

Improving Understanding of Cognition and Institutions for Poverty Alleviation Programmes and Human Security

Market Orientation

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RESEARCH MOTIVATION

Individuals engaged in tenuous agriculturally-based livelihoods in poor rural communities have narrow margins for error. Managing risks through diversifying or building a cushion of security is limited by poorly functioning land, labor, commodity and credit markets. In response, IFAD's "Programme for Improving Market Participation of the Poor in Ha Tinh and Tra Vinh Provinces" (IMPP) is designed to build infrastructure, invest in skills training, and offer financial services to diversify livelihood strategies. For these programs to be successful, individuals must decide to make a change, and the results of that change must be positive.

Evidence suggests that people make important choices in ways quite different from the predictions of traditional economic models, contributing to such outcomes as low take-up rates. For the IMPP, we are surveying rural Vietnamese in order to better understand the reasons for their participation in and resistance to market initiatives.

MARKET FOCUS

The motivation to exchange with others derives from the instinct for survival and the desire to improve one's well being. People are inclined to trade if they cannot produce the food or other items needed to survive, or if they perceive that they can acquire something more valued in exchange for something less valued.

People may trade for goods and services because they have no choice, that is they have insufficient land or other assets to feed themselves. For those who have a choice, their decision will depend on their preferences (what they *want* to do) and their perceived constraints or opportunities (what they are *able* to do).

Orienting oneself toward the market (thus devoting less time and fewer assets to feeding oneself) by selling one's labor, offering a service, producing a commodity for sale, etc. requires confidence that one will be able to produce something of value and that excessive costs (financial, physical, social or cognitive) will not be incurred with trade.

Policy interventions typically focus on removing constraints to market participation, for example, by building roads, offering training, or supplying credit. But even with these measures, many individuals continue to resist the market. Our goal is to understand the role of attitudes towards risk, inequality, competition and other preferences in this decision making, particularly among the poor.

CHARACTERISTICS OF SAMPLE GROUP		
Characteristics	Ha Tinh Province	Frequency n = 1165
Commune	Thach Lac	359
	Tuong Son	431
	Thach Viet	375
Gender	Male	513
	Female	652
Feel economically secure?	Insecure/Very insecure	701
	Secure/Very secure	464
Able to afford healthy food for your family?	No	807
	Yes	358
Average household income	VND 23,691,356	
Median household income	VND 19,450,000	

METHOD

Market Orientation Questions

Respondents were given a tray with 20 beans and several small bowls (see below), and a trained Vietnamese interviewer asked the following: What are all the economic activities in which your household engaged in 2007? (Categories: Rice; Other vegetables and fruits; Aquaculture; Livestock; Family business & services; Professional employment or wage labor; Remittances; Pensions or government transfers; Land rental; Other income – specify)

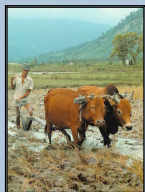


Respondents were then told: The 20 beans in the tray in front of you represent the value of ALL that your household PRODUCED in 2007 plus any REMITTANCES you received.

Distribute the beans in smaller groups, one for each of the activities you just listed, and in proportion to how much income/production was generated by the activity. For example, if the value of the rice you produced was about 50% of your income, aquaculture was 10%, vegetables 10%, and remittances 30%, you should have 10 beans for rice, 2 beans for aquaculture, 2 beans for other vegetables, and 6 beans for remittances.

Now go through each group of beans and indicate what proportion was consumed directly by your family. For example: how much of your rice did you consume yourself? (that is, you did not sell or trade with others). If you consumed half of your rice then 5 of the 10 beans in the "rice pile" should be separated as "for own consumption." Respondents were then asked to rearrange the beans to depict their desired mix of production, consumption and income activities.





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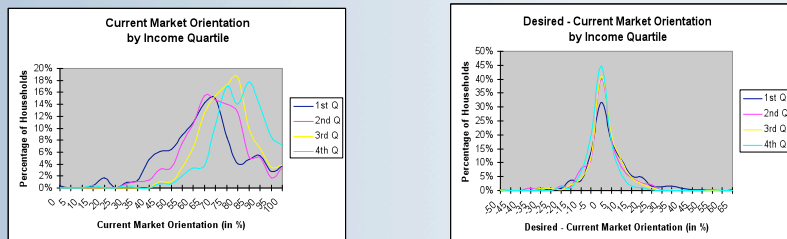
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RESULTS

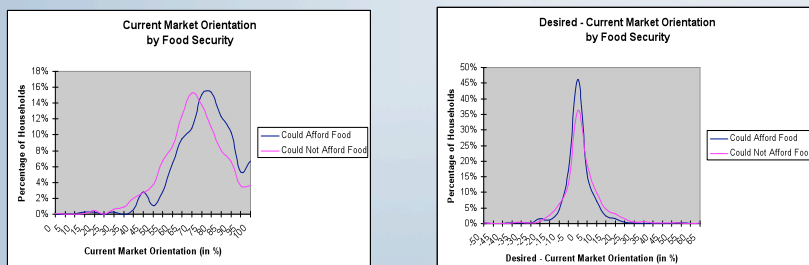
In the graphs below, *Current Market Orientation* summarizes respondents' current distribution of beans into activity categories, and *Desired - Current Market Orientation* summarizes the difference between their desired (re)distribution and the current distribution. (The larger the difference, the greater the change respondents desire).

CURRENT LEVEL OF MARKET ORIENTATION By INCOME QUARTILE (1st Q = lowest income)



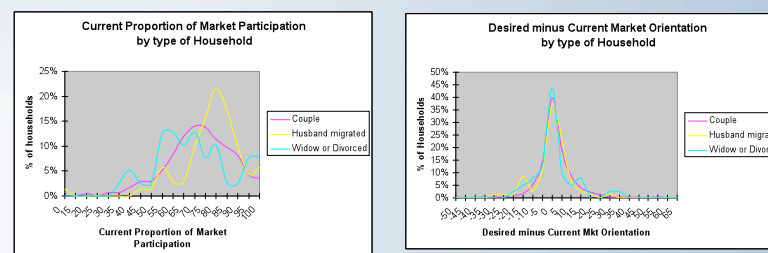
These results indicate that the majority of respondents in all income categories are already engaged in the market, with those in the highest quartiles having the strongest market orientation. In Figure 1b, it is apparent that most respondents are satisfied with their current level of market orientation, with some tendency for those in the lowest quartile to have a stronger preference for increased market engagement.

CURRENT LEVEL OF MARKET ORIENTATION By FOOD SECURITY



The data depicted above indicate that respondents who said that during 2007 they could not "always afford the healthy food they wanted for their families" are less likely to be currently oriented toward the market, and that while most respondents prefer their current orientation, there is some tendency for those who cannot afford food to have a greater preference for increasing their market orientation.

CURRENT LEVEL OF MARKET ORIENTATION By HOUSEHOLD TYPE



The results above indicate that households in which husbands have migrated (11%) are the most heavily engaged in the market (most of this is due to remittances), and that widowed and divorced women (6%) are least engaged in the market. While all three groups are on average satisfied with their level of market engagement, widowed and divorced women are slightly more likely to want to increase their market involvement.

NEXT STEPS

Our preliminary results show that in terms of rearranging the economic activities of the household, about one third of individuals desire less market orientation, one third desire more, and a third prefer the status quo. Current and desired market orientation varies by type of household, food security and income; but the greater the extent of one's current market engagement, the greater the likely desire for future market engagement.

These data have just recently become available, and we are currently engaged in more intensive analysis to learn about the influence of risk, fairness, reaction to competition, and other preferences on the extent to which individuals orient their economic activities towards the market.

FOR MORE INFORMATION

To learn more, visit: <https://depts.washington.edu/dempov/>