that support reduction of consumer financial vulnerability. Second, we will explore how these programmatic elements impact outcomes of microcredits beyond financial well-being, such as health and educational outcomes. Third, we hope to provide specific policy and firm guidelines to positively influence how (and if) microcredits as a means of a fresh start will ultimately improve individual, communal and social welfare.

REFERENCES

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General Timeline (Planned activities over the next year)

Track Start Preconference

We will be using a multi-prong approach to prepare for the conference. First, we will draw from research across disciplines in finance (Banerjee et al., 2019), psychology (Dai, Milkman & Riis, 2015), social sciences (Dai, Milkman & Riis, 2014), and marketing (Price et al., 2018).

Additionally, we will continue to finalize our analysis using both the secondary and primary data collected. Lastly, we will design and run experiments to test how the framing of how micro-credits can be used influences well-being.

- 1) *July through September – Organization & Prioritization Phase*
 - Literature review
 - Conduct conceptual development as determined by team
 - Study 1: Secondary Data Analysis of operational data
- 2) *October-through December – Research Agenda & Conceptual Phase*
 - Research and questionnaire design (Study 2)
 - IRB preparation, submission, and revisions
 - Study 2: Interviews & focus groups with social workers and recipients of micro-credits
- 3) *January through May – Additional Data collection and TCR preparation*
 - Study 3: Interventions for improving FWB (Experiment)
 - Prepare materials for TCR presentation and analysis
- 4) *TCR June 12-15, 2025 [Washington, DC, American University]*
- 5) *Beyond TCR*
 - Develop panels/sessions for ACR, AMA, MPPC, and/or other TCR-building and complementary conferences
 - Identify venues for practice-based input, involvement, and dissemination (e.g., AMPO HQ, community networks)
 - Spring '25: Additional data collection, as needed
 - Manuscript preparation
 - Manuscript submission

Conference Day 1 – morning session: Discussion with panel of industry (e.g., financial and public policy) experts.

Conference Day 1 – afternoon session: publication structure and content discussion, review of empirical results; summarize policy and practice implications from morning discussion.

Conference Day 2: Agree on structure of first draft. Assign tasks to each group member. Create an anticipated timeline of project completion.

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