CHAPTER III
SOCIAL CAPITAL:
A THEORETICAL OVERVIEW

♦ Introduction
♦ Evolution of the concept
♦ Defining social capital
♦ Features of social capital
♦ Dimensions of social capital
♦ Levels of social capital
♦ Networks
♦ Shared norms, values and understanding
♦ Types of social capital
♦ Benefits of social capital
♦ Negative social capital
♦ Factors affecting social capital
♦ Social capital and poverty
♦ Social capital and human capital
♦ Social capital and collective action
♦ Social capital and economic development
♦ Social capital in organizations
♦ Role of social capital in microfinance
♦ Social capital of business enterprises
♦ Building social capital
♦ The process of social capital and learning outcomes
♦ Elements of social capital
♦ Model of simultaneous building
♦ Quality of social capital used and built in interactions
♦ Social capital of community and society
♦ Avenues of social capital formation
♦ Religion and social capital
♦ Government and social capital
♦ Social capital: groups and local associations
♦ Social capital: political parties and trade unions
♦ Internet and social capital
♦ Self help groups and social capital formation
♦ References
3.1. Introduction

There is a growing recognition that differences in economic outcomes, whether at the level of the individual or household or at the level of the state, cannot be explained fully by differences in traditional inputs such as land, labour and physical capital. The role of ‘social capital’ in improving the productivity of these traditional inputs and thus contributing to the wellbeing of households and the development of communities and nations is increasingly gaining attention. The positive association identified between success rate of development programmes and the level of social capital existing in the community is one reason for this. Thus various issues such as what is social capital, how to measure it, how can it be generated, how it can be used more effectively for mutual benefit and development, etc are increasingly becoming vital for policy makers as well as for practitioners and researchers.

In the words of Oliveira, “Civic virtues, such as solidarity, reciprocity, trust and cooperation for the mutual benefit, are old notions that today are gaining new meaning and value. In each and every community, no matter how poor, resources - in the sense of social capital - are available, and almost always on a scale greater than imagined by an external observer. The challenge for policymakers is to identify and mobilise this local social capital, and then tailor programmes and public services after it so that beneficiaries can fully participate in their design and implementation and in the resulting actions”.

3.2. Evolution of the concept

The concept of social capital is not new. It is linked to concepts such as civil society and social connectedness. The history of the idea has deep and diverse roots that can be traced to eighteenth and nineteenth centuries. Though the term was not used, the concept is linked to historical authors such as Durkheim, Simmel, Marx and Weber among others and to theories such as social exchange theory and psychological contract theory. Researchers have identified links between the
discussions of Aristotle and other early Greek philosophers on civic society and social capital theory.

The term social capital was first used by L.J. Hanifan, a social reformer, in 1916, to refer to 'goodwill, fellowship, mutual sympathy, and social intercourse among a group of individuals and families. In his words:

"I do not refer to real estate, or to personal property or to cold cash, but rather to that in life which tends to make these tangible substances count for most in the daily lives of people, namely, goodwill, fellowship, mutual sympathy and social intercourse among a group of individuals and families who make up a social unit… If he may come into contact with his neighbor, and they with other neighbors, there will be an accumulation of social capital, which may immediately satisfy his social needs and which may bear a social potentiality sufficient to the substantial improvement of living conditions in the whole community. The community as a whole will benefit by the cooperation of all its parts, while the individual will find in his associations the advantages of the help, the sympathy, and the fellowship of his neighbors” (Hanifan 1916).

Woolcock and Narayan give a brief overview of the subsequent development of the concept:

“After Hanifan the idea of social capital disappeared for several decades but was reinvented in the 1950s by a team of Canadian urban sociologists (Seely, Sim and Loosely,1956), in the 1960s by an exchange theorist (Homans,1961), and an urban scholar (Jacobs, 1961), and in the 1970s by an economist (Loury,1977). The seminal research by Coleman (1988) on education and by Putnam (1993) on civic Participation and institutional performance, however, has the inspiration for most of the current work”.

The modern development of the concept came from mainly three authors Bourdieu, Coleman and Putnam with many others from various fields contributing to the growth of a multidisciplinary theory.
Bourdieu is responsible for bringing the concept of social capital into present-day discussions. In his view, social capital facilitates intra-group identification, trust and normativity—that is, mutual recognition, solidarity, and obligations among individual group members. Yet, it equally promotes inter-group distrust and conflicts between and among groups whose networks of trust and social norms are dependent upon suspicion, misrecognition or exclusion of others’ networks and norms (Lewandowski 2008).

The concept of social capital has, in recent years, been recognised by sociologists and economists as an adjunct to traditional forms of capital: financial, physical and human. It is network memberships that enable command over scarce resources. Social capital does not constitute the resources themselves but rather the ability of the individual to mobilize those resources on demand.

James Coleman (1988), views upon social capital as something that rests in social structures and creates productive outcomes. He explores how the productive nature of social capital might offset deficiencies in other forms of capital such as human and cultural capital (Teachman et al. 1997).

Robert Putnam, a political scientist enjoys the credit of popularizing the concept of social capital through his study of civic engagement in Italy. The study found that where trust is high, development is also high. His study about decline in social capital in America made the idea a subject for wide academic deliberation and research.

Since 1990s literature on social capital has been growing at an amazing pace with contributions by people from various fields including economics, business, psychology, health, and education.

3.3. Defining social capital

According to John Field (2003), the central thesis of social capital theory is that 'relationships matter'. The key idea is that 'social networks are a valuable asset'. Interaction enables people to build communities, to commit themselves to each other, and to knit the social fabric. A sense of belonging and the concrete experience
of social networks (and the relationships of trust and tolerance that can be involved) can, it is argued, bring great benefits to people (Olivera). The idea, originally proposed by L.J. Hnifan (1916), and popularized recently by Robert Putnam has been adopted by the World Bank as a major research arena in view of promoting it as a social antidote to the problem of prevalent economic and societal underdevelopment. Management experts think of it as a way of fostering organizational effectiveness. A growing body of research suggests that where trust and social networks flourish, individuals, firms, neighbourhoods, and even nations prosper economically. Social capital can help to mitigate the insidious effects of socio-economic backwardness.

Very broadly, social capital refers to the social relationships between people that enable productive outcomes. The creation of social capital has been considered a possible solution for social problems as diverse as poverty, crime, economic underdevelopment, corruption, and inefficient government. It was the French sociologist Pierre Bourdieu (1980) who brought the concept into present-day discussions. He defines social capital as “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”.

James Coleman, an American sociologist, defines social capital as “a variety of entities with two elements in common: they all consist of some aspect of social structure, and they facilitate certain actions of actors...within the structure” – that is, social capital is anything that facilitates individual or collective action, generated by networks of relationships, reciprocity, trust, and social norms.

Robert Putnam, an American political scientist, transformed the concept from an individual or group based perspective into one of the nature of an attribute of the community. According to Putnam, Social capital refers to “the features of social organization, such as trust, norms, and networks that can improve the
efficiency of society by facilitating coordinated actions” (Putnam et al. 1993). For Putnam, social capital, despite its potential dark side in the form of closed networks and clientism, is on balance a productive resource that enables the democratic resolution of collective action problems, “greases the wheels that allow communities to advance smoothly,” and develops and maintains “character traits that are good for the rest of society” (Putnam, 2000).

3.4. Some other definitions of social capital are:

‘Social capital is about the value of social networks, bonding similar people and bridging between diverse people with norms of reciprocity’ (Dekker and Uslaner 2001).

'The goodwill available to individuals or groups. Its source lies in the structure and content of the actor's social relations. Its effects flow from the information, influence, and solidarity it makes available to the actor' (Adler and Kwon 2002, p. 23).

Social capital is something “made up of social obligations (‘connections’), which is convertible, in certain conditions, into economic capital and may be institutionalized in the form of a title of nobility” (Bourdieu 1986, p. 243).

According to Adler and Kwon (2002, p. 17), social capital refers to the ‘goodwill that is engendered by the fabric of social relations and that can be mobilized to facilitate action’.

"Social capital refers to the institutions, relationships, and norms that shape the quality and quantity of a society's social interactions. Social capital is not just the sum of the institutions which underpin a society; it is the glue that holds them together." (World Bank, 2001).

‘The number of people who can be expected to provide support and the resources those people have at their disposal’ (Boxman et al. 1991, p. 52).

‘Friends, colleagues, and more general contacts through whom you receive opportunities to use your financial and human capital’ (Burt 1992, p. 9).
'the ability of actors to secure benefits by virtue of membership in social networks or other social structures' (Burt 1992, p. 9).

'Social capital is defined by its function. It is not a single entity, but a variety of different entities having two characteristics in common: They all consist of some aspect of social structure, and they facilitate certain actions of individuals who are within the structure' (Coleman 1990, p. 302).

The Australian Bureau of Statistics (ABS) adopted the following definition: "social relations of mutual benefits characterized by norms of trust and reciprocity" (ABS, 2000).

"The ability of people to work together for common purposes in groups and organizations" (Fukuyama 1995, p-10).

'Social capital can be defined simply as the existence of a certain set of informal values or norms shared among members of a group that permit cooperation among them' (Fukuyama 1997).

'Features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit' (Putnam 1995, p.67).

'naturally occurring social relationships among persons which promote or assist the acquisition of skills and traits valued in the marketplace. . . an asset which may be as significant as financial bequests in accounting for the maintenance of inequality in our society' (Loury 1992, p. 100).

"Investment in social relations with expected returns in the marketplace". Nan Lin. Statistics New Zealand considers social capital to be “relationships among actors (individuals, groups, and/or organisations) that create a capacity to act for mutual benefit or a common purpose”. They further add that "social capital is the social resource that is embodied in the relations between people. It resides in and stems from contact, communication, sharing, co-operation and trust that are inherent in ongoing relationships" (Spellerberg, 2001).

'The sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or
social unit. Social capital thus comprises both the network and the assets that may be mobilized through that network' (Nahapiet and Ghoshal 1998, p. 243).

“Social capital is a person’s or group’s sympathy toward another person or group that may produce a potential benefit, advantage, and preferential treatment for another person or group of persons beyond that expected in an exchange relationship.” Lindon J. Robison.

All studies discuss social capital in relation to the particular discipline, study level, and context and this study adopts the following definition and conceptualization for social capital.

“All formal and informal relationships among people, groups and institutions that are expected to bring productive outcomes”.

“Relationships among actors (individuals, groups, and/or organizations) that create a capacity to act for mutual benefit or a common purpose. (Statistics New Zealand 2002:3).

3.5. Features of social capital

The important features of social capital as identified by prominent authors on the subject are given below:

1. “Social capital has no finite basis, as does physical capital, nor does it display clearly observable bases, as in the case of human capital. Rather, social capital inheres in the structure of relations between actors and among actors’. Forms of social capital, then, are aspects of social structure that facilitate action (Coleman 1988).

2. “Where as economic capital is in people's bank accounts and human capital is inside their heads, social capital inheres in the structure of their relationships. To possess social capital, a person must be related to others, and it is these others, not himself, who are the actual source of his or her advantage” (Portes, 1998).
3. It can be used for multiple purposes and can be converted to other forms of capital;
4. It requires maintenance, and it may depreciate with non-use, but not with use.
5. It cannot be ‘owned’ by an individual, nor can it be traded. It is a ‘public good’.
6. It exists only where there is mutual commitment and cooperation from contributing parties (Adler & Kwon 1999, Uphoff & Krishna 1999).
7. It is both a public and private good. (Putnam 1993).
8. Social capital is field specific. An actor’s high social capital in a particular field may not automatically benefit him outside that field. (Tura and Harmakorpi, 2005).
9. Social capital can develop only if people are willing (Shortall 2008).

3.6. Aspects of Social Capital

Social capital theory covers various aspects such as dimensions, levels, types, determinants, benefits and downsides. The dimensions are structural and cognitive including trust, rules and norms governing social action, types of social interactions and network resources. Interrelations and interactions at various levels such as family, community, professions, and countries is another dimension of social capital. Social capital can be classified into different types such as bonding or bridging relations (horizontal or vertical), weak or strong relations open or closed relations or geographically dispersed or circumscribed relations, etc. The nature and the quality of social capital is determined by various factors such as history and culture, socio-economic stratification in the community, strength and characteristics of civic society, families and kinship connections, institutional and policy framework and rules, norms that regulate public life, etc.

3.7. Levels of Social Capital

Gomez and Santor (2001) points out three levels at which Social capital can be defined: Country, community and the individual. At the country level, social capital is viewed as the generalized trust worthiness of Government or other societal
institutions. This includes the willingness to participate in civil society, obey the law and a general efficacy in the workings of civil administration. At the community level, in their words “social capital exists as ‘neighbourhood networks’, or as Putnam (1995) suggests, it signifies “features of social life – networks, norms, and trusts – that enable participants to act together more effectively to pursue shared objectives.” That is, social capital could be thought of as the extent and quality of connections within communities”. At individual level, “Social capital is that individual’s social characteristics – including charisma, status and access to networks – that enable that person to extract private returns from interactions with others (Glaesar et al (2000)).”

3.8. Dimensions of Social Capital

Nahapiet and Ghoshal (1998), suggest that social capital should be considered in terms of three different dimensions- structural, relational and cognitive.

Structural dimensions of social capital relate to an individual’s ability to make weak and strong ties to others within a system. This dimension focuses on the advantages derived from the configuration of an actor's either individual or collective network. It is concerned with types of network members and the resources they can share with others. Multiple ties across different fields of expertise provide social capital, leading to greater benefits for the organisation or individual (Burt, 1997).

The relational dimension focuses on the character of the connection between individuals. This is best characterized through trust of others and their cooperation and the identification an individual has within a network. It refers to ‘the kind of personal relationships people have developed with each other through a history of interactions’ (Nahapiet and Ghoshal, 1998, p. 244). The behavioral norms governing social interaction such as trust and reciprocity are considered important here.

The cognitive dimension is concerned with the codes, language or narratives (myths and stories) shared across organisations and networks. Authors have referred
to these antecedents as shared values, culture or goals (Inkpen and Tsang, 2005; Tsai and Ghoshal, 1998). Shared values and understandings benefit members by reducing conflicts and risk in relationships. These are often considered a valuable business asset as it helps to create belongingness and improve cohesion, efficiency, productivity and collective learning.

Networks:

Formal and informal networks are central to the concept of social capital. They are defined as the personal relationships which are accumulated when people interact with each other in families, work places, neighbourhoods, local associations and a range of informal and formal meeting places (ABS, 2000). Depending up on the nature of networks formed, there can be bonding, bridging or linking social capital. Networks of social relations may be large or small and formal or informal. In discussing formal, informal networks, Putnam (1998) suggests that informal networks include relationships people have with their families, partners, friends and neighbours; whereas formal networks include relationships at work, within community groups and churches, and with formal bodies such as businesses and governments. In this way, social capital can be thought of as comprising four broad groupings: informal structures, formal structures, informal norms and formal norms.

Fig: 3.1. Structures and norms in social capital

Putnam suggests that the existence of networks lowers the cost of transactions between members of the community. They also foster norms of reciprocity, improve flow of information about trustworthiness of other members of the community, and reinforce a community culture (tradition) of the worthiness of collaboration. Putnam emphasises the importance of the ‘horizontal’ nature of networks. Flora (1998) and Woolcock (1998), suggest that vertical networks which link a locality to resource centres and organisations at a regional or State level, are essential for the macro forms of social capital necessary for economic development. Other features of networks considered important include network density and diversity, interlinking and overlaps of networks, network inclusiveness, and flexibility of networks.

**Shared norms, values and understandings**

Shared norms, values and understandings relate to shared attitudes about behaviour which are common in society and which are accepted by most individuals and groups as a "good thing" to do. Norms governing network behavior relate to trust, unity and reciprocity.

**Trust**

The trust, others place in an actor itself is a kind of capital. Trust capital signifies the resources and benefits one can activate because of his reputation for being trustworthy (Esser 2000). It is this that helps to obtain strategic information, resources and services even if costs of abuse of trust are high. Trust emerges from the actor’s reliability in keeping promises.

Within informal networks individuals have what is called particularized trust; a trust that is specific to the individual a person knows. This is different to the trust people have for strangers since the integrity of a stranger cannot be predicted with the same certainty as it can for a person known to the individual. The trust afforded to strangers is by its very nature generalized and is termed ‘generalized trust’. Trust in formal networks, which is referred to as institutional trust, is similarly general because it is not aimed at individuals but rather at institutions and relates to, for
example, trust of ‘the government’, of ‘the police’ or of ‘the church’ (Western et al. 2005).

Trust is the ingredient in relationships that enable cooperation. It sustains relationships, enhances commitment, and acts like a lubricant that makes groups or organisation run effectively (Fukuyama 1995; Dasgupta 2005).

**Unity**

Unity is a feeling of belonging to a network together with the feeling that a two-way relationship exists between the individual and the network. It creates a sense of mutual ownership of the task and a two-way relationship between the institution and individuals.

**Reciprocity**

Reciprocity concerns the exchanges that take place within a network. Individuals are likely to offer assistance to others if they believe that in the future the assistance will be reciprocated. Volunteering is a good example of reciprocity within a formal context where an individual may feel that he/she is ‘giving something back’ to the community. Trust, unity and reciprocity are closely related.

For the normative dimension, a high level of social capital is indicated by particularized trust, generalized trust, unity and reciprocity. High levels of social capital are associated with high levels of trust, unity and reciprocity in informal networks, such as family and friendship networks, and in formal networks such as the community at large, local groups and associations and institutions.

Davies and Ryals (2010) in their study of fair trade organisations in UK highlight the importance of ‘shared values’, ‘desired values’ and ‘assimilated values’ in the success of fair trade. In their words:

“The shared value of third world development or co-operation was an important driver for the creation of relationships. Partner selection included a distinct preference for organisations with similar values and beliefs, particularly during the formative years of all three case organisations”.
With regard to financial performance their study suggests that “possession of desired values is extremely valuable for financial performance. More often than not, relationships formed through desired values led to the highest level of resource exchange”.

Kilpatrick (1999) considers norms as part of communities’ attitudinal infrastructure. In his words, “Trust, the values, norms, attitudes and visions that are shared, and the degree to which community members are prepared to act on behalf of others without an immediate return (reciprocity) are part of the community’s value/attitudinal infrastructure”. According to him, “The degree to which values, norms and visions are shared with the community will influence the outcomes of interpersonal interactions, by affecting the ease with which community members interact and the degree of sharing of knowledge resources which occurs”.

3.9. Types of Social Capital

Different types of social capital can be described in terms of different types of networks (Putnam, 2000).

**Bonding social capital:**

Bonding social capital is made up of closer connections between people and is characterized by strong bonds e.g. among family members or close friends. It is good for "getting by" in life. It connects similarity and enables cooperation. A high level of such social capital is seen in situations where there are cohesive networks of considerable density and where interactions are governed by norms of trust and reciprocity. Cohesive and strong communities, therefore, are characterized by high levels of bonding social capital, where as weak communities are characterized by low levels of social capital. But bonding social capital need not always be good for an economy. Horizontal associations can hinder growth as they may encourage special interests and group lobbying that are against the wider interests of the society. Highly cohesive communities may promote policies of exclusion and can be resistant to changes.
Bridging social capital:

Bridging social capital is described as more distant connections between people and comprises of weaker but more cross-cutting ties. These are less dense than bonding social capital and it cuts across groups rather than within them. Bridges are characterized by heterogeneity of membership that entails ties that cut across characteristics of social groups such as gender, wealth, religion, etc. (Krishna and Shrader 1998). It is good for "getting ahead" in life e.g. connections with business associates, acquaintances, friends of friends, etc.

Linking Social Capital:

Links are connections with people in positions of power and is characterized by relations between those within a hierarchy where there are differing levels of power; it is good for accessing support from formal institutions. It is concerned with relations between people who are not on an equal footing. According to Woolcock (2002), “the capacity to leverage resources, ideas and information from formal institutions beyond the community is a key function of linking social capital”.

The distinction between bonding and bridging social capital is important because the impact of social capital depends on the form it takes in different circumstances. For instance, in childhood and old age, bonding social capital is more important to health. However, as people seek employment, bridging social capital becomes more important. Links are merely a special case of bridges and are measures of the bridges people have with authoritative organizations (Putnam. et al., 1993, 2000). Where bridging social capital is essentially horizontal (that is, connecting people with more or less equal social standing), linking social capital is more vertical, connecting people to key political (and other) resources and economic institutions—that is, across power differentials. Links are important in the development context where those working in NGOs, other agencies and institutions play a key role in providing local communities with access to information, resources and support system necessary for development. Studies reveal that it is an appropriate combination of bonding, bridging and linking social capital that is responsible for the observed outcomes of social capital.
3.10. Benefits of Social capital

In the words of Putnam (1995), “For a variety of reasons life is easier in a community blessed with a substantial stock of social capital. In the first place, networks of civic engagement foster sturdy norms of generalized reciprocity and encourage the emergence of social trust. Such networks facilitate coordination and communication, amplify reputations, and thus allow dilemmas of collective action to be resolved. When economic and political negotiation is embedded in dense networks of social interaction, incentives for opportunism are reduced. At the same time, networks of civic engagement embody past success of collaboration, which can serve as a cultural template for future collaboration. Finally, dense networks of interaction probably broaden the participants' sense of self, developing the "I" into the "we", or (in the language of rational-choice theorists) enhancing the participants' "taste" for collective benefits”.

Thus, the formation of social capital has been highlighted as a solution for a wide variety of human problems. Researchers from various fields have also reported empirical evidences for many such propositions. In the words of Boix and Posner (1998) “the creation of social capital has been embraced as a solution for social problems as diverse as urban poverty and crime, economic underdevelopment and inefficient government”. Social capital has been promoted as the missing link in development (Grootaert, 1998). “It is frequently seen as a panacea for the ills of social and economic exclusion, and deprivation and as a way of rebuilding the social and economic foundations of distressed communities by promoting horizontal forms of association and mutual support amongst such communities, and by linking the disadvantaged and excluded in vertical forms of association with those in power. By building social capital in distressed areas, employability will improve, employment rates will increase, social ills will decrease, and overall economic development and economic inclusion will occur. Moreover, all this will be done at the grass roots level by the people themselves”, (Miles and Tully, 2006). Putnam (2000) and Fukuyama (1995) argue that social capital will lead to civic communities having better educated children, safer neighbourhoods, more favourable social welfare
indicators, stronger economies, and a healthier and more personally satisfied populace.

Esser (2008), while discussing individual and collective aspects of social capital, identifies six typical forms of resources or benefits associated with social capital. They are:

1. Access to information and a certain kind of social life through relationships.
2. Readiness of actors to become trustfully involved in risky ventures with other actors.
3. The production of support, help and solidarity.
4. The availability of social control and a certain level of attention to the fate and action of other members of a network like in family, among relatives or neighbourhood.
5. A climate of trust in the network like among colleagues at a research institute.
6. Validity of norms, values and morality within a group, organisation or society.

Esser considers the first three as private good originating from individual efforts or relational capital of the individual. The other three are collective phenomena -public good - that cannot be produced through individual effort alone and is the fruit of the system capital prevailing in the network.

Porta et al, (1997) finds that across countries, a one-standard deviation increase in their measure of trust increases judicial efficiency by 0.7 of a standard deviation and reduce government corruption by 0.3 of a standard deviation. Other authors have found connections between social capital and health at the individual level. There is also a clear correlation between membership in organizations and self-reported happiness (Glaeser, E. L. (2001).

Other benefits identified by researchers include:

1. The prospects of getting employed improve with social capital.
2. High social capital is associated with better individual wellbeing.
3. Social capital enhances information flows, reduces transaction costs and lowers risk associated with economic activities.
4. Social capital is a key factor in creating successful, economically inclusive clusters of firms.
5. It facilitates knowledge creation and sharing within and across organisations.
6. It facilitates transfer of technology.
7. It strengthens democracy.
8. Social capital has deep impact on child development—opportunities and choices, educational achievement, attitudes and personality development.
9. In high social-capital areas public spaces are cleaner, people are friendlier, and the streets are safer with lower crime rates.
10. High social capital shows strong association with better health and researchers attribute a cause effect relation between the two.

3.11. Negative Social Capital

Social Capital may also have undesirable outcomes. The same type of social ties that lead to a wide variety of benefits may also exhibit some downsides with serious negative consequences. It is often a double edged sword. As Woolcock and Narayan point out “There are also costs in that these same ties can place considerable non-economic claims on members’ sense of obligation and commitment, with negative economic consequences. Group loyalties may be so strong that they isolate members from information about job opportunities, foster a climate of ridicule towards efforts to study and work hard or siphon off hard-won assets”. The same ties that bind also exclude. Powerful networks can restrict access to opportunities, for example the caste system in India, with its rigid boundaries restricted social mobility to the deprived for a long time. Social capital often fetters individual freedom.

Some authors are of the view that negative social capital is the result of a disproportionate amount of bonding and bridging connections. Without ‘bridging’ social capital, ‘bonding’ groups can become isolated and disenfranchised from the rest of society and, most importantly, from groups with which bridging must occur.
in order to denote an "increase" in social capital. Excessive bonding may produce more harmful effects than benefits and the operations of criminal gangs, corruption and cronyism are commonly cited examples. The strengthening of insular ties can lead to a variety of effects such as ethnic marginalization or social isolation. In extreme cases even ethnic cleansing may result if the relationship between different groups is so strongly negative.

3.12. Factors affecting social capital

Authors differ widely with regard to their opinion on the factors responsible for social capital stock of individuals and communities. Factors identified include:

- **Social structure**: Communities based on egalitarian social structures tend to have higher social capital stock compared to those fostering inequalities. Exploitative social order, as in the case of a major part of India, promotes disparity of all kinds leading to erosion of trust among social groups. Studies show that in India, dominant caste/class groups or factions have been able to capture most of the benefits of government welfare and developmental programmes. Divisive social norms have destroyed trust and social capital in villages making collective action very difficult. The social capital in such communities sets examples for negative social capital as the norms of social order primarily work to legitimize injustice and promote exclusion. Regarding individuals, one may be endowed with better access to social capital as a result of his parents or family enjoying high socio-economic status in the community. The position of the family in the social structure is considered an important source of social capital. Families placed in the upper strata of the social structure are able to access diverse networks possessing varied kinds of resources while those in lower strata suffer.

- **Education**: Education is considered an important factor influencing the social capital stock. It provides people the capacity to interact and socialize easily with strangers. Self confidence and perception of the ability of individual to contribute and influence the environment are important factors in social capital formation.
• **Past experience of collective action:** Social capital is produced by opportunities for collective action. According to Boix and Posner (1998) repeated cooperation increases the available stock of social capital, and high stocks of social capital, in turn, make it possible to sustain social cooperation.

• **Strong Leadership:** Strong and effective leadership, has been considered effective in building social capital and ensuring collective action in traditional as well as modern communities. Good and able leaders are respected, listened to carefully and their directions are complied with. Kilpatrick describes leadership as a part of communities’ interactional infrastructure. According to him, “The quality of leadership and its distribution in a community can facilitate and co-ordinate access to social capital resources within and outside a community. Leadership is part of a community’s interactional infrastructure.”

• **Memories of collective sufferings:** Communities bearing the prints of massive mishaps and disasters are more likely to maintain higher levels of sociability and cooperation and develop faster. The growth of Japan after World War II and the society oriented culture of its people are often cited as examples.

• **Age:** Young people are found to be more particular in building social capital as they hope to stay on the planet for many more years. As people grow old, they slowly withdraw from creating many more connections for various reasons including health.

• **Home ownership and period of stay in an area:** These are found to be important in determining peoples’ investment in social capital. Long period of stay leads to higher social capital stocks due to long term interaction and spread of kin and kith relationships. Home owners nurture social capital purposefully as it is necessary for protection and maintenance of the property and other interests.

3.13. Social Capital and Poverty

The basic idea of social capital is that one’s family, friends, and associates constitute an important asset, one that can be called upon in a crisis, enjoyed for its
own sake, and/or leveraged for material gains. In the development literature, those communities endowed with a rich stock of social networks and civic associations have been shown to be in a stronger position to confront poverty and vulnerability and share beneficial information. Poverty and vulnerability are not purely economic phenomena, reflecting what people have; they are also social phenomena, reflecting who they are. The south Asia region is characterized by various kinds of historically entrenched group-based inequalities. Caste, ethnicity and religion exacerbate the economic dimensions of poverty and vulnerability through processes of cultural devaluation which assign certain groups of people a lower position in the social hierarchy (Kabeer 2005). The poor depend largely on social relationships than on material assets. These include relations with authorities and community organisations, gender relationships, and the ability (but often unfulfilled desire) to participate in civil society. Thus poverty is not simply a lack of material resources (Spicker 2007). A defining feature of being poor is that one is not a member of-or is even actively excluded from-certain social networks and institutions that could be used to secure good jobs and decent housing (Wilson, 1996). Without access to employment information networks, residents of inner city ghettos find themselves trapped into low wage occupations. Living on the margins of existence, the social capital of the poor is the only asset they can potentially draw upon to help negotiate their way through an unpredictable and unforgiving world. As Dordick (1997) notes, “the very poor have “something left to lose”, namely each other. While much of the discourse surrounding poor people and poor economies is one of deficits, a virtue of the social capital perspective is that it allows theorists, policymakers, and practitioners to take an approach based on assets.” The social capital concept highlights the idea that people or groups with the “right” types of social connections can more effectively employ other types of capital they possess (such as financial resources, knowledge, skills, and abilities) to achieve their goals than can people or groups with social connections of a different type. People with the right connections occupy a position in the network of social exchanges that allows them to bring their resources to bear on problems in a more timely and effective manner (Burt, 2000; Portes, 1998).
The fight against poverty means strengthening the capacity of people and communities to satisfy their needs, solve problems and improve their quality of life through their active participation and involvement to which end creation of social is perhaps the most effective strategy.

**Social Capital – A remedy to “Social Darwinism”**

Woodworth (2006), points out Social Capital as an antidote to “Social Darwinism” a term he used to describe the idea of “survival of the fittest” in the human society. In his words “To me, social capital is an intangible, yet significant, resource that bridges human relationships through common or shared interests. It generates a sense of mutual interdependence in which human beings develop a level of confidence and interest in one another, along with respect and willingness to help each other. I suggest that micro credit approaches must have a high degree of social capital. Micro credit is not just about money. It is not simply a financial construct. Instead, genuine micro credit must generate social dynamics between the borrowers during their acquisition of micro loans and their progress out of poverty”.

3.14. Social capital and Human capital

The human development (HD) approach to development emerged in the late 1980s on the conceptual foundation provided by Dr. Amartya Sen and Dr. Mahbub ul Haq. The HD approach puts people at the centre of the development agenda, where economic growth and wealth are considered means to development, rather than the end by itself. In the words of Sen, “the twin recognition that human beings can 1) fare far better, and 2) do much more to bring this about may sensibly be seen as the two central thesis of the human development approach”, (HDR 2012-13). Accordingly, purpose of development is to improve human lives by not only enhancing income but also by removing the obstacles to what a person can be and do in life, such as lack of income, illiteracy, ill health, lack of access to resources, or lack of civil and political freedoms.

It is now widely acknowledged that social capital is having far reaching impact on the development of human capital in a society (Bourdieu 1986, Coleman
Well connected parents and social ties can enhance the possibilities for individuals to obtain better education, training, and skill. It facilitates greater investment in public education system, greater community participation in the management of educational institutions opens up new avenues of skill development and provides greater access to credit. Narayan and Pritchet provide evidence that social capital is associated with higher levels of parental participation in schools and higher level of school quality. In high trust societies employee hiring decisions are more influenced by educational credentials than by kinship or personal association leading to better returns on human capital investment. Education and human capital development, on the other hand, also lead to better social capital attainment. Better educated ones are generally able to involve in diverse networks that are rich in resources.

Individuals cannot flourish alone. Individuals are bound up with others. Social institutions affect individuals’ identities and choices. Being a member of a healthy society is an essential part of a thriving existence. An integrated society relies on effective social institutions that enable people to act collectively, enhancing trust and solidarity between groups. These institutions include formal nongovernmental organizations, informal associations and cooperatives, as well as norms and rules of behaviour. They influence individual human development outcomes, social cohesion and social stability (HDR 2013-p-35). The development of social institutions that are favourable for human flourishing is essential for the development of any society.

A question that is constantly raised regarding the two is whether human capital or social capital that is more important in accessing of resources. Several studies show that in most societies social capital is as important as human capital and in societies characterized by low human and economic development social capital turns out to be more important than human capital. Boxman and Flap (1991) found that human capital had its greatest effect on income when social capital was low and human capital had its least effect on income when social capital was high. Therefore what studies reveal is that in status attainment process and accessing of resources, who you know is at least equally important as what you know.
3.15. Social capital and collective action

Social capital is considered an important determinant of the ability of a society to take collective decisions and undertake mutually beneficial collective action. The key components of social capital like trust, networks, norms and shared values facilitate co-operation among people (Fukuyama 1995; Dasgupta 2005). Networks are instrumental in locating collective action opportunities and providing information regarding reliability and reputation of parties. Social capital instills trust among actors as it increases potential cost of opportunistic behaviour. There is significant agreement that social capital plays a useful role in enabling collective action initiatives (like SHGs) to operate (Ibrahim 2006; Shortall 2008). Social capital nurtures trust and reciprocity, helps group members to reach collective decisions, permits information sharing, and provides social protection. It also enhances the bargaining power of individual members of the group, in addition to enhancing their new individual and collective rights (Ibrahim 2006; Putman 2000). By fostering robust norms of reciprocity and fair dealings it reduces cost of cooperation. Collective action and decision making attains particular importance in rural settings where common property resources, such as water, forestry or grazing land, need to be managed by a community. Studies reveal that trust and perception of shared values have a key role in addressing collective action requirements.

Communities with high internal homogeneity exhibit better cooperative capacity. Chrztiaan Grootaert in his study of Indonesia observes that: “the highest participation in collective action comes from members of internally more homogeneous organizations”, and “the ability to organize collective action is more a function of trust and a shared perception of a common good. It stands to reason that this is more readily achieved among people who are kin or share religious convictions”, (Grootaert, 1999, p.46).

Grootaert also observes that compared to the poor, wealthier households are less inclined towards participating in collective action. Trust is considered highly significant as it has a direct bearing on peoples’ expectation regarding the sharing of collective benefits.
3.16. Social Capital and Economic Development

There is a growing consensus among researchers that social capital is an important factor contributing to economic advancement and wellbeing of a society. They are of the view that traditional composition of natural capital, physical capital, and human capital needs to be broadened to include social capital. Social capital refers to the internal social and cultural coherence of society, the norms and values that govern interactions among people and the institutions in which they are embedded. Social capital is the glue that holds societies together without which there can be no economic growth or human well-being. Much of the literature which focuses on social capital and economic development highlights a correlation and attributes a causal relationship between social capital and economic development. Creation and use of social capital is considered to be one of the emerging tools of development programmes. Researchers across disciplines are of the view that social capital has a bearing on development.

In the words of Michael Woolcock, “In economics, Nobel laureate Douglass North (1990) argued that formal and informal institutions (the legal structures and normative “rules of the game”) were crucial to understanding economic performance. In political science, Robert Putnam (1993) showed that the density and scope of local civic associations laid the foundations for the widespread dissemination of information and social trust, thereby creating the conditions underpinning effective governance and economic development. (See also Fukuyama, (1995). In sociology, Peter Evans (1992, 1995, and 1996) demonstrated that whether a State was “developmental” or “predatory” was crucially dependent on both the capacity of its public institutions and the nature of State-society relations. By the late 1990s, the development literature on institutional capacity, social networks, and community participation inspired by these works began to coalesce around a general framework loosely held together by the idea of “social capital.”

Knack and Keefer (1997) show that a one-standard deviation increase in a measure of country-level trust increases economic growth by more than one-half of a standard deviation.
Studies identify the means through which social capital may facilitate improved economic performance. The model given below shows how social capital would eventually lead to economic prosperity and inclusion.

**Figure 3.2. From social capital to economic prosperity and inclusion**

(Source: Miles and Tully, (2007).)
Putnam suggests that the existence of networks lowers the cost of transactions between members of the community. They also foster norms of reciprocity, improve flow of information about trustworthiness of other members of the community, and reinforce a community culture (tradition) of the worthiness of collaboration. Putnam emphasises the importance of the ‘horizontal’ nature of networks. Flora (1998) and Woolcock (1998), suggest that vertical networks which link a locality to resource centres and organisations at a regional or State level, are essential for the macro forms of social capital necessary for economic development. According to Woolcock, where there are strong intra-community ties and strong extra-community ties, there exists the greatest possibility for economic success. He also suggests that for maximum efficiency, there must be forms of social capital which promote linkages and integrity between civil society with government and a high degree of integrity in the functioning of both public and private organisations.

Fukuyama (1995) observes that high trust societies have many ‘intermediate’ social groups (based on multiple voluntary associations) and exhibit what he calls ‘spontaneous sociability’. This spontaneous sociability is an important factor which enhances economic activity through more effective group behaviour, reduced transaction costs and better access to information. He also suggests that such communities have better opportunities for the creation of larger and more efficient business organisations.

Social capital improves cohesiveness in group behaviour leading to higher productivity and lower costs. It leads to early adoption of better technology and fosters innovativeness. Social capital reduces the possibilities of opportunistic behaviour and the problems related to contract enforcement is minimized. The prevalence of trust and loyalty allows a substantial decrease in transaction costs. Economic agents save on contracting, management and monitoring, as many relationships are informal.

Social relationships facilitate collective action, and in particular informal insurance mechanisms like rotating credit associations. Mutual aid can be a crucial element in societies that lack efficient risk management institutions. They also help
in smoothing various fluctuations of the economic activity. In addition collective action may also involve the production of public goods such as common waste management, often avoiding the problem of incurring high fixed costs.

3.17. Social Capital in Organizations

Leana and Rousseau (2000) describe Organizational Social Capital (OSC) as generalized associability and trust that relies not on knowledge of individuals but on norms and behaviors generally held by those within the social unity. It is an attribute of the organization as a whole, rather than a resource property of particular individual members. It is “a resource reflecting the character of social relations within the organization, realized through members collective goal orientation and shared trust”. OSC is a collective good as opposed to a private property; it focuses largely on the indirect benefits of social capital to its members. Social capital is a resource tightly bound with the organization, it cannot be traded on an open market and it cannot be easily exchanged from one social system to another. As such, social capital could result in firm’s most enduring source of competitive advantage if management can influence its development and appropriate its value (Adler and Kwon, 2002; Moran, 2005).

OSC has two main components: employees’ collective goal orientation – associability – and shared trust. Leana and Buren (1999) define associability as “the willingness and ability of organizational members to subordinate their parochial interests to firm’s collective goals”.

The issue of social capital building at organizational level is rather under developed in social capital literature. Some authors argue that at organizational level, the creation of social capital is not very different from the creation of human capital: it is done through education, and therefore requires investments in training and an institutional infrastructure within which the training can take place. Unlike conventional human capital, which involves the transmission of certain specific skills and knowledge, social capital requires the inculcation of shared norms and values, and it is often brought about through habit, shared experience, and leadership. Domenec Mele (2003) calls for the creation of an ‘organizational
humanizing culture’ for the creation of trust and associability – the key aspects of social capital – inside the organisation. A high level of organisational social capital may lead to:

- Better knowledge sharing, due to established trust relationships, common frames of reference, and shared goals.
- Lower transaction costs, due to a high level of trust and a cooperative spirit (both within the organization and between the organization and its customers and partners).
- Low labour turnover rates, reducing severance costs and hiring and training expenses, avoiding discontinuities associated with frequent personnel changes, and maintaining valuable organizational knowledge.
- Greater coherence of action due to organizational stability and shared understanding.

3.18. Role of social capital in microfinance

The link between microfinance and social capital is stronger and clearer than any other development programme. Finance of any sort is based on information, trust and credit worthiness. Most microfinance clients, as individuals, fail to meet these requirements and so are outside the purview of formal credit. Micro lending to individuals is unattractive to bankers as credit information of clients (who fail to offer collateral securities) is unavailable and the risk of adverse selection is very high. Besides, it is also uneconomical as servicing large numbers of small loans is highly expensive. SHGs formed by banks and microfinance institutions cultivate social capital by facilitating regular interaction and applying peer group pressure and monitoring among members. Social capital so cultivated facilitates microfinance transactions by reducing information asymmetry and replacing conventional collateral requirements with the groups’ social collateral. Social capital formation thus improves the credit worthiness of millions of microfinance clients all over the world. It contributes to the cultivation of trust, community feeling, and mutual dependence during emergency. Monitoring and mutual control by group members contributes to better microfinance performance by reducing the incidence of
defaults. From the part of financier, it also tackles the problem of economies of scale by facilitating allocation of larger advances instead of a large number of small ones.

### 3.19. Social Capital of Business Enterprises

According to Burt (1992), an enterprise’s social capital is made up of relationships within and beyond the firm. Westlund and Nilsson (2005) classify the social capital of an enterprise broadly into two categories as internal and external social capital. Internal social capital signifies team spirit and climate of cooperation existing inside the enterprise. External social capital consists of connections that are related to production, environment and market. Thus according to them, social capital of a firm has four components (see table below).

**Table: 3.1**

<table>
<thead>
<tr>
<th>Internal SC</th>
<th>External SC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production-related</td>
<td>Environment-related</td>
</tr>
<tr>
<td>Links / relations that create and distribute attitudes, norms, traditions etc, that are expressed in the form of: Company spirit, Climate of cooperation, methods of codifying knowledge, product development, conflict resolution etc.</td>
<td>Links / relations to suppliers, product users, partners in cooperation and development</td>
</tr>
<tr>
<td></td>
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</tbody>
</table>


Internal social capital essentially depends on the quality of relationships between the management and work force and among workers themselves. These relationships depend, among other things, on the type of organisation of work,
nature of production process and the knowledge gap existing between managers and workers. A team or work group will not be able to successfully complete its tasks unless there is a certain amount of positive social capital among its members. The organisation can contribute to the creation of group social capital by creating opportunities for repeated interaction among members by convening regular meetings, team building courses, training, internal entertainment etc. However the most important aspect is selection of group members so as to form an efficient group with complementary characteristics and capabilities without any particular personal or social tension among them.

The production related social capital indicates the social contacts with suppliers, other firms and organisations in production related matters including purchasing, transport, product development etc. Such links based acquaintanceship and trust enhances flow of knowledge and information, cuts costs, improve innovative capability and increases the competitive strength of enterprises. Westlund and Nilsson (2005) consider work related contacts, social contacts with local public decision makers and executives, local sponsorship and cooperation with the local university as indicators of environment related social capital. Cost of building and maintaining relationship with customers is taken as indicators of market related social capital.

3.20. Building Social Capital

Social capital has come to be increasingly recognised as a policy instrument which can be used to promote economic inclusion. One among the first to pursue the benefits of social capital as a research and development resource was the World Bank. The World Bank’s Social Capital Initiative (SCI), intended to define, monitor and measure social capital, was established specifically to ‘improve our understanding of social capital and suggest ways through which the donor community can invest in social capital and create an enabling environment in which social capital can be strengthened’ (World Bank 1998).
The creation and promotion of social capital is thus regarded as a holistic social antidote to the problem of economic and social exclusion prevalent among a major part of the third world population.

Building of social capital can be achieved by helping individuals and groups develop social networks, trust and behavioral norms, which, *inter alia*, will improve their own employability, increase opportunities to access employment, and enhance community capacities and capabilities. Social capital can be built or accumulated when people interact in a purposeful manner with each other in families, workplaces, neighbourhoods, local associations and a range of informal and formal meeting places.

According to Tarrow (1996), the state can play a key role in producing social capital especially ‘good’ social capital. However the efficacy of institutional intervention depends on the historical context and the specific requirements of the area and people.

Fukuyama (2002) suggests that in low trust societies the only way to building social capital on a society-wide basis is to strengthen the rule of law and the basic political institutions on which it rests. LEYS (2001) maintains that social capital has declined everywhere where the state has withdrawn from the provision of important community support and development institutions and functions. Development projects undertaken by the state and other agencies based on participatory development approach are found to be effective in social capital formation in various communities. Opportunities for cooperation and collective decision making offered by such projects result in creation of social capital. Boix and Posner (1998) posited theories of social capital as an equilibrium concept; According to him, repeated cooperation increases the available stock of social capital, and high stocks of social capital, in turn, make it possible to sustain social cooperation.

Self help Groups promoted by Governments and NGOs as a means for attaining financial inclusion among the poor are also thought of as creating and strengthening social capital among the deprived millions. Micro finance
organisations make use of this social capital pool as collateral for their lending decisions.

Education has been described as another important means of building social capital in a society as it provides socialization and creates common values and ideas (Fukuyama 2001). Education, especially at higher levels, enables individuals to construct bridging and linking connections, thereby, improving accessibility to diverse resources.

3.21. The Process of social capital formation and learning outcomes for small business

Kilpatrick (1999) examines the role of interactions between individuals in building social capital and the relationship between learning and social capital for small business. He outlines the way in which a small business community develops social capital through individual interactions facilitating collective learning and identifies a more generally applicable process of social capital formation. The sequential stages of the process are:

(1) Personal development- self-confidence, interpersonal and leadership skills: People should understand their own strength and weaknesses and realize their ability to contribute useful ideas to the group to take active part in the process of social capital formation. Assuming leadership roles in the group, developing empathy and improving interpersonal skills of listening are important in this regard. The initial development of self confidence and skills such as leadership through a variety of interactions assists in people ‘getting to know each other’.

(2) Knowing each other as individuals and developing shared values and trust: Knowing each other occurs when members share their personal histories experiences and future aspirations. It creates a sense of freedom and openness allowing frank exchanges and constructive criticism. Knowing each other results in the formation of trust, which makes them regard each other as credible sources of advice and support.

(3) Coming to regard each other as credible sources of support and advice: As people come to know each other, they develop a sense of belonging, and a feeling that all group members could make valued contributions. Only at this stage are they
able to decide whether fellow members and the group as a whole are credible as sources of support.

(4) Commitment to fellow members, or being prepared to ‘put in’: According to Kilpatrick, ‘Commitment’ represents the point at which personal development and ‘getting to know each other’ combine with sufficient reserves of trust between members to result in a commitment to future action. It is at this point that social capital can be used effectively (Kilpatrick 1999).

3.22. Elements of Social Capital

On the basis of his study of Social capital building process by Executive Link™, Kilpatrick analyze social capital into two distinct components namely Knowledge resources and Identity resources.

1. Knowledge Resources: Knowledge resources are a knowledge of who, when and where to go for advice or resources, and knowledge of how to get things done. It comprises of common understandings related to knowledge of people, places, ideas and relationships. This knowledge is drawn from sources internal and external to the community. It includes the knowledge of:

   • The skills, knowledge and affective attributes of others in the community including values. This has both a historic as well as present dimension.

   • The common physical resources of the community including aspects of place, formal and informal networks, procedures, rules and precedents, internal and external resources and sources of information.

2. Identity resources: These are cognitive and affective attributes that allow community members to be able and willing (committed) to act for the benefit of the community and its members. Here interaction creates common understandings related to personal, individual and collective identities. Identity resources build a sense of ‘belonging’ and encourage participation, as well as providing the framework for people to reorient their views of self and others in order to be ‘willing to act’ in new ways.
It includes the role of interactions in:

- Producing and reproducing identities of self, others and place as a product of varied knowledge, skills, values and collective resources;

- Shaping and shifting identity-formation in such a way that facilitates people’s agency, willingness or capacity to act for the benefit of the community, and in new and different roles, including leadership roles, than their previous perceptions of self allowed.

Knowledge and identity resources together enable community members to combine their skills and knowledge (human capital) with the knowledge and skills of others. They are micro level social capital resources, that is, they reside in the individuals in a community.

According to Kilpatrick, personal self-confidence, high level interpersonal communication and leadership skills are a part of identity resources, the willingness and ability to act for the group. As they come to know each other, they develop shared values and trust, a sense of belonging and commitment, and a sense that all group members could make valued contributions, that is, they build identity resources. Coming to regard each other as credible sources of support and advice is a further stage in the building of knowledge resources. Commitment to the collectivity and fellow members or being prepared to ‘put in’ is at the core of identity resources.

3.23. Model of simultaneous building and use of social capital

Based on the composition of social capital as comprising of Knowledge resources and identity resources, the Centre for Research and Learning in Regional Australia have developed a model describing the process of simultaneous building and using of social capital through interactions between individuals. The model is reproduced below:
According to Kilpatrick, participation in activities in a community provides opportunities for interaction, these being opportunities for building social capital and for using social capital to enhance economic or social outcomes. The use of social capital results in changes in knowledge and identity resources. Social capital is dynamic and its quality is constantly changing as interactions improve understanding of resources possessed or values shared.

In his view, all interactions do not build social capital or have positive outcomes to individuals or communities. Production of social capital and benefits depends on the availability and accessing of it through interactions.

**3.34. Quality of social capital used and built in interactions**

The quality of social capital built in interactions depends on the richness of knowledge resources and identity resources embedded in the networks. It is
important that the available resources should be relevant to the purpose of interaction. Quality of social capital depends on the degree to which knowledge resources are shared and this in turn is dependent on the quality of identity resources available.

Kilpatrick (1999) considers the following as important aspects of the quality of social capital:

- The extent and relevance of knowledge of skills, knowledge and values of those within the community (quality of internal networks).
- The extent and relevance of knowledge of skills, knowledge and values of people external to the community (quality of links between internal and external networks).
- The degree of shared experience and understanding of aspects of history - personal, community, precedents (historicity).
- The extent to which shared visions (futuricity) reconcile historical experience.
- Ease of communication (physical sites, rules, procedures and degree of shared language).
- The extent to which norms, values and attitudes are shared.
- The degree to which participants build each others’ self confidence or encourage positive identity shifts.
- Levels of trust and commitment.

3.35. Social capital of community and society

Individual interactions among community members build up the social capital stock of the community. These interactions are based on the social capital of the community and wider society to which they belong.

Kilpatrick identifies two kinds of community and societal level social capital that is utilised and fostered through interactions: Interactional Infrastructure and Value or Attitudinal Infrastructure.
Interactional infrastructure consists of networks that enable identification of parties with whom to interact, possible meeting places and opportunities, and guides for interaction in the form of procedures and leadership. It is similar to knowledge resources at individual level.

Value / attitudinal infrastructure implies the degree of trust and sharing of norms, values, attitudes and vision that underlies all interactions and determine the ease and efficacy of such interactions. It is similar to the micro level identity resources. Kilpatrick observes that Individuals’ knowledge and identity resources and community and societal social capital resources are interdependent.

**Linking and cross-cutting connections**

Linking connections enable the members of a community to access resources that are not available within the community. External interactions are necessary to cope with changes that occur in the environment. Kilpatrick observes that a community which has access to knowledge and identity resources from the broader society has a wider pool of social capital upon which to draw for various purposes, and so is more resilient to ‘shocks’ and can achieve better outcomes. Kilpatrick suggests a model describing how the individual, micro level social capital, made up of knowledge and identity resources, interacts with community level (meso) and societal level (macro) social capital. Macro level social capital can be thought of as collective interactional and values infrastructure.

According to Kilpatrick, the quality of social capital built at individual level is influenced by the quality of social capital present at community and societal levels, which in turn, is built and sustained by interactions at micro level.
3.36. Avenues of Social Capital Formation

Social capital formation takes place on platforms where people get opportunities to interact with others sharing similar values, norms and identity, resulting in the expansion of the radius of trust. Some such arenas that create and sustain social capital are briefly discussed below:

3.36. a. Religion and Social Capital

Religion is perhaps the biggest form of social capital in the world. Every individual born on the earth becomes the member of some religion by virtue of birth itself. The members of a religion are expected to follow the norms and customs of that religion and uphold the faith and values promoted by it. The most fundamental web of relationships and understandings to which a person is naturally oriented is mostly embedded in religious beliefs and customs. One’s perception regarding the goal of life, norms to be observed, attitudes to be adopted, values to be promoted,
even the sense of beauty and justice, all are basically governed by religious beliefs. Regardless of its merit or otherwise, it has become an important factor influencing human behaviour. In the words of Coleman, “Religious organisations are among the few remaining organisations in society, beyond the family, that cross generations. Thus they are among the few in which the social capital of an adult community is available to children and youth” (Coleman 1990: 336).

Saguaro seminar on civic engagement in America states that: “Houses of worship build and sustain more social capital – and social capital of more varied forms – than any other type of institution in America. Churches, synagogues, mosques, and other houses of worship provide a vibrant institutional base for civic good works and a training ground for civic entrepreneurs. Roughly speaking, nearly half of America's stock of social capital is religious or religiously affiliated, whether measured by association memberships, philanthropy, or volunteering. Houses of worship run a variety of programs for members, from self-help groups to job training courses to singles’ clubs. Houses of worship also spend $15- to $20-billion each year on social services, such as food and housing for the poor and elderly. Regular religious services attendees meet many more people weekly than non-worshipers, making religious institutions a prime forum for informal social capital building”

Emile Durkheim, one of the early sociologists, regarded community as the essence of religion. Regular worshippers are more likely to create and maintain stronger relationships to the community and uphold religious rules as supreme. More religious communities are likely to develop spontaneous sociability and better cooperation among members and attain speedy improvement in living conditions, provided, they are properly linked to centres of power, resources and opportunities. However, it may also lead to everlasting misery and slavery if used in a way detrimental to the majority as is true of the caste system in India.

Religion provides both interactional infrastructure and attitudinal infrastructure necessary for social capital building. The stipulation regarding periodical assembly of devotees at places of worship, the role of priests, shared
language, manners etc constitute interaction-al infrastructure. The assumption regarding preexistence of norms, values and the shared identity serve as attitudinal infrastructure.

All religions posit rules and regulations to be observed by people in individual and collective life for the benefit of all and the community. In return, it offers a better life after life. Certain religions exercise rigorous ‘system control’ over its members and impose the rules of the game set by it through coercion - a function performed by the Government in modern societies. Viewed in this way, it looks like a primitive type of government that claims to have endowed with the laws of the almighty with authority and responsibility for its observance.

Religious social capital is basically exclusionary in character and so is easily amenable to misuse for selfish ends. People, generally, are more sentimental about their beliefs and religious issues often invite violent responses. This type of danger is very high with religions that promote very strong bonding social capital while discouraging bridges and links.

In Kerala mainly there are three religions namely Hindus, Muslims and Christians. Hindus constitute about 58% of the population while Muslims and Christians come about 22% and 20% respectively. As distinct from other parts of India, Kerala is a state where people of all religions and castes live together in peace and harmony. Keralites are considered very tolerant and respectful to others’ beliefs and customs. A study made by Kerala Sastra Sahitya Parishad (KSSP, 2008), gives some indications regarding the caste and religious orientation of people in Kerala. See tables 3.2 and 3.3 below.
Table: 3.2

Proportions of Keralites describing oneself or others by caste or religion

<table>
<thead>
<tr>
<th>Groups</th>
<th>% of people describing oneself by religion/caste</th>
<th>% of people describing neighbour by religion/caste</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic groups:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Very poor</td>
<td>14</td>
<td>27.2</td>
</tr>
<tr>
<td>Poor</td>
<td>11.6</td>
<td>25.1</td>
</tr>
<tr>
<td>Middle class</td>
<td>8.5</td>
<td>21.7</td>
</tr>
<tr>
<td>High income group</td>
<td>5.9</td>
<td>17.4</td>
</tr>
<tr>
<td>Religion:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hindu</td>
<td>8</td>
<td>22.7</td>
</tr>
<tr>
<td>Muslim</td>
<td>12.9</td>
<td>26</td>
</tr>
<tr>
<td>Christian</td>
<td>11.8</td>
<td>21.4</td>
</tr>
<tr>
<td>Caste:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Backward castes</td>
<td>7.1</td>
<td>22.1</td>
</tr>
<tr>
<td>Forward castes</td>
<td>7.7</td>
<td>22.9</td>
</tr>
<tr>
<td>Scheduled castes</td>
<td>10.1</td>
<td>26</td>
</tr>
<tr>
<td>Scheduled tribes</td>
<td>18.4</td>
<td>24.1</td>
</tr>
<tr>
<td>Political affiliation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LDF</td>
<td>7</td>
<td>21.4</td>
</tr>
<tr>
<td>UDF</td>
<td>12</td>
<td>25.4</td>
</tr>
<tr>
<td>BJP</td>
<td>14.8</td>
<td>26.9</td>
</tr>
<tr>
<td>Total</td>
<td>9.8</td>
<td>23.1</td>
</tr>
</tbody>
</table>

Source: Kerala Sastra Sahitya Parishad (KSSP, 2008) Kerala padanam, p-146.
### Table: 3.3
Some indicators of caste / religious orientation of Keralites

<table>
<thead>
<tr>
<th>Groups</th>
<th>% supporting religion based politics</th>
<th>% supporting caste based politics</th>
<th>% preferring schools of own caste/religion</th>
<th>% who do not approve inter-caste marriage of children</th>
<th>% who do not approve inter-religious marriage of children</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic groups:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Very poor</td>
<td>5.1</td>
<td>4.4</td>
<td>11</td>
<td>25.2</td>
<td>44.7</td>
</tr>
<tr>
<td>Poor</td>
<td>4.3</td>
<td>3.6</td>
<td>10.9</td>
<td>28.6</td>
<td>44</td>
</tr>
<tr>
<td>Middle class</td>
<td>2.8</td>
<td>3</td>
<td>13.3</td>
<td>26.5</td>
<td>40.5</td>
</tr>
<tr>
<td>High income group</td>
<td>3.5</td>
<td>3.3</td>
<td>8.8</td>
<td>21.9</td>
<td>36.3</td>
</tr>
<tr>
<td><strong>Religion:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hindu</td>
<td>3.5</td>
<td>3.6</td>
<td>9.3</td>
<td>31.3</td>
<td></td>
</tr>
<tr>
<td>Muslim</td>
<td>5.5</td>
<td>4.1</td>
<td>13.1</td>
<td>72</td>
<td></td>
</tr>
<tr>
<td>Christian</td>
<td>2.1</td>
<td>2</td>
<td>16.6</td>
<td>37.5</td>
<td></td>
</tr>
<tr>
<td><strong>Caste:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Backward castes</td>
<td>3.2</td>
<td>3.1</td>
<td>9.3</td>
<td>25.3</td>
<td>30</td>
</tr>
<tr>
<td>Forward castes</td>
<td>4.2</td>
<td>4.1</td>
<td>9.1</td>
<td>31.3</td>
<td>37.2</td>
</tr>
<tr>
<td>Scheduled castes</td>
<td>4</td>
<td>4.6</td>
<td>9.9</td>
<td>19.3</td>
<td>23.2</td>
</tr>
<tr>
<td>Scheduled tribes</td>
<td>3.4</td>
<td>3.4</td>
<td>10.7</td>
<td>39.6</td>
<td>42.6</td>
</tr>
<tr>
<td><strong>Political affiliation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LDF</td>
<td>2.4</td>
<td>2.5</td>
<td>9.3</td>
<td>22.8</td>
<td>33.6</td>
</tr>
<tr>
<td>UDF</td>
<td>4.8</td>
<td>4.1</td>
<td>15.6</td>
<td>28.6</td>
<td>49.3</td>
</tr>
<tr>
<td>BJP</td>
<td>11.6</td>
<td>8.6</td>
<td>14.6</td>
<td>38.2</td>
<td>47.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3.7</strong></td>
<td><strong>3.4</strong></td>
<td><strong>11.7</strong></td>
<td><strong>26.5</strong></td>
<td><strong>41.7</strong></td>
</tr>
</tbody>
</table>

Source: Kerala Sastra Sahitya Parishad (KSSP, 2008) Kerala Padanam, p-147.)

123
Though people in general are against caste/religious intervention in politics, they exhibit strong caste/religious orientation while coming to personal and family affairs. 11.7% of keralites prefer own caste/religion school for their children. While 26.5% do not permit inter-caste marriage of children, the proportion is as high as 41.7% (72% for Muslims) for inter-religious marriages. Thus, religion and caste continues to be among the primary concerns of Keralites.

3.36. b. Government and Social Capital

The broadest definition of social capital includes government (Collier 1998, p-6). Government is a formally established form of social capital with a system of internally self enforcing rules under a legal system which makes use of force against free riding. A government is considered legitimate "to the extent that its claim is grounded in moral or political principles generally acceptable to its people and so long as its actions remain consistent with those principles" (Magstadt and Schotten, 1984). Therefore a legitimate government represents the collective social capital of a community backed by the power and capacity for coercion. Laws represent officially accepted norms of behaviour the violation of which shall invite punitive action from the formal monitoring mechanism. With the power of coercion, government addresses the problem of free riding. In the words of Narayan (1999) “a state is not just the state apparatus, but a set of social relations which establishes social order and backs it up with a centralized coercive guarantee within a given territory. Many of these relations are codified in the legal system. The laws and the underlying norms provide society with the most important public goods, namely generalized social predictability and broad equality among citizens (not just political rights, but the right to fairness from the state and the legal system)”.

Through an authoritative organisation structure, it achieves collective action enabling the delivery of public goods and the management of common pool resources on a far larger scale than would otherwise be possible (Collier 1998). It also addresses opportunism through commercial and criminal law. Taxes, in this sense, may be thought of as levies on members towards the cost of running this system of provision of public goods. Thus government policies should obviously
be directed towards the provision of public goods like education, health, sanitation, justice and a host of other common utility facilities and services which cannot be produced through individual effort alone.

Many of the functions of a government may be performed in a similar or better way by informal organisations also. An informal network has fewer resources and rules but more flexibility and, in the literal sense, more sympathy than a formal organization. A formal organization cannot behave like individuals interacting informally, for its employees are officials of a rule-bound formal organization.

In spite of rigid institutional controls, social norms and values play a vital role in shaping individual and social life in any community. In the words of Douglass North, “In the modern Western world, we think of life and the economy as being ordered by formal laws and property rights. Yet formal rules in even the most developed country make up a small (although very important) part of the sum of constraints that shape choices. In our daily interactions with others, whether within the family, in external social relations or in business activities, the governing structure is overwhelmingly defined by codes of conduct, norms of behavior, and conventions” (North, 1990: 36). Thus informal institutions play a complementary role to formal institutions in regulating social life in even modern societies.

In the underdeveloped world, governments in many countries including India has failed to fulfill its due role in providing public goods especially to the poor and very poor. Growth of social capital is often considered an antidote to these deficiencies of the state. Besides, developmental programmes of governments are expected to produce better results if complemented by growth in social capital. Conscious attempts by governments in this direction may be fruitful. Any attempt in this regard should aim at improving the organisational capacity of the poor through their active participation along with the creation of cross-cutting ties and linking connections. The remedy of social capital formation, however, should not be taken by the state as an easy way of discarding the poor to their destiny.
3.36. c. Social capital: Groups and local associations

Associational abundance and increased group membership are considered important aspects of high social capital. Groups in this context are very broadly defined and may refer to: geographical groups (e.g. people living in a specific neighbourhood), professional groups (e.g. people in the same occupation, members of a local association or voluntary organisation), and social groups. According to Portes (1998), “social capital stands for the ability of actors to secure benefits by virtue of membership in social networks or other social structures”. In the words of Grootaert (1999) “at the level of the community, local associations can be a manifestation of social capital”. However, it must be emphasized that social capital and local associations are not synonyms. Social capital can and does exist outside the context of local institutions (whether formal or informal). For example, two neighbors who help each other in times of trouble have social capital but may never embody their bond in an association. Vice versa, the mere presence of an association does not prove the existence of social capital. Local branches of political parties, with mandatory membership, are associations which may display little or no social capital. For that reason, it is important to look at membership conditions (voluntary or not, payment of fees, etc.) and the degree of effective participation in associations before inferring social capital effects”.

The most important indicators adopted for measuring community level social capital includes density of associations, their internal heterogeneity, frequency of meeting attendance, extend of participation in decision making, payment of dues and the community orientation of such associations.

Kerala is often described as a region where high level of associational life has taken place. Researchers point out the synergy between state and civil society social capital of Kerala as the most important reason for its high level of social development. In the words of Heller (1996), “By any account, these development successes are tied to what are clearly exceptionally high level of social capital. Even the most casual observer of Kerala society would be quick to note the sheer density of civic organisations and the vigor of associational life. Keralites of all walks of
life, it would seem, have an irresistible inclination to combine, associate, and organise and to do so without the outbreaks of violent disorder Huntingtonians might have anticipated”. However, more recently, there has been growing criticism on the decline of social participation particularly by the middle class.

3.36. d. Social capital: Political Parties and Trade unions

Rate of political participation is considered an important indicator of the social capital stock of a community (Putnam, 2000). Political parties are entities representing public opinion and social capital and political parties are often considered like natural compatriots. Membership in political parties and political activism provides ample opportunities for social capital building as it facilitates abundant opportunities for interaction with many from various walks of life. It facilitates creation of links with centres of power and sources of scarce resources. Political participation causes the radius of trust to expand and develop generalized trust. Putnam considers the decline in political party membership as an indicator of declining social capital in America.

However, this argument is not without criticism. For example, Katz and Mair (1995) argue that modern political parties have become like cartels. Modern parties are like businesses, controlled from above and forsaking ideological purity. As party membership has fallen, control of the party apparatus has shifted to the parliamentary parties, which have sought greater autonomy from constituency groups.

According to Uslaner (2004), “Party activity is all about building particularized trust (in-group trust) rather than generalized trust. Strongly ideological activists are likely to see co-operating with the opposition as illegitimate”. It is a widely acknowledged criticism that political parties are concerned primarily with winning office rather than protecting public interest. Uslaner observes that “major political parties are elite institutions focused on winning elections and formulating public policies to govern the nation. In each case, social capital may prove to be more of a hindrance than a help to a party’s mission.
Too much participation can push a party to an ideological extreme and make it more difficult for the party to win an election”.

Kerala is known for wide political awareness and participation of people. Trade union activity has been very vibrant in almost all fields including unorganized sector. The major political parties include Communist Party of India (Marxist) leading the Left Democratic Front (LDF), The Indian National Congress and Indian Union Muslim League leading the United Democratic Front (UDF), and the Bharatiya Janatha Party (BJP). A study made by KSSP (2008) in Kerala found that 23.3% of the sample respondents are members of political parties and 16.3% are members of trade unions. Compared to higher income groups (16.7%), lower income groups (24%) are more inclined to party politics. In trade unions, however, the former (20.2%) shows more interest than the latter (16%). The study reveals that in total about 30% of people approach political parties for support while facing problems.

3.36. e. Internet and Social Capital Formation

Internet offers tremendous opportunities for social capital formation as it provides the media for communicating and sharing one’s views and ideas with numerous like minded people living all over the world at a very low cost. Social networking sites like Facebook, MySpace, Orkut, Twitter, whatsapp, etc are fast becoming the most vibrant social networks through which opinion formation takes place on a large scale. These are virtual networks that enable people to create both bonding and bridging social capital. Unlike face to face interaction, people can instantly connect with others in a targeted fashion by placing specific parameters with internet use. This means that individuals can selectively connect with others based on ascertained interests, and backgrounds. These networks may bring huge benefits to individuals as it does not have any kind of limitations pertaining to face to face interaction like time, place, proximity etc, of course, with a potential dark side. However, internet and social networking sites has also become a target for criticism. The major criticisms are:
1. The internet tends to replace strong bonding connections of people with online weak ties or “with socially empty interactions with the technology itself”.

2. Internet and social networking may erode the breadth and diversity of social relationships- it may create a world of “narcissism of similarity,” where sociability is reduced to interactions between those that are similar in terms of ideology, race, or gender.

Because of the vast potential of these media in mobilizing public opinion and arousing community action, even some national governments are behind some of these sites in the name of maligning contents.

3.36. f. Self Help Groups and Social Capital Formation

A Self Help Group (SHG) is an informal organisation of upto 20 people from the poorer section of the society, organised, owned, operated and controlled by the members, based on solidarity, reciprocity, common interest and resource pooling which are considered the key elements of social capital of a community. Thus the very foundation of self help groups rests on social capital. More than any other development programme the link between microfinance and social capital is stronger and clearer. Social capital cultivated through peer group pressure and monitoring replaces conventional collateral requirements and improves credit worthiness of millions of clients especially women. Along with that it also contributes other benefits such as greater sense of community, trust, reliance on each other in times of crisis, sharing of information, skill up-gradation, better decision making and bargaining power, within family and in community and creation of support system. (CIDA:1999-quoted by Basargekar 2010,p.29).

Oommen (2007), in his study of Kudumbashree in Kerala, found significant improvement in most social capital indicators including willingness to cooperate, mutual trust, trust and cooperation with members of local self governments. The study found that a major part of SHG members involve in active interaction in the group and are ready to help each other and contribute some money and work
voluntarily for the benefit of other members. The study indicates that the promotion of SHGs can be an effective strategy for building social capital.

In the words of Sinha et al (2006), “SHGs which were originally established to produce economic benefits for members eventually became an associational framework for collaborative actions that produce public goods”.

According to Ajay Tankha (2002), “Apart from accessing funds from the formal financial sector, SHGs can also become a forum for dissemination of development ideas and information, an association for community mobilisation or an organisational unit for linking up with other economic, social and political interventions”.

SHGs provide a platform for voicing the needs of the poor and exercising their collective capabilities towards their attainment. Groups can pool scattered individual resources thereby enhancing their productivity. SHG networks can act as powerful linkages to strengthen this process of empowerment. According to Sinha et al, “SHGs are initially formed on the foundation of the accumulated endowment of bonding social capital already existing in the community. The social capital produced by the SHG as it matures through creation of new ties and linkages, strengthens the community’s cooperative capacity to the achievement of group government. When the SHGs grow they begin to articulate the community demands as they become aware of their rights and therefore attitude of the government bureaucratic officials changes and they become more responsive to the needs of the community i.e., with the maturity of SHG the state-society relationship begin to change at the local level towards the better” (Sinha Frances et al (2006).

Thus, SHGs promoted primarily with the objective of poverty alleviation has been recognised as a means of attaining social capital formation among the deprived millions. Creation of social capital plays a very vital role in creating collective consciousness amongst disempowered women. Though group formation was considered a way of providing credit information and ‘social collateral’ for micro-loans, it has eventually become an instrument for social mobilisation enabling mutually beneficial collective action.
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