International Journal of Economics, Commerce and Management
United Kingdom Vol. III, Issue 12, December 2015
http://ijecm.co.uk/ ISSN 2348 0386

THE HOUSEHOLD ASSETS AND SUBJECTIVE WELLBEING

A CONCEPTUAL FRAMEWORK

S. K. Naradda Gamage
College of Economics and Trade, Hunan University, Changsha, Hunan, China
naraddagamage@gmail.com

Ihtisham ul Haq
College of Economics and Trade, Hunan University, Changsha, Hunan, China
ihtishamamin_99@yahoo.com

Shavkat Otamurodov
College of Economics and Trade, Hunan University, Changsha, Hunan, China
shavkat175@mail.ru

Abstract

Income diversification and community attachment can play a vital role in subjective wellbeing. Household assets can influence subjective wellbeing in positive manner. However, Income diversification minimizes income volatility and community attachment provides base much required for subjective wellbeing in contemporary age. Previous studies developed conceptual framework for wellbeing without inclusion of income diversification and community attachment as intermediate outcome variables. This study comes up with a conceptual framework that has income diversification and community attachment as latent mediator variables. The introduction of community attachment in conceptual framework gives importance not only to household assets but also to community, environment and safety.

Keywords: Subjective Wellbeing, Financial Assets, Physical Assets, Human Assets, Social Assets, Income Diversification, Community Attachment

INTRODUCTION

The concept of wellbeing has been become one of the key and attractive terms in the development lexicon. The earlier researchers who focused on wellbeing concept like, Levy and Guttman (1975) argued that it is a special case of attitude. However, some of social scientists have considered it as ability to obtain commodities in general. Using capability concept, Sen (1985) defined wellbeing as “ability to function in the society to achieve certain functioning”. People’s capabilities refer to what people do and can do in their lives which are important to maintain human wellbeing.

According to the World Bank (1991), stable macroeconomic policies and economic growth, enhance the productivity; increase the income and the purchasing power, thus determines wellbeing of a country. Besides this, adequate food is a universal need for the wellbeing, as well as, clothes, health treatment, schooling are other determinates of wellbeing. Furthermore, wellbeing also encompasses freedom of choice and action which include being able to help each other and community (Narayan *et al.,* 2000). There is no generally consensus on wellbeing definition. It is frequently tied to financial status, yet wellbeing is broader than economic or material wellbeing alone (Smith and Clay, 2010). It is now accepted as a multidimensional concept.

The two major dimensions of wellbeing are objective and subjective (Cambpell et al, 1976). The objective dimension takes into consideration the socio-economic indices at regional (national) level. It assesses the failure in certain domains of quality of life (Diener and Suh, 1997). On other side, subjective dimension refers to individuals’ cognitive perception as it reveals the subjective evaluation of life (Vennhoven, 2007). However, Kahneman, Krueger, Schkade, Schwarz, and Stone (2004) measures wellbeing as the aggregation of mood over the course of day. This study takes wellbeing as a subjective wellbeing and any income, social, cultural, and metal activity comes under the scope of subjective wellbeing.

Subjective wellbeing is a scientific term for what ordinary people experience as happiness (Seligman & Csikszentmihalyi, 2000). It has considerable attention from many fields including health and social research (Veenhoven, 2008), psychology (Cummins and Nistico, 2002), economics (Easterlin, 2005). Sumner (1996) identified a criterion and defined that subjective wellbeing refers to individuals’ own preferences, ideals, interests, attitudes and values while objective wellbeing does not incorporate individuals’ own preferences, ideals, interests, attitudes and values. Diener et al (2008) posited that there are universal human needs and subjective perceptions are effected by objective wellbeing indirectly through other possible alternatives. Bradburn and Caploovitz (1965) argued that subjective wellbeing has to be composed of three vital components: positive effects, absence of negative effects and satisfaction. Thus, wellbeing can be defined as human being positive evaluation of their lives that include positive emotions, engagement, satisfaction, and meaning (Diener & Seligman, 2004; Kesebir & Diener, 2008). The positive evaluation emphasizes that subjective wellbeing is composed of all mental states which can explain the term positive evaluation. Thus, composition of subjective wellbeing is very wide and constitutes all the mental factors that lead to satisfaction. According to Schimmack et al (2008) wellbeing is a preference realization (subjective wellbeing) and is measured though affective and cognitive measures.

Income or happiness alone is not a sufficient measure of wellbeing. Some indices of wellbeing consider quality of life aspects as the domains of wellbeing including community vitality, democratic engagement, education, environment, healthiness, leisure and culture, living standards, and time use. Some researchers restricted their studies to the economic factors of wellbeing. For instance, Clark & Lelkes (2005) determined income and income related activities as factors of wellbeing. Whereas, Di Tella, MacCulloch, & Oswald (2001) posited that trade-off between inflation and unemployment determine the wellbeing.

This study based upon previous studies restricts itself to subjective wellbeing although there are many dimensions of human wellbeing. Mostly empirical studies restricted themselves to show that how household assets influence to subjective wellbeing. Also one could find empirical research papers that how income diversification leads to wellbeing. Similarly, community attachment which is a border concept than social interaction also got attention from researchers. However, we find that a gap exists between aforementioned factors and how they affect wellbeing. This paper presents a conceptual framework to fill this gap by introducing income diversification and community attachment as intermediate outcome variables in the process of household assets effect on wellbeing. This conceptual framework provide basis for future empirical studies.

LITERATURE REVIEW

Determinants of Wellbeing

Financial, Physical, and Human Asset

Asset ownership is one of the important indicators of welfare. Total household assets (capital) can be divided mainly into two parts, financial assets and non-financial assets. However neo classical economists urged that any form of capital comes under the definition of capital. Thus, household assets consist of financial assets, physical assets, human assets, and social assets. It is a concept of stock which refers to the total value of assets of household at a given time.

Financial assets and its accumulation have great effect on human wellbeing. Luttmer (2005) and Senik (2008) among other researchers demonstrated that income comparison between individuals influence individual wellbeing. The financial well-being is frequently found to have a “U-shaped” age pattern and is considered an important factor of human wellbeing at later stages of the life-cycle (Plagnol, 2011).

Access to physical assets has attracted the attention of researchers. Access and possession of physical assets (land, livestock, farm equipment etc.) play a vital role in enhancing the welfare of households. Riethmuller (2003); Ellis & Freeman (2004); Kristjanson et al. (2004) posited that access to land and non-land assets, when combined with the diversification of enterprises, can boost income of rural households which consequently enhance their wellbeing.

Human assets (capital) refer to intrinsic attributes of individuals that cannot be replaced by technology (Roos et al., 2005) and these attributes composed of personal attitude, skills, knowledge, competence, personal social network, health and work ability, and experience gained over the years (McKie et al., 2008). It is a source of sustainable competitive advantage of a person over others. It is important that how one improves and utilizes it (Nonaka et al., 2011).

From past literature, it can be deduced that household assets determine wellbeing. The individual effect of each of household asset will determine the overall impact of household assets and its total magnitude will be determined by individual impact. Usually human, physical, and social asset has positively effect on wellbeing whether as the impact of financial asset may be positive or negative.

Social Assets

Social assets of household can be discussed using social capital theory. It may be consist of notions of interpersonal trust, belonging to a social network and mutual benefits. There is no commonly acceptable definition of social capital. Bourdieu’s (1986) has conceptualized it as a resource that arises from individual relationships, or simply interactions between individuals. Coleman (1988) stated that it is the creative structure of relationship at individual and group level. Putnam (2000) expressed social capital as norms and values imbedded in social networks. Social capital is widely understood to be the social associations, networks, norms and values which help interaction between individuals and groups and improve their socioeconomic welfare (Grootaert, 1999). Neo classical economists had understood the role of social contact in solving free rider problems, reducing opportunism, and it also has economic mechanisms. It helps through positive externalities in reducing transaction cost, social berries and strengthening people bargaining power. The economic literature regarding game theory (Abreu, 1988) illustrated why cooperation becomes easier when individuals supposed to cooperate more often in the future. Social connection can substitute for missing, legal structures in facilitating many financial transactions (Arrow, 1972). Subjective wellbeing and social capital is positive correlated and this correlation is high in high income countries and social capital measures have sound effects on wellbeing which are well beyond those flowing from economic benefits (Helliwell and Wang, 2010).

Community Attachment

The main idea of community attachment is a sense as the extent to which residents of a place possess cognitive or emotional ties to each other and to that place. It is contextualized as a "rootedness" to place and it reflects the degree to which an individual participates within-community social networks into their awareness of self (Erickson et al. 2012). Community attachment is as a set of systematic linkages that are strongly associated with social integration and involvement in local social relations. However, it also has been given multiple definitions. Stedman (2002) explains as "place attachment as a bond between people and their environment based on cognition and affect". According to Miller (1999) there are three characteristics of community attachment which are satisfaction, local friendship, and involvement in the community. Community attachment usually connected with community's sense of place (Brehm et al., (2006). Furthermore, social interaction in community assistance builds solidarity among residents that improves community attachment (Wilkinson, 1991). Interpersonal interactions in a community have been found to be an important source of social support that leads to wellbeing (Lin, et al., 1986). As well as, some researchers prefer to include life Happiness, inter personal relation, Environment quality as indicators of quality of life generally (Michalos and Zumbo, 2000). Thus, community attachment is not related to social interactions only but also to place. Community attachment can be assessed with multiple item index suggested by Theodori (2004). In the empirical studies, the quantities of social interaction are used as an indicator of community attachment (Theodori, 2001). The community attachment has a significant influence on human wellbeing because of its role as the setting and the mechanism of empirical contact between the individual and society (Wilkinson, 1991). Schumaker and Taylor (1983) recognize a strong positive correlation between satisfaction and community attachment.

Income Diversification

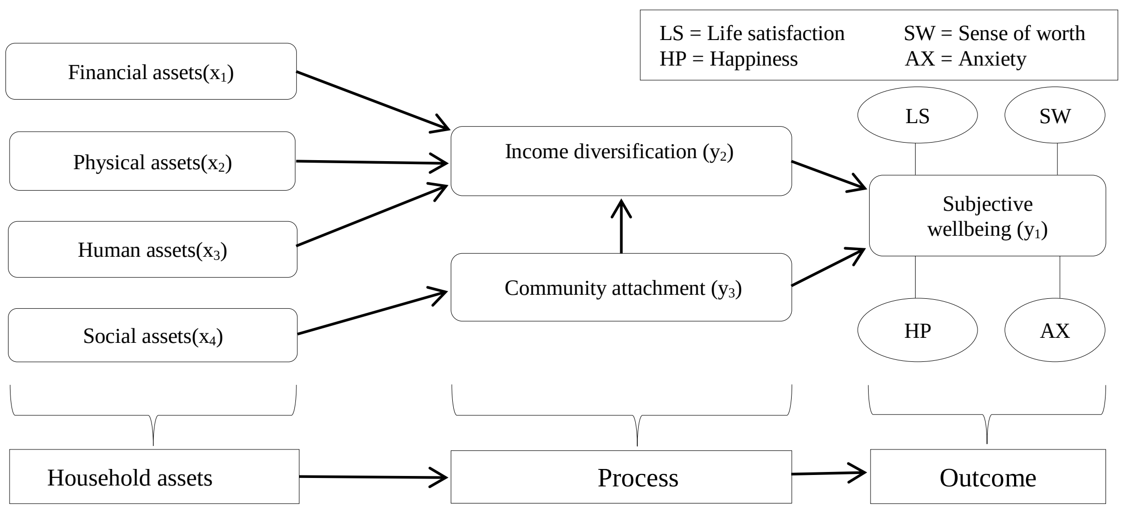
There are many studies in the literature on the relationship between income diversification and household wellbeing. The income diversification depends on access to the different types of household assets, like human, physical, and social capital. There are two aspects of income diversification. It is a move away from agricultural activities and as a growing mix of income activities, socio-economic status and access to financial market. Recent empirical studies clarify that rural households are increasingly diversifying their income sources by combining farm and non-farm activities to sustain their livelihoods. Kinsley et al. (1998) state there is a positive correlation between income diversification and wealth as it reduces livelihood vulnerability. Ellis (2000) pointed out that household asset, education, access to credit, endowment, and good level of infrastructure increase the levels of household diversification. Barett and Reardon (2000); Escobal (2001); Ersado (2006); and Minot *et al., (*2006) have examined the effects of income diversification on poverty reduction. World Bank (2007) explained that besides agricultural entrepreneurship, the rural labor market, the diversification of activities and migration can alleviate rural poverty. Households can access to a range of assets or resources in which they can involve themselves in farm or non-farm activities or in both (Scoones, 1998). Idowu et al. (2011) argue that the potential for participation in non-farm activities is influenced by household specific factors along with other social, economic and environmental factors. Diversification of income is considered as an effective way to increase household wellbeing.

Conceptual Framework

After given brief background of all concerned variable we can move to our proposed conceptual framework. This paper conceptualized different type of household assets effects on the subjective wellbeing. Household assets impact on the subjective wellbeing is not a direct path and is being mediated by Income diversification and community attachment. We believe that there is no single study to identify community attachment as mediator in the process and also outcome of social assets. Community attachment is broader concept than social assets as it encompasses environmental quality. This conceptual framework consists of set of exogenous latent variables as namely; financial assets (x_1), physical assets (x_2), human assets (x_3), and social assets (x_4). Community attachment (y_3), income diversification (y_2), and subjective wellbeing (y_1) will be used as a set of endogenous.

The proposed household assets based subjective wellbeing framework is shown in Figure 1. This figure has three columns and the arrows depict the direction of causation. Household assets are shown in first column. Income diversification and community attachment are presented in second column. Both of these are mediators and household assets influence them subjective wellbeing which is outcome, portrayed in the third column. Household assets can affect subjective wellbeing in possible two ways. First, household assets generate income diversification which leads to subjective wellbeing. Second, household assets influence income diversification through community attachment. Community attachment is basically person's attachment to society and place. If members of the community own society and place, the community enriches socially, economically and ecologically. Safety of society members and their property can be insured only if members possess community attachment. In this process, social capital plays an import role as community attachment encompasses social capital. Income diversification plays an important role in reducing exposure to income shocks, while community attachment makes people to protect place and improve environment quality. The issues related to environment are very important to subjective wellbeing nowadays. We think that community attachment is as vital for subjective wellbeing as income diversification.

Figure 1: Proposed Household Assets Based Subjective Wellbeing Framework



The expected outcome of wellbeing determinants are given in Table 1. We expect that human, physical, and social assets along with income diversification and community attachment has positive impact on subjective wellbeing whereas the impact of financial assets may be positive or negative depends on other exogenous factors.

Table 1: Research Variables Descriptions and Expected Sign

Variables	Expected sign
Endogenous latent variables	
Subjective wellbeing(y_1)	
Community attachment (y_2)	+
Income diversification(y_3)	+
Exogenous latent variables	
Social assets (x_1)	+
Financial assets(x_2)	+/-
Human assets (x_3)	+
Physical assets(x_4)	+

CONCLUSION

This study discussed the possible determinants of subjective wellbeing and proposed a conceptual framework for subjective wellbeing. The past literature helped us to know that how much income diversification and community attachment is important in sustainable wellbeing. Similarly, to the best of our knowledge, there is no single study related to wellbeing in which income diversification and community attachment worked as intermediate outcome in the process that how household assets effect wellbeing. Our proposed conceptual framework showed the possible causal direction from household assets to wellbeing through income diversification and community attachment.

Income diversification is the outcome of household assets in her portfolio that consequently reduce risk to income shock in one of the sources from household assets. This is very vital to sustainable wellbeing. Similarly, community attachment is also a key to sustainable wellbeing. Community attachment is basically person's attachment to society and place. If members of the community own community and place, the community and society enriches socially, economically and ecologically. Safety of society members and their property can be insured only if members possess community attachment.

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