Financial Interdependence: A Social Perspective

Subjects: Business, Finance

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Financial interdependence refers to the practice of sharing money as an expression of mutuality. Forms of financial interdependence are often rooted in cultural norms and values and may be carried out as a commitment to the well-being of the family through financial transfers, practiced as informal savings groups, or even established as legally constructed agreements. Financial interdependence can result in either beneficial or harmful outcomes, depending upon the nature of the relationships and the available resources. As a social and cultural concept, it has been generally neglected in the discourse on financial independence, yet it has important implications for society as a basis for collective prosperity.

financial interdependence | interdependence theory | informal financial practice | ROSCA | family resource management | household sharing | financial socialization | financial resilience | interdependency

Financial interdependence (FI) can be understood as an informal but important arrangement of economic dependence between two or more parties [1] as supported by interdependence theory [2]. Much of the literature related to FI situates the term as either a macroeconomic concept (such as correlated relationships between asset markets) [3] or a practice between two or more individuals in which they depend upon each other for economic support, often in a legal context such as a common-law marriage or business partnership [4]. However, from a cultural practice standpoint, FI is a phenomenon that encompasses the values, social relationships, and material means of individuals, families, and communities to support each other for the purpose of enhancing quality of life and well-being [1]. FI can have important implications for both individuals and communities. Few social science studies approach the topic of FI in such a holistic manner, focusing instead on specific cultural practices, behaviors, and expressions of FI, such as group savings [5][6], conducting remittances [7][8], or intergenerational wealth transfers [9][10]. In the United States and other neo-liberally oriented countries, these practices, behaviors, and concepts are often framed as deviations from the narrative of financial independence, despite their widespread practice. Financial education, policies, and products rooted within a financial independence paradigm espouse self-sufficiency, independence from others, and personal responsibility for financial success. However, in the context of widening wealth gaps, such a myopic approach to financial security is neither realistic nor advisable.

This entry will provide an overview of FI as a concept and practice through a range of theoretical frameworks and themes and explore its applications for improving social well-being.

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