



Center for Social Development

GEORGE WARREN BROWN SCHOOL OF SOCIAL WORK

Asset building: Theoretical Background & Research Questions

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How Do People Save?

A primary assumption in asset building policy and community development is that savings is an institutional phenomenon, i.e., when access and incentives are right, people—including poor people—are more likely to save. This assumption runs contrary to mainstream economic thinking about savings behavior, which focuses more on an individual's "propensity to save." If asset building policies can be shown to facilitate asset accumulation by the poor, there will be important implications for theory and policy regarding saving and asset accumulation.

Based on the above thinking, we can offer several propositions that should be tested regarding savings behavior in asset building programs. These fall roughly under the categories of access, incentives, information, and facilitation.

Access

The overall proposition is that ease of access will facilitate increased savings. The hypotheses are:

- The closer the asset building program, the greater the participation and savings.
- The fewer the organizational barriers to an asset-building program, the greater the participation and savings.

Incentives

The overall proposition is that greater incentives will yield greater savings. The hypotheses are:

- The higher the matching deposits, the greater the participation and savings.
- The more local partners in matching deposits, the greater the participation and savings.
- The higher the earnings on savings, the greater the participation and savings.
- The more feasible the asset building goal (home purchase, microenterprise, job training, etc.), the greater the participation and savings.



Information

The overall proposition is that information and education about existing asset-building programs will increase their use. The assumption is that awareness and knowledge of access and incentives must be present before people can act on these conditions. The hypotheses are:

- The greater the program outreach, the higher the rate of participation.
- The more educational programming and "economic literacy," the greater the participation and savings.
- The more peer modeling and information sharing, the better the participation and savings.

Facilitation

The overall proposition is that structured and/or active assistance in asset building programs will increase savings.

- The more involved the program staff in helping with savings, the greater the savings.
- A program of automatic deposits will increase savings most of all.

What Are the Effects of Asset Accumulation?

Asset accumulation is not an end in itself. The next evaluation question -- what are the effects of asset accumulation? -- is an "outcomes" question that has the potential to expand the operational definition of well-being in social policy to include asset accumulation. There are two pathways to answering this question. The first is basic research using existing data sets, and CSD has embarked on a program of basic research that is proving to be fruitful. We are finding significant, sometimes surprisingly strong, asset effects in a wide range of data sets. The second pathway to answering the outcomes question is to evaluate outcome effects of asset-building programs. Outcome evaluations of asset-building programs are of the greatest importance in confirming, not confirming, or revising theoretical propositions.

The key theoretical issue is whether assets yield positive effects other than deferred consumption. If this can be answered in the affirmative, it may have important implications for theories of "welfare" (well-being) as well as for public policy related to savings. Key questions regarding effects of asset accumulation include a range of economic, psychological, social, civic/political, and intergenerational outcomes, which are stated here in the form of hypotheses. Confirmation of a substantial number of these hypotheses would be sufficient to establish the value of asset-based policy.

In addition to program "impacts" (amounts saved and use of savings to meet life goals), asset-based strategies have multiple hypothesized effects or outcomes. Some of these may be supported by empirical research, while others may not. At this stage, we want to attend to a broad range of likely effects. We can identify potential asset effects in several different categories: economic, personal (or psychological), family and household, relationship to the community and society, civic and political, and intergenerational.

Economic

- Greater effort and success in increasing asset values.
- Maintenance and improvement of real property.
- Learning and applying knowledge of financial investments.

- Decrease in financial crises in the household.
- More investments in human capital (in addition to formal education)
- Improved consumption efficiency (shopping at supermarket, buying on sale, buying in bulk).
- Decrease in use of second-tier financial services (check cashing places, rent-to-own stores).

Personal

Physical:

- Improved health.
- Greater longevity.

Affective:

- Improved self regard.
- Improved outlook on life.
- Greater sense of personal control over life.

Cognitive:

- Greater knowledge of financial matters.
- Lengthened time horizons.

Behavioral:

- Better record in attending school, job training, or other personal advancement activities.
- More time spent on financial matters.
- Better planning for the future.

Family and household

- More stable household composition.
- Decreased moving due to negative causes (unable to afford rent, eviction).
- Increased moving due to positive causes (move to a better neighborhood, move for a job).
- Decrease in domestic violence.

Relationship to community and society

- Improvement in perceived social status.
- Increase in social connectedness and/or decrease in social isolation.
- Increase in caring for and helping others.

Civic and political

- Involvement in neighborhood/community affairs:
- More discussions with neighbors.
- More behaviors to improve public space.
- Increased involvement in community organizations.
- Involvement in formal political processes:
- Increased voting.
- Greater effort in working on or contributing to an issue.
- Greater effort in supporting or contributing to a political candidate.

Intergenerational

Social behaviors of offspring:

- Improved school behaviors (attendance, grades, completion).
- Avoidance of pregnancy.
- Fewer arrests.

Eventual financial well-being of offspring:

- Increased savings behavior of offspring.
- Increased investments in education of offspring.
- Increased asset transfers to offspring.