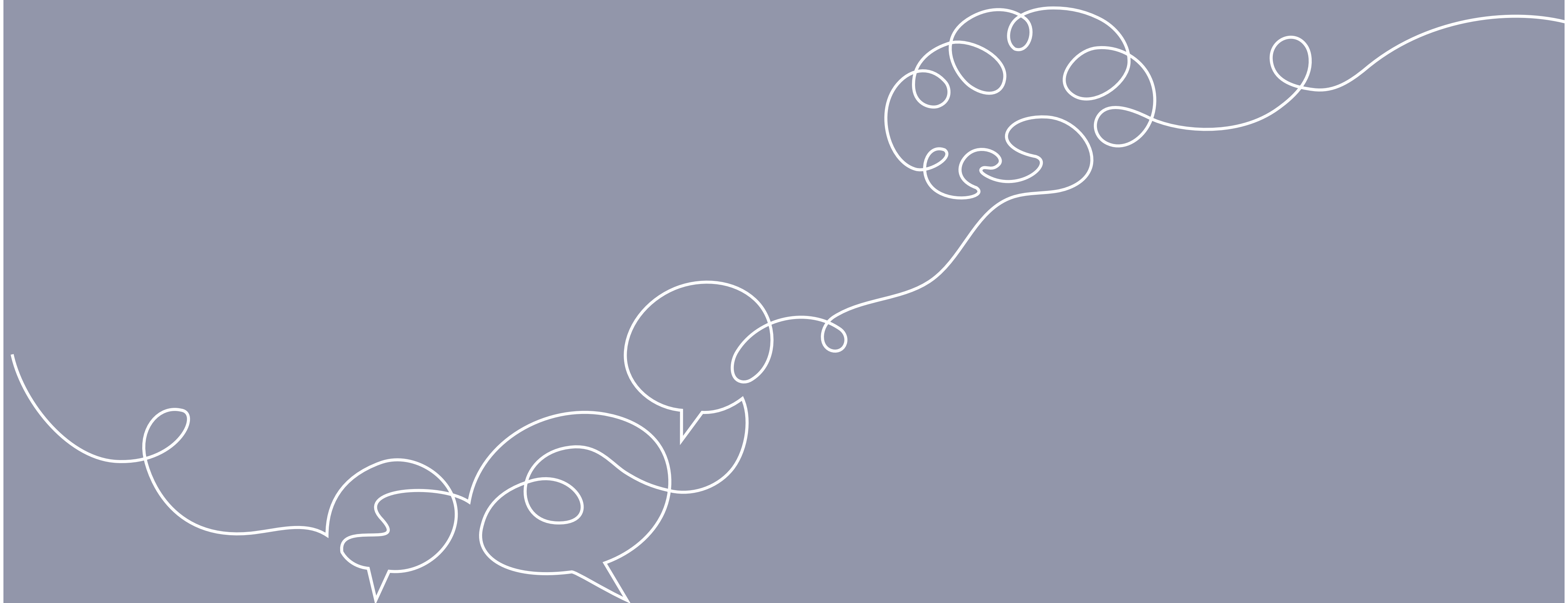

The social network: Who you know could help you save more and other strange stories

In many developing countries, formal institutions while present are weak. In such places, people's social networks play a big role in economic outcomes. These networks act as sources of information, advice, credit and insurance. What are social networks? Imagine a scenario where you get recommended for and land a job through your friends and other connections. That's probably the simplest example of a social network having an economic outcome.

And it's not just jobs but networks through which we share information and trends and other data influence our economic choices. Take the example of social media influencers who 'influence' what we buy. These networks also affect access to markets. The sociologist Jacob Moreno was the first to study social networks by looking at interpersonal relationships. By the 1950s Moreno's methods of study was mathematically formalized and began to be used in disciplines like economics and other social sciences.

Prof. Arun Chandrasekhar studies the role that social networks play in economic development. He looks particularly at how information is disseminated through social networks and how the received information is used. The research also looks at how certain individuals play a key role in how and what sort of information and even technology is diffused through society.

Prof. Chandrasekhar's research centered around villages in Karnataka. The data gathered from looking at how informal networks in these areas function and affect economic outcomes was then analyzed using theoretical modeling, machine learning and other methods.

One of the studies that Chandrasekhar and his colleagues conducted was on the introduction of microcredit in 43 out of 75 villages in Karnataka and 51 out of 102 neighborhoods in Hyderabad. The studies showed that introducing microcredit in these places changed social networks, and in extant unintuitive ways. Those who were least likely to take up microcredit experienced the greatest losses in links, even among sets of friends in which no one was involved in microcredit. And this was accompanied by a loss in the ability to borrow from informal networks for those households.

In another study Chandrasekhar and his colleagues looked at whether individuals save more when their behavior is made observable to another member of the village by sharing with them their self-set savings goals. The idea was that the individual uses a savings account that has the property that it will share with the individual's 'monitor' information about how far they have come in reaching their goals. People who cared about how others perceived them would save more when randomly assigned 'central monitors' who more widely disseminate information and inform others in the network about the saver's progress.

Prof. Chandrasekhar's research has profound implications for policy design and helps inform how best to design strategies for disseminating information, increase financial inclusion, and thus more effectively tackle poverty.