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The influence of informal institutions on economic outcomes for low income individuals and households has received little attention in the United States. Yet, drawing on social capital theory and existing studies from developing countries where informal institutions have been widely used in promoting economic opportunities of families in poverty, one would expect these institutions to have positive effects on the economic outcomes of low income individuals in the context of an IDA program. Using a sample of 840 respondents who were enrolled in a community action program, this study assesses the effects of informal networks of social support on performance in a matched savings program. Results show partial support for the hypothesized relationship. Specifically, an increase in the amount of help a respondent gives to members of her community is inversely related to performance in an IDA program. This may imply that although informal networks have mutual benefits for both the individual and community, economically these benefits may be mixed. Among low income individuals saving in an IDA program, participating in such networks may constrain the economic resources available to them or their households; hence impacting their performance negatively.

Keywords: *informal social network; social support, social capital; IDA program; vulnerability; assets-building*

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Introduction and Background

Traditionally, welfare policies in the United States have relied on income-based interventions to relieve poverty and deprivation among vulnerable individuals and households. In the past few decades, asset-building—which involves efforts that enable people with limited economic resources and opportunities to acquire and accumulate long-term productive assets—is increasingly being viewed as one of the critical factors for reducing poverty and fostering social and economic development. The shift towards asset-building has been prompted by the growing concern about the level of marginalization currently experienced by vulnerable groups, unequal distribution of wealth, and by scholarship on welfare dynamics (Bynner, 2001; Paxton, 2001).

The asset-based perspective of welfare was benchmarked by Sherraden (1991), who introduced the idea and took initial steps towards asset theory development. Sherraden questioned the prevailing view and suggested a welfare focus that promotes long-term development of households and communities (1991). Within this perspective, he proposed Individual Development Accounts (IDAs)—subsidized accounts—as an intervention to facilitate saving and asset accumulation among low-income individuals and households.

IDA programs, as currently implemented, are not simply saving accounts in that they provide a "program bundle", emphasizing the role of formal institutions in influencing performance (McBride, Lombe, & Beverly, 2003). Research has begun to document positive effects of formal institutions on performance in IDA programs (e.g., McBride et al., 2003; Sherraden, Schreiner and Beverly, 2002; Ssewamala and Sherraden, 2004). In much of this literature, however, the effects of informal institutions on outcomes has received little attention. Yet, given the premises of social capital theory and social network models—which emphasize informal institutions in impacting individual outcomes (see Coleman, 1994; Collier, 1998)—one would expect informal institutions to play a positive role in influencing performance in an IDA program.

This study draws on the premises of social capital theory

and social networks models, to explore effects of informal networks of social support, such as: familial, friends, neighborhood, and other extra-household connections, in influencing saving outcomes of the working poor in an IDA program. This question deserves attention because although IDA programs started in the United States, pilot projects are now underway in poor developing countries where informal networks are highly prized. The study may also help identify aspects of an informal network of social support that may be important for performance in an IDA program. Since asset development through IDA mechanism is still relatively new, IDAs and similar programs, aimed at mobilizing savings and asset accumulation, among low income individuals, may use findings of this study to enhance performance and other outcomes.

The Social Capital Perspective

Social capital has been conceptualized in many different ways. Putnam (2000) defines the concept as a representation of the norms of reciprocity and trustworthiness that arise from social relations, while the Organization for Economic Co-operation and Development [OECD] (2001) perceives social capital as "the resources gained through social ties, membership of networks and sharing of norms" (p.23). [For other definitions of social capital, see Coleman, 1994; Johnson, 2000; Serageldin, 1999].

The core idea behind social capital is that informal networks of social support, including relatives, friends, and other extra-household connections such as a supportive community have value. The primary attribute of these networks is their potential to influence the capacity of individuals/groups to come together for collective action, leading to a broad range of benefits for both the individual and community (Collier, 1998; World Bank, 1998).

Recently, social commentators have attempted to demonstrate that informal networks of social support, especially among individuals and households in poverty, play a positive role in influencing their outcomes. These scholars argue that these networks constitute a locus of access to resources; which in turn determine socio-economic outcomes (Collier,

1998; Kundu, 1993). Scholars also acknowledge these networks as important anchors for individuals and households during times when personal circumstances are strained (Rank, 1998; Sherraden, 1991). Indeed, empirical evidence exists to suggest a relationship between social capital and social functioning, especially in low-resource communities (see e.g., Diaz, Drumm, Ramirez-Johnson, 2002; Narayan & Pritchet, 1999). Moreover, social capital has also been indicated as the primary factor in the success—high rates of credit repayment—enjoyed by the Grameen bank and other credit institutions based on the "peer lending model" (see for example Banerjee, 1998; Van Bastalaer, 1999).

Overall, there is a myriad of studies which point to the positive influence of social capital on socio-economic performance. Understandably, most studies using the social capital framework are from poor developing countries where the ideal of "community" is prized. What is not clear is whether participating in an informal network of social support will have similar effects on performance within the context of an advanced-market economy like the United States, which places significant value on individual advancement. Moreover, previous research has not revealed whether certain aspects of participating in an informal network of social support are more likely to influence economic performance than others; neither has it revealed the nature of these impacts. Additionally, there are hardly any studies specifically focused on the relationship between informal networks of social support and saving outcomes of low-income individuals and households. The questions addressed in this paper, therefore, may have important implications for saving programs for low income individuals.

Research Questions

Two research questions guide this study:

1. Does participating in an informal network of social support influence a respondent's performance in an IDA program?
2. What aspects of participating in an informal network of social support are associated with performance in an IDA program?

Methods

Data Description

The study uses data from two primary sources: the Management Information System for Individual Development Accounts (MIS IDA), and a longitudinal experimental research conducted at an IDA experimental site in Tulsa, Oklahoma. Both datasets are part of the American Dream Demonstration (ADD), a national policy demonstration promoting saving and investment among individuals and households in poverty. Starting from 1997 through 2003, ADD followed over 2,000 families in poverty at 14 community-based program sites within 13 host programs across the United States (for a detailed description of ADD, see Sherraden et al., 2000).

In ADD, low income individuals (mainly those under 200 percent of the federal-poverty threshold) were encouraged to save in special subsidized accounts—IDAs. The deposits in IDAs were matched by funds from either a public or private source. The match rate for the program yielding data for this study was 2:1 for homeownership, and 1:1 for all other asset goals. The Matched savings could be used for investing in any of the following: microenterprise development, homeownership, post-secondary education, or retirement. Data used in this study are from one specific IDA site—Tulsa, Oklahoma — and cover saving transactions of ADD participants from 1998 through 2003 (ABT, 2003).

The experimental data were obtained from IDA program applicants randomly assigned to a control and experimental group (N=1,103). The experimental group (n=537) was enrolled in the IDA program while the control group (n=566) was not. The survey was administered to respondents in the two conditions at three time periods, the first administration was conducted immediately after assignment and follow-up surveys conducted at 18, and 48 months intervals (October 1998 to September 2003).

As is the case with most longitudinal surveys; some respondents who participated in the first wave of the survey were lost in subsequent waves, II and III. Across the three waves, this study has a dropout rate of 24 percent. To deal with this challenge, an investigation of attrition was

conducted. Reasons for respondent dropout are not indicated. It could have resulted from factors such as subject attrition, subsequent refusal to participate, participants moving or interview error (ABT, 2003). The missing cases did not indicate a pattern. In addition, a dropout rate of 24 percent, for a longitudinal survey conducted over a four-year period with a low-income sample, is within the accepted range (Allison, 2002; Downey & King, 1998). For this paper, our focus is on the experimental group, the groups which was enrolled in the IDA program and who also completed the three waves of the survey (N=412). It should be noted that the savings transaction data used in this study were obtained from depository financial institutions, and as such are highly accurate.

Measurement of Variables

Performance Variable

This measure only reflects one aspect of IDA participation, the level of savings outcomes in a respondent's IDA—Average Monthly Net Deposit (AMND). This variable is defined as the net deposit per month for the period in which the participant is engaged in the IDA program. It is taken from MIS IDA; hence, reflects an accurate representation of saving outcomes in an IDA program. For this study, AMND is lagged from waves 1 through 3, representing a participant's performance in the IDA program for the total contact period—5 years (see Schreiner, Sherraden, Clancy et al., 2001, for a detailed description of this variable).

Social capital/Participating in an informal network of social support

Drawing from various scholars who have attempted to measure social capital (see e.g., Grootaert, 1999; Narayan & Pritchet, 1999; Onyx, & Bullen, 2000; Winter, et al., 2001), we measure social capital in terms of participation in an informal network of social support. Specifically, we use two sets of measure: one reflecting a respondent's involvement in her community and the other a respondent's relationship with members of her community. Items on these dimensions are taken from the survey and are each coded as 0 indicating nonparticipation in an informal network and 1, indicating

participation. These variables are then summed-up to obtain an overall score on each dimension: community involvement; and respondent's relationship with member(s) of her community-giving help; as well as getting help.

Table 1. Factor Loadings for Social Capital or Informal Social Network Variables

Factors	Loadings
Community Involvement	
Voted in an election	.403
Call/wrote letter to public official	.443
Support candidate w/time/money	.510
Participate in church/community event	.378
Attend meeting about school	.363
Worked on neighborhood project	.441

Community Involvement	*Giving Help*	*Getting Help*
Babysitting	.503	-.135
Transportation (rides)	.397	-4.75E-02
Making telephone calls, reading/writing letters	.396	- .283
Food or tool sharing	.518	-2.73E-02
Financial help	.460	-.406
Advice or information sharing	.389	-.516
Care for elderly or disabled	.332	-.355
Encouragement and support	.282	-.532
Home and auto repairs	.417	-.388
Work around house	.507	-.352
House-sitting or pet-sitting	.412	-.287
Language translation	6.94E-02	-.103

Although the operationalization of items on these measures appear to be conceptually sound and consistent with the definition and measures of informal social support network established earlier, a factor analysis using a principal component extraction method was conducted to examine the extent to which informal network items reflect the three categories

identified—*community involvement; relationship with community-giving help; relationship with community-getting help* (factor loadings are presented in Table 1). Based on observations from factor loadings and evidence from similar studies (see for example, Lombe, & Sherraden, 2005; Narayan & Pritchet, 1999; Winters et al., 2001), we acknowledge that the two measures may not adequately reflect all the aspects of participation in an informal network of social support. Hence, items on these measures should be interpreted with caution.

Statistical Procedures

First, we perform a series of univariate and bivariate statistical procedures to describe and summarize certain aspects of the study sample and examine the relationship between study variables. To understand the overall impact of participation in an informal network on a respondent's performance in an IDA program, OLS regression is utilized. As mentioned earlier, our assessment focuses only on respondents in the experimental group (n=412) because the control group was not enrolled in the IDA program during the contact period. Hence, we base this part of our analysis on the pre-test and post-test research design.

Results

The majority of the respondents are female: 79 percent. By race/ethnicity, 45 percent are Caucasian, 42 percent African Americans, 2 percent Hispanic, and 6 percent are Native Americans; 4 percent identify themselves as either Asian/non Hispanic or other. Age ranges from 18 to 72, with a mean of 36 and a standard deviation of 10 years. In terms of marital status, 36 percent are single (never been married), 28 percent are married, 36 percent are divorced, separated, or widowed. About half of the respondents (54%) live in households with at least two children under the age of 17 whom the respondent is legally responsible for. Over half of households in this sample are headed by one adult (61%). The majority of the respondents (81%) have mid-range education, i.e., high school and some college education. Ninety-nine percent are employed full time, and work about 37 hours per week, for an average

monthly income of $1,468. About 43 percent receive some form of public assistance.

In general, most of the respondents indicate modest levels of involvement in their networks of social support at baseline. For example, about 63 percent have participated in a community event; 51 percent have given help such as babysitting or child care to someone in their community; and about 39 percent have received assistance, such as a ride, from someone in their community.

T-test Results

Results of the independent samples t-tests are presented in Table 2.1 and indicate that the control and experimental groups only differ on the measure of giving help to member(s) of one's community at Wave III (mean=6.34 vs. mean=6.60). Respondents in the experimental groups record higher scores on this measure. This study finds no significant difference on the measures of getting help from member(s) of one's community, and community involvement.

Table 2.1 IDA Participants vs. Non IDA Participants: Differences in Study Variables (n=840)

	Wave 1			Wave 3		
	Control (n=428)	Experimental (n=412)		Control (n=428)	Experimental (n=412)	
Variable	Mean	Mean	Mean Difference	Mean	Mean	Mean Difference
Community Involvement	3.55	3.30	0.25	3.68	3.62	0.06
Giving Help	6.64	6.72	-0.08	6.34	6.60	0.34*
Getting Help	4.36	4.43	-0.07	4.15	4.29	-0.14

*p<0.05; **p<0.01
Significant changes are indicated below.
Wave III Giving Help t=2.37(752), p<.03

Results of the paired samples t-tests are presented in Tables 2.2 and suggest that some aspects of participating in an informal network of social support differ significantly across the two time periods, for respondents in the experimental group.

In terms of community involvement, respondents record a significant increase in community involvement from Wave I to Wave III (mean=3.30 vs. mean=3.62). Respondents also report a significant change in giving help to member(s) of their community (mean=6.72 vs. mean=6.60). However, this study finds no significant difference on the measure of getting help from member(s) of one's community across the two time periods.

Table 2.2 Experimental Group: Change in Study Variables Over Time (n=412)

Variable	t	df	Mean Difference	p-value
	(Wave 1 to Wave 3); t=-3.24 (369), p<.00			
Community Involvement	-3.24	369	-0.32	0.00**
Giving Help	2.37	330	0.12	0.02*
Getting Help	1.18	372	0.14	0.24

*p<0.05 **p<0.01
For this analysis we use a paired samples t-test to compare changes in Study variables from Waves I to III.
Significant changes are indicated by an asterisk.

Results of the first two regression models indicate no relationship between a respondent's involvement in her community and performance in an IDA program. Results of the third regression model are significant and indicate that only two variables: presence of another adult in the household (B=3.44, t=1.94, p=.05), and *relationship with community-giving help* (B=-56.72, t=-4.35, p=.00), are significantly associated with performance in an IDA program. Specifically, an increase in the amount of help a respondent gives to member(s) of her community is associated with a decrease in performance in an IDA program. The presence of another adult in the household has a positive impact on performance (see Table 3).

Discussion

Overall, this study finds mixed results regarding the argument advanced by many social capital theorists—that participating in an informal network of social support has a positive impact on economic outcomes for the individual and

Table 3. Regression Analysis: Performance regressed on Giving Help (n=412)

Variables	b	se	t	p-value
Constant	66.5015.17		4.39	.00**
Education	0.64	1.35	0.47	0.64
Race	0.51	1.18	0.44	0.66
Marital Status	1.18	1.83	0.65	0.52
Age	-0.14	0.15	-0.92	0.36
Gender	1.02	3.66	0.28	0.78
Income	-9.51	0.00	-0.15	0.87
Welfare use	3.57	2.47	1.45	0.15
Adult in household	3.44	1.77	1.94	0.05*
Children in household	-1.92	2.03	-0.94	0.35
Giving Help	-56.72	13.03	-4.35	0.00**
R^2	0.09			
F	3.12			
df	10; 320			

*p<0.05 **p<0.01
Note: b=Unstandardized regression coefficients
se=Standard error

household (see e.g., Collier, 1998; Winters et al., 2001). Only one aspect of participating in an informal network of social support—*relationship with community-giving help*—has an impact on the dependent variable. Help given to a member(s) of one's community is inversely associated with performance in an IDA program. For low-income individuals and households, giving help to members of one's community or network, although desirable, has potential to constrain the helper's economic advancement in that it may reduce her resource base; hence impacting economic performance negatively. This result is consistent with findings from previous research (e.g., Lombe & Sherraden, 2005; Narayan & Pritchet, 1999). The negative effect might also be explained by the lack of congruency between performance in an IDA program, which is oriented

towards an individual goal, and social capital, which embraces a communal benefit.

For this group, *involvement in one's community* and *relationship with community-getting help*, were not related to performance in an IDA program. This observation is noteworthy and may be tied to a number of factors. In the first instance, involvement in one's community, it is important to note that the sample for this study consists of low-income individuals working an average of 37 hours a week. Therefore, time and other resources spent on familial and extra-familial activities may compromise performance in an IDA program. Getting help from member(s) of one's community may simply reflect an individual's or household's lack of resources. We also make two rather obvious observations: the presence of another adult in the household is positively related to performance, while the presence of children, under the age of 17 in the household, has an inverse relationship on performance.

Some limitations are also noted. First is the issue of operationalization of social capital—as observed by others (see e.g., Coleman, 1994; Collier, 1998; Narayan & Pritchet, 1999) items measuring social capital or participating in an informal network are not well developed. As such, measured variables may not adequately represent all the aspects of social capital e.g., trust, civility, and reciprocity, which are basic elements of the concept. The measures used in this study utilize a checklist format; hence may not capture the duration and intensity of a respondent's participation in an informal network of social support.

In addition, the study reflects only one aspect of performance in an IDA program—saving outcomes—there may be other aspects of performance in an IDA program which are influenced by social capital that are not reflected by the measures used in this study. Finally, the sample used for this study, although randomly assigned to the experimental and control groups, was drawn from a self and program-selected group of individuals. Hence, selection bias might be an issue in terms of generalizability.

Implications

Despite their small effect size, observations made in this study provide a useful overview of the role of social capital in influencing performance in an IDA program. While participation in such networks may positively influence socio-economic outcomes in the context of the Grameen bank – their effect in relation to performance in an IDA program were somewhat obscured. Only one aspect of social capital was related to performance. Moreover, the effect indicated was inverse. This observation may suggest that economic benefits of social capital are not always mutual; benefits to the network/community may come at a cost to the individual's economic advancement.

Program implementers can gain an appreciation of factors indicated by this study. For example, some consideration may be given to how IDA programs have been structured and how this may impact a participant's involvement in her community. Findings also suggest the need to enhance the resource base of informal networks, especially among low-income individuals and households. Indeed, the quality of such network, including their economic resources may be the key factor in influencing economic outcomes. These findings also indicate that there may be a lot that is still unknown about social capital and its effects on economic outcomes. More empirical work is needed to help explain the role that social capital might play in this regard.

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