

# **The Role of Education in Patience Formation in Poorest Countries**

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## **PAPER NO. 1**

### **DO CHILDREN MAKE WOMEN MORE PATIENT? EXPERIMENTAL EVIDENCE FROM INDIAN VILLAGES**

#### *Non-technical Summary*

The idea that men and women have heterogeneous preferences has been a cornerstone of a growing literature on intra-household conflict and has shaped much of the policy in developing countries. Using evidence from a series of “lab experiments in the field” on a sample of more than 500 villagers spread across eighteen villages in India, we find that women make more patient choices than men and that the gender heterogeneity is closely associated with the number of children in a family.

We used experimental methods to elicit the subjective discount rate in Indian villages. Results show that women are significantly more patient than men and that their discount rate is related to the number of children they have. There is no gender difference for individuals without children. Women’s discount rate declines up to four children, whereas men’s discount rate does not. Our findings suggest that conflictual interactions within a household are more likely when a couple has young children, hence the spousal heterogeneity in patience is the most profound.

## PAPER NO. 2

# BEHAVIORAL FOUNDATIONS OF MICROCREDIT: EXPERIMENTAL AND SURVEY EVIDENCE FROM RURAL INDIA

### *Non-technical Summary*

The Nobel Peace Prize in 2006 celebrated the potential of microcredit to transform the lives of small-scale entrepreneurs by providing access to small loans. Microcredit advocates argue that such access to credit will unleash the productive potential of poor households (Yunus 2002). Microcredit providers are drawn together by shared commitments to offer small-scale transactions, serve the under-served, and use innovative contracts to compensate for the fact that most customers lack collateralizable assets that can be used to secure loans.

The success of microcredit, though, poses a puzzle: if the untapped economic returns to borrowing are so high, why don't households save their way out of credit constraints? New work in behavioral economics helps to answer that question by focusing on psychological conflicts that undermine efforts to save. The focus has been on self-discipline problems that persist in the absence of savings devices that foster regular deposits and that limit withdrawals. One of the hidden challenges faced by the poor is posed by the lack of access to such mechanisms.

We integrate experimental measures of time discounting and risk aversion for a sample of 573 villagers in south India with survey data on their financial activity. The data show that the demand for microcredit loans is tied to time-inconsistent preferences. Women with hyperbolic preferences save less at home and save less in total levels. They are also more likely to borrow generally, but to do so through microcredit institutions specifically. The finding suggests that the structure of microcredit loan contracts helps people with self-discipline problems who lack suitable saving devices.