

Relationship Between Poverty and Ability to Borrow from Friends and Family

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Introduction

- Those in poverty have more need for social networks to “make ends meet”, but at the same time, poverty is correlated with negative effects on social life (Mood & Jonsson, 2015).
- For example, it has been found that poverty affects participation in civic organizations (Dahl, et al, 2008), reduces favorable income changes, therefore lessening social mobility (Duncan, et al, 1993), negatively impacts one’s social networks (Böhnke, 2017), and reduces the social opportunities of children living within it (Attree, 2006).
- Especially in times of disaster one’s immediate access to capital resources can save lives and lessen further economic impacts.
- Those in poverty are often cut off from traditional banking and may use these same vulnerable social networks to meet basic needs

Research Questions

- Is the suffering of material hardships associated with ability to borrow with expectation of repayment from friends and family?
- Does the association between suffering hardship and ability to borrow differ depending on the education level of one’s parents?

Methods

Sample

- Respondents (n=6394) GfK KnowledgePanel who were recruited by means of address-based sampling as well as random digit dialing of landlines and cellphones, a nationally representative sample of the adult population of the 50 states.

Measures

- Level of material hardship suffered was assessed using the sum of five questions about situations in which one may have suffered due to lack of capital resources. Each response was coded dichotomously (0 or 1), then summed. Scores ranged from 0 (most negative) to 6 (most positive).
- Ability to borrow was judged with one yes or no question regarding if friends and family would lend you money with expectation of repayment
- Parent’s Education had five levels: 1. Less than high school, 2. High School degree/GED, 3. Some college/Associate, 4. Bachelor’s degree, 5. Graduate/professional degree.

Results

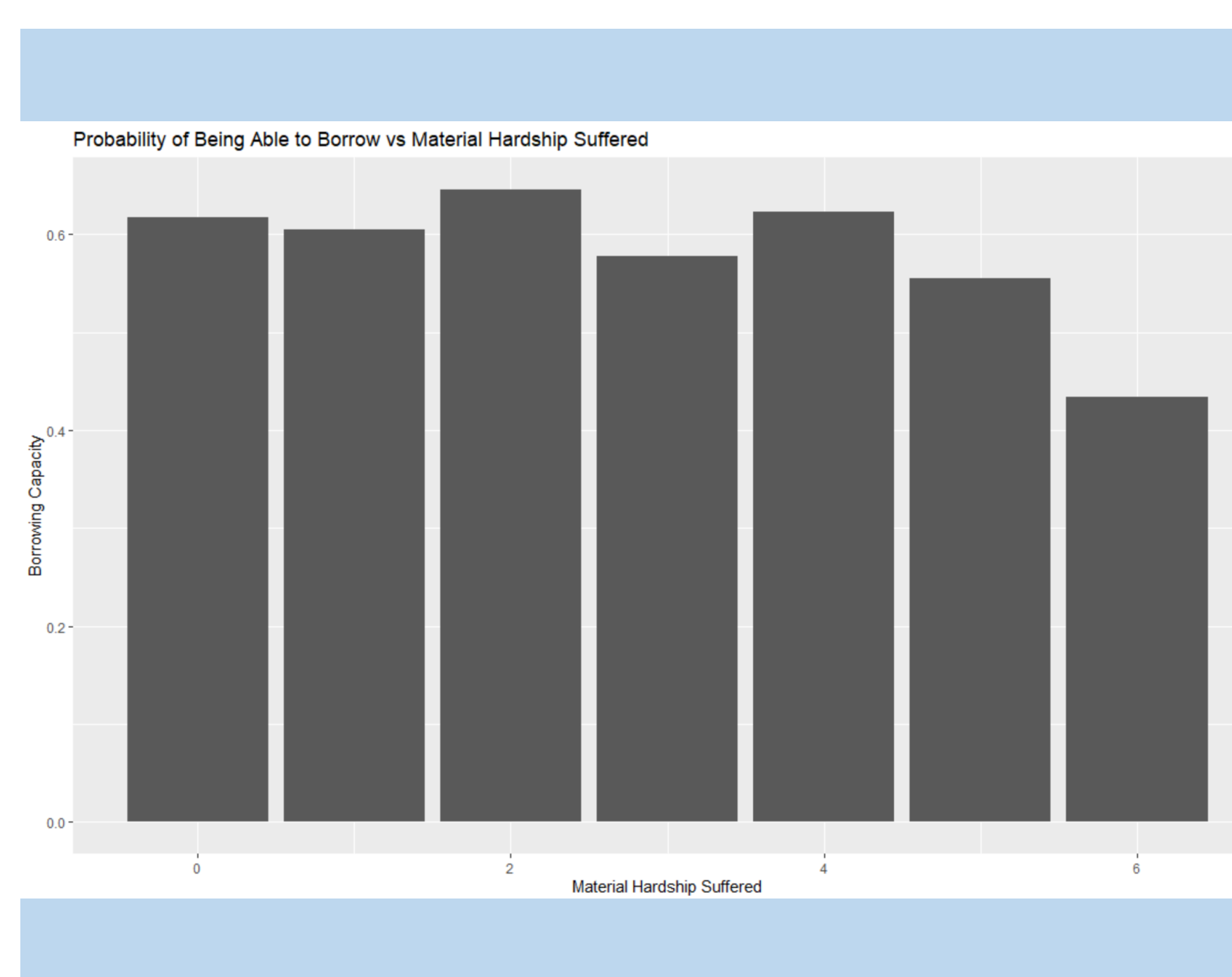
Univariate

- 28.6% of respondents have suffered at least one material hardship
- 39.1% of respondents thought they would be unable to borrow from friends and family

Bivariate

- A Chi-Square analysis conducted only on those at the second level of parent’s education showed that material hardship suffered was significantly and negatively associated with ability to borrow (X-squared = 16.24, $p = .0125$), (Figure 1).
- Additionally, a Chi-Square analysis conducted only on those who did not report material hardship suffered was significantly and positively associated with ability to borrow (X-Squared = 25.18, $p < 0.001$).

Figure 1.



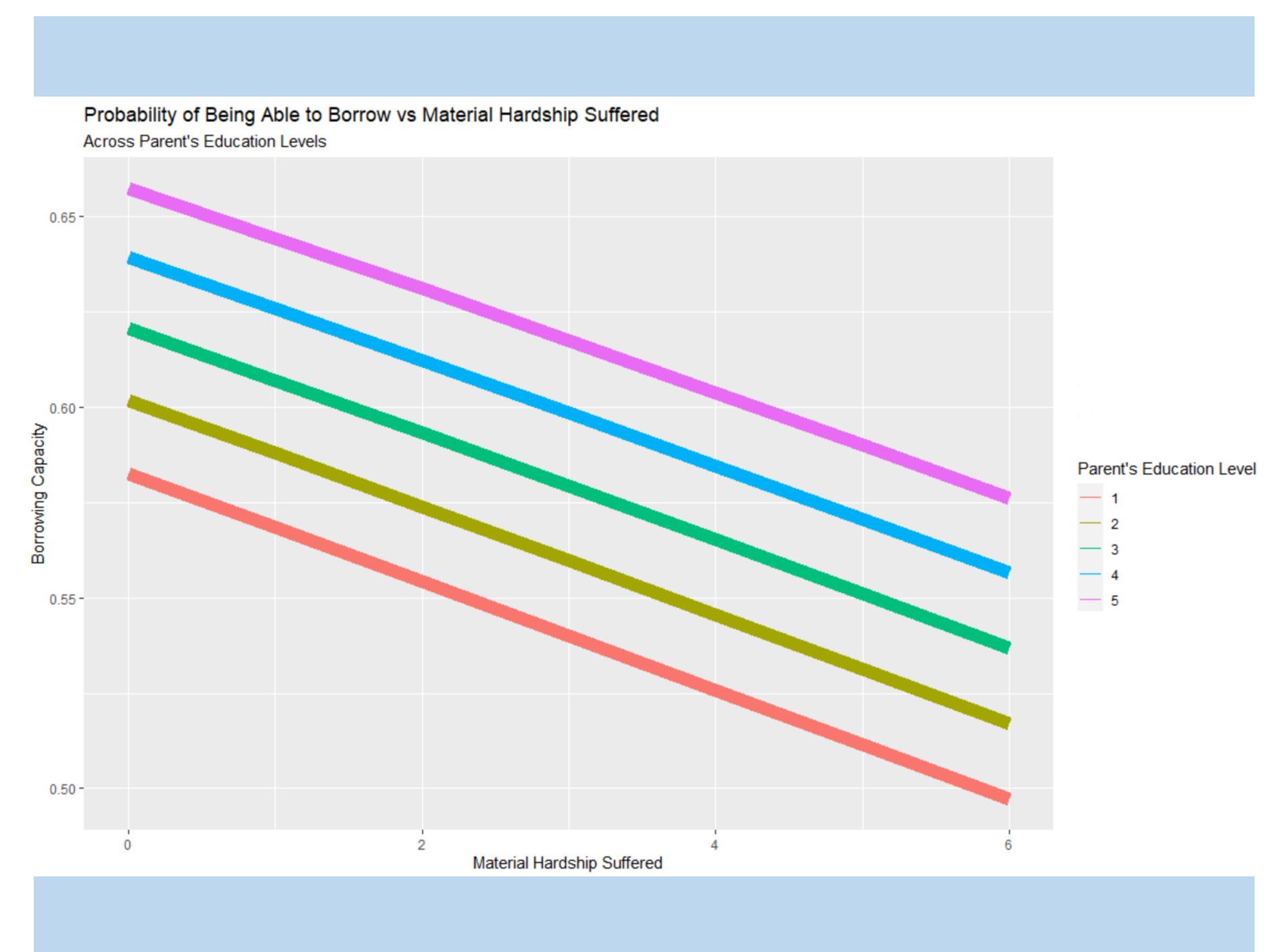
Multivariate

- Parent’s education level is a confounding variable. Multivariate analysis with a logistical regression model showed both it and material hardship suffered to be significantly associated with ability to borrow. (Figure 2).

Multivariate (cont.)

- As there was no significant interaction between the two factors, parent’s education is not a moderating variable. Therefore, we see material hardship with a consistent negative association, and parent’s education with a consistent positive one
- The association seen in material hardship does not continue with all poverty indicators. In a similar analysis another indicator, savings, was not significantly associated, while parent’s education still was.

Figure 2.



Discussion

- Those who have suffered the most material hardships also have the least ability to borrow.
- Other factors, such as parent’s education, contribute to this phenomenon.
- We need further research to determine what factors are most detrimental to one’s ability to provide for their immediate material needs as this may constitute grounds long-term solutions, stemming from the sources of these issues.
- We should also understand what public policy can help individuals avoid material hardships, as this could constitute short-term solutions.