Social Networks and Financial Exclusion in Australia:

Experiences with Microfinance

and Life Outside the Mainstream

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DECLARATION

I declare that this thesis is the product of my own independent research. It contains no material which has been accepted for any other degree or diploma, and to the best of my knowledge and belief, does not copy or paraphrase any other person's or author's material except where due acknowledgement is given.

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ABSTRACT

Financial exclusion has become increasingly prevalent in Australia. While solutions to this challenging social policy problem have, thus far, tended to focus on addressing financial market failures, this thesis looks instead at the role social relations can play in assisting individuals overcome financial exclusion. The discussion is framed by an extensive body of literature pointing to the valuable instrumental benefits that can flow from social capital and social networks. This thesis begins by tracing the intellectual history of these concepts and then specifically examines the role of social networks in addressing financial exclusion.

Through a series of semi-structured interviews with a group of financially excluded people in Melbourne and Canberra, this thesis will provide a better understanding of the lived experience of financial exclusion. Research participants were drawn from the client base of an innovative Australian microfinance program, the 'No Interest Loan Scheme'. Importantly, evidence was also collected on the positive impact such microfinance programs can have in both promoting financial inclusion and improving the lives of their clients. The definition of financial exclusion used in this thesis centred on the inability to access affordable and appropriate credit. Using this definition, I was able to document how financial exclusion, including its social consequences, manifested for the participants in my study. High degrees of exclusion from the mainstream financial system and the use of the fringe credit market emerged as recurrent themes amongst participants. Social distance was identified as a key source of exclusion.

The types of social networks that the research participants had were documented and a picture emerged of how social support, when it was available, could be drawn upon to help mitigate exclusion. The way that social networks help or hinder financial exclusion was also considered. Significantly, a comprehensive examination of this nature into the social networks of financially excluded people in Australia had not been conducted before, so this thesis makes an important contribution to the literature. In particular, my findings serve to further validate the benefits associated with social capital and deliver new insights into the content and quality of social relations in Australia.

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As I reflect on the journey that has been my PhD, I suspect that like many other students before me, and, no doubt, like many others to come, the act of finally submitting a thesis is not merely the culmination of a very long and arduous research project. Rather, it is a personal triumph that could not have been achieved without the kindness and support of many other people. For me, so many come to mind and by acknowledging them all here, I seek to recognise the contribution each person has made in their own way, and to enable them to share in the success and joy of my finishing.

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Chapter One: Introduction

1. Introduction

Financial exclusion has become a pervasive social policy challenge confronting modern economies such as Australia, with an increasing number of people prevented from engaging with the mainstream financial system (Argent and Rolley 2000; Buckland 2012; Carbó et al 2005; Centre for Social Impact 2014b; Connolly 2013; Connolly et al 2011). In Australia, financial exclusion manifests most clearly in the lack of access to appropriate and affordable financial products and services for those on the lowest incomes. Indeed, the Australian Bureau of Statistics (2011b) found that "almost 1 million adults lived in households that had experienced exclusion from accessing a financial service such as a loan or a credit card". Furthermore, the Centre for Social Impact (2012) found that approximately 17.2 per cent of the adult population in Australia either had no financial services products, or only had one financial services product, leading to the full or severe financial exclusion of almost 3 million Australians.

As a consequence of financial exclusion individuals are most often left with no other option than to turn to the fringe credit market, which has been found to charge exploitative levels of interest on loans (Banks et al 2015; Buckland 2012; Marston and Shevellar 2014; Marston and Shevellar 2010; Shevellar and Marston 2011). Such a perverse outcome compounds the negative impacts of financial exclusion and perpetuates cycles of disadvantage. More broadly, exclusion from the mainstream financial system has been found to be a significant barrier to economic and social participation (Ayres-Wearne and Palafox 2005; Wesley Mission 2009). Hence, efforts to promote a more financially inclusive society can benefit not only financially excluded individuals but the economy as a whole (Good Shepherd Microfinance 2014).

To date, responses to the problem of financial exclusion have tended to focus on redressing financial market failures, with much less emphasis on the contribution social supports could play in mitigating exclusion. Social networks have long been seen to provide instrumental benefits to group members, with the concept of social capital being the more recent embodiment of this theory (Portes 1998; Putnam 2000; Woolcock 1998). It is unsurprising, therefore, that governments have repeatedly turned to the social sphere for solutions to community problems (Bryson and Mowbray 2005; Tittensor 2007; Winter 2000). While the role of social capital and social networks in providing valuable resources and support for individuals and communities is acknowledged by many as an important tool that can be used to promote social inclusion, by contrast there is very little literature exploring the impact networks have on financial inclusion. With this in mind, my thesis aims to investigate whether social networks and social capital have a role to play in tackling financial exclusion in Australia.

My primary research objective is to identify the types of social networks the financially excluded possess. By adopting this focus I intend to document the characteristics of the social networks, and the support they provide, as a way of gathering evidence on the utility of social networks to people who cannot access the mainstream financial system. Subsequently, I will examine the positive and/or negative influence networks have on individual behaviour – particularly with regards to engaging with the mainstream. Approaching the investigation in this way provides an opportunity to reflect upon the possible effects networks have on the financial choices people make. Recognising the existence of any negative normative pressures on financial decision-making is critical to combating the social causes of exclusion.

Fully comprehending the gravity of financial exclusion requires a detailed examination of what it means to be excluded. Through in-depth interviews with a cohort of financially excluded people I will show the effect the lack of affordable credit can have. I draw upon the lived experience of clients of an innovative Australian microfinance program named the No Interest Loan Scheme (NILS). Consequently, the experiences participants had with NILS will also be explored as of way of assessing the place of microfinance in Australia. The remainder of this chapter discusses the benefits of social networks and the broader social policy context within which the problem of exclusion exists. The chapter concludes with a brief outline of the remaining chapters in the thesis.

2. Social Capital and the Benefits of Social Networks

The potential for social capital to be considered as a tool for tackling financial exclusion can be understood by pointing to the purported benefits of networks, particularly their ability to provide a valuable resource in the form of, amongst other things, emotional support, financial support and access to information (Putnam 2000). The defining features of social capital become evident if we take as our starting point the contention of Woolcock and Narayan (2000:226) that the basic idea of social capital is that:

> a person's family, friends, and associates constitute an important asset, one that can be called on in a crisis, enjoyed for its own sake, and leveraged for material gain. What is true for individuals, moreover, also holds for groups. Those communities endowed with a diverse stock of social networks and civic associations are in a stronger position to confront poverty and vulnerability, resolve disputes, and take advantage of new opportunities.

From this definition it is clear that social capital can be used for instrumental purposes. There are many examples of how social networks can be harnessed for support that may be relevant for the financially excluded. For instance, the role of social capital in fostering ethnic entrepreneurialism is especially insightful as it shows how networks can provide seed funding for businesses, reliable low-cost labour and a market for goods and services (Portes and Sensenbrenner 1993; Putnam 2000). Portes and Sensenbrenner (1993:1333-1334) cite the example of the Dominican community in New York, where "networks of informal loan operations grant credit with little or no paperwork"; and illustrate how bounded solidarity enables so-called "character loans" in Cuban Miami, which use a person's reputation within the community as a form of collateral.

Similarly, Birely (1985, cited in Burt 2000) found that family, friends and other informal contacts are often the main source of support for new businesses. Guarantor loans drawing on collateral secured from family and friends have a long history in most developed banking markets. Thus, social capital in action can be seen as providing financial capital and business opportunities where formal options may be difficult to access (Field 2003; Portes 1998; Woolcock 1998). Indeed, these examples illustrate the way in which networks can substitute for mainstream lending institutions.

Another example of social relations working in the economic sphere is the traditional rotating savings and credit associations (ROSCAs). Research into ROSCAs has found that norms of reciprocity are crucial to success. The associations essentially operate using peer-group resources as alternative sources of collateral or ‘social collateral’. Besley et al (1993) note that ROSCAs “use pre-existing social connections between individuals to help circumvent problems of imperfect information and enforceability”. Interestingly, in his seminal work Geertz (1962) concluded that, in many cases, the associations assumed a stance more akin to social bodies rather than economic institutions because they focus on strengthening community solidarity. This sentiment is reflected in Putnam’s (1993a:169) observation that some traditional associations are seen “less as an economic institution than a broadly social one whose main purpose is the strengthening of community solidarity”. Other works have highlighted the importance of social capital in the success of modern microfinance programs (see Ajit and Rajeev 2012; Feigenberg et al 2010; Feigenberg et al 2014; Field et al 2013). The theme of financial support in these studies points to the prospect social connections can assist with overcoming financial exclusion.

It should be increasingly evident from this introduction that social capital provides significant instrumental benefits (Coleman 1988). The literature shows that people naturally turn to their family and friends for assistance in times of need. Field (2003:78), for example, observes that “people facing tough circumstances can and do find their social capital a useful resource. Adversity can help strengthen bonds, particularly among those who face similar experiences of exclusion or danger”. Further, Putnam (2000:95) sees that “informal types of sociability provide crucial social support…[and]…informal connections are very important in sustaining social networks”. Hence, for those without the benefit of social networks for support, isolation and exclusion can flourish.

In breaking down the mechanisms through which social support operates, it is apparent that the structure of social capital, which comprises the size and density of networks, differs from the content of social capital, which includes the quality of individual relationships and the degree of trust and reciprocity between people. It is these characteristics that determine whether people can access instrumental gains and resources from their networks, which rely on bounded solidarity and a level of enforceable trust between members of the group.

In Burt's (1992:12) definition, social capital "is at once the resources contacts hold and the structure of the contacts in a network. The first term describes whom you reach. The second describes how you reach". The lesson for excluded individuals is, as Burt (1992:13) suggests, that understanding and expanding social networks is crucial because to "the extent that people play an active role in shaping their relationships, then a player who knows how to structure a network to provide high opportunity knows whom to include in the network". Importantly, Burt sees the second "reaching" element as being somewhat less developed in the literature. Consequently, by documenting the structure of financially excluded networks, this thesis contributes to the understanding of how people connect.

It is also worth noting that the concept of social capital has developed over time. One of the more important distinctions to emerge is the difference between bridging and bonding forms of social capital. This distinction may have important implications for the excluded and emphasises the structure of social networks. This is particularly relevant where bridging ties are needed to overcome exclusion. Importantly, social capital has been found to enable bridges to form between groups. Often initial intra-community integration is developed into extra-community linkages, which can then be used to expand economic success. This process of "coupling and decoupling" is where individuals draw support initially from the group but then forge bonds more broadly (Woolcock 1998:175).

While the preceding sections introduced a number of significant benefits of social capital, there are, at the same time, a number of unresolved conceptual issues which need to be considered before applying social capital theory to policy. Definitional issues remain and many have criticised the inherent circularity involved in arguments about social capital (Field 2003; Portes 1998; Woolcock 1998). A prime example occurs in describing the need for individuals to possess social capital in order to join groups, but this becomes a problem when people will not join in because they lack social capital. In addition, challenges quantifying social capital also remain with limited precise metrics available. Finally, and perhaps most importantly for this thesis, is the fact that social capital can operate to circumvent mobility, where downward-levelling norms associated with the so-called 'dark side' of social capital prevent group members from seeking advancement. These shortcomings temper the overwhelmingly positive support for social capital. The research to be conducted in this thesis will address some of these negatives issues.

By exploring the dynamics of support, this thesis will look at whether any initial social support accessed by financially excluded individuals can then develop into bonds that help them traverse the gap into mainstream financial system. With this in mind, this thesis is concerned with furthering our understanding of the types of networks available to the excluded, and further identifying what type of social capital could be relevant for addressing financial exclusion. As will be discussed in the following section, the type of network can significantly impact on whether financially excluded people will be able to connect with the mainstream.

3. Social Causes of Exclusion: Networks and the Mainstream

Given the benefits of social capital discussed above, it is clear that, despite several ongoing theoretical issues, social capital can help people achieve their goals (Putnam 2000). However, while it was shown that the resources available through social networks can, in certain instances, substitute for mainstream financial institutions, what is covered less well in the literature is whether recipients of such social supports can use their networks to transition into the mainstream financial system. Therefore, by seeking to understand the way in which social relations can facilitate or hinder individual decisions to engage with the mainstream financial system, I also endeavour to discover in this thesis how social capital can be used to build a more inclusive financial system.

It is widely acknowledged that social networks have a key role in the transmission of information and influencing behavioural choices (Capuano and Ramsay 2011; Meadows et al 2004; Putnam 2000). DiMaggio and Garip (2012:95) show that network effects arise “when the probability that an actor will adopt a practice is an increasing function of the number or proportion of persons in the actor’s social network who already have adopted that practice”. How does the behaviour of one’s peers affect financial decisions? There is evidence to suggest that support networks can be crucial to engagement with the mainstream. Notably, Meadows et al (2004:99) conclude “non-consumers of financial services are distinguishable from consumers only by belonging to social networks where financial services usage is relatively low”. In this way, for non-consumers, social networks can be seen to create social distance between the mainstream which can perpetuate financial exclusion.

Meadows et al (2004) specifically found that a person is more or less likely to use financial services if people in their social network use, or don’t use, such services. In fact, a person is twelve times more likely not to have an account if few, or none, of their social network have accounts. In a similar way, Tatarko and Schmidt (2012:4) claim that “social capital is associated with saving behaviour”. However, Beck et al (2009) see a critical problem in the context of financial services usage resulting from the fact that the “poor may not have anybody in their social network who understands the various services that are available to them. Lack of education may make it difficult for them to fill out loan applications”. This issue may cause particular problems when we consider that many people will seek financial advice from family and friends. Networks in this scenario, which are characterised by a degree of homophily, can exacerbate exclusion.

These findings reinforce the need for the right types of social networks and this argument is supported by Rajan (2006), the former chief economist of the International Monetary Fund, who suggested that social networks have an important function in being able to explain complex products. He argues that the “poor may have no one in their social network (and thus no one they trust) who knows the various financial transactions available. As a result, they may not know enough to choose wisely”. Clearly, when social networks are endowed with the necessary resources to assist its members they can play an important part in reducing barriers and support engagement with the mainstream.

One of the key advantages of financial inclusion is the ability to deal effectively with financial stress in unforseen events (HM Treasury 2007). Brackertz (2014:389) notes that in Australia “[f]inancial stress is an ongoing social and economic problem that causes individual hardship and affects the wider community”. Many surveys ask respondents whether they would be able to raise $2,000 in an emergency. Results suggest that many would find this difficult and such a situation can be classed as financial distress (Australian Bureau of Statistics 2011a; Wesley Mission 2009). This can either be a single unexpected and traumatic event or the result of a gradual build-up of smaller financial pressure which become unmanageable (HM Treasury 2007).

Those who are financially included are more likely to have several points of assistance as they may have banks, financial advisors or others to turn to. Using credit is now a commonly accepted means of managing household expenditures (Corrie 2011:36). In the case of excluded people, who do not have such formal means of coping with financial stress, this thesis will consider how their social networks assist in times of financial need. This follows research in other areas of social support which show, for instance, that isolated individuals are less able to buffer from health shocks (see Smith and Christakis 2008). In this vein, my research aims to see if isolated individuals are less able to buffer from financial shocks.

From a theoretical perspective, Coleman (1988:97), commenting on Granovetter, argues “there is a failure to recognize the importance of concrete personal relations and networks of relations – what he calls “embeddedness” – in generating trust, in establishing expectations, and in creating and enforcing norms”. From this perspective, excluded communities could draw upon social norms that exist in networks to encourage participation or take up of financial services. Importantly, therefore, I will examine in this thesis whether membership of social networks can subsequently lead to engagement with the mainstream by building social capital and inclusion.

4. Challenges with Social Approaches to Tackling Exclusion

Financial exclusion does not occur in a vacuum but rather against the back-drop of wider social policy challenges. Competition for limited government resources has been tested by the need to respond to Australian Government policy priorities in areas such as education and health care reform, declining tax revenues and the medium-term fiscal strategy of returning to a budget surplus. With such constraints on expenditure, the Australian Government has sought innovative solutions or alternatives to state-funded welfare. Increasing the stock of social capital has been advocated as a way of tackling social problems within this environment. Many have argued that building social capital can assist the rejuvenation of communities in decline and, as such, it became a ready policy prescription to social problems. For example, Perri 6 (1997:11) contends:

> Government should be enabling people to develop and use their networks. At the very least, it should stop reinforcing the wrong kinds of networks. That's where most job training has gone wrong. Placing unemployed people in a training room where they only meet other unemployed people much like themselves does nothing for their networks.

Thus, Putnam (1993b) argues strongly for "wise public policies to revitalize…stocks of social capital". In considering approaches to tackling exclusion, Perri 6 (1997a; 1997b) argues that policies cannot just focus on improving human capital because exclusion is also affected by the lack of social capital and the existence of "network poverty". As such, people who don't have access to networks can be called people who are suffering from network poverty or disadvantage, which, for many, would exacerbate other forms of existing disadvantage. It is unsurprising then that research has shown that social capital and social networks have successfully been used in addressing poverty, particularly at the local level in the development context, where policy makers increasingly recognise the social dimensions of economic growth (Rankin 2002).

In the development of policy, Cox and Caldwell (2000:65) contend that local-level/place based interventions are more sensitive and effective than central governments in generating social capital. Although, where programs might be targeted at culturally diverse settings, Meredyth et al (2002) found that language and ethnicity were significant barriers to participation in community groups and bridging social capital. Policy development utilising social capital can be complex and there has been occasion where state intervention has led to unintended consequences. For example, the Performance and Innovation Unit (2002) highlight the case of housing renewal projects which, whilst a well-intended policy aimed at improving the quality of housing stocks, had the effect of demolishing old networks at the same time as the dilapidated buildings.

Drawing on social relations is inherently problematic. Field (2003:133) identifies one critical issue as being, simply, that governments cannot force people to like one another. The argument is that social capital can only be generated by civil society. Any attempt otherwise may create conflict between the formal and informal institutions (Dhesi 2000). Caution must be exercised here because attempting to artificially stimulate social relations is also inherently problematic if long-term path dependence and context influences the creation of social capital, in a situation where short-term government intervention is prescribed as the solution (Field 2003; Onyx and Leonard 2010; Putnam 1993a). This issue is compounded to the extent that many communities in which such policies are targeted are characterised by transient populations that circumvents the building of social capital.

Fukuyama (2001:18) claims excessive state intervention "can have serious negative impact on social capital" where it encroaches on individual freedom. Portes and Landolt (2000) go further to see the promotion of social capital as some form of social engineering. On the other hand, governments, through the promotion of social capital can be seen attempting to create an environment in which civil society can flourish. The approach to the implementation of such policies has tended to provide people with the opportunity to participate, either directly or through government funded intermediaries.

These policies are premised on providing an environment which is conducive to establishing the lives that people want to lead and value (see Pearson 2005; Sen 1999). In Australia, for instance, the freedom to choose the lives that people want to live is central to the wellbeing framework that guides policy-making (Treasury 2004). Importantly, individual choice remains with only those who want to engage doing so and there is a recognition that some people will continue to voluntarily self-exclude.

However, these debates are, as Woolcock (1998:156-7) observes, ones that create a contradiction between some pundits concerning the role of the state and those who lament a loss of community in the tradition of Tonnies (1887). The alternative is that less state welfare creates voluntary organisations rich in social capital that have been previously crowded out by government institutions. Here, governments can play a role by providing support for community self-help and mutual aid groups, that is, through subsidiary support (Wann 1995, cited in Field 2003).

There are also arguments as to whether governments can harness social capital to successfully intervene in the first place. Winter (2000:31), for example, claims that social capital has become “a part of the battle to find a new social contract between governments and citizens to replace the embattled welfare state”. In this context, on a rather cynical level, some see that governments have been more than willing to promote social capital and networks because these concepts are “free” and present an opportunity to reduce expenditure on welfare and service delivery. Nevertheless, what has emerged, as Cox and Caldwell (2000:70) emphasise, is the perception that the “marker for policy-making that is informed by social capital theory must be inclusiveness”. So, with governments increasingly recognising the role of social capital and social networks, and the potential they can offer in addressing social policy challenges such as financial exclusion, it is hoped that the results of this thesis will assist policy makers in formulating responses.

5. The Importance of Tackling Exclusion

> “When people are . . . utterly destitute, they need their entire income, or more, just to survive. There is no margin of income above survival that can be invested for the future. This is the main reason why the poorest of the poor are most prone to becoming trapped with low or negative economic growth rates. They are too poor to save for the future and thereby accumulate the capital that could pull them out of their current misery.” (Sachs 2005:56–57)

Social and financial exclusion can have serious consequences for excluded individuals and society as a whole. For instance, Friedman (2001:142) states that those on the fringe such as “welfare recipients and very low income individuals tend to be isolated and marginalized from the active life of the community…[and]…face obstacles in building the networks and relationships so critical to their survival and success”. By contrast, Woolcock (2001a) contends that the ability to participate in the market eventually leads to involvement in all aspects of mainstream society. Therefore, the importance of generating opportunities for marginalised people to become involved in society and to accumulate capital cannot be overstated. Inclusive growth is particularly important in the case of Australia as argued by Smyth and Buchanan (2013). Financial inclusion can also have a significant positive impact on the Australian economy (Good Shepherd Microfinance 2014). As the Sachs quotation above illustrates, without the ability to participate and advance above subsistence the cycle of poverty will continue.

Landvogt (2008) recommended that financial inclusion strategies be included in community development programs as a way to strengthen community participation because, particularly for women, connections with others, especially those in similar circumstances, are critical to dealing with crises and that connections made through community organisations are remarkably helpful in motivating people to undertake better financial behaviours and skills. With this in mind, the place of microfinance organisations in developed country like Australia will be examined. As Dale et al (2012:311) assert in the context of the Good Shepherd No Interest Loan Scheme “the role of microfinance is to provide a path to engagement with mainstream lenders through access to financial literacy and affordable credit for asset-building". The role of individual skills and confidence in dealing with the mainstream will also be considered.

Unfortunately, those with lower stocks of financial capital are often the ones with lower stocks of cultural and social capital (Field 2003). Hogan and Owen (2000:102) assert "there can be no doubt that the impact of socio-economic status is considerable and pervasive" on the generation of social capital. Herein lies the power of networks – they can work to overcome particular barriers to inclusion through the provision of social support and by encouraging participation. Therefore, this thesis focuses on exploring how network mechanisms may offer an alternative solution to move people away from the fringe market into the mainstream financial market by encouraging participation and then keeping people in the mainstream once they have joined.

Field (2005:152) suggests that "[i]f people's networks serve to promote or block access to resources, it follows that they also play a part in reinforcing inequality, or may help to compensate for the absence or weakness of other assets". Indeed, as was shown earlier the resources available through social networks can substitute for mainstream financial institutions. This feature of social networks can offer essential support to members of a network who are excluded from the mainstream. In doing so, social networks provide an innovative means by which to promote financial inclusion in Australia. While realistically full inclusion is perhaps unattainable, we can envisage how an inclusive society may look.

Keister (2002:53) claims that "financial relations are social relations" – that financial systems can be studied from the perspective of social structure. Indeed, studying the way in which the financially excluded interact with the mainstream financial system becomes worthwhile if it can shed light on avenues for inclusion. This thesis will also look in detail at the mechanisms of interpersonal relations that make accessing the benefits of social capital possible. It will consider how effective social networks are at increasing financial inclusion in target communities. Through the interface between the social and the financial spheres inherent in my questions, I aim to fill an important gap in the sociological literature.

6. Conclusion and Thesis Outline

This chapter introduced the issue of financial exclusion as well as the concepts of social networks and social capital. Consideration was given to the social causes of exclusion and the role of social networks in influencing the behavioural choices people make. This chapter also highlighted the instrumental benefits associated with social capital and the possible use of social support networks as a way to overcome financial exclusion. Ultimately, it is argued that promoting engagement with the mainstream financial system will lead to greater social participation. Throughout the discussion, an indication of the research questions to be considered in this thesis were provided, including the focus on identifying the types of social networks that the financially excluded possess and gaining a better understanding of the impact financial exclusion has on the lived experience of financially excluded people in Australia. A summary of the research questions to be more formally stated in the Methodology Chapter is provided in Box 1 below.

Box 1: Summary of Research Questions

- Social Networks Types: What types of social networks do the financially excluded have?
  - Social Networks and Social Support: What are the dynamics of the social support available to the financially excluded?
  - Social Networks and Mainstreaming: In what way can the social networks of the financial excluded assist them to join the mainstream?
  - Social Networks and Social Distance: In what way do social networks influence engagement with the mainstream through social distance?
- Experiences of Financial Exclusion: What are the social consequences of financial exclusion?
  - Client Experiences with Microfinance Programs: How do microfinance programs alleviate financial exclusion?

The remaining part of this chapter will outline each of the chapters that comprise this thesis.

Chapter 2: The Challenge of Social and Financial Exclusion

In the first of the chapters reviewing the extant literature, a history of the development of social exclusion will be provided, as will a number of definitions of the concept. We see that social exclusion has its lineage in the earlier discourses on social work and poverty. It will be noted that modern interpretations of the concept clearly focus on exclusion as a process with multiple facets. European and British conceptions are seen to have influenced Australian approaches to social exclusion. A number of government interventions aimed at tacking exclusion will also be discussed. The chapter will focus on one particular aspect of social exclusion, which is exclusion from participation in the mainstream financial system. The role of credit exclusion as the predominant form of financial exclusion is the problem around which this thesis is structured.

Chapter 3: Social Capital

In the second of the literature review chapters, the development of the concept of social capital will be considered with reference to the work of its three so-called founding fathers, namely Robert Putnam, Pierre Bourdieu and James Coleman. Each author offers a different interpretation of the concept and this has significant consequences for the potential application of social capital to tackling social problems. Definitions will consider the place of norms, trust and reciprocity, in addition to the influence of social structure, in determining access to resources. While much of the chapter will concentrate on the positive benefits of social capital, criticisms of the concept will also be covered. In particular, questions about the measurement of benefits and the so-called ‘dark side’ or negative impacts of social capital will be considered.

Chapter 4: Social Networks

The final chapter to review prior research focuses upon social networks as the central element of social capital. A history of social network research is provided and will explore how networks impact on behaviour and provide social support. Several key theories that break down the structure of networks, such as structural holes, small worlds and the strength of weak ties, will be highlighted for their potential application to understanding solutions to financial exclusion. Various types of network models are also presented with bridging networks put forward as the most important in terms of facilitating inclusion. Social network analysis is discussed in this chapter as a better way of quantifying the instrumental benefits of networks and for understanding the mechanisms through which the benefits operate.

Chapter 5: Methodology

The methodology chapter will outline the key research questions to be answered in this thesis. Specifically, I will explain my two central aims, which are to document the types of social networks that the financially excluded have and to explore the lived experience of financial exclusion. A detailed explanation of the No Interest Loan Scheme (NILS) case study will be provided, as will a description of the locations in which my fieldwork was undertaken. The process for collecting my empirical data through in-depth interviews with clients of the NILS is outlined. Delving into the quality of the social relations may enable the discovery of the way in which people use social capital or their networks. By using social network analysis it is hoped that the thesis can add further insights into the way in which the measurement of social capital benefits can occur.

Chapter 6: Social Support Networks and Financial Exclusion

The role of social networks in mitigating the effects of financial exclusion will be presented in this chapter by focussing on the availability and dynamics of social support. Assistance offered by a social network can work on various levels. For instance, a network might help people to meet a temporary shortfall in everyday living expenses. Members of a network may lend others money or provide non-monetary in kind support. Of particular interest is analysing the capacity of social networks to offer support and the circumstances under which support is given and received. One issue in this context that needs to be drawn out is how relationships may be strained when people ask friends for help. In considering the provision of social support, this chapter will also continue to document the types of social networks that the financially excluded have and examine which are most useful in providing support. This chapter looks at the networks of NILS clients in more detail and will establish whether they have networks capable of providing social support.

Chapter 7: The Social Causes of Financial Exclusion

The second results chapter will analyse the social reasons for financial exclusion by exploring in greater detail the previous interactions my respondents had with mainstream financial institutions. In particular, this chapter will document how negative experiences have left an indelible mark on many financially excluded people to the extent that they now avoided using mainstream credit providers. The concept of social distance will be used to analyse how the differences that have emerged between mainstream providers and excluded people perpetuates exclusion and maintains disadvantage. It will be revealed that a degree of homophily exists amongst NILS clients that can be interpreted as reinforcing downward-levelling norms which impact social distance. The second part of this chapter will demonstrate how microfinance organisations can help to break down social distance and financial exclusion through the provision of affordable and appropriate financial products to low income Australians.

Chapter 8: The Reality of Financial Exclusion and Engaging with the Mainstream

Financial exclusion can result from a multitude of factors which may affect an individual's personal circumstances, including a lack of education or low socio-economic status. Financial exclusion may also be caused by factors on the supply-side of markets. That is, actions taken by financial institutions that limit the range of services available in particular regions, or by restricting access through stringent application processes and criteria. Therefore, a primary function of this thesis is to document financial exclusion. This chapter will demonstrate that exclusion is a practical issue through a discussion of the lived experience of NILS clients in order to both show that financial exclusion exists and to understand the impact of the program. One of the keys to furthering our understanding of the place of microfinance in Australia and to assist in future policy making is determining how participation in NILS increased inclusion, skills and/or interaction with the mainstream.

Chapter 9: Conclusion

The conclusion will bring together the empirical and theoretical contributions from my research. In seeking a more detailed understanding of social capital through social network analysis, the central aim of my thesis was determining how social networks might help to overcome financial exclusion and connect the excluded to the mainstream. It became apparent that social inclusion did rely on stocks of social capital and that those people who did not have social support available to them experienced greater challenges from financial exclusion. It is hoped that understanding the process of exclusion as presented in this thesis will help in the development of an approach better equipped to identify community service needs and to contribute to community planning. I will provide a brief consideration of how the lessons that come from my results can be utilised in government policy responses to tackling both financial and social exclusion and increasing participation in the mainstream. Finally, directions for future research will conclude this thesis.

Chapter Two: The Challenge of Social and Financial Exclusion

1. Introduction

In both developed and developing economies alike, the challenges of poverty, deprivation and disadvantage persist. The concept of social exclusion has gained prominence as a way of conceptualising these issues as policy makers, academics and civil society have searched for answers to these enduring challenges. Indeed, social exclusion has now become a pressing social policy concern in Australia (Saunders 2003; Silver 2010). In its broadest sense, the term social exclusion has come to describe the situation where some people are, for one reason or another, unable to participate in mainstream society. However, this simple characterisation of social exclusion belies a number of significant nuances and complexities within the concept.

Seen in the most positive light, the emergence of social exclusion is thought to have resulted from the pursuit of innovative social policy responses to address the problems associated with disadvantage. This is coupled with the belief that remedies framed in terms of the empowerment and capabilities of the excluded are progressive (Nolan and Whelan 1996). Cast in a more sceptical light, some argue that, given the reality of long-term poverty, shifting the debate towards a less stark description and expression, such as social exclusion, is merely a way of diverting attention away from the inability of governments to make inroads in addressing the issue and, ultimately, their responsibility for its continued existence (Pierson 2002).

Within this context, this thesis is concerned with one particular aspect of social exclusion as it relates to exclusion from the mainstream financial system. To understand this form of exclusion, and contextualise the motivation behind my research, it is first necessary to discuss social exclusion in more detail. The following section will elaborate on the history and the discourse that has ensued since the concept of social exclusion gained increasing traction by governments as a means of addressing serious social policy issues, including by discussing antecedent concepts in the fields of social work and poverty research.

The remainder of the chapter will then focus on explaining the causes and consequences of financial exclusion, together with a discussion of government approaches to tackling financial exclusion.

2. Definition of Social Exclusion

A precise definition of social exclusion remains elusive (Buck 2001; Hayes et al 2008; Levitas 1998; Saunders 2003). This is primarily due to the fact that the concept itself remains contested (Burchardt et al 2002a; Byrne 2005). In essence "[a]n individual is socially excluded if he or she does not participate in key activities of the society in which he or she lives" (Burchardt et al 2002b:30). With such an open-ended definition, it is easy to see why, at first, it may seem that the list of problems encompassed by the concept of social exclusion is indiscriminate, or, indeed, over inclusionary (Sen 2000).

Although the definition proposed by Burchardt et al (2002b) can be, at its core, taken to be true, such a simple conception leaves open many questions. For instance, Saunders (2003) suggests any definition must necessarily take account of the distinction between legitimate and discriminatory exclusion, as well as voluntary and involuntary exclusion, in order for it to have relevance to social policy. Likewise, Sen (2000:28) delineates active versus passive exclusion and identifies the possibility that forms of "unfavourable inclusion" can exist. These shortcomings become important when developing responses to exclusion. Therefore, we can turn to a more comprehensive definition provided by Pierson (2010:12) which sees social exclusion as:

> a process that deprives individuals and families, groups and neighbourhoods of the resources required for participation in the social, economic and political activity of society as a whole. This process is primarily a consequence of poverty and low income, but other factors such as discrimination, low educational attainment and depleted living environments also underpin it. Through this process people are cut off for a significant period in their lives from institutions and services, social networks and developmental opportunities that the great majority of a society enjoys.

In a similar vein, although more succinctly, Perri 6 (1997:2) proposes a shorter definition of social exclusion as being the "*loss of access to the most important life chances* that a modern society offers, where those chances connect individuals to the mainstream of life in that society" (emphasis in original). Here, the focus is on those excluded from participating in the mainstream life of a society, including from "jobs, education, homes, leisure, civic organisations, and even voting, and on how this disconnection tends to coincide with vulnerability to poverty, crime and family breakdown" (Perri 6, 1997:3).

There are several important things to note about Perri 6's and Pierson's definitions as they will inform the questions developed later in this thesis. First, the definitions consider exclusion to be a process and see exclusion as encompassing an individual's resource constraints, which are not limited to the material realm (see also Silver 2007). Rather, features of the social environment and social structure also play a part in creating exclusion. As Byrne (1999) asserts, better definitions of exclusion should include the role of unequal power, not just material inequality and, in so doing, acknowledge that there are those who are excluded and those who do the excluding. Secondly, what the definitions make explicit is the notion that exclusion is multi-dimensional, so exclusion in one area may lead to deprivation and exclusion from other areas (Buck 2001; Burchardt et al 2002b; Daly and Silver 2008; Sen 2000). Given such complexity, the lesson for dealing with social exclusion is that by being a multifaceted problem it will need a multifaceted solution (Corrie 2011; Hayes et al 2008; Levitas 1998).

Several key facets or dimensions of exclusion are commonly identified (Bradshaw 2003; Burchardt et al 2002b; Saunders 2003). The first is consumption-related exclusion, which involves the inability to consume or purchase goods and services due to prohibitive costs or locational disadvantage. The lack of access to basic services, both public and private, can exacerbate consumption exclusion. The second dimension of production-related exclusion is linked to the first, in that labour market exclusion often means that an individual is unable to generate income needed for consumption. However, production-related exclusion also involves a lack of participation in social or volunteer activities.

The substantial contribution these activities make to national productivity is now recognised (Productivity Commission 2010). A third facet of exclusion is the lack of political engagement or involvement in decision-making processes.

A final form of exclusion results from exclusion from social interaction. A lack of social interaction affects the amount of emotional support people may draw on, the size of social networks or their level of integration in society. While Bradshaw (2003) found 54 per cent of people had at least some form of practical or emotional support, Saunders (2003) found the lack of social interaction the most prevalent form of exclusion. Exploring the impact this form of exclusion has on an individual's capacity to participate in mainstream society and also harness the instrumental benefits available through social networks becomes critical and, as will be explained below, is pivotal to the central research question to be investigated in this thesis.

2.1 The Lineage of Social Exclusion in Social Work and Poverty Research

In the late nineteenth and early twentieth centuries, Jane Addams established herself as a pioneer in the field of social work by founding settlement houses in inner-city Chicago, for which she was awarded the 1931 Nobel Peace Prize. In many ways, her work would lay the building blocks for modern efforts to tackle social exclusion. Through numerous volumes, Addams' (1899, 1910, 1911 and 1912) documented the nexus between social workers, their role in influencing government policy and assisting the socially and financially marginalised. Her works were early examples of networks in action, providing links between the poor, new immigrants and the wealthy. It also explored social support and relations in settlement communities. Addams' work was closely followed by Mary Richmond (1899, 1908 and 1922) who further demonstrated the role of social workers in alleviating poverty and providing support to the poor.

Subsequently, researchers like Judith Lee (1989) continued to focus upon the role of social workers, examining how they empower the poor and help people cope with disadvantage through group support. The social work research that has since followed in these pioneering footsteps has further developed the links between forms of exclusion, the impacts on people experiencing exclusion and the role of social workers in combating exclusion (Pierson 2002; Ward 2009). For example, Dowling (1999) showed that financial deprivation remains a key factor contributing to why the poor need to access services provided by social workers. Notably, it has been found that social workers can effectively help to reduce the financial exclusion and poverty of social services users by helping to establish credit unions in disadvantaged communities (Drakeford and Gregory 2008; Mantle and Backwith 2010).

In many ways, the more recent debates on inclusion and exclusion also have their origins in the earlier consideration of poverty. Indeed, a direct precursor to exclusion was perhaps provided by Townsend (1979) whose definition of relative poverty revolved around the inability of individuals who lack the resources to participate in activities of society. Such people were thus seen to be excluded. Is social exclusion then just a new name for poverty? Perri 6 (1997:3) believes it is not the same as poverty because "[n]ot all of those who are poor at any one time are socially excluded, although the long-term poor tend to become so. Moreover, not all those who are socially excluded are at any one time poor in income, although prolonged social exclusion often leads to poverty".

How then is social exclusion different from poverty as a concept? Compared to classical understandings of poverty and deprivation, the idea of exclusion differs in the approach and perspective it adopts in framing the underlying problem. Buck (2001:2262) suggests that the "concern is for whether individuals and households are unable to undertake various forms of consumption and social activity which might be considered to constitute full participation in society". Thus, expanding the tradition of Townsend, the focus has moved away from purely monetary based measures to incorporate non-monetary measures.

Levitas (1998) surmises that three competing discourses of social exclusion have emerged. First, is a redistributionist discourse that focuses on how poverty and social processes prevent participation. Second, is a moral underclass discourse that focuses on the cultural causes of dependency. The third and final discourse is a social integrationist discourse that revolves around the belief that the key is integration through the labour market. New debates on exclusion, therefore, move beyond the limited focus on income or physical resources that characterised the literature on poverty and, instead, elaborate on the processes and acts of exclusion (Byrne 2005; Hayes et al 2008; Saunders 2003; Vinson 2009). Reflecting this shift, some have also looked at expanding measures of poverty beyond income (see Saunders and Hill 2008).

Many of the theoretical underpinnings of this new exclusion literature are also linked with Sen's (1999) work on capability deprivation and the impact that it has on an individual's ability to participate in society. Indeed, looking at disadvantage from the perspective of exclusion has changed the focus from what individuals lack to what capabilities they have. Exclusion acknowledges that whilst income is vital, to focus only on this one measure is limiting to such an extent that, as noted above, it is argued that poverty is not a necessary prerequisite for exclusion (Hayes et al 2008; Whiteford 2001).

To reiterate the point, Whiteford (2001:66) notes "[n]ot all low-income people are excluded from society, nor do all excluded people have low income". In considering the issue Sen (2000:3) similarly argues "[w]e must look at impoverished lives, and not just at depleted wallets". Importantly, by using the term social exclusion in this way, we, as Byrne (2005) sees it, can begin to acknowledge that changes in society as a whole can impact markedly on individuals. It is here that the relational aspects of exclusion become relevant, and this again means moving away from an individualistic approach to one that considers networks and structures of inclusion.

However, some argue that exclusion is perhaps simply a new term to get away from the "deficit model of disadvantage" (Field 2003:122; Woolcock 2001b:15). For example, Byrne (2005) highlights structural exclusion based on post-industrial capitalism and he challenges the neo-liberal remedy which involves correcting individual skill set deficits and increasing competitiveness in the market place. Yet, within this debate, he identifies two competing perspectives, which either blames individuals or society. Rather than looking at the redistributive functions of government, or an individual's own behaviour, the shift to inclusion-based concepts recognises both rights and responsibilities (Bradshaw 2003). This new mantra is embodied in government policies that attempt to give people ‘a hand up, not a hand out’[1]. Nevile (2005) sees this change as drawing on the development experience, while Martin (2004) argues that individuals are rational actors making choices and operating within social structures.

It is clear then that social exclusion as a concept differs from poverty in its approach to disadvantage. It changes the focus from the characteristics of the individual to incorporate a wider range of influences and a combination of contributing factors (Saunders 2003). This involves a more relational view of disadvantage, where the lack of support networks intensifies exclusion (Vinson 2009). What is more, social exclusion offers a reconceptualisation of poverty, a way of interpreting difference and a consideration of spatial dimensions of exclusion (Jones and Smyth 1999).

A corollary of the ongoing definitional debates is that it has meant that there is a lack of consensus about how to measure social exclusion. Indeed, the ability to measure the degree of inclusion or exclusion in a society is a matter of contention (Spoehr et al 2007). Some progress has been made, for example, with a number of studies proposing various indicators of exclusion (Chakravarty and D’Ambrosio 2006; Saunders et al 2007; Scutella et al 2009; Scutella and Wilkins 2010). A good example of efforts to quantify exclusion in Australia is provided by the Brotherhood of St Laurence and the Melbourne Institute (2012) who have created the ‘Social Exclusion Monitor’ which measures factors including gender, age, country of birth, Indigenous background, health, education, household type and housing. Nevertheless, given the multi-factorial nature of what is taken to constitute exclusion, efforts to refine these measures are likely to continue.

[1] For a practical example of this new approach in Australia, see Noel Pearson’s work with the Cape York Indigenous Communities and the ‘*Cape York Agenda*’ at www.cyi.org.au.

2.2 The Role of Government in Promoting Social Inclusion: European and Australian Perspectives

Given the definitions and theoretical underpinnings outlined above, the benefits for countries that promote inclusion should be apparent. Sen (1999) suggests that countries which are more inclusionary, especially in providing educational, economic and other social opportunities, succeed more than those that are exclusionary. Latham (2000:195) agrees, declaring that a "nation or community that excludes some of its members from economic and social participation wastes part of its human resources and potential". The negative consequences of social exclusion include the loss of output and skills, the possibility of psychological or other health issues, the loss of relations and motivation and weakening social values (Sen 2000).

These negative consequences lead Perri 6 (1997:4) to contend that the 'better off' are concerned with addressing exclusion because "the costs of social exclusion, in welfare support, policing and criminal justice, in lost competitiveness, and in quality of life fall upon the whole of society, whether through taxes to pay for benefits or through the costs of privately bought insurance and protection". Governments around the world, therefore, have a vested interest in addressing social exclusion. Indeed, the development of the concept of social exclusion, has been as much a result of policy-driven initiatives as it has academic deliberation – if not more so. The concept has had traction for some time with governments in Britain and Europe (Burchardt et al, 2002a; Byrne 2005; Silver 1994; Silver 2010). It can be traced back to Lenoir (1974), the French Secretary of State for Social Action, who labelled all those not covered by the French insurance system as '*les exclus*' (cited in Sen 2000; see also Silver 1994). The European tradition of social exclusion dealt predominantly with the status hierarchy. According to Whiteford (2001:66):

> European debates about social exclusion are more concerned with social relations and ruptures in the social contract. They are also implicitly focused on sub-sets of the low-income population who are distinguished within themselves and from the 'mainstream' by location, attitudes and behaviour.

The concept of social exclusion became popularised from a public policy perspective in the United Kingdom with the election of the Blair Labour Government in 1997, and was coupled with that government's 'Third Way' agenda. With this, social exclusion began to assume a more British perspective focused on participation in the market place (Whiteford 2001). The approach of the Blair Government was to accept that exclusion occurs on multiple linked levels – housing, employment, income, safety, health – requiring a concerted effort across government. This was evident with the establishment of the Social Inclusion Unit, later the Social Inclusion Taskforce, championed within the Prime Minister's Department. In constructing policy responses, three distinguishing levels of exclusion were used in the United Kingdom: wide exclusion (a single issue which affects a large number of people), deep (multi-layered exclusion) and concentrated (place-based) exclusion (Milliband 2006). Approaching the problem of exclusion from these three distinct understandings was the key to effective policy making in the United Kingdom.

The concept of social exclusion has had a relatively short history in Australian intellectual and policy debates, and initially suffered from a lack of appeal and ability to gain traction within the community (Bradshaw 2003; Saunders 2003). Early discussions of social exclusion followed the social integrationist approach and focussed on the link with labour market participation. Saunders (2003) saw that, in discourses under the Liberal/Coalition Howard Government that was in power for almost a decade beginning in 1996, welfare dependency was tied to social exclusion, with financial hardship considered to be one outcome of other more serious issues, including the lack of labour market participation. This focus was similar to what had previously occurred in Britain (Marston and Dee 2012; Silver 2010; Vinson 2009). Despite this interpretation of exclusion, there were examples of where the Howard Government attempted to tackle exclusion, through policies such as *Stronger Families and Communities,* although the term social exclusion was not specifically used (Department of Families and Community Services 2000). Nevertheless, in line with the multifaceted nature of exclusion, the strategy recognised that the best solutions are developed and delivered locally in partnership with others, including local organisations, volunteers, businesses, communities, families, individuals and all levels of government.

Discussions of exclusion in Australia gained greater attention in the public consciousness as a result of the increasing number of news reports about deceased people whose bodies were only found months after they had died (Braithwaite 2006; Sydney Morning Herald 2011). For instance, a growing number of cases, like that of an elderly lady in Melbourne 2003 found deceased after 23 months, led to initiatives such as 'talk to a neighbour day' (Neighbour Day 2011). Similarly, an awareness of the sense of social isolation created by the discovery of three such cases within six months of each other in Sydney public housing estates in 2006, including at the notorious 'Northcott blocks', prompted filmmakers to produce the documentary '*900 Neighbours*' about the issue (Farouque 2007). These stories reinforce the importance of social networks and the consequences of not having strong social interaction.

With the election of the Rudd Labor Government in 2007, social democratic values, social investment and social inclusion gained more prominence (Deeming 2014; Marston and Dee 2012; Silver 2010). Taking its cue from the policy work previously championed in Britain, the Rudd Government identified six priority areas: needs of jobless families, support for at risk children, locational targeting, homelessness, employment for those living with disability or mental illness and Indigenous Australians (Australian Social Inclusion Board 2010). Inclusion-related initiatives proliferated under the Rudd Government including the creation of Ministerial and Parliamentary Secretary positions with specific responsibility for social inclusion.

A Social Inclusion Board was established in May 2008 charged with developing and promoting the Government's inclusion agenda. In January 2010, the Australian Government launched a national social inclusion campaign, '*A Stronger, Fairer Australia*', which formalised its priorities in the hopes of achieving its aim of having all Australians being able to lead lives which they value and the opportunity to participate fully in society. Many of these federal government initiatives were matched at the state government level. In particular, the South Australian State Government's efforts to promote social inclusion were used as a model for the national strategy. In New South Wales (2009) and the Australian Capital Territory (2011) similar programs were also developed. With the multitude of programs and initiatives aimed at tackling exclusion it can be claimed that governments in Australia are taking the challenge extremely seriously. With a change of federal government in September 2013, the responsibilities for social inclusion transferred to the Department of Social Services.

While, unsurprisingly, the Australian approach to social exclusion has thus far followed closely the approach adopted by the United Kingdom, the interpretation of the European experience by Whiteford (2001) presents an opportunity to investigate alternative conceptions and applications of social exclusion. As Perri 6 (1997:2) asserts, amongst all the lessons learnt so far in policy making to tackle social exclusion, what becomes important is the recognition that:

> [a]t the heart of the strategy is the influencing of cultures and the building of social capital. Economic and financial tools such as changing the tax and benefit rules have an important place, but they are not enough on their own to tackle the systems that have created and sustain social exclusion.

Thus, although the government initiatives outlined above are commendable, governments need to be aware that the concept of social inclusion remains contested (Marston and Dee 2012) and that inclusive concepts can simultaneously exclude (Jackson 1999). Daly and Silver (2008) note that the terms inclusion and exclusion are not used interchangeably in the academic literature for this reason. In addition, the reverse of exclusion is not necessarily inclusion as there are degrees of inclusiveness and also negative forms of inclusion. Importantly, self-exclusion is often a choice exercised deliberately by those not wanting to participate in mainstream society.

The fundamental idea communicated by Perri 6 is the role of social relationships in preventing exclusion and promoting engagement with the mainstream. It takes a more holistic view of inclusion that will be useful in accounting for some of the ongoing debates about the concept. Following this lead, my thesis will investigate the way social capital can be used as a response to exclusion. Of particular interest is the extent to which the poor or excluded are able to develop and maintain distinctive support networks (Morris and Irwin 1992, cited in Bowring, 2000:171; see also Murphy 2011). Given the diverse nature of the exclusion problem, I have chosen to focus on that aspect of the concept which relates to financial exclusion as it arguably underpins interaction in all other spheres. The next section will provide a background and definition of financial exclusion.

3. Financial Inclusion

From the discussion in the previous section, it should be apparent that social exclusion exists on multiple levels and can occur as a result of multiple factors (Daly and Silver 2008; Silver 1994; Speak 2000). One key element that contributes to social exclusion in a developed nation such as Australia is an individual's ability to participate in the modern market economy, which is represented by their level of engagement with common financial products and systems. Those who are unable to engage are considered to be financially excluded and financial exclusion is an important sub-set of social exclusion. Reflecting on this link, Levitas (1998:41) notes that at the time it was established the Social Exclusion Unit in the United Kingdom was explicitly concerned with "the exclusion of sections of the population from access to financial services such as banks".

Financial exclusion as a stand-alone topic has now gained significant interest amongst researchers and policy-makers (Devlin 2005). However, the relationship between social and financial exclusion is complex as financial exclusion is often seen as both a cause and a consequence of social exclusion (Ayres-Wearne and Palafox 2005; Chant Link 2004). With this in mind, this thesis concentrates on the interaction between the social and the financial.

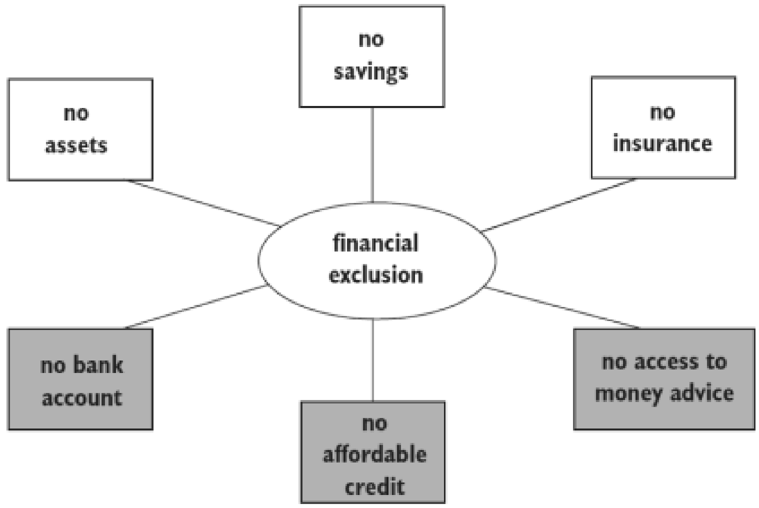
Ground breaking work on financial exclusion originated in the United Kingdom, where the challenge of financial exclusion was focussed on enabling full participation in modern social and economic life (Collard 2007; HM Treasury 2007). According to HM Treasury (2004:2) financial exclusion:

> can be a broad concept related to a lack of access to a range of financial services or a narrow concept reflecting particular circumstances such as: geographical exclusion; exclusion on the grounds that charges and prices are prohibitively high; or exclusion from marketing efforts.

We can see in this definition both social and market driven reasons for exclusion. Translated into practical terms, financial exclusion can, therefore, refer to the inability to access the mainstream financial system, financial markets, services or products. For example, the inability to create a bank account (transaction or savings), apply for a loan or credit, establish a credit rating or history, purchase insurance; or set up a business. Individuals who have skill deficits in the areas of budgeting or financial planning may also experience exclusion. The inability to access financial advice or counselling services may compound these factors. The impact of financial exclusion on the community more broadly can include increased demand or dependency on welfare, crime and, at the aggregate level, have economy-wide impacts through lost consumption and productivity (Good Shepherd Microfinance 2014).

The barriers for financially excluded people to access the mainstream are many, and mainly relate to cost, income and credit history (Appleyard 2012; Corrie 2011). Based on these barriers, various types of exclusion have resulted, including: geographic, access, marketing, self-exclusion, conditions-based and price exclusion or the lack of affordability (Kempson and Whyley 1999). The Centre for Social Impact (2012) also found that the prohibitive cost financial products, or 'cost exclusion', is a factor that contributes to financial exclusion. We can see the interaction of these issues in Figure 1 below. Of these, the failure to access appropriate credit was identified as the most important form of financial exclusion in Australia (Chant Link 2004:5).

Figure 1: Components of Financial Exclusion



Source: HM Treasury (2004:4)

In Australia, financial exclusion from basic products or services is incongruous with the general level of financial market sophistication in the economy. Yet, according to data from the 2010 Australian General Social Survey "[o]f adults aged 18 years and over, around one in 20 people (seven per cent) applying for some kind financial service or product reported that they had been excluded from that product" (Australian Bureau of Statistics 2011a:24). Having an application for a financial product rejected can be taken as one measure of financial exclusion. The Centre for Social Impact (2012:23) found the main reasons for being rejected by the mainstream were insufficient income 50.9 per cent and a poor credit record 33.3 per cent.

The consequences are real for excluded individuals, leading to higher transaction costs and barriers to participation, which perpetuate all forms of social exclusion. Even more fundamentally, this lack of inclusion can cause an inability to manage or plan. As Corrie (2011:7) suggests "access to credit and being in debt [has become] increasingly normal and almost a necessity to participate in economic life". In the United Kingdom, the real cost of exclusion for low-income families has been estimated as being greater than £1000 a year (HM Treasury 2007). For Australians, contributing to exclusion is the fact that the average cost of maintaining a basic low interest credit card has been found to be $808 a year (Centre for Social Impact 2012). The average cost increases almost $1,000 to $1,739 per year when basic transaction and insurance accounts are counted (Good Shepherd Microfinance 2014). It is also worth noting that having one bank account does not mean a person is included, as Collard et al (2001) see such a person is merely on the margins of financial services. Indeed, the absence of affordable mainstream transaction accounts remains conspicuous (Corrie 2011).

Importantly, the definition of financial exclusion will vary according to context. The problem of being ‘unbanked’ characterised the problem in the UK in the early 2000s, where up to twelve per cent of households lacked everyday bank accounts (Collard 2007; HM Treasury 2004). This problem does not hold in Australia (Corrie 2011; Howell and Wilson 2005). In comparison to the UK, only 3 per cent of Australians lack an everyday bank account (Chant Link 2004). More recent studies have claimed that the number of unbanked has reduced to approximately 2.2 per cent (Connolly et al 2011; Corrie 2011). This large difference may also explain why financial exclusion as an issue has more prominence in the UK. Indeed, Australia ranks extremely highly on account-based measures of exclusion relative to most other countries around the world (Demirgüç-Kunt and Klapper 2013). As such, in Australia, financial exclusion is better understood from the perspective of the lack of access to the mainstream credit market.

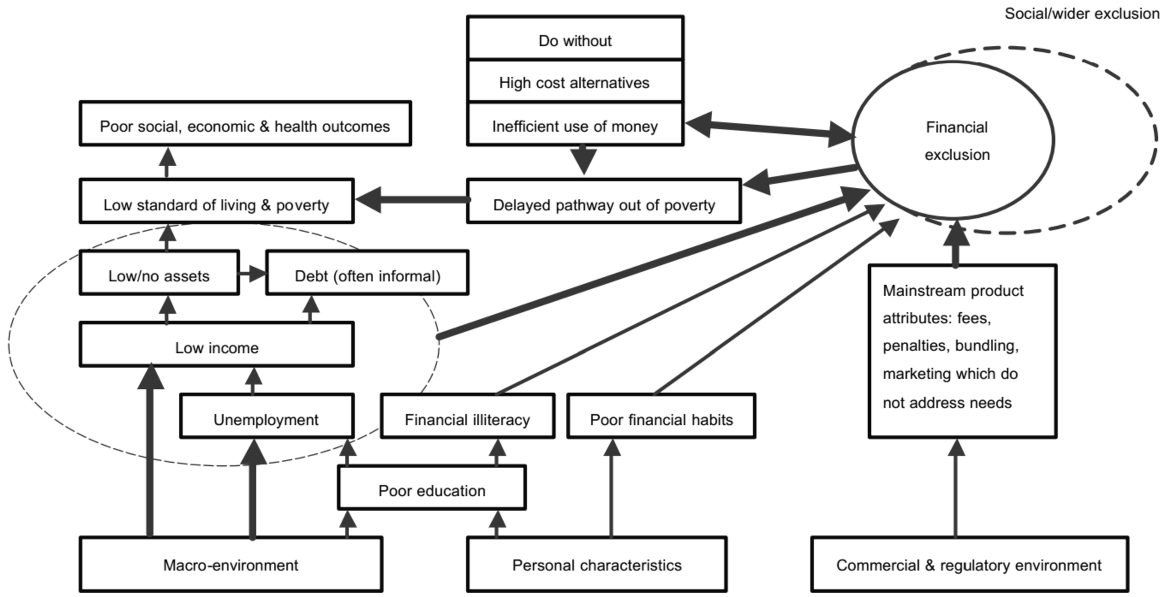
An early Australian definition provided by Chant Link and Associates (2004:5) defined financial exclusion as “the lack of access by certain consumers to appropriate low cost, fair and safe financial products and services from mainstream providers”. Drawing on that interpretation, and much like definitions of social exclusion, there are some who see the definition of financial exclusion as a process (see Corrie 2011; Financial Services Authority 2000; Leyshon and Thrift 1994). For instance, Burkett and Sheehan (2009:4) explain that financial exclusion is a “set of processes whereby a person, group or organisation lacks or is denied access to affordable, appropriate and fair financial services”. Notably, these definitions evoke issues not just to do with access but also elements of equity.

The emphasis on equity is perhaps unsurprising as, both in Australia and overseas, the profile of the financially excluded shows that they overwhelmingly score less on a range of key socio-economic attributes (Banks 2011; Devlin 2005). The most significant driver of exclusion is low income (Chant Link 2004). It affects the capacity of individuals to save, accumulate assets, seek credit and to hold a large number of financial products. Low incomes may make particular financial products have prohibitive transaction costs (Chant Link 2004:6). HM Treasury (2007) also found those with low income were twice as likely to be unbanked and more likely to have no savings and no credit. Other than income, the financially excluded tend to be unemployed and receiving welfare, living in government housing, a single parent and have low financial literacy (Centre for Social Impact 2014; Chant Link 2004; HM Treasury 2004).

When financial inclusion in Australia is measured according to the extent to which people hold products other than a basic transaction account, a more realistic picture of financial exclusion emerges. For instance, Corrie (2011:47) argues that "[o]wnership of insurance products is a vital component of financial inclusion", particularly as it protects people from financial shock. "Unfortunately", she goes onto say, "for those on low incomes who can least afford to absorb that shock, insurance is often out of reach".

The same could be said of other financial products such as personal loans and credit – those who most need it cannot afford to access it. In the case of insurance, Corrie (2011:48) noted that it was prioritised below other needs, and not considered worth it relative to the value of belongings. The interrelationships between the various components of financial exclusion are illustrated in Figure 2 below. We can see that macro-economic, personal and regulatory issues all impact on financial exclusion.

Figure 2: Model of Financial Exclusion



Source: Chant Link (2004:103)

3.1 Exit of Financial Services from Communities[2]

Some might obviously, or intuitively, suggest that exclusion can be explained by the spate of bank branch closures that occurred in the early 2000s, but this is not the case as it perhaps was in the 1990s. In fact, Australian Prudential and Regulatory Authority (2008) *Points of Presence* figures show that over the period 2001-2008 the number of bank branches actually increased by approximately 13 per cent.

More broadly, statistics published by the Reserve Bank of Australia (2015) show that the total points of access to the Australian payments system has grown from 41,900 in 1991 to over 930,000 in 2015. Much of this can be attributed to the growth of electronic funds transfer. Of course, this is not to discount the effect any such closures may have had. For

[2] While dealing with financial exclusion could be approached through systemic reforms, beyond this brief introduction, discussion of the structural issues is beyond the scope of this thesis.

instance, in the UK there is a desire to get banking services back into communities where branch closures have had a negative effect on inclusion, given that the market has not been able to meet the needs of the financially excluded (HM Treasury 2007; Speak 2000). However, there is no correlation in the UK between the lack of services and exclusion because most areas are well provided for (HM Treasury 2004).

The more important point is that, where there have been reduced services, it can act to perpetuate the social distance between banks and potential customers. Kempson and Whyley (1999:21) observed that "it was clear…that limited geographical access leads to a considerable psychological barrier. The feeling that financial services are not for households on very low incomes was similarly very widespread". Where there has been a withdrawal of financial services from disadvantaged communities a positive consequence has been that it has led to the rise of microfinance in place of mainstream institutions (Corrie 2011:6-7; Leyshon and Thrift 1994). The issues of social barriers and microfinancing alternatives are critical elements of the investigation in this thesis. As such, the following section will explore the social reasons for financial exclusion in more detail.

3.2 Social Reasons for Financial Exclusion

A range of social indicators, and financial indicators more broadly, relating to financial distress and the inability to get assistance in times of need contribute to financial exclusion (Australia Bureau of Statistics 2005; Australia Bureau of Statistics 2007; Bradshaw et al 1999; Wesley Mission 2009). Chant Link (2004:7) identified "a number of less important drivers, including psychological and disability related issues, a feeling of being excluded, membership of indigenous and other ethnic communities, geographic remoteness, lack of time (e.g. the working poor), lack of [computer or] internet access, and the availability of alternative/fringe financial products and suppliers".

Additional explanations about why some people stay outside the mainstream banking system, despite the availability of services, include the view that some people may experience forms of active or passive discrimination because of the policies of mainstream financial institutions, such as where financial institutions avoid lending small sums due to risk and profit considerations. Exclusion can also arise where lending procedures and criteria have been traditionally constructed in a way that all but prevents low-income individuals from successfully obtaining credit, or because they lack necessary assets or documentation (Karlan 2003; McDonnell 1999; Morduch 1999; Woolcock 1999; 2001a).

HM Treasury (2004) accept that information asymmetry, where the inability of lenders to assess prospect of profitability and/or to assess possibility of successful application for borrowers, creates a disincentive to even apply for credit. The complexity of many modern products can also be exclusionary to the extent that prospective customers are confused or do not understand products, and institutions are not willing to help poor understand documents (Beck et al 2009; Capuano and Ramsay 2011). In defining financial exclusion, HM Treasury (2004:2) note:

> Self exclusion is also important – where an individual believes there is little point in applying for a financial product because they expect to be refused, sometimes because of a previous experience of refusal, because they know someone else who has been refused, or because of a belief that 'they don't accept people who live round here, or who are like me'.

These situations create cultural barriers to inclusion, or social distance, where many disadvantaged individuals feel that participating or using financial institutions is 'not for people like us' or feel like second class citizens when approaching a mainstream bank (Kempson 2006). They are fearful that such services are only for the wealthy and may generally distrust banks, thinking somehow that they will lose control over their finances. Collard et al (2001:16) argued that "possibly the greatest barrier to accessing banking services was people's mistrust of banks and other financial institutions". Collard et al (2001:17) go on to suggest that the negative view of banks is "combined with a firmly entrenched 'received wisdom' that banks simply 'aren't for them'. Overcoming these psychological barriers will be vital in promoting financial inclusion".

Therefore, one social challenge to overcoming exclusion is the need to change perceptions. As will be discussed in more detail below, this is not to say that many disadvantaged people are not willing to participate in the mainstream. What makes the difference for some as to whether they engage with the mainstream or not is the extent to which family and friends participate. Here, we can see that social networks can play a significant role in either promoting inclusion or conversely, creating downward-levelling norms that continue cycles of exclusion as they are the channels through which people acquire beliefs and norms. Indeed, Field (2005:152) argues that if "people's networks serve to promote or block access to resources, it follows that they also play a part in reinforcing inequality, or may help to compensate for the absence or weakness of other assets".

The consequence is that some people will self-exclude from the mainstream (Connolly and Hajaj 2001; Financial Services Authority 2000). Although there is the problem of "unavoidable" demand for services by vulnerable people, in line with the idea of self-exclusion alluded to earlier, it should be noted that some people who have the access and the means to engage decide not to. Howell and Wilson (2005:3) state that "not everyone without credit wants or needs it" – making it difficult to determine the extent of exclusion. However, the more likely case, as Connolly et al (2011:25) found, is that there is "some evidence of self-exclusion exhibited by respondents, typically based on previous negative experiences with the banking system". Similarly, Ayers-Wearne and Palafox (2005:16) declare that in their study:

> self exclusion was based on the belief that they would not be eligible for a loan. The main reasons for this related to them either being in receipt of a government allowance or pension or having a poor credit rating…or because they would not be able to afford any of the loans on offer from mainstream financial services due to the high interest rates charged.

Self-exclusion is clearly complex, and as the quotation above attests, beliefs about eligibility, which may have come from past experiences, adds another layer of complexity to financial exclusion. The role of price-based exclusion has also been raised on numerous occasions in this context (Connolly et al 2011; Corrie 2011). That is, while people have access to basic financial products, these products are expensive relative to people's income levels. Therefore, questions of equity and the need for fair and appropriate products compound the social challenges of financial exclusion. What this section has shown is that tackling financial exclusion will involve tackling social barriers and the perceptions associated with engagement with the mainstream. The next section will discuss what is being done to tackle financial exclusion.

4. Government Approaches to Tackling Financial Exclusion

Given the consequences of financial exclusion for individuals, the community and society as a whole, there is a clear case for some form of government intervention. The World Bank (2008:14) argues "governments everywhere have an important role to play in building inclusive financial systems". HM Treasury (2004) see that there are three possible reasons for government intervention to address financial exclusion. The first is based on information asymmetry, where the inability of lenders to assess the prospect of profitability and/or to assess possibility of successful application for borrowers, creates a disincentive to even apply for credit. Second, financial exclusion can also create externalities or cause other deprivations that justify government intervention. Finally, intervention may be warranted on the grounds of distributional or social justice based concerns.

As was the case with social inclusion, it is useful to first examine how policy makers in the United Kingdom are looking at financial exclusion, as much of the original research and policy emanates from there. The issue of financial exclusion has had quite significant support from high levels of government, as evidenced by the launch of the Financial Inclusion Taskforce in 2005 and considerable work undertaken by HM Treasury (see 2004 and 2007) and the Financial Services Authority (see 2000). The original focus of British government intervention was on increasing access to banking and expanding the coverage of basic bank accounts, for example, through the Post Office system. This is particularly important as welfare and other payments are increasingly made electronically. Such basic banking products are also used in many everyday transactions.

Two other aspects of the initial program focussed on increasing access to affordable credit and access to free face-to-face money advice (HM Treasury 2004). Over time, government policy has shifted to a focus on skills and capacities, aimed, in particular, at ensuring that people have not only the products, but also the confidence to effectively manage money, plan for the future and cope with pressure and to deal effectively with financial distress (HM Treasury 2007). The British Government created a £120m Financial Inclusion Fund to assist with the establishment of basic bank accounts; increase available credit through the third sector (£6m); as well as funding to combat illegal lenders (Collard 2007).

All these initiatives have been geared towards addressing financial exclusion in the United Kingdom. However, as mentioned above, given the varying nature of the problem across nations, these responses are not entirely appropriate in the Australian context, where access to credit rather than basic services is the main problem. What are the goals for Australia? Research undertaken by Chant Link (2004) into the priorities for addressing the needs of the financially excluded found that the most important services needed were those relating to access to small personal loans, financial counselling when facing financial difficulty, and fairer or safer credit cards. These were followed by the need for savings accounts, transaction accounts, investment advice and enterprise support and insurance products.

In Australia, at the Federal level, early interventions emphasised financial literacy and consumer protection through strengthening the consumer credit code. This involved the creation of the Financial Literacy Foundation and the launching of numerous educational campaigns. Similar work was also undertaken by the Australian Securities and Investments Commission, which would eventually take over the functions of the Foundation (Australian Securities and Investments Commission 2015). The Federal welfare agency Centrelink also delivers the Commonwealth Financial Counselling services to its clients as well as a number of other financial management services

(Department of Social Services 2015). There are also discrete programs managed by other line agencies such as Money Story aimed at Indigenous Australians. As reported in the *Koori Mail* newspaper, it is "a financial literacy program that presents complex financial information in a way that does not rely on English literacy and literacy" (*Koori Mail* 2005:19).

Over the years the Australian Government has continued with its focus of education with the development of the National Financial Literacy Strategy in 2011 to provide a national direction for this priority area (Australian Securities and Investment Commission 2011). These information and advice services aim to equip people with the right information to make informed choices within the context of ever increasingly complex financial products. This focus could be attributed to concerns with the wider context of growing household and consumer debt in Australia. This initial focus differs from the access focus in the United Kingdom, but such initiatives now mirror trends occurring in other countries where the focus of policies aimed at tackling financial exclusion have accounted for both access issues and also providing people with the relevant skills and capabilities to engage with financial services (Kempson 2006; HM Treasury 2007).

Subsequently, in October 2009 the Australian Government announced, for the first time, a major $33 million funding package to support a partnership with the welfare sector to offer products targeted at low income earners. Further funding was allocated in the 2011 and 2015 Federal Budgets. Support had been given at the state government level for some time, with state governments providing funding to organisations engaged in microfinance initiatives such as the 'No Interest Loan Scheme' (NILS).

NILS provides small loans of between $800 to $1,200 for essential household items (not emergency relief), giving borrowers around 12 months to repay (specific conditions vary according to providers). Consistent with the profile of financially excluded individuals discussed above, over half the clients of an Australian microfinance institution earn less than $15,000, mainly from government income support. Furthermore, 35 per cent are in government housing, while another 15 per cent homeless or boarding (Care Financial Counselling Service 2011).

Other products targeted at low income earners included matched saving schemes and community education programs. Much of this is being done in partnership with mainstream banking institutions. For instance, the ANZ have matched savings accounts known as 'Saver Plus', with the NAB, Westpac and Bendigo banks all also offering similar products. As Dale et al (2012:307) note "there has been increasing recognition of the need for the provision of NILS by both the government and banking sectors".

In addition to the funding of NILS and Saver Plus programs, the Australian Government has invested in the establishment of Community Development Financial Institutions in unison with increased support for financial counselling services. In announcing these initiatives, the then Federal Minister for Families, Housing, Community Services and Indigenous Affairs, Jenny Macklin (2010), said that "[w]e need to give people not only the financial resources to participate but the opportunities and capabilities they need to build their own financial security…We also want to ensure that, where possible, financial inclusion services are a stepping stone to mainstream financial services and greater financial and social inclusion".

According to the Treasury (2012:ix) "increasing financial inclusion is a key policy goal of the Government". To this end, then Minister for Financial Services, Bill Shorten (2012) announced that new consumer protection laws passed the Australian House of Representatives to protect vulnerable people from exploitative and predatory short term lending providers by imposing strict conditions on loans, including capped interest rates. An unintended consequence of this legislation is that it removes a segment of the market, however predatory, that people did rely on. This being the case, the place of more equitable, appropriate and affordable options to fill this gap must be considered. It is, therefore, important to research how microfinance programs might play a role in leading to financial inclusion and participation in the mainstream for excluded people.

As Keister (2002:52) notes "asset accumulation can help low-income families if they have access to the financial institutions and receive targeted financial education to promote saving". This suggests that a response is needed on two levels and is consistent with the way in which Australian government responses to financial exclusion have been so far, with the initial focus on financial literacy and more recent shifts to supporting access to credit. Subsequent Australian Governments have championed this approach through continued investments in microfinance, with continued policy work being undertaken to shape microfinance in Australia (Department of Social Services 2014). Indeed, in announcing funding for microfinance and Financial Inclusion Action Plans, the Minister for Social Services, Scoot Morrison (2015) said that "these initiatives have a proven track record helping low income Australians…and deserve the support of the government". This approach also lends support to the focus of financial exclusion as being defined by the lack of access to credit, to which discussion now turns.

5. Access to Credit and the Fringe Market

The challenge of access can be summed up by the following scenario: people often need small amounts of credit for essentials goods and services, to pay bills or for small discretionary items. Unfortunately, for many, major banks or financial institutions usually do not offer such products. The only option remaining for many is to seek out fringe credit providers (Buckland 2012; Corrie 2011; Marston and Shevellar 2010; Shevellar and Marston 2011). As Keister (2002:52) observes "[c]onventional lenders neglect poor and minority communities, and these populations are served only by fringe institutions". Indeed, without alternatives many are forced as a last resort to use high cost lending outside the mainstream such as payday lenders, pawn brokers, or 'loan sharks' (Banks et al 2015; Burkett 2003; HM Treasury 2007).

These fringe providers are all too willing to exploit their clients and further exacerbate the problem of exclusion. Indeed, whilst meeting some kind of immediate need, use of these products is actually more likely to prolong hardship in the long term as continued use creates a cycle of disadvantage. This is understandable given effective interest rates can be anything up to 1300 per cent per annum (Gillam 2010; Office of Consumer and Business Affairs 2010). Furthermore, often people will rollover loans as they are unable to repay the original borrowing (Banks 2011). A study by Wilson (2002) found 65 per cent of customers are repeat borrowers, and the problem is growing with 2006 estimates of the number of fringe credit providers in Victoria suggesting that they constitute approximately 13.4 per cent of the total credit market. Other estimates suggest that the market has grown from $200m to $800m in a matter of years. When you consider the normal arguments about the predatory nature of many of these institutions the problem becomes obvious. The Australian Government recognises the problems associated with payday lending and through the Australian Securities and Investments Commission (2014) has taken significant enforcement action against payday lenders in order to ensure they are acting in accordance with new consumer protection laws.

This is not to say that all operators outside the mainstream behave in this way. Some have argued that payday lenders fill a necessary gap in the credit market (Dale et al 2012; Gillam 2010). However, at the more formalised end of the non-mainstream, lenders such as credit unions have been found to be useful in connecting people to the mainstream (HM Treasury 2004:34). In addition, community development financial institutions service disadvantaged communities offering services that are similar to microfinance in developing countries. As CGAP note in their *Access for All* report, the issue is not just about access but fair access and appropriate fees (Helms 2006).

Clearly, the ready availability of predatory fringe alternatives can contribute to the perpetuation of exclusion. Some have noted that microfinance can address the needs of the excluded to combat the fringe (Burkett 2003:5; Corrie 2011:116). Corrie (2011:57) says microfinance "offers people something that is safe, affordable and flexible, but also acts as a platform to interact with the mainstream". The next section looks at what research there is showing how microfinance works to provide a solution to the fringe and exclusion.

6. Australian Microfinance Research

Until very recently, there was a dearth of research into microfinance programs such as NILS (Burkett and Sheehan 2009; Corrie 2011; Dale et al 2012). Much of this was because financial exclusion as an issue was very much on the periphery of the social policy agenda. Of the work that had been done, Corrie (2011) noted that previous research into impacts was limited and that the focus had been on evaluations of outputs (Mouy 2011, cited in Corrie 2011). However, with the interest in social inclusion, and with the financial hardship wrecked by the Global Financial Crisis and increases in the general cost of living, issues related to financial inclusion and exclusion have gained momentum (Appleyard 2012).

A small number of studies have investigated the impact of microfinance on clients' lived experiences from financial literacy, relationships and participation (Ayres-Wearne and Palafox 2005; Centre for Social Impact 2014a; Corrie 2010). Ayers-Wearne and Palafox (2005:ii), for instance, in a study of 40 microfinance clients in New South Wales and Victoria aimed to:

> identify the benefits that people experience from being able to access a no interest loan, apart from addressing their immediate need for an essential household item or service. In particular, it seeks to explore with recipients the ways in which a [microfinance] loan enhances their financial literacy, strengthens individual and family functioning and encourages wider community participation.

Ayres-Wearne and Palafox (2005) concluded that NILS improved the lives of people experiencing financial hardship in a number of ways including by providing real solutions to essential needs, strengthening money management skills and changing attitudes towards money and the future. Similarly, the Centre for Social Impact (2014a:9) found 82 per cent of clients in their evaluation of NILS experienced a net improvement in social and economic outcomes.

Corrie (2011:3) in a longitudinal case study of 30 microfinance clients living in inner, outer, regional and Indigenous areas, had one primary research question: "In what ways does access to microfinance enable individuals and families to increase their financial inclusion, material wellbeing and social and economic participation and in what ways could this be improved?". She looked at the impact of geographical location and experiences between different groups such as Indigenous Australians, newly-arrived migrants and sole parents. The impact was in terms of changes to behaviour, sustainable or not, and "flow-on effects that enabled greater participation" (Corrie 2011:27). Importantly, Corrie (2011:ix) found that for some people who had "previously been in financially abusive relationships…[b]eing able to access a low or no interest loan was a way of rebuilding their confidence and…re-establish their lives". Corrie (2011:12), however, deliberately did not explicitly consider capability.

These studies are to be contrasted with Cabraal (2010) who investigated 38 women and focussed on capabilities and microfinance but also found that NILS does make people feel more included in society. Similarly, Mouy (2010) looked at 39 NILS clients and found it made a significant difference to their quality of life outcomes. Furthermore, while people may use the fringe or products such as NILS (Centre for Social Impact 2012:8) it has also been found that "[u]nfortunately, use of community services such as NILS or a financial counsellor was very low" (Centre for Social Impact 2012:24). Within the context of this limited number of studies, there is a need to look further into the utility of programs such as NILS.

7. Conclusion

This chapter has examined the history and development of social and financial exclusion. It was made clear that both concepts manifest in processes that prevent individuals engaging with the mainstream. The central focus of this thesis is on financial exclusion and on the role social networks can impact on engagement with mainstream financial services. With this in mind, there are several opportunities for further investigations into ways to tackle financial exclusion, in particular, determining what the social barriers to inclusion are. For instance, Chant Link (2005:162) suggests that questions relating to self-exclusion could be one avenue of future research into financial exclusion in Australia. In this light, two possible questions emerge. The first, concerns the extent to which past experiences continue to influence the choice not to participate. Second, while previous studies have identified self-exclusion, in studies based in Australia they have not considered the role of networks in influencing this decision. This particularly important if social structure is seen as shaping the processes of exclusion.

Of the many questions in Ayres-Wearne and Palafox's (2005:7) study, three were especially important to better understand how microfinance programs, such as NILS, can lead to financial inclusion:

- How access to a NILS loan has facilitated greater participation in their local community, including involvement in community groups, volunteering or employment.

- How participation in a NILS program has assisted their access to mainstream financial services.

- Whether any strategies can be identified that would assist them to gain more knowledge and skills about financial matters and money management tools.

When looking at European responses to social exclusion, Kearns and Parkinson (2001:2107) concluded that ultimately "mainstream programmes will in the end be more effective". To this end, we can infer that mainstreaming financial services in the case of the financially excluded areas should be the ultimate goal and the research to be conducted in this thesis aims to assist in achieving this. The next chapter continues this journey by looking at the place of social capital and how social relations may benefit the financially excluded.

Chapter Three: Social Capital

1. Introduction

The concept of social capital received an enormous amount of interest towards the end of the Twentieth Century. For academic researchers, policy-makers and community sector campaigners, social capital promised much as a tool for solving longstanding policy problems – including social exclusion. For advocates of social capital its utility lies in the significant tangible benefits it can provide individuals and communities. For instance, on an individual level, social capital is a source of income support, information and employment. At the collective level, it can enable safer communities and greater social cohesion. Even more fundamentally, social capital is seen to constitute the very fabric of society, weaving communities together and contributing to the intangible relations between people.

With the purported benefits of social capital in mind, the concept has been used to both explain and overcome relative and absolute disadvantage. More broadly, social capital has been used when discussing communities and addressing social problems (Bryson and Mowbray 2005; Latham 1998 and 2000). For many, social capital became an alternative to traditional economic concepts and theories pointing towards social remedies to social problems (Portes and Sensenbrenner 1993). This, perhaps, reflected a more general dissatisfaction with a rational action theory of utility maximising individuals. With a focus on the social value of human relationships, social capital embodies the belief that economic considerations alone do not provide incentive for collective action. It is also a recognition that social relations have a significant impact on economic action (Granovetter 1985). It is on this level that my thesis will operate, as social solutions to financial exclusion are sought.

However, for all the interest generated in social capital, it remains a contested issue. Whilst there is clearly strong support for the concept, this is far from universal. For instance, some argue that social scientists from fields other than economics have used the term ‘capital’ in order to gain credibility with the economic mainstream, but that this is not entirely beneficial, as it has affected the treatment of the sources, effects and measurement of social capital (Woolcock 1998). For others, social capital was merely a rediscovery of the longstanding sociological phenomena of networks and other sociological theories (Fischer 2005; Portes 1998; Woolcock 2001b). Furthermore, the utility of applying social capital in a practical policy sense has also been questioned as poverty and disadvantage persist in many societies.

Equally, therefore, there is much conjecture and scepticism surrounding the purported benefits of social capital. Negative consequences of social capital have been identified, including that it can maintain inequality (see Bourdieu’s definition below). At the same time, it is unclear exactly what it provides, as in many instances an exact definition of social capital is yet to be precisely specified. Thus, while some interpret social capital to be part of the very essence of society, this chapter will make clear that social capital is a concept which remains fraught with uncertainty.

Yet, social capital continues to capture the interest and imagination of researchers and remains relevant to social policy design and implementation – particularly to new policy challenges such as financial exclusion. The remainder of this chapter will trace the intellectual development of the concept of social capital, with particular reference to three prominent scholars – Putnam, Bourdieu and Coleman. Discussion will then turn to the various benefits attributed to social capital. In recognition that social capital may not always have positive consequences, the negative or ‘dark side’ of social capital will also be introduced, as will broader criticisms of the concept. The chapter will conclude with a focus on a key element of social capital – social networks.

2. Key Definitions

The use of the term social capital is evident throughout the early 1900s by authors such as L. Judson Hanifan, Jane Jacobs and Glen Loury (cited in Putnam 2000), but more notable works were produced by Bourdieu and Coleman in the 1980s. The general view that emerged through these writings saw social capital as involving, to various degrees, networks, solidarity, cooperation and community outcomes. However, it was only as a result of research undertaken by Robert Putnam in 1993, and the publication of his seminal book *'Bowling Alone'* in 2000, that social capital garnered immense popularity with the mainstream. Indeed, the resurgence of interest in social capital is largely attributable to Putnam's works and this goes a long way to explaining the subsequent burgeoning literature on social capital (Field 2003; Portes and Vickstrom 2011).

In its broadest sense, social capital refers to aspects of society such as trust, norms and networks that facilitate cooperation and collective action (Putnam 1993a; Rankin 2002). These social relations, usually characterised by reciprocity, can be drawn upon to further both individual and collective outcomes for mutual benefit (Cox 1995; Lin 2001; Winter 2000; Woolcock 1998). In all definitions of social capital a common theme emerges – that social capital is considered a resource for action (Burt 2000). For example, in Cox's view (1997, cited in Winter 2000:30), social capital: "is the factor which allows collective action in the public sphere and for the common good".

More formally, the World Bank (1998:1) considers that:

> The social capital of a society includes the institutions, the relationships, the attitudes and values that govern interactions among people and contribute to economic and social development. Social capital, however, is not simply the sum of institutions which underpin society, it is also the glue that holds them together. It includes the shared values and rules for social conduct expressed in personal relationships, trust, and a common sense of 'civic' responsibility, that makes society more than just a collection of individuals.

According to Putnam and Goss (2002), social capital can arise in many situations. Social capital can manifest in a formal sense, such as through organised clubs that have recognised office holders, rules and membership fees. It can also come about through informal social interaction, such as gatherings of people who frequent the same social establishments. On another level, social capital can come about through "thick" relationships that are interwoven and multi-stranded, existing on multiple levels of engagement. People who work and socialise together provide one example. On the other hand, social capital can also be created via so called “nodding acquaintances”. These “thin” relations can still be of significant benefit to the parties involved, for instance, by increasing the likelihood of the other coming to your aid in a time of need. As is considered in more detail below, the distinction between bridging and bonding forms of social capital will play a part in determining the types of benefits available to group members. First, however, the key contributors to the social capital literature will be considered.

2.1 Putnam’s Definition of Social Capital

According to Putnam (1993a:167), social capital refers to “those features of social organisation, such as trust, norms and networks, that can improve the efficiency of society by facilitating coordinated actions”. There are two elements of this definition which deserve attention. The first is that Putnam introduces the components of social capital: trust, norms and networks. Of these, Putnam sees social networks as being the central starting point for the generation of the other behaviours that build social capital. In broad terms, Putnam (2000:18-19) suggests that “the core idea of social capital theory is that social networks have value…social capital refers to connections among individuals – social networks and the norms of reciprocity and trustworthiness that arise from them”. The way in which social networks create social capital is by allowing trust to flourish – “I trust you, because I trust her and she assures me that she trusts you” (Putnam 1993a:169).

The interaction of the individual components of social capital leads to the second important facet of Putnam’s definition, which is that social capital is purposeful and beneficial. The capacity of trust and reciprocity to assist in the challenge of cooperation and collective action is what lies at the heart of social capital (Putnam 2000). Indeed, Putnam (1993b) contends that communities high in reciprocity find it easier to voluntarily cooperate. Thus, social capital can help to overcome problems referred to variously as the tragedy of the commons, public goods theory, the logic of collective action or game theory prisoners’ dilemmas (Putnam 1993b).

In seeking to apply social capital to real world issues, Putnam's work heavily emphasised the impact of social capital on civic engagement. His primary concern is how social capital works at the community level and he largely measures the level of social capital in terms of the level of civic participation (Portes and Vickstrom 2011). Much of Putnam's work occurs at the higher level of conceptualisation, linking the existence of social capital, as an essential precondition, to institutions such as democracy (Putnam and Goss 2002). Putnam's (1993a) focus on civic engagement stems from his belief that it reduces transaction costs and facilitates norms of reciprocity and cooperation, communication, reputation and trust. Importantly, civic engagement, in Putnam's view, is likely to be more cross-cutting across various segments rather than dense horizontal closed networks.

According to Putnam, it is the under-investment in social relations that has led to the decline in civic engagement. He does recognise that other changes in society have also impacted on the decline of social capital, including increasing work pressures, urban sprawl, the role of television and generational change (Putnam 2000:200). Siisiainen (2000) adds to this list the impact of mobility, women in the labour force and technology. Putnam (2000:115) questions whether the steady deterioration in regular contact people have with their friends and neighbours has "affected our propensity to pitch in on common tasks and to show consideration for bystanders".

However, a key criticism of Putnam's work on social capital is that he has not adequately considered the role of social structure. For instance, Siisiainen (2000) notes the absence of consideration of vertical dimensions of associations. This is unsurprising given Putnam's belief that the debate which "concerns the complicated casual nexus among the cultural norms and attitudes and the social structures and behavioural patterns that make up the civic community" is irrelevant (Putnam 1993a:180). Rather, Putnam believes that the elements are mutually reinforcing. This perhaps justifies his focus on the relationships and networks between individuals, or mutuality. In summarising Putnam's work, Hogan and Owen (2000:95) state that:

> Putnam seeks to challenge narrowly economic models of social development and political democracy…by trying to rekindle a very old – even ancient – debate about the relationship between ‘civic culture’ and democracy. The debate centres on the relative importance of the contribution that institutions on the one hand, and social norms and cultural practices on the other, make to the viability or stability of democratic political regimes…Putnam acknowledges that institutions matter but…argues that dense associational networks between citizens sustained by mores or ‘habits of the heart’ (or, in contemporary parlance, the ‘civic community’ or ‘civic culture’) also matter.

This is not to say though that Putnam does not acknowledge the relevance of social structure. In citing Coleman, he implicitly supports the contention that social capital is a public good and, as such, is an attribute of social structure (Putnam 1993a:170). However, Putnam only sees social structure as relevant in so far as it enables social capital to be considered a public good. Elsewhere, Putnam and Goss (2002:7) claim that social capital can be “simultaneously a private good and a public good. In many instances of social capital, some of the benefit goes to bystanders, while some of the benefits serve the immediate interest of the person making the investment”.

A critical interpretation of Putnam’s concern with path dependence, as evident in his findings of the difference between civic engagement in the various regions of Italy, must entail a consideration of whether the different type of social structure in each place will determine the success of social capital. Poignantly here, Putnam’s conception can be perceived as containing a weakness tending towards an over-socialised view of behaviour, with little scope for individual agency (Field 2003:39). For instance, much of the withdrawal from civic groups may also be a result of individual choice. This role of agency is a point which, according to Field (2003:39), Putnam neglects in his account.

Nevertheless, as Putnam (1993a:182) states “[s]ocial context and history profoundly condition the effectiveness of institutions”. Thus, where horizontal networks and institutions are present it is more likely that higher levels of social capital will also exist.

Where Putnam differs from other authors is that his conception of social capital largely resides in the realm of social norms. Bourdieu, on the other hand, recognises that the broad social structure and institutions also have a significant impact on the conceptualisation of social capital. This issue will be discussed in the following section.

2.2 Bourdieu's Definition of Social Capital

Bourdieu's study of social capital arose from his endeavours to identify the social effects of connections; that is, those relationships that can impact on an individual which are not properties over which they have sole control. For instance, Bourdieu (1986:56) sought to understand situations where "different individuals obtain very unequal profits from virtually equivalent (economic or cultural) capital, depending on the extent to which they can mobilize by proxy the capital of a group". According to Bourdieu then (1986:51) social capital is:

> the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition – or in other words, to membership in a group – which provides each of its members with the backing of the collectivity-owned capital, a 'credential' which entitles them to credit, in the various senses of the word.

In defining the accumulation of social capital, Bourdieu suggests that it is made up of the resources a person can access through his or her relationships, with the size of the network, and the amount of resources (economic, cultural or symbolic) each member of the group has, determining the amount of social capital available (Bourdieu 1986:51). In this way, by allowing individuals to draw on the resources of others, social capital acts as a multiplier of the capital an individual possesses. However, from this perspective an individual's stock of social capital appears a mere function of the number (size) of network connections they have, without reference to the quality of such membership, or whether benefits will immediately accrue at the existence of membership.

In addition, for Bourdieu (1986:54) the liquidity of social capital only exists if relationships have been established and maintained for a long time. For example, gratitude, the non-specific form of indebtedness, enables an individual to claim some form of obligation long after they have made an initial investment in sociability. This, according to Bourdieu, distinguishes the social from the economic, which is often more instantaneous (and is akin to the generalised reciprocity discussed by Putnam). Relying on the gratitude of others naturally carries with it an element of risk that the original investment will not be reciprocated or, as Bourdieu (1986:55) puts it, the: “risk of ingratitude”.

In either case, because it is institutionalised, social capital means that the individual needs to constantly invest in the relationships, requiring as Bourdieu (1986:52) puts it: “an endless effort”. Such continuous investment in relationships gives them the dual property of being “at once necessary and elective”, providing durable obligations built on a history of exchange. It is this “unceasing effort of sociability” upon which social capital is built, so it requires of time, energy and economic capital. To him, personalising gifts is an investment in this sense.

It is the properties of capital with which Bourdieu is most concerned and, in particular, with how different forms of capital underpin the very essence of the social world. The distribution of capital for Bourdieu is tied inseparably from the structure and functioning of society (Field 2003). As Bourdieu’s definition focuses on groups or networks as structures it is in stark contrast to Putnam. Bourdieu’s study of social capital is consistent with his description of economic capital and cultural capital. Bourdieu considers each to possess basic properties, such as the ability to be accumulated, for profits to be generated from them, and for the most part being in the embodied, objectified and institutionalised states. Bourdieu also sees the ability to convert from one form of capital to another.

Bourdieu believed that each form of capital was essentially derived from the economic form and that each, ultimately, leads to economic capital. This explains Bourdieu’s emphasis on the economic benefits to the individual. Bourdieu (1986:47) takes issue with economics as being the “virtual monopoly of the dominant class”. Thus, the acquisition of social capital for the individual becomes instrumental to the accumulation of economic capital, which is not particularly easy in some circumstances, or with some social structures, as social capital is also linked to power and ability or otherwise to access it. Social capital, though, seems to exist at a practical level and is socially instituted and maintained through exchange. In fact, “the profits which accrue from membership in a group are the basis of the solidarity which makes them possible” (Bourdieu 1986:51).

Through Bourdieu’s (1986:57) interpretation it becomes clear that there is very real value for those without much stock of social capital, particularly those “lower down the social hierarchy”, to seek to acquire more. Similarly, there is much less reason for those who already have it to share it with others (Field 2003). Woolcock (1998:156) sees Bourdieu’s idea of social capital as a “cultural mechanism used to define and reinforce the boundaries of particular status groups”. Indeed, Bourdieu (1986:53) considers the criteria for introducing new members of homogeneity to be important. Protecting the group through institutionalised delegation is also in this vein. As a way of reproducing the social structure, holders of capital also limit expansion of the group in order to maintain the power of the particular group in its particular field. Thus, Field (2003:19) sees Bourdieu’s lack of consideration of this dark side of social capital purely a function of Bourdieu’s definition which “is concerned precisely with the ways in which some groups manipulate their connections in their own interests”.

It is not apparent whether the ability to socialise is distributed unevenly between and within classes. There may be a well-founded argument that the upper classes may have more time available to engage in leisurely activities. However, if the differences only revolve around the type and expense of activity, it does not hold that social activities dominant in the lower classes are any less social and, in turn, any less capable of generating social capital. Furthermore, this whole line of thinking presupposes everyone wants to move from lower to upper classes, or that lower class socialising has nothing to offer. Thus, it is only when you add the further dimension of power into the social capital equation that class becomes evident. In the specific case of financial capital, social capital is largely controlled by the privileged classes. Field (2003:17) sees Bourdieu's conception then as "exclusive property of elites, designed to secure their relative position". Onyx and Leonard (2010:382) too see Bourdieu's social capital as "preserving class advantage". Social capital in this light "functions to reproduce inequality" (Field 2003:16), and contrasts markedly with the perceived benefits of social capital envisaged by policy makers who have sought to apply the concept to remedy social problems.

Portes (1998:3) sees Bourdieu's "treatment of the concept is instrumental, focusing on the benefits accruing to individuals by virtue of participation in groups and on the deliberate construction of sociability for the purpose of creating this resource". However, another issue with Bourdieu's account of social capital, which was alluded to earlier, is that membership in the group appears to be the main requirement. The quality of such membership, defined in terms of the amount an individual may need to participate in the group activities, or the levels of trust and reciprocity between the members, is absent from this definition. How this is overcome is not apparent, although Portes (1998) counters by noting Bourdieu's social capital can be broken down into social relationships, which allows the amount and quality of the resources in them to be examined.

Nevertheless, Bourdieu offered a significant contribution to the development of social capital theory, especially in delineating the various kinds of capital, and by showing how social capital can be used by the privileged classes to maintain their advantage, which is in contrast to the more positive interpretation provided by Putnam. Ultimately, Bourdieu's theory of social capital was rooted in class and power struggles. He was concerned with questions of unequal access to resources and the maintenance of power, in particular how capital may be used to define and reinforce boundaries, to maintain inequality. Thus, unlike Putnam, he saw social structure as being key to social capital.

Indeed, here, we can see a direct link to Bourdieu's other seminal contribution on *habitus*, where people are seen as products of the society in which they live, whose choices are therefore shaped by this habitus (Bourdieu 1989). However, Hogan and Owen (2000:78) consider that, while it is comprehensive, Bourdieu's account is "not without limits.

In particular, he limits the relational aspect of social capital to the size of the networks of connections to which a social actor has access. Here, we prefer Coleman's sense that what matters is not so much the scale of the social relationships but the qualities". The next section will consider the final of the three seminal social capital authors – James Coleman.

2.3 Coleman's Definition of Social Capital

In defining social capital, Coleman (1988:98) suggests that it consists of some aspect of social structure and facilitates certain actions within that structure "making possible the achievement of certain ends that in its absence would not be possible". Social capital seen in this light becomes a resource for action which "inheres in the structure of relations between actors and among actors" (1988:98). As social capital resides in relations, it is inwardly intangible and "comes about through changes in the relations among persons that facilitate action" (1988:100). Much like Bourdieu, Coleman sees social capital as inextricably linked to social structure. For Coleman (1988:101) the "function identified by the concept of "social capital" is the value of these aspects of social structure to actors as resources that they can use to achieve their interests". Much like Putnam, Coleman (1988:98) sees that "[l]ike other forms of capital, social capital is productive".

Coleman's interest in social capital rests in its use as a tool for analysing behaviour (social action), which brings together elements of both an economic rational action paradigm and a sociological perspective that asserts a central role for social context and organisation. Social capital, in this sense, avoids the pitfalls of a strict economic individualism, while recognising the influence of social structure on the choices of particular actors. Importantly, the place of social organisation is not such that problems of over-socialisation are allowed to persist. That is, whilst behaviour is clearly shaped by, for example, norms, networks and trust, individuals maintain a degree of autonomy (Coleman 1988). Put another way, individual decisions are made within their social context and not merely with an eye to maximising individual economic utility.

Outwardly, social capital, according to Coleman, manifests "first in the fact that it identifies certain aspects of social structure by their functions" (1988:101). Here, in the analysis of both individual and broader macro outcomes, social capital signals that: "something of value has been produced for those actors who have this resource available and that the value depends on social organization" (1988:101). This being the case, the possession of social capital by one individual, and not another, can explain different outcomes for those individuals. Similarly, for macro-level outcomes, social capital creates value stemming from social organisation.

However, a limitation of Coleman's approach is that it did not elaborate on how social capital creates value. For instance, Hogan and Owen (2000:79) consider that "Coleman fails to distinguish between what social capital is (a resource for action) and the processes through which these resources are accessed, accumulated and put to work". Hogan and Owen (2000:84) go further in saying that "we fail to see how he reconciles his insistence that social capital is not a property of individuals with his insistence that social capital is based on norms of mutual obligations and reciprocal expectations". There are many options for valuing social capital. For example, one might say that the value of social capital could be calculated using the value of the obligation or favour traded between members of a group. As we will see later in this chapter, research attempting to determine the value and components of social relations has become a second stage of analysis in the continued development of the concept of social capital.

Coleman (1988) divides the social relations resources that constitute social capital into three categories. The first are reciprocal obligations which are reliant on trust. These are what Coleman likes to call "credit slips". Where social capital is taken to arise in the form of obligations, "the analogy to financial capital is direct" and bad debts may occur (1988:102). Despite the fact that the obligations traded are not always direct equivalents, Coleman essentially claims that the more obligations flowing through the system, the more social capital that exists. Similarly, the extent of the obligations also influences social capital. Like Bourdieu, Coleman (1988:103) believes social capital amplifies the tangible resources: "by their availability to others when needed". Where individuals hold more obligations than others then their power within a social structure is enhanced – which can create hierarchical and exclusion issues.

The second element is what Coleman calls information channels. That is where people may acquire information "by use of social relations that are maintained for other purposes" (Coleman 1988:104). Relations here are valuable for the information they provide. The final element is the norms which are a form of social capital. Coleman especially considers those norms that make individuals act in the interest of the collectivity, rather than for self-interest, which are "important in overcoming the public goods problem that exists in collectivities" (Coleman 1988:105). Norms are reinforced by rewards and supported by sanctions. Coleman (1988) notes that norms can facilitate and constrain behaviour – which are not necessarily always negative or anti-social, but may also divert positive behaviour or innovation – and this can create opportunity costs.

Coleman (1988) elaborates on two key features of social structure that facilitate social capital. The first are closed social networks, which assist in the creation of effective norms by enabling sanctions which can monitor and guide behaviour (p107), and in which individuals are better able to combine forces to constrain the actions of common associates. Closure is also important for creating trustworthiness in social structure (p108). It enables, for instance, reputational effects to be built. The second feature of social structure that facilitates social capital is the role of appropriable social organisation; that is, organisations which are "brought into existence for one set of purposes, can aid others, thus constituting social capital available for use" (Coleman 1988:108).

Coleman tested his theory of social capital on benefits for education outcomes. He found that there were essentially two sources of social capital – within the family and outside the family. In the first instance, where parents invest the time to relate with their children (as a complement to human and physical capital), as opposed to other people or endeavours such as work, outcomes will improve. Thus, physical presence and actual attention represent measures of such social capital. Coleman shows this by looking at the dropout rates of high school students. Wider community relationships are also a form of social capital that influences educational outcomes. Field (2003:23) notes that Coleman and Hoffer (1987) found that communities are "a source of social capital that could offset some of the impact of social and economic disadvantage within the family". Coleman sees this as a measure of intergenerational closure and found where families moved often, "social relations that constitute social capital are broken" (Coleman 1988:113). Taking this idea forward, it is natural that transient populations find it more difficult to establish lasting bonds and, thus, social capital.

Coleman (1988) recognises that social capital, in contrast to other forms of capital, has the nature of a public good. Indeed, he contends, as "an attribute of the social structure in which a person is embedded, social capital is not the private property of any of the persons who benefit from it" (Coleman, cited in Putnam 1993a:170). That is, the benefits from social capital do not necessarily directly accrue to those whose efforts lead to its creation. Likewise, losses which come about from individual actions can constitute losses to others. Indeed, Coleman (1988:116) notes that "because social capital consists of relations among persons, other persons may experience extensive losses by the severance of those relations, a severance over which they had no control".

An issue that arises in this case is that public goods can lead to incentive problems, which do not exist to such an extent in the realm of private goods. Coleman (1988) sees underinvestment in social capital as the main consequence. For example, when seeking obligations or keeping trust, individuals do so primarily out of self-interest. Here, decisions to engage or not will also impact on the other party and subsequently on the generation of social capital. According to Coleman (1998:117), the establishment of norms is a different case where "benefits are ordinarily captured by those who are responsible for establishing them. But the capability of establishing and maintaining effective norms depends on properties of the social structure (such as closure) over which one actor does not have control".

Importantly, according to Coleman (1988:118) "most forms of social capital are created or destroyed as by-products of other activities [and] arises and disappears without anyone's willing into or out of being". The implication here is that as the conditions within the social structure decline, especially the presence of strong families and communities, so too will the outcomes for future generations decline. Coleman suggests that formal organisations, rather than voluntary ones, will become the main source of social capital in the future. Field (2003) suggests that given the organisations to which Coleman points, for example churches, are also on the wane, it may prove difficult. Indeed, whether formal organisations are able to provide equally relevant and productive forms of social capital remains to be seen.

Crucially, though, Field (2003:20) says that "Coleman was able to show that social capital was not limited to the powerful, but could also convey real benefits to poor and marginalised communities", which is at the heart of addressing exclusion. Thus, we see Coleman's definition as one that "bridged both individual and collective" (Field 2003:25). How these three definitions impact on the interpretation of the ability for the financially excluded to access the benefits of social capital will be considered towards the conclusion of this chapter. Before that, the following section will elaborate on the supposed benefits of social capital.

3. The Benefits of Social Capital

The benefits proponents argue arise from social capital are implicit in the definitions of social capital discussed above. For example, Portes (1998:6) contends that there is a general consensus that social capital "stands for the ability of actors to secure benefits by virtue of membership in social networks or other social structures". This begs the question: what exactly are the benefits of social capital? The precise nature of the benefits of social capital will vary on multiple levels, including between the individual and the community at large. At the individual level benefits will flow indirectly to society, by enabling people to function more autonomously. In the collective sense, there is a direct benefit to society in solving collective problems. The following section considers the benefits at each of these levels, with a picture emerging of how social capital can be used to help overcome exclusion.

3.1 Benefits to Communities

Looking at the community level, Woolcock (1998:155) believes that "one would expect communities blessed with high stocks of social capital to be safer, cleaner, wealthier, more literate, better governed, and generally "happier" than those with low stocks". This can lead to other benefits in terms of local services or resources, "ranging from job referrals, gardening equipment, and kitchen supplies to property surveillance, commuter transport, and child minding" (Woolcock 1998:171). On a more existential level, Putnam and Goss (2002:8) state "the single most common finding from a half century's research on the correlates of life satisfaction in countries around the globe is that happiness is best predicated by the breadth and depth of one's social connections".

Furthermore, there is a vast literature presenting a range of evidence to show that social capital, measured by various degrees of civic engagement, has positively influenced outcomes across multiple spheres including: improved educational outcomes; better health and wellbeing across mental health, illness, morbidity and mortality rates (see Berry and Welsh 2009); higher levels of entrepreneurialism (Kwon et al 2013); and reduced rates of crime through informal deterrent effects (Field 2003; Putnam 2000:291; Putnam and Goss 2002). Kilpatrick et al (2015) found that facilitating inclusion by building social capital has positive outcomes in terms of regional migration policy. Ultimately, Putnam (2000) asserts that social capital, by encouraging civic engagement, is important for democracy.

One explanation for how community level benefits occur rests in the aspect of social capital which enables collective action. It was mentioned earlier that social capital is useful for society by facilitating coordinated action (Putnam 1993a). Social capital has been shown to enhance the prospects for collective action where it otherwise would have little chance of success (Field 2003; Hunter 2000; Knack and Keefer 1997; Onyx 2000; Putnam and Goss 2002; Raub et al 2013; Stone et al 2003; Täube 2004). This being the case, Woolcock (1998:153) suggests, that in the absence of social capital, "seemingly obvious opportunities for mutually beneficial collective action are squandered".

Given these purported benefits, missing opportunities to solve collective problems is less than desirable.

Woolcock (1998) claims that the main culprit is trust, or rather the lack of it, and that this is where social capital is of assistance. Social capital can build generalised reciprocity through social interaction, which, in turn, will shape individual behaviours, including the likelihood of trust. In this way, the Australian Bureau of Statistics (2002:6) suggested "[r]eciprocity encourages the individual to balance their own self interest with the good of the community". Consequently, social capital deployed against community-wide problems should advance the common good (Cox 1995; Coleman 1988; Onyx 2000; Winter 2000).

A prime example of such coordinated action can be seen in the way social capital allows undertakings such as the rotating savings and credit associations (ROSCAs) to flourish through the norms and reputational effects that work to sanction individuals from deviating from the common good. It is also through networks of reciprocity that each participant receives benefits (Geertz 1962; Putnam 1993a). For instance, Putnam (1993a:168) sees that "[r]otating credit associations clearly violate the logic of collective action". This is because agreements that form the basis of these associations are not enforced by an outside third party. Enforcement stems from crucial reputational effects, which are founded on strong community norms. Such norms also work to reduce uncertainly and default risks. This kind of behaviour relies on trust, in the first instance, and the existence of sanctions, or adequate incentives to avoid 'free rider' problems, in the second instance.

In more recent studies undertaken by Feigenberg et al (2010); Feigenberg et al (2014) and Field et al (2013), it was shown that low microfinance default rates were a function of not only existing social capital, but how microfinance can build new social capital among participants. For Putnam (1993a:171) then, such mutual cooperation and benefit can only arise where norms and networks go on to create the social trust needed to cooperate in complex impersonal societies. Here, we see that social capital reduces incentives for individual opportunism and malfeasance (Putnam and Goss 2002). It can be argued that some of these specific benefits eventuate from what Portes (1998) sees as the way social capital acts as a source of social control. In the case of tightly knit communities, social capital may enforce rules, maintain discipline, promote confidence through trust, making formal control unnecessary. As ROSCAs operate primarily in the developing world, it is useful to note that in the context of developing economies, the World Bank (2011) sees evidence accumulating to show:

> that social capital is critical for societies to prosper economically and for development to be sustainable. Social capital, when enhanced in a positive manner, can improve project effectiveness and sustainability by building the community's capacity to work together to address their common needs, fostering greater inclusion and cohesion, and increasing transparency and accountability.

Portes and Sensenbrenner (1993), in validating the role of social capital in the success of ethnic entrepreneurs, suggest that differences in outcomes cannot be put down solely to differences in human capital or income, but also reflect the resources present in social capital. Therefore, underpinning the applicability of social capital to collective action problems is the fact that "individuals do not exist in isolation" (Stone et al 2003), and it is the social relations that can be drawn upon to further both individual and collective outcomes (Raub et al 2013). As such, in their definition of social capital Hogan and Owen (2000:79) assert that it is "those properties of individuals, social interactions and relationships, institutionalised practices, organisational arrangements and patterns of community life that reduce the transaction costs or increase the productivity of social action or exchange between social actors in pursuit of their individual and/or collective interests".

Social capital has also been found to lead to economic capital (Lin 2001b). Conversely, when social capital and trust are lacking, then economic development is stunted or distorted (Fattore et al 2003:166). As Knack and Keefer (1997:1252) state "[t]rust-sensitive transactions include those in which goods and services are provided in exchange for future payment”. Without trust, high protection costs are incurred to protect positions. Therefore, where trust is high, then such costs need not be incurred. Thus, Knack and Keefer (1997:1252) conclude “trust and civic cooperation are associated with stronger economic performance” (see also Onyx and Leonard 2010; Wright 2015).

Similarly, for the Australian Bureau of Statistics (2002:6), “[t]rust has an important role in reducing social and business ‘transaction’ costs” (see also Field 2003; Putnam 2000; Raub 2013). Social capital can also be used in the promotion of business innovation and information transmission or knowledge exchange, minimising search costs (Field 2003). While Solow (1999) argues that the volume of anonymous transactions makes building a trustworthy reputation difficult, social capital at the community level is concerned more with the way generalised trust operates to deliver benefits. The following section will look at how benefits accrue at the individual level.

3.2 Individual Benefits

Turning now to consider the benefits of social capital from the perspective of the individual, Portes (1998:9) contends that social capital can be a predictor of “school attrition and academic performance, childrens’ intellectual development, sources of employment and occupational attainment, juvenile delinquency and its prevention, and immigrant and ethnic enterprise”. Thus, social capital is seen to have clear value for individuals in the form of private returns (Putnam and Goss 2002). Similarly, Stone et al (2003) applied the concept of social capital to the achievement of labour market outcomes and found that a positive relationship exists. Furthermore, Warburton et al (2013) showed how new communication technologies can assist older people living in rural areas of Australia to build social capital in order to improve access to information and local connections.

The improvement of educational outcomes is often used as an example of the benefits of social capital to the individual. Portes (1998) sees this improvement as stemming from the role social capital can play as a source of family support. Coleman (1988) drew the link between social capital and what he termed human capital. He found that children of single-parent families have significantly lower educational outcomes. Similarly, moving a lot is bad for children because it destroys established bonds. At the time, these results went against conventional wisdom which tended to place more emphasis on the economic resources of families (Field 2003). Putnam (2000) suggests that social capital has a greater impact on education than other traditional demographic indicators like race, family structure, or even class size.

Significantly for individuals, social capital, in the form of opportunities for social relations, may help to overcome inherited poverty and also the lack of connections and access to information characteristic of some ethnic minorities (Loury 1977). In fact, Portes (1998:12) contends that "the most common function attributed to social capital is as a source of network-mediated benefits beyond the immediate family". That is, social capital is a source of benefits through extra-familial networks. This is most often applied in terms of stratification where social capital is used "as an explanation of access to employment, mobility through occupational ladders, and entrepreneurial success. The idea that connections are instrumental in furthering individual mobility" (Portes 1998:12; see also Burt 2000; Granovetter 1973; Loury 1977). It is here that some argue that social capital will in turn lead to increased economic capital for individuals (Putnam 2000).

Burt (2000:347) sees that while human capital explains inequality at the individual level, social capital goes further to explain that being better connected is a source of advantage. However, it is likely that social capital is a necessary factor, but not sufficient in itself to achieve all the positive outcomes (Field 2003). It is combined, and interacts with socio-economic status, for example, in contributing to health outcomes. Nevertheless, it should become clear through the literature presented thus far that social relations have the strong potential to help to overcome social and financial exclusion. Where the inability to access financial capital puts people at a disadvantage, social capital may provide a rich resource which can be drawn upon to reduce exclusion. In the context of exclusion, one of the key challenges more broadly will be to determine how social capital may assist in enabling excluded people to forge links with the mainstream. With this in mind, the following section will focus on the types of social capital that are available.

3.3 Bridging and Bonding Social Capital

As the concept of social capital developed, a distinction emerged between what is known as bridging and bonding social capital. The differences between these two types of social capital reflect the different benefits that they each provide and the way in which the benefits are accessed. The definition of each of these two types of social capital follows a similar path to the sociological discourse surrounding the ideas of embeddedness/integration and autonomy/linkage from which the concepts emanate.

Woolcock and Narayan (2000) see that at the most basic level bonding is about ‘getting by’ as it brings together like with like, according to characteristics such as race, gender, class, etc. This is in contrast to bridging social capital, which is about ‘getting ahead’ by bringing together like with unlike. While bonds work to consolidate the relationships between members of tight-knit communities, bridges, on the other hand, act to extend relationships between members of different groups (Lin 2001; Putnam 2000; Woolcock 2001a). Lin (2001) sees that strong homogenous ties are used for expressive normative goals, while weaker ties are used for achieving instrumental material goals.

On another level, Putnam (2000) sees the distinction manifesting in what he refers to as public-regarding and private-regarding forms of social capital. Putnam and Goss (2002) see that inward-looking social capital is concerned with issues affecting only members of the specific group, such as private clubs. Alternatively, outward-looking social capital is more public in nature, and can include humanitarian agencies.

In practice, individuals will most often call upon their close, strong ties for various kinds of support, as “evidence suggests that most of us get our social support from bonding rather than bridging social ties” (Putnam and Goss 2002:11). In the same vein, Woolcock (1998:174), when analysing the role of social capital from immigrants, sees that in being “[e]xcluded from mainstream financial and civic institutions, for example, recent arrivals move into co-ethnic enclaves such as “China-town” in which a range of indigenous social institutions exist for meeting basic credit and security requirements”.

Alternatively, Narayan et al (1999:111) assert that "[w]hile bonding groups are important to survival and for a sense of belonging, in the absence of bridging ties, they serve primarily as a defense against destitution rather than as a means of moving them out of poverty". Here, we can see that there are limitations to the types of benefits presented by bonding social capital.

Where close knit groups are limited in the resources they have, people can only draw on social capital resources where they exist in the first place (Field 2003; Portes and Landolt 2000). Hence the importance of bridging ties. Unfortunately, as Field (2003:78) observes the "least privileged also tend to have networks which are made up of people in similar situation to themselves, who are therefore of only limited use in accessing new resources". Occasionally, government policies can hinder the development of bridging networks as Perri 6 (1997a:11) saw participants in some employment programs perpetuate the "wrong kind of networks…where they only meet other unemployed people much like themselves".

Indeed, commenting on the key lesson from Stack's (1974) work on inner city American neighbourhoods, Portes (1998:13-14) states "everyday survival in poor urban communities frequently depends on close interaction with kin and friends in similar situations. The problem is that such ties seldom reach beyond the inner city, thus depriving their inhabitants of sources of information about employment opportunities elsewhere and ways to attain them". The need for bridging social capital reflects the fact that different people's social capital is worth more than others (Field 2003:74). As will be discussed in the next chapter, Burt (1992) and Granovetter (1973) argue that, instead of dense networks, which are a source of redundant information, linkages to new knowledge and resources – that is, bridging social capital – are what is important.

This specification of the different forms of social capital also addresses some of the criticisms of the downside of social capital. For instance, Putnam and Goss (2002:11) argue that "the external effects of bridging networks are likely to be positive, while bonding networks (limited within particular social niches) are at greater risk of producing negative externalities". These negatives can include the creation of downward-levelling norms discussed in more detail below. Specifically, Portes (1998:14) commenting on Fernandez-Kelly (1995, cited in Portes 1998), saw that "dense but truncated networks of inner-city black families not only cut off members from information about the outside world, but simultaneously support alternative cultural styles that make access to mainstream employment even more difficult". Similarly, Field (2003:89) claims people may not have a choice when it comes to their bridging or bonding ties but "[w]hat is clear…is that close ties appear more frequently associated with perverse consequences than more distant ones, but that neither is entirely exempt".

However, despite the knowledge of the different uses of the different kinds of social capital, some still argue that the need to acknowledge shortcomings in the concept continues. For instance, there is an inherent difficulty with bridging social capital as Hunter (2003) questions the ability to build bridges because people of high status are unlikely to waste resources building social capital with lower classes. The challenge of network homophily of this kind will be considered later in this thesis (see McPherson et al 2001; Kossinets and Watts 2009). Nevertheless, arguably social ties extending beyond primordial groups are still of great importance for development and people should still attempt to reach out beyond ones original group and form bridges with other groups (Woolcock 1998:168).

Overall, the key lesson from the discussion of bridging and bonding capital is that different forms will be useful at different times (Boon and Farnsworth 2011; Field 2003; Prell and Skvoretz 2008). In the context of people who are looking to advance, it is likely that they will draw upon bonding capital first then look to build bridging ties. Thus, there is a place for both. The next section will provide some balance to the story of social capital presented, which, thus far, has been overwhelming positive, by considering some of the criticism of social capital.

4. Criticisms of Social Capital

Despite the purported benefits of social capital mentioned above, there is by no means universal support for the concept. For instance, Portes (1998:2) contends that the initial popularity of social capital was a function of its early focus on only the positive aspects of sociability and the way in which discussion of the concept was framed in terms of 'capital'. However, as social capital continued to gain in popularity, Woolcock (1998:155) noted that "as so often happens with promising new terms in social science – with limited critical attention being given to its intellectual history or its conceptual and ontological status". This was so much so that there appeared to be an "indiscriminate application" of the term capital. Arguably, this gave rise to weaknesses at both a theoretical and empirical level.

Similarly, Portes (1998:2) saw social capital becoming "something of a cure-all" with the "original meaning of the term and its heuristic value…being put to severe tests". Moreover, it approached the point where social capital had come "to be applied to so many events and in so many different contexts as to lose any distinct meaning" (see also Field 2003; Portes and Vickstrom 2011). As such, the definition of the concept was too broad such that it was too many things to too many people and, as a result, the utility of the concept was reduced (see Hunter 2003; Portes and Sensenbrenner 1993). In this light, Woolcock (1998:155) saw social capital as something that "risks trying to explain too much with too little". To some extent then, social capital has become somewhat of a 'gap filler', a term employed in every situation to explain the inexplicable. Where no other explanation for social interaction exists people can attribute behaviour to the existence, or absence, of 'social capital'.

Part of the reason that these criticisms remain is that a definitive model of social capital is absent. Some argue that even the definitions that exist in the literature are controversial, pointing particularly to the circular logic that makes it impossible to separate "what it is from what it does" (Field 2003; Lin 2001b; Woolcock 1998:156). Portes (1998:19) comments on this logical circularity arguing that "social capital is simultaneously a cause and effect. It leads to positive outcomes…and its existence is inferred from the same outcomes". Overcoming such a tautology involves separating the cause and effect. Again, Portes (1998:5) considers that Coleman's definition of social capital, which encompasses both the generating mechanisms and consequences, did not adequately "distinguish the resources themselves from the ability to obtain them, by virtue of membership in different social structures". Rather, this leads to a tautological circularity.

Similarly, there are ontological questions surrounding whether social capital is something that pertains to individuals or to collective social relationships (Lin 2001a and 2001b). For instance, on the one hand, social capital seen as individual in nature is capable of ownership and use by individuals and groups in a similar way to human capital, as defined by Coleman and Bourdieu. Alternatively, as Cox and Caldwell (2000:49) suggest, social capital may reside "in the processes of social groupings and/or whole societies and therefore neither stored nor owned by individuals" (see also Burt 1992). Instead, social capital is "only produced by group processes" and is "essentially a measure of the health of group processes and social interacts", which is "why the key social dynamics for building social capital occur in non-intimate and non-exclusive groups". Thus, whilst an individual can clearly benefit from having social capital, its value, and therefore creation, can only occur via interaction with others.

Importantly, a range of criticisms cast doubts on the benefits social capital claims to produce, particularly those benefits presented by Putnam (Fischer 2005; Portes and Vickstrom 2011). Portes (1998:19) questioned "whether American civic virtue is on the wane or has simply taken new forms different from the old-style organizations cited [by] Putnam". There is also evidence to suggest that the American case is not representative of the engagement situation in other nations, for example, data in Sweden, Britain and Germany (Field 2003). Field (2003:101) concludes that "[r]ather than a simple decline in communal engagement, then, it seems likely that we are witnessing signs of changes in the ways that people express their engagement".

In the same way, Knack and Keefer (1997) find that there is no relationship between trust and membership in formal groups – although their study used aggregate rather than individual level data. Further, Woolcock and Narayan (2000) contend that there is no correlation between high membership and economic performance. In this light, Knack and Keefer (1997) suggest there is just as much counter evidence in support of Olson's (1982) argument for the existence and negative effect of rent seekers on collective action. In an alternative criticism, Hunter (2003:8) suggests that "social capital misses one of the major influences of social context on individual and societal welfare, that competition for positional goods reduces aggregate wellbeing".

Arrow (1998) also mentions a possible unintended consequence of job referrals from social networks, which he sees as being something that can lead to labour market segmentation in socially segregated communities. In this vein, Johnson et al (2005:32) concluded that in relation to dealing with mental health "the best available evidence does not support the view that good social networks are much help in coping with adversity". Despite these findings, the possibility remains open for research to investigate whether social networks can help in other spheres of human life, such as financial support in times of distress.

Part of the reason for these criticisms is that the benefits of social capital are difficult to quantify (Meredyth et al 2002; Woolcock 1998). In addition, where measurement has been attempted, methods have been questionable (Bryson and Mowbray 2005; Field 2003; Stone 2001; Lin 2001a and b; Portes and Vickstrom 2011). The Organisation for Economic Co-operation and Development (2001:61) sees "the evidence is affected by the quality and breadth of proxy measures". This is partly a function of the fact that in many cases the benefits are intangible. Moreover, while correlations exist, there is an inability to make causal links between factors. Arrow (1999) suggests that some of the results only incidentally flow from social relations, rather than being the sole reason. Indeed, it can be argued that one cannot measure social capital merely by defining what it is not. As Putnam and Goss (2002:11) observed "precisely because social capital is stubbornly resistant to quantification" the ability to determine which forms of social capital provide the most benefit in different situations is also hampered.

On another level, some argue that the societal benefits cannot be inferred from the individual level. That is, we are unable to aggregate claims about community level social capital from individual information (Australian Bureau of Statistics 2004; Hunter 2000). This gives rise to a "fallacy of composition" where relationships at different levels display different characteristics and, hence, it is difficult to infer across the levels (see also Sabatini 2009; Van Deth 2003). In response, Putnam and Goss (2002:12) retort that it is because "social capital is multidimensional, and some of those dimensions themselves are subject to different understandings, we must take care not to frame questions about change solely in terms of more social capital or less social capital. Rather, we must describe the changes in qualitative terms". The remainder of this section will consider the major criticisms of social capital in more detail.

4.1 A Misplaced Economic Metaphor

There have been questions raised as to the suitability of the metaphor (Field 2003; Fischer 2005; Hunter 2000). The use of 'capital' to describe social issues elicits connotations associated more with the field of finance or economics. This was perhaps a deliberate attempt to engage neo-liberals and "modify the traditional focus of economists on individual behaviour, by stressing the social basis of peoples' decisions" (Field 2003:9). This is evident in the work of Lin (2001:19) who sees social capital as being an "investment in social relations with expected returns in the marketplace". Similarly, Putnam and Goss (2002:8) claim that "like physical and human capital (tools and training), social networks create value, both individual and collective, and because we can "invest" in networking". Despite this, there are certainly attributes shared with the other forms of capital (Ostrom 2000). However, whilst using the term 'capital' was perhaps an attempt to gain policy traction with those in other disciplines, notably economics, whether this is a good thing remains to be seen, as it has also had the reverse effect of encouraging economists into the sociological sphere (Fischer 2005).

Perhaps more fundamentally, the idea that stocks of capital can be accumulated and invested in is questionable given the characteristics of economic and physical capital (Täube 2004). This is because the properties of economic capital involve usage over time, deliberate sacrifice to forgo present benefit for future gains, being sellable and transferable, being divisible and being able to exclude others from use. So, economists argue that you cannot apply the pure economic concept of capital unchanged to social settings (Arrow 1999; Hunter 2000; Solow 1999). Some of these economic properties of capital are linked to the problems of aggregating social capital mentioned above. Even Coleman (1988:98) acknowledges that "like physical capital and human capital, social capital is not completely fungible but may be specific to certain activities". Although this may not be seen as a weakness in Coleman's eyes, it nevertheless reduces the ability to make a direct comparison with economic capital.

4.2 The 'Dark Side' of Social Capital

Perhaps the central criticism of social capital is that it is not always entirely positive – that it has a 'dark side' (see Burt 2001; Cox and Caldwell 2000; Field 2003; Fischer 2005; Portes 1998; Portes and Landolt 1996; Portes and Sensenbrenner 1993; Putnam 2000). Indeed, the early literature seemed to overlook the darker, more sinister, ramifications of social capital that showed it was not always 'good' or something to be maximised, rather that it can stifle growth, inhibit individual advancement through personal obligations and prevent participation in broader social networks (Portes 1998; Woolcock 1998). Social capital can also be used intentionally to create perverse outcomes, ranging from gang activity to white collar crime and manipulating political processes (Field 2003; Prell and Skvoretz 2008).

These downsides lead Putnam and Goss (2002) to question whether more social capital is necessarily better? While privileged resources and support with lower risks and costs are available, the high demands on successful members limits the ability of individuals to advance, creates free rider problems and, over time, gives rise to downward levelling norms, as "the belief in the possibility of advancement through individual effort" is diminished in the collectivity (Woolcock 1998:165). Each of these downsides will be briefly considered.

4.2.1 Downward Levelling Norms

While social capital should, in fact, increase upward mobility, it can actually work to keep members of particular groups in the same position as their peers creating so-called downward levelling norms (Field 2003; Portes and Sensenbrenner 1993). This is illustrated most clearly by comparing different types of citizen organisations, including organised crime or extremist groups. On every measure of social capital – network, norms or reciprocity – such groups would be seen as having high social capital. These are naturally very different from those positive citizens' groups which Putnam and Goss (2002) refer to as increasing government responsiveness to neighbourhoods and, in turn, citizen respect for government.

Such groups can reduce the life expectations of their members and often perpetuate the cycle of poverty in disadvantaged communities (Akerlof 1997). Here, those who attempt to, for example, get a job or education, are considered traitors or outsiders (Hunter 2000). As Portes (1998:17) notes of such downward levelling norms "group solidarity is cemented by a common experience of adversity and opposition to mainstream society". Unfortunately, individual success will undermine cohesion, making it difficult for people to leave groups. This is particularly so where bounded solidarity is forged through an "adversarial view of the mainstream" (Portes and Sensenbrenner 1993). The consequence is that integration with the mainstream does not occur (Prell and Skvoretz 2008). The lack of engagement with mainstream financial services described in the previous chapter can be explained using this concept.

4.2.2 Excessive Claims

Excessive claims on group members can manifest in the form of demands for monetary or other assistance, which are based on norms of familial assistance and can severely limit incentives for group members to attempt to advance. Woolcock (1998:163) contends that the high degree of density and closure in some small informal relations could impose considerable constraints on successful members of these communities as they attempt to make the transition to membership of larger more extensive and sophisticated networks.

This transition can become costly in balancing the need to concurrently gain knowledge of new networks while also protecting extant social ties and hierarchy.

The existence of excessive claims can lead to “a gigantic free-riding problem” (Portes 1998:16). The way in which successful group members are called upon excessively by other members is best illustrated by reference to the ethnic entrepreneurial literature (Portes and Sensenbrenner 1993). Woolcock (1998:158) asserts that “entry into a given community…gives the new arrival access to financial and personal support so that small business can be started”, yet, there may be a time when “the ethnic community is neither large enough nor heterogeneous enough…[and]…Access to new networks extending beyond the ethnic community are therefore required, but this will be very difficult if intra-community obligations are highly demanding”.

For example, where strong kinship responsibilities place excessive claims on group members to provide help and support, this limits the ability or incentive for people to succeed. Paradoxically, as people succeed and leave communities they reduce the social capital available to those left behind in the immediate community, but they then become the link to the outside. Strong communities can also result in what Portes (1998) refers to as restrictions on individual freedoms because they emphasise conformity. Portes and Sensenbrenner (1993:1340) suggest that this is akin to the “age-old dilemma between community solidarity and individual freedom in the modern metropolis”. So, whilst the normative order may be maintained, this comes at the expense of individual ability to act or access the outside world.

4.2.3 Exclusion of Outsiders

The final aspect of social capital’s ‘dark side’ involves the ways in which the same networks that privilege certain network insiders can simultaneously, and necessarily, restrict outsiders (Woolcock 1998:174, citing Waldinger). That is, social capital itself can be negative in excluding people who are not part of a particular bonded group. As Baum (1999, cited in Winter 2000:30) puts it there is a “romantic view of community and assumes close-knit communities are necessarily healthy. However, it is possible that they can be exclusionary and distrustful of outsiders, and may not be healthy for those who are not part of them or those within them who disagree with the majority". Similarly, Putnam (2000:400) acknowledges that there is a:

> risk that emphasizing community exacerbates division and exclusion. Since social capital is inevitably easier to foster within homogenous communities, emphasis on its creation may inadvertently shift the balance in society away from bridging social capital and toward bonding social capital.

Therefore, social capital can also work to reinforce privilege and inequality where groups endowed with high social capital tend to be more advantaged (Putnam and Goss 2002; Wright 2015). This certainly accords with Bourdieu's view of social capital discussed above and this feature of social capital can be particularly evident in tightly-bonded communities, where, to adopt a term from economics, social capital can result in a zero sum game. For instance, strong levels of social capital within ethnic groups can come at the expense of more valuable relationship with the mainstream. As such, one group can succeed at the expense of another.

In this way, social capital can be exclusionary, rather than something which promotes social inclusion. As Krishna and Shrader (1999, cited in Cox and Caldwell 2000:53) put it "[w]hat is social capital in one context can be unsocial capital in another". Consequently, Portes (1998:21) argues "there is little ground to believe that social capital will provide a ready remedy for major social problems", and that given social processes cut both ways, they should be "studied in all their complexity", rather than becoming an "unmitigated celebration of community" (Portes 1998:22).

The discussion in this section has shown that the tone of some social capital writing was somewhat nostalgic, perhaps representing a yearning for a better time long since past. In particular, these criticisms are aimed at the version of social capital championed by Putman. Siisiainen (2000), for example, calls Putnam a romantic functionalist, with Portes and Vickstrom (2011:472) suggesting his work promotes "a return to an idealised past".

Yet, as communities have become more modern, older community bonds have ceased to exist and this has displaced older forms of solidarity and social organisation, without replacing them with new forms of social capital befitting the new environment (Putnam and Goss 2002:12). This poses some obvious questions in relation to the challenges of social and financial inclusion. Indeed, if social capital can be exclusionary, then how can it be useful to tackling social policy problems such as these? The remainder of this chapter will focus on how social capital can be defined in the context of promoting inclusion.

5. All that was Old is New Again – Tracing the Sociological Foundations of Social Capital

Before continuing, it is necessary to recognise that the underlying elements of social capital have existed for a long time. For example, Portes (1998:21) notes "the set of processes encompassed by the concept are not new and have been studied under other labels in the past. Calling them social capital is, to a large extent, just a means of presenting them in a more appealing conceptual garb". For some, this has resulted in the belief that social capital is a mere re-branding of old ideas (Fischer 2005; Woolcock 2001b). Indeed, the popularity of social capital in contemporary academic and political circles overlooks much of the traditional underpinnings of sociological thought.

There is a problem with adopting social capital without reference to its sociological origins. For those with a background in the field, Portes (1998:3) suggests that the "parallels between present social capital discussions and passages in the classical literature will be obvious". In seeking theoretical linkages between the modern application of social capital and its theoretical antecedents four primary sources of social capital stemming from the historical sociological literature have been identified: value introjections; bounded solidarity; reciprocity of exchanges; and enforceable trust (Portes 1998; Portes and Sensenbrenner 1993).

The first source of social capital, which can be traced to Durkheim, is "value introjection". Here, the focus is upon the ways in which values inform behaviour such that individuals do not necessarily act entirely from self-interest. This behaviour can be used by the collective and are the “non-contractual elements of contracts” that arise from sociability (Portes and Sensenbrenner 1993). The second source of social capital is the “reciprocity transactions” highlighted in the work of Georg Simmel on group dynamics. Particularly important here are the ways in which reciprocity, norms and obligations operate from personalised networks. The idea behind reciprocity is essentially captured in the phrase: ‘I’ll do this for you, if you do that for me’.

The third source of social capital is “bounded solidarity”, the origin of which is in the work of Marx and Engels. It describes group-oriented behaviours in the context originally of class struggles, but basically looks at how groups bond against adversity, identifying with others in common circumstance. Portes and Sensenbrenner (1993) evidence this process by reference to migrant communities in America. Finally, “enforceable trust” is a source of social capital. Here, the focus is on Weber’s utilitarian mechanisms for compliance or sanction through norms, obligations and rules, which often come from the top-down. The monitoring capacity evident in tightly-knit “closed” communities mentioned earlier by Coleman (1988) fits this profile, with enforceable trust commonly evidenced by ROSCAs.

Through these brief descriptions it should be clear that elements of social capital have their antecedents in sociological theories. There are many other aspects of the work of the founding fathers of sociological thought that are relevant in dissecting social capital. For example, Durkheim’s work in differentiating between mechanical and organic solidarity may also usefully be considered here (Portes and Vickstrom 2011). Mechanical solidarity is characteristic of primitive societies and involves unions between people which are based on shared culture, common beliefs and consensus. These elements of social relations are “unthinking and habitual” (Field 2003:5).

Organic solidarity, on the other hand, characterises modern industrialised societies, with the interdependence of economic ties and networks used to guide behaviour in a “world of strangers” (Field 2003:5). Here, we can see societies with differentiated parts, united through exchange and material interdependence. These features of modern society are relevant in discussions of community cohesion based on social capital. Indeed, Putnam's work follows closely that of Alexis de Tocqueville's, *Democracy in America*, which studied the nature of associational life underpinning American democracy, as compared to the European experience at the time of hierarchical relationships (see Field 2003). Portes also notes (1998:2) notions of the positive consequences of group life date back "Durkheim's emphasis on group life as an antidote to anomie and self-destruction".

Importantly, the work of Tönnies (2001 [1887]) on *gemeinschaft* and *gesellschaft* is also relevant. In considering the transformation of Europe from a rural to an industrialised state, Tönnies saw the process moving from relationships to rationality. Here, *gemeinschaft* represented the world of close, emotional, face-to-face ties, attachment to place, ascribed social status, and a homogeneous and regulated community. Here, social relations between individuals, were based on close personal and family ties and on community, which was a natural state. On the other hand, *gesellschaft* has come to be linked with urbanism, industrial life, mobility, heterogeneity, and impersonality. Social relations here were based on impersonal ties, such as duty to a society or organisation. This meant an individual or associational society based on rationality (Scott and Marshall 2009).

Whilst these historical underpinnings are informative, the study of social relations and social structures assumes a new twist with social capital because they were predominately concerned with changes occurring to social structures during the process of modernisation; social capital on the other hand, looks more towards the micro-level of individual experiences (Field 2003). In looking forward to how social capital might be used in promoting inclusive societies it should be clear that the lessons from the field of sociology will play a significant role. The next sections will look at where these lessons can be drawn.

6. The Residual Utility of Social Capital in Response to Criticisms

Throughout this chapter, discussion has focussed on identifying the various definitions and benefits of social capital. Clearly, given the number of issues highlighted throughout this chapter, the concept of social capital remains contested. As Woolcock (1998:161) posits: "[i]mportant theoretical and conceptual questions thus remain unanswered". Numerous criticisms were also put forward, the extent and nature of which call into question the viability of applying the concept to tackle social policy issues. Social capital is clearly a complex concept and not without its flaws. As Cox and Caldwell (2000:53) posit "unless we are convinced that increased social capital makes a better society there would be little reason to look for measures of it in relation to social policies". Of course, social capital alone is not the solution to structural problems. This is because communities that exhibit high social capital can also be socially excluded. For instance, the central role of family in social capital belies the fact that many of those in poverty come from broken homes, abusive households, single parent families etc. Indeed, this becomes even more of an issue where material and structured inequality impacts on measures such as crime more so than issues like poverty (Field 2003:61).

Yet, the concept of social capital is not without merit and its utility for tackling exclusion should not be discounted. Despite the many valid criticisms of social capital shown in the literature, there is still potential for social capital to be applied in both research and policy making (Boon and Farnsworth 2011; Field 2003; Fischer 2005). In fact, in identifying bridging and bonding social capital, considered earlier in this chapter, Woolcock (1998:159) suggests that "[s]hort of dismissing the term altogether, one possible resolution of these concerns may be that there are different types, levels, or dimensions of social capital". These numerous incarnations of social capital may be based on the different conceptualisations and interpretations of social capital between the three main authors. Thus, the practical application of social capital may also differ depending on which definition is adopted. For example, both private and parochial forms of socialising are still social and offer benefits to participants (Fischer 2005:160).

Similarly, there are ways in which the challenges of social capital can be overcome. Portes (1998) suggests that to overcome problems of definition we need to keep in mind the various sources and differing functions. That is, we must distinguish between the possessors, the sources and the resources to reduce confusion (Portes 1998:6). As such, understanding that social capital is not a unitary theory of 'everything' and that it can mean different things in different settings, points towards contextual applications that should aim to maximise the benefits available from positive forms of social capital, while minimising the negative consequences. However, in his analysis of social capital research up to the mid-1990s, Woolcock (1998) also saw that questions of how to actually create or harness social capital, to overcome negative aspects were left wanting.

Overall, Woolcock and Narayan (2000) see that there are four perspectives on social capital emerging from the literature. First, there is a 'communitarian' view that focuses on the positive elements of groups and organisations in society. Second, there is 'networks' research, which focuses on the horizontal and vertical links between people or organisations. This includes discussion of bridging and bonding forms of social capital. Third, there is an 'institutional' view, which sees that the ability to work collectively depends heavily on the quality of the political, legal and institutional environment. Finally, there is a 'synergistic' social capital approach that combines institutional and networks perspectives, where social capital substitutes for poor institutions.

Whilst the different perspectives each offer a way forward, it is the networks angle which, in my opinion, is most useful at the individual level. This approach is consistent with Woolcock (1998:185) who suggested that "definitions of social capital should focus primarily on its sources rather than its consequences". By sources, he means the social relations, rather than what they provide, such as norms and cooperation. We can, therefore, take our cue from Woolcock (1998) who usefully identified two underlying and central constants in the social capital literature: the concept of embeddedness; and the concept of autonomy.

Embeddedness has its lineage in research undertaken by Granovetter (1985) who claims "all economic action [is] inherently enmeshed in social relations" and, as such, social structure, that is, the structures of personal relations and networks that explain or differentiate between the existence of particular entities, will influence action. This research was seminal as it claimed that "all forms of exchange are inherently embedded in social relationships" and by doing so provided an explanation of how markets work (Woolcock 1998:163). Embeddedness can take several forms, such as social ties, cultural practices, integrative bonds or trust-based reciprocal exchanges (Molm et al 2012; Woolcock 1998). Naturally, there are costs and benefits of embeddedness akin to those listed above as the downside of social capital. But, importantly, embeddedness may be seen to form the basis for enduring social relationships – despite what can be interpreted as the seemingly disparate atomic or particle-like nature of social interactions (Bourdieu 1986; Durkheim 1933, cited in Field 2003; Molm et al 2012).

At the micro-level, autonomy essentially means "the extent to which community members also had access to a range of *non*-community members" (Woolcock 1998:164). This, logically, means that the presence or absence of autonomous social ties determines the cost or benefit of embeddedness. The two forms of social relations are seen as distinct forms of social capital. They differ at the micro and macro-levels. Summarising, Woolcock (1998:164) says "embeddedness at the micro level refers to intra-community ties (integration), whereas at the macro level it refers to state-society relations (synergy); autonomy at the micro level refers to extra-community networks (linkage), while at the macro level it refers to institutional capacity and credibility (organisational integrity)".

It should be apparent that there is a need for both integration and linkage. However, the relationship between the two concepts is complex (Boon and Farnsworth 2011). Collective action depends on being able to draw on both embedded and autonomous social ties. However, embeddedness is necessary, but not sufficient in itself, and "autonomous social relations complementing the benefits and where necessary offsetting the costs of embeddedness [is] also required" (Woolcock 1998:164). In a similar way, Täube (2004:34) distinguishes between "support capital", which is founded on dense, high frequency interactions between socially similar people; and "leverage capital" involving greater distances between people and low frequency interactions which create structural holes and that enable bridging relations to be established. Again, both forms are necessary to fully realise the benefits of social capital.

6.1 The Need for Further Research

While there remains utility in the concept of social capital, there also remains opportunities to further refine it, particularly given the ongoing conjecture surrounding the definition of social capital. The literature presented in this chapter covered numerous outstanding theoretical issues that warrant further consideration. In situating my research within the context of addressing the current policy challenge of social and financial exclusion, it is useful to take my lead from Putnam and Goss (2002) who see, as the core of social capital, the idea that: *social networks matter*. Significantly, the network theory of social capital sees that it derives its value from the resources embedded in social networks (Burt 2000; Field 2003; Lin 2001).

Notably, the analytical contribution of social capital "lies in its focus on networks and relationships as a resource" (Field 2003:40). This contribution must be developed if social capital is to reclaim any practical application lost since the initial flurry of interest in the concept. Yet, the questions about how to harness these resources have continued to plague researchers for some time. One perspective is to acknowledge that, as Burt (2000:345) emphasises, "[r]esearch and theory will better cumulate across studies if we focus on the network mechanisms responsible for social capital effects rather than trying to integrate across metaphors of social capital loosely tied to distant empirical indicators". To follow this path involves explicitly recognising the role of networks in connecting people and creating value. This is consistent with Lin (2001:3) who believes that the way forward "must be based on the fundamental understanding that social capital is captured from embedded resources in social networks", and those resources can come in the form of information; influence; social credentials and identity recognition reinforcement.

From here, it is useful to draw from Portes (1998:21) who believes "that the greatest theoretical promise of social capital lies at the individual level – exemplified by the analyses of Bourdieu and Coleman". As such, it seems logical, in my case, to look at what might be useful at the individual level. The Performance and Innovation Unit (2002:33) in the UK has argued that policy should focus on bridging social capital. Similarly, the World Bank (2001:130) has suggested a "key lesson for practitioners and policy makers is the importance of using existing forms of bridging social capital in poor communities as a basis for scaling up the efforts of local community-based organisations". Therefore, despite the imprecise nature of the concept of social capital there are important aspects that can be applied to the problem, to the extent that the concept of bridging social capital may be used to remedy the problem of poverty and exclusion.

This being the case, I will adopt a networks approach in seeking solutions to exclusion. This approach is crucial if we take as our starting point the contention that social capital resides in social networks (Mobius 2001). In recognising this, my thesis will also consider the application of social capital and networks to the issue of exclusion, which is not well covered in the literature. This approach will also move beyond Putnam's focus on civic engagement. To be discussed in more detail in the methodology chapter, the aim is to use social networks to overcome exclusion from the mainstream and then determine how such networks extend so that members become linked to the mainstream. Thus, I will document how members within a community use social capital, and test the practical benefits of social networks in terms of their value in creating bridges with economic capital to enable inclusion.

Several questions emerge. What types of networks do the financially excluded have? Is it the dense network of strong ties or the looser networks of weak ties that are more important for the excluded? Both appear to have a place in creating social capital. Furthermore, how can policy makers draw on social capital concepts to improve government services and programs? How can bridging social capital be created? Certainly, the focus Putnam places on social networks as the central feature of social capital, suggests that there should be greater attention paid to investigating social networks. Importantly, by turning to the network components of social capital, which are more readily identifiable than other intangible benefits, such research may consequently contribute to the indirect refinement or identification of social capital. In the final literature review chapter to follow, social network theories and social network analysis will be considered in more detail.

Chapter Four: Social Networks

1. Introduction

Social networks pervade every aspect of human interaction. They exist as the relationships we have with our friends, family and neighbours. They extend to work colleagues, sporting teammates and perhaps even to the staff we see regularly at the local supermarket. We saw in the previous chapter that these networks have value and, as such, are a core component of social capital. Indeed, Field (2003:1) suggests that where "networks constitute a resource, they can be seen as forming a kind of capital". Quite simply, networks matter (Field 2003; Putnam 2000; Zhu et al 2013). For their members, social networks can influence norms of behaviour and have value because they offer material benefits and support. For instance, Mayer (1966, cited in Mitchell 1969:38) discusses the way "people make use of network linkages in order to achieve desired ends". More formally, Putnam (2000:117) proposes that:

> social networks provide the channels through which we recruit one another for good deeds, and social networks foster norms of reciprocity that encourage attention to others' welfare…those of us who belong to formal and informal social networks are more likely to give our time and money to good causes than those of us who are isolated socially.

Yet, to some extent, within the social capital literature the intricacies of how networks operate to achieve these things has been lost amongst the predominant attention given to the higher-level benefits associated with the concept. This has not been helped by the fact that the terms social networks and social capital are often used interchangeably. While there is a wide literature capturing the benefits of social capital, there remains little research into the actual structure of networks that make such benefits possible (Burt 2000). Furthermore, a precise analysis of the nature of internal network interactions is largely absent from the social capital literature. Obtaining a better understanding of the mechanisms through which people connect becomes worthwhile in the context of applying social networks to the policy problems, such as social and financial exclusion, particularly to determine the impact social networks have on an individual's life chances.

The following section will provide a detailed definition of social networks. This will be followed by a consideration of key social network literature. In particular, how networks provide instrumental benefits in various areas will be the focus of discussion. In doing so, a better picture will be gained of how social network analysis can help to capture more specifically the benefits inherent in social networks. The potential to use social network analysis in this thesis will be presented as a way to document more precisely how the benefits of networks operate. The chapter will conclude by discussing how social networks can be applied to the challenges of overcoming social and financial exclusion.

1.1 Definition

Social networks can be seen as the "ways in which people articulate their relationships with one another as network relations" (Knox et al 2006:131). Intuitively then, a social network is a set of persons connected together by social relationships. People will often have multiple networks, with their relatives, at their workplace, around their neighbourhood (Kearns and Parkinson 2001). Each network links individuals to other individuals. Here, it will be found that people may have relationships with other individuals on various levels, for example, a person we know could be both a friend and a work colleague (Kapferer 1969). The nature of most networks can vary over a persons' life-time as they transition between stages of their lives. As will become apparent, a social network is basically any sub-group of society. More broadly, we can identify networks in many spheres of society, for example, occupational or professional groups, sporting clubs, artists, diplomats, religious groups, the homeless, support groups, etc. These may have common elements and structures, as networks will vary only according the distinctive features or purpose for which each group is formed.

According to Mitchell (1969:2) the “notion of a social network as a specific set of linkages among a defined set of persons with the additional property that the characteristics of these linkages as a whole may be used to interpret the social behaviour of the persons involved”. This precise analytical definition transcends the simple metaphorical usage of the term network as seen in early sociological contexts, and enables us to look at the structure of a network and how that might influence behaviour. As Knox et al (2006:118), in talking about embeddedness, suggest, “networks are a means of examining individuals in their context…[j]ust as individuals have a class, gender, ethnicity, etc., so they can be said to have a network of ties to others”. The characteristics of networks have been studied for many years and have been seen to comprise several key elements (Mitchell 1969:12). To interpret these ties, morphological and interactional characteristics can be utilised.

The morphological characteristics of networks refer to the patterning of the links in a network with respect to each other, forming the shape of an individual’s network (Mitchell 1969:20). They consider the number of people in the network and the channels through which people might contact one another. On the other hand, interactional characteristics of networks focus on the nature of the links themselves. Importantly, these features reflect the content and meanings people attach to relationships, as well as the rights and obligations that might exist (Mitchell 1969). In this sense, networks “are recurrent patterns of face to face interactions usually involving expectations of reciprocal assistance” (Molyneux 2002:170).

Here, Mitchell (1969:20) suggests that the content of relationships could include “among other possibilities, economic assistance, kinship obligation, religious cooperation or it may be simply friendship”. Kapferer (1969:212) went further in identifying five types of exchange content between people: conversation, joking behaviours, job assistance, personal service and cash assistance. In looking at these characteristics of networks, the lineage of social capital and its associated benefits should be evident. Both morphological and interactional characteristics are useful in analysing the dynamics of social networks in detail.

Moreover, it can be seen that the nature of networks themselves have changed over time as societies have evolved. In large scale modern societies, there is a tendency for people to have single-stranded relationships with others. This is opposed to what was the case in small-scale, primitive communities, where people tended to have interactions on multiple levels with others. That social change and action have evolved to such a state that led Castells (1996) to suggest the "rise of the network society". It acknowledges the shift occurring in the way people interact. Close communities no longer exhibit the characteristics of family bonds but instead increasing individualism has forced people to construct networks in order to achieve their goals. To understand how these changes affect the socially and financially excluded who are the focus of this thesis, it is important to first understand how social networks operate to provide benefits and influence behaviours. The following section will look more deeply at the insights provided by social network research.

2. The Social Networks Literature

Research into social networks came to prominence during the 1950s primarily as a result of the "growing dissatisfaction with structural-functional analyses and the search, consequently, for alternative ways of interpreting social action" (Mitchell 1969:1). There was much initial research into networks in a metaphorical sense, with reference being made to the various nodes in a network and lines which link them together (Klovdahl 1985). Whilst this simple image of a network is true, there were other significant properties that defined networks that needed to be understood, including looking at the intensity of the relationships or the status and role of individuals in a network (Scott 2000). It was Barnes (1954, cited in Mitchell 1969; Scott 2000) whose more detailed investigations into the content of relationships began a shift in network research beyond purely metaphorical interpretations of relations, leading to a greater variety of applications of network research in the literature.

In line with the definitions provided above, Klovdahl (1985:1204) saw that "[m]uch social network research is guided by a basic proposition: the *structure* of a network has consequences for its individual members and for the network as a whole *over and above* effects of characteristics and behavior of the individuals involved" (emphasis in original). Similarly, Mitchell (1969:4) saw that network studies "focuses not on the attributes of the people in the network but rather on the characteristics of the linkages in their relationship to one another, as a means of explaining the behaviour of the people involved in them". Thus, networks research has shown the capacity of networks to significantly influence outcomes for individuals.

Since that early research, the study of networks has looked at many different fields. For instance, research has considered the formation of political networks or terrorist networks (Krebs 2002) and how recruitment to those networks may be mapped. Much work has considered the impact social networks have on health and wellbeing outcomes (Schaefer et al 2011; Smith and Christakis 2008). Relationships in economic and financial markets, including for information transmission and collaboration, have been modelled (Lippert and Spagnolo 2005). Social networks analysis has been used to understand the impact of community development projects and to help build community networks in Australia (Ennis and West 2010 and 2013).

Considerable work has been undertaken on the differences between rural and urban networks, the role of networks in international relations and also the way cooperative social networks can facilitate collective action (Cox 2002; Field 2003; Granovetter 1982), or the way networks can be used to gain political leverage (Putnam 2000). The value of informal workplace networks to employees and business relations has also been examined (Burt 2000; Field 2003; Kapferer 1969; Keister 2002; Thurman 1979/80). Much like the exclusionary nature of social capital, networks created amongst ruling elites can play to the detriment of outsiders. For instance, Padgett and Ansell (1993) looked at the Medici in Renaissance Florence and the way in which marriages were used to create alliances between families.

While these brief examples demonstrate the breadth of network research, this thesis is concerned with whether the influence of social structure and the benefits provided by social networks detailed in the literature are useful for the financially excluded and, if so, how that occurs. Indeed, the literature remains largely devoid of research in this area. The next section will consider a number of specific social network research findings that identify features of networks which may be applicable to resolving problems of financial exclusion.

2.1 Networks and Support in a Time of Crisis

There is a significant amount of research which suggests that social networks are the first to provide crucial support to individuals and families in times of stress, sickness, financial, emotional or other crisis (Boswell 1969 cited in Mitchell 1969; Caudell et al 2015; Desmond 2012; Murphy et al 2011; Putnam 2000; Stack 1974; Unger and Powell 1980; Zhu et al 2013). In the Australian context, Saha (1975) investigated how primary groups such as friends and family provide essential support to individuals in crisis. In particular, he found that day-to-day needs may be met by neighbours and friends, whereas more serious situations involved turning to family (see also Brennan 1973; Martin 1970). Yet, Saha (1975) concludes that neighbours are not considered a very important source of expected aid in comparison to family and friends. Accordingly, as Wellman and Wortley (1990) find, the type of support provided from the different people within a person's network depends on the strength of the relationship, the social context and the resources available from the contacts.

From another perspective, Portes (1998:3) notes "[s]ocial networks are not a natural given and must be constructed through investment strategies oriented to the institutionalization of group relations". Thus, in order to access the benefits of networks, people will be required to invest in them. This is especially so as people will need the strong bonding ties that can assist them cope with times of need through the provision of social support. Notably, in the context of financial assistance, Caudell et al (2015) have shown how borrowing money from within informal social networks acts to fill a void where loans from formal sources are inaccessible. Taylor and Warburton Brown (2011:163) also showed how “cash and in-kind transfers from family and friends outside the household form a significant proportion of household income”.

The structure of modern society encourages people to maintain strong social networks, and this is particularly important for people from low socioeconomic profiles in times of need (Ericksen and Yancey 1977, cited in Granovetter 1982). In Stack’s (1974) seminal study of American ghettos, for instance, she found that a common urgency of need led to people’s willingness to share with others in similar circumstances. Her research subjects would trade food, money and other consumption items. Since the time of Stack’s work, there has been a growing trend of informal self-help groups, or communities of interest, that are created based on ‘identity relevant’ connection, enabling individuals to form bonds with others based on common experiences (Field 2003:113).

How or why such groups are formed is interesting and the ability to draw support from other members is the key. One explanation is provided by Lomnitz (1977:209) whose study of shanty-towns outside of Mexico City found that “[s]ince marginals are barred from full membership in the urban industrial economy they have had to build their own economic system”. This system is built on strong reciprocity and provides economic security. When support is sought from social networks such as these, it is generally mobilised on the basis of norms, positions or obligations from friendships (Kapferer 1969:235). However, as we will see later in this chapter, these clearly strong ties are sometimes invested in at the expense of advantages available from weak ties (Granovetter 1982).

One of the key themes to emerge from the research is that support is usually sought from those most proximate to the individuals in need, as assistance is seen to be more readily available. Indeed, Wellman (1979:1223) considers that “[c]loseness is apparently the single most important defining characteristic of helpful intimate relationships”. Similarly, Mitchell (1969:28) saw that the “effective set of links with people of common local origin is with those of them who in times of need for support or services are living sufficiently closely at hand for him to be able to contact them personally or for him to be contacted by them personally". Moreover, Buck (2001:2255), when looking at various models of neighbourhood effects, suggests that there is a network model where "social inclusion depends on links to more advantaged, mainstream groups and thereby to networks offering critical information, material support or moral/cultural examples, which are rendered more difficult by spatial separation from these groups".

New technologies are changing the way people live and the nature of society and social interaction. This leads to questions about whether technology results in more or less connection between people and society, or impacts on the ability of individuals to get support. Interestingly, whilst online networks enable people to connect over larger distances, studies continue to show that "online and offline contact are both greatest with those living nearby" (Wellman 2001:2033, cited in Field 2003:104). However, how online networks affect the social networks in which we are embedded remains to be fully seen, with issues such as the digital divide (Notley and Foth 2008) posing more questions, including whether digital networks can assist in the reduction of conventional forms of exclusion; or indeed whether they enable meaningful connections which can substitute effectively for face-to-face interactions. There is a tendency to believe that online networks complement or supplement rather than replace face-to-face interaction.

Importantly, Kapferer (1969:22) argues that "strong" multi-stranded relationships are more likely to be called upon in times of need. This is to the extent that multiplex relations "are more likely to result in a person's being mobilized for support than a person who has only single stranded relationships" (Kapferer 1969:24). Mitchell (1969:42) says Kapferer showed "how even in a fairly restricted situation network links may be built up on many different bases". This is important in the context of acknowledging that excluded individuals may draw upon assistance from various sources, for instance, friends or neighbours may be asked for different kinds of support. The possibility of support will also be influenced by the direction and amount of reciprocity in relationships. In the context of this thesis, the question becomes how this understanding of the sources of support can be applied to research into the networks of the financially excluded?

The next section will begin the process of answering this question by looking at the different types of networks that individuals may have.

2.2 Social Networks and Social Norms

Predicting whether social networks will influence behaviour and, whether social support will be available in times of need, can be accomplished with reference to the powerful incentive effect of social norms. This is because social norms manifest in social settings where conformity, or deviation from accepted group behaviours, will often lead to either inclusion or isolation from social activity (Ennett and Bauman 1993; Kapferer 1969). The strong influence that the social norms which are present in social networks can have over individual behaviour, for example, through peer group pressure, is neatly captured by the saying that it is 'better to be wrong together, than to be right all alone' (Degenne and Forse 1999:8).

In her seminal work, Bott (1957) found that the type of network characterisation impacts on the development and maintenance of norms, and, that informal pressures can play a role in forcing social conformance. Bott (1957) attempted to explain the separation of conjugal roles by investigating the way activities were organised in a complementary, independent or joint fashion. She found that a family's immediate social environment had an impact on the division of labour. In particular, that the segregation of roles varies directly with the amount of connectedness one has to an outside social network, that is, whether people have the ability to get emotional satisfaction from outsiders or not (Bott 1957:60). Bott's key contribution lay in her identification of the 'close-knit' and 'loose-knit' networks of husbands and wives and how behaviour is affected depending on the type of network that is present. Behaviour in close-knit groups is influenced by friends to a large extent and often leads to segregated conjugal roles within a relationship. Whereas in networks where acquaintances dominate, then members are allowed to deviate from norms to a greater degree, and there is a closer relationship between partners.

Epstein (1961, cited in Mitchell 1969:6) in his paper on the transmission of norms and values of elites to non-elites, “suggested that Bott’s division of social networks into ‘closed’ and ‘open’ types could be applied to different parts of a single personal network, the relatively ‘closed’ parts forming an effective network and the relatively ‘open’ part an extended network”. The description of open and closed networks can be linked to the concept of bridging and bonding social capital discussed in the previous chapter. It is the commonalities between these social network and social capital concepts that frame discussion throughout this thesis in the context of the financially excluded. Before getting to that, examples of the influence of norms is presented.

Coleman (1990) suggests that norms arise when an action has similar externalities for a set of others, and markets in the rights of control of an action cannot easily be established, thus, no single actor can profitably engage in an exchange to gain rights of control. There are positive and negative consequences for people whose behaviour is shaped by the collectively held norms and values of the social networks of which they are members. While social networks can create downward levelling norms, such as encouraging passive welfare (Hunter 2000), they can also be a positive influence, for instance, in creating healthy behaviours or tendencies to abide by the law (Field 2003; Putnam 2000). Indeed, informal social control stemming from commonly understood accepted behaviours can negate the need for formal institutionalised legal sanctions (Portes 1998).

In the discussion of networks described in the social capital literature, one example of where networks were seen to impact individual outcomes was in the area of educational performance (e.g. Coleman 1988; Field 2003). Significantly, while that literature largely focuses on reporting on outcomes, social network research, on the other hand, focuses more explicitly on investigating the actual nature of the relations amongst peers. This is an important distinction because it shapes the way in which we will come to understand the dynamics of social support and norms.

For instance, Hargreaves (1967) looked into secondary schools and the formation of cliques and norms that influence behaviour, status attainment and conformity. Similarly, Dunphy (1969) found how conformity and solidarity, status, cohesion, distinctive group culture works with school peer-groups. In addition, Fararo and Sunshine (1964, cited in Mitchell 1969) studied the grouping of delinquent children and how they tend to group in American schools. Thus, social network analysis concentrates on the role of location and how the structure of social relationships might explain behaviour and norms, that is, how networks might work to create norms rather than outcomes per se.

Neighbourhood effects are also relevant in the discussion of behaviours and norms (Small and Newman 2001). The proximity of other members of an individual's social networks can affect the development of perceptions and attitudes (Ibarra and Andrews 1993). As Putnam (2000:312) sees it, "people are profoundly motivated not merely by their own choices and circumstances, but also by the choices and circumstances of their neighbors". Lupton (2003:2) notes that there is a long tradition of qualitative neighbourhood research and observes a "growing interest in the effects of neighbourhoods on individual social and economic outcomes. Here, the neighbourhood as an entity is of less interest than its impact on the people who live in it". Buck (2001:2255) sees that the focus of this research is on "the perception of likely success in pursuing opportunities. Expectations might be shaped by individual experience, or by that of others in the neighbourhood". There has been a considerable amount of research that has found that neighbourhood effects are real (Akerlof 1997; Andrews et al 2002; Buck 2001; Kearns and Parkinson 2001). For example, Case and Katz (1991) find that "the behaviors of neighborhood peers appear to substantially affect youth behaviors in a manner suggestive of contagion models of neighborhood effects".

In the context of this thesis, the important question is whether neighbourhood effects have an impact on financial and social exclusion? Buck (2001:2251) investigated whether "outcomes associated with social exclusion (non-monetary poverty measures, measures of labour market engagement, entry into jobs and flows in and out of poverty) may be associated with neighbourhood characteristics" – in particular he used British data to look at “individual life-chances and the factors which affect them”. Buck (2001) noted that differences in outcomes can come from a number of aspects, including the way in which some areas have limited access to services (institutional), or limited social networks to advance or low expectations based on, as Lupton (2003:7) puts it: “personal experiences or the experiences of others”. This work is consistent with network isolation models where low-income neighbourhoods limit the formation of social networks that can connect people to jobs (Elliott 1999; Small and Newman 2001; Wilson 1987).

In considering movements in and out of poverty we are able to see that “barriers to upward mobility and a narrow range of opportunities – arising for example from limited social networks or expectations, or from area discrimination – will inhibit exits from poverty” (Buck 2001:2268). How behaviours and outcomes are shaped by neighbourhoods becomes particularly relevant for this thesis if we see neighbourhoods as “overlapping sets of social networks” in which people interact and engage on a number of levels that can create identities and influence the way people conduct themselves (Lupton 2003:5; Forrest and Kearns 2001). As will be explained later, of particular interest will be the impact of norms on financially inclusion behaviours. Moreover, Kapferer (1969:212) suggested that the ability to influence is often a function of multiplexity – that is, the number of exchanges between people, which as it increases represents stronger ties, or decreases to represent weaker ties.

In a similar way, Mitchell (1969:15) contends that the “degree to which a person’s behaviour is influenced by his relationships with others often turns on the extent to which he can use these relationships to contact people who are important to him or alternatively, the extent to which people who are important to him can contact him through these relationships”. This so-called “reachability” can play an important role in transmitting information and reinforcing norms. Analysing the characteristics of social networks in this way may help to explain why financially excluded people choose not to engage with the mainstream financial system. The next section focuses on one manifestation of reachability in small worlds research.

2.3 Small Worlds

One of the most prominent areas of social network research investigates what is known as the small world phenomenon. As Granovetter (1973:1368) sees it, the research is concerned with "newly introduced individuals who discover some common acquaintance". This is embodied in everyday life by the phrase 'it's a small world'. More specifically though, small worlds research sought to determine "how long a path of personal contacts would be needed to connect" two individuals. Seminal work by Milgram (1967:63) considered the idea that "any two people in the world, no matter how remote from each other, can be linked in terms of intermediate acquaintances, and that the number of such intermediate links is relatively small". Indeed, his study found that the average path length between two people was five. In addition, people are more likely to be linked through their acquaintances than through their direct contacts. Over the years, this result has been adapted and popularised by the phrase 'six degrees of separation'.

In earlier discussions throughout the literature surrounding the utility of bridging networks, questions have arisen about whether people can find bridges in small worlds (Watts and Strogatz 1998). This has given rise to research into the searchability of networks and how people can search networks beyond known points. Kleinberg (2000) envisages the prospect of short cuts available in networks, while Watts, Doods and Newman (2002) see the role of groups in labelling and as starting points for forming social links and making them more searchable – for example, links can found by looking at geography or occupational similarity. Practical implications remain open to investigation, including whether the costs for searching networks for individuals outweigh the benefits will also need to be settled.

Importantly, the small worlds concept continues to offer a useful method by which the structure of society can be analysed. The small world approach sheds light on the issue of social structure, finding the tendency to link 'like with like'. In this scenario, social distance is more of an issue than physical distance (Milgram 1967). Indeed, Beshers and Laumann (1967) advocate a network approach to studying social distance and the use of paths for mobility.[3] Beshers and Laumann (1967:225) offer a possible insight when looking at social distance from a network perspective. They viewed “social structure as a network” in determining the paths through a network in trying to discover the distances between occupations.

However, Milgram (1967:63) posited that “there are unbridgeable gaps between various groups and that therefore, given any two people in the world, they will never link up because people have circles of acquaintances which do not necessarily intersect”. It is perhaps on this level that small world research poses other questions, quite apart from whether we live in a small or large world, in particular, with respect to the characteristics of the individuals with whom people associate. One challenging problem with which to test these questions is the area of financial support networks in low income communities, where it may be useful to find out whether people can connect with the mainstream through small worlds.

2.4 Strong and Weak Ties

From the literature reviewed thus far, a picture of social network research should be emerging in which networks have a significant influence over the behaviour of individuals. The research to be discussed in this section will begin to focus on how the benefits of networks manifest and how they can be accessed by looking at the characteristics of the linkages between network members. This line of inquiry is best illustrated through the work of Granovetter (1973), which became known as the ‘strength of weak ties’ argument. Granovetter’s seminal contribution was to show that, in the context of labour market outcomes, people were more likely to find jobs based on information from weak ties. This finding is perhaps counter-intuitive. However, when it is shown that it is based on the idea that the same information circulates amongst closed networks its value becomes clear. In the context of a competitive job market this means that other people, or close competitors, are likely to be privy to the same information and thus, no competitive advantage would result from the possession of such information.

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[3] See also the work of Harrison White (1970) on mobility and social structure.

Granovetter (1973) looked at the way in which the strength of the tie between two people will impact the number of common ties between them. The stronger the original tie, the greater number of subsequent common ties. Generally speaking, the number of common friends that network members have increases the likelihood that other people known by the original network members will also become friends (Rapoport and Horvath 1961; Foster, Rapoport and Orwant 1963, cited in Mitchell 1969). This will lead to an expansion of their friendship groups, or to put it another way, the degree that such groups will overlap. As the saying goes: '*birds of a feather flock together*' (Burt 1992; Degenne and Forse 1999:7). Granovetter (1973:1361) saw that "the strength of a tie is a (probably linear) combination of the amount of time, the emotional intensity, the intimacy (mutual confiding), and the reciprocal services which characterize the tie". The ability then to access the benefits of strong social networks will be a result of greater time commitments invested in stronger ties, which also tend to be more homogenous.

The tendency for socially similar people to group together poses challenges for bridging. The bridging problem can be framed in terms of the concept of transitivity, which is "the tendency of one's friend's friends to be one's friends as well" (Granovetter 1982:120). Strong ties exhibit stronger transitivity than weak ties. This enables weak ties to act as bridges more than strong ones. Friedkin (1980:417) concludes that "evidence suggests that local bridges tend to be weak ties because strong ties encourage triadic closure". For example, information is more likely to pass through networks with a greater number of links and short paths (that is, weak ties) between disparate parts of a network (Granovetter 1973:1365). Indeed, the removal of weak ties has more impact on the transmission of information than strong ties given multiple sources of the same event, which is a so-called dampening effect (Granovetter 1973:1366).

Alternatively, it has been argued that as a group grows there is in fact less contact between members due to the increasingly scarce amount of time that can be devoted to each member (Täube 2004). Using Granovetter's findings, Burt (1992:17) argues that, as a function of opportunity costs, people may find it rational to allocate time to cultivating weak ties instead of strong ones. For the financially excluded, for example, this may be an argument that more time should be spent cultivating relationships that will break down social distances and should attempt to connect with people in the mainstream. Indeed, Granovetter's (1973:1376) model of weak ties was introduced in the context of enabling the linking of small-scale networks with larger-scale ones. Such an approach aligns with the idea that excluded groups could utilise weak ties to connect with mainstream groups (see also Granovetter 1982; Friedkin 1980).

This research undertaken by Granovetter is analogous to the dichotomy between friends and acquaintances that Milgram introduced in the small world hypothesis (Granovetter 1973:1368). While in the social capital research explored in the previous chapter so-called nodding relationships held value, Granovetter (1973) sees such nodding relationships as essentially absent for the purpose of social network analysis. Granovetter (1982) argued that as acquaintances form a low density network and close friends form a high density one, individuals will be insulated and communities will be more fragmented where few weak ties exist (see also Blau 1974). The challenge in the context of this research remains finding ways to extend a network beyond that which is very similar and promoting bridging ties. The focus here is on the way in which bridges can be formed. We see that the characteristics of a tie, particularly whether it is either strong or weak, will play a big part in its ultimate utility.

Granovetter (1973) believed that no strong tie is a bridge, instead all bridges are weak ties. In large networks it is unlikely that a "specific tie provides the *only* path between two points. The bridging function may nevertheless be served *locally*" (Granovetter 1973:1364, emphasis in original). Importantly though, Granovetter (1982:113) acknowledges that strong ties also have utility, particularly as they will often be more motivated to help and are more readily accessible. We do see, however, that Granovetter's work highlighted the importance of network structures, including marrying up with the characterisation of social networks as either close or loose knit, low-density or high-density, espoused in previous work. Stone, Gray and Hughes (2003) show that the benefit of weak ties can also be seen to exist in the context of social capital. In particular, for employment and labour market outcomes linked to social networks where if you are employed you have more networks. The following section will look at how the research into network bridging was extended by Ronald Burt.

2.5 Structural Holes

Following in the tradition of Granovetter, Burt (1992) gave new life to the adage: ‘it’s not what you know, it’s who you know’. His main concern was with how networks can provide people with competitive advantage. Importantly, he looked at the placement of a person’s contacts in the wider social structure. The essential argument is that, whilst the size of a network is important, not “considering diversity can cripple a network in significant ways. What matters is the number of nonredundant contacts. Contacts are redundant to the extent that they lead to the same people, and so provide the same information benefits” (Burt 1992:17). The term ‘structural hole’ was used to describe the existence of redundant contacts in a network. The result of a structural hole is that “contacts provide network benefits that are in some degree additive rather than overlapping” (Burt 1992:18).

In this sense, cohesive networks create structural holes, as do structurally equivalent members of a network who link one another to the same contacts (Burt 1992). By seeking diversity, a network would have fewer redundant ties, leading to more information and more indirect contacts (Burt 2000). Ideally, therefore, networks should be structured to optimise efficiency, that is, attempt to include more non-redundant ties, which have the added benefit of generally costing less to maintain than redundant ties. The effectiveness of the network should also be maximised and have the appropriate number of primary and secondary ties – as both are needed (Burt 1992:38).

Burt’s analysis is similar to that put forward by Granovetter (1973, 1982). However, Burt (1992:27) argues that his structural holes thesis adds value because, from a causal perspective, it is not “the weakness of the tie but the structural hole it spans” that matters most. In Burt’s view, the value flows from the difference between the bridging nature of the location, rather than merely from the relationships themselves. In looking at things from this perspective, he takes the bridge to be both a chasm (hole) and a span (tie).

Furthermore, Burt sees that holes offer control not just information benefits as in the case of weak ties. Control benefits can come from acting as the broker between two disparate groups (Burt 2000). He draws a connection from this with Simmel's *Tertius gaudens*, 'the third who benefits' from the disunion of others, with holes used as a control strategy which motivated entrepreneurs take advantage of (Burt 1992:30-34; Stovel and Shaw 2012).

In practice, the value of structural holes can be illustrated by reference to commercial relationships. Traversing a structural hole can lead to entrepreneurial opportunities in the form of access to information or collaboration and this may lead to financial benefits. All types of industries can benefit from bridging a structural hole and Burt suggests the impacts are felt in the form of technology, profits, creativity, innovation and within the workplace between groups (Burt 2000 provides a review of a plethora of literature). Even within the same organisation bridging holes can make an operation more efficient, effective and responsive to information, thereby reducing costs (Burt 2000). In a broader sense, there may be a role for central community organisations in facilitating diffusion and diversity that can reduce costs for the individual.

Burt's (1992) discussion of structural holes was couched in terms of social capital. Importantly, Burt (2000) recognised the contingencies attached to social capital that may influence the performance or value of networks. These include a person's motivation, their personality and culture, which impact on a person's willingness to take up opportunities presented by structural holes. Indeed, across these factors Zhu et al (2013) saw that an individual's distinct personality can play a central role in shaping social networks. Also of concern was the content of networks, that is, the substance of the relationship as either social, work or friendship, and how this categorisation of relations might affect the ability to take up opportunities and, thus, also perhaps determine the value of social capital. The number of peers is also relevant, because the more peers a person has, the less value there might be because of the competition it creates. Finally, in his conception, network closure is needed for communication to occur. Here, Burt (1992) also considered the relationship between social networks and class, with reference to the importance of money or friends and the ‘old school tie’, which invokes Bourdieu’s definition of social capital discussed previously.

In the argument for structural holes there is an important role for a “broker” to bridge a hole and bring together two disparate parts (Prell and Skvoretz 2008; Stovel and Shaw 2012). This benefits both the individual broker and the whole networks and, thus, is better than closure, especially in terms of social integration (Burt 2000; Stovel and Shaw 2012). However, much like Granovetter’s support of strong ties, there may be other benefits attached to maintaining what Burt would call redundant relationships. Human relationships should not just be strategic, and, of course, much of the discussion is predicated on the making of friends in the first instance, which is not altogether easy.

3. Bridging and Bonding

In the previous chapter, the concepts of bridging and bonding social capital were introduced. Notable work done by Burt (2000 and 2005) in dissecting the relationship between social capital and social networks identified elements that tied the two concepts together. In particular, closure and brokerage are the two concepts with the most direct parallels in social capital theory. Closure exists in a dense network where connections between group members are complete. This situation facilitates access to information and also enables the effective sanctioning mechanisms which create trust (Burt 2000; Coleman 1988 and 1990). Brokerage, on the other hand, involves building links between disparate groups and involves some elements of control (Stovel and Shaw 2012).

More simply, closure is about cohesive groups and brokerage about bridging between groups (Burt 2000). Alternatively, closure is needed for “preserving or maintaining resources” and bridges are needed for “searching for and obtaining resources” (Lin 2001:10). Here, the similarity with the attributes of social capital should be evident. Burt’s conceptualisation of closure and brokerage is analogous to bridging and bonding social capital (Prell and Skvoretz 2008). The emphasis is again on the value derived from linki ng unconnected parties. They are also the most important as they affect the flow and use of information.

Many argue that to fully harness the benefits of social networks individuals need both brokerage and closure (Burt 2001; Narayan 1999; Prell and Skvoretz 2008; Woolcock and Narayan 2000). This may seem somewhat of a paradox – needing close-knit groups to maintain social norms, yet needing broader connections for mobility. However, significantly, Lin (2001:20) considers the inequalities of social capital to be based on structural and positional issues affecting access to opportunities. Taking this argument further, Burt favours brokerage over closure which is again akin to the conclusions reached in the previous chapter about bridges being more valuable than bonds. The challenge is where the advantage obviously declines as more people know about the information or join the network and suggests only a short-term function (Burt 2000). However, this "can become long-run advantage if social structure is held constant" (Burt 2000:357).

Underpinning the idea that bridges are more valued than bonds is the problem of homophily. Skvoretz (2013:486) observes that the "ubiquity of homophily in social relations has been obvious since the early days of empirical sociology". Much work stems from Blau's (1974 and 1977) incisive research on the effect individual attributes have on social structure, intergroup relations and integration. McPherson et al (2001:415) argue that "personal networks are homogeneous with regard to many sociodemographic, behavioral, and interpersonal characteristics. Homophily limits people's social world in a way that has powerful implications for the information they receive, the attitudes they form, and the interactions they experience". This creates what Skvoretz (2013:486) calls the "homophily hurdle" to diverse and integrated societies. Hence, we can understand Burt's argument that connections are needed to bridge the structural holes people will have in their networks in order to access different and more valuable information.

If we return to the problem introduced at the beginning of this thesis that financially excluded people lack opportunities to engage with the mainstream, we can see that it is possibly because they lack the heterogeneous relationships to bridge the divide. Indeed, the literature has alluded to the fact that for some financially excluded people social support networks are not available in a way that can assist with either direct financial needs or even the provision of financial advice because of homophily. This opens up the possibility that financially excluded people do not have the right type of social networks – policy interventions could apply social network theories to redress this issue.

Specifically, we can see how the social networks literature also has much to say on the way relationships can affect decisions, in particular, in describing how network effects and homophily impact on individual behaviour (DiMaggio and Garip 2012). However, there appears to be limited research that focuses on how financially excluded people are influenced in their decisions to engage in the mainstream or not. Importantly, as McPherson et al (2001:415) state "[h]omophily implies that distance in terms of social characteristics translates into network distance". This distance makes getting the right information harder. Thus, people may not engage with the mainstream because they do not have the networks that would enable them to form, the right behaviours and attitudes towards the banking system.

In his seminal work, Wilson (1987:61) looked at the impact "social isolation" had on the acquisition of norms and behaviour. When studying the social networks of disadvantaged communities in America, Wilson (1987:60) found that a high degree of social isolation occurs in disadvantaged communities because people in those neighbourhoods seldom interact with people or family members who have stable employment and do not have a history of receiving government support payments, with the "net result is that the degree of social isolation – defined in this context as the lack of contact or of sustained interaction with individuals and institutions that represent mainstream society". In Wilson's study, he focussed on the limited networks of African Americans, which he argued made it more difficult for job seekers to connect to the employment network.

Similarly, according to Fischer (1982:254) in his seminal work '*To Dwell Among Friends*': "[p]eople's position in the social structure – their educational and financial resources, status in the labour force, ethnic membership, family commitments, residential locations, and so on – expose them to varying opportunities for forming personal relations and provide them with varying means for taking advantage of those opportunities". As such, people who work are more likely to make friends with different sets of people than those who do not work, and those with more time and resources to socialise are better able to maintain relationships.

Furthermore, as stated in the previous chapter, in the context of increasing the capacity of the disadvantaged, the resources in low income communities can only stretch so far. As Taylor and Warburton Brown (2011:173) observe "low-income households are disproportionately likely to be part of low-income networks with limited resources". Indeed, Lin (2001:22) suggests it is intriguing to see why given the same level of resources, some individuals can mobilise better than others, and suggests one reason could be proximity to the bridges.

In network theory the concept of a bridge is "a line in a network which provides the *only* path between two points" (Harary, Norman and Cartwright 1965:198, cited in Granovetter 1973:1364). In the context of diffusion, such bridges assume a significant amount of importance in connecting contacts of members of networks, facilitating the flow of information or influence (Granovetter 1973). Further support for the role of intermediaries in linking outsiders to insiders is provided by an anecdote from Rothschild "I won't give you the loan myself; but I will walk arm-in-arm with you across the floor of the Stock Exchange, and you soon shall have willing lenders to spare" (Burt 2000:399). In a sense, the parties are engaged in borrowing social capital. So, there is similarity and usefulness in linking networks and social capital.

3.1 Information Transmission

Networks are an important way of transmitting information. The network structure will influence how this is done. Networks play an important role in determining who gets access to information and who does not, and this role also extends to the timing of referrals of information (Burt 1992; Centola 2015; Stovel and Shaw 2012). Many studies have looked at how information is transmitted in different fields, for example, there have been work looking at the disclosure of information on new drugs amongst doctors in America

(Coleman, Katz and Menzel 1957). Research has also examined the formation of core discussion networks more broadly (Marsden 1987). Following in the tradition of Granovetter, research has looked at the way in which job transmission occurs through contact networks (Andrews et al 2002; Boorman 1975; O'Connor 2013). Many studies have found positive results for the unemployed who have sought information from friends and family and have led to jobs in countries including Britain, Sweden, Spain, Germany, Canada and China (Field 2003).

Much like other forms of information, networks can spread vicious rumours and gossip with severe reputational and normative effects (Coleman 1990). There can be both positive and negative consequences of this, which may impact upon peer-group pressure in forming identity and values (DiMaggio and Garip 2012; Ennett and Bauman 1993; Smith and Christakis 2008). Importantly, Banerjee et al (2012 and 2013) looked at how information about the availability of microfinance programs in Southern India passes through central village leaders in a network and how that will influence participation rates. They found that participants are more likely to pass on information about microfinance opportunities than non-participants.

The transmission mechanism operates in areas other than just information. For example, social networks may impact on the paths by which infectious diseases are transmitted (Klovdahl 1985). Understanding networks can aid the strategies for reducing exposure to risks, with network forms of containment. Notably, whilst social isolates can be the original source of a transmission, as the "contagion enters social networks [it] is disseminated with increasing rapidity" (Becker 1970:13, cited in Granovetter 1973:1367). Thus, it is important then to examine further how information, or any other thing, is transmitted in networks. Klovdahl et al (1992, in Degenne and Forse 1999:4) note that the form of the network has a major impact on "the process of contagion, communication or any other type of exchange", particularly where the distance between actors or structural positions differ.

In the context of economic markets and their character of cliques, networks will impact on the time information takes to be transmitted, meaning that it will “circulate within groups before it circulates between groups” (Burt 2000:350). People who get the information first will be at an advantage. On the other hand, homophilic networks will place limits on social diffusion (Centola 2015). Thus, social structure of networks will impact on the role people play and whether there are bottlenecks versus conduits in networks.

4. Social Capital and Social Networks: the Case for Support and Inclusion

Sociology has long been concerned with explaining social interaction and questions of individual action. One school of thought promotes a form of methodological individualism in which actions are determined by the pursuit of rational self-interest. This leads to an under-socialised or atomised view of the world. A second perspective suggests that individuals are guided by the environment that surrounds them, that is, social structure influences the choices people make. In the context of this thesis, the primary interest is in the way an individual’s social networks will shape or constrain preferences and behaviour (Degenne and Forse 1999; Granovetter 1973). Consistent with the second school, social network analysis, for instance, can be used to determine how individual actions are governed by group norms.

It should be clear from the discussion of the literature above that social networks matter on a range of levels and can shape the behaviour of individual members. Social networks play an important role in the life of their members by providing assistance in a crisis. In many instances, the support provided lends credence to the adage ‘it’s not what you know, it’s who you know’. It should also be clear, however, that an individual’s location within a network will impact upon their ability to access the benefits inherent in social networks – directly or otherwise. Much of the research to date has dealt with the interaction between disparate networks and how bridges can be built to connect them. This thesis is framed within this perspective and looks at how the linking features of networks may be utilised in addressing the challenging contemporary social policy question of social and financial inclusion in Australia.

In examining how networks can be harnessed for this endeavour, it is first necessary to address one of the key questions to come from the literature. The challenge for research will be, as Granovetter (1982:130) considered when commenting on Friedkin (1980), to show that “something flows through these bridges” and that “whatever it is that flows actually plays some important role in the social life of individuals, groups, and societies”, that is, that networks should provide instrumental benefits. In fact, the impact of social structure on social networks and behaviour poses interesting questions in the context of this thesis and its focus on bridging networks. For instance, it may be worthwhile investigating how the type of networks people are members of determines their success in building bridges, and where there is a tendency of like linking with like, then the how this may constrain the success of bridging. As Milgram (1967:63) observed, poor people know they are poor and rich people know they are rich. Where these two groups of people do not associate with each other it will tend to perpetuate cycles of disadvantage and, therefore, there is a need for identifying and creating structures that will form bridges between groups.

4.1 Social Network Analysis

Social network analysis provides a powerful tool through which to answer questions about how people are influenced by others, both inside and outside their social circles, as it offers a way of investigating the influence of social structure on individual behaviour. In keeping with the structural approach, social network analysis focuses on the concrete relations rather than the intangible (Wellman and Berkowitz 1988). Similarly, Kapferer (1969) sees the use of network analysis as a means of determining why individuals choose to behave in one way instead of another, as a better way than structural analysis.

The literature perhaps still leaves room to focus specifically on social network techniques as a way of establishing the quality of relationships that make up social capital. If the consensus is that social networks are the cornerstone of social capital, an even more important consequence of Burt’s argument is that we must implicitly adopt social network analysis as the tool we are required to use in order to determine how the connections lead to benefits. A key underpinning of social network analysis is its ability to identify the structure of a person's social network and identify ties between actors (Freeman 2004; Knox et al 2006:117; Wellman 1988). Looking at the structure of social relations can define "a multi dimensional social space in which agents can be located and their actions explained" (Lopez and Scott 2000:60, cited in Knox et al 2006:131). This can be important to understand perceptions of the financially excluded and their social networks and their place in them.

Social network theory "emphasizes patterns of relationships among individuals and interprets the behavior of individuals in reference to their positions within social networks" (Ennett and Bauman 1993:228; see also Wellman 1988). Lin (2001:14) saw that research looked for the location of networks as a way of determining strategic position for competitive advantage. Alternatively, following social resource theory (Lin 1982) the concern was about the measurement of the value of the embedded resource that matter because they are seen as a source of power wealth and status. Here, the concern is about the additive nature of capital and techniques for maintaining it.

Looking at location and the characteristics of individuals in the network, will naturally entail some consideration of the resources they provide or whether they facilitate access to the embedded resources that are the social capital (Lin 2001). To document networks in this way has multiple strengths. It overcomes the continued difficulty in quantifying the intangible benefits of social capital – at least directly. Indeed, Knox et al (2006:118) observed that the interest in social capital had resulted in the fact "network methods have become a key part of survey analysis in recent years, with questions asking about respondents' friendships, their social support, and the range of their social contacts".

In this case, research can be used to determine who people turn to and how to construct broader networks to create a more inclusive society. Friedman (2001:142) states those on the fringe such as "welfare recipients and very low income individuals tend to be isolated and marginalized from the active life of the community…[and]…face obstacles in building the networks and relationships so critical to their survival and success".

Therefore, understanding the networks of financially excluded people is critical as Woolcock (2001a) contends the ability to participate in the market eventually leads to involvement in all aspects of mainstream society. As Taylor and Warburton Brown (2011:173) propose that "work is needed on the ways in which mutually supporting networks of extended family and friends can ameliorate the effects of low incomes…and the ways in which policy might foster such networks".

As Centola (2015:1332) concludes the "empirical problem of accurately measuring social networks has endured for decades and has become more poignant as network studies have increasingly focussed on large populations with complex topologies". How then should we look at the networks of the financially excluded? Burt viewed connections as measures of social capital, and this is premised on the belief that it is in the connections themselves that constitute social capital and, therefore, matter most. From here there appear to be two possible research paths laid out by Mitchell (1969) for investigating network connections of the financially excluded. The first is the interactional approach that looks at the content of the relationships and at the resources available in networks, which is akin to the early social capital research. The second is the morphological approach that looks at the locations or functioning of networks and seeks to map the location as seen in earlier networks research. Applying social network analysis in these two ways may prove useful for addressing exclusion and also provides a mechanism for determining whether the benefits of social capital actually exist.

5. Conclusion

The literature presented in this chapter has shown how networks can be classified as either close-knit or loose networks, with relationships that can bridge and bond. These distinctions are important for two reasons. The first is because the type of network will influence behaviour and norms. The second is because the type of network impacts on the degree of social support people can draw on in a time of need. In either case, the network is a metaphor that conjures up images of connection and exclusion (Knox et al 2006). This being so, it is clear that a social networks based approach can be applied to the current policy question of promoting social and financial inclusion.

As Field (2003:142) suggests, network analysis – because it is tried and tested – can be used to find insights about the "nature and quality of people's connections", which would add to existing literature focussed on location, participation and norms.

The literature provides a number of useful avenues which may be followed to see how networks might be used to determine how such people connect with the mainstream. For instance, there are parallels with the small world theory looking at the number of degrees of separation that exist between excluded people and the mainstream. A fruitful approach may also be to investigate how bridges can be used to traverse structural holes or utilise weak ties. Specifically, such research could investigate the role of networks in acting as bridges for the excluded. Indeed, given the profile of socially and financially excluded people, issues of bridging and bonding, as described by both Burt and Granovetter, are most suited to tackling social inclusion as by building bridges socially excluded parties can become included in the broader mainstream society.

Later, the distinction between network types becomes important in explaining what kind of networks are most useful in promoting financial inclusion – especially through the operation of downward levelling norms. The questions is whether closed networks perpetuate exclusion or whether the lack of diverse networks may impact on the ability to mainstream. This observation forms the basis for a central point of investigation in this thesis – determining the type of networks that the financially excluded have. My focus is on the network mechanisms that may enable the excluded to join the mainstream and overcome exclusion. The methodology chapter to follow will elaborate on the theories within the social network literature that will be applied in the context of my study.

Chapter Five: Methodology

1. Introduction

The literature review chapters established the growing prevalence of financial exclusion in Australia and pointed to the significant instrumental benefits that individuals can derive from their social networks that may help to overcome exclusion. Networks were also shown to exert a significant amount of influence over behaviour and choices, which may affect decisions to engage with the mainstream financial system. At the same time, it emerged from the literature that the type of social networks people have will impact on the types of benefits available to them. With this in mind, the primary objective of this thesis is to document the types of social networks the financially excluded have.

There are two key levels of social networks that will be explored. On the micro-level, networks engender support for people in need through the resources available in interpersonal connections. At the macro-level, the critical factor is the capacity of networks to be used to build connections between disparate sections of the community. In the context of financial exclusion this relates to the way in which social networks can potentially connect financially excluded people who are on the fringe to mainstream society. Unsurprisingly, these two levels interact as macro-level analyses are informed by the study of the individual level (Hanneman 2001). The examination of social networks, therefore, enables researchers to discover the structural reasons for social differentiation and stratification.

Importantly, the literature to date has remained relatively silent on the links between social networks and financial inclusion. While separately there is a substantial amount of literature illuminating each topic respectively, rarely are the two issues considered together. Thus, there is an opportunity for my study to usefully contribute to the literature in this area. The most critical difference between my thesis and the previous literature lies in the use of social network theory as the lens through which the experiences of exclusion are viewed. Identifying the channels through which network mechanisms work may offer considerable insights and applications to policy makers seeking remedies for exclusion. This networks aspect, to my knowledge, has not been covered.

In looking for evidence of social support in the context of financial exclusion, this thesis aims to further substantiate the benefits associated with social capital. In doing so, this thesis will contribute to addressing the ongoing criticisms of the concept of social capital, particularly as Putnam's version of the concept remains contested. By seeking to measure the quality of relationships that comprise social capital, and hence going some way to quantifying the value or existence of social capital, it is hoped that part of Putnam's macro-level aggregations will be moderated. Indeed, such an approach enables us to delve down into the detail of individual relationships people have to determine the benefits that can be transferred thereby enhancing our understanding of social capital.

The second major objective of my study is to document the experiences of marginalised people through their interactions with mainstream financial institutions and non-mainstream service providers in the hope that the lived experience of exclusion can be revealed. If we accept that, as Keister (2002:40) contends "financial relations are social relations", then this means significant interpersonal dynamics exist in financial contexts. If this is the case, financial relations may give rise to power differentials (Keister 2002; Mizruchi and Sterns 1994), which, in turn, lead to a range of possibilities for investigating the relationship between financially excluded people and those in the mainstream financial system. It is the way that these power differences impact on access to financial capital, as the focus of financial exclusion defined previously, that I am interested in examining.

The premise of my study is that financial exclusion manifests in the interaction, or lack thereof, between financial institutions and consumers. I aim to investigate why people are excluded from the mainstream including by looking at the way in which financial exclusion stems from market structures that do not cater for individuals who do not meet the eligibility criteria set for many financial products offered by mainstream institutions.

Here, the idea is to examine whether financial exclusion based on inappropriate financial products affects some sections of the community. In particular, I seek to explore how the idea of social distance, created by the power of mainstream financial institutions, is experienced by the financially excluded. Historically, such research conforms with what Knox et al (2006:123) note were network studies that "attempted to discover how people's interrelationships with one another produced particular kinds of understandings about the world in which they lived and the people with whom they interacted".

In order to answer my research questions, empirical evidence will be sought from financially excluded individuals. I decided that it would be appropriate to interview clients of programs that assist low income people through the provision of microfinance products aimed at overcoming financial exclusion. I chose the No Interest Loan Scheme, which is a microfinance program that provides access to appropriate and affordable credit. While studies into microfinance programs have previously considered the personal relationships of clients, they did not specifically consider social capital in any detail, nor networks at any level. From an empirical and theoretical perspective, therefore, I will apply a social networks framework to interpret the impact of microfinance programs on their participants and, in doing so, extend previous studies and make a contribution to the literature.

This chapter will outline the methodology I used to test the role of social networks in tackling financial exclusion. Keister (2002:39) argues "sociologists have contributed greatly to understanding financial relations". It is in this tradition that I seek to contribute to through my research. I hope to bring out the interconnected or interrelated nature of exclusion and support. The following section will discuss the main research questions, which have been shaped around several key propositions evidenced through the literature. This will be followed by a description of my fieldwork.

2. Research Questions

Two primary research questions were developed as a result of my comprehensive literature review. The first research question revolves around documenting the types of social networks that the financially excluded have and the consequences of this on their engagement with the mainstream financial services system. The second research question deals with people's experiences of financial exclusion. Each of these research questions, and the supplementary research questions that emerge from them, are discussed below.

2.1 Social Networks Types

Research Question: What types of social networks do the financially excluded have?

The literature identified various types of social networks, including bridging, bonding, close-knit, loose-knit, strong and weak. The research was clear that, depending on the situation, some forms of social networks can be more beneficial than others. For example, often those who were provided with strong support from close family and friends relied on homogenous bonding networks. Such bonding ties may be critical as a form of social support to cope with financial exclusion. On the other hand, for those wishing to move beyond their immediate social network and take advantage of opportunities that are offered in other networks, then bridging networks are more relevant. Therefore, for the financially excluded people who are the focus of this thesis, it becomes important to examine which type of social networks they have.

For many, social networks will exist across many different levels. Wellman et al (1988) suggested people draw on a range of members in their network for support in various areas. In this context, it becomes important to determine whether financially excluded people can access different kinds of support from the different kinds of networks. Finding out what types of people are more likely to be asked for help can enable analysis that looks at the attributes of the people and ties. For example, do people have strong support provided through bonding networks by people who are in similar positions, or do they have the bridging social capital needed to transition into the mainstream?

If a person does not have a supportive family network, the question is, can they access support from their neighbours?

The extent to which people are able to draw on networks for help is also influenced by many other factors. For example, Putnam (2000:120) suggests that getting informal help "is strongly correlated with the size of one's network of friends and acquaintances". Similarly, one of the dimensions of exclusion used by Burchardt et al (2002:34) focuses upon whether a "person lacked someone who 'will offer support (listen, comfort, help in crisis, relax with, really appreciates you)'". If we take this idea further, we can say that people with a limited or small number of friends are less likely to get help. I was interested in applying this idea to my study to see whether the number of people my research participants counted as friends impacted on the availability of social support. Indeed, there is significant value in determining whether bridging or bonding social networks offer the most significant benefits to those people seeking to transition into the mainstream.

2.1.1 Social Networks and Social Support

Research Question: What are the dynamics of the social support available to the financially excluded?

The literature provided evidence that the primary utility of social networks resides in the instrumental benefits they can offer members. However, what has not been made evident in the case of the financially excluded is an analysis of the content of social networks that make the benefits possible. Therefore, this thesis aims to confirm how social networks operate in delivering instrumental benefits to the financially excluded by documenting whether financially excluded people have networks that are able to provide them with social support. This will be achieved by investigating how support is provided, for example, is support provided in the form of money, time or emotional support etc., including at a time of crisis. Further, did people receive support in the form of non-monetary assistance such as borrowing household items?

For some people asking for help from friends or family can be difficult. There is often an added level of complication when the issue of money arises within personal relations that is not necessarily present in other types of social support and may impact on the ability to draw on social networks for financial support. I wanted to document how the dynamics of this type, as well as other types, of social support operate. For instance, are people reluctant to borrow from neighbours for fear of not being able to repay? How does this reluctance impact on the utility of social networks in this area of financial assistance? Finally, how do people decide whether to borrow from friends or not? We know that the informal economy exists and networks operate to substitute for other mainstream markets such as in health care and child care. If we take the definition of exclusion as covering people who cannot get finance from the mainstream, I wondered if they could get financial support from their social network that would, in effect, provide a substitute for the formal market.

For financially excluded people it is likely that if their friendship groups were similar in terms of socioeconomic circumstance and characteristics, then the capacity to provide material support may be more limited. That is, the ability to ask for help is constrained by the capacity of their friends to help given their own circumstances. This involves the idea that people who get into financial difficulty in the first place often have poor support networks to prevent this from occurring because their networks are faced with the same challenges.

Significantly, the literature found that the ability to build social networks is influenced by a person's capacity to form and maintain relationships. As Putnam (2000:204) said "for people as for plants frequent repotting disrupts root systems. It takes time for a mobile individual to put down new roots". Here, we see that there is a strong association between residential stability and social capital. With this in mind, Lupton (2003:11) suggests testing whether "outcomes are greater for people whose tenure and family relationships suggest strong bonds to the neighbourhood than for those of similar skill levels who are weakly bonded".

To address such issues, a number of questions about residential mobility and tenure were developed that focussed on determining whether the ability to access social support relies on time in a particular location or time spent with neighbours. Consistent with the impacts of mobility hypothesized by Coleman (1988), I hope to establish whether more movement equates to less social support or, conversely, whether no movement equates to more social support. More generally, questions will probe what relationships the financially excluded have with their neighbours; whether there is a correlation between the amount of time people spend with neighbours (friends) and the ability to use neighbours (in general) for financial assistance; and finally, I will also develop my analysis to see whether mobility affects participation and inclusion.

The literature contained evidence that close networks are those that are most likely to provide members with support in times of need or crisis. For instance, Wellman (1979:1223) stated that "[c]loseness is apparently the single most important defining characteristic of helpful intimate relationships". I was interested in the extent to which this held true for financially excluded people. That is, whether their relationships were subject to proximity bonds that meant they tended to be friends with and rely on support from people who lived close to them. Similarly, I wanted to confirm whether support was provided by strong or weak network ties? This approach is consistent with the problem of identifying dormant or latent ties compared to those actual day-to-day links used in social interaction (Mitchell 1969:40).

2.1.2 Social Networks and Mainstreaming

Research Question: In what way can the social networks of the financial excluded assist them to join the mainstream?

The literature showed that bonding social capital offers instrumental benefits that can substitute for the mainstream but bridging social capital is most useful in connecting people to the mainstream. Following the identification of network types, for financially excluded people, what is important is being able to identify pathways to the mainstream.

Therefore, I was particularly interested in seeing whether the financially excluded in my study had social connections with others that were capable of assisting them to bridge the gap into the mainstream financial system, and if so, how?

These questions are important from a theoretical perspective as they test Burt's concept of structural holes. As Knox et al (2006:119) explain "it can be the absence of connection, or the existence of similar kinds of connection, that is important". In this case, as Burt suggested, knowing where the structural holes in your network are, may mean you can strategically place yourself to traverse them. Burt's suggestion is based on the idea that if you can identify connectors then excluded people may be able to seek out those central figures to assist them. This is what Granovetter (1973:1365) called "local bridges". In pursuit of this aim, I developed questions that tried to elicit if participants had homogenous networks with structural holes created by so-called 'redundant' ties. The purpose was to see if networks were absent of ties that connected people beyond the fringe, which is their current state, or if they had networks that had central figures who act as bridges to the mainstream. In this respect, I was looking for the people who acted as bridges (see Mintz and Schwartz 1985; Scott 2000). In the terminology of social networks, I was looking for a mainstreaming 'ego' or central agent in a specific group.

A specific feature of networks research concerns the flow of information through networks. Applying this to my thesis, I was interested in finding out how people found out about microfinance programs. As a way of providing evidence of the utility of networks to reducing financial exclusion I also wanted to determine whether bridging social networks lead to participation in microfinance programs. The aim was to see whether the social supports or social network relationships of clients impact on whether people apply for microfinance. Put simply, was this a matter of word of mouth or were more formal means such as advertising the source of information on microfinance? The literature suggested that 45 per cent of people heard about microfinance from family and friends (Ayres and Palafox 2000). Using this as the base, I wanted to confirm whether amongst participants, social networks were the most effective promotional tool for microfinance. Looking deeper, did people who had the program recommended to them also recommend it to other people, or if they had not been told about these programs by their family or friends, did they subsequently tell others after they had participated? Finding answers to these questions about information channels amongst the excluded can be useful for improving ways of promoting microfinance programs.

2.1.3 Social Networks and Social Distance

Research Question: In what way do social networks influence engagement with the mainstream through social distance?

One of the key themes to come out of the literature is that people are most influenced by the behaviours and beliefs of their closest associates. The strength of these relationships is predicated on homogeneity. People associate most with others who share similar interests, activities and traits. This influence is perpetuated through closeness in networks. These are the networks from which significant instrumental benefits can be derived, however, they can also be the source of constraining influences. One of the consequences of this is the creation of social distance. That is, if a person's social circle is limited, a distance may be created between them and other groups.

Knox et al (2006:134) claim that recent work has shown "that the strength of the network metaphor has been to encourage us to rethink questions of relatedness, and to consider how the implications of distance(s) of different kinds might be addressed by the network". With this in mind, one of the purposes of this thesis is to see how the concept of social distance operates in the context of financial services and whether people feel that a distance exists between them and financial institutions that prevents them from accessing the mainstream. The focus of this line of questioning will be to establish the influence social networks have on social distance. Importantly, however, the perceptions of the respondents of the treatment they receive from mainstream institutions is also covered, particularly because this can also create a barrier to participation.

The relevant questions will revolve around discovering how a person's social network perpetuates social distance or promotes inclusion through the use of the mainstream. For instance, does a friend's previous experience with the mainstream influence future interactions by people in their social network? Are the attitudes and values of the poor in relation to the mainstream shaped by homogeneity? In the long run, how does network-induced social distance impact on the financial products people have? Do the relationships people have with family and friends influence the behaviour or choices clients made in relation to using mainstream financial institutions?

2.2 Experiences of Financial Exclusion

Research Question: What are the social consequences of financial exclusion?

While the literature covered the growing prevalence of financial exclusion in Australia, there was limited specific consideration of the impact exclusion had on the ability of the excluded to participate in social activities. The impact of financial exclusion goes beyond purely financial implications. This being the case, a second major research question emerged: what are the social consequences of financial exclusion? In seeking answers to this question I concentrated on finding out why and in what ways people are excluded. In this context, to gain a more detailed understanding of the lived reality of financial exclusion, I developed a series of questions about people's experiences with the mainstream.

The literature demonstrated that social capital is built through active participation in community life (see, for example, Australian Bureau of Statistics 2004). This form of civic participation characterises Putnam's conception of social capital. I wanted to see how financial exclusion impacts on the ability of the financially excluded to engage in the activities of society, including seeing whether financially excluded people participate less in mainstream society. Here, I look at the amount of interaction with others as evidence of social participation. I will explore the individual experiences of social exclusion and participation.

From a financial perspective, the lived experienced of exclusion can be understood by determining what experiences people have had dealing with mainstream institutions, and how those experiences impact on the types of financial services people then have. Consistent with the definition of exclusion based on access to credit, one key issue pursued is examining how exclusion impacts on access to credit. Taken together with issues of social distance and social support, these inter-related inquiries will assist with determining how exclusion manifests and how people adapt to exclusion. In the absence of mainstream options, excluded people will seek alternatives from three main sources: their support networks, third sector welfare agencies or the fringe credit market. As a way to explore what exclusion means in real life, I examined the types of benefits and interactions excluded people have with these alternatives to the mainstream.

2.2.1 Client Experiences with Microfinance Programs

Research question: How do microfinance programs alleviate financial exclusion?

There is a large body of literature that has documented the positive impact microfinance programs have made in peoples' lives. The literature highlighted the role microfinance can play in strengthening primary social connections and facilitating social participation (Ayres-Wearne and Palafox 2005). As I explore the lived experience of financial exclusion particular attention will be given to confirming elements of previous investigations referred to in the literature. Specifically, I focus on how participation in microfinance programs changes quality of life outcomes and inclusion. Indeed, as participants in microfinance programs are generally by definition financially excluded, I wanted to see whether, over time, microfinance programs encourage or enable participation and inclusion. That is, do they help to expand social networks, do they enable people to become more active and thereby reduce social exclusion. For example, what do microfinance clients use their loans for and can the goods purchased with a microfinance loan allow people to get more involved in their communities? As noted in the literature, exclusion is a dynamic rather than static phenomenon (Byrne 2004:63).

The studies into Australian-based microfinance programs were especially insightful and provided strong evidence that microfinance offered genuine assistance to their clients across a range of indicators, including solutions to essential needs, capacity building and increased participation (see Ayres-Wearne and Palafox 2005). The literature noted a shift in the approach to tackling exclusion based on capabilities with education forming a key component of microfinance. While the literature did consider how microfinance programs build financial skills and capacity, more evidence is needed. With this in mind, I was curious if the experience with NILS increased skills and confidence necessary to interact with the mainstream. Given the networks perspective adopted in this thesis, I hope to see whether networks play a part in supporting the acquisition of skills and confidence.

An important question with all microfinance programs is whether or not they help people transition into the mainstream. Past research has shown that only 15 per cent of NILS clients go on to seek a loan from a mainstream provider (Ayers-Wearne and Palafox 2005). There are a number of explanations for this, including the fact that people are given repeat NILS loans, and cases where there is no change in individual circumstances between loans (particularly in terms of their income). I hope to see if networks play a role in encouraging economic participation that is not captured by these explanations. In particular, I am interested in whether social distance and downward levelling norms may offer any further explanations. I wanted to see whether people sought multiple microfinance loans, as the number of loans could be considered a proxy for microfinance being an alternative to the mainstream.

In an in-depth paper, Burkett and Sheehan (2009:v) investigated some of the "issues and challenges facing the microfinance sector in Australia". Ultimately, the nature of my thesis extends their work and looks to consider the potential and suitability of microfinance in Australia. In speaking to clients about their experiences I anticipate that I will receive some information that could be helpful for evaluating the success of microfinance in Australia.

For example, information is likely to be provided that can help to explain the level of repayment rates, the extent of interaction with loans officers and the types of additional services that might be desired or could be integrated into the services. Perhaps most importantly, interviews will determine whether microfinance gives people a step up. From a program design perspective, it is useful to see the extent to which participation in microfinance offers opportunities for social interaction with others. For example, were clients of NILS provided with options to attend communal financial literacy classes? The idea here is that at these classes people might form social networks that provide mutual support and encouragement that will lead to behaviour change and inclusion. Notably, these questions highlight the interaction between social networks, financial exclusion and social exclusion.

3. Case Study: No Interest Loan Scheme

Microfinance programs have developed in Australia as a way to help tackle financial exclusion by offering services that would otherwise be out of reach to the financially excluded and also by promoting opportunities for individuals to connect with mainstream financial services (Arashiro 2010; Burkett and Sheehan 2009; Corrie 2011; Dale et al 2012). According to Burkett and Sheehan (2009:v), microfinance in Australia is seen as "a set of tools, approaches and strategies addressing the needs of people who are financially excluded…it seeks to provide fair, safe and ethical financial services for people, who because of their circumstances, are not able to access mainstream financial services". Given this definition of microfinance, I decided that microfinance programs would enable me to best give effect to my research questions.

The No Interest Loan Scheme (NILS) embodies each of the features of this definition and is indicative of the types of microfinance programs that operate in Australia to tackle financial exclusion. Indeed, NILS is perhaps the most prominent and widely-used program offered by the community sector that seeks to address the fundamental lack of appropriate and affordable credit products that characterises financial exclusion. As its name suggests, participants in the Scheme are not charged fees or interest to access NILS loans. NILS was established by Good Shepherd Youth and Family Services in 1981, with funds from the Good Shepherd Sisters. To understand the genesis of the program it is important to refer to part of the Good Shepherd mission which is to “embrace wholeheartedly innovative and creative ways of enabling people of all cultural, religious and social backgrounds to enjoy the fullness of life, which is the right of every human being” (Good Shepherd Youth and Family Services 2011). NILS is a clear manifestation of this mission.

Originally providing loans for household whitegoods in inner city Melbourne, the program has now grown with over 400 organisations accredited to provide NILS throughout Australia, giving loans for a diverse range of purposes, with funding from government, corporate and philanthropic sectors. In 2009-2010, during the fieldwork phase of this thesis, there were 10,898 active loans with an average loan amount of $803 (Corrie 2011). As at the beginning of 2014, NILS had provided loans to over 125,000 people across Australia since being established (Centre for Social Impact 2014). NILS now offers loans for a range of different goods including for computers, educational items and work-related items, although some service providers continue to only grant loans for household whitegoods. NILS loans are not designed for recurrent expenses or emergency relief.

To become a member of the NILS provider network, organisations must be accredited by Good Shepherd Microfinance who provide a national framework which must be adhered to and sets the general boundaries for delivering the service and approving loans. Within these parameters, however, it is the members of the NILS provider network who often come up with the innovative features, such as developing the types of uses for loans, and it is the providers who form the relationships with the clients. This can lead to substantial variations between providers as to what loans can be used for (Centre for Social Impact 2014). The process for applying for a loan is quite straightforward. After completing an application form, the NILS administrator contacts the applicant to arrange an interview to discuss the application. The application criteria includes possession of a Government Centrelink health care card, providing evidence that an applicant can demonstrate that they can afford to repay the loan, and that they have been in permanent accommodation for 6 months or longer.

In order to ensure the viability of the program, NILS is essentially run on a commercial basis. In practice this means that one of the key criteria potential applicants are assessed on is their ability to repay the loan. Furthermore, the NILS model operates on a circular credit principle where new loans are not given until repayments from previous loans are completed. This principle, while not exactly the same, is similar to the more traditional microfinance models that was pioneered by Mohammed Yunas in Bangladesh through the Grameen Bank and are now so prevalent in developing countries. However, in practice, NILS loans do not operate using a group based structure where a small number of people support one another in the repayment process.

Nevertheless, as Ayers-Wearne and Palafox (2005:4-5) write, to some extent the "loans rely on, and build, social capital (trust, reciprocity, skills, knowledge and social connectedness) created by the cooperation of a local group". As Geertz (1962) observed, in relation to early microfinance programs called Rotating Credit and Savings Associations (ROSCAs), that these are more of a social than economic institution because they focus on strengthening community solidarity. However, because NILS operates on a close to commercial basis, it lacks in the social foundations that ROSCAs have. Despite the parallels, and differences, the outcomes of the program are largely aligned, as are the similarities in the repayment rates, which are in a range well above 90 per cent successful repayment.

Therefore, I decided NILS would be a suitable case study to test my questions. NILS provides low income earners, who fit the profile of financially excluded, with a degree of financial support. Hence, their experiences are extremely useful in confirming what financial exclusion means. However, it should be noted that even in providing loans, NILS is by no means, of itself, something that provides full financial inclusion. Rather NILS offers a gateway into the mainstream by providing a viable alternative to the exploitation of the fringe credit market. Importantly, as a way of transitioning into the mainstream, NILS offers an enabling environment that creates a 'stepping stone' on which clients can potentially build the confidence and capabilities that may eventually lead to the mainstream.

4. Fieldwork: Locations and Data Collection

There remain pockets of disadvantage in Australia that are characterised by low income and urban poverty (Vinson 2007). Vinson's work, *Dropping off the edge*, identified that inner city metropolitan areas tend to have concentrated pockets of disadvantage. I wanted to focus on those geographic areas with a high prevalence of disadvantage because, according to the research, they typically have a high proportion of people who exhibit personal characteristics common to the financially excluded. Such locations also tend to exhibit low levels of the social capital needed for social support to operate (Hayes et al 2008). Critically for my study, as microfinance programs such as NILS are often established in areas of most need, it is likely that these areas are populated by the financially excluded who are, in turn, those that lack access to networks of support.

One particular motivational challenge in selecting such communities, and the microfinance program NILS, was drawn from Coleman (1988:103) who said that: "one could not imagine a rotating-credit association operating successfully in urban areas marked by a high degree of social disorganization – or in other words, by a lack of social capital". Thus, the premise of my thesis is to establish whether social networks exist amongst the financially excluded in urban settings and also determine whether they, much like ROSCAs, provide financial support to participants in microfinance.

Identifying and obtaining access to a sufficient sample of financially excluded people was crucial. At the outset of my PhD I made contact with a number of community sector organisations that offered microfinance services to disadvantaged people in the hope that I might gain a better understanding of financial exclusion. These organisations were pivotal to this project – especially in terms of arranging access to the financially excluded people who formed part of their client base. As their clients are people who are excluded from the mainstream and often exploited by the fringe, these community organisations play a significant role in tackling exclusion.

Being based in Canberra, I made contact with Care Financial Counselling Service who offered the first NILS loans in Canberra. I introduced my intended research and sought information about how NILS operated. I also made contact with Good Shepherd Youth and Family Services who, headquartered in Melbourne, administer the national accreditation service for NILS providers and who issued the first NILS loans in Australia. I decided that these two organisations, and their clients, would be ideal case studies for my research. Having built strong relationships with these organisations through the exploratory stage of my investigations, I was delighted that they were willing to participate in my study. Working with these organisations was the entry point for contacting the financially excluded, and, significantly, they both agreed to assist in making contact with their clients on my behalf.

The case study approach, which allows for an in-depth understanding to be gained of the complexity of human relationships, is well suited to addressing my research questions, particularly as my focus is on providing qualitative explanations and descriptions of the lived experience of financial exclusion and social support networks. Case studies allow us to develop a narrative about exclusion and the role of social networks using quotations taken from semi-structured interviews, as well as the categorisation and analysis of themes that emerged from speaking with participants (discussed below). My choice to use case studies to empirically focus on financially excluded people in two Australian communities in this way is consistent with previous research which defends the choice of case study methodology over other possible methodological approaches (Flybjerg 2006; Simons 2009; Yin 2011; Yin 2014).

What's more, from a sociological perspective, my intention was to gain deeper insights into a small, but meaningful, group of financially excluded people and the context in which the organisations that provided them with assistance operate. Adopting the case study approach, therefore, allowed me to identify and explore factors leading to exclusion and explanations for the process of interaction within participant networks. In particular, it enabled me to document the multiple perspectives that clients of NILS programs might have had. Again, such an approach to data collection follows well established research methodology (Feagin et al 1991; Neuman 2011; Simons 2009; Stoecker 1991; Yin 2011; Yin 2014).

The decision to choose Good Shepherd Microfinance and Care Inc as the basis for my case studies was primarily based on the fact that they delivered the NILS microfinance program and their clients represented a sample of financially excluded people. They are both intended to be representative case studies. Ultimately, however, the selection of my fieldwork case study locations and sample was not random but determined largely by my familiarity with the work of the two organisations and the matter of accessibility. Brief descriptions of these two organisations are provided below.

Good Shepherd Microfinance

At the commencement of my research Good Shepherd Youth and Family Services (GSYFS) had led the successful development and delivery of microfinance programs in Australia for close to 30 years. In 2012, the part of GSYFS which was responsible for the delivery of the NILS separated to become ‘Good Shepherd Microfinance’. This new entity is now Australia’s largest microfinance organisation and offers people on low incomes loans and other ‘people-focussed’ financial programs at over 600 locations across Australia.

The aim of Good Shepherd Microfinance is to enable people to “define and then realise their own economic wellbeing, through appropriate financial services, in the process feeling valued, and in control of their finances and lives” (Good Shepherd Microfinance 2012). Good Shepherd Microfinance works to help people deal with poverty and hardship through the innovative delivery of microfinance programs. In particular, Good Shepherd Microfinance provides alternative, people-centred, financial services to people on low incomes who are excluded from mainstream banking programs, and they have already reached over 100,000 people and families through over 600 sites in partnership with over 250 accredited community organisations.

Care Inc. Financial Counselling Service

Care Inc. Financial Counselling Service (Care Inc) is located in Canberra. Care Inc is a community organisation that offers a number of different services ranging from information dissemination and financial counselling to delivering NILS loans and providing budgeting tools to help people manage their finances. Their focus is on ensuring that low income earners are treated fairly and have support when they are overcome with debt, in particular, when people experiencing financial difficulties are in need of assistance negotiating with creditors or when people simply want to talk through the stresses of living on a low or restricted income.

Care Inc's Vision is "To achieve a financially equitable community" and their Mission Statement is "To support and empower people experiencing financial disadvantage to achieve financial autonomy and to advocate for financial equity in our community" (Care 2011). Given these ideals and goals it is no surprise then that Care Inc became part of the Good Shepherd NILS network. Care Inc operates a traditional NILS service in that they primarily provide loans for essential household items such as washing machines, refrigerators or repairs. They do not loan money for recurring expenses such as rent, car registration, electricity bills or debt consolidation.

While the clients of the Melbourne and Canberra NILS programs differ according to a range of demographic factors, the clients of NILS in each state have many similarities. I decided that a comparative analysis of the two areas might prove fruitful in examining both financial exclusion and how different communities respond to financial hardship. Comparing two communities also enables me to gain multiple views of financial exclusion and test whether the social networks of clients in different areas have the same or varying abilities to get help in times of need. Having cases of this nature is consistent with representative case study methods (Bryman 2008; Swanborn 2010; Yin 2011). Using data produced by the Australian Bureau of Statistics, I have compiled the following community profiles.

St Albans, Victoria

St Albans is a suburb located in the west of Melbourne in the City of Brimbank. According to the Socio-Economic Indexes for Areas developed by the Australian Bureau of Statistics (2013), which ranks areas in Australia according to relative socio-economic advantage and disadvantage, St Albans ranks as one of the most disadvantaged areas in Victoria and the nation. Based on the 2011 Census, St Albans had 35,091 residents, with a median age of 36 years. St Albans is one of the most culturally diverse places in Australia with 84.3 per cent of residents having parents who were both born overseas compared to 10.5 per cent of people having both parents born in Australia.

Reflecting the relatively high level of disadvantage in St Albans, the median weekly income is $352 compared with the Australian median of $577. Of the 13,590 people who live in St Albans that reported being in the workforce, 53.8 per cent have full time employment, while 27.9 per cent are employed part time and a further 11.2 per cent are unemployed. Interestingly, when looking at the type of work the employed were engaged in labourers (18.9 per cent), trades (15.6 per cent), machinery operators (14.3 per cent) and clerical workers (12.1 per cent) made up the vast majority. This is indicative of the low skilled demographic profile. Further, 44 per cent had Year 12 as their highest level of education. There are 24 per cent of families that have a single parent in St Albans.

Canberra, Australian Capital Territory

Based on the 2011 Census there were 356,586 people living in Canberra, with a median age of 34 years. Compared with St Albans, Canberra is less diverse, with 32.2 per cent of people having both parents born overseas and 53.4 per cent of people having both parents born in Australia. There are a higher number of people in full time employment, with 65.0 per cent and 25.1 per cent in part time employment with only 3.6 per cent unemployed. The unemployment rate was significantly lower than the national rate at 5.6 per cent. Compared with St Albans, Canberrans are perhaps more skilled and educated with 29.6 per cent of workers being professionals and a further 15.8 per cent employed in managerial positions.

There were only 2.4 per cent who were machinery operators and 4.7 per cent who were labourers. This is perhaps a function of a large public service employment base and 69 per cent of people had Year 12 as the highest level of education. Canberra has 14.6 per cent of families made up of single parents, again significantly lower compared with St Albans. The most telling difference with St Albans can be seen in the median weekly income of $918 in Canberra, which is almost $570 greater than St Albans. Canberra has one of the highest per capita income in Australia. Notably, Canberrans also have the highest proportion of volunteers in the country.

5. Interview Design

With my research questions and case studies settled, the next phase of my project design involved finding the most appropriate way to collect my empirical data. While there were a multitude of methods available, I selected semi-structured interviews. This was because my overriding concern was with the quality and content of relationships which the financially excluded had. This qualitative research method best allows for individual experiences to come to the fore that are indicative of the challenges faced by the financially excluded in my study. Indeed, semi-structured interviews allow in-depth responses to be gathered, enabling me to elicit the sense of exclusion experienced by my participants, in a way that can be best gained by speaking to somebody in person, rather than through a less personal quantitative approach (Neuman 2011; Yin 2011).

In particular, scope was provided for open discussion to occur and for participants to ask clarifying questions in order to capture other information interviewees may reveal independently of my questions (Neuman 2011). As everyone’s story and reasons for exclusion are different, using open-ended questions allowed for individuals to tell their own story. Indeed, my approach is consistent with advice from Marston and Dee (2012) who advise that in “articulating a research approach that capture social relations, there are some common principles, such as a rich appreciation of context” which need to be considered. By adopting a relational approach to studying exclusion, my choice of semi-structured interviews allowed for the context of each participant’s personal circumstances to be taken into account.

To facilitate discussion I developed a series of prompts which revolved around the key issues of social networks and financial inclusion (see Appendix 1). My interview guide was split into three parts, with each part focusing on an aspect of my main research questions. The first part dealt with key demographic information about the respondents. The second part dealt with issues of financial exclusion, including its effect on participants, their experiences with the No Interest Loan Scheme and how participation in microfinance programs may start the process of inclusion. The third and final part of the interview focussed on the level of social capital and interaction, in particular by considering how financial exclusion prohibits social participation.

The questions in my interview guide were used during interviews more as a way to prompt discussion, rather than sequentially asking each person every question. This is consistent with qualitative, conversational approaches to interviewing (Bryman 2008; Neuman 2011). Some questions were asked of all respondents, such as about demographics, but there were also other questions that were not asked of all respondents as, on occasion, discussion did not flow in the particular direction required. Nevertheless, I was able to capture much usable data on the networks of respondents and the lived experience of financial exclusion in both case study locations.

I drew on the rich history of past surveys into financial exclusion and social capital to construct my interview guide. In the Australian context, key studies have considered membership, participation and volunteering (see, for example, Australian Bureau of Statistics 2004; Berry et al 2007; Berry and Welsh, 2009; Onyx and Bullen 2000). As the Australian Bureau of Statistics (2004) noted given the multidimensional nature of social capital, different measures may be appropriate for different interests. This being the case, some questions attempted to replicate previous studies, notably Ayers-Wearne and Palafox (2005), who investigated people's situations prior to and after they received microfinance loans.

6. Process: Interview and Mail-out Timeline

After receiving research ethics clearance from the Australian National University on 11 December 2009, I endeavoured to arrange my fieldwork. This was done with invaluable assistance from my community partners. I prepared initial drafts of information sheets and consent forms, which were then reviewed by staff at Care Inc and Good Shepherd. Following feedback on these documents I prepared a package of final materials to be sent to their clients (see Appendix 2). Incentives for participation were agreed to be provided to participants in the form of a small gift voucher to an Australia retail store.

To facilitate and maintain confidentiality of client information my community partners randomly selected from their database a number of clients who had completed past loans or were clients that were currently paying off a loan. Based on this sample, the organisation did the mail-out so that I did not know the personal details of the clients the participation request packages were sent to.

Unfortunately, as is often the case with invitations to participate in surveys, there was a low response rate. After further discussions about the approach with my supervisors and staff at my community partners, I decided that a second round of information packages should be sent out seeking participation in my research. In consultation with the staff at the community organisations the materials to be sent out in the second phase were made even simpler. A number of clients who replied saying they would participate but who I could not contact via the phone numbers provided, were also sent follow-up letters. In total from the two requests for participation, of the 200 packages sent out only 25 positive responses were received.

I initially arranged for the interviews to be conducted at the offices of the NILS providers in order to provide a safe and familiar environment for clients. This approach is consistent with interviewing techniques when dealing with sensitive issues or subjects (Bernard et al 2001). Twenty-two interviews were held in a NILS office and two were completed over the phone. Following agreement with Care Inc, one interview was conducted at a client's home in Canberra due to transportation issues. I obtained informed consent before commencing interviews.

Activity	Canberra	Melbourne
First Mail Out	18 August 2010	10 November 2010
First Mail Out Deadline	10 September 2010	22 November 2010
First Interviews	21, 23 and 24 September 2010	24-26 November 2010
Second Mail Out	24 September 2010	23 November 2010
Second Mail Out Deadline	15 October 2010	6 December 2010
Second Interviews	21, 22, 25 and 28 October 2010	15-16 December 2010

Table 1: Fieldwork Timeline

While not a formal part of my data collection, throughout the interview period I was fortunate to gain insights into financial inclusion from the perspective of welfare sector workers employed at Care Inc and Good Shepherd Microfinance. They had important insights to offer as to the reasons for financial exclusion and I hoped to gain some appreciation for what they face as workers trying to tackle the problem at the 'coalface'. I also spoke informally with policy makers at the Department of Social Services, the Australian Treasury and HM Treasury. These insights, while informative, are not formally reported in my results.

7. Demographics of Research Participants

Examining the demographic characteristics of No Interest Loan Scheme clients offers insights into the causes and consequences of financial exclusion. The demographic information also helps us to understand why some people are more or less likely to have social networks or have positive experiences with the mainstream. Further, it is useful in seeing whether different demographic characteristics influence a person's level of financial inclusion and participation. The information will help draw some conclusions about how different types of people are affected by financial exclusion.

Importantly, the idea of homogeneity in networks relies on demographic data. For example, McPherson et al (2001) in their review of homophily in social networks focussed on: race and ethnicity, sex and gender, age, religion, education, occupation and social class – in addition to network position. How long people have been in community housing can also be taken as evidence of long-term disadvantage. Thus, basic demographic information about respondents was gathered including: age, sex, race, education level, employment status, marital status, household status such as the number of dependents or whether people lived alone.

In reporting my results, pseudonyms will be used to maintain the confidentiality of my research participants, with 'Can' used for Canberra and 'Mel' used for Melbourne. Respondents were also assigned a numerical identifier.

Age Group	Canberra	Melbourne	Total
18-24	1	1	2
25-34	1	1	2
35-44	3	2	5
45-54	3	5	8
55-64	1	3	4
65+	3	1	4
Total	12	13	25

Table 2: Age Profile of NILS Clients

Location	Male	Female	Total
Canberra	6	6	12
Melbourne	5	8	13
Total	11	14	25

Table 3: Number of NILS Client Interviews

The majority of respondents in both Melbourne and Canberra had received some high school education, with most also being unemployed for more than 5 years. All respondents were in receipt of some form of government payment and more than half were living in government housing. These characteristics are consistent with the findings of other research conducted into NILS services, which show that they are overwhelmingly used by clients who have low income and education levels and are long-term unemployed, with most also living in government housing and receiving some form of government support payment or allowance such as a disability pension (Ayres-Wearne and Palafox 2005; Corrie 2011).

Microfinance in developing countries has a tradition of servicing women. Corrie's (2011) figures indicate 60 per cent of NILS clients are women. In my sample, I had approximately 45 per cent male and 55 per cent female respondents across both locations. Seventeen out of the 25 respondents were born in Australia. With 20 per cent of NILS clients identifying as Indigenous Australians (Corrie 2011), there has been some interest in the role NILS can play in assisting special groups such as recently arrived migrants and people from non-English speaking backgrounds. Investigating differences in the experiences of NILS clients across cultural boundaries was not an explicit aim of my thesis. Despite the high number of people in my study from culturally diverse backgrounds, there were not any significant differences along these lines in my results. As discussed later in this thesis, this may be the topic of further investigation.

8. Data Analysis: Understanding Exclusion Using Social Network Analysis

Given the nature of my research questions I was keen to apply social network analysis as the main tool for conducting my analysis. Social network analysis can be used to identify the key actors in a network, the links, interactions or flows between network members and also to find the shortest path between key points. It can illuminate the features of the relationships individuals have within a network and can help to identify the structure, type and content of relationships. It embodies the most robust approach to explaining the value of social relations and can help to better quantify the purported benefits of social capital, and thereby provide more meaning to the concept itself. In this way, I believe social network analysis can provide evidence of the quality of the interpersonal relations that constitute social capital and add to the development of social capital theory.

From a network perspective, each individual in a network represents a discrete unit of measurement whose individual stories can be explored using either morphological or interactional analysis. Due to the size of my sample, it became apparent that the focus of my research would be on interactional social network analysis to describe the content of individual relations of the participants. Delving into the interactions between individuals in a network allows the quality of the relationships within a network to be tested. Looking at variables such as the frequency of contact between people we can see whether connections can be defined as bridging or bonding ties.

Examining the interactional features of networks enabled me to discover the nature of the relationships NILS clients had with others in their networks, and, in particular, the content of those relationships defined in terms of the level of support and resources the client could access. As a consequence, we can see, for example, whether exclusion is perpetuated through bonding capital, or whether inclusion is facilitated through bridging capital. This is important in documenting the nature of the social networks of the financially excluded. In this way, social network analysis allowed me to determine the strength, frequency, durability and reciprocity of the ties.

Thus, the focus of my analysis is on the content of the relationships and the behaviours of the clients. In this respect, there are a number of morphological and interactional factors identified in the literature that can illuminate the dynamics of social relations (Burt 2000; Kapferer 1969; Mitchell 1969). In particular, I will use measures to test the strength of individual relations, characterise the roles people play within their networks, and describe how support is rendered. In conducting my analysis, I shall compare the social networks of my two case study locations.

The process for familiarising myself with my collected data began with listening to the recorded interviews, reading the interview transcriptions and also consulting with my field notes. To ensure the accuracy of my analysis I repeated this process again. Throughout the writing process I further checked these source materials several times to ensure I remained faithful to the tone and tenor of the participant responses. During the initial data review process, to the extent possible, I was able to identify common responses given by participants that were then grouped into themes which then formed the basis of the discussion in the analytical chapters. This approach to qualitative data analysis is consistent with established research techniques (Neuman 2011). The themes allowed me to answer my research questions, particularly in relation to the existence of social support, social distance and the reality of exclusion.

In order to analyse the data about the interactional attributes of networks, where possible, the answers were recorded into a spreadsheet according to the structure of the interview guide. Simple arithmetic tallying of results, according to the order of questions and answers to the interview questions, enabled the identification of the quality and characteristics of the participants' networks. For example, through the responses to questions I was able to determine whether or not the participants had access to support networks, which determined the categorisation of the type of social network a participant had. Further tests to confirm the classification of results included looking at the responses to questions on frequency of interactions or number of associates. I was able to probe the extent resources were available and together these results enabled me to determine the strength of the network, and the instrumental benefits that were available.

I also tried to understand the lived experience of financial exclusion and the reasons participants used NILS. Again, where respondents gave similar answers, I was able to tally the answers and categorise them into themes as they emerged for the analytical discussion chapters. Throughout the analysis of results I also compared my findings with previous findings in literature, which again provided a reference point for the discussion chapters.

8.1 Methodological Issues

Marsden (1990) laid out the challenge of robust network research design. In choosing to apply social network analysis, therefore, I became aware that there were two key methodological issues which needed to be considered. The first is the size of the social networks I could realistically hope to discover (Knox et al 2006; Lin 2001). For instance, Mitchell (1969:30-31) suggested that:

> Using interviews has the disadvantage that the fieldworker becomes aware of the characteristics of the network only from the point of view of his respondent and is, therefore, precluded from checking the actual quality of the relationships. This could be prevented if the fieldworker were to interview every person that a respondent claims to be in his personal network. Clearly to conduct interviews of the same depth with all the people in a personal network would be an onerous task. Yet if any degree of validity for the accuracy of the data is to be claimed, there seems to be no alternative.

Mitchell (1969:3) does concede, however, that "it is usually necessary for pragmatic reasons to work with an identifiable set of persons and the relationships that exist among them". In this case, I was reliant on the reporting of clients. However, this gave rise to the second subsequent methodological issue – I was conscious of avoiding the problem identified by Marsden (1990:456) that when asked to recall their networks, respondents "recall will be biased toward inclusion of stronger links". I tried to incorporate consistency tests to account for this issue.

Central to the idea of building a picture of a person's social network is getting them to identify their personal relationships. Lin (2001:87-89) details the name generator technique in which respondents are asked to name those people closest to them or who are able to provide support in certain circumstances. The position generator championed by Lin (2001), is an extension of the name generator. It revolves around a simple two-step questioning process, which asks first if a person knows anyone in a particular position, and, second, what their relationship to them is (Hällsten et al 2015; Lin 2001:15-16).

The position generator emerged mainly to address concerns about the biases in the name generator method (see Lin 2002:87-89). In my interviews, I used a combination of the two approaches depending on how the discussions unfolded. More importantly for me was the idea that, in either case, these techniques could identify relations that might help excluded people in various situations, including with promoting financial inclusion.

8.2 Key Limitations

I was conscious in designing my study that it had a number of limitations. Of course, I am aware that the case studies I have chosen are not generalisable and that the two specific locations where I gathered my data may not be representative of all NILS clients. There are a large number of other NILS providers operating throughout Australia, and as such, there may be scope in the future to expand the number of case studies to other locations. This limitation is compounded by the fact that the size of my sample is relatively small. Despite providing a monetary incentive to participate, I had considerable difficulty in recruiting a sufficiently large number of participants. The biggest impact of this was that it meant I did not have sufficient numbers to undertake detailed social network analysis. Nevertheless, the people I did speak to provided a rich source of information from which I was able to draw a number of important findings.

While it is true that networks can still be seen as a metaphor for the way in which social relationships are organised, in terms of methodology, social network analysis can be seen as both a way of mapping the individual relationships within the network and also a way of looking at the network as a whole (Knox et al 2006). Mitchell (1969:4) discussed how the early use of sociograms “developed the identification of particular patterns of linkages – for example, the star, the wheel, the chain, the isolate, which could be used in the explanation of how test subjects performed the tasks they were set”. In fact, much of what attracted me to social network analysis was the ability to visually illustrate networks.

By looking at the morphological features of a network I had hoped to determine the patterning of the links in the network in respect to each other, that is, the “shape of the individual’s network” (Mitchell 1969:20). The structure of a network can be revealed through this process by focussing on the density, reachability and range of the network as well as the centrality. This approach could help, for example, to visualise the size of networks of which the financially excluded were part. Unfortunately, as my interviews progressed it became apparent that given the limited data being collected, it was not meaningful to attempt to diagrammatically represent the networks of the people to whom I spoke, which I see as a limitation to be addressed by future research.

Furthermore, I am aware that while recruitment was random, all of the respondents in my study were NILS clients, and were perhaps predisposed to report positive experiences of the program. Interviewing NILS clients who had not been able to successfully repay a loan or others who had not received one in the first place may have provided different perspectives on exclusion. More broadly, as Mitchell (1969:22) states, there is an inherent problem in studying networks because:

> The identification of distinct content in a network link…involves problems which stem from the difficulties an observer has of attributing meaning to the behaviour of the actors. In fact the sociologist abstracts the content of a network relationship from the actual behaviour of the protagonists involved in terms of what seems to him to be reasonable explanatory concepts.

Some of these limitations, and possibilities for addressing them in further research, will be discussed in more detail in the future research section of the concluding chapter of this thesis.

9. Conclusion

This chapter discussed the research questions my thesis addresses. These questions were shaped around determining the types of social networks that financially excluded individuals possess. In particular, the questions seek to examine the relative role of bridging and bonding networks in different scenarios. The instrumental benefits available to the financially excluded will also be examined, especially with regards to the availability of social support. Importantly, my research will document the lived experience of financial exclusion by focusing on the impact the inability to access credit from mainstream financial institutions has on the lives of my research participants.

The way in which I collected my data was also explained, which will be semi-structured interviews with clients of the No Interest Loan Scheme delivered by microfinance organisations in Canberra and Melbourne. Ultimately, I hope that my investigation will identify ways to harness social networks in the creation of a more inclusive society and to promote greater participation in the mainstream financial system. I hope to verify, as a measure of social capital, if social networks contribute to increasing financial inclusion and build social capital. After undertaking my fieldwork, I had much data to work with. Making sense of this data by interpreting it in the context of my research questions, and through the various themes that emerged, is what I will now discuss in the following analysis chapters.

Chapter Six: Social Support Networks and Financial Exclusion

1. Introduction

The literature established that social networks can have demonstrable instrumental benefits across a range of life factors through the provision of social support. This chapter will examine the role of social networks in mitigating the effects of financial exclusion by focussing on the availability and dynamics of social support. By investigating how social support may manifest for the clients of the No Interest Loan Scheme (NILS), I provide evidence of the benefits that can be realised from the social networks of the financially excluded.

Analysing the capacity of social networks to offer support, including the circumstances under which social support is given and received, is particularly important here. In this context, a number of questions were posed dealing with how people get by in times of crisis, where they turn to for help and how the experience of exclusion is shaped by the availability of support. The discussion of the support provided to the interviewees centres on the period of time prior to receiving a NILS loan. Interactional characteristics of social networks such as the strength of ties and the frequency, intensity and content of relationships will be used as measures to ascertain the amount of support that is available. As in previous research, we will see that my respondents were “acutely aware of whom they can ask for what kinds of help” (Wellman and Wortley 1990:583).

In considering the provision of social support, this chapter will begin to document the types of social networks that the financially excluded have and examine which are most useful in providing support. In assessing the utility of social networks, I was ultimately most interested in seeing whether the support offered by family and friends could help to reduce financial exclusion. Where relevant, differences between the responses given by NILS clients in Canberra and Melbourne will be discussed.

2. The Availability of Social Support to the Financially Excluded

A central claim made in the literature was that social capital "by providing social support that serves as an alternative source of security, influence, and protection" may compensate for an individual's lack of financial capital (Tatarko and Schmidt 2012:2). The ability to access such support, which can come in the form of emotional support, financial support or simple companionship, can be critical for the financially excluded particularly when facing financial hardship. Indeed, according to the Australian Institute of Health and Welfare (2005:91) the "main indicator of a support network is the access to social support in times of crisis". In a range of scenarios discussed with the NILS clients in my study the capacity of their social networks to offer different types of social support varied widely.

Throughout the interviews it became apparent that most respondents in my study had a relatively small number of close-knit family and friends from whom they were able to seek support. Eighteen of the 25 people I interviewed said that they were likely to receive support from friends during a time of crisis. Furthermore, approximately half mentioned that family members would also be a source of support, with only a quarter being able to rely on neighbours for support in a time of crisis. The results are consistent with the Australian Bureau of Statistics (2011a) which found that of the people who participated in the General Social Survey, 63.8 per cent reported that they could get support from friends in a time of crisis, 79.4 per cent said from a family member and only 27.2 per cent from neighbours. These results also support Meredyth et al (2002) who found that people use family and friends before neighbours. These results are more positive that those of Ayres-Wearne and Palafox (2005) who found that only 25 per cent of respondents in their study of NILS clients were able to get help from friends.

While the networks were small in size this did not diminish, in most cases, the ability to get support, although it did impact on the type of support available. In looking at the various types of social support available to NILS clients in a time of crisis, it was much more common for people to say that they had received, or could access, non-financial support associated with household responsibilities and pressures rather than support through direct monetary assistance. For example, assistance with minor household tasks was available to the majority of people with whom I spoke. Prior to obtaining a NILS loan for a new washing machine a number of interviewees mentioned that they were able to use the washing machines of their relatives or neighbours, for example, Mel 8 said:

> [M]y daughter offered to help us out…to take the clothes to her place and wash them but it's hard with her because she's got a husband, her and four kids. Do you know what I mean?…it was far for her and God bless her she did it for us, once or twice…she is a good kid.

However, while these forms of support are valuable, they do not of themselves reduce financial exclusion, nor can they help the financially excluded meet an emergency financial expense. Unfortunately, for those respondents who were able to name people who may have offered assistance, there was a distinct sense that when it came to financial assistance, it would not be possible to get this from their social network. Even in dire circumstances the majority of participants were not able to call upon their social networks for emergency money – although it should be acknowledged that this also had much to do with the financial capacity of the people they knew. As Can 8 observed:

> Who's got lots of money to give away? Not in my circle. Even if I had friends it wouldn't be in my circle.

In a frequently asked question in surveys of financial hardship, respondents are asked if they could raise $2,000 in a time of crisis. Typically, results of these surveys find that approximately 40 per cent of people could do so through sources including borrowing from family or friends, selling belongings, not paying bills or other means (Centre for Social Impact 2012:24; Corrie 2011). Corrie (2011) found that of those in her study of NILS clients who said they could raise the amount, only two could do so from their networks.

In asking this question during my interviews I was often greeted with laughter and an expressive "no way" (e.g. Mel 10/Mel 11) or "impossible" (Mel 4). This sense of impossibility was reinforced by responses which indicated that respondents could only raise the amount by selling things (Can 5), potentially by illegal means (Can 12) or as Mel 9 said "the only one I could ask really is Centrelink [Australian Government welfare agency] and that's if I don't have a current loan going". Reflecting on the possibility of getting social support some said they might be able to get less than $2,000 (Mel 10), but only one respondent said they could raise the amount by asking family (Can 11). In a telling example of financial exclusion, only one person I interviewed said that they would try borrowing from a mainstream bank (Can 1). This result is considered later in this thesis using the concept of social distance.

Accessing the mainstream financial system can be facilitated by finding a person to act as a guarantor on a loan – which constitutes a particular form of in-kind social support. Mainstream credit providers may be willing to offer loans subject to the borrower having a third party guarantee repayment. In many cases, the guarantor will be a family member or friend. It is common practice for parents, relatives or friends to act as a guarantor for a loan or other credit. In this example, social networks can play a significant and direct role in assisting the financially excluded to access the mainstream financial system. Of all the people I interviewed, only Mel 9 was able to say that "I have a friend…he'd act as a guarantor". The more likely scenario was expressed by Mel 12 who said that:

> I'm at risk so I don't have anyone to go guarantor for me. Me family's pretty much all over Australia and yeah no one that I can turn to to help me with a loan.

Mel 11 had tried asking a family member for assistance but did so without success:

> I don't have anyone…[the] last time I tried a relative of mine…I didn't get help from the person. People have different issues and different ways of thinking [especially] when it comes being the guarantor [for] someone [at] the bank…I probably won't ask anybody anymore because from my experience…people really don't like [to give] support [so] you don't get support much.

While the literature suggested that a strong characteristic of families is that they can provide financial support, these results underscore a view that the changing nature of the family structure can impact on the availability of financial support networks. For instance, smaller families with fewer numbers or families who are geographically dispersed may mean that people do not have family members they can draw on for support. Alternatively, as alluded to in the social capital literature, where families are obligated to provide support to other family members (and extended family or distant relatives) and this support is not repaid, this may create excess claims meaning ever diminishing resources from which to draw.

In looking at the characteristics of the networks of NILS clients, we see that many had networks with similar socio-economic backgrounds and this naturally limited their ability to obtain financial support (e.g. Can 8). As Can 1 exclaimed "everybody is on the pension". Similarly, Mel 5 said it's "a big ask" to seek financial support when her sister has "got so many pressures of her own". The reality for many financially excluded people is that, like themselves, their social networks face significant financial burdens. This idea will be explored in more detail using the dynamics of social support later in this chapter.

2.1 Social Networks and Information Channels

One of the observable qualities of networks is how information flows between members. In this way social networks can provide assistance through information transfer. The literature review highlighted the role of social networks as conduits of information (Granovetter 1973; Portes and Sensenbremmer 1993; Portes 1998; Woolcock 1998). Word of mouth can play an important role in microfinance access (Corrie 2011). Therefore, I was interested in how my respondents came to hear about NILS.

Only one of the 12 Canberra clients found out about the services through family and friends, while about half of the people interviewed in Melbourne found out about NILS from friends. The results from Melbourne are consistent with Ayres-Wearne and Palafox's (2005) finding that 45 per cent of their respondents found out about NILS through family, friends or acquaintances. The vast majority of Canberra respondents, and the other half of Melbourne respondents, found out about NILS through community service organisations or a government agency, such as Centrelink. This finding implies that there are many pathways to NILS and that the professional referral system or welfare services network seems to be working effectively.

Importantly, while people interviewed did not necessarily hear about NILS through their social network, once they received a loan the majority of people did recommend the Scheme to others (e.g. Can 10/Can 12). This shows that positive information channels do exist among the financially excluded. Once people had something positive to communicate that would benefit others, NILS clients became a rich information resource. However, many reported that there was a degree of scepticism amongst the people who they told who thought it was 'too good to be true'. This was mainly because, as Can 9 put it, "you know they get a bit wary when a good deal comes along". These sentiments were echoed by Can 6:

> Do they listen? 'nah you are talking…you shitting me…you don't know what you are talking about.' 'Yeah, I do know what I'm talking about, I'm talking about a bloody people out there that have done good to me…Helped me when I needed the bloody help'…The people that I tell, they think it's too good to be true.

Demonstrating the powerful influence of networks Can 6 said "I wouldn't go anywhere until someone suggested to me". In a reminder, however, that social networks were not universal, at the other end of the spectrum there were cases like Mel 12 who said "I've got no one to mention it to". The following section will explore this facet of the social networks of the respondents in more detail.

3. Limited Social Networks Amongst the Financially Excluded

In a particularly noteworthy finding of my research, there were several NILS clients who said that they did not have any family or friends on whom they could rely for social support (e.g. Can 12/Can 8). In fact, when asked to name people who they could possibly rely on for assistance seven people were not able to name either friends, family, neighbours or other associates. The situation was especially complex when discussing family relationships. A common response when asked to elaborate on the type of relationship a respondent had with their family was Can 3 who said "[n]o, I can't rely on anybody, I have to be self-sufficient" and "I have no family". Can 6 more colloquially said "I see them when they want a f**king quid". For most of these seven respondents, contact with family members was practically non-existent. These results accord with Haines and Henderson (2002:243) conclusion that "not all ties constituting…networks are conduits of social support" and reflects the fact that even if people belong to a network they may not be able to access the resources in that network.

For some of my respondents the reason they had limited networks was not because they were not able to make friends, but rather because they did not want to. For example, Can 8 admitted that "I know I should get out more but [I have] no desire really. I'm just kind of happy and content. Just with my cat and I". This can be seen as confirming what Putnam (2000) called a new "splendid isolation". Indeed, Can 6 said "I always isolated myself from other people but I've never felt isolated". When asked whether they wanted to know more people with whom they could discuss personal matters the vast majority of respondents said that they already knew enough and did not want more. However, about half said that they would like to know more people with whom they could socialise or who could provide them with financial support. These findings are consistent with the responses discussed below about NILS clients being largely independent people who choose to forgo the benefits of social networks, preferring to 'figure things out for themselves'.

4. Dynamics of Support: Reluctance to Ask for Help

The non-availability of financial support can be explained by looking more closely at the dynamics of support. Degenne and Forse (1999:9) claim that "Coleman (1990) gives a perfect demonstration that relational choices cannot be understood without a grasp of how the actor compares benefits with drawbacks before selecting the course of action she thinks will best satisfy her self-interests". Similarly, Byrne (2005:30), citing Green (1998) when looking at welfare dependency suggested that "individuals are inclined to neglect friendships or relationships with people who could provide a helping hand in a spirit of mutual respect". With this in mind, it becomes apparent that the capacity of a person's social network to provide support will impinge significantly on the decision to seek support. Indeed, for the people I spoke to knowing, the financial circumstances of others in their social network made seeking financial support more complicated and led to a situation where people were reluctant to ask for financial help (see also Desmond 2012).

On the one hand, this reluctance stemmed from the fear of putting friendship at risk, or placing additional burdens on a friend. Some respondents expressed feelings of guilt, such as Can 11, who said "I don't want to break the friendship". In the scenario outlined earlier in this chapter where family or friends would be asked to act as a guarantor on a loan, some respondents displayed a reluctance to ask, suggesting "I wouldn't ask that of a friend. Just in case I didn't pay, I wouldn't want it to come back on a friend" (Can 2). This illustrates the heightened sense of recognition of the possible ramifications stemming from financial interactions between friends. These dynamics impacted on behaviour as it appeared that people would seek assistance from different members of their social network depending on the type of support that was under consideration. Furthermore, there were degrees of acceptable assistance that could be asked for, with people more willing to ask for non-financial assistance.

Some people interviewed were acutely aware of the constrained financial circumstances of their friends and family. The reluctance to seek social support came from an awareness that social networks were often no better placed or even worse off than themselves (e.g. Can 4/Can 12). Being conscious that their networks did not have the capacity affected their decision about whether or not to seek help. In other words, because their networks were often in a similar or worse position of disadvantage they wouldn't ask for help (e.g. Can 1/Mel 6/Mel 9). For example, Can 4 said that she could ask her sister "but knowing their circumstances I wouldn't…I would feel bad for asking". Similarly, Mel 3 responded that "my mother's a pensioner and she sort of struggles along herself so it's pretty pointless asking her for money". Another, perhaps slightly negative take on it is that people were reluctant to ask because they believed that "people don't want to [help because] people are involved with their own problems" (Can 3).

4.1 Reluctance: Cost and Sustainability of Seeking Support

An alternative interpretation of the reluctance to accept social support flows from the belief that conditions would be applied whenever assistance was offered or accepted (Can 10). For instance, Can 7 said that he was offered help from his landlord but rejected it because had he done so it would have involved "sitting there talking to him while the clothes were washing". Can 6 pondered "[w]hat's the use in visiting someone, you end up hearing about all their problems"? Ultimately, however, every one of these people who were in a position to draw on their networks found that seeking such assistance was not sustainable over time. As Can 1 said, that while networks may offer some support, the increasing demands in return for an original favour from one person became excessive so he "cut him loose".

Thus, there was a reluctance to ask neighbours for help if they were not friends because that led to expectations that other types of interaction would be required in exchange. According to Corrie (2011:42) there are only so many times before people begin to feel "obligated". Indicative of this predicament was Can 4 who was "paying more money out because you do [your washing] at a friend's place and then you feel quite guilty because you're using [their things]". Nor from a financial sense was support costless, as in the case raised by Mel 13 who said “we’d have to go and drive down there to get what we wanted” of food kept in a relative’s fridge. Suggesting that, over a short period of time, accepting this kind of help becomes unsustainable to the extent that purchasing a new appliance becomes a more cost effective and viable option. Mel 3 when explaining why she was uncomfortable approaching a relative said:

> I think this is important, it’s better to get the money from exterior source sometimes and have that bit of financial independence rather than being dependent on a relative or friends for that matter. Cause then you sort of feel beholden to them.

Significantly, these results surrounding the reluctance of the financially excluded people in my study to access social support indicate how the effects of financial exclusion could be reduced by social networks if people choose to use them. In particular, my results appear to confirm that the dynamics of social support hinder, in some instances, the provision of support to the financially excluded.

4.2 Reluctance: Independent Personalities

An additional explanation for the reluctance of a number of financially excluded people in my study to ask for, or accept, assistance can be found in the appreciable sense of independence and pride that began to characterise the responses I was given. Such attitudes reduce the ability for people to maximise the instrumental benefits that can be derived from the financial and non-financial support drawn from social networks, even despite an obvious need particularly in times of crisis. The reticence to ask family, friends or charities for help is best demonstrated in the response given by Mel 1 who said:

> I am not one to ask for anything, I sort of like to do things by myself. I don’t like to ask anyone. So I’d rather go to a laundromat than go to my sisters or whatever to wash my clothes. I don’t like to disturb anyone because to me I feel like I am putting them out of place and I don’t want to do that.

Similarly, Mel 5 said "I believe very much in self-sufficiency", while Can 6 displayed a level of self-consciousness, suggesting that "it will be hard for me, people fussing over me". He also, like many others in this study, added that "I wouldn't ask. But I would have to work at it myself". Demonstrating the resilience that often characterises the financially excluded, some said they sought to deal with issues that arise themselves (e.g. Mel 10). Can 1 described how he was able to "think back…to work out sort of thing". As Can 7 said "[I] can but don't" ask friends for help, elaborating further saying "I wouldn't ask them…if you've got a problem you deal with it [yourself]". This self-reliance reinforces the awareness of the limited capacity within some social networks to provide support. For instance, Mel 10 said:

> I'm one who like to be independent. I don't sort of go to family and ask them because everybody works. They need their own money.

However, when faced with an absolute emergency respondents were prepared to soften their attitude towards seeking assistance. For example, when talking to Can 6 about seeking assistance from a charity organisation he said "I obviously don't like using them and I do use them but I kick myself for using them". Of all the people I interviewed, Can 9 was the one exception to the norm. His view was fairly different from most in his openness and willingness to seek in particular professional support saying "as soon as I get into trouble I'll put my hand straight up, I don't bother worrying about 'oh I shouldn't ask this, better not ask him that'". This use of professional help better characterises the other types of coping mechanisms beyond social networks available to the financially excluded and will be discussed in the next section.

4.3 Other Coping Mechanisms: Professional Support

Given the dynamics of social support outlined above, the existence of professional services provided an alternative source of support for NILS clients. Indeed, when considering where support in times of crisis is most likely to come from, it is telling that many mentioned professional services ahead of family and friends. Professional services were readily available to most and many had already relied on them for various needs.

Several participants had home carers or home help (e.g. Can 4/8/9/10). Instead of confiding in social networks, some respondents had used health professionals such as doctors and counsellors (e.g. Can 1//8/9). For those in community housing, when things needed to be fixed, they were able to call on the Department of Housing (e.g. Can 3/4/8). Some reported that they had used charities or food services (e.g. Can 7/8/9).

Consistent with the general reluctance to ask for help, in terms of seeking professional advice on a personal matter Mel 10 said: "[i]t was a very hard decision to make", however, the benefit was that an independent professional "can give you advice because they don't know you". This objectivity was also valued by others, including Can 1 who wouldn't talk to a neighbour but would talk to a psychologist as he considered that some issues were just too personal to discuss with his neighbour. In reflecting on her changing attitudes to opening up to friends about personal problems Can 8 said:

> I think…when you are young, you pour your heart out to your friends when they really just don't want to hear. It's better to see a psychiatrist who is paid to listen.

Being able to access resources outside a social network can make up for limited social support. Again, however, most of the professional support accessed by the financially excluded in my study did not constitute direct financial assistance.

5. Discussion: Proximity and Mobility

There are several primary factors that predict an individual's ability to get support from their social networks, including the strength of the ties between people, the intensity of their relationships and the frequency of interactions (Granovetter 1973; Lin 2001). These factors help to explain the amount of social support available to NILS clients. Reader (1964:22, cited in Mitchell 1969:28) defines intensity as "the 'strength' of the ties which bind person to person, the willingness with which the parties are prepared to forgo other considerations in carrying out the obligations associated with these ties". More broadly, Mitchell (1969:28) suggests that in the case of mobility where people leave towns:

> even if there is infrequent communication between an individual and the people who are in his network, the intensity of the relationships – that is the value with which the individual invests them – may be sufficient to make the people important elements in the individual’s network.

How these interactional qualities of social networks develop can be influenced by the proximity of relations within an individual’s social network or the mobility of particular members. The literature explored the importance of physical distance to support as people tend to draw on others in their friendship groups who live locally. Wellman (1979:1223) argues that “[c]loseness is apparently the single most important defining characteristic of helpful intimate relationships”. Similarly, Lin (2001) when discussing access to social capital in a network, believes the closer people are to key contacts the better their access to instrumental social capital. In looking at the proximity of a respondent to their friends and family we can see that it is as an indicator of the likelihood of obtaining social support.

Eighteen of the 25 people I interviewed did not have any family members living in the same suburb as them, with few having any family members living in the same State. Generally speaking, this correlates with the amount of social support evident in the responses discussed above, however, it was not clear what impact this had on the availability of financial assistance. What was clear though was that proximity is an important factor when considering asking for particular types of assistance – especially when asking for help around the house. For instance, while people may have strong social bonds with others, they may not be close enough to assist with particular tasks. For example, Can 1 noted that his strong interstate relationships can’t help him collect the mail if he goes away.

Importantly, proximity may not reflect the strength of the relationships people have (Kearns and Parkinson 2001). Indeed, latent bonds people have with family may be extremely strong, or may be reflected in strong emotional closeness, even if they do not live close together or interact on a frequent basis (Burt 1992; Scott 2002; Wasserman and

Faust 1994). Typical of this situation was Can 1 who said that "if it was something that urgent I really had to get over and talk to somebody" they could ring a family member.

As noted above, seven respondents had little, if any, contact with family and friends, while the other 18 respondents, when discussing their personal relationships with others, seemed to have had more varying degrees of contact with family and friends. McPherson et al (2001:429) claim people "are more likely to have contact with those who are closer to us in geographic location than those who are distant". In contrast, despite the lack of family living in the same neighbourhood, responses suggest the majority of people in my study communicated with family and friends on a regular basis using the telephone or internet, but had very little face-to-face contact with family members. Although the frequency reported was not as high for the majority of NILS clients, this result is consistent with the results of the Australian Bureau of Statistics (2011b) *2010 General Social Survey* which found "[m]ost Australian adults (97%) have at least weekly contact with family or friends living outside their household."

Therefore, for NILS clients in this study, proximity is perhaps not a good indicator of frequency of contact with family and friends given the reasonably high level of reported interaction. People reported communicating on multiple mediums including, but not limited to, face-to-face contact. Reflecting the way in which NILS supports social capital Mel 2 said that the purchase of a computer enables him to "interact with family that I can't get around to see". Frequency of interactions is perhaps a better indicator of social support amongst NILS clients given the majority of people who said they could get some form of social support, even if it was limited. As Mitchell (1969:29) noted a "high frequency of contact, however, does not necessarily imply high intensity in social relationships".

Related to the idea of proximity is housing tenure. Forrest and Kearns (2001:2131) argue that "[n]ot surprisingly, perhaps the strongest predictor of individual local friendships is length of residence: the longer you live in an area, the more local friends you are likely to have acquired". If we take tenure of residence as an indicator of the ability to form lasting relationships based on proximity, then my results suggest that the lack of residential mobility is not the cause of small local friendships groups. Despite the fact that nineteen of the 25 people interviewed had lived in their current residence for at least 3-5 years and, in most cases well over 5 years, extensive social networks were not evident.

On one hand, it is puzzling that these NILS clients did not report a higher number of strong local relationships given the long-term housing tenure. This finding may need further research to reconcile the two matters – particularly if neighbourhoods are meant to be a place where the benefits of social support exist (Desmond 2012; Kearns and Parkinson 2001). On the other hand, this finding could simply mean that the people in my study had stronger bonds with people other than their neighbours. On a deeper level, there was some trepidation about trusting people, which may contribute to the lack of forming friendships within the neighbourhood. Only half of the people interviewed said that they trusted others.

An alternative reason is that transient friendships make forming lasting bonds difficult. Some respondents had strong bonds with previous neighbours but the often transient nature of the public housing population diminished those bonds. As Can 12 mentioned "it's kind of hard to talk to people about your past when you got to keep telling different people". This accords with Putnam (2000:204) who suggested that social capital formation is strongly associated with residential stability because "for people as for plants frequent repotting disrupts root systems. It takes time for a mobile individual to put down new roots".

For many living in government subsidised housing estates forming friendships with other residents is difficult as the environment is not conducive or amenable to community building. Indeed, some people interviewed have been subject to extremely dangerous living environments (e.g. Can 1/Can 5). This creates the situation mentioned by Can 1 that neighbours "put up with talking to you in the complex, but more or less don't want nothing to do with you". The literature pointed to the idea that inner city locations tend to exhibit low levels of the social capital needed for social support to operate (Hayes et al 2008;

Wilson 1987). In looking at my results it became apparent that this is largely true of the people I spoke with who were from neighbourhoods characterised by closeness to the inner-city – particularly those in Canberra.

A question which arises in this case is, where the people in my study could not form strong ties, were lesser forms of associating available? According to Putnam (2001:42) a so-called nodding acquaintance "generates visible, measurable forms of reciprocity". These acquaintances could characterise the relationship that some NILS clients had with their neighbours, as it was common amongst participants to acknowledge that they did not know the name of their neighbours. For instance, Can 2 said:

> I don't know the old man's name but he knows mine, because we've been there for too long it's too embarrassing to be like 'so what's your name again' now four years late.

However, this lack of personalised engagement can hinder network formation and lead to a reluctance to ask a neighbour with whom one has a weaker relationship for support. As Can 3 said, while she could ask a neighbour for a small non-financial favour:

> [I] don't know whether I could rely on him to do that…to collect the mail for me and that…it's a bit of a worry…I don't feel as if I could be 100 per cent sure…and I would be worried about unpaid bills.

The results and discussion presented in this chapter thus far have begun to build an insight into the types of relationships the respondents have with their family and friends. The following section will now build upon this picture by looking more directly at how these relationships can be classified.

6. Discussion: What Type of Social Networks? Homogeneity and the Lack of Bridging Networks

In looking at the nature of social support and social capital available to NILS clients a challenge for my research was to determine what type of social networks my interviewees had. A useful taxonomy was provided by Burt (2000) who concluded that there are three main types of networks: *cliques*, which are small and dense; *entrepreneurial networks*, which are large and sparse; or *hierarchical networks*, which are large but centrally aligned. After the participant interviews, I formed an initial impression that the social networks of the NILS clients in my study were extremely limited in size and scope. This impression was confirmed in reviewing the data. In both Canberra and Melbourne, to the extent that the people in my study had functioning relations, all could be characterised as being small cliques. As Can 2 put it "I'd rather have a few close friends than heaps".

In seeking to explain the utility and existence of social support for the financially excluded, the more important task was to classify the networks according to the characteristics of the respondents. In conducting this analysis, I found that roughly a third of respondents had strong homogenous bonding networks that had limited breadth and capacity to provide social support. A further third of people had small heterogeneous networks, but again with limited resources available to provide support. The remaining approximate third of respondents reported that they did not have any substantive social networks and were effectively independent. In assessing the utility of social networks to promote financial inclusion these results were contrary to what I had expected to find.

As Degenne and Forse (1999:2) observed in networks research "there is no way of knowing in advance how groups or social positions come about"! O'Connor and Gladstone (2015) offer a possible explanation for network cognition, suggesting that social exclusion can impact on an individual's ability to correctly identify or perceive social networks. In the case of my respondents, it is entirely possible that, due to their prolonged sense of social and financial exclusion, they overlooked actual connections they had with others. I did not doubt, however, that the networks as reported were as respondents experienced and used them to cope with exclusion.

Yet, when looking more deeply at the availability of support through the prism of overall relations suggested in the work of Degenne and Forse (1999), the results demonstrate that there was a relatively high degree of quality in the social relationships of NILS clients. There was evidence to suggest that even small networks with limited capacity were able to provide some assistance and support in times of need, which was almost exclusively in terms of non-financial support. These small but strong ties reflect the powerful interactional content contained in the bonding social networks of the financially excluded people I interviewed.

The literature sought to explain the foundations of social support using the demographic characteristics of networks. Homophily across age, race, gender, education, religion and political views have all been seen as playing a considerable role in the provision of support (Marsden 1987, 1988; McPherson et al 2001; Smith et al 2014; Yuan and Gay 2006). As alluded to above, the social networks of NILS clients were not completely made up of homogenous social ties. When thinking about the people in their lives upon whom they might be able to call on for social support, a considerable number of responses illustrated a broad mix of socio-economic characteristics. Such variety accords with research that points to different demographic factors being present in different social situations.

For instance, McPherson et al (2001:424) found that 70 per cent of adults have heterogeneous confidants based on gender while in "studies of close friendship, homophily in age can be stronger than any other dimension". My results appear to be consistent with McPherson et al (2001:424) who observed that "[w]hen ties are close confiding relations or involve emergency help with money or other services, ties are less age homophilious because significant numbers of kin are mentioned". Despite the presence of some homophily in respondent networks this did not open up opportunities for financial support or mainstreaming. In trying to understand why this was the case, I found that it was largely due to the distinct lack of bridging social networks amongst NILS clients. This is important because more heterogeneous networks expose people to a wider range of ideas and support structures (McPherson et al 2001:421).

There are several possible explanations for the lack of a greater number of heterogeneous bridging networks amongst NILS clients. As discussed above, the majority of interviewees had neither relatives in close proximity nor a wide friendship base capable of offering significant assistance. The effect is compounded to the extent that many had dense social networks largely made up of interlocking friendships with the majority of people interviewed confirming that, in their individual cases, their friends were also friends with each other. As density is a measure of the proportion of people in a network who know each other (Mitchell 1969), this finding is interesting because it confirms the homogeneity often present in close knit groups and shows the limitations of bonding networks of disadvantaged people.

6.1 Identifying Structural Holes

The literature highlighted the need for bridging networks as the basis for mainstreaming. From this point of view, the results did not identify the existence of any bridging social networks needed to help people living on the financial fringe transition into the mainstream financial system. Indeed, what the results have shown is that clients of NILS are not only less likely to have networks that can provide financial support, but also lack networks that could assist with mainstreaming. Using Burt's (2000:373) concept of network constraint, which he defined as "the extent to which a person's network is concentrated in redundant contacts", we see that the dense networks of NILS clients were high in redundant contacts. Therefore, the small homogenous nature of the relationships detailed by NILS clients in both Canberra and Melbourne also meant that they had significant structural holes in their social networks which could not be traversed. This is also true for those respondents who had small but heterogeneous networks, and for those who were largely independent without meaningful networks with others.

In the context of research into innovation, Granovetter (1973:1367) posited that "if the marginal are genuinely so, it is difficult to see how they can ever spread innovations successfully". The concept of marginality here is applicable to the financially excluded as they attempt to access information, financial capital or support. Similarly then, the marginal would be less likely to be the recipients of information as they are not connected in a more significant way with the central or more integrated members of a network. Perhaps unsurprisingly, the attempt to apply the adage ‘it’s not what you know, but who you know’ to the case of the financially excluded failed. I was interested in looking at how information channels might be used by NILS clients to find pathways into mainstream financial institutions. It became apparent in asking about this issue that the networks of the clients did not provide this, largely because the people I interviewed did not have contacts working in mainstream financial institutions.

The premise of Granovetter’s (1982) argument is that bridging weak ties are important because they enable one member of a network, who may be connected to another social circle, to connect these two groups together. In response to the proposition that NILS clients may want to incorporate indirect ties into their social network in a more meaningful way, where such socially distant contacts may be channels through which information and influence can pass (Granovetter 1972:1370), it became apparent that people did not have such weak ties to begin with. This further confirms the limitations of the strong homogenous bonds respondents did have, and accords with the idea that networks of low income neighbours will generally be made up of people in the same socio-economic circumstance.

Granovetter (1982:112) suggests that “in general, weak ties are more efficient at reaching higher-status individuals, so that if such ties are available, they are preferred.” Unfortunately, he also states that “in lower socio-economic groups, weak ties are often not bridges”. This is quite different for high socio-economic status groups where social distance can be bridged through weak ties. Thus, the positive effects of bridges will occur more often where they lead to higher-status contacts (Granovetter 1982, citing Lin, Ensel and Vaughan 1981). Indeed, “poorer people rely more on strong ties than do others” (Granovetter 1982:116) which, given both the demonstrated limitation in the networks of the financially excluded, and the interest of this thesis in bridging capital, is unhelpful.

When questioned about wanting to know more people, it seemed that most research participants did not want to know more people to socialise with, but did want to know more people who could help financially. This finding reinforces the fact that the people that respondents knew are limited in their capacity to provide financial assistance. To reiterate, when we compared the characteristics of the people who respondents had help from, we can see to a large extent that there is some homogeneity, which may lead to the conclusion that confirms bonding ties are only good up until a point and then bridging ties are the ones that are needed. Simply put, it is those ties that people in the NILS program do not have.

It is important to acknowledge that, given the small networks of participants, I was not able to directly identify structural holes in the typical manner required for robust verification through social network analysis and mapping. While this was disappointing, nonetheless it does not diminish the inferences that can be drawn. While I could see that, for the most part, the people I spoke to did not have extensive networks, it was difficult to prove that this was significant in preventing mainstreaming. As will be discussed later in this thesis, there are a number of factors that operate to deny access to the mainstream. Nevertheless, there was a sense that the results presented in this chapter can be interpreted as evidence advocating the role and importance of bridging social capital to addressing financial exclusion. Indeed, a positive finding from my interviews implies that small homogenous networks cannot be used to promote financial inclusion.

6.2 Test of Social Capital

Consistent with previous research, my findings show that the nature of social capital as either bridging or bonding will have different effects in different situations. For example, bonding social capital was more important for social support from close social networks, while it is bridging social capital that is deemed more important for financial inclusion. Rather than merely having low levels of social capital, the research participants actually had higher levels of bonding social capital. As Can 1 said his network was made up of relationships he described as "those that stick".

A more sophisticated interpretation of the lived experience of NILS clients must be informed by an investigation of why, despite strong social participation, the financially excluded lacked social support. Chapter Eight of this thesis, which deals with the reality of exclusion, will contribute to this debate. To preview some of that discussion, eighteen out of 25 people interviewed were engaged in some form of social participation and the same number had socialised with another person in the last month but, in both cases, these forms of social participation did not seem to expand the number of people they could ask for social support.

Interestingly, the concept of reciprocity, which is central to social capital, only arose twice in discussions within these support scenarios. In both situations the positive action of offering support was done with the belief that "we know he'd do the same for us" (Mel 2). Taking this further, Can 9 said that he had provided support to a friend in the past in the hope that he might "get something out of it in the future". This suggests that the reluctance to ask for help documented earlier in this chapter might be overcome to an extent by using the concept of reciprocity – people ask for help knowing that they will be able to repay the favour in the future.

7. Conclusion

We know from the literature that a large proportion of NILS clients are often forced to go without (Ayres-Wearne and Palafox 2005; Corrie 2011). How social networks could help them cope was explored in this chapter. I was able to gain an illuminating insight into the lives of the financially excluded by looking at the interactional features of the relationships that people had and, by doing so, a picture of social capital was painted. People who did not have networks were not able to draw on the benefits of social support. If people had greater social networks, they would be able to draw on social support mechanisms to alleviate exclusion.

Overall, there was evidence to attest that instrumental benefits were available in the social networks of the NILS clients that went some way to mitigate the consequences of financial exclusion. As Can 5 put it, their social network could provide “a bit of financial support and a bit of moral support”. However, more often than not, the more likely scenario was that good emotional support was more forthcoming than practical or financial support (Can 4). Indeed, it was clear that NILS clients interviewed were less likely to be able to get financial support. The limited networks of NILS clients suggested that they have significant structural holes in their social networks that would need to be filled in order to possibly utilise networks for mainstreaming.

The experience of NILS clients is consistent with the conclusion of Knox et al (2006:135) who found that “[d]espite their claims, networks, it seems, do not connect, transfer, and emancipate in the ways that they promise to do in popular usage”. In the case of the NILS clients in my study, Knox et al’s observation may be explained by the fact people had small bonding networks with limited financial capacity. But, more importantly, the dynamics of social support also played a large role in determining the availability of support. These results can explain why many sought help from NILS. The next chapter will consider further explanations of financial exclusion and the continued influence of social networks in the lives of financially excluded individuals.

Chapter Seven: The Social Causes of Financial Exclusion and the Role of Microfinance in Increasing Inclusion

1. Introduction

While the previous chapter documented a number of instrumental benefits that were available to the financially excluded through their social networks, the analysis showed how the capacity to receive direct financial assistance was limited by the homogenous nature of the support networks. This being the case, engagement with the mainstream financial system remains imperative. Thus, in continuing to develop our understanding of financial exclusion from a networks perspective, this chapter will focus on the influence of networks in encouraging engagement with the mainstream. Selecting this focus recognises that the literature has failed to adequately consider key social explanations for exclusion in identifying the barriers to financial inclusion.

In looking more deeply at the experiences of clients of the No Interest Loan Scheme (NILS) we will see that one of the most important social influences on decisions to engage with the mainstream is the impact past interactions with financial institutions have in shaping attitudes and behaviours. In particular, this chapter will document how negative experiences have left an indelible mark on many financially excluded people to the extent that they now avoided using mainstream credit providers. The concept of social distance will be used to analyse how the perceived differences that have emerged between mainstream providers and financially excluded people perpetuates exclusion and maintains disadvantage. We come to understand that, from the perspective of NILS clients, a major cause of social distance is the perception that mainstream institutions create and maintain barriers through the way they interact with the financially excluded and through prohibitive credit eligibility requirements.

Notably, the socio-economic and demographic characteristics of NILS clients will be examined as a way of explaining why, when viewed as a cohort, they are more likely to be disengaged from the mainstream. In the absence of bridging social networks we see how bonding social capital can in fact create social distance and, far from enabling engagement with the mainstream, the social networks of the respondents act to prevent interaction through the operation of downward-levelling norms. We also see that the homogeneity documented in the previous chapter between NILS clients and their social networks extends to homogeneity amongst NILS clients themselves. From this viewpoint a compelling reason for financial exclusion is provided. The following section will begin the analysis by defining social distance and considering how it impacts on the financially excluded. Importantly, the second half of this chapter will then look at how microfinance organisations can help to break down social distance and financial exclusion through the provision of affordable and appropriate financial products to low income Australians.

2. Social Distance from the Mainstream

Social distance, according to Castree et al (2013), refers to the "similarity or closeness of social groups…[and]…provides a measure of social cohesion or segregation by measuring the level of interaction or intermixing of individuals and groups" (see also McPherson et al 2001; Smith et al 2014). The situation created by social distance is summed up neatly by Akerlof (1997:1005), who suggests that "[a]gents who are initially close interact strongly while those who are socially distant have little interaction". Thus, social distance is greatest when levels of interaction between groups is lowest. Based on these two definitions, for the purpose of this thesis, social distance can be taken to describe the gap between the mainstream banking system and the financially excluded.

Indeed, for disadvantaged groups Wright (2015:644) demonstrated how "with increasing inequality, respondents of lower socio-economic status are pushed towards the margins of society, feeling alienated and less efficacious, and also less likely to be connected to society through personal networks. Growing inequality, therefore, fosters pessimism and powerlessness among the economically marginalised". Further, Wright (2015:658) found that "higher levels of inequality are likely to generate increased levels of pessimism and/or anxiety among the relatively less well off, leading them to trust others less and reducing their willingness to engage civically". Given the low socio-economic status of financially excluded people, social distance can, therefore, have serious consequences beyond purely financial hardship.

The nature of exclusion itself implies a degree of social distance. The main cause of social distance identified in my research is that financially excluded people often feel that mainstream institutions are not accessible and that there is a lack of understanding and respect between the people who work in banks and themselves. This distance manifested directly for many of the respondents in negative interactions they had with banks. For example, in recalling her experience of seeking a loan at a mainstream bank Can 12 explained how:

> they look at you a bit funny, so I knew I wasn't going to get it…just the way she was talking to me…was just I wasn't going to get it so they are pretty rude actually…I have seen the way the banks treat people inside the bank and it's not right.

The behaviour of mainstream institutions goes a long way to explaining how this sense of distance is created. Keister (2002:52), for instance, noted that previous research found evidence that discriminatory practices often led to less information being provided to some clients by bank officers, less time was spent explaining products and higher interest rates were quoted. Therefore, a consequence of social distance is that it can result in perverse outcomes when the interests of borrowers and lenders are not aligned (Zalewski 2006). Similar experiences relayed by NILS clients highlight how social distance manifests and how it is formed as a direct result of previous negative experiences (Corrie 2011). Even more starkly, as Can 9 bluntly put it, banks "[t]reat you like a f***ing dog down there, you know, they don't look at you".

There was certainly a perception amongst the respondents that the profit-seeking business model of banks had much to do with explaining why financially excluded people are treated in this way (Mel 11). As Can 4 argued:

> they are not human…they're human people but they've got to follow their rules…I mean banks are out for profits…I don't like banks at all.

In commenting on the affordability of mainstream financial products Mel 8 said:

> they charge like wounded bulls do…it's disgusting what they're doing to people, they're just robbing people, it's disgusting.

As a direct result of these beliefs it is clear that the level of interaction that the financially excluded have with the mainstream has been adversely affected to the extent that many, such as Mel 5, have become "very cynical towards the banking system, because it's about they're there to make profit for their stakeholders". A further insight into how NILS clients think that mainstream institutions do not understand their needs, or personal situations, is gained from looking at how Mel 6 describes her previous attempt to use a mainstream bank. She said:

> I did once and I didn't like it…like he wasn't understanding, like he kept saying you can save, but, ok, if I've only got $5 left I might need that $5 for something like bread or milk, you know? How can I put that $5 away if all the rest of the money is gone?

Cost was also a barrier to participation in the mainstream with one of the key issues reported by respondents as stopping them from using banks being the existence of prohibitive fees and interest charges (e.g. Can 9/Mel 7). Mel 4 had previously been successful in applying for a loan from a bank but said "you pay three times more or four times more [than you borrow]…I think I will try to…avoid another loan from banks". Unsurprisingly, the idea of distance is heightened by a sense of powerlessness relative to bank staff and the restrictive conditions attached to borrowing applications. Indicative of this experience is what Mel 11 described when asked about approaching a bank for a loan:

> It's harsh, it's really harsh…It was really wasting time…It's like you fill the criteria of the borrowing or either way you don't. It's just only one way. There is no negotiation.

Coupled with these direct experiences are perceptions built up about eligibility for banking products, which also becomes part of the explanation for social distance. In fact, in many cases respondents said that these perceptions led to self-exclusion. This meant that, in looking for alternatives prior to applying for a NILS loan, most respondents did not even think about seeking a loan from a mainstream financial institution because they expected to be rejected. There were a number of clients who thought they would not be eligible because they were unemployed or only receiving the pension (e.g. Can 2/Can 5/ Can 8/Mel 2). For instance, Can 8 believed that she didn't meet lending criteria, saying "I didn't work so I didn't think I'd be allowed". Can 7 also said that banks "won't give you a loan. They go 'nope'. Unless you earn 15,000 [dollars] they won't look at you".

Reflecting on the degree of social distance between himself and a mainstream bank, Mel 1, with a sense of resignation said "when you are on a pension no one looks at you. It's hard". Similarly, Mel 6 said:

> I don't know, I don't think I'll ever get a loan with a bank…I don't know, it's how I feel; even if I do get a full-time job, I reckon they'll just knock me back anyway.

Highlighting how the financially excluded can view the mainstream and the type of people who it is for, Mel 3 said:

> I don't think I thought it was realistic to approach the credit union…because it was a relatively small amount of money

The perception in this case is that mainstream institutions are only available to people who require large sums of money. The sentiment behind these perceptions, built up from previous interactions, is captured in the statement by Mel 5 that “I knew that banks wouldn’t even touch me with a bar of soap”. For some, the extent of social distance caused by past experiences and perceptions has already reached a point where future interactions are unlikely. For example, Mel 11 is now determined not to use banks in the future because of her previous experiences saying “my mind is switched off with these bank things”. Can 5 also said that he “wouldn’t touch the banks”. Similarly, Mel 10 said “I wouldn’t even think of the bank no, no, no”. This response was informed by her previous experience of paying off a loan over 5 years and working out how much it had cost relative to the value of the original loan.

These results are consistent with previous research referenced earlier in this thesis where self-exclusion was identified as a problem because people did not apply for loans from mainstream banks since they expected to be refused – banks were not for ‘people like us’ (Ayres-Wearne and Palafox 2005; Financial Services Authority 2000; HM Treasury 2004; Kempson and Whyley 1999; Mitton 2008). The Financial Services Authority (2000:9) neatly summarise the cause of self-exclusion when they say that:

> people may decide that there is little point applying for a financial product because they believe they would be refused. Sometimes this is a result of having been refused personally in the past, sometimes because they know someone else who has been refused, or because of a belief that ‘they don’t accept people who live round here’.

The situation described by the Financial Services Authority is indicative of the type of social distance experienced by my respondents, whose experiences provide clear evidence of self-exclusion. These preconceived ideas about what would be required to access financial services, compared to beliefs about the circumstances of NILS clients, were consistent with other research explaining why NILS clients did not attempt to apply for credit at mainstream institutions (see also Corrie 2011). Much of this difference can be attributed to the lack of engagement NILS clients have with the mainstream and vice versa. Closing this social distance could help to clarify such misconceptions and promote inclusion. However, the question becomes how these interactions between the mainstream and NILS clients, as well as the preconceptions clients have about eligibility for financial services, perpetuate exclusionary behaviour and explain social distance. An answer based on investigating the role networks play in creating this distance, and identifying who 'people like us' refers to in the context of NILS, is considered in the next section.

2.1 Social Distance and Homophily

Looking through the prism of social network theory the idea of homophily in social networks offers a useful explanation of social distance. According to the literature, people are less likely to have or form friendships with others who are different from themselves, nor do they have a tendency to associate with people who do not share their behaviours or beliefs (Centola 2015; Kossinets and Watts 2009; McPherson et al 2001; Shaefer et al 2011; Skvoretz 2013; Smith et al 2014). As mentioned earlier in this thesis: '*birds of a feather flock together'*. Reviews of homophily in social networks have tended to focus on key factors such as race and ethnicity, sex and gender, age, religion, education and occupation (McPherson et al 2001; Smith et al 2014). For the respondents in my study, it appeared that based on these characteristics many had tight knit social networks, which were often comprised of members with very similar socio-demographic backgrounds.

I found that roughly a third of people had strong homogenous bonding networks of limited breadth. A further third, while having more heterogeneous networks, were still limited on the key measures such as income that most affect financial exclusion. This is the essence of homophily. Indeed, as Milgram (1967:63) declared "poor people always have acquaintances, it would probably turn out that they tend to be among other poor people, and that the rich speak mostly with the rich". Focusing on the nature of the individual networks of the financially excluded it becomes clear that the less likely NILS clients are to have friends across multiple socio-demographic categories, the less likely they are to engage with the mainstream.

This result is consistent with Meadows et al (2004) and other literature detailing network effects of this kind (Capuano and Ramsay 2011; Centola 2011; DiMaggio and Garip 2012; Shaefer et al 2011). Homophily explains the results of Meadows et al (2004) to the extent that people's family and friends were comprised of people who had the same socio-demographic characteristics. While the NILS clients I spoke with were not in the same networks, they were from the same socio-demographic group and also had network characteristics that were very similar. As Smith et al (2014:433) state "[h]omophily can be seen as a behavioural expression of the larger differentiating forces in society – such as demographic availability, institutional segregation, and affective acceptance among categories of people".

Applying homophily to my results we see that self-exclusionary behaviour is initiated and reinforced "[b]y interacting only with others who are like ourselves" (McPherson et al 2001:415). That is, social distance is exacerbated by limited interaction with people who are engaged with the mainstream. Moreover, analysing the characteristics of the NILS clients themselves also shows that the financially excluded display certain homophilious characteristics that can be taken to reflect those who are socially distant from banks. For example, the majority of respondents in both Melbourne and Canberra had only received some high school education, with most also being unemployed for more than 5 years. All respondents were in receipt of some form of government payment and more than half were living in government housing.

But, how does interacting only with others with similar backgrounds explain social distance? As Knox et al (2006:130) emphasise "individuals are embedded within a web of relations and ties, and that these web of relations offer a vital context in which individual actions need to be placed". Therefore, Knox et al (2006) highlight what is essentially the challenge that confronts NILS clients who have limited social networks – where no one in a person's social network engages with the mainstream, then the network will negatively influence the behaviours, decisions and actions of all members in relation to engagement with mainstream financial institutions.

Consistent with findings in the social capital literature, the negative experiences with the mainstream outlined above can create downward levelling norms that perpetuate cycles of self-exclusion. Disengagement can become the norm. As Andrews et al (2002) suggest in the case of education, the consequence of such norms is social network disadvantage that manifests itself in an underestimation of the benefits in those networks where completing schooling is not the norm. Social distance is also perpetuated by information asymmetries within networks that allow the persistence of incorrect information about the inaccessibility of mainstream financial institutions. More deeply, these behaviours can be inherited and future generations may come to believe that they are not worthy to be served by mainstream banks because previous generations had not been. Many financially excluded people believe that banking services are not for them, which is a perception that needs to be overcome because there is perhaps a universal desire amongst NILS clients to access the mainstream if they could.

From another perspective, Akerlof's (1997:1010) economic model of social distance describes the incentives for individuals not to "abandon their relatives and current friends" in pursuit of social returns. However, Akerlof is also conscious that for some, social distances can be too great and the benefits of possible upward mobility must be countered with the reduction in pre-existing relationships. Interpreted in this light, the challenge of overcoming social distance means also addressing one of the perverse features of downward levelling norms which is when group members attempt to exit the group for personal advancement, they will become outcasts. Banks are not for 'people like us' and engaging in the mainstream can, therefore, create friction between group members. Mel 6, for instance, said:

> when I went to the bank I said 'I make more than what people make on the dole being a single pension plus doing casual work, how come I can't even get a $500 credit card or whatever?'

Although there were other circumstances that prevented her from being successful, Mel 6 in this case was comparing herself to others in her social circle who had been successful in receiving a credit card while she had not. As limited social networks act as a barrier to engagement beyond immediate social circles, and those networks create downward levelling norms, determining how social distance can be reduced without encountering these problems becomes important. Successful programs are those that enable individuals to take up opportunities that do not create social distance between people and their social networks (Akerlof 1997).

At the same time, levels of social capital and membership of bridging social networks can play a crucial role in helping NILS clients to overcome social distance. For example, Tatarko and Schmidt (2012) investigated the influence social capital has on monetary attitudes and found that civic identity – the sense of belonging or membership – correlated most strongly with the attitudes people held. Here we can see that social networks can significantly influence and promote financial inclusion. Indeed, in terms of individuals, where they have a network of people who can help them navigate the complex financial system they are better placed to make informed decisions and engage with the financial system (Beck et al 2009; Rajan 2006). Family and friends with expertise or experience in using mainstream financial institutions are one example of the type and source of skills and knowledge that can assist.

If we again presume that it is through social networks that people acquire information that influences their decisions and that those networks are limited, we can see that most respondents had strong bonding social capital. The prevalence of social distance when seen in this light can also reflect the lack of social capital possessed by NILS clients. The high degree of homophily means that NILS clients lacked the necessary bridging networks to connect with the mainstream, which can help in reducing social distance. Therefore, in the absence of bridging networks, the financially excluded need to find alternatives. The next section looks at how microfinance organisations can reduce social distance through the provision of services that are designed for ‘people like us’.

3. NILS Breaks Down Social Distance

From the discussion above it is clear that social distance hinders the ability of the financially excluded to engage in a positive manner with the mainstream financial system. The following section will examine the way in which NILS providers ameliorate the consequences of social distance through the successful delivery of no interest loans. The focus of discussion will be on how NILS providers differ from the mainstream and the fringe credit market in the eyes of the clients. Notably, we will see that the views of NILS clients on the NILS providers contrasts with their beliefs about mainstream banks and that the sense of social distance is practically non-existent when clients think back on their interaction with the NILS providers.

Examining the responses of NILS clients in this way also opens a valuable window into how clients experience NILS. This may be illuminating in the quest for greater financial inclusion – especially as it shines a spotlight on the differences between the mainstream, the fringe and the community organisations. One thing that is clear from my research is that NILS provides a genuine alternative to both the mainstream and the fringe market and can increase financial inclusion.

For most respondents, what separates NILS from the mainstream, first and foremost, is the approach taken by NILS providers in delivering the program. Microfinance organisations are acutely aware of the position their clients are in when they are approached for assistance and attempt to actively manage social distance. For example, the stated values of Care Inc (2011:1) reflect how the organisation puts their commitment to low income consumers into practice and includes "treating clients, colleagues and the broader community with dignity, seeking to empower clients, avoiding judgment and being honest and clear in all communications".

Having spoken informally with the workers at Care Inc, it is clear they understood that it is often extremely difficult for their clients, and potential clients, to even take the first step towards applying for a loan. We see in Can 7's following comment the confirmation that a large barrier to seeking assistance is that "people feel funny about taking charity".

Expressing this sentiment is not uncommon amongst recipients (e.g. Mel 13). Can 7 said:

> It took me a long time to...come and do it because normally I don't really like getting this. Like I don't like receiving charity even though I'm on a disability pension…I don't like receiving handouts so you know.

This reluctance to ask for help is an issue that affects many NILS clients and was alluded to in the previous chapter. For example, Mel 10 said:

> do you know the worst feeling of actually having to come to a place and ask for help is very humbling. It took a lot of tears and thinking you need some help go and ask for help if you don't ask you'll never get any help. So a bit of crying going on. It's very, very humbling. I guess I'm thinking ['Mel 10'] you are able to cope why can't you cope when it comes to stage of where there's nowhere else to go? I'm getting teary already.

From my observation of the workers in the organisations they were acutely aware of this reluctance to ask for help and the potential that, if interactions with clients were similar to those that created social distances, then it would have a detrimental impact on the success of the NILS program. Both Care Inc and Good Shepherd Youth and Family Services have been able, over many years, to operate services that make asking for help more comfortable for clients or, as is more often the case, merely a little less difficult.

Perhaps the biggest insight into the challenge faced by NILS clients came from Can 7, whose comments are most indicative of the apprehension many people feel in accessing charity services and the important role that charity workers play in facilitating a friendly and safe environment:

> they always made you feel good about it because it took a long time for me to actually get courage up to feel like that. Because it was just like Jesus you know. It's like when things get rough and you go to the 'Salvos' [Salvation Army] and ask for food voucher you know. It really takes a lot of effort to do something like that. You just think 'I don't know', you know? You feel pretty 'povvo-scum'. So it took me a long time and then when I come in you know like [the worker]…made me feel really good about it you know?...made me feel as much of a piece of shit as I felt. And yeah it was a good process…It was smooth and a lot easier than I thought yeah. You know? Like yeah it wasn't a huge big drama.

Many respondents thought that the community organisations were there to help and this perception was significant in terms of overcoming the reluctance to using financial services. In looking for an explanation of these observations, I believe that it is the central role of the NILS workers that makes these comments possible. They go to the heart of the difference between the mainstream financial service industry and community sector programs such as NILS. Importantly, it further demonstrates how social distance can impede financially inclusive interactions. Providing a safe and friendly environment that is conducive to inclusion, even little things like the casual dress code adopted by staff, can reduce social distance between financial service providers and low income clients. The words of Can 4 are indicative of the sentiment most people interviewed had of NILS organisations like Care Inc:

> everyone is so what I call, if there is a normal, 'normal', and treat people just the same. And even down to like their dress I noticed when I used to first come in and probably was like a scared rat. I noticed that the counsellors and all that would just dress just normally. And I really think they toned it down a bit so as we didn't feel as a client too bad. And that was just brilliant…I just can't say enough about Care, it is the best thing.

These reactions are echoed in the statements about both organisations in all the interviews I conducted (e.g. Can 2/Can 3/Mel 3/Mel 8/Mel 9/Mel 13). Summing up his experience Can 7 said that he had “nothing but positive things to say about how I was treated there”. Three particularly positive references are worth mentioning and are provided below. As will be evident in the statements, the sense of genuine gratitude that shone through in the in the way NILS clients recalled their experiences was revealing. In the case of Care Inc specifically, the clients made a simple, but apt and powerful, play on words from the name of the organisation:

> Can 8 – *Care actually care*…The rest, they don’t care…I’ve always been really well looked after and very well informed and it was always a nice service to go to. The minute you walk in the door they offer you a drink of coffee and they tell you how long they’ll be so it’s very efficient.

> Can 9 – you just feel good walking into the place…you’re like part of family really, that’s how I feel when I come here…they don’t have to do anything for us, but they put the hard yards in and they are prepared to help us along and like I say it’s got the perfect name – Care – *I feel like I’m under their care*…they are not going to let me fucking struggle if they can help me….they grab me sort of pulled me out of that fucking hole.

> Mel 11 – Yeah, I think first of all I’m very happy I got what I want and it’s really, it’s amazing that they gave us a loan without interest. And I really appreciate a lot Good Shepherd. They just gave us, and make us happy because, make our dreams, yeah. It’s a really an amazing experience, how they’re helping the people with the low income with no interest. It’s really good and I don’t know how to appreciate.

In considering all these responses of clients about their interactions with NILS and the NILS providers, what is apparent in the statements is a very favourable comparison to their experiences with mainstream financial services, as well as fringe credit providers. Most clients found the experiences vastly different. The difference is that clients believe that NILS providers are there to help them whereas, on the other hand, they believe that banks and loan sharks are only providing loans to them in order to make profits. Simply, as Can 9 puts it, Care Inc have “always got that ‘what can we do for you’ sort of thing coming out there”. As Can 12 says:

> Because people are nice here they understand more here. Whereas banks it’s all about the money and the fees and this and that, whereas here they actually care and they actually give advice which you need.

In comparing his experience with NILS to the mainstream Can 6 said:

> If you go to a bank, they want your money and don’t treat you. Whereas if you come to NILS they bend over backwards [to help], it’s bloody obvious. There’s no comparison. From one end of the scale making money to the bottom end of the scale…you understand what I’m saying?

Finally, Mel 3 said that while mainstream institutions can be nice and professional:

> they’re more like sort of business people I guess, whereas here at Good Shepherd they’re more like I guess I could say ‘real people’ if you know what I mean…more sort of understanding, sympathetic.

These quotes convey a sense of service not provided in the mainstream and a view that people are trying to help not just make money. Many of the positive things said by respondents are the result of the deliberate actions of the NILS staff. Consistent with the findings of Ayres-Wearne and Palafox (2005) I also found that the relationship, approachability and general operating mandate of NILS workers is one of the program’s strengths. Applications are assessed in a realistic yet encouraging way. People feel valued and trusted and know support is available if they experience difficulty during the loan term. These strengths are central to the way microfinance programs alleviate financial exclusion.

Again, this is in stark contrast to the mainstream where there was often a perception of mistrust. For example, Mel 11 said of banks "always they have got a doubt that the person wouldn't pay off or something". This is despite the high rates of repayments amongst NILS clients discussed earlier in this thesis. Ayres-Wearne and Palafox (2005) found that NILS was different to the mainstream because clients felt, for the first time, that they were trusted and treated with dignity and respect. On the other hand, the failure of the mainstream to provide appropriate products is by definition exclusionary and not only creates a barrier but has been found to cause mistrust in banks (Corrie 2011). In a similar vein to the discussion in the previous section, for some respondents it was previous experiences with the mainstream that had caused mistrust, while others were distrustful because they had been told of negative experiences other people had.

It is clear that the impact of this on future engagement is that people will not engage and will continue to self-exclude. Interestingly, what does not seem to be acknowledged is that addressing social distance can in fact work to reduce transaction costs when banks trust clients more. Corrie (2011:115) contends that a "greater understanding is required of how low income consumers use and perceive credit in order for mainstream institutions to properly develop services to meet their needs". The insight into the role of social distance as a barrier to engagement is illuminating and could be used by mainstream institutions to better cater for the needs of the financially excluded.

No interest loans are only provided to people who can afford them and this feature of the scheme goes to one of the overarching welfare principles at the heart of the way the scheme has been designed. That is, when a NILS worker assesses an application, whether the assessor believes that a person will be unable to cope with the additional burden of loan repayments determines if the loan is provided or not. Loans are not provided to people who are unable to repay the loan to ensure that they are not placed in any further hardship as a result of having to make the NILS repayments. This is an important safety aspect of NILS. This is another reason why NILS workers have such a substantial role in the assessment process and the protection of client welfare which differs from the mainstream and fringe providers. This reality is understood by some clients. For example, when talking about whether they recommend the program to others Can 8 said:

> they know it's there for an emergency, but when you are already in debt, to have more debt is not good. Because my friend next door neighbour, she needs new stuff, but it's just more debt on top of her debt.

The complexity of the financial system is a key cause of financial exclusion. One of the main reasons why clients find NILS to be more inclusive is that NILS workers take the time to explain the loan and application procedures in more detail. NILS workers play an extremely important role in assisting NILS clients navigate a complex financial system. As Mel 13 said:

> I think they're great, magnificent, they really are. I think they are people that you go and speak to, they're quite great. They listen to you and they explain how everything works and everything and they give people hope, and that's how I look at it.

Again, this is one difference that was noted by the clients compared to the mainstream. In fact, this was indicative of the way that microfinance institutions work to reduce social distance. Reinforcing this point Mel 11 said:

> when it comes to Good Shepherd, it's like understanding, they're understanding the situation; they're considering the situation the family is in. It's like, I don't know how to say, it's, they're understanding the position that we are, the struggling there is as a single mother, of low income people. It's like they're just putting in our shoes themselves and look at the situation and it is really, really amazing and I really appreciate again and again.

In addition to the explanations provided during a loan application interview, the complexity of the NILS product and the application procedures are designed to be simpler and less daunting than mainstream products. This meant that, as Mel 4 said "it was easy to get a loan. It was not…a riddle to get a loan". That being said, NILS workers report that even filling in a simplified application form can still be daunting. The apprehension clients have seeking charity and the power imbalance that exists simply by virtue of the fact that NILS workers approve the loans makes it doubly important to set up an easy interface and friendly environment.

The way in which NILS providers have reduced social distance reflects a combination of factors. First, they have created an environment where "you don't feel out of place, normal" (Can 12). Second, they exist to help people in times of need when no other places would. When Can 9 was "sinking" they "picked me up" by providing a no interest loan for a household white good. It is the sense of security that comes from the knowledge that, as Can 1 put it: "well the thing is you have got something if things do get right down to the bottom…you've got somewhere you can go".

Overall, while negative experiences with the mainstream are relayed through social networks, the comments made above by the respondents are noteworthy in that they reinforce the fact that social networks can also be conduits of positive experiences. In the case of the interviewees, many seemed happy to convey to others information about the benefits afforded by participation in NILS. Can 4, for example, said "I have told over the years…so many people to get in touch" with NILS providers. Interestingly, highlighting the negative perceptions of financial services that have been built up in the minds of the financially excluded in general, the reaction from some people who have been told about NILS is often one of disbelief. For instance, Mel 13 said:

> They don't sort of believe me, they said 'how can you buy something and not pay interest?' I said 'because they're there to help people. Not to make you pay more than you want for the item you're getting'. It's a great help.

Similarly, Mel 1 emphasised that his friends:

> were sort of shocked at no interest. Normally when you borrow money you think: interest. That's the first thing that comes into your head, but when they hear no interest, and I'll tell them 'yeah you only pay back what you borrow'.

These comments align with those cited in the previous chapter around the benefits of social networks as conduits of information.

4. Conclusion

A central aim of this thesis is to explore the reasons underlying financial exclusion and why some people consciously choose to avoid using mainstream financial institutions. Following in-depth interviews with participants of NILS, this chapter provided a sociological explanation for exclusion based on the concept of social distance. Indeed, social distance was identified as a central barrier to participation. We saw earlier that the clearest manifestation of such social distance was self-exclusion. Parts of the explanation were actual, and perceived, differences between the treatment of individuals at various mainstream banks, which meant that respondents now simply stayed away from the mainstream. This finding was consistent with what the literature said we should expect.

One of the lessons to come out of my research, reflecting previous studies, is that past experiences matter. Corroborating this idea, for example, is Corrie (2011:54) who found that previous positive interactions greatly enhance confidence about getting information from banks. Thus, past experiences quite plainly influence and shape future behaviour. Unfortunately, the reverse is also true. As was shown in this chapter, the presence of social distance negatively impacts on future interactions with the mainstream.

When asked whether they would use or try to use banks in the future, there seemed to be two groups of respondents. The first are those who continue to be influenced by perceptions about eligibility. This group did not use the mainstream because of perceptions or the understanding that given their income levels they would not be successful, and thus they did not seek loans from the mainstream. For these people, previous experiences have built up an expectation of rejection. Some actually did attempt to apply and were rejected. The second group of clients who said they would not try to use banks for future credit needs did so based on a general dislike of banks and the way they operate. In both these instances, the experience of the participants was one that reinforced the concept of social distance.

The influence of social networks on the way people engage with the mainstream was also explored in this chapter using the concept of homophily. It would seem that, in the first instance, social networks had a negative effect on inclusion by perpetuating downward levelling norms. Importantly, past experiences also get transmitted through social networks. People do not engage with the mainstream because of what others have told them. This was embodied in the saying that banks are not for ‘people like us’.

Significantly, this chapter showed that microfinance programs can help to reduce social distance. Indeed, while the sense of social distance was palpable when people discussed their interaction with the mainstream, the complete opposite was true when they reflected on their interaction with Care Inc and Good Shepherd Youth and Family Services. However, even though many had positive experiences through the NILS, Ayres-Wearne and Palafox (2005:33) found that exclusion remained and only a minority “said they felt confident about approaching the bank in the future for a loan”. In this way, NILS is not an avenue to the mainstream. Therefore, more must clearly be done to reduce social distance. The next chapter looks more closely at the experience of financial exclusion and identifies possible policy solutions to increase financial inclusion.

Chapter Eight: The Reality of Financial Exclusion and Engaging with the Mainstream

1. Introduction

The inability to access appropriate and affordable credit from mainstream financial institutions has been shown to have extremely detrimental impacts on the quality of life of financially excluded people. As discussed earlier in this thesis, for some respondents in my study the availability of social support worked to partially offset the negative consequences of financial exclusion. However, the continued existence of social distance meant that for the majority of respondents the financial hardship caused by exclusion persists. Significantly, the literature demonstrated that being excluded from the mainstream financial system can lead to poor financial outcomes, especially as a result of turning to the fringe credit market. This chapter will document the reality of financial exclusion by focussing on the practical ramifications the absence of credit has had on the lived experience of No Interest Loan Scheme (NILS) clients.

Beyond the financial costs of exclusion there are also considerable social costs. By detailing how financial exclusion translates into the day-to-day lives of the respondents, a greater appreciation is gained of how NILS offers not only a financial but social lifeline to the financially excluded. In particular, it is argued that microfinance helps NILS clients achieve some degree of social inclusion through the empowerment that accompanies economic participation. Specifically, this chapter will look at whether increased economic independence translates into greater social participation. Consistent with this more holistic perspective of inclusion, the discussion will explore the social lives of NILS recipients and how the reality of exclusion impacts on the amount of socialising and social activities undertaken.

Finally, the reality of financial exclusion will be discussed in terms of the number of financial products held by the participants in my study and this will be used as an indicator of the extent of engagement with the mainstream financial system. The chapter will explore several further reasons for financial exclusion, including the role individual skills and confidence of NILS clients plays in facilitating interaction with mainstream institutions. The discussion will conclude with a brief consideration of the implications the findings have for policy and delivery of microfinance programs in Australia.

2. The Reality of Financial Exclusion

While there is an undeniable level of homogeneity that characterises the socio-economic circumstances of NILS clients, flowing primarily from the eligibility criteria needed to qualify for the program, the consequences of financial exclusion manifests for each person differently. Indeed, despite some uniformity in terms of demographic factors, the life experiences of each person interviewed as part of my research were unique. For some, the factors that led to financial exclusion, and brought them to NILS, were caused by events beyond their control, such as the onset of chronic illness, being subjected to domestic violence or being involved in a motor vehicle accident. For others, financial disadvantage has come as the result of drug use, alcoholism or problem gambling. Regardless of the reason, in all of these cases the causes of exclusion had a profound impact on the individual’s financial wellbeing, lifestyle and severely limited their capacity to earn income.

In this context, the inability of the financially excluded to cope with the financial stresses of everyday life have been exacerbated by considerable increases in cost of living pressures. Using measures of living costs compiled by the Australian Bureau of Statistics (2012b), we see that households populated by recipients of government support payments, which includes the majority of NILS clients in this study, have been subjected to continual rises in household costs. Increasing utilities expenses (particularly electricity and gas), rent and food expenditure are the main contributors to rising cost of living. These expense items often constitute the largest proportion of spending for NILS households. The impact of upward price changes on NILS clients is often multiplied as their incomes do not rise at a commensurate rate, which means they have limited ability to cope with changes in prices.

This reality is best described by Can 3 who said:

> you know the cost of everything…I mean it's going through the roof…and now it's just impossible to manage, it's getting harder and harder and harder.

Going without is symptomatic in these cases and can often lead to health issues, financial pressures, family tensions, educational pressures on children and social isolation (Ayres-Wearne and Palafox 2005; Centre for Social Impact 2014; Corrie 2011). Indicative of this reality of going without Mel 6 said that:

> I'm trying to save but it's just hard….being single on one income with two kids…I don't want my kids to miss out.

Making sacrifices for one's children was common, with Mel 9 also saying that "if I have to go without meals for a while, while my daughter's ok, I'm fine". Given the number of past studies of disadvantage and life for those on welfare (see, for example, Murphy et al 2011), none of the client stories should be surprising, and are not new to NILS workers I spoke with or others who work in the welfare sector.

On a practical level, NILS was typically used by most clients to help deal with the hardship experienced as a result of broken household appliances. One of the most common uses of a NILS loan is for a washing machine. A broken washing machine can mean clothes do not get washed or are washed by hand, which can be unhygienic, time consuming and inefficient. As Can 7 said about hand washing in a bath tub "your clothes aren't that well washed". Not having a washing machine also means money has to be spent on laundromats or laundry services (e.g. Mel 1). Over the longer term, a NILS loan that was used to buy new household goods also overcame issues with purchasing second hand goods that broke down not long after being purchased (e.g. Can 1). These experiences are emblematic for most NILS clients requiring a loan for a washing machine (Corrie 2011).

Similarly, many NILS loans are used to purchase a fridge. Having a functioning fridge enables people to keep food longer, thereby reducing the costs associated with food going off before the expiry date (e.g. Can 5). The ability to keep fresh fruit and vegetables can also improve health and wellbeing outcomes. As explained by Can 9 owning an essential household whitegood such as a fridge can have multiple impacts:

> it picked me up a lot for starters you know, now I had a good fridge there, I felt that I could put food in it…[and it] gets you back into a more normal mindset in society…it gives you a more normal existence.

Indeed, at its most basic Can 5 says:

> it helped my quality of life… to get on with a normal life…[which] to me is to have the necessities of life and I'd say the fridge is a necessity of life.

Crucially, what both these quotations reveal is the powerful impact access to credit, and the possessions that such credit can be used to purchase, can have on an individual's mindset. To have what other people have is considered to be 'normal' and to be less excluded in this way is not an insignificant accomplishment for microfinance programs. In describing how the NILS loan enabled her to upgrade her fridge, Mel 6 said:

> all I had was a really tiny fridge…I couldn't even buy ice cream in the summer time because there was no room.

Overall, reflecting the different approaches of NILS providers throughout the country, the NILS clients in my study used the loans to assist them with differing needs. Canberra clients used their loans for traditional whitegoods, such as fridges and washing machines. This differed slightly in Melbourne where clients were able to purchase other products such as electronic goods and furniture. In both cases, however, whatever goods were purchased improved the clients' quality of life.

In several important ways the hardships connected to the practical realities of exclusion, and the need for a greater sense of normality for NILS clients described above, are compounded by the impact of financial exclusion on social interaction and participation. It became especially clear from my interviews that the ability to socialise with friends and family is closely linked with an individual's level of financial resources (e.g. Can 10). Prior to receiving a NILS loan many respondents were unable to socialise. The high unemployment rate and welfare reliance amongst my respondents explains their low level of social interaction because many had little or no money to spend on social activities. The inability to socialise due to the expense of social activities can be thought of as a form of consumption exclusion, which represents a major facet of the new exclusion literature, and also shows the linkages between the two issues of social and financial exclusion. As Mel 13 said:

> Most of the things like activities and things that people do you've got to have money…well I don't have that and that's the biggest thing…I can't, I don't have the money.

Whether in Canberra or Melbourne respondents identified low income as the biggest barrier to social inclusion. For example, Can 4 said "being on a pension, and I'm not crying wolf, but you can only make it go so far". Similarly, Mel 9 said "I can't really afford a social life…I simply don't have the spare money". In elaborating on the cost of socialising Can 3 said "I want to have some social life…but the financial issue…it's a rather costly business going to restaurant dinners".

Socialising facilitates the building of social capital and statements made during my interviews suggest that for some respondents exclusion from these types of activities because of financial barriers impacted on their ability to draw on social capital in times of need. Notably, however, consistent with previous research I found that NILS helped respondents to maintain and expand social networks. Previous studies have documented how NILS loans enable social interaction, for example, by allowing clients to purchase new furniture which, in turn, enables them to invite guests to visit their homes

(Corrie 2011). This social engagement has been shown to increase as a person's self-esteem grows (Ayres-Wearne and Palafox 2005). Here, we can see, as Keister (2002:42) proposed, that the purchasing power of money is not its only value but rather that there is also a social value of money. For instance, when the NILS loan was used to buy a new couch it meant clients could invite their friends over to socialise. To illustrate the complexity and inhibitors of social interaction Mel 11 said:

> [t]here's a bit of confidence, I can bring a friend to my place, because otherwise it would be embarrassing bringing someone in your house.

As with previous researchers, a number of other barriers to social interaction and participation emerged from my interviews, including the lack of transportation to attend social gatherings (e.g. Can 8/Can 10). The lack of mobility due to poor health was also mentioned as an issue constraining the capacity to travel to and from social activities. For example, Can 1 said it's not that he "wouldn't mind getting into something" but just couldn't due to poor health. Without social networks for assistance the options for NILS clients to get to social functions are limited. In addition to these more common barriers, I also found that some respondents were prevented from being more social because of social stigmas and stereotypes (e.g. Can 12). This included physical appearance in the case of Can 7, who was heavily tattooed. At the extreme, Can 6 said that he doesn't participate because he "lost faith in humankind".

Despite the barriers to social inclusion, most respondents saw the need to try and maintain relationships and recognised the benefits of participating in community activities. Indeed, although facing hardships of various kinds, these results are accord with the conclusions of Murphy et al (2001) that people on income support seek to have social connections and be actively involved in their communities. Indicative of this sentiment were comments from Can 11, who questioned "how can you live without friends?" and Can 9, who described socialising as "petrol for the tank…[that]…leads to good health". Mel 3 listed a benefit of being involved in a social club in simple terms – "it's even nice just to say hello to people that you know". But more than that, reflecting the instrumental benefits of social networks, Can 5 said that part of the reason for socialising was being able to meet with "people with the same problems". The implication here was that support and understanding are found in such social groups.

Comments like these highlight the consequences of exclusion and what it can mean to the financially excluded to miss out on the social benefits that come from community life. The finding that socialising with others can have a positive impact on the wellbeing of NILS clients, and their desire to do more, is again consistent with previous studies (see Corrie 2011). While there were some in my study who had small social networks that provided socialising opportunities, there were others who did not. For instance, Can 3 said that while she did have some interaction with the general public and with people who provide her with home care services "that's not exactly a social life is it?". The reality faced by NILS clients in this situation is further explained by Can 3 who went onto say that she was:

> completely isolated. Yes. Totally isolated. Particularly when I have been very, very sick. And no neighbours or nobody, no family, nobody dropping around to see how I am…You get abused for bothering them.

What these realities have shown is that without a NILS loan the capacity for many NILS clients to feel more 'normal' through social interaction, or by owning basic household goods, was increasingly limited. While the experiences of NILS clients vary, it is clear that financial exclusion can impact on social participation and, subsequently, on the ability to build social capital. Similar findings on the interlinking of all these issues were made by Corrie (2011) and Ayres-Warne and Palafox (2005:35). Consequently, this situation can lead to what van Eijk (2010) has called 'network poverty' where people can have small networks due to a lack of participation in society. How these realities affect interaction with the mainstream financial system is discussed in the following section.

2.1 Use of Financial Services and Products Amongst NILS Clients

The concept of social distance was used earlier in this thesis to describe a particular reality of financial exclusion faced by many NILS clients. That is, with the belief that mainstream financial services institutions do not cater for 'people like them' the financially excluded simply do not engage. This section will further explore this feature of financial exclusion by looking at the number and type of financial products held by NILS clients.

All of the participants in my study had a basic transaction account from a mainstream financial institution. This high rate of basic bank account usage is easily explained as it is compulsory for government social security payments to be deposited into a bank account. As mentioned in earlier chapters, Australia does not suffer from the problem of the "unbanked" as in other countries. In fact, recent studies show that only 2.2 per cent of people lack a basic transaction account in Australia (Connolly et al 2011; Corrie 2011). However, given the definition of financial exclusion applied throughout this thesis, which focuses on access to credit, it is clear that merely owning a basic bank account does not mean a person is financially included.

Sixteen of the 25 respondents in my study mentioned that they currently, or previously, had a financial product in addition to their basic transaction account. While on the face of it, this would appear to be a reasonably positive result, when delving deeper into the responses the results indicate there was actually very limited current use of other products. A small minority mentioned that they currently had an insurance policy of some description, such as health insurance, car insurance or funeral insurance. When answering in the affirmative, the majority were referring to previous experiences with other financial products – namely credit cards or personal loans. Notably, those who had credit cards also admitted that they had had trouble controlling spending and making repayments and now no longer had them. As Mel 9 said "I don't believe in credit cards. Too easy to get yourself into trouble".

Most respondents who had negative experiences with these credit products identified problems associated with high interest payments as the primary reason why they were no longer held. Can 1 said that with a credit card he "was paying around 27 per cent interest on one of them". Can 1 also said that the issue was not limited to credit cards but extended to store cards with minimum spends "forcing some people to go buying stuff that they don't really need to get what small amount of things they do need". He no longer had these other financial products. Similarly, Can 8 had "cut up" her credit cards after negative experiences with high late payment fees.

Demonstrating that mainstream financial institutions often did not understand the needs of the poor and financially excluded, some respondents provided examples of products offered to them from mainstream banks that were clearly inappropriate. For instance, when Can 4 was offered a credit card with a $3,500 limit she said: "'no thank you'. I've been down that road before and I would not let myself go down that road [again]…I'd never put myself in that position again". This is to say that she had previously had a credit card and accumulated a large debt and was unable to make the repayments. She too was conscious of the limitations of products such as "hire-purchase" agreements and that "if you really work it all out you do pay for it" – the connotation being that these products end up costing significantly more over the term of the contract.

These examples are also consistent with Corrie (2011:38) who noted that "due to their negative experiences in the past, they now avoided credit" with many NILS clients being "highly debt averse" (Corrie 2011:39). In the clearest example of the consequences of inappropriate credit Mel 4 borrowed $600 from a bank four years ago and still has another two years to pay it off. The interest in that time has almost been eight times the original loan. This story illustrates a key reason why respondents are disengaged from the mainstream – the lack of appropriate products. Interestingly, what these results show is that many NILS clients were actually once engaged with the mainstream financial system but because of negative past experiences they now self-excluded. The next section discusses in more detail exclusion from mainstream credit markets.

2.2 Lack of Appropriate and Affordable Credit

The focus of financial exclusion adopted in this thesis is on exclusion from appropriate and affordable credit. The Centre for Social Impact (2012:2) found that 39 per cent of Australians do not have access to mainstream credit products. Indeed, many respondents found that mainstream credit products were unaffordable and that in the absence of credit options people needed to make compromises on certain expenses. As noted in the previous section, while some respondents had past experiences with mainstream institutions, new lending criteria and changed personal circumstances meant that, in addition to examples of self-exclusion, the mainstream was no longer a viable option, which goes some way to explaining why the majority of respondents did not currently hold an extensive number of financial products. The reality for the majority of NILS clients is that because of their limited incomes they are prevented from successfully applying for credit from mainstream financial institutions. This is perhaps the main prohibitive barrier to engagement with the mainstream identified in my interviews.

According to the Australian Bureau of Statistics (2012a), 19 per cent of the total number of unemployed people in Australia were long-term unemployed at July 2011. Long-term unemployment was common among the NILS clients in my study, with at least 16 participants identifying that they had not worked for five years or more. The issue of long-term unemployment is illustrative of the separate client bases for the NILS program as compared to the mainstream financial sector. Long-term unemployment led to limited income earning capacity, with the only source of income for most respondents being government support payments. Indeed, almost all of the Canberra respondents (11 of 12) and Melbourne respondents (11 of 13) had incomes less than $800 per fortnight. Of those that had a greater income, the additional amounts were the result of additional parenting allowances and a part-time job.

The consequence is clear, as documented in the previous chapter, there were several respondents who specifically mentioned that they understood because they were on a pension, that they would not meet the minimum income requirements to obtain a loan and this had deterred them from applying (e.g. Can 1/Can 7). The impact that this understanding had was in some cases demoralising, as Mel 13 said, she didn't try to get a loan before NILS:

> for the simple reason that we knew we couldn't pay it back…knowing that you'd never have the money to pay back what they wanted back.

Given that the long-term unemployed and those on low incomes require sources of credit, NILS has become a genuine alternative to both fringe and mainstream providers. Indeed, the fact that over half of those who I spoke to said they had received more than one NILS loan is a testament to the role of NILS in providing an alternative credit source. Seven out of 12 in Canberra and 8 out of 12 in Melbourne had successfully taken out more than one loan. Understandably then, for some respondents, NILS has made a positive financial impact as the only form of credit available to them to address their practical domestic needs.

The availability of an appropriate and affordable credit product was particularly reassuring for some. For instance, Can 7 said "when I found out about this scheme it was a huge weight off my mind, otherwise I was going to be stuffed". One of main features of NILS that came through as being very appealing was the money a NILS loan saved respondents by not having to make interest payments. Can 6 in particular recognised that the NILS loan saved him from paying interest he otherwise would have had to and that this was the only way he would have been able to afford a loan saying: "the only way I could have got it was through those people...I can't afford to go [to a bank]". Indeed, as Mel 8 said:

> it's a Godsend you are not paying interest because that's a killer…especially when you are on a pension and trying to survive.

Therefore, participation in NILS is even more valuable to the financially excluded as it provides an appropriate and affordable lending product, especially as the design of the program means clients pay no interest and ensures only those who have the capacity to repay the principal are approved. As Mel 11 said of NILS repayments: “the amount of money, it doesn’t really hurt us, the amount of money that we can afford”.

The fact that access to mainstream credit is usually associated with an individual’s level of savings and income, whereas my respondents were all on low incomes and, hence, had little or no savings, perpetuates exclusion and heightens the sense that respondents felt they didn’t have the same “normality” as those who had money. As Can 7 explains:

> when you clear one bill you get another one…you clear that bill and you get another one. So yeah, you can’t save when you’re ‘povvo’ [living in poverty]. You know they tell you to save…You can’t. You simply can’t.

Significantly, NILS enables people to reap the rewards of saving and acquire essential household goods that they would otherwise not have the financial capacity to purchase. In explaining the process of making loan repayments, Mel 1 said “it wasn’t as harsh as forking out the whole amount all at once”. Echoing these remarks Can 1 said “[it’s] so easy when they take $25 a fortnight out of your pension, you live with that, but try and save $600 or $700 it’s virtually impossible”.

The sense that for many respondents, the security of knowing there is the option of NILS is also beneficial and one that helps them cope with cost of living pressures. Indeed, one respondent mentioned that the money that would have otherwise been spent on interest payments could now be used for essentials such as food (Mel 13). What further differentiates NILS from mainstream and fringe credit products is the confidence borrowers have in their ability to repay a no interest loan due to the way loans are structured. This is reflected in the high repayment rates and low defaults and will be discussed in the next section.

2.3 Capacity to Repay: Centrepay

Microfinance is known for achieving high repayment rates and, in this respect, NILS is no different – despite the conventional wisdom that people on low incomes should intuitively be less likely to repay loans and represent inherently riskier propositions for lenders. One of the main reasons that NILS has such a high repayment rate is the automated funds transfer option known as Centrepay. The Department of Human Services (2013) describes Centrepay as "a free service that allows customers to pay bills via regular deductions from their Centrelink payments". In practice this means, for example, the amount of the loan repayment is taken out of an individual's pension or welfare payment before it is deposited into their bank account each fortnight.

The primary benefit of Centrepay is, as several respondents expressed, the fact that they "didn't miss the money" (e.g. Can 1-5). The main reason as Can 2 explains is "it comes out before I even get my pay so I don't even notice". As Mel 8 says "you don't really think about it to be honest. No. you don't think about it because it's automatic just going out. So it's good". Can 4 agreed saying "it's out before you know it sort of thing". Importantly, the amount taken out is manageable as Mel 6 says "twenty-five bucks, it's nothing, you don't see it". Finally, in comparing to non-direct debit options from mainstream banks Can 1 emphasised:

> you don't have to worry about going up or getting there [bank]…miss the cut off time and so…hit with a $30 fee because I didn't have the payment on time.

Mel 10's experience with Centrepay "was much easier" than her first NILS loan when she had to use a payment book which needed to be paid at a bank branch. She also acknowledges the benefits for the lender is "they know they are going to get paid". An early evaluation of Centrepay conducted by the Department of Family and Community Services (2002) highlighted many of these positive issues associated with Centrepay. It should be noted, however, that Ayres-Wearne and Palafox (2005:6) found that even before Centrepay was widely used, NILS repayment rates were above 94 per cent.

The practicality of automated payments through Centrepay was appreciated by my respondents because rather than starting from the full amount that they would receive from their government support payments and then deducting any repayments, it means it is "all paid before I see the money [and] then I can budget what I've got" (Can 2). For some respondents there was initially a small transitional adjustment in spending and lifestyle in moving to Centrepay (Can 6/Mel 9/Mel 12), but as Mel 1 said he "just arranged the budget in a different way than we normally do…eventually…you don't realise". Another example of the types of comments made by the clients about Centrepay include: Can 8 "Centrepay is absolutely brilliant. I couldn't have lived without Centrepay…it's just so easy to manage". As Can 1 further explains "I always say if you take money out of your hand you will miss it, but if you get a lesser amount in your hand you learn to live on that".

Through these statements, and confirmed in previous research, Centrepay offers many benefits, including providing clients with convenience, and because deductions are automated, the money is not missed by clients, as well as the fact Centrepay increases the likelihood of repayment (Ayres-Wearne and Palafox 2005; Corrie 2011). In this way, clients use Centrepay as a tool to manage their money more efficiently and flexibly (Corrie 2011). However, one of the issues with Centrepay concerns whether or not clients are actually learning the skills they need to engage with the mainstream.

Indeed, a perverse outcome of Centrepay repayments is that it has reduced the active acquisition of financial skills. As Can7 said "I didn't count the payments, and when I got extra money in my bank I realised that I paid it off…oh what a bonus". While this situation is positive for the person repaying the loan, it shows the that there was little active realignment of financial behaviours and showed a lack of genuine skill improvement amongst some clients. Highlighting the need for better education, Mel 6 in response to a question about budgeting said that she didn't know "because I don't pay it Centrelink does". The state of being oblivious to the NILS repayment is more common as Mel 11 said:

> it didn't hurt me at all and it's paid off…without me knowing the times. I was really surprised when they sent me a letter. I said, 'oh my gosh,' it's very easy and it is finished already.

From the realities discussed thus far, it is clear that NILS has gone some way to addressing the lack of appropriate and affordable products for the financially excluded. What is clear also is that Centrepay has contributed greatly to the success of NILS. However, the reality is that there continue to be a number of other barriers that prevent engagement with the mainstream. In considering the barriers to engagement and how NILS is to be expanded as we have just seen there is a need for greater financial literacy skills to be taught to NILS clients to actively build financial competence and capacity. Some of these additional barriers are discussed below.

2.4 Barriers to Engagement: Skills and Confidence

One of the main barriers identified in the literature as impacting on the engagement of financially excluded people with the mainstream is the low levels of financial skills and confidence. According to the Australia Securities and Investments Commission (2011:5) "[b]y developing confidence, knowledge and skills to manage financial products and services, individuals will be better able to overcome or avoid financial exclusion". Therefore, the ability to confidently interact with the mainstream is dependent on having a certain level of financial skills and confidence – this is particularly so as the complexity of the modern financial system and the products available continues to evolve. I was curious to find what level of skills and confidence NILS clients had and how participation in NILS impacted on the acquisition of the skills and confidence needed to engage with the mainstream.

For a minority of respondents it was clear that NILS gave them the confidence to use a credit product and know they could pay it back. The confidence flowing from participation in NILS differs markedly from their experience with the mainstream.

However, for the vast majority of the respondents in my study NILS had a limited impact on their skills and confidence in dealing with money. As some of these respondents explained, their basic financial skills were acquired from an early age through their upbringing (e.g. Can 4/Mel 6/Mel 13), while for others money management skills were attained as the result of having to make a small amount of money go a long way (e.g. Mel 9). Although NILS did make him appreciate money more, Can 6's description of how he manages on a low income is indicative of the skills people had before the entering the NILS:

> Every time I've got a dollar or ten dollars in my pocket I'll budget that money to get me as far as it can…whether it be tomorrow or next pay day sort of thing. I have to…it's a matter of survival.

Significantly, as the following quotations attest, the reality of financial disadvantage means that for many respondents budgeting is a permanent state:

> I always have to budget. I mean my life is just one long budget (Can 3).

> Every fortnight. I find out how much I get, I write down what I pay, what I need to pay and everything and whatever left over is what I can spend (Mel 6).

> I write down everything…about a week before the pension is due…what's got to go out and how much it goes for the shopping and this (Mel 8).

The continual budgeting process can be a stressful and draining experience in itself. It is not surprising then that the Financial Literacy Foundation (2007) found 48 per cent of Australian adults said that they thought dealing with money was stressful and overwhelming. Indeed, as Mel 3 relayed her story she conveyed that she:

> spent a lot of energy trying to budget…A lot of time and energy spent trying to budget trying to work out if I pay this, make a part payment on that, looking at the due dates trying to make everything sort of work out, what if I ring this group and negotiate an extension, and in the end I just sometimes felt so stressed. And the time it would take to try and organize all this and stay on top of it because money was just so short.

Through these examples of budgeting behaviour it is clear that many participants demonstrated a high degree of confidence in dealing with their own money. The result accords with the Financial Literacy Foundation (2007) which found 90 per cent of adult Australians said they had the ability to budget. In fact, although Australians were found to be better at budgeting than at other more complex tasks such as investing, they are demonstrating an increasing capacity for financial literacy. The Australian Bureau of Statistics (2011b) found over 14 million adults lived in households that had undertaken some sort of financially resilient action, including making regular savings (63 per cent) or following a budget (59 per cent). On the other hand, in their 2007 Report '*Australian's Understanding Money*', the Australian Government's Financial Literacy Board cautioned that Australians had a tendency to be over-confident with their ability to manage money. These findings are similar to OECD (2005) research into over-confidence. As Mel 12 confirms: "I kind of knew [how to budget]…although I still get into trouble with it".

In a previous study of NILS clients, Ayres-Wearne and Palafox (2005:32) found that 65 per cent of participants stated "their capacity to manage their money had significantly improved since their involvement with NILS". The Centre for Social Impact (2014) found that 47 per cent of clients in their study experienced a net improvement in financial capabilities from having a NILS loan. Similarly, Corrie (2011:57) concluded that:

> It was evident that the microfinance process built people's confidence when dealing with banks…When participants were asked at the initial interview whether they would apply for finance through a mainstream institution, many said no. The process of paying off the microfinance loan improved people's confidence to the extent that in follow up interviews, many reversed this answer.

Conversely, in that study there were 22 per cent who said that their money management skills had not increased as a result of participation in NILS. Others too, such as Burkett and Sheehan (2009) and Cabraal (2010), have found microfinance clients to have experienced improved self-confidence. Notably, for those NILS clients who did feel an improved sense of financial confidence this led to increased beliefs in confidence to contact mainstream banks for financial needs (Corrie 2011). We can see here that NILS acted as a means of breaking down social distance.

While in comparison with previous studies the majority of participants in my study believed NILS did not improve their skills and confidence in managing their money, this is not to say that some client experiences with NILS did not improve their general skills or confidence. For example, Can 5 said that NILS "sort of built into me basic skills and confidence" and was a "major reason" why he was able to participate more in society. Indeed, there were some respondents who said that NILS did help. Specifically, I found that of those clients who reported an improvement in their skills as a result of participation in NILS, it was the application process in particular that provided positive benefits (e.g. Can 5/Can 8/Mel 11). As Can 2 mentioned:

> when I did the budget here, they did it month by month and that was different because I just do it every week. But it was different seeing it, how much I actually pay for things in a month.

The different perspective this method provided was illuminating in that it showed that spending all adds up. This is particularly positive as very few clients I spoke with actually had paper budgets that tracked every expense, rather they readjusted spending as they went in an ad hoc fashion. Mel 10 commented that the role of the financial advisor at the initial interview was "very helpful, very good" in helping her "see whether I'd be able to manage to pay the loan back". The process of working through expenses with an applicant was also appreciated by others:

> you sit there and you've got to work out what you spend and so forth and you don't realise how much you're spending until you actually sit down and work out, so it did help…When we did it, they figured out money that I am spending that I didn't even know I was spending it (Mel 1).

> you never think about all these things until somebody sits with you (Mel 7).

In this way, I found that for NILS clients the action of applying for a loan was reflective and highlights the benefit of actively, rather than passively, teaching usage of financial services for NILS clients. My results were consistent with previous research that saw the application process as one that allowed clients to consider both their spending patterns and banking needs (Ayres-Wearne and Palafox 2005; Corrie 2011). The integral and hands-on role of the NILS worker throughout the application process also reinforces the positive difference of NILS compared to experiences respondents had with mainstream bank workers.

With the NILS clients in my study saying that they either had financial skills and confidence prior to entering into a NILS loan, or that they acquired the skills and confidence to manage their money as a result of participating in NILS, the question arises as to why the lack of engagement with the mainstream continues. A major part of the answer to that question was provided earlier in this thesis using the concept of social distance that characterised the reality of exclusion for many respondents. For example, a small number of clients had no issues in dealing directly with the mainstream as they had other small loans but thought that they would be precluded from an additional loan for white goods (e.g. Can 10/11). Thus, in seeking further explanations for exclusion we see that in reality the level of resources needed to interact with mainstream financial institutions remained inadequate for NILS clients – income not ability restricts interaction (Corrie 2011).

This sentiment comes through in the results with several respondents displaying self-confidence but who understood that eligibility based on income was the main barrier to using mainstream banks (e.g. Can 2/8/9/12). Mel 3, for instance, was told by a financial counsellor "I don't have a problem with managing money…my problem was that I simply didn't have enough money". In the same way, Mel 9 said "I'm really good at managing my money" but the issue is that "[I] don't have a credit history". Mel 6 explained how she could not get a loan because banks "say you've got a bad credit history and I go: 'I can't have a bad credit history if I don't have credit'…so I just don't bother". The absence of a positive credit also impacted on other financial services as she said "because I'm a single mum with no credit rating…I've even tried to get a house phone and couldn't". In the absence of alternatives, the reality for many NILS clients is to turn to the fringe credit market and this is considered below.

2.5 Use of the Fringe – as the Manifestation of Exclusion and Social Distance

As my interviews proceeded, it became clear that NILS was not a link to the mainstream for the majority of clients and that for the people I interviewed their experiences with the mainstream have left them financially excluded. As evidenced across Melbourne and Canberra the harsh reality of exclusion meant there were numerous participants who had used fringe credit providers prior to accessing NILS. The need to turn to fringe credit providers was also, as we saw earlier, the result of the absence of help from social networks. In desperate times, some clients, such as Can 9, had no other choice saying "I'm not going to starve if I can get money off somebody and get a feed for me and the kids". While at the time of the fringe loan most respondents had a dire need for financial assistance, the consensus among NILS clients was that the experience was not one that they wished to repeat. The story of Can 7 in describing the feeling of having to go to a fringe lender conveys what the reality faced by many who are forced to use the fringe. He said starkly:

> you feel real ‘scummy’. Yeah. I don’t like being in there…it was pretty humiliating to line up…it just felt like I was a junkie going to get money…they just take advantage of really poor people who are in dire situations….and in that period of time [when you are repaying a fringe loan] you don’t eat.

The majority of respondents said they did not want to use the fringe because they knew it was exploitative – either from previous experience or from what they have heard from others. As Mel 10 put it she had heard “too many bad stories”. The conveying of such cautionary stories reflects the positive information that can be transmitted through social networks. Several respondents specifically identified that the interest charged by fringe lenders is excessive (e.g. Can 7/Mel 12/Mel 13). When asked about whether she would use fringe lenders Mel 8 said “No way. God no way…I wouldn’t have anything to do with a loan shark…they charge you too too much. They do charge you a lot of money”. As Can 12 says of her previous experience, it “was horrendous, you got to pay, like if you get a $100 loan you got to pay close to $200 back…I only did it once…because I needed the money really”. Similarly, Can 6 said “I fell into that little trap for about a couple of months. I knew it was a trap…nah, they’re rip offs”. Mel 3 in relation to loan sharks said “I dislike them for a start and I also know that they’re traps”.

Others like Can 10 understand that the products offered by payday lenders are exploitative and are able to say “no thanks”. A common approach for those who understand the dangers of fringe lenders and are able to avoid them is explained by Mel 1:

> there are plenty of places out there who do loans but you pay interest like 50 per cent interest and to me it’s a killer and I’d rather suffer than go, say on a $500 loan you’re paying back an extra $500 on top, so it’s not really worth me doing that, it’s going to cost me a fortune. So I’d rather sacrifice…than go and pay someone double what I’m borrowing.

However, while “loan sharks” are seen as disreputable, the more institutionalised fringe lenders also pose a problem. Mel 8’s experience with one such lender is stark:

> we needed some money we borrowed from them I think every three months because things were coming up and what have you. And oh my God what they took back in interest it wasn’t funny it was nearly all the money that we borrowed of them. So, no it's got to stop…That was a real nightmare because it’s try what they’re charging it’s highway robbery…they’ll rob you, they’ll fleece you.

A further example of this behaviour relates to sending out letters to past clients offering new loans. This is the reality for many financially excluded people who have used fringe lenders, including Can 7 who said that after taking out a previous loan with a fringe credit provider:

> now they send me a letter every three months, saying, oh, now you’re entitled to another $600. They keep trying to push. I’ll never do it again. The interest is just ridiculous.

What these stories confirm is that, as discussed earlier in this thesis, one of main consequences flowing from financial exclusion, and the lack of affordable and appropriate credit, is the use of the fringe credit market (Banks 2011; Keister 2002). Consequently, the market for fringe lenders remains, despite interest rates up to 700 per cent (Marston and Shevellar 2010). To explain why this is so, Corrie (2011:41) notes that “[b]orrowers are wary of the cost, but also appreciative of being given a chance”. Indeed, the lack of alternative finance options does not reduce the need for finance and without NILS some are forced to rely on the fringe, which ultimately has a negative longer-term impact on wellbeing beyond the immediate need (Corrie 2011). The literature pointed to the role of microfinance as an alternative to the fringe, and how it is particularly preferential to the fringe based on its lower cost (e.g. Burkett 2003; Centre for Social Impact 2014a; Corrie 2011; Marston and Shevellar 2010). The feedback received from respondents in my study certainly confirmed that NILS provides this alternative for them.

In both Melbourne and Canberra all those respondents who were asked said that they would use NILS again, and as mentioned earlier in the thesis, several of those interviewed had taken out multiple loans. Indeed, for many respondents, the idea of applying for a loan at a mainstream institution seemed counter-intuitive given the availability of loans with no interest (e.g. Mel 6/Mel 9). The most obvious reason to re-use NILS is as Can 4 said "I don't want interest, so why would I go anywhere else?". This sentiment was echoed by Can 2 who said that with a NILS loan, clients "pay a lot less and get more time to pay…without interest". Some Melbourne respondents were more emphatic with Mel 11 saying "Absolutely!" and Mel 2 saying "Definitely!". Thus, the existence of microfinance programs such as NILS goes a long way to overcoming the need to rely on the fringe.

Given the benefits of NILS it is unsurprising that there is significant demand for the service. There were many instances of people taking out multiple loans. One NILS worker in Melbourne mentioned that there was one client who was using NILS like their "own personal bank account" even when the person was "reasonably well off" compared to other clients. Obviously the resources are finite and Corrie (2011:v) notes that microfinance "does not have the scale or structure required to address all of the barriers presented". One of the challenges going forward will be to ensure that NILS can meet the future demand. Some of the policy considerations to enable NILS to do this are covered in the next section.

3. The Case for Expanding NILS

The empirical focus of this thesis has thus far been on documenting the social reality of the financially excluded. However, exploring client experiences with microfinance programs has also provided valuable insights into the merits of microfinance as a way of reducing financial exclusion. My results bear out the role microfinance can play in achieving inclusion by providing access to affordable and appropriate credit. With this in mind, the next section is devoted to drawing on feedback provided by respondents on NILS during the interviews in the hope that it may be useful for the future development of microfinance in Australia.

In advocating for greater financial inclusion it is important to first acknowledge that financial markets have important distributional effects that create and maintain inequality (Keister 2002:51). As Beck et al (2009:119) argue "economies with better developed financial systems experience faster drops in income inequality and faster reductions in poverty". The reverse is also true, less inclusive financial systems result in persistent inequality and slower economic growth (Demirgüç-Kunt and Klapper 2013). That the financial inclusion offered by NILS has positive impacts on economic growth is becoming increasingly apparent (Centre for Social Impact 2014a; Good Shepherd Microfinance 2014). The realities of financial exclusion discussed in this chapter clearly highlight the need for more inclusive financial markets.

Other studies cited throughout this thesis lend weight to the need to expand NILS. For instance, the imperative to support expansion flows from the benefits espoused by Corrie (2011:115) who suggested that "[m]icrofinance enables financial inclusion, social and economic participation and material wellbeing". Furthermore, in calling for NILS to be more widely available Ayres-Wearne and Palafox (2005:56) claimed "NILS programs are directly relevant to Government strategies to enhance social and workforce participation and to strategies to reduce poverty".

Therefore, the case for expanding NILS rests primarily on the fact that it unmistakably fosters financial inclusion and offers numerous tangible and intangible benefits to those who are financially excluded. To reiterate earlier discussion, we see that NILS makes an enormous difference to clients' lives as Mel 5 said:

> it gave me the ability to start to work towards building back, without me depending on charity.

The support provided by microfinance organisations was also empowering as Can 4 said of Care Inc that they:

> gave me back the self-esteem I had tucked under and never knew that I could be so powerful really you know.

Being able to access a NILS loan also improved the general aspirations and future outlook of many respondents as Mel 12 said:

> it’s made me look towards tomorrow…I mean as far as I’m concerned I don’t have enough money…so it’s kind of hard to put away two bob for tomorrow.

Even more simply, I found some clients gained a sense of achievement from being able to successfully repay a loan and having a new household product. As Can 6 said:

> What I don’t get, I don’t see…but when you’ve got the fridge sitting there or the washing machine sitting there, at least you can see you got it. Makes me feel good.

Unsurprisingly, the interviewees strongly advocated for NILS to be expanded so that more people on low incomes could have a real alternative source of credit that is affordable and appropriate. As Mel 12 said “I actually think it should be expanded”. Similar sentiments were made by others who thought that not only the reach but also the amounts and what NILS loans could be used for should be expanded (e.g. Mel 11). Ultimately, most, like Mel 10 were just “glad there’s these places around I think they help a lot of people”.

Beyond changing the everyday lives of clients in the ways already described, the case to expand NILS can be seen through the role the program plays in increasing economic opportunity. There was a cohort of clients in my study for whom a NILS loan was used specifically for the purpose of enabling personal development to improve their income. The examples of the Mel 3 who used NILS for educational expenses, or Mel 6 who received a loan for a car, are indicative of this point. Thus, NILS can be used as an aspirational tool for those seeking to move into mainstream society or to better their employment prospects.

Observing how NILS loans were used led to a realisation that there are two kinds of clients – those that use NILS for aspirational purposes and those that do not but who instead will remain in their current circumstances with no aims for income mobility. Importantly, the ability to use NILS for aspirational purposes also depends on the NILS provider and what they will let clients use loans for – many now approve loans for non-household items.

My results are consistent with previous studies that have shown that NILS has the capacity to increase inclusion, participation and self-esteem, as well as reduce financial stress and improve financial situations (Ayres-Wearne and Palafox 2005; Centre for Social Impact 2014a; Corrie 2011; Mouy 2010). Significantly, previous studies showed a direct link between microfinance and paid employment as a result of NILS loans being used for income generating activities such as car repairs, study and re-skilling courses, and educational items like computers or books – all of which also contribute to social capital and network building (Corrie 2011). Indeed, based on my results I would agree with Ayres-Wearne and Palafox (2005:44) who thought that over time the benefit of an initial NILS loan, and subsequent personal development, could lift people's aspirations. NILS can change the reality of exclusion.

3.1 Overcoming Structural Barriers: Integrating NILS and the Mainstream

It is clear that part of the solution to encouraging people into the mainstream will be reducing the reliance on fringe credit and breaking the cycle of debt that often accompanies its use. However, microfinance and financial literacy are not enough to address structural causes of exclusion and ensure access (Ayres-Warne and Palafox 2005). The Australian Government has embarked on a significant reform program aimed at addressing the exploitative and predatory nature of fringe credit providers (Shorten 2011).

One structural issue to be considered in the future is how participation in NILS may improve the chances of individuals accessing the mainstream, where that is appropriate for their financial circumstances. In line with definitions of exclusion, to build upon the achievements of microfinance in this way may require more systemic changes in collaboration with government and the private sector. If there is one recurring theme that encapsulates the struggles of the financially excluded to join the mainstream it is of the eligibility for credit.

It is clear from the analysis of responses in my interviews that very few NILS clients will independently transition to mainstream credit markets given their personal circumstances. This is consistent with previous research (see Centre for Social Impact 2014a). In this context, questions should be asked about how participation in NILS may assist. From the statements made about eligibility by clients one possible way that completing a NILS loan can contribute to mainstreaming is to have it recognised for credit rating purposes. Successfully repaying a NILS loan demonstrates not only the capacity and commitment to repay, but also better reflects a person's actual payment history.

Therefore, acknowledging successful repayment would address what some see as a barrier to engagement, with the problem being the lack of credit history, rather than having a bad credit rating (Ayres-Wearne and Palafox 2005; Corrie 2011). As Mel 6 said "you need to get something so you can start building your credit rating up". In making this suggestion it is important from the outset to acknowledge that in developing policy around increasing access to mainstream credit that not everyone is creditworthy (World Bank 2014). Any increased access should, therefore, always consider if financial products are appropriate for the circumstance of each individual.

3.2 Improving NILS

While both Good Shepherd and Care Inc received wide praise from their clients, including overwhelmingly positive feedback about the way in which the organisations delivered NILS, clients also thought these services could improve, in particular, by evolving with their changing needs. With this in mind, Corrie (2011:66) recommended that "[m]icrofinance providers continue to increase the flexibility in purposes and amounts of microcredit to support greater social participation". For instance, one way to overcome the barrier of mobility is for more NILS providers to allow loans to be used for car repairs, which would mean greater mobility and hence participation (Corrie 2011; Mouy 2010).

In planning where to locate NILS offices it may well be useful to consider where services are most needed. The situation of Mel 8 illustrates the reality of exclusion in a very practical way and the lack of appropriate services in particular locations:

> the closer I can get to a place that can help me out the better on me because I don't drive and if I have to go all the way into the credit union…I've got…one bus, one train and a tram. And it's pretty far out and you've lost more than half a day.

One lingering criticism of microfinance programs around the world is that despite high repayment rates the model is unsustainable (Lieberman et al 2012; Ravicz 1999). In the case of Australia, the circular credit model has been adopted for NILS and while not widespread, there was some understanding amongst respondents of what this meant. For example, Mel 3 said:

> I know that they are very short on funds…actually, that made me feel quite good about paying it back…because I know that by paying it back it's sort of in turn flows on to someone else.

Similarly, Mel 10 recognised that asking for multiple loans can be difficult because:

> with Good Shepherd it all depends whether they have the funds to be able to give you a loan. Yes I mean there might be somebody in dire need whereas I might still be able to cope.

The tension with successful third sector programs like NILS has always been meeting additional demand once word has spread about its availability. This is particularly so given that a large number of respondents mentioned that they would tell others about NILS. Indeed, the double-edged sword of funding and demand was mentioned by some NILS workers who said that because of the limited funding pool while they want more people to know about NILS, if more people know about it there will probably be massive pressure on the program, which it generally can't cope with. In many instances people have been turned away because all the funding had been allocated in a particular year. Indeed, the Centre for Social Impact (2014a) found in 2012 only 6 per cent of the demand for NILS was actually met.

When asked if he would use NILS again Can 1 said "I do understand there is not a lot of money" in recognition that they have already helped him. We can infer from this that he understands that others need help, that he would have to pay back first – this is akin to the way in which the circular credit model operates. Other studies have also found that recipients are aware that repaying a loan enables others to receive them (Ayres-Wearne and Palafox 2005). Thus, in looking at ways to improve the sustainability of NILS we can see that it may be useful to highlight to potential clients the importance of repayment so that others can access the service.

3.3 Referral pathways: The Role of Community Organisations

One way to reduce reliance on the fringe is to increase pathways into microfinance. The data demonstrated that many NILS clients rely heavily on professional workers for support and that many only heard about NILS through community service organisations. As Corrie (2001:vi) argues "[m]icrofinance needs to engage with community programs as this provided a link with other social activities and supports". My data supports the research undertaken by Arashiro (2010) and Landvogt (2013) into the referral networks between microfinance organisations. Indeed, looking through the prism of networks, community organisations may play a significant bridging role forming a pathway that can be taken to achieve financial inclusion by first increasing the awareness of NILS.

The ability to use social networks successfully across community and government services organisations in this way has been shown to improve the coordination and integration of the delivery of social services more broadly (see Ennis and West 2014; Gillieatt et al 2015). Granovetter (1973:1375) believes that "for a community to have many weak ties which bridge, there must be several distinct ways or contexts in which people may form them". This can involve formal organisations or informal connections.

Here there is a potential role for microfinance organisations. Where an individual's social network is limited as we saw earlier in this thesis, the possibility arises that organisations may act as a link or bridge. This is akin to Coleman's (1988) idea of 'appropriable organisation' which are set up for one purpose and fulfil another.

Local community groups that can provide the financially excluded with forums to share experiences, opportunities to learn new skills and safe places to seek mutual support should be promoted (Ayres-Wearne and Palafox 2005). In this context, the Australian Securities and Investment Commission recognised the potential for networks, including online networks, to provide opportunities for sharing money management strategies and building financial skills in their Financial Literacy Strategy (2011). Increasing opportunities for people to form networks outside NILS would overcome the current lack of social opportunities arising from participation in the program and enable those people with limited social networks to build them. Even if it is with people in similar financial circumstances, there may be opportunities for non-financial support to be provided. Notably, improving opportunities for establishing brokering networks has been suggested as a way of reducing social exclusion more broadly (see Boon and Farnsworth 2011).

I found that participation in the NILS program did not directly expand a person's level of social interaction because the program operates essentially like a commercial financial institution and beyond the initial consultation, there is little face-to-face contact with the organisation again unless required. This will often only be if the client has difficulty repaying the loan. Indeed, in this way there are some limitations of the microfinance model given its similarities with the mainstream application process (Corrie 2011:121). Having said that, as Can 5 mentioned while there was limited post-loan contact "I'd have confidence that if I came…for…financial advice" it would be readily available. Similarly, Mel 6 argued "They're there to help if you need it" and Mel 2 said "I feel like I can if I want to but I haven't had to".

For the majority of clients, the NILS experience is relatively seamless and the information provided reduces the need for ongoing support (Can 2). As Mel 1 put it:

> Yeah I could ring him up any time and so forth, who knows. It's good. They kept me up to date like how much I was still owing and if I needed to know just from my own personal mind I could ring him up and they'd tell me straight away. That was good.

Thus, each client was treated as an individual with little interaction with other clients. There are also limited opportunities to expand social networks, given there are no group events that are associated with the NILS. Offering financial literacy services in parallel to NILS may provide an opportunity for shared classroom experiences that can be beneficial in that they provide an opportunity for people to see that they are not alone, to access moral support. They would also be relevant when considering ways of making NILS a place where people can build social networks. Indeed, Devlin (2005:101) argued that "[s]elf-exclusion and confusion exclusion can be addressed through education, advice, and other confidence building measures targeted at consumers and non-consumers". For some this may mean providing a safe and encouraging environment in which to consolidate the knowledge from the initial budgeting exercise.

As Ayres-Wearne and Palafox (2005:iv) state:

> NILS® recipients also recognise their need for additional financial support, including more regular contact with a financial counsellor and the opportunity to meet with others to discuss money management strategies.

One possible approach would be to increase the provision of financial counselling services to be delivered in unison with microfinance (Ayres-Wearne and Palafox 2005:57; Centre for Social Impact 2014a). The use of financial counselling as part of a mix of strategies aimed at alleviating financial stress has also been advocated by Brackertz (2014). In the context of addressing the social aspects of exclusion in this way, these efforts could also promote social networks in a way that would accord with Putnam and Goss (2002:10) who suggest that informal associating “may be more instrumental than formal associations in achieving some valued purposes”. Likewise, Corrie (2011:115) suggests the “community-led nature of NILS had the potential to foster community advocates and greater civic participation”.

Importantly, Corrie (2011:120) notes that “microfinance cannot operate in a vacuum”. Indeed, microfinance addresses only one facet of the problem of exclusion and “other supports are necessary in order for microfinance to have full impact” (Corrie 2011:115). One obvious area where some providers could adapt is through the provision of both counselling services in conjunction with providing loans at the same time (e.g. Can 4/Can 12). Here, there is a need for joined up services and opportunities for social networks. Ayres-Wearne and Palafox (2005:iv) also found that there is a “need for a multifaceted strategy to achieve genuine financial inclusion and greater social and economic participation for all Australians. NILS is a key component of such a comprehensive strategy.” This is particularly so given the individual circumstances for many NILS clients are unlikely to change.

3.4 Alternative Microfinance Products and Government Centrelink Loans

Alternative microfinance products such as a StepUp loan can help the transition to the mainstream. These are low interest loans with larger amounts available for borrowing than NILS. However, the scale of the StepUp loan program is smaller relative to NILS. This low interest loan is the natural progression in terms of the microfinance products available in Australia. However, despite this, very few people were actually aware of its availability. Mel 1 said “No, I’ve never heard of it”. It is interesting that of the people who were interviewed in my study only one also had a StepUp loan from Good Shepherd (Mel 11). This was the only case where a transition to the mainstream was considered when a loan for a larger amount was needed. While perhaps the professional network works, there may also be a need to do more to advertise directly this next StepUp. As Can 9 observed “I never thought there was anything like it”.

The Australian Government's welfare service delivery agency Centrelink also offers another important type of financial assistance to NILS clients in the form of interest free cash advance payments up to $1,000. A number of respondents reported using these loans (Can 1/5/6/8/Mel 9). There is a potential unintended consequence of these Centrelink loans in creating an additional disincentive to access the mainstream. Can 1, for instance, suggested that "I'd rather use money from government". Again, however, taking this option makes financial sense as interest only increases the cost of borrowing. The combination of NILS, StepUp and Centrelink loans offers a viable alternative that may assist in reducing the reliance on the fringe credit market.

4. Conclusion

This chapter focussed on documenting the reality of financial exclusion for clients of the No Interest Loan Scheme. These realities and people's experience with the mainstream confirm that financial exclusion exists. We saw a portrait of people whose ability to participate in the social landscape was severely limited. At the same time, engagement with mainstream financial institutions was also lacking. The realities of financial exclusion discussed in this chapter have demonstrated the power of microfinance to change lives in Australia and help overcome financial exclusion and reduce reliance on the fringe credit market.

The ease with which the mainstream financial system can cater for financially excluded individuals will also depend to a large extent on the capacity of those individuals to engage. The financially excluded were from past experience more conscious of bad or inappropriate financial products and demonstrated greater financial literacy as a result. From a social perspective, the findings discussed in this chapter have clearly shown there to be significant benefits to be gained from promoting financial inclusion. In particular, the realities demonstrated the positive impact of NILS on social participation.

While microfinance programs can help, their scope is constrained by a lack of breadth in the sector to cover all those who need their services. This chapter also brought together observations made throughout the previous chapters and looked at what practical recommendations could be made to ensure that as many people can access appropriate and affordable credit through NILS to achieve the goal of inclusion. A case was made that the Australian Government should support financial inclusion initiatives such as NILS. The imperative is clear. Without action, exclusion will continue, as will the exploitative fringe lending market. Where individuals clearly do not meet eligibility criteria, such as those on low incomes, then increasing access to microfinance should be provided instead. Despite NILS filling a significant void in credit markets it is only one part of the solution. Ultimately, participation in the mainstream is still the end goal.

Chapter Nine: Conclusion

1. Introduction

At the outset of this thesis, my aim was to investigate the extent to which social network theory could be applied to the increasingly pervasive social policy challenge of financial exclusion in Australia. The discussion was framed by an extensive body of literature pointing to the valuable instrumental benefits that can flow from social capital (e.g. Bourdieu 1986; Coleman 1988; Lin 2001; Portes 1998; Portes and Sensenbrenner 1993; Putnam 2000; Woolcock 1998). Focussing on the lived experience of a cohort of financially excluded Australians a picture emerged of how social support, when it is available, can be drawn upon to help mitigate exclusion. By adopting this approach I was able to capture and categorise the types of social networks my research participants had. A comprehensive examination of this nature into the social networks of financially excluded people in Australia had not been conducted before, so this thesis is an important contribution to the literature. In particular, my findings serve to further validate the benefits associated with social capital and deliver new insights into the content and quality of social relations in Australia.

The definition of exclusion used throughout this thesis centred on the lack of affordable and appropriate credit. On the basis of a series of in-depth interviews in Canberra and Melbourne, I was able to document how financial exclusion, including its social consequences, manifested for the participants in my study. High degrees of exclusion from the mainstream financial system and the use of the fringe credit market emerged as recurrent themes amongst participants. Importantly, I concentrated on clients of an Australian microfinance program, the No Interest Loan Scheme (NILS), which enabled a greater understanding of the role such services can play in both promoting financial inclusion and improving the lives of clients. The next section of this chapter will highlight my main findings with reference to my central research questions. In particular, I detail what types of social networks financially excluded individuals have and how social networks help or hinder financial exclusion. I will also highlight what exclusion means to the excluded and whether microfinance programs ameliorate exclusion. The chapter will conclude by identifying possible directions for future research.

2. Key Findings

2.1 Social Networks and Social Support

At the heart of discussions about social capital is the idea that social networks matter. The literature presented a compelling case that social networks can provide significant instrumental benefits to individuals. For instance, seminal works by Granovetter (1973), Stack (1974) and Wellman (1979) showed that, for low income households in particular, social networks are an important source of social support. Drawing on these earlier studies, this thesis added to the literature by applying social network and social capital theories to the area of financial inclusion. Notably, the research suggested that social networks could be utilised as a key way of helping individuals who experience financial exclusion cope in times of financial stress, and as a possible means by which these individuals can transition into the mainstream financial system.

By exploring the lives of the financially excluded my aim was to identify and assess the purported benefits of social capital and determine in what ways, if any, networks matter to the financially excluded. Of particular interest was ascertaining whether networks in these circumstances work as the literature suggested. I also aimed to determine whether or not NILS clients had networks that offered them social support to cope with exclusion or support them while they participated in NILS. Hence, this thesis sought to examine the utility of social networks in combating financial exclusion in Australia.

Overall, I found that there was a mixed level of social support available to the financially excluded people I interviewed. For the majority of participants, social networks did provide some form of assistance in times of need, while for a minority such support mechanisms were not accessible. The clearest finding was that direct monetary support from an individual's social network was rarely an option – even in times of financial crisis or emergency. Likewise, very few of these financially excluded people were able to name people who could assist them with financial matters in general. In most cases, the types of instrumental benefits given were non-financial.

Perhaps unsurprisingly, such in-kind social capital substituted for financial capital in moments of need and often provided substantive relief to the financially excluded at critical times. For example, the use of someone else's household appliance meant that a respondent did not need to purchase their own. In this way, social support mitigated some of the consequences of financial exclusion. My results also lent support for the view that networks played an important role in the transmission of information. For some of the financially excluded people interviewed, their social networks were a key source of information about where to seek assistance and, indeed, in several cases their networks had led them to NILS. Importantly, many participants suggested they would go on to tell other people about NILS, which is a finding that is consistent with earlier research (Ayers-Wearne and Palafox 2005; Corrie 2011). Unfortunately, not all respondents had such informative networks with many relying on professional or community organisations or welfare support agencies for information on available financial assistance services.

The scale of non-financial support provided was interesting and can be largely attributed to the types of people the financially excluded had in their networks to whom they turned for social support. As suggested by the literature, for the most part, respondents said that they had family, friends or neighbours on whom they could call for social support (Caudell et al 2015; Desmond 2012; Putnam 2000; Stack 1974; Unger and Powell 1980; Zhu et al 2013). The socio-demographic status of many of these networks meant that the networks of participants did not have the financial resources available to provide a more substantive form of financial assistance. While there was some variation across the networks of NILS clients, the lack of financial capacity was consistent and was the most relevant factor affecting the availability of financial support.

Their relatively small size and location further compounded the limitations of these networks. For the majority of respondents, their closest relatives did not live in the same suburbs and they had little face-to-face interaction with family and friends. This confirms previous literature on the importance of proximity to the availability of social support (Wellman 1979). As a corollary, despite long housing tenure, the majority of respondents were not able to develop wide social networks. Given these characteristics, it became apparent that the financially excluded were somewhat constrained in their access to support. Such constraints influenced the social dynamics of seeking support, with a number of respondents who, despite having access to social networks and social support, chose not to ask for help. The key reason was a reluctance to put friendships at risk, particularly because respondents understood that the personal circumstances of others in their network were similar to their own. In a limited number of cases, respondents displayed an unwillingness to be subjected to certain reciprocal obligations requested as a condition for support.

2.2 Social Network Types and Structural Holes

Most significantly, my results demonstrate the nature of the social capital possessed by individuals experiencing financial exclusion. The content and quality of relationships displayed a strength that was, in most instances, much more important than the size or breadth of networks. The majority of respondents had small, closed and clique-based networks, with very few respondents actually able to name even six people who they would count as part of their network. Approximately two thirds of respondents had such networks, with the remainder indicating that they did not have any noteworthy networks of any description. Homophily, especially in financial circumstances, embodied the strong ties that many had with others in their networks. This was true even for those who indicated that their networks displayed some heterogeneity because, in relation to the factors that most impact financial exclusion, all respondent networks were characterised by low income and disadvantage. Hence, reflecting the results above, for financially excluded people their bonding networks did negatively impact on the type of support available.

The literature detailed the importance of both bridging and bonding networks in different circumstances (Lin 2001; Putnam 2000; Woolcock 2001b; Woolcock and Narayan 2000). In this vein, my research sought to determine the role of networks in bridging the gap to the mainstream financial system. Indeed, one of the central ideas pursued in this thesis was that exclusion could be addressed by looking towards bridging social capital to connect with the mainstream financial system. Exploring the characteristics of participants' contacts to see whether bridging opportunities were present, I found that, despite some demographic heterogeneity, across the features that matter most for inclusion – financial resources, income and employment – individuals who experience financial exclusion associated with a relatively homogenous group of people.

Moreover, my results confirmed that homogeneity in social networks means that social networks do not provide the financially excluded with pathways or bridges into the mainstream financial system. Nor did social network benefits appear to exist at the macro-structural level as a way of connecting to or navigating the mainstream. Therefore, my results give further credence to the idea that it is only where a social network can extend beyond its closed groups that any additional resource advantages can be gained. This is a significant finding that accords with Burt's (2000) view on the importance of bridges that traverse structure holes and the role of bridging social capital more generally.

Given that the types of networks NILS clients have are largely created from socialising with others from similar low socio-economic backgrounds, my results explain why the excluded do not have the networks that are needed to overcome exclusion. Social interaction and networks between groups where individual members are all in similar disadvantaged circumstances means that, even where there are strong bonds of interaction, the ability to join in the mainstream financial system remains absent. Thus, these results confirm that bonding ties are only beneficial up to a point, and, provide further support the idea that bridging and linking social capital are needed to get ahead. We have here the classic paradox of exclusion – that where people have homogenous ties, bonding networks prevail, but bridging ties are needed. Unfortunately, it is the bridging ties that NILS participants do not possess.

The major tenet of social network theory is that people with the right networks can bridge distance by accessing better social resources – and, thus, people with higher socio-economic status tend to have better access than those of lower status (Marsden and Hurlbert 1988; Lin 1982; Lin et al 1981). Similarly, Fischer (1982:254) contends that the ability to form social networks is based on an individual's demographic characteristics. Given the basic demographic characteristics of the typical NILS client, it becomes apparent why they lack bridging social networks that could assist them to connect with the mainstream. Indeed, the financially excluded seem to lack the networks and social capital that would aid inclusion because their position in the social structure means they have limited exposure to broader social opportunities. Results obtained from my interviews found this to be true, with respondents being socially isolated and excluded from the mainstream.

The inability to use social capital to reach the financial mainstream reflects a structural view of social capital generation and accords with Bourdieu's conception that people's networks are constrained because social capital is linked to access to power and resources. In this light, NILS clients, by virtue of their limited bridging networks, do not have this form of capital and, as a consequence, lack the ability to build greater economic capital. Indeed, it is unsurprising that NILS clients, for the most part, have social networks of this nature. It became clear that, as the size of a social network increases or decreases, the likelihood that social support or bridging is available also rises and falls correspondingly. Therefore, expanding networks, especially to build bridging ties as Burt (2000) argued, may help to overcome the shortcomings of a financially excluded person's existing contacts.

My analysis showed a number of key factors which further explained how the networks of NILS clients took shape, including the sense of independence NILS clients had, an inability to participate in activities that would form networks and the availability of professional assistance. Respondents who claimed to be independent, while having small social networks, were content with this situation. In times of need these respondents suggested that personal networks were unnecessary because they could rely on, or access, professional and government services, such as a health care worker or a social case worker. However, it is worth noting that some respondents who reported that they did not have networks said they felt isolated at times, which made accessing professional services vital. Choice also played a part in the formation of networks and, therefore, the availability of support. For example, half the respondents wanted to expand their networks so that they had more opportunities to socialise or to ask for financial support, but only a quarter wanted to expand their networks so that they had access to support in relation to personal or emotional matters.

My research found that NILS clients do not have bridging networks but rather have significant structural holes in their social networks that would need to be filled if these networks were to be useful for mainstreaming. While the evidence showed that closure was important for providing short-term relief, the absence of brokerage meant that the financially excluded did not have access to instrumental benefits that allow them to traverse to the mainstream. Again, these findings tend to support established theories on the importance of both brokerage and closure in different situations (Burt 2000; Narayan 1999; Prell and Skvoretz 2008). The findings also point towards the absence of useful weak ties in the case of promoting financial inclusion.

2.3 Social Distance

This thesis investigated social explanations for exclusion and the lack of engagement which the financially excluded had with the mainstream financial system. Social distance proved to be a key barrier to engagement with the mainstream for a number of respondents who simply believed that banks were not for them. Consistent with previous research (Meadows et al 2004), I confirmed that NILS clients felt considerable social distance as a result of past interactions. I found previous experiences of poor treatment from mainstream financial institutions and barriers created by the cost of financial products meant my respondents had enduring perceptions about their suitability or eligibility for using banks. Together with the respondents' general level of distrust, these experiences shaped their current and future behaviours. The result in several instances was that these issues affected the respondents' desire to interact with the mainstream, causing self-exclusion.

On another level, when taking the financially excluded individuals in this study as a cohort, we see that they exhibit a high degree of homophily across key measures of financial exclusion. It was shown that the detachment the majority of the financially excluded felt from the mainstream financial system could be captured by the concept of social distance. In delving more deeply into the social networks and lives of my respondents I found that they were less likely to interact with people who did not have the same financial circumstances as them. Thus, the lack of bridging networks perpetuates social distance. Implied here was the negative influence the networks of NILS clients had in shaping the behaviours of the respondents in my study. Social distance acted as a downward-levelling norm. Making the mainstream more accessible and welcoming would go a long way to breaking down these barriers.

2.4 Social Network Analysis

From a methodological perspective, the central aim of my thesis was to see whether social network analysis as a research tool could provide evidence of the quality of the interpersonal relations that constitute social capital. The choice of social network analysis as the tool to examine my data was deliberate. One of the criticisms of Putnam's conception of social capital is that it failed to adequately provide concrete and quantifiable evidence of social capital. In this context, I found that social network analysis can be a useful tool for determining the quality of social capital.

Applying social network analysis techniques enabled me to look at the various individual relations that respondents reported in their interviews and determine, for instance, if they were bridging or bonding ties and what were the conditions under which they could access social support. In this way, I established a picture of some of the tangible and intangible benefits attributed to social capital. Moreover, the utility of the networks approach, especially in examining the content and interactional features of relationships, was particularly fruitful in gaining an illuminating insight into the role networks play in the lives of the financially excluded.

Throughout the analysis chapters, however, it became clear that the types of social networks envisaged at the outset of my research were vastly different from the reality experienced by the people I interviewed. In particular, the small size of their networks meant that a significant portion of my intended analyses involving the mapping of the network structures could not be undertaken. The aim of mapping networks in this manner was to identify the paths or 'egos' in the networks of individuals experiencing financial exclusion that could act as bridges to the mainstream. This shortcoming maybe addressed by future research.

2.5 Financial Exclusion

At the outset of this thesis, financial inclusion, broadly defined, was acknowledged as an important feature of modern developed economies such as Australia. This was reflected, amongst other things, in the increasing focus many governments now place on promoting financial inclusion and emphasising the role it plays in enhancing the general wellbeing of individuals. At the same time, the literature indicated that financial exclusion is increasing in Australia. Evidence continues to build a case that, despite a high level of basic bank account ownership in Australia, exclusion from the mainstream financial system on multiple fronts is becoming more pervasive. In this thesis, I examined the lived experience of exclusion and looked at how individuals interacted with both the mainstream and the fringe credit markets, as well as the role of microfinance in breaking down social distance and promoting inclusion. In doing so, my results showed the impact that is caused by people being denied access to the mainstream financial sector, particularly when they are excluded from accessing affordable and appropriate credit.

The impact of financial exclusion tends to be on those who are least likely to be able to afford or cope with such exclusion. Significantly, my findings attest to the fact that the cost of exclusion is not purely financial. It is not just an inconvenience, but rather something which permeates a person's self-esteem and confidence. In particular, the inability to access appropriate and affordable credit impacts negatively on an individual's quality of life and capacity to participate in the social activities that define community. It was shown that access to the mainstream financial system, its products and services, is fundamental for individuals to participate in a modern market economy, and in a developed nation such as Australia is a hallmark of inclusion.

The social impacts of financial exclusion were keenly felt because the lack of money often meant people could not engage in social activities, which is especially detrimental given a large part of building social networks involves social participation. While some respondents were involved in social activities, they did not develop significant relationships from which they could draw instrumental financial benefits. Others mentioned that the prohibitive cost of socialising limited their participation – particularly given money was needed for necessities, rather than socialising. Thus, financial exclusion correlates with social exclusion – the very form of participation needed for people to create the types of social support that can be drawn upon through networks.

My results showed that with access to basic financial services and products, individuals on low incomes can attain some measure of financial security and independence. The availability of community-based financial microfinance programs such as the NILS works to fill the void created by exclusion (Dale et al 2012). NILS helps to alleviate exclusion by offering access to loans to people who have limited capacity to repay because their main source of income is welfare payments. This being so, NILS was selected as the ideal case study for my research because its clients are financially excluded.

The overwhelmingly positive experiences of my respondents unequivocally show that NILS, through organisations like Good Shepherd Microfinance and Care Inc, provides a valuable service to excluded people. It became clear throughout the interviews that NILS has granted a lifeline to people who could not access mainstream credit. While some used the opportunity for aspirational purposes, others just appreciated being able to access finance for household goods. Consequently, many respondents reported improved wellbeing and self-esteem.

However, my research found that participating in NILS did not expand social networks directly as the program operates effectively on an individual basis, with clients not provided with opportunities to interact with each other. The clients in my study were also spatially dispersed. Nevertheless, NILS did provide clients with the ability to indirectly build social networks through the goods purchased with the loans. For example, the purchase of new couches allowed some clients to invite friends over to socialise. My findings here were consistent with other research into the role of microfinance as an enabler of social interaction (e.g. Corrie 2011).

NILS actively manages social distance, with clients mentioning how different their experience of NILS was to their experiences with mainstream financial institutions. NILS workers played a large part in the success of the program. There was much praise for the initial contact NILS clients had with their NILS worker, even though there was not much interaction after the initial meeting. It was reported that NILS provides access to financial services without the social barriers which characterise the mainstream financial sector. It is noteworthy that, in the absence of other alternatives, including from social networks, many respondents had also turned to the fringe credit market. The key lesson here is that NILS improves access to appropriate financial products and reduces the reliance on expensive and exploitative fringe finance. In the absence of mainstream options, NILS is a genuine alternative form of finance to mainstream and fringe lenders.

However, NILS did not create pathways into the mainstream, as none of my respondents transitioned into the mainstream financial system for consumer credit following a NILS loan. I found that, for many participants, the reality of long-term unemployment and the lack of assets were the main barriers to inclusion, which meant that they did not meet the eligibility requirements for loans from mainstream financial institutions. Consistent with the concept of social distance, many respondents self-excluded on the basis that they assumed they did not qualify for mainstream loans and, thus, did not bother applying. Given the socio-economic profile of NILS clients, eligibility is likely to remain a significant barrier to engagement with mainstream financial institutions.

For the majority of people to whom I spoke, NILS had a limited impact on their skills and confidence in dealing with money. Evidence suggested that a common experience was that clients who had their loan repayments taken directly out of their welfare payments did not miss the repayment amount. Instead, they often easily adapted to life based on the amount of payment they did receive. As many respondents said: “you don’t miss what you don’t see”. This is not to say that participation in NILS did not increase self-efficacy for some clients, as some respondents specifically noted that the initial budgeting discussion delivered in the application process was found to be most beneficial. This suggests the need to explore the provision of financial literacy advice for clients as part of the borrowing process in order to improve the money management skills of those who need them.

Importantly, higher levels of financial literacy will help to ensure that, as inclusion increases, people will have the skills to better interact with mainstream lenders and avoid issues associated with ‘negative inclusion’, where people are not equipped to engage with, or make decisions about, complex financial products. Such support can provide a safety net to avoid the so-called ‘credit card traps’ which some respondents experienced. Despite comments made about social distance, clients displayed confidence in their abilities to approach mainstream institutions. However, even though clients reported that they had confidence in their ability to engage with mainstream financial institutions, they did not engage primarily because of lack of resources and perceptions about eligibility.

It was shown that, from a policy perspective, promoting financial inclusion, and a more inclusive society, can lead to positive outcomes for individuals experiencing financial exclusion. A financially inclusive society would see all people equipped with the skills and confidence to engage with the mainstream, as well as meeting mainstream eligibility criteria for appropriate and affordable financial products and services. My research found that NILS clients continue to be excluded on one or both of these factors. Options for making the mainstream more inclusive are still required, given the limitations of NILS in terms of breadth and scope. Thus, creating more opportunities where people have the capacity to engage more fully with the complex financial market remains imperative.

Understanding the lived experience of financially excluded individuals opened a window through which policy makers might be able to address exclusion. In particular, that the positive impacts relayed by participants of NILS points to the need to expand the program through increased investment as the mainstream remains closed off. Working with the financial sector to develop products that are better geared towards the needs of low income earners is one possible approach to achieve this aim. Indeed, support for microfinance services such as NILS presents a low cost option for policy makers as loans are repaid. Making capital funding available so more people can access NILS will go some way to realising the goal of achieving greater financial inclusion in Australia.

3. Future Research

This thesis centred on the role of social networks in providing social support that can work to combat exclusion. Yet, it was also shown that networks can work to create social distances that can perpetuate exclusion. In this context, we see that the complex and pervasive nature of financial exclusion demands continued inquiry. A number of worthwhile areas for future research flowing from my thesis are discussed below.

3.1 Social Distance

Whilst my research shed important new light on the social barriers to inclusion, there remain opportunities to further advance our understanding of the impact social distance has on participation in the mainstream. In particular, although the existence of social distance is well documented in my thesis and elsewhere, investigating how to break down social distance is less well covered in the literature. One avenue to do this is to broaden the focus of my interviews, which was on speaking to NILS clients in order to explore their interactions with the community sector, and as customers of both the mainstream and the fringe financial sectors. While I was able to explore their perspective, and to a lesser extent that of the NILS workers, I did not speak to the employees of the mainstream banks – either at the branch level or the corporate level. It may be useful then for future research to seek input from mainstream financial organisations as they may offer a different perspective on the causes of social distance and the barriers to inclusion. This may help to facilitate inclusion by enabling greater cooperation between the mainstream financial sector and the community sector on the development of financial products that are more accessible to low income and financially excluded individuals.

My research questions focussed on the individuals' experience with NILS and the mainstream. My methodology enabled a picture of social distance to be formed for NILS clients as a cohort. In terms of data collection, the semi-structured interview approach meant that insights from individual experiences and anecdotes about social networks and the perceptions people had about the mainstream arose in an ad hoc manner. Future research should build a more comprehensive picture of social distance in Australia by asking more deliberately about the clients' knowledge of the financial experiences or habits of family and friends. Alternatively, the target population could be expanded to include questioning the family and friends of clients directly. This could also help to identify the extent to which intergenerational exclusion exist.

In a similar way, the focus of my research was on participants of NILS as one group among the financially excluded in Australia. However, there are many other financially excluded individuals in Australia. This being the case, it may prove useful for future research to compare NILS clients with financially excluded people who have not participated in NILS to see whether their social networks provide similar levels of social support and have similar experiences of social distance.

3.2 Sample Size

As a primarily qualitative study, rich new lines of research could be explored by employing quantitative techniques. Indeed, while in-depth interviews did allow a level of detail to be obtained that could not come from larger surveys, a large scale survey would produce more generalisable results, allowing researchers to explore the impact of financial exclusion, as well as seeking more information on the role of social networks in promotion inclusion. The combination of the qualitative data I produced and future quantitative data could better serve policy makers in creating solutions to financial exclusion. It may also enable social network mapping on a more comprehensive scale.

More interestingly, while I found that the experience of financial exclusion was largely the same in Melbourne and Canberra, expanding the sample size could lead to comparisons between more locations where NILS operates and could enable future researchers to identify where pockets of exclusion are more or less prevalent. It may also then be possible to examine which locations are more successful in delivering NILS. Here, a possible point of differentiation is how service organisations in various states deliver NILS. For instance, some organisations combine loans with financial counselling while others do not. This would be beneficial because as HM Treasury (2004) identified, policy must consider both who is affected and where problems exist.

Furthermore, as an Australian study, future research could also compare microfinance in developed and developing countries to see how the different models operate. This may prove especially useful given the lineage of microfinance in developing countries as pioneered by Nobel Prize winning economist Muhammad Yunas. Indeed, such work could be timely as Good Shepherd Microfinance is expanding NILS and other programs to South East Asia and South America. Gleaning lessons from international comparisons could further enhance the Australian model of microfinance.

3.3 Social Network Dynamics

The role of ethnicity and culture may provide another fruitful avenue for further research. Given my small sample, I was not able to specifically investigate differences in ethnicity as a factor influencing NILS outcomes or the ability to find social support. There has already been much work into migrant communities' use of social capital (see Portes 1998). However, apart from some work in Indigenous communities, very little has been undertaken in the context of NILS and financial exclusion in Australia. The varied ethnic mix of clients may prove illuminating in terms of the demonstrating differences in the level and operation of social capital and networks.

In another feature of NILS clients' social networks, we saw that there were some people who valued professional networks in the absence of personal networks. As disadvantage and exclusion are complex, future research could look to the role of professional networks where referral systems can play a part in connecting financially excluded individuals with financial products and services. Looking at the network amongst service providers across multiple services to improve the efficiency of information transfers could reduce exclusion.

From a theoretical perspective, research into these professional networks could further enhance our understanding into the characteristics of bridges between individuals experiencing financial exclusion and mainstream financial institutions. For example, looking to see whether staff working in service provider agencies act as brokers. As my research focussed on the clients of NILS, future research could also investigate how NILS workers see their jobs and relationships with their clients.

4. Conclusion

This thesis challenged existing views on exclusion and enabled us to rethink what it means to be excluded. It offered new insights into how financially excluded people interact with the mainstream, fringe and welfare sectors, as well as their social networks in dealing with their exclusion. If economic participation is central to an individual's ability to realise their ambitions, then providing access to mainstream financial services becomes imperative. Although NILS has provided an avenue for many excluded individuals to fill the void left by the absence of mainstream credit, unfortunately, full equality of opportunity to access the mainstream remains elusive. For a limited number of my respondents, and for a limited time, the social support offered through their social networks did substitute for the mainstream, the fringe and microfinance. This support was, however, ultimately unsustainable and could not be a viable alternative that could replace the need to access the mainstream – especially as for the most part, support was provided in the form of in-kind assistance rather than direct financial assistance.

This thesis sought to understand the role of social networks in promoting financial inclusion in Australia. Significantly, the networks of Australians who experience financial exclusion were empirically documented in detail for the first time. The bonding nature of social networks demonstrated the positive impact that social support can provide, as well as the need to considerably strengthen bridging networks. My results provide qualified confirmation of the benefits of social capital as espoused by its main proponents and also acknowledges several of the concept's shortcomings. People are able to draw on social capital for instrumental benefits in times of need with the caveat: *where networks are available*. Social networks matter and the value of social capital means those who do not have it are missing out and should, if they choose to, try to develop or build it, so that they can access its benefits.

Importantly, these results have significant theoretical value because they demonstrated that, whilst social support can help to mitigate some of the consequences of financial exclusion, and showed that some of the previously purported benefits of social capital exist, financial exclusion cannot be substantially diminished by turning to social networks in the case of the financially excluded because their networks are bonding networks. In the absence of bridging networks the results also question the arguments in favour of using social capital to solve social problems such as financial exclusion and points to a greater role for policy intervention or community programs such as NILS.

In conclusion, this thesis has expanded the understanding of the underlying reasons for financial exclusion, especially the significance of social factors. The benefits of microfinance were also discussed in the hope that my results will inform policy responses aimed at creating a more inclusive financial system. Overall, my investigation fills a significant gap in the literature by linking social networks to financial exclusion. It is hoped that my thesis can contribute positively to the body of research that informs social network analysis and social exclusion.

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Social Networks and Financial Inclusion in Australia

Respondent Name: ____

Personal Details

I would like to begin by asking you some questions about you and your family background. These questions help us to understand how people in different circumstances feel about some of the topics covered in this study.

Q1 Sex	Male ☐ 1	Female ☐ 2

Q2 In which age category do you belong?			
18-24 years	☐ 1	45-54 years	☐ 4
25-34 years	☐ 2	55-64 years	☐ 5
35-44 years	☐ 3	65 years or more	☐ 6

Q3 What is your current marital status?			
Single, never married	☐ 1	Separated	☐ 4
Married	☐ 2	Divorced	☐ 5
De Facto	☐ 3	Widowed	☐ 6

Q4 In which country were you born?	

Q5 Do you speak a language other than English at home?	Yes ☐ 1	No ☐ 2
If, yes, please specify		

Q6 What is the highest level of education you have completed?			
Did not go to school	☐ 1	Trade Qualification	☐ 6
Primary school only	☐ 2	Certificate or Diploma	☐ 7
Some high school	☐ 3	Bachelor Degree	☐ 8
Completed Year 10	☐ 4	Postgraduate Degree	☐ 9
Completed Year 12	☐ 5		

Q7 Are you currently:			
Unemployed, looking for work	☐ 1	Working for pay, on leave from a paid job or self-employed	☐ 4
Not employed and not looking for work	☐ 2	Full-time student	☐ 5
Retired	☐ 3		

For employed

Q8 What kind of work do you do?

Q9 How long have you been working for your present employer/self-employed in that line of work?	Less than 6 months	6-12 months	2-3 years	4-5 years	More than 5 years
	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5

If not employed

Q10 When did you last work at all, even for a few days	Within the past 4 weeks	1-12 months	2-3 years	4-5 years	More than 5 years
	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5

Q11 What is your income, before tax and Medicare levy, from all sources? Please state this in which ever period is easiest to recall for example, weekly, fortnightly, monthly or yearly. Please include any wages, pensions and allowances and income from interest and dividends.

$1-$49	☐	$150-$249	☐	$250-399	☐	$400-$599	☐
$600-$799	☐	$800-$999	☐	$1000-$1999	☐	$2000 or more	☐

Q12 Are you:	
a) Renting privately ☐ 1	d) A home owner with a mortgage ☐4
b) Renting from the State Housing Authority ☐ 2	e) A home owner without a mortgage ☐5
c) Living in a boarding house ☐ 3	f) Other ☐6

Network Structure: Mobility

Q13	Less than 6 months	6-11 months	1-2 years	3-5 years	More than 5 years
a) How long have you lived at your current address?	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
b) How long have you lived in your current suburb?	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5

Q14 Do you have any immediate family – such as parents, children, brothers or sisters, or in-laws – living in this suburb?	Yes	No
	☐ 1	☐ 2

Q15 Counting adults over the age of 18 years only, about how many of your (and your partner's) relatives live in this suburb?	1-2	3-4	5-6	More than 6
	☐ 1	☐ 2	☐ 3	☐ 4

No Interest Loan Scheme

I would now like to discuss your experience with participation in the No Interest Loan Scheme.

Q16 How did you first find out about NILS?	Yes	No
a) Relatives, friends and neighbours	☐ 1	☐ 2
b) Community bulletin board	☐ 1	☐ 2
c) Local market	☐ 1	☐ 2
d) Community or local newspaper	☐ 1	☐ 2
e) National newspaper	☐ 1	☐ 2
f) Radio	☐ 1	☐ 2
g) Television	☐ 1	☐ 2
h) Groups or associations	☐ 1	☐ 2
h) Business or work associates	☐ 1	☐ 2
h) Political associates	☐ 1	☐ 2
h) Community leaders	☐ 1	☐ 2
h) An agent of the government	☐ 1	☐ 2
h) NGOs	☐ 1	☐ 2
h) Internet	☐ 1	☐ 2
h) Other (specify)	☐ 1	☐ 2

*When did you apply and receive the loan?

*How many loans have you received?

Q17a What was the purpose of your NILS loan? Can you describe your situation before and after purchasing this product? That is, how has the product impacted on your life and your relationships? Did you receive support (financial or other) from your family and friends prior to receiving the loan?

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Q17b Has participation in a NILS programme encouraged you to participate in other local community activities such as sports, recreation, social etc? Beyond existing groups or more time (See list Q23). Has your social network expanded?

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Q18a Have you had any support and encouragement from your family and friends or others since getting a NILS loan?
Do you know other people who have a NILS loan? Have you recommended NILS to family and friends?

____

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____

Q18b	Very helpful	Helpful	Mode-rately helpful	Not very helpful	Not helpful at all
Do you feel that your friends and relatives provide helpful advice on financial matters?	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5

Q19a What types of financial products and services do you have e.g. a bank account, credit card, insurance etc?

Q19b How would you say being involved in the scheme has impacted on your financial, position skills and confidence? For example, do you have feelings of increased confidence and skill? Have you learnt more about money management, etc?

Q20 Before applying for a NILS loan, did you try to seek a loan elsewhere?
If no, why not? If yes, where and what was your experience with this place?

Have you used a payday lender or loan shark?

How does your experience differ from NILS and the way this organisation works? Is there anything they could do better?
Are there other services you would have liked? (Such as ongoing financial training?)
What is your relationship with your NILS worker?

Q21a If you needed finance for other purchases in the future, do you think you would go to a bank/credit union to apply for a loan? Why or why not? Would you consider StepUp?

Q21b Do you know someone who is the most likely to help you to do this?
Can you tell me more about this person, such as their personal characteristics?

Network Quality: Group Membership

Q22 Do you belong to any local groups, clubs, associations or organisations? These could be formal or informal gatherings.	Yes ☐ 1	No ☐ 2

Q23 If yes, what type of organisation(s) is it? Tick any that are relevant and name of organisation.	Yes	No
Social Participation		
1) Sporting or recreation groups or organisations	☐ 1	☐ 2
2) Arts, culture, or education groups or organisations	☐ 1	☐ 2
3) Craft or hobby groups or organisations	☐ 1	☐ 2
4) Religious or spiritual groups or organisations	☐ 1	☐ 2
5) Social clubs	☐ 1	☐ 2
6) Ethnic or multicultural clubs, or organisations	☐ 1	☐ 2
Civic Participation		
7) A trade union, professional organisation or technical association	☐ 1	☐ 2
8) Political parties	☐ 1	☐ 2
9) Civic or community groups or organisations	☐ 1	☐ 2
10) Environment or animal welfare groups	☐ 1	☐ 2
11) Human and civil rights groups	☐ 1	☐ 2
12) Body corporate or tenants associations	☐ 1	☐ 2
13) Consumer organisations	☐ 1	☐ 2
Community Support		
14) Children, parenting or school related groups	☐ 1	☐ 2
15) Services clubs	☐ 1	☐ 2
16) Humanitarian aid groups	☐ 1	☐ 2
17) Welfare groups	☐ 1	☐ 2
18) Health or disability groups, self development groups	☐ 1	☐ 2
19) Voluntary emergency, rescue or fire services organisations	☐ 1	☐ 2

Thinking about the group(s) that you are most involved with:

Q24 How much time would you spend there (each week) e.g. attending meetings	At least once a week	Once or twice a month	Every few months	Once or twice a year	Less often than that
	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5

Q25 How long have you been a member of this group?	less than 6 months	6-11 months	1-2 years	3-5 years	More than 5 years
	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5

Q26 How actively do you participate in the group's decision making?	Lead	Very Active	Somewhat active	Do not participate
	☐ 1	☐ 2	☐ 3	☐ 4

Q27 What is the main benefit from joining this group?	Yes	No
a) Improves my household's current livelihood or access to services	☐ 1	☐ 2
b) Important in times of emergency/in future	☐ 1	☐ 2
c) Benefits the community	☐ 1	☐ 2
d) Enjoyment/recreation	☐ 1	☐ 2
e) Spiritual, social status, self-esteem	☐ 1	☐ 2
f) Other (specify)	☐ 1	☐ 2

*Describe the type of benefits:

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If no, I would now like to find out more about some of the reasons why you may not have participated in social or group activities in the past few months. What have been the barriers to social participation and financial inclusion?

Q28 Which of the following factors is important in preventing you from doing these activities?	Yes	No
a) Not interested	☐ 1	☐ 2
b) Can't afford to	☐ 1	☐ 2
c) Lack of time due to child caring responsibilities	☐ 1	☐ 2
d) Lack of time due to other caring responsibilities	☐ 1	☐ 2
e) Too sick, old or disabled	☐ 1	☐ 2
f) Lack of time due to paid work	☐ 1	☐ 2
g) No vehicle/poor public transport	☐ 1	☐ 2
h) No one to go with (social)	☐ 1	☐ 2
i) Feel unwelcome (due to disability, cultural difference, gender, age, etc.)	☐ 1	☐ 2
j) Lack of knowledge about how to join	☐ 1	☐ 2
k) Other (specify)	☐ 1	☐ 2

Q29 Have there been times in the past year when you have felt isolated and cut off from society for any of the following reasons?	Yes	No
a) Paid work	☐ 1	☐ 2
b) Child care responsibilities	☐ 1	☐ 2
c) Other caring responsibilities	☐ 1	☐ 2
d) Lack of own transport	☐ 1	☐ 2
e) Irregular or expensive public transport	☐ 1	☐ 2
f) No friends	☐ 1	☐ 2
g) No family	☐ 1	☐ 2
h) Problems with physical access	☐ 1	☐ 2
i) Sexism	☐ 1	☐ 2
j) Racism	☐ 1	☐ 2
k) Homophobia	☐ 1	☐ 2
l) Discrimination relating to disability	☐ 1	☐ 2
m) Other (specify)	☐ 1	☐ 2

Network Quality: Sense of Community

Q30 Generally speaking, would you say that most people can be trusted or that you need to be very careful in dealing with people?	Yes, Most people can be trusted ☐ 1	No, Need to be very careful ☐ 2

Q 31	Very distant	Some-what distant	Neither distant nor close	Some-what close	Very close
How strong is the feeling of togetherness or closeness in your neighbourhood?	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5

Q32	Very likely	Some-what likely	Neither likely nor unlikely	Some-what unlikely	Very unlikely
a) Suppose something unfortunate happened to someone in the neighbourhood, such as serious illness, or death of a parent. How likely is it that some people in the community would get together to help them?	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
b) How likely is it that people who do not participate in community activities will be criticized or sanctioned?	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5

Q33 In the past 2 months, have you worked with others in your neighbourhood to do something for the benefits of the community?	Yes ☐ 1	No ☐ 2

If yes, can you give an example?

____

____

Social Networks: Network Transactions – Frequency

I would like to ask you some questions about your social interactions.

Q34 How frequently would you have contact with:	Every-day	A few times a week	A few times a month	Once a month	Not in the last month
a) relative face-to-face	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
b) friends face-to-face	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
c) relative via telephone	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
d) friends via telephone	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
e) relatives using email/internet	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
f) friends using email/internet	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
g) other form of communication	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5

I would now like to ask you about some specific examples

Q35 I am now going to ask a few questions about your everyday social interactions. Which, if any, of these activities have you done in the last three months?	Yes	No	If yes, may I have the names of the people who you did those things with?
a) Met someone you know outside your home, e.g. went out with to a restaurant, bar, movie, park	☐ 1	☐ 2	
b) Someone came by your home to visit, lunch or dinner	☐ 1	☐ 2	
c) Went over to someone's home for a visit, lunch or dinner	☐ 1	☐ 2	
d) none	☐ 1	☐ 2	

Q36 How strongly do you agree or disagree with the following statements:	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
a) If you live with other people, do you feel that the people you live with make too many demands on you these days?	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
b) Do you feel that your friends and (other) relatives make too many demands on you?	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
c) Do you feel overwhelmed – that is, there is too much going on in your life for you to handle?	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5

Q37 How strongly do you agree or disagree with the following statements: In a time of crisis I could ask someone who does not live with me for support such as:	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
a) advice on what to do	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
b) emotional support	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
c) help out when you have a serious illness or injury	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
d) help in maintaining family or work responsibilities	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
e) provide emergency money	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
f) provide emergency accommodation	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
g) provide emergency food	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5

*****Crisis: a time when you needed (significant or urgent) help from other

Q38 How strongly do you agree or disagree with the following statements: In a time of crisis this support is most likely to come from:	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
a) friend	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
b) neighbour	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
c) relative	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
d) work colleague	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
e) community, charity or religious organisation	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
f) local council or other government service	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
g) health, legal or financial profession	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5

I would now like to ask you about some specific examples

	Name	M/F	Relative	Co-worker	Neigh-bour	Friend	Acquain-tance	Other	Proximity (5-10mins)
Q39	When people go out of town for a while, they sometimes ask someone to take care of their home for them – for example, to water the plants, pick up the mail, feed a pet, or just check on things. If you went out of town, would you ask someone to take care of your home in any of these ways while you were gone? (Assuming that if you live with other everyone in your household will be going out of town at the same time).								
Q40	In the past three months, have any friends or relatives helped with any tasks around the home, such as painting, moving furniture, cooking, cleaning, childcare, transport, major or minor repairs?								
Q41	When you are concerned about a personal matter – for example, about someone you are close to or something you are worried about e.g. work issue – can you talk about it with someone?								

	Name	M/F	Relative	Co-worker	Neigh-bour	Friend	Acquain-tance	Other	Proximity (5-10mins)
Q42	Would you be able to raise $2000 in a week in a time of crisis? If you could ask someone you know to lend you some or all of the money, who would that be?								
Q43	Have you contacted friends or family in relation to finding a job?								
Q44	Is there anyone who is important to you who does not appear on this list?								

Network Type: Bridging, Bonding, Linking

Thinking about the people you have mentioned, for the answers you know:

Q45	All	Most	About Half	A few	None
a) how many have the same mother tongue as you?	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
b) how many come from an ethnic group that is visibly different from you?	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
c) how many are the same sex as you?	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
d) how many have roughly the same education as you?	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
e) how many are from a similar income level as you?	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
f) how many are in the same age group as you?	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
g) how many would have the same political views as you?	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
h) how many would have the same occupation as you?	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
i) how many would be of the same religion?	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5

Q46	Yes, all	Mostly	Some	Few	No
a) To what extent do the members of your family know each others' friends?	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
b) Are your friends also friends with each other?	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5

Q47 I am now going to ask a few questions about how happy you are with your level of social interaction.	Wish I knew more	Already know enough people
a) Thinking about the people you know, do you sometimes wish you knew more people you could talk with about personal matters and problems, or do you feel you already know enough people to talk with right now?	☐ 1	☐ 2
b) Do you sometimes wish you knew more people you could get together with to have a good time, or do you feel you already know enough people like that?	☐ 1	☐ 2
c) What about having people you can rely on to help you with things when you need it, things like work around the home or lending you money, transport – do you sometimes wish you knew more people like that, or do you already know enough people to rely on for help?	☐ 1	☐ 2

Contact for further information

If we need further information, may we contact you? Yes ☐ 1 No ☐ 2

Contact details:

Address:

Phone Number:

Email:

Thank you for participating in this research project

c f c s

Care Financial Counselling Service

CARE Incorporated
ABN 45 037 269 595

Date:

…………………
…………………
…………………

Dear………………

Care has given permission to Justin Iu, an ANU PhD student, to survey NILS clients to obtain feedback about experiences with the No Interest Loans Scheme (NILS). The survey is part of Justin's PhD thesis.

Justin is interested to find out how a NILS loan may have assisted you and also whether other things including family and friends may have helped you.

Participating in this study is completely voluntary and in no way affects your current NILS loan if you have one, or any future applications you make.

Please read the enclosed information from Justin fully before consenting to be a participant. If you agree to participate, Justin will interview you at Care's office. Please contact him directly to confirm your participation.

If you have any questions about the study, please contact us on
6257 1788.

Yours sincerely

Carmel Franklin
Director

Liisa Wallace
Co-ordinator

Postal Address
PO Box 763
Civic Square ACT 2608

(02) 6257 1788
(02) 6257 1452
admin@carefcs.org

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Waldorf Apartments
2 Akuna Street
Canberra City 2601

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ANU COLLEGE OF ARTS & SOCIAL SCIENCES

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Canberra ACT 0200 Australia
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F: +61 2 6125 2222
E: justin.iu@anu.edu.au
www.anu.edu.au

Dear Participant

I would like to invite you to take part in a research project called *Social Networks and Financial Inclusion in Australia*.

The project is about getting to know the experiences of people that have been a part of the No Interest Loan Scheme. I would like to find out what receiving a loan has meant to you and also how the people you know, like your family or friends, might have helped you along the way. The interview should only go for about an hour.

Care Financial Counselling Service has kindly agreed to send you this letter on my behalf. If you would like to speak to me about your experiences you can either contact me directly on 02 6125 1691 or complete the attached form and send it back in the reply paid envelop by **Friday 10th September, 2010** and we can arrange a time to meet.

Participating in the project is completely voluntary and your decision to be involved or not will not affect your current loan if you have one or future applications in any way.

If you decide to take part, as a way of saying thanks for your time participating in the research project, you will be able to choose from a $30 gift card or two free movie tickets to use after we've spoken.

I have included a short information sheet that tells you a little more about my project. Please don't hesitate to get in touch with me if you have any questions about my project.

As someone who has received a no interest loan, I would be very interested in hearing your story and I look forward to speaking to you soon.

Regards
Justin Iu
2 August 2010

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Canberra ACT 0200 Australia
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www.anu.edu.au

Dear NILS Borrower

I would like to invite you to take part in a research project called *Social Networks and Financial Inclusion in Australia*.

The project is about getting to know the experiences of people who have been a part of the No Interest Loan Scheme. I would like to find out what receiving a loan has meant to you and also how the people you know, like your family or friends, might have helped you along the way.

Care Financial Counselling Service has kindly agreed to send you this letter on my behalf. If you would like to speak to me about your experiences can you please contact me directly on 02 6125 1691 or fill in your details at the bottom of the page and send it back in the reply paid envelop by **Friday 15th October, 2010** and we can arrange a time to meet. The interview should only go for about an hour.

Participating in the project is completely voluntary and your decision to be involved or not will not affect your current loan if you have one, or future applications in any way.

If you decide to participate, as a way of thanking you for your time, you will be able to choose from a **$30 gift card or two free movie tickets** to use after we've spoken.

Please don't hesitate to get in touch with me if you have any questions about my project.

As someone who has received a no interest loan, I would be very interested in hearing your story and I look forward to speaking to you soon.

Regards
Justin Iu
24 September 2010

✂- -

Name: ______________________________

Phone Number: ______________________________

Alternative Phone Number: ______________________________

Address: ______________________________

Email Address: ______________________________

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www.anu.edu.au

Hi <Insert Name>

Thanks for responding to my request to be a part of my research project. I've tried to call you to arrange a time for us to meet but I haven't been able to get through.

I'm hoping you're still interested in having a chat with me about your experience with the No Interest Loan Scheme.

Just a reminder that you'll receive either a $30 gift voucher or two movie tickets for after we've spoken.

Can you please call me on 6125 1691 or fill in the bottom of this page and return it in the envelope and I'll try to get in touch again.

Regards
Justin Iu
23 September 2010

✂ -

Name: ______________________________

Phone Number: ______________________________

Alternative Phone Number: ______________________________

Address: ______________________________

Email Address: ______________________________

Good Shepherd Youth & Family Service
Social Policy and Research Unit
21 Budd Street
Collingwood, Vic, 3066
Ph: 03 9418 3000
www.goodshepvic.org.au

Dear <insert name>,

We would like to invite you to take part in some research into Good Shepherd Youth and Family Service's programs.

As someone who has recently received a NILS® loan, we are interested in finding out how access to the loan may have assisted you; and also understand how any other people, such as family and friends, may have also helped.

Justin Iu, from The Australian National University, will be doing the research, with the support of Good Shepherd Youth and Family Service.

Your participation is completely voluntary and you can withdraw at any time, and choose not to answer any of the questions if you do not feel comfortable with them. Your responses are completely confidential, and will not affect any current services or any future applications you may make.

The interviews will take place at our St Albans office at a time that is convenient for you, if you choose to take part.

Please be sure to read the attached information from Justin before fully consenting. If you have any questions, please feel free to contact me on 03 8312 8800.

Regards,

Joan Seymour
NILS® Worker
Good Shepherd Youth and Family Service

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Dear NILS Borrower

I would like to invite you to take part in a research project called *Social Networks and Financial Inclusion in Australia*.

The project is about getting to know the experiences of people who have been a part of the No Interest Loan Scheme. I would like to find out what receiving a loan has meant to you and also how the people you know, like your family or friends, might have helped you along the way.

Good Shepherd Youth and Family Services have kindly agreed to send you this letter on my behalf. If you would like to speak to me about your experiences can you please let your local NILS worker know, or complete the attached consent form and send it back in the reply paid envelop by **Monday 22 November, 2010** and we can arrange a time to meet. The interview should only go for about an hour.

Participating in the project is completely voluntary and your decision to be involved or not will not affect your current loan if you have one or future applications in any way.

If you decide to take part, as a way of thanking you for your time, you will receive a **$30 Coles Myer gift card** to use after we've spoken.

I have included a short information sheet that tells you a little more about my project. If you have any questions about my project please don't hesitate to get in touch your NILS loan officer, or Marilyn Webster in Good Shepherd's Social Policy and Research Unit at m.webster@goodshepvic.org.au or (03) 9418 3011.

As someone who has received a no interest loan, I am very interested in hearing your story and I look forward to speaking to you soon.

Regards
Justin Iu
8 November 2010

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Dear NILS Borrower

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The project is about getting to know the experiences of people who have been a part of the No Interest Loan Scheme. I would like to find out what receiving a loan has meant to you and also how the people you know, like your family or friends, might have helped you along the way.

Good Shepherd Youth and Family Services have kindly agreed to send you this letter on my behalf. If you would like to speak to me about your experiences please fill in your details at the bottom of the page and send it back in the reply paid envelop by **Monday 6th December, 2010** and we can arrange a time to meet. The interview should only go for about an hour.

If you decide to participate, as a way of thanking you for your time, you will receive a **$30 Coles Myer gift card** to use after we've spoken.

Participating in the project is completely voluntary and your decision to be involved or not will not affect your current loan if you have one, or future applications in any way.

Please don't hesitate to get in touch with me or your NILS worker if you have any questions about my project.

As someone who has received a no interest loan, I am very interested in hearing your story and I look forward to speaking to you soon.

Regards
Justin Iu
22 November 2010

✂- -

Name: ______________________________

Phone Number: ______________________________

Alternative Phone Number: ______________________________

Address: ______________________________

Email Address: ______________________________

Research Information Sheet: NILS Clients

Social Networks and Financial Inclusion in Australia

The Researcher
This research is being undertaken independently by Justin Iu and will contribute toward a Doctor of Philosophy degree in Sociology at the Australian National University.

Description of the Research
My project is about finding out how social networks can help people in times of need or crisis. It's based on the idea that our relationships with others have value and can help us get by or get ahead. Support might come from family, friends or other acquaintances.

I am especially interested in how people who have faced financial difficulty use their social networks. I think this is important as more and more people in Australia lack access to basic financial services. Unfortunately, this can mean people aren't able to fully participate in the life of their communities.

At the same time, participation in the No Interest Loan Scheme offers a way forward. I am interested in learning how people find out about the program, how a person's networks might expand after receiving a no interest loan and whether networks can bridge the gap to the mainstream.

Participation in this Research
I would like to invite you to participate in this research. Participation is completely voluntary and will take about one hour. You can withdraw at any time, for any reason, and you do not have to explain why. Your decision to take part will not impact in any way on your loan, your relationship with any other organisation or people involved in this research project.

I will ask you some questions about your background, as well as some questions about what you do and the people you know. I will also ask you about your experiences with the No Interest Loan Scheme and your involvement with the community and use of financial services.

If you agree, I would like to make an audio recording of the discussion, but this is not essential. You are welcome to request a copy of the summary notes from the interview.

Use of the information, confidentiality and privacy
The information you give is being gathered for the purpose of my PhD thesis. It may also be used for other publications which will be publicly available. The information you provide is confidential. The nature of my research means that I will be required to record your name for the purpose of my analysis.

Because of the small size of the community I will be researching, others who read the published outputs may be able to identify you. All possible precautions will be made protect the identities and the security of the information participants provide.

Contact Details for Questions or Concerns
If you have any questions or concerns about any part of this research please contact Justin Iu or his supervisor – Prof David Marsh, Australian National University.

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Should you have any problems or queries about the way in which the study was conducted and do not feel comfortable contacting the researcher or his supervisor, you may contact the Australian National University Human Research Ethics Committee.

Human Ethics Officer
Human Research Ethics Committee
The Australian National University
Ph: +61 2 6125 7945.
E: Human.Ethics.Officer@anu.edu.au

Contact Details in Case of Distress

If at any point during your participation in this research you feel overwhelmed or become distressed please contact Lifeline on 13 11 14.

CONSENT FORM

Social Networks and Financial Inclusion in Australia

Researcher: Justin Iu, the Australian National University

1.	I……………………………………………………….(please print name) consent to participate in the Social Networks and Financial Inclusion in Australia research project.	Yes ☐	No ☐
2.	I have read the information sheet for this project and understand its contents. I have had the opportunity to ask questions about the research and had these answered to my satisfaction. My consent is freely given.	Yes ☐	No ☐
3.	I agree for my contact details to be given to the researcher for the purpose of conducting this research project.	Yes ☐	No ☐
4.	I agree to participate in an interview, which should last approximately one hour.	Yes ☐	No ☐
5.	I agree to have my interview audio-recorded.	Yes ☐	No ☐
6.	I agree that the information I provide may be published in a PhD thesis, and in academic journals, books or other publications, however, my name and personal details will not be used.	Yes ☐	No ☐
7.	I understand that it is possible others may guess I am the source of certain information, and that I should avoid disclosing information or making statements to the researcher which is confidential or which is defamatory.	Yes ☐	No ☐
8.	I understand that my personal information will be kept securely and confidentially so far as the law allows.	Yes ☐	No ☐
9.	I understand that I may withdraw from the interview at any time, without providing a reason and that this will not have any adverse consequences for me. If I withdraw, the information I provide will not be used by the project.	Yes ☐	No ☐

Signed ……………….……………………….…………..….. Date ……..………………

Contact Phone Number……………………………………..